RATOS

Annual and Sustainability Report 2022

It's All About People

2022

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Ratos's world

Ratos – a group focused on infrastructure and technological solutions

Ratos's business concept is to own and develop companies that are or can become market leaders. We have a distinct corporate culture and strategy – everything we do is based on our core values:

- Simplicity
- Speed in execution
- It's All About People

SEK 30 billion
in sales

SEK 2.0 billion
in adjusted EBITA

15,100
employees

Number of employees includes Aibel

Ratos enables independent companies to excel by being part of something larger. People, leadership, culture and values are key focus areas.

The year in review

Strong organic sales growth, strategic platform acquisitions and business to be proud of.

In 2022, Ratos completed three strategic platform acquisitions in infrastructure and technological solutions. Several existing companies continued their expansions through add-on acquisitions, and business to be proud of was carried out at the same time as the climate footprint in Ratos's parent company and several Group companies was reduced.

January

Speed Group signs framework agreements with two of Sweden's largest companies
The framework agreements pertained to staffing solutions, were strategically important for Speed Group's continued growth and value creation, and were signed with customers who have been loyal to Speed Group since the company was founded in 2004.

HENT signs major collaboration contract with FREYR for new battery factories in Norway
The contract pertained to the construction of new factories in the city of Mo i Rana to manufacture batteries that will reduce CO_2 emissions from the rapidly expanding global market for electric mobility.

Speed Group

February

Plantagen acquires Flyinge Plantshop
Plantagen carried out an add-on acquisition that is entirely in line with Ratos's acquisition strategy. 50% of Flyinge Plantshop's sales come from corporate customers, and both the product range and customer base in Plantagen were expanded through the acquisition. The company's position as the leading garden centre for private and corporate customers in the private and public sectors is being strengthened.


Diab

Diab reduces its carbon footprint by 46%
In 2016, Diab set out on a journey to reduce its carbon footprint as part of its commitment to meeting the global reduction goals. In 2018, Diab had its targets approved by the Science Based Targets initiative (SBTi), making it the first company in its industry to do so. Diab successfully reduced its carbon footprint by 46% between 2016 and 2021 and is continuing its efforts to make further reductions.

SSEA Group wins new deal in Gothenburg
Vestia, a subsidiary of SSEA Group, signed a partnering contract with Aspelin Ramm for construction of the office property Parkhus 4 in Mölndal. The contract amount was SEK 240 m and completion is scheduled for spring 2024. Vestia will lease one storey in the property to establish a new head office, which will facilitate continued growth in an inspiring office environment.

Aibel extends Equinor agreement
Equinor extended its agreement with Aibel for maintenance and modification services on the Norwegian continental shelf. Aibel estimates that the value of the extension is approximately NOK 5.5 billion. Aibel and Equinor will continue to work on several common objectives, and there will be a strong focus on low-carbon deliveries.

Speed Group reduces its carbon footprint by 40% compared with the preceding year
This means the company is ahead of schedule in its ambition to be carbon neutral by 2025. One factor that contributed to this reduction in emissions is that Speed Group has divested a number of energy-inefficient properties and optimised the warehouse space in the rest of its portfolio. Emissions from fossil fuels have also declined as the company's vehicle fleet has transitioned to electric vehicles. In October 2021, the Nordic region's largest rooftop photovoltaic system was also installed at Speed Group's facilities in Borås.

March

Ratos acquires NVBS and Ratatek – creates Nordic challenger in railway infrastructure
NVBS will become a Nordic platform company for Ratos in the attractive and growing railway infrastructure market, with a presence in Sweden, Finland and Norway. Maintenance and upgrades of critical infrastructure is an attractive and growing niche in which Ratos established a position in road maintenance in 2021. The acquisition of NVBS broadened the offering into the railway market.

Changes to leadership of Oase Outdoors
Then-CEO and co-founder of Oase Outdoors, Henrik Arens, resigned from his role as CEO and Henrik Bernth was appointed as the new CEO. Henrik Arens was elected the new Chairman of the Board.

TFS HealthScience expands and establishes new US office
As the centre for funding of biotech and pharma studies, the US market is a prioritised growth market for TFS HealthScience. TFS HealthScience operates globally and the new establishment marked a milestone in its growth journey.

April

Johan Arvidsson appointed new CEO of Diab
On 19 April, Johan Arvidsson was appointed the new CEO of Diab (he assumed the role on 1 October).

May

On 19 May, the Ratos Summit was held for the first time (or the third time, which was the charm, if the cancellations during the Covid years are counted).
The theme of the all-day event for the Boards of Directors, CEOs and management teams of Ratos's Group companies – as well as the employees of Ratos's parent company – was "Part of something larger". The plan is to hold the event on an annual basis.

June

HENT signs major contract – builds office premises in Stavanger
HENT became general contractor for the Valhall project. By 2025, some 70,000 square metres of office premises will be completed in Stavanger. The project is worth NOK 2 billion and will be carried out with HENT as general contractors after a collaboration phase within HENT's "Project agreement model". Ratos strongly believes in partnering and collaboration in construction contracts. Partnering leads to more satisfied customers and lower total costs for customers. In line with the foremost sustainability standards, the building will be certified as BREEAM Excellent and WELL GOLD and thus become an office building adapted to current and future sustainability requirements.

HENT

Ratos strengthens its cash position to enable its continued growth journey – divests all shares in Dun & Bradstreet

NVBS acquires TKBM Entreprenad AB
TKBM has its operations in and around Stockholm and the acquisition marks a further advance for NVBS's growth journey. TKBM is a strong company in cable and trunking installations.

NVBS

Ratos makes major investment in new platform – acquires majority stake in Knightec and enters into partnership with co-founder and CEO Dimitris Gioulekas.
Knightec was founded in 2003 and has experienced strong growth ever since, mainly generated organically but also through strategic acquisitions. The company stands out thanks to its rapid rate of change and industry-leading profitability. Through its unique customer offerings and strong community involvement, Knightec has established a strong market position in technology, design and digitalisation of products and services. Knightec is an excellent start to the focus on this sector, which will be an important area for Ratos going forward. Through this acquisition, Ratos gained exposure to the growing consultancy industry.

July

Aibel

Aibel wins major offshore wind contract in the Hornsea 3 project

Aibel was awarded a contract by the world leader in offshore wind, Ørsted, for two platforms for the Hornsea 3 project in the UK sector of the North Sea. Each platform represented a major contract (valued at over NOK 2.5 billion) for Aibel. The project is the single largest offshore wind project in the world.

Presis Infra awarded new contracts valued at NOK 2 billion

During the first half of 2022, Presis Infra was awarded new contracts amounting to NOK 2 billion. A total of eight new contracts were signed with existing customers, with terms from 2022 to 2027. Two of the contracts are so-called green contracts, where a proven ability to reduce the project's climate impact is an important factor in the procurement process, along with price and understanding of the assignment. With these new contracts, Presis Infra has secured all of the green contracts announced in the Norwegian market over the past few years.

August

Jesper Lien appointed new CEO of Plantasjen Group

On 18 August, Jesper Lien was appointed the new CEO of Plantasjen (he assumed the role on 22 August).

September

Ratos announced a recommended cash offer to the shareholders of Semcon AB, and Ratos's intent to acquire the technology consultancy company Semcon became public.

October

Speed Group acquires Scandi Terminal

With the acquisition, Speed Group's customer offering was further expanded through the addition of warehousing, transport and repackaging of bulk products.

On 5 October, Jan Krepp was appointed the new CEO of KVD

On 10 October, Jesper Andersson was appointed the new CEO of Speed Group

HENT builds FREYR Battery's Giga Arctic battery factory in Mo i Rana

HENT will be responsible for planning, project administration and constructing the first battery factory, with floor space of 120,000 square metres. The annual manufacturing capacity is estimated at 29 GWh. Giga Arctic is yet another landmark to be proud of in HENT's portfolio. This is an important project for society at large, since the factory will produce batteries that reduce global CO_2 emissions, which will contribute to the transition towards a sustainable society.

Ratos receives competition clearance for the acquisition of Semcon

Kiruna

airteam acquires Grundströms Plåt i Kiruna

Grundströms Plåt i Kiruna is a profitable ventilation company and sheet metal workshop that carries out ventilation projects in renovations, expansions and new construction for companies in the mining industry as well as for construction projects and existing properties. The acquisition expanded airteam's geographic presence and customer base, thereby broadening its offering to the industry.

Ratos announces the final outcome in its recommended cash offer to the shareholders of Semcon

Ratos completed its recommended cash offer to the shareholders of Semcon and extended the acceptance period.

November

SSEA Group acquires Kiruna Målbygg AB

SSEA Group, which opened an office in Luleå earlier this year, further strengthened its presence in northern Sweden by acquiring the local construction and painting company Kiruna Målbygg.

SSEA signs contract with the Swedish Police Authority and Hemsö to build a new police building in Borlänge

The agreement is a collaboration contract and includes project development and production. The finished premises will comprise 20,000 square metres, and the building will be customised according to the Swedish Police Authority's need and requirements.

SSEA

Ratos announces the final outcome in its recommended cash offer to the shareholders of Semcon

Aibel secures major assignment at Aasta Hansteen
Aibel was awarded a major contract by Equinor for extensive modifications and preparation of the Aasta Hansteen platform for tie-in of the Irpa field (previously Asterix). Aibel described the contract as "large", a term used by Aibel for agreements in the range of NOK 1.5 billion to NOK 2.5 billion.

Aibel awarded extended framework agreement at Johan Sverdrup in the North Sea
Equinor decided to extend the maintenance and modification agreement (M&M) at Johan Sverdrup for the period 2023 to 2026. Aibel described the agreement as a significant agreement. Aibel uses the term "significant" for agreements where the value for Aibel is between NOK 0.5 billion and NOK 1.5 billion.

December

Jotun HullSkater working underwater, Semcon

Acquisition of Semcon completed
The acquisition of Semcon marked another step in Ratos's strategy to establish a more homogeneous Ratos Group, which includes further acquisitions and divestments. Ratos had followed Semcon for a long time, and was impressed with the performance of the company and the competence of its employees in recent years. Semcon has undergone significant structural changes and is now a more profitable and diversified company.

HL Display acquires Allied POS
Allied POS is a leading provider of point of sale (POS) solutions in Ireland. With this acquisition, HL Display consolidated its market position and route to market in Ireland. In addition, the acquisition strengthened HL Display's position as the leading supplier of in-store merchandising and communication solutions to grocery retailers in Europe.

Aibel wins contract for the construction of unmanned platform on the Norwegian continental shelf
Aibel was awarded a contract by Aker BP for construction of the Munin platform, which will extract oil and gas on the Norwegian continental shelf. The contract was valued at around NOK 7 billion and pertained to responsibility for engineering, procurement and construction. Munin will be the first process platform on the Norwegian continental shelf designed from start for ordinary operation without a crew. At most, the project is expected to employ 300 people.

Strategic platform acquisitions in Ratos

NVBS

In March, Ratos announced the acquisition of NVBS and Ratatek, and the creation of a Nordic challenger in railway infrastructure. NVBS will become a Nordic platform company for Ratos in the attractive and growing market for railway infrastructure, with a presence in Sweden, Finland and Norway.

Maintenance and upgrades of critical infrastructure is an attractive and growing niche in which Ratos established a position in road maintenance in 2021. The acquisition of NVBS broadens our offering to the expansive railway market – a market where NVBS, along with Ratatek, has excellent prospects for continued organic and acquisition-driven expansion.

NVBS is a fast-growing player in maintenance, upgrades and construction of critical railway infrastructure in Sweden and Norway. The company specialises in rail-related services, including groundwork, track, electrical, signal and telecom.

Ratatek specialises in overhead contact lines

Ratatek specialises in the design, installation and maintenance of overhead contact lines and electrical systems on tram tracks and railways, with operations in Finland and Sweden. The company already has a successful partnership with NVBS in the Swedish market.

The acquisition of NVBS and Ratatek is a good match for the Construction & Services business area and will also contribute to, and be able to leverage, soft synergies with other companies.

Knightec

In June, it was decided that Ratos would invest billions of Swedish kronor in a new platform through the acquisition of Knightec.

Knightec was founded in 2003 and has experienced strong growth ever since, mainly generated organically but also through strategic acquisitions. The company stands out thanks to its rapid rate of change and industry-leading profitability. Through its unique customer offerings and strong community involvement, Knightec has established a strong market position in technology, design and digitalisation of products and services.

Beginning of investment in the technology consultancy sector

Knightec's strong position makes it an excellent start to Ratos's focus on the technology consultancy sector, which will be an important area for Ratos going forward. Through this acquisition, Ratos gained exposure to the growing consultancy industry, in which the company already has solid experience. Knightec will remain a driving force in the digital transformation towards sustainable products and services.

Advanced projects in technology digitalisation

With over 800 employees across Sweden, Knightec specialises in advanced projects that straddle technology, design and digitalisation. Its customers include large corporations with a leading position in various sectors, such as automotive, pharmaceutical, medical technology, finance, telecom, media and security.

Semcon

In late September, Ratos took the next step into the technology consultancy industry through the publication of its offer for Semcon. The acquisition of Semcon marked another step in Ratos's strategy to establish a more homogeneous Ratos Group, which includes further acquisitions and divestments.

A profitable and diversified company

Ratos had followed Semcon for a long time, and was impressed with the performance of the company and the competence of its employees in recent years. Semcon has undergone significant structural changes, and is now a more profitable and diversified company. Ratos was also attracted by Semcon's offering and strong brands. The transition to a more sustainable society will result in continued strong demand for engineers and highly qualified services in Swedish industry.

Goal: become a market leader in the Nordics

With Ratos as the owner of Semcon, significant added value will be created for Semcon's employees and customers as well as for Ratos. Ratos's long-term goal is for Semcon to be a market-leading technology consultancy company in the Nordics in terms of both growth and profitability. Our ownership model is based on the fact that we can provide the company with a fast and simple management model with a focus on increased customer value and value creation.

Elaboration: Three examples of business that made a difference during the year

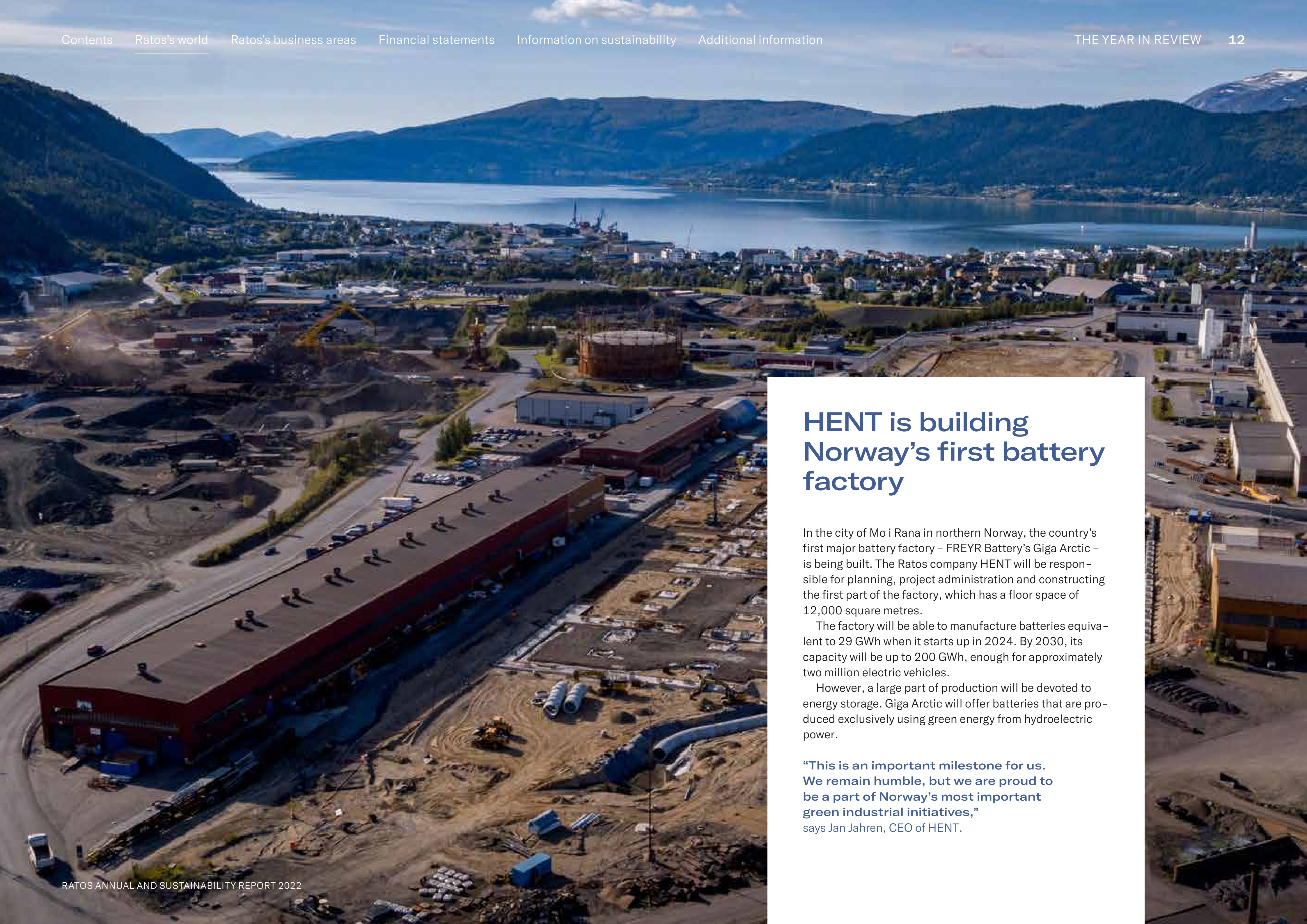
Aibel is a key supplier to the world's largest facility for offshore wind

In the North Sea, Ørsted is building the world's largest off-shore wind farm. In 2022, Aibel was awarded a contract for two platforms in the project. Each platform represented a value of NOK 2.5 billion. The contract means that Aibel will be responsible for engineering, procurement, construction and installation in the delivery of solutions for energy transmission.

"We are proud and honoured to have entered into a new collaboration with Ørsted – a relationship that has matured over the last three years,"
says Aibel's President and CEO, Mads Andersen.

Green energy to three million UK households
The Hornsea platforms are expected to produce enough energy to meet the average daily needs of over three million UK homes. This contract confirms Aibel's position as a leading supplier of solutions for transmitting offshore wind energy. It also demonstrates Aibel's transformation from the fossil fuel industry to renewable energy sources.

"Our order backlog now holds approximately 60% of projects related to offshore wind and electrification of energy infrastructure,"
says Aibel's President and CEO, Mads Andersen.



HENT is building Norway's first battery factory

In the city of Mo i Rana in northern Norway, the country's first major battery factory – FREYR Battery's Giga Arctic – is being built. The Ratos company HENT will be responsible for planning, project administration and constructing the first part of the factory, which has a floor space of 12,000 square metres.

The factory will be able to manufacture batteries equivalent to 29 GWh when it starts up in 2024. By 2030, its capacity will be up to 200 GWh, enough for approximately two million electric vehicles.

However, a large part of production will be devoted to energy storage. Giga Arctic will offer batteries that are produced exclusively using green energy from hydroelectric power.

"This is an important milestone for us. We remain humble, but we are proud to be a part of Norway's most important green industrial initiatives,"
says Jan Jahren, CEO of HENT.

SSEA builds new hospital for Ersta Diakoni

SSEA specialises in large, technically complex projects in public sector buildings, hotels, offices, and retail. The Ersta nya sjukhus (Ersta New Hospital) project, an SEK 2 billion investment for the client Ersta Diakoni, is currently in progress. After move-in during 2023, the hospital will be able to receive 100,000 patients per year.

Collaboration contracts – a model for the construction industry of the future

SSEA is a leading player in collaboration and partnering contracts, which involve the client and the contractor jointly drawing up guidelines for how the project is to be carried out. The collaboration form is used in conjunction with technically complex projects, or projects with numerous uncertain factors that are difficult to define prior to procurement.

"Historically, customers have felt that there were few alternatives when they procured major projects, so they appreciate increased competition."
Christian Wieland, CEO of SSEA Group

A strong year and further progress toward a homogeneous group

During the year, adjusted EBITA increased 9% and organic growth amounted to 8% in the Group. The final quarter of the year was even stronger, with adjusted EBITA up 41% and organic growth of 12%. The companies in the Group performed well and experienced favourable demand, with the exception of the weak demand noted in the wind power industry and parts of the consumer segment. We had a record-breaking order intake and ended the year with our strongest order books to date. This is a strong position given the uncertainty characterising the market, with the pandemic followed by a war close to our borders that has resulted in enormous human suffering and negative economic effects across the globe. We are proud that we are still standing strong and delivering in line with our financial targets.

Acquisitions

Going forward, we will continue to focus on infrastructure and Industry, and the platform acquisitions carried out in 2022 and 2021 are paving the way in these areas. I'm pleased to report that the platform acquisitions we conducted in 2021 displayed EBITA growth of 35% in 2022.

Three platform acquisitions and six add-on acquisitions in infrastructure and Industry were carried out in 2022. Engineers and new technological solutions will play a vital role in the transition to a more sustainable society – a transition that will require significant resources and be a profitable investment. The path towards a more unified structure will involve both sales of Group companies and acquisitions and will enable us to maintain a strong balance sheet. Add-on acquisitions, which are generally carried out at lower values, also give rise to synergies.

Synergies between companies

During the year, we saw several examples of synergies created by and between the Group's companies. The companies are increasingly taking advantage of the networks created through various Ratos initiatives, such as CEO meetings and leadership programmes. This includes everything from sharing goods and services to utilising best practice for shared processes. We have also observed the value of mirroring the boards of companies in the same industry segments. For example, the CEOs of our construction and technology consultancy companies serve on each other's boards, and we know that knowledge sharing offers considerable value.

Sustainable business

Over the past year, several high-profile contracts were secured in the Ratos Group that will accelerate the transition to a more sustainable society. To name a few examples, we are proud that Aibel has become a key supplier to the world's largest facility for offshore wind in the North Sea and that HENT is building Norway's first battery factory, FREYR Batterys Giga Arctic. The latter marks the start of a new green industry in Norway.

We also continued our collaboration in the Group concerning the EU Taxonomy and other upcoming legislation. These issues are important from many perspectives and are vital for Ratos's appeal as an investment. I am confident that we are in a good position to meet the new, more stringent regulatory requirements in the area of sustainability that will be introduced in 2023.

Aibel's listing

In 2021, Ratos announced that the company, together with the other owners, was considering the possibility of diversifying Aibel's ownership, preferably through a listing on the Oslo Stock Exchange. Since then, while Aibel's earnings, order book and balance sheet have improved significantly, the financial markets and climate for stock market listings have deteriorated. Ratos, together with the other owners, has therefore decided to postpone the potential listing of the company.

Focus for the coming year: infrastructure and Industry

A year ago, I summarised 2021 as a turbulent year, mainly due to the pandemic. 2022 turned out to be even more challenging, with a war close to our borders, high inflation and declining demand in parts of the consumer market. Despite this, Ratos delivered a strong performance for the year, with organic growth and strategic acquisitions on our path to becoming a more homogeneous group. Our acquisitions during the year were once again carried out within infrastructure and the Industry business area. These areas will be our focus going forward.

In conclusion, I would like to thank everyone who contributed to Ratos's successful journey during the year.

Jonas Wiström
President and CEO

Development of our business areas

Construction & Services

48% sales

88% EBITA

Net sales for the full year amounted to SEK 16,901m, a year-on-year increase of 48%. This increase was driven by strong organic growth of 16% and by Ratos's continued investments in critical infrastructure through acquisitions.

EBITA for the full year amounted to SEK 1,276m, up 89%. The EBITA margin was 7.6% (5.9). This earnings improvement was attributable to a positive trend in both the construction operations and critical infrastructure.

Demand in critical infrastructure remained favourable. Demand in construction services was also favourable, even though the market was impacted by higher construction costs and interest rates. This continued favourable demand was partly due to the low (less than 3%) exposure to housing construction. The business area mainly builds properties for the state and municipalities. The order books were at record-breaking levels and the order intake remained strong.

A platform acquisition (NVBS) was carried out in the business area during the year. In March, Ratos signed an agreement to acquire 74% of NVBS Rail Group Holding AB (NVBS). NVBS will become a Nordic platform company for Ratos in the attractive and growing railway infrastructure market, with a presence in Sweden, Finland and Norway.

Consumer

12% sales

–50% EBITA

Net sales for the full year amounted to SEK 6,986m, a year-on-year increase of 12%. Organic growth amounted to 1%. The consumer market was impacted by the high level of inflation, with a decline in purchasing power and general concerns.

EBITA for the business area amounted to SEK 424m (845) The EBITA margin was 6.1% (13.6). This deterioration in earnings was mainly attributable to Plantasjen, which had lower sales and higher energy and warehousing costs. To adapt to the higher costs in Plantasjen, a cost-savings programme was implemented during the fourth quarter, which is expected to offset these higher energy and logistics costs. KVD incurred costs in the fourth quarter for a restructuring programme that is expected to reduce its operating costs by approximately SEK 50m.

Industry

22% sales

3% EBITA[1)]

Net sales in the business area for the full year amounted to SEK 6,002m (4,913), a year-on-year increase of 22%. Organic growth was -1%.

Adjusted EBITA for the business area amounted to SEK 445m (432). The EBITA margin was 7.4% (8.8). The improvement in earnings was mainly attributable to the acquired companies Knightec and Semcon. Profit in the first quarter was charged with restructuring costs of SEK 130m for Diab. Demand in the wind segment deteriorated further, while the markets for other segments were strong. The prevailing uncertainty in the market continued during the year, with inflation and high energy and raw material costs.

Two platform acquisitions were carried out in the business area during the year: the consultancy companies Knightec and Semcon. Knightec specialises in advanced projects that straddle technology, design and digitalisation. Its customers include corporations with a leading position in various sectors, such as automotive, pharmaceutical, medical technology, finance, telecom, media and security. Semcon is an international technology company that helps its customers transform technology into unique user experiences by combining physical and digital solutions.

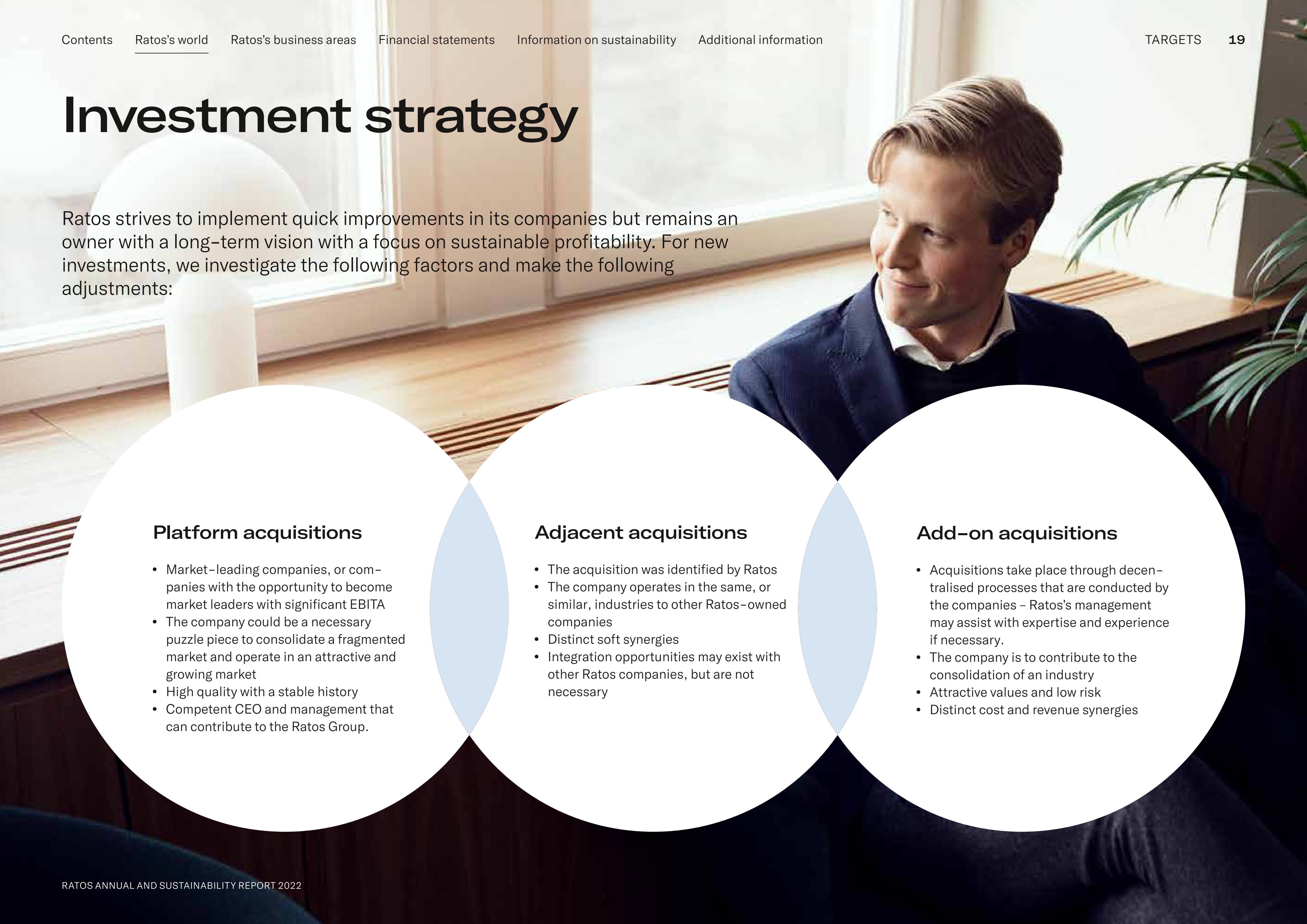
1) Adjusted EBITA

Targets and target fulfilment

On 8 February 2021, the Board of Ratos decided on new financial targets based on the previously announced decision to shift the direction of the operations towards a more long-term business group. Ratos currently has an "eternal" ownership horizon and invests to build value over the long term.

Financial targets	Targets 2025	Outcomes 2022
EBITA growth	**SEK 3 billion** EBITA is to amount to at least SEK 3 billion by 2025	**SEK 1,966m** EBITA amounted to SEK 1,966m[1)]
Leverage	**1.5–2.5x** Net debt, excluding financial lease liabilities, in relation to EBITDA should normally range from 1.5 to 2.5x	**2.5x** Leverage was 2.5x
Dividend payout ratio	**30–50%** The dividend payout ratio should amount to 30–50% of profit after tax attributable to owners of the parent, excluding capital gains and losses	**41%** The dividend payout ratio amounts to 41%

1) The Group's EBITA adjusted for capital gains and the revaluation of listed shares and non-recurring items affecting comparability at the business area level



Investment strategy

Ratos strives to implement quick improvements in its companies but remains an owner with a long-term vision with a focus on sustainable profitability. For new investments, we investigate the following factors and make the following adjustments:

Platform acquisitions

- Market-leading companies, or companies with the opportunity to become market leaders with significant EBITA
- The company could be a necessary puzzle piece to consolidate a fragmented market and operate in an attractive and growing market
- High quality with a stable history
- Competent CEO and management that can contribute to the Ratos Group.

Adjacent acquisitions

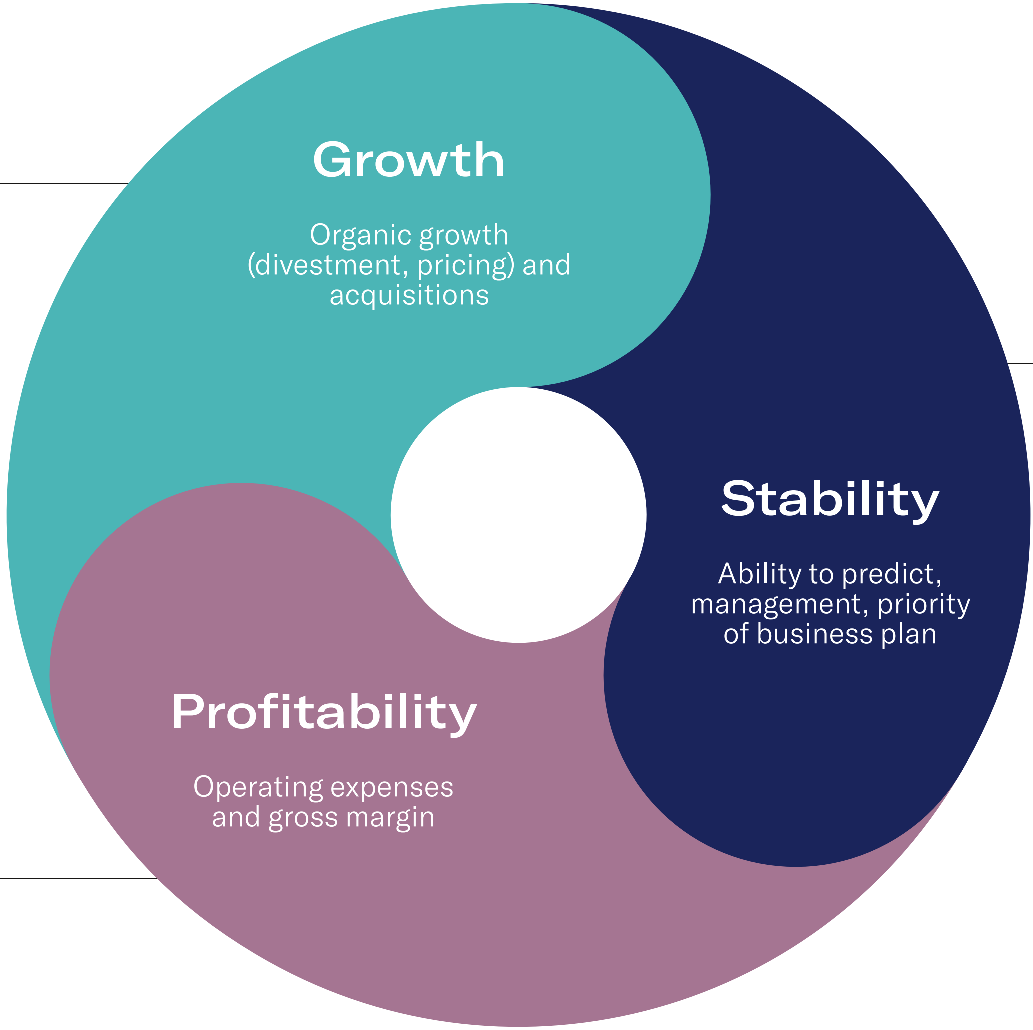
- The acquisition was identified by Ratos
- The company operates in the same, or similar, industries to other Ratos-owned companies
- Distinct soft synergies
- Integration opportunities may exist with other Ratos companies, but are not necessary

Add-on acquisitions

- Acquisitions take place through decentralised processes that are conducted by the companies – Ratos's management may assist with expertise and experience if necessary.
- The company is to contribute to the consolidation of an industry
- Attractive values and low risk
- Distinct cost and revenue synergies

Ratos's model

- Focus shifts to growth only when stability and profitability are achieved.
- Organic growth is the highest priority.
- Supplemented by acquisitions with real synergies.
- New platform acquisitions when an opportunity presents itself in an industry in which Ratos already has knowledge and the ability to create value.



- Good management.
- Clear business plan.
- A management team that is able to predict the development of the company.

- Identify the company's potential for profit-ability.
- Focus on improving the gross margin and lowering costs.

Sustainability – a prerequisite for long-term profitability

We are convinced that sustainable companies, in terms of both business idea and operations, are profitable and create long-term value. This applies to both Ratos's parent company and the work carried out as an active owner in the Group companies. This is why sustainability is an integrated part of Ratos's business strategy.

In Ratos's decentralised ownership model, management teams and boards carry the ultimate responsibility for sustainability work, but sustainability permeates all work in the company. Sustainability issues are integrated into Ratos's processes for corporate governance.

We do not differentiate between sustainability risks and business risks

Ratos does not differentiate between sustainability risks and business risks, but rather regards them interconnected. Sustainable value creation is about understanding how the major challenges in society impact business in the short and long term, and having the ability to constantly develop so that we are supported by global macrotrends. We expect our efforts to become a little better tomorrow than we are today to always be ongoing and never be seen as truly complete.

Mutually beneficial value

Ratos's greatest contribution to society is serving as an active and responsible owner that builds long-term successful and sustainable companies that create mutually beneficial value. We 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 thus long-term positive community development.

There are 18 employees at Ratos's parent company and a total of about 15,100[1)] employees in approximately 30 countries in our companies. Through active ownership, Ratos serves as a driving force to ensure that the companies are sustainable.

Foundation for Ratos's sustainability efforts

A double materiality analysis and stakeholder dialogue were used to identify which sustainability areas Ratos needs to focus and report on.

The double materiality analysis forms the basis for how Ratos prioritises its most important sustainability issues. Ratos uses double materiality, which entails evaluating different sustainability topics from two perspectives: Ratos's impact on the world and the world's impact on Ratos.

Ratos's double materiality analysis includes:

- Surveying and analysing relevant sustainability issues for Ratos and its portfolio companies.
- Surveying typical risks and external factors, such as relevant regulations.
- Dialogue with key stakeholders.

Ratos defines its most significant sustainability issues based on the issues deemed most material. For each of these issues, Ratos develops targets and action plans to carry out and develop its sustainability and to strengthen its long-term value creation.

Policy framework and risk management

Ratos has a structured approach to managing and addressing relevant risks. An important tool is Ratos's policy framework, consisting of:

- the Code of Conduct
- the Policy for Sustainability and Responsible Investments
- the Environmental Policy

1) Including Aibel

The above policies are published on Ratos's website.

The policy framework is based on the UN Global Compact's ten principles for responsible business. Sustainability at Ratos is based on the UN SDGs and Principles for Responsible Investment, which are based on the established concept of ESG.

Significant sustainability issues

According to the materiality analysis, the following sustainability issues were deemed the most material for the Ratos Group.

ENVIRONMENT

- Climate impact, energy consumption and other environmental impact from existing buildings such as offices, production facilities and logistics properties, but also from other activities.
- Impact on the ecosystem and water.

SOCIAL

- Working conditions and a good working environment that promotes health, safety and well-being also in the value chain, not least for migrant workers.
- Safety in the product and service offering.
- Ability to attract, develop and retain competence.

GOVERNANCE

- Compliance with laws and regulations in all home markets.
- Anti-corruption.
- IT security and data integrity.
- Automation and digitization.
- Constraints in the supply chain.

ENVIRONMENT

Photovoltaics make Speed Group's warehouse in Borås, Sweden self-sufficient in green electricity

In 2021, Speed Group installed the Nordics' largest photovoltaic system on its logistics property in Viared outside Borås. The investment is part of the company's strategy to become climate neutral by 2025 and to offer its customers the Green Warehousing concept. Thanks to the photovoltaics, the warehouse in Viared is now on the way to becoming self-sufficient in green electricity.

"Through this investment in photovoltaics, Speed Group can offer its customers a CO_2-neutral logistics solution, which is an important competitive advantage in the market,"
says Jesper Andersson, CEO of Speed Group.

ENVIRONMENT

HL Display's climate target approved by SBTi

In 2021, HL Display established targets and an action plan for ensuring a reduced climate impact in line with the goals of the Paris Agreement. In 2022, the company's first target was approved by the SBTi, an independent organisation that helps companies set climate targets that are based in science.

Investment in green energy sources to reach targets

As a part of its work to achieve its climate targets, HL Display invested in a transition to green energy. In the first quarter of 2022, HL Display reached the target of 100% renewable energy sources for its factory in Poland, which was previously the company's largest source of CO_2 emissions.

Science-based climate targets in several Ratos companies

HL Display is yet another example of how sustainability is a central part of the companies in the Ratos Group's business models. Basing climate targets on science is an important component of Ratos's active ownership philosophy. Diab was the first company in the Ratos Group and in its sector to have its climate targets approved by the SBTi, and several companies will follow suit in 2023.

"To reach our climate targets, we switched to green energy sources for our manufacturing in Poland in 2022, for example,"
says Jonas Marking, Sustainability Manager at HL Display.

Knightec partners with schools in vulnerable areas

For more than 14 years, Knightec has partnered with schools in vulnerable areas to encourage students to pursue the field of technology. Today, the initiative works with 15 schools in five cities in Sweden. The investment is based on the insight that diversity is a precondition for success in a labour market that has become increasingly global, particularly in technological careers.

The collaboration means that students have the opportunity to participate in different technology-related activities and learn what it is like to work within the field. At the end of the last term, two students from each school receive a scholarship for innovation and business knowledge.

"We are enormously proud to see that we can actually make a difference by broadening students' views and igniting a spark. When we hear from previous participants that they are now on their way to completing a master's from KTH, it warms our hearts," says Elvira Ahlring, Head of School Collaborations

Large-scale expansion together with Scania and Granitor Systems

In 2022, Knightec partnered with its customers Scania and Granitor Systems to introduce large-scale expansions to the programme, with the goal of supporting over 3,000 students all over Sweden in 2025.

Figures – Knightec's school collaborations

15	5	550	>4,500
Schools	Cities	Students/Year	Students 2008–2022

SOCIAL

GOVERNANCE

Aibel trains Compliance Champions

Aibel is investing in training leaders and key employees to become Compliance Champions. Employees are given the knowledge and tools to prevent violations of Aibel's Code of Conduct. In October 2022, 135 employees at Aibel's operations in Thailand underwent the training. A total of eight lectures were held on various topics.

Transparency Act introduced in Norway

Norway recently introduced the Transparency Act, which requires companies to ensure respect for human rights and labour conditions in the entire value chain. Similar legislation is now being prepared in the EU. Part of Aibel's training focuses on ensuring compliance with the new law. It includes discussions on the importance of reporting suspicions of human rights violations or corruption.

Good turnout and enthusiastic employees

There was a great deal of interest in the training among the participants. They were particularly interested in receiving guidance on how to handle various sensitive topics and how to use the whistleblowing channel. Compliance Champion training will continue to be rolled out to all offices in Asia, with Singapore next in line.

"We learned a lot during our week in Thailand. It was interesting to learn more about what employees are curious about and how they connect various ethical questions to their own experience,"
says Sigbjørn Innselset, Chief Compliance Officer at Aibel

Four focus areas

Ratos's focus areas and work with the UN Sustainable Development Goals (SDGs)

Focus areas	SDG	SDG target	Ratos's contribution
Transparency and corporate gover-nance	8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT; 12 HÅLLBAR KONSUMTION OCH PRODUKTION	**8.1** Sustainable economic growth. **12.2** Sustainable management and use of natural resources. **12.6** Encourage companies to adopt sustainable practices and sustainability reporting.	Ratos's goal is to create long-term successful and sustainable operations. One of Ratos's financial targets is to increase the earnings of the Group. In the long term, the companies should have the highest profitability in their sectors. 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.
Business ethics and anti-corruption	16 FREDLIGA OCH INKLUDERANDE SAMHÄLLEN	**16.5** Combat corruption and bribery. **16.6**Develop effective, accountable and transparent institutions at all levels.	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. All Ratos companies are to have a Code of Conduct and a whistle-blower system.
Environment and climate impact	13 BEKÄMPA KLIMAT-FÖRÄNDRINGARNA	**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.
Employees	5 JÄMSTÄLLDHET	**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.

Ratos's four focus areas are:
- Transparency and corporate governance
- Business ethics and anti-corruption
- Environment and climate impact
- Employees.

These focus areas are selected based on the most essential aspects of our materiality analysis, see page 21 and 140–141.

Policies, requirements and targets are connected to each focus area. Each company is also responsible for identifying any additional sustainability areas that are relevant for its operations. During the year, a continuous dialogue is conducted with the companies to follow up on and discuss sustainability efforts. All companies are also expected to report these developments publicly through an annual sustainability report. To strengthen collaboration and support the exchange of experiences between companies, joint projects are conducted between the companies, including financial reporting related to sustainability.

Focus area 1:

Transparency and corporate governance

Sustainability is an integrated part of Ratos's corporate governance. We place requirements on active sustainability work and transparent sustainability reporting. Materiality issues are to follow prevailing legislation in all home markets, working actively to counteract corruption and bribes and working with data and IT security, including privacy issues.

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 Presidents 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, Vice President Communication & Sustainability and other 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 external, anonymous whistleblowing system.
- Prepare a sustainability report inspired by the Global Reporting Initiative (GRI).

Ratos in the community

Ratos has a long tradition of social commitment, primarily through support for research and education.

Ratos's principal owners are the Ragnar Söderberg and the Torsten Söderberg Foundations, two of the country's largest private investors in scientific research within economics, medicine and law. In 2022, 17% (SEK 67m) of Ratos's dividend went to these research foundations. In the last ten years, the Torsten Söderberg Foundation has granted close to SEK 85m annually. Since 2012, the Ragnar Söderberg Foundation has granted a total of SEK 330m.

Focus on research, education and social inclusion

Ratos's community involvement focuses on three themes: research, education and social inclusion. In 2022, in addition to the dividend to the foundations, Ratos provided support to selected partners, including Inkludera Invest and the Stockholm School of Economics. This support was both financial and through engagement in boards. Ratos also donated a total of SEK 2m to the Red Cross for emergency crisis relief to Ukraine during the year. The annual Christmas donation also went to Ukraine.

About Inkludera Invest

For the past ten years, Inkludera Invest has worked successfully with the promotion of social innovations to make society more inclusive. Inkludera helps social entrepreneurship initiatives grow from the local to the national level by partnering with the public sector and securing private financing. Since it began, there have been approximately 900 partnerships with 108 of Sweden's municipalities.

Focus area 2:

Business ethics and anti-corruption

Ratos places stringent requirements on 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 2022, including no reported cases of discrimination in the whistleblowing system. Nor was Ratos imposed with any fines or other sanctions due to violations of laws or regulations.

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 breaks prevailing laws or is in breach of the company's Code of Conduct. To make it possible to report violations anonymously, Ratos uses 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 16 of Ratos's companies were analysed for corruption risks. Four 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.


SONY
Business Areas

Focus area 3:

Environment and climate impact

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

Environment and Climate 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 mainly attributable to business trips, especially with air travel. The ambition is to reduce travel, for example, through the use of digital meetings and guidelines when choosing a means of transport. The number of flights during the year was significantly lower than the most recent comparable year before the pandemic. This is proof that our ongoing work to reduce air travel has been effective.

Requirements for Group 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. Our companies have integrated a sustainability focus into their operations. One of Ratos's sustainability focus areas 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.

Most of the companies in the Ratos Group conducted reporting during the year. In 2023, further progress will be made toward the Group-wide sustainability KPIs and a Group-wide CO_2 reduction target. In 2022, several Group-wide reporting activities were carried out, most of which pertained to the EU Taxonomy.

Environmental impact in the parent company
Ratos measures and follows up activities at the Parent Company that contribute to its carbon footprint in order to raise awareness and understanding of which measures can further reduce Ratos's climate impact. In 2022, the parent company's CO_2 emissions amounted to 57 tonnes (43 tonnes year 2021), an increase of 33% year on year. The increase includes a normalisation in the number of business trips, primarily flights, after the Covid-19 pandemic. Despite the increase, the number of business trips decreased significantly compared with pre-pandemic levels. Ratos takes responsibility for its total emissions through climate compensation.

Total emissions	2022	2021	2020	2019	2018
Business trips (Scope 3)	47	23	41	153	135
of which, air travel	40	18	35	145	124
HQ, building (Scope 2)	5.0	7	10	19	16
of which, electricity consumption (Scope 2)	0.3	2	2	2	3
Other, incl. annual report calculated from a general LCA perspective	4	12	39	6	4
Total climate impact (CO_2e)	**57**	**43**	**89**	**178**	**155**
Purchase of climate compensation (tCO_2e)	57	43			

Focus area 4:

Employees

Everything Ratos does 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 15,100 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. Every company must have clear processes in place for identifying, developing and rewarding leading talents. A policy has been in place for CEO recruitment within Ratos's Group companies since the second quarter of 2022. It states that the final candidates for CEO positions must always include one woman and one man. Increasing the share of women in senior positions in the Ratos Group is a prioritised issue.

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
- It's All About People

Equal opportunities and diversity
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 long-term profitability and competitiveness. Recruitment and career development at Ratos should be based on relevant merits and skills. Pay divisions without any just reason must be avoided. 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 15,100 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. It is the utmost priority of these companies to make their employees aware of and provide training in workplace risks. Incidents and accidents are investigated and followed up on. Incidents and accidents are a prioritised performance measure that are reported on a monthly basis to Ratos. 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.

Number of employees includes Aibel

The Ratos Group: training, networks and perspectives

Being part of the Ratos family includes an opportunity to benefit from training, partnerships and networks: The Business Executive Leadership Programme (BELP) and Ratos Networks (previously Ratos Executive Networks/REN). Leading representatives from companies in the Group are also invited to the annual high-level meeting with perspectives from external speakers, Ratos Summit.

BELP – Business Executive Leadership Program

BELP is a leadership programme for managers and leading talent that is customised by the Stockholm School of Economics together with Ratos. During the programme, which runs for one year, participants are able to take part in knowledge-enhancing lectures including research, practical leadership and exercises based on actual cases from the Ratos companies. The programme also gives the participants the opportunity to exchange best practices, knowledge and experience. The third round of Ratos BELP started in 2022.

"What I especially appreciated from BELP was the opportunity to discuss daily challenges with the rest of the network. Sharing knowledge and experience with colleagues that you trust are valuable. Knowing that you have colleagues who want you to succeed is really a fantastic feeling!"

Olav Fyldeng, CTO, Plantasjen, attended BELP 2021–2022

Ratos Networks (previously Ratos Executive Networks)

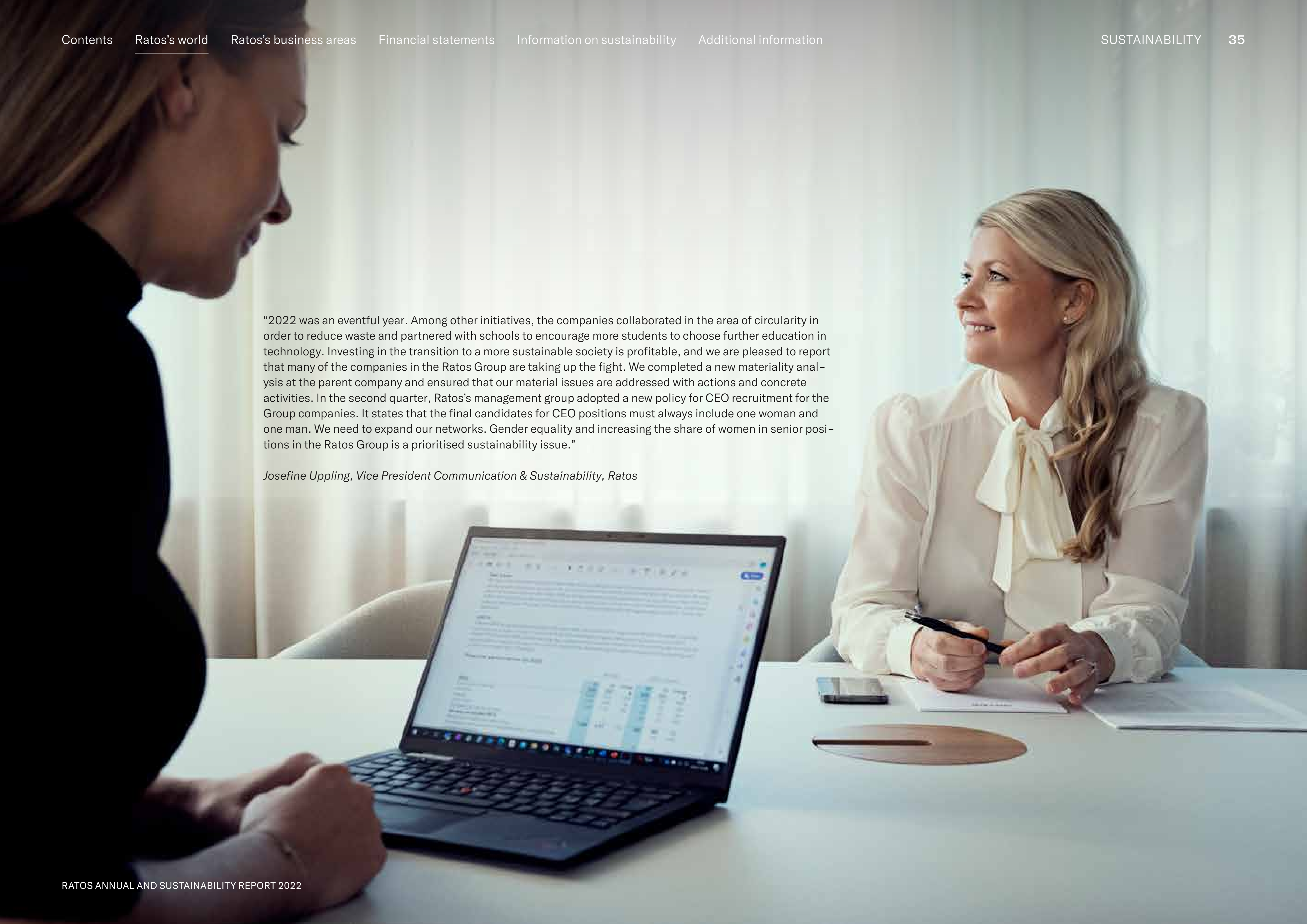
The seven function-based networks are run by the companies together with Ratos, gathering employees in the Ratos family who work in the same area to provide inspiration and enable knowledge sharing. During the year, a new network was added, focused on IT/cyber security. The other networks focus on the following areas: HR, communication, sustainability, legal matters, finance, and purchasing/procurement. The networks were active during the year and several of them held both physical and digital meetings.

"Being a part of the larger context leads to enrichment at many levels – myself, my network colleagues and, ultimately, all of Ratos."

Kajsa Petersson, Internal Communications Director, TFS HealthScience

The Ratos Summit

The Ratos Summit is an annual high-level conference that gathers leading representatives in the Ratos family for an entire day and evening of high-profile external speakers, in-depth exploration of Ratos's focus areas and external perspectives to collectively improve their understanding of prevailing macrotrends and developments in the world. The Ratos Summit was held in Stockholm in 2022, with 110 people participating.



"2022 was an eventful year. Among other initiatives, the companies collaborated in the area of circularity in order to reduce waste and partnered with schools to encourage more students to choose further education in technology. Investing in the transition to a more sustainable society is profitable, and we are pleased to report that many of the companies in the Ratos Group are taking up the fight. We completed a new materiality analysis at the parent company and ensured that our material issues are addressed with actions and concrete activities. In the second quarter, Ratos's management group adopted a new policy for CEO recruitment for the Group companies. It states that the final candidates for CEO positions must always include one woman and one man. We need to expand our networks. Gender equality and increasing the share of women in senior positions in the Ratos Group is a prioritised sustainability issue."

Josefine Uppling, Vice President Communication & Sustainability, Ratos

Elaboration: Ratos contributes to solving the energy crisis

Sustainability and profitability go hand in hand, and this only becomes more obvious as the companies in the Ratos Group solve current social challenges. One challenge where Ratos is well positioned to make a difference and create value is Europe's energy supply and the transition to renewable energy sources in a time of geopolitical uncertainty.

Presis Infra wins green contract in infrastructure maintenance

The Ratos company Presis Infra has invested in a green transition, where vehicle fleets are converted to electric vehicles and heavy-duty vehicles transition to biofuel. In 2022, the company was awarded new contracts amounting to NOK 2 billion.

Two of the contracts are so-called green contracts, where a proven ability to reduce the project's climate impact is an important factor in the procurement process, along with price and understanding of the assignment.

CO_2 emissions are to be reduced by 76%

In the procurement process for the green contract, Presis Infra received the highest rating in all environmental criteria, but there are still plans for additional improvements. Presis Infra is committed to converting to an entirely green vehicle fleet, which is expected to reduce the company's total CO_2 emissions by 76%.

Development to reduce emissions moving forward

The investment in sustainability within Presis Infra is strengthening the company's competitiveness. Infrastructure maintenance is procured by the public sector, where sustainability requirements are becoming increasingly important. With these newly won green contracts, Presis Infra has secured both of the green contracts announced in the Norwegian market over the past few years.

"The environmental requirements in public procurement create incentives to research new solutions and contribute to a new way of thinking that also affects other projects,"
says Mariell Berg, Sustainability Manager at Presis Infra.

Increased demand for energy-efficient ventilation

The quickly rising energy prices over the past year are driving investments in energy efficiency. This was not lost on airteam, which has noted a marked increase in the company's offering within energy-efficient ventilation.

"After we review a ventilation system, we often reduce the property's energy consumption by 20% to 40%,"
says Poul Pihlmann, CEO of airteam.

The company carries out analyses that focus on optimising, upgrading or replacing ventilation equipment to ensure the right amount of air, correct temperature and exact operational times that are suited to the property's qualities and operations. This includes installing control systems that ensure that energy is only used when necessary and monitoring systems that measure air quality.

"Optimising and upgrading the ventilation system not only save energy and costs, but also provide a better indoor climate and help employees and residents feel their best,"
says Poul Pihlmann.

More light for less electricity – LEDiL's solutions make it possible

LEDiL is a Finnish global leader within secondary optics for LED lighting.

Secondary optics are the reflectors and lenses that direct and shape light to make it more comfortable and functional. This leads to reduced light pollution in cities, increased safety on public transit and a more energy-efficient society. When light is exactly where it needs to be, less is needed, saving energy and resources.

"For example, our technology can help street lighting extend the distance between lampposts from 20 to 40 metres, reducing the number of lampposts by half. This saves energy as well as material,"
says Petteri Saarinen, CEO of LEDiL.

The Ratos share

The Ratos share decreased in 2022, with a total return (price development including reinvested dividends) of –27% compared with the SIX Return Index, which was –23%.

Ratos share in brief

Share listing	Nasdaq Stockholm
Total number of shares	325,898,988
Number of shares outstanding	325,898,988
Closing price, 30 Dec 2022	SEK 41.49 (Ratos Class B)
Highest / lowest quotation	SEK 58.75 / 36.64 (Ratos Class B)
Market capitalisation, 30 Dec 2022	SEK 14 billion

Share price performance

The performance of Ratos's Class B shares was –27% compared with the OMXSPI, which was –25% in the same period. The highest quotation during the year (SEK 58.75) occurred in January and the lowest (SEK 36.64) in September. The closing price on 30 December was SEK 41.49. The total return (price development including reinvested dividends) for Ratos's Class B shares in 2022 amounted to –27% compared with the SIX Return Index, which was –23% during the same period.

Dividend

The Board of Directors proposes an ordinary dividend for the 2022 financial year of SEK 0.84 per Class A and B share and a total divided of SEK 274m. The dividend yield amounts to 2.0% based on the closing price at year-end.

Ownership structure

The ten largest shareholders accounted for 79% of the voting rights and 55% of the share capital. The proportion of shares owned by physical or legal entities outside Sweden amounted to 19%. The US, Luxembourg, the UK and Finland account for the largest shareholdings outside Sweden.

Employee ownership in Ratos

The incentive programmes for key persons at Ratos is connected to performance for shareholders. Read more in the Directors' Report on pages 52–55 and on Ratos's website.

Purchases of treasury shares

The 2021 Annual General Meeting renewed the mandate for the company to acquire own shares. The holding of treasury shares may not exceed 10% of the total number of shares in the company. There were no purchases of treasury shares in 2022. At the beginning of the year, Ratos owned 62,500 Class B shares. During the first quarter, call option programmes from 2017 were redeemed whereby 62,500 treasury shares were divested through the redemption of call options.

Shareholder statistics

Number of shares	Number of shareholders	Share of capital, %
1–500	48,902	2.11
501–1,000	8,567	2.11
1,001–5,000	10,344	7.32
5,001–10,000	1,633	3.73
10,001–15,000	460	1.77
15,001–20,000	306	1.71
20,001–	696	81.25
Total	**70,908**	**100**

Breakdown by class of share

Share class	Number of shares	% of voting rights	% of capital
Class A	84,637,060	77.8	26.0
Class B	241,261,928	22.2	74.0
Total	**325,898,988**	**100**	**100**

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 offset issues, non-cash issues or for cash payment. This mandate was renewed at the 2022 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 Investors / Share information / Analysts.

Data per share*	2022	2021	2020	2019	2018
Earnings per share before dilution, SEK	1.69	8.17	2.17	2.11	–1.40
Dividend per Class A and B share, SEK	0.84[1]	1.20	0.95	0.65	0.50
Dividend per Class A and B share as % of earnings per share	50[1]	15	44	31	neg.
Dividend per Class A and B share as % of equity	2[1]	3	3	2	2
Equity, SEK [2]	38	37	29	29	27
Closing market price, Class B share, SEK	41.49	57.95	38.48	33.42	23.28
Market price / equity, %	110	158	131	115	85
Dividend yield, Class B share, %	2.0[1]	2.1	2.5	1.9	2.1
Total return, Class B share, %	–27	54	17	46	–30
P/E ratio	24.6	7.1	17.7	15.8	neg.
Highest / lowest price paid, Class B share, SEK	58.75 / 36.64	62.95 / 37.20	39.46/16.40	36.36/18.10	38.58/21.92

Key figures*	2022	2021	2020	2019	2018
Market capitalisation, SEKm [3]	13,704	19,192	12,260	10,550	7,530
Number of shareholders	70,908	73,741	53,357	52,070	57,909
Average number of Class A and B shares outstanding before dilution	325,223,889	322,945,842	319,014,634	319,014,634	319,014,634
Number of outstanding Class A and B shares at year-end	325,898,988	324,676,320	319,014,634	319,014,634	319,014,634
Dividend, SEKm [4]	274[1]	390	303	207	160

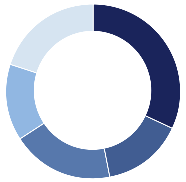
* Relates to Class B shares unless otherwise specified.
1) Proposed dividend.
2) Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period.
3) Refers to shares outstanding.
4) Dividend refers to ordinary shares.

Ratos's shareholders

31 Dec 2022	Number		Share of	
	Class A shares	Class B shares	capital, %	votes, %
Söderberg family with companies, etc.	46,661,283	20,932,447	20.74	44.83
Torsten Söderberg Foundation	12,056,186	16,063,900	8.63	12.56
Ragnar Söderberg Foundation	17,235,241	10,093,088	8.39	16.77
State Street Bank and Trust CO, W9	1,209	11,359,531	3.49	1.05
Spiltan Fonder	0	11,105,169	3.41	1.02
Avanza Pension	118,560	7,794,069	2.43	0.83
Didner & Gerge Fonder	0	7,481,639	2.30	0.69
JP Morgan Chase Bank NA, W9	0	7,283,114	2.23	0.67
RBCB Lux Ucits Ex-Mig	0	5,985,000	1.84	0.55
Nordea Investment Funds	0	5,034,142	1.54	0.46
Others	8,564,581	138,129,829	45.00	20.57
Total	**84,637,060**	**241,261,928**	**100**	**100**

Source: Euroclear Sweden

Breakdown of Ratos's shareholders, % of capital



- Private individuals 32%
- Banks, insurance and pension companies and mutual funds 15%
- Foundations 18%
- Swedish legal entities 16%
- Foreign shareholders 19%

Source: Euroclear Sweden

2 Ratos's business areas

Construction & Services

The business area's focus is on building and maintaining a sustainable society. The service offering ranges from constructing new sustainable buildings and maintaining critical infrastructure to energy supply and managing material flows.

Sales	SEK 16,901m (11,406)
Sales growth	48% (7%)
EBITA	SEK 1,276m (677)
EBITA margin	7.6% (5.9%)

The business area's operations benefit from current social developments and trends such as urbanisation, growing populations, the need for renewable energy and efficient resource management. We want to grow the business area by acquiring businesses with complementary service offerings that provide hard and soft synergies to the existing operations. As in our other business areas, the focus is on leading margins and strong cash flows combined with a decentralised corporate culture focused on profitability and a business model built on long-term sustainability. The business area comprises the companies Aibel, airteam, HENT, NVBS, Presis Infra, Speed Group and SSEA Group.

President Business Area:
Christian Johansson Gebauer

Consumer

Companies in the Consumer business area work to simplify and improve life for consumers. To us, simplifying and improving life means, for example, making life healthier and more sustainable, and saving time. The products and services offered are to be sustainable over the long term in every aspect, and ambitious efforts are ongoing in the companies to ensure sustainability in all aspects of their business models.

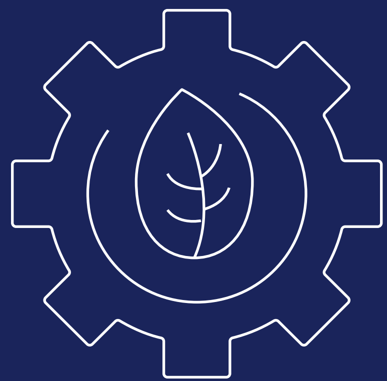
Sales	SEK 6,986m (6,232)
Sales growth	12% (16%)
EBITA	SEK 424m (845)
EBITA margin	6.1% (13.6%)

The business area consists of companies that are well positioned in relation to strong prevailing macrotrends such as spending holidays at home, growing interest in outdoor activities, and interior design and horticulture. The companies hold leading positions in their respective segments in the market and consist of generally strong, well-known brands. The business area comprises the companies KVD, Plantasjen and Oase Outdoors.

President Business Area:
Anders Slettengren

Industry

The Industry business area is where we develop market-leading industrial companies that are based in the Nordics but export to the entire world. The companies are active in 30 countries across five continents.



Sales	SEK 6,002m (4,913)
Sales growth	22% (1%)
EBITA, adjusted	SEK 445m (432)
EBITA margin, adjusted	7.4% (8.8%)

The companies in the Industry business area are exposed to high-growth markets such as energy-efficient lighting, lightweight material, renewable energy, grocery, product development in Swedish industry and pharmacology. The business area comprises the companies Diab, HL Display, Knightec, LEDiL, Semcon, and TFS HealthScience. Diab, HL Display and LEDiL are clear leaders in their respective markets, and TFS HealthScience is on a good course to become so. The technology consultancy companies Knightec and Semcon are the latest additions to the business area, and both have bright futures ahead of them. There are many solutions among engineers and in new technology for accelerating the transition to a sustainable society. When searching for new companies to add to the business area, we value established, close customer contact highly, as well as high profitability and a strong history that we can develop further.

Responsible for the business area since 1 February 2023:
Anders Slettengren
(Responsible for the business area until 15 November 2022: Joakim Twetman)

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Financial statements

Directors' Report

The Board of Directors and the CEO of Ratos AB (publ), 556008-3585, hereby submit the 2022 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 group that enables independent 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 2022, 18 people worked in Ratos's parent company. Ratos is divided into three business areas: Construction & Services, Consumer and Industry. As of 31 December 2022, the business areas included 16 companies headquartered in the Nordic region.

Financial targets

In 2021, the Board of Ratos decided on new financial targets based on the previously announced decision to shift the direction of the operations towards a more long-term group. Ratos currently has an "eternal" ownership horizon and invests to build value over the long term.

Ratos decided on the following financial targets:

EBITA growth
Target: EBITA is to amount to at least SEK 3 billion by 2025.

Leverage
Target: Net debt, excluding financial lease liabilities, in relation to EBITDA should normally range from 1.5 to 2.5x.

Dividend payout ratio
Target: The dividend payout ratio should amount to 30–50% of profit after tax attributable to owners of the parent, excluding capital gains and losses.

Criteria for new investments

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

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

- Market-leading or the potential to become market-leading
- The potential to achieve the highest profitability in the industry
- Ability to create a healthy cash flow over time
- Strong brands
- Potential to benefit from Ratos's networks
- Act as a 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

2022 was challenging, with the effects of a war close to our borders, high inflation and declining demand in the consumer market. Despite this, Ratos delivered a strong performance for the year, with organic growth and strategic acquisitions.

The 2022 Annual General Meeting resolved on a dividend of SEK 1.20 (0.95) per share for the 2021 financial year, with the record date set as 24 March and the dividend paid on 29 March.

Joakim Twetman, President Business Area Industry and member of Ratos's management group, left Ratos on 15 November 2022. As of 1 February 2023, Anders Slettengren, President Business Area Consumer, will be responsible for both Consumer and Industry.

Refer to pages 44–49 for financial facts and information about the events that took place in the business areas during the year.

Acquisitions 2022

Acquisition of NVBS
On 16 May, Ratos acquired 74% of the shares in the Swedish company NVBS Rail Group Holding AB (NVBS). NVBS will become a Nordic platform company for Ratos in the attractive and growing railway infrastructure market, with a presence in Sweden, Finland and Norway.

Acquisition of Knightec
On 9 August, Ratos acquired 70% of the consulting company Knightec, thereby entering into a partnership with co-founder and CEO Dimitris Gioulekas. Through its unique customer offerings and strong community involvement, Knightec has established a strong market position in technology, design and digitalisation of products and services.

Acquisition of Semcon
On 27 October, Ratos acquired Semcon AB (publ) through a public takeover offer. The offer was accepted by 98.7% of the shareholders. Semcon is an international technology company headquartered in Gothenburg that offers services in advanced engineering, strategic innovation, digital services and product information solutions.

Other acquisitions
In addition to the aforementioned acquisitions, a number of add-on acquisitions have taken place in the Group that are reported in Note 4 on pages 89–91.

Divestments and discontinued operations
On 8 January 2021, the sale of Bisnode was completed. Ratos's holding in Bisnode amounted to 70%. For the divestment of Bisnode to Dun & Bradstreet, Bisnode's Belgian operations were not included in the transaction. Bisnode Belgium was included in the Ratos Group in the first quarter of 2021 before Ratos signed an agreement to divest Bisnode Belgium on 31 March 2021.

In the 2021 Annual Report, Ratos reported its previous holding in Bisnode as a discontinued operation. In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, Bisnode's profit after tax is reported on a separate row in the income statement for 2021. The holding in Bisnode Belgium is also reported as a discontinued operation in the income statement for 2021.

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 18 employees in Ratos's parent company and a total of about 15,100 employees (including the associate Aibel) in 30 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 20–39 and 140–147 for the statutory sustainability report in accordance with the Swedish Annual Accounts Act.

Ratos's significant environmental impact is created through its companies. Ratos requires 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. Ratos AB's direct environmental and climate impact is limited.

Consolidated result

Operating profit for the year amounted to SEK 1,618m (1,656). Operating profit for the year was charged with a capital loss of SEK -118m on shares in Dun & Bradstreet. In the year-earlier period, earnings were charged with SEK -116m for the revaluation of the aforementioned shares. Operating profit includes profit from the business areas of SEK 1,922m (1,924). Ratos's income and expenses attributable to the parent company and central companies amounted to SEK -186m (-152).

Net financial items amounted to SEK -440m (-350). Net interest excluding finance leases amounted to SEK -109m (-70), interest expenses for finance leases to SEK -266m (-246), other financial expenses to SEK -56m (-30) and currency effects to SEK -9m (-4).

Profit before tax for the year amounted to SEK 1,178m (1,306). The tax expense for the year amounted to SEK -299m (-166). The higher tax expense was mainly attributable to the reversal of loss carry-forwards from prior years, non-deductible expenses and a capital loss on listed shares (Dun & Bradstreet).

Profit for the year from continuing operations amounted to SEK 879m (1,139).

Profit for the year from discontinued operations amounted to SEK 1,715m in the preceding year and included the capital gain from the divestment of Bisnode and Bisnode Belgium of SEK 1,727m.

Profit for the period amounted to SEK 879m (2,855).

Consolidated cash flow

Cash flow for the year amounted to SEK 165m (-1,037), of which cash flow from operating activities accounted for SEK 1,907m (1,448). Cash flow from investing activities amounted to SEK -4,239m (-258) and cash flow from financing activities to SEK -2,497m (-2,227).

The change in cash flow for the year from investing activities was mainly attributable to acquired companies, the sale of shares in Dun & Bradstreet and the sale of Bisnode in the preceding year. Cash flow from financing activities improved year on year as a result of increased external bank loans for financing company acquisitions. Cash flow from operating activities improved compared with the year-earlier period due to lower tied-up working capital and stronger operating profit.

Financial position and leverage

The Group's cash and cash equivalents at the end of the year amounted to SEK 2,532m (2,230) and interest-bearing net debt totalled SEK 10,468m (5,850). The Group's leverage excluding financial lease liabilities amounted to 2.5x (0.1x) at year-end. Including financial lease liabilities, leverage amounted to 3.5x (1.3x) at year-end. The total translation effect of currency for interest-bearing liabilities amounted to approximately SEK 270m, of which approximately SEK 130m related to liabilities to credit institutions and approximately SEK 140m to financial lease liabilities.

During the year, three new financing agreements were signed: one for SEK 650m with a tenor divided into three years (SEK 350m) and five years (SEK 300m), one for EUR 66m with a tenor of 2 years (plus a one-year extension option) and one for SEK 2,500m with a tenor of 3 years (plus a one-year extension option). The funds were used to repay credit facilities, for acquisitions and for operating activities.

At the end of the year, the Group's interest-bearing liabilities to credit institutions amounted to SEK 6,869m (2,102).

When divesting Bisnode to Dun & Bradstreet at the beginning of 2021, Ratos chose to invest one quarter of the equity value in Dun & Bradstreet shares, which are listed on the New York Stock Exchange. The shares were acquired at a value of SEK 924m and were included in financial assets. On 1 June, Ratos divested all of its 4,358,257 shares in Dun & Bradstreet at a value of SEK 725m. The transaction strengthened Ratos's cash position by approximately SEK 700m and had an impact of SEK -118m on Ratos's EBITA for full-year 2022.

Credit facilities and new issue mandate

The parent company has a credit facility of SEK 3,000m, a term loan of SEK 3,884m and a bank overdraft facility of SEK 150m. The facilities are to be used if necessary to finance existing subsidiaries and new acquisitions. The credit facility has a term of three years, with the option to extend for one additional year. It also has a variable interest rate and a margin based on the Group's debt ratio. At year-end, the parent company's total credits amounted to SEK 7,034m, o which SEK 806m was unutilised. In addition, there is also a mandate from the 2021 Annual General Meeting to issue a maximum of 35 million Ratos Class B shares in conjunction with agreements on acquisitions.

Parent company

The parent company's operating loss for 2022 amounted to SEK -135m (-144). The parent company's profit before tax amounted to SEK 264m (1,755). The preceding year included capital gains of SEK 1,878m. The capital gains pertained to the divestment of Bisnode and Bisnode Belgium, which differs from the Group's capital gains due to different accounting methods. The parent company's cash and cash equivalents totalled SEK 410m (294).

Events after the end of the reporting period

No significant events have occurred since the end of the financial year.

Future outlook

The main focus going forward will be on creating a homogeneous group. This work will be carried out through profitable organic growth, margin expansion and acquisitions, with a focus on maintaining a strong balance sheet. Since the start of July 2021, Ratos AB has been an operating company and no longer operates as an investment company.

Risks and uncertainties

Ratos is a group that enables independent companies to excel by being part of something larger. People, leadership, culture and values are key focus areas for Ratos. 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.

The financial risks consist of liquidity risk, interest rate risk, credit risk and currency risk. There are several financial risks to which the majority of the companies are exposed, primarily related to loans, trade receivables, trade payables and derivative instruments. The risks to which the companies are exposed are managed by each individual company.

Ratos is exposed to financial risks, mainly in terms of value changes in the companies and liquidity risk. Ratos's future earnings development is dependent to a large extent on the success of the underlying companies, which in turn is dependent on, among other things, how successful each company's management group and board of directors are at developing the company and implementing value-adding initiatives.

Ratos performs an annual mapping and risk assessment and risk management of the companies and Ratos's parent company which is compiled and assessed by the management and boards of the companies and Ratos. The company's risk management takes a broad approach and includes external, strategic, financial and operational risks as well as 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.

Ratos's Board approves the financial strategy for the parent company while the subsidiary or associate 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. The Group has a central treasury function that assists the Group's subsidiaries in financial matters and leverages economies of scale when it comes to financial transactions and the Group's financing. 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 invasion of Ukraine had an impact on earnings during the year. As a direct result, Ratos ceased all sales to Russia and Belarus from the start of March, in line with EU sanctions, and discontinued a subsidiary in Russia, which entailed costs during the first quarter, although these costs were not significant for the Group. The direct impact on Ratos for 2023 is expected to be limited, since sales to Russia previously accounted for less than 0.5% of Ratos's total sales. However, the indirect impact from our customers and suppliers is creating uncertainty about the future. Ratos's business model, with clearly decentralised earnings responsibility, entails that the companies make decisions independently and make adaptations to the prevailing circumstances.

The Corporate Governance Report includes a report on the work of the Board. See pages 58–65.

Guidelines for remuneration to senior executives

These guidelines cover members of the board of directors, the CEO and other senior executives in Ratos's management group. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2022 Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the general meeting. The Board proposes that no adjustments be made to the guidelines for 2023.

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 www.ratos.com.

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 senior executives a competitive total remuneration.

Long-term share-related incentive programmes 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 about these programmes, see www.ratos.com.

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% 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% 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% 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% 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 12 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 12 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% 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 12 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 individualised, 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% for the CEO and the CFO, approximately 80–90% for the Business Area Presidents and approximately 75% 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 Group, and (ii) growth in earnings before tax (EBT) for the Ratos Group.

As a general rule, 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. However, up to 100% of the variable cash remuneration may be paid out the year after it was earned, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested in instruments in Ratos's long-term incentive programme.

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.

Ratos share data

Total number of Class A shares at year-end	84,637,060
Total number of Class B shares at year-end	241,261,928
Total number of shares	**325,898,988**

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 20.74% of the capital and 44.83% of the voting rights. The Ragnar Söderberg Foundation had 8.39% of the capital and 16.77% of the voting rights. The Torsten Söderberg Foundation had 8.63% of the capital and 12.56% 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
At the beginning of the year, Ratos owned 62,500 Class B shares. During the first quarter, call option programmes from 2017 were redeemed whereby 62,500 treasury shares were divested through the redemption of call options. During 2022, 1,160,168 new Class B shares were issued in connection with the exercise / conversion of warrants and a convertible debenture. On 31 December 2022, the total number of shares in Ratos (Class A and B shares) amounted to 325,898,988, as did the number of shares outstanding. The number of votes was 108,763,253.

Proposed distribution of profit

	SEK
Share premium reserve	171,786,152
Retained earnings	8,167,447,939
Profit for the year	320,177,553
Total	**8,659,411,644**
The Board of Directors proposes the following distribution of profit:	
Dividend to holders of Class A and B shares, SEK 0.84 per share[1)]	-273,755,150
To be carried forward	**8,385,656,494**

1) Based on the number of shares outstanding on 31 December 2022.

Chairman's letter

Ratos's journey of growth continued at a rapid rate in 2022. We are delighted to have welcomed more new and strategically important companies to the Group. In an uncertain world, Ratos is instilling a sense of confidence and serving as a positive force for development.

Ratos's journey of growth continued at a rapid rate in 2022. Step by step, Ratos is becoming a group with distinct business areas in sectors with attractive potential. The focus during the year was on infrastructure and technological solutions. These sectors are expected to experience favourable growth going forward, with excellent opportunities for long-term sustainable business. The technology consultancy sector is playing an important role in the essential transition to a more sustainable society. The development of new technology will be crucial. I therefore sincerely look forward to watching our new technology consultancy companies grow with Ratos as their new owner.

The challenges facing the Group are mainly due to the declining consumer and wind power markets. Ratos worked intensively during the year to adapt to the new conditions in its respective markets. This work is now generating results.

As an operational business group, Ratos takes a systematic approach to developing synergies between its companies. Our companies take great pleasure in learning from one another. Ratos's model – which is all about people, executing decisions quickly and a constant desire to simplify – serves as the foundation for this work. As Ratos's new structure becomes clearer, its strength will lead to additional benefits.

The M&A slowed significantly in 2022. Ratos's plan to become a more homogeneous group includes both acquisition and divestment activities. The market situation has forced us to wait with certain steps, but our plan remains firm.

The full-scale invasion of Ukraine impacted us all during the year – mainly in the form of human suffering, but also the effects the war has had on the conditions for companies and thus the welfare of the world. We must remember that freedom comes at a price. The world must continue to offer steadfast support and to impose sanctions. Those of who have the wherewithal to contribute to Ukraine's fight for freedom should also continue to do so. I'm proud of the contributions Ratos made to support emergency response efforts in the region during the year.

Ratos's experienced employees are successfully navigating the challenges that have arisen in these turbulent times. I was deeply involved in the financial crisis in the early 1990s and am well aware that no two crises are the same. But the individuals and companies that are able to pivot, to grab the opportunities that quickly arise and to act just as quickly are the ones that not only survive, but emerge stronger when the tides turn.

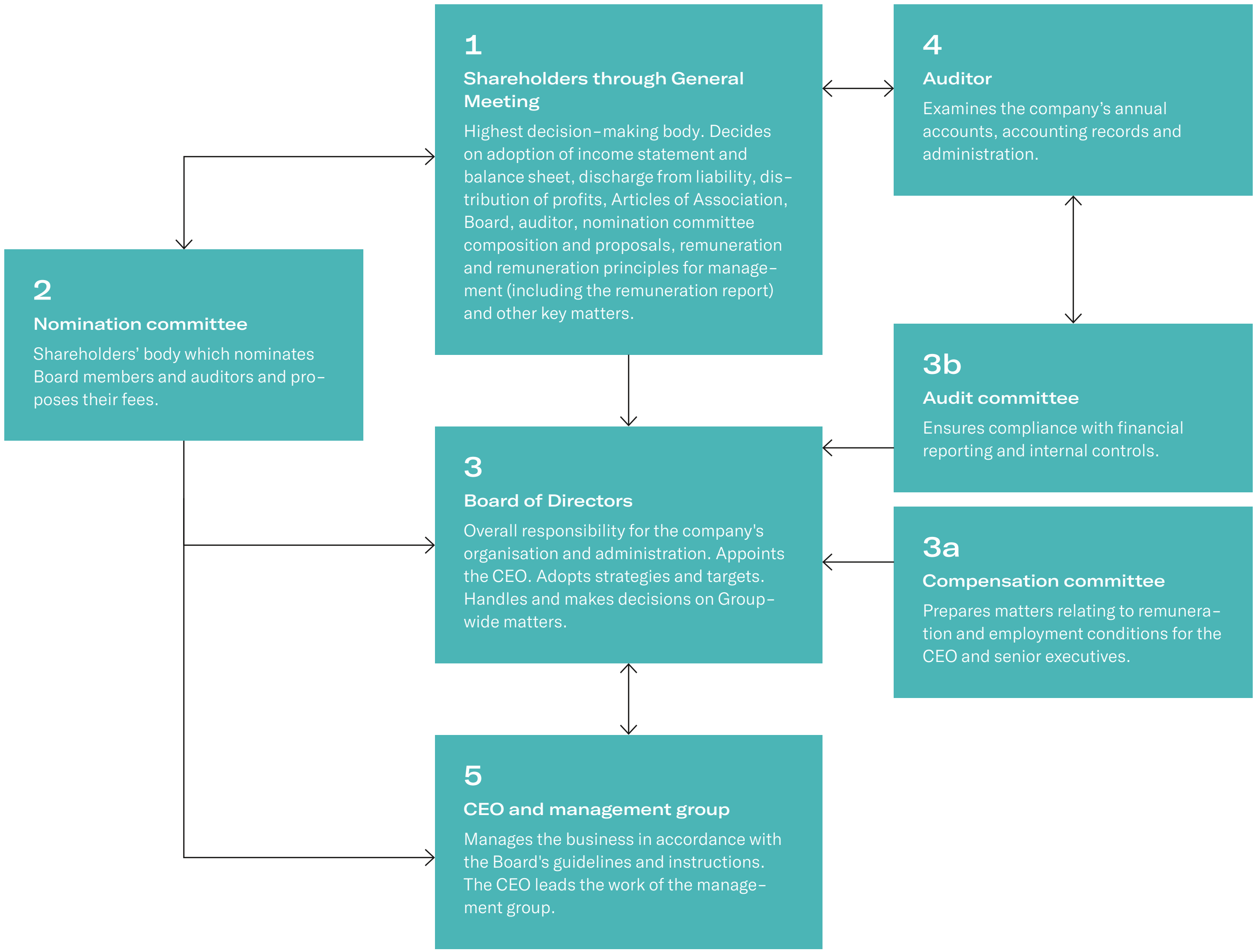
Long-term company development and ownership are inherently sustainable. Ratos has adapted to new business forms many times in the past. We are once again on the right path. Ratos's history stretches back 150 years. Our two principal owners, the Ragnar Söderberg Foundation and the Torsten Söderberg Foundation, have been important contributors to research and development for more than 50 years with the help of dividends from Ratos.

In summary, I am extremely proud to be the Chairman of Ratos. 2022 was an eventful year for both Ratos and the world as a whole. I want to thank everyone who helped Ratos take important steps in the right direction. 2023 will not be without its challenges, but I am confident that we are taking the right steps.

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 2022 financial year, except with regard to the composition of the nomination committee (see nomination committee on page 60).

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

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 1,027m divided among a total of 325,898,988 shares, of which 84,637,060 Class A shares and 241,261,928 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 70,908 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 79.4% of the voting rights and 55.0% of the share capital. More information about Ratos's shares and shareholders is provided on pages 40–42.

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.com) 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.

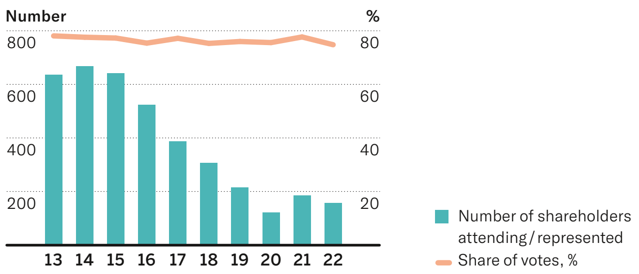
2022 Annual General Meeting

On 22 March 2022, Ratos held an Annual General Meeting pursuant to Sections 20 and 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198), allowing participation at the meeting only by postal vote. The meeting was attended by 157 shareholders, who together represented 74.8% of the voting rights and 49.6% of the capital. Minutes and information about the 2022 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 2022 Annual General Meeting included the following:

- Dividend of SEK 1.20 per Class A and B share, a total of SEK 390m
- Fees of SEK 970,000 to the Chairman of the Board and SEK 500,000 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 new election of Tone Lunde Bakker and Helena Svancar. Eva Karlsson declined re-election. Re-election of Per-Olof Söderberg as Chairman of the Board
- Re-election of the audit firm Ernst & Young AB (EY)
- Adoption of guidelines for remuneration to senior executives
- Resolution on the remuneration report
- Offer to CEO and other key employees in Ratos to acquire convertibles and warrants in Ratos
- Authorisation for the Board of Directors to acquire and transfer Ratos shares
- Authorisation for the Board to decide on a new issue of a maximum of 35 million B shares to be used for acquisitions.

Attendance at the Annual General Meeting



2023 Annual General Meeting

The Annual General Meeting of Ratos AB (publ) will be held on Tuesday, 28 March 2023 at 2:00 p.m. at Lilla Cirkus, Cirkus, Djurgårdsslätten 43–45, Stockholm.

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 160.

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 executive 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 20 September 2022. The nomination committee comprises:

- 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
- Henrik Didner, appointed by Didner & Gerge Fonder AB
- Per-Olof Söderberg, Chairman of Ratos's Board.

Combined, the nomination committee represents 61% 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 2023 Annual General Meeting

Ahead of the 2023 Annual General Meeting, the nomination committee held four minuted meetings and was in regular contact in between. In its work, the nomination committee has taken note of the internal evaluation of the Board's work, taken the Chairman's account of the Board's work and the CEO's account of the company's strategies. The nomination committee chairman has also interviewed individual Board members.

Ratos's Board has in recent years gradually been renewed, at the same time as a certain consistency has been kept. Board member Helena Svancar changed employer during the year and left the Ratos Board on 26 October 2022 to avoid future conflicts of interest. It is the nomination committee's opinion that the current Board functions well and with a great deal of commitment from each member. Ratos's business concept is to own and develop companies that are or can become market leaders. 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 nomination committee deems the members proposed for election to have broad and complementary experience that more than adequately meets the set requirements.

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 for the proposed Board will be 33.3% women and 66.7% men, as the members proposed include two women and four men. The nomination committee intends to strive for an improved gender balance over the long term.

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 2023 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 2023 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. The Board is appointed by the shareholders at each Annual General Meeting. The mandate period is thereby one year.

The 2022 Annual General Meeting resolved that the Board is to consist of seven members and no deputies. Board members Per-Olof Söderberg, Ulla Litzén, Karsten Slotte, Jan Söderberg and Jonas Wiström were re-elected and new Board members Tone Lunde Bakker and Helena Svancar were elected. Eva Karlsson 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 66–67.

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.

Composition of the Board

Name [1]	Elected year	Independent of the company	Independent of major shareholders	Total fee [1], SEK thousand	Attendance at meetings 2022: Compensation committee meetings	Audit committee meetings	Board meetings
Per-Olof Söderberg	2000	Yes	No	1,145	4/4	5/5	25/25
Jan Söderberg	2000	Yes	No	675	4/4	5/5	25/25
Ulla Litzén	2016	Yes	Yes	750	–	5/5	24/25
Tone Lunde Bakker	2022	Yes	Yes	600	–	4/4	16/17
Karsten Slotte	2015	Yes	Yes	675	4/4	5/5	25/25
Helena Svancar [2]	2022	Yes	Yes	350	–	2/3	14/15
Jonas Wiström [3]	2016	No	Yes	0	–	–	24/25
Total				**4,195**			

1) Relates to fees for the Annual General Meeting year 2022/2023.
2) Helena Svancar was a member of the Board from April to October 2022.
3) Jonas Wiström received no fee for his role as an ordinary Board member.

Work of the Board in 2022

During 2022, a total of 25 minuted Board meetings were held: six ordinary meetings, one statutory meeting, and 18 extraordinary meetings (of which, 12 meetings were held per capsulam). 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 incentive matters. Extra Board meetings are held when such matters requiring a Board decision arise. 2022 was characterised by acquisitions, incentive and 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 2022 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 executive management and those directly subordinated to the CEO
- Follow and evaluate variable remuneration programmes for executive 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 regarding guidelines for remuneration to senior executives and the report on 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 2022, the compensation committee made a thorough evaluation of Ratos's remuneration structures and incentive programmes, which resulted in a proposal from the committee to make a minor adjustment to the criteria for variable cash remuneration in 2022 and to otherwise leave the structure for variable cash salary for 2022 essentially unchanged and, as in 2021, to propose to the 2022 Annual General Meeting a new long-term incentive programme in the form of a warrants and convertible debenture programme. No modifications to the remuneration guidelines are proposed ahead of the 2023 Annual General Meeting. The compensation committee also performs an annual evaluation of Ratos's long-term incentive system and prepares an annual report on remuneration to senior executives, which the Board presents to the Annual General Meeting for approval.

During 2022, 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 four minuted meetings in 2022 and in between has been in regular contact. Ratos's General Counsel has taken the minutes of the committee. The compensation committee provides continuous oral reports to the Board and submits proposals on 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 2022, all Board members except the CEO served on the audit committee. All members of the audit committee are regarded as independent of the company and its management. Ulla Litzén is the Chairman of the committee. The company's auditor participated in all five audit committee meetings in 2022.

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. 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. Particular issues addressed in 2022 included questions related to Ratos's consolidated reporting, centralised financing structure, internal control issues and disputes. The CEO and senior executives normally participate in the meetings of the committee as rapporteur.

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 2022 Annual General Meeting resolved that remuneration to the ordinary members of the Board should be paid in an amount of SEK 500,000 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 250,000 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 75,000 per year to the Chairman of the compensation committee and SEK 75,000 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 (including the remuneration report), the sustainability report and the corporate governance work. The review work and auditor's report are presented at the Annual General Meeting.

At the 2022 Annual General Meeting, the audit firm Ernst & Young AB (EY) was re-elected as auditor until the next Annual General Meeting. EY appointed Erik Sandström as Chief Auditor. In addition to his assignment at Ratos, Erik Sandström is Chief Auditor for, among others, Atlas Copco, Autoliv, Epiroc and Mycronic. It is proposed that EY should be appointed by the 2023 Annual General Meeting 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 companies headquartered in the Nordics that are or can become market leaders. Ratos enables independent 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 page 20.

CEO and management group

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

Until 15 November 2022, Ratos's management group consisted of the CEO, CFO, three Business Area Presidents, General Counsel and the Vice President Communication & Sustainability. For the remaining portion of the year, it consisted of the CEO, CFO, two Business Area Presidents, General Counsel and the Vice President Communication & Sustainability. 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 2022 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 companies headquartered in the Nordics that are or can become market leaders. At the close of the year, Ratos had 16 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 during which significant risks in the companies and Ratos are summarised and discussed by the management and boards of the respective companies and of Ratos. 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.

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 18 employees at the end of the year, the parent company Ratos AB has no 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, which is why Ratos 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 its auditors regarding their ongoing observations as well as the annual evaluation 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 a 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 by the management and boards of the respective companies and of Ratos. The process is intended to give Ratos's management and Board of Directors an understanding of Ratos'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.

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 52–55.

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 consist of developing companies headquartered in the Nordics that are or can become market leaders. Ratos has three business areas – Construction & Services, Consumer and Industry – and each business area currently consists of three to seven 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 aim is not that these companies' systems and reporting should be integrated into the Ratos Group, but resources are used for follow-up and development of financial reporting from subsidiaries and associates.

Ratos's aim, as part of its value-creating work with the companies, is to create independent and high-quality organisations with a high quality of financial reporting.

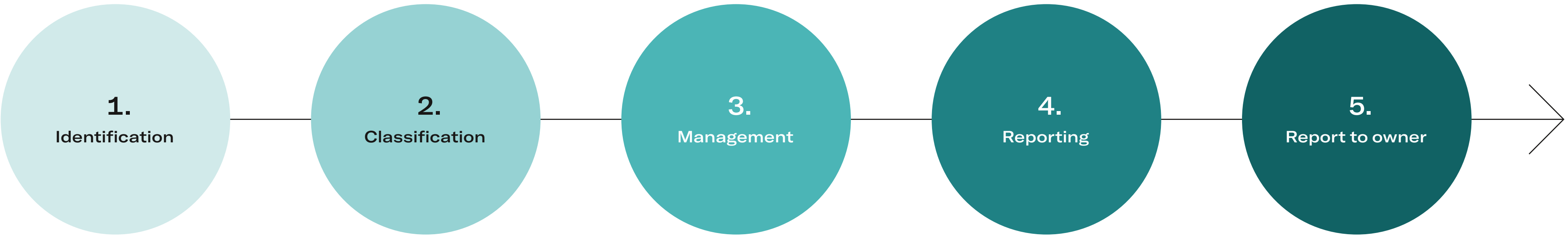
Ratos has the overarching responsibility but the decisions and management of each company are carried out based on the needs, size and complexity of the company. Internal control of financial reporting is therefore designed to be appropriate in Ratos AB as well as in the companies. Evaluations and decisions 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 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 their complete accounts on a monthly basis and full-year forecasts. 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.

Ratos has introduced a framework with minimum internal control requirements (MICR) connected to internal control for financial reporting

Internal risk management process for Ratos



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.

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

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.

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

A report that summarises the biggest risks at Ratos is compiled and presented to the Ratos Board annually.

(ICFR). The framework aims to ensure with reasonable certainty that the external financial reporting was is reliable and prepared according to laws, regulations, financial reporting standards and other relevant requirements for Ratos. Follow-up and assessment of minimum requirements in each company are performed annually and reported to Ratos's Board.

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. Ratos's business area managers and finance function 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 managers, together with Ratos's finance function, evaluate the material reported by the companies analytically, looking at its completeness, accuracy and compliance with Ratos's accounting principles. Ratos's finance function has an active dialogue with each company. Any deviations noted in the legal and operational follow-up are corrected. 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 and, in some cases, Ratos's Board. 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's accounts function 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. Ratos's finance function is led by Ratos's CFO and the employees have 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.

Read more about Ratos's corporate governance

Read more about Ratos's corporate governance on our website under Governance

- Corporate governance reports from previous years
- Articles of Association
- Information from general meetings in previous years
- Nomination committee
- The Board and its committees
- Management group
- Incentive systems
- Auditor.

Board of Directors and CEO

From left

Jonas Wiström, President and 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 executive management.
MSc Eng. KTH Royal Institute of Technology.
Born 1960, Swedish.
Former President and CEO of ÅF, President and CEO of Prevas. CEO of Silicon Graphics northern Europe and positions within Philips, Saab–Scania and Sun Micro-systems.

Shareholding in Ratos (own): 310,000 B shares
Warrants in Ratos: 400,000
Convertibles in Ratos: 400,000

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

Shareholding in Ratos (own and related parties):
16,714,396 Class A shares, 5,136,622 Class B shares

Karsten Slotte
Board member since 2015. Independent in relation to the company, executive management and major shareholders in the company.
B.Sc. Econ.
Born 1953, Finnish.
Board member of Conficap.
Former President and CEO of the Karl Fazer Group 2007–2013. CEO of Cloetta-Fazer 2002–2006.

Shareholding in Ratos (own): 8,600 Class B shares

Tone Lunde Bakker
Board member since 2022. Independent in relation to the company, executive management and major shareholders in the company.
Master's degree in business administration from Arizona State University, USA.
Born 1962, Norwegian.
CEO of Eksfin (Export Finance Norway).
Previously General Manager of Swedbank Norge 2017–2021 and Global Head of Cash Management at Danske Bank 2015–2017. Leading positions at Nordic banks.

Shareholding in Ratos (own): 2,000 Class B shares

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

Jan Söderberg, Deputy Chairman
Board member since 2000 and Deputy Chairman of the Board since December 2017. Independent in relation to the company and executive management. Dependent in relation to major shareholders in the company.
BA Econ, Stockholm School of Economics.
Born 1956, Swedish.
Chairman of the Board and founder of Söderbergföretagen.
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):
14,517,996 Class A shares, 4,706,750 Class B shares

Ulla Litzén
Board member since 2016. Independent in relation to the company, executive management and major shareholders in the company.
BA Econ, Stockholm School of Economics. MBA Massachusetts Institute of Technology. Honorary Doctorate, Stockholm School of Economics.
Born 1956, Swedish.
Board member of Electrolux, Epiroc, Stockholm School of Economics and the School of Economics Association.
Former CEO of W Capital Management AB (wholly owned by the Wallenberg Foundations). Managing Director and member of the management group, Investor AB.

Shareholding in Ratos (own): 105,000 Class B shares

Auditor
At the 2022 Annual General Meeting, the auditing firm Ernst & Young AB, with authorised public accountant Erik Sandström as Chief Auditor, was elected for the period until the 2023 Annual General Meeting has been held.

Board's and CEO's holdings at 31 December 2022.

Consolidated income statement

SEKm	Note 2, 4	2022	2021
Net sales	3	29,875	22,551
Other operating income	3	155	183
Cost of goods and services sold		–18,188	–13,448
Work performed by the company for its own use and capitalised		3	3
Employee benefit costs	7, 22	–6,494	–4,855
Depreciation/amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	11, 12, 13	–1,340	–1,014
Other external costs	8, 26	–2,529	–1,840
Capital gain from Group companies	5	–0	2
Share of profits from investments recognised according to the equity method	6, 14	255	189
Revaluation of and capital gains on listed shares		–118	–116
Operating profit/loss		**1,618**	**1,656**
Financial income	9	82	45
Financial expenses	9	–468	–422
Exchange gains/losses	9	–54	27
Net financial items		**–440**	**–350**
Profit before tax		**1,178**	**1,306**
Income tax	10	–299	–166
Profit for the year from continuing operations		**879**	**1,139**
Profit for the year from discontinued operations	33		1,715
Profit for the year		**879**	**2,855**
Profit for the year attributable to:			
Owners of the parent		548	2,637
Non-controlling interests		331	218
Earnings per share from profit for the year, SEK	21		
– basic earnings per share		1.69	8.17
– diluted earnings per share		1.68	8.10
Earnings per share from continuing operations, SEK	21		
– basic earnings per share		1.69	2.84
– diluted earnings per share		1.68	2.83

Consolidated statement of comprehensive income

SEKm	Note	2022	2021
Profit for the year		**879**	**2,855**
Other comprehensive income			
Items that will not be reclassified to profit or loss	22		
Remeasurement of defined benefit pension obligations, net		46	–49
Tax attributable to items that will not be reclassified to profit or loss	10	–4	–2
		42	**–51**
Items that may be reclassified subsequently to profit or loss	19		
Translation differences for the year		392	291
Change in hedging reserve for the year		–9	41
Tax attributable to items that may be reclassified subsequently to profit or loss	10	1	–9
		384	**323**
Other comprehensive income for the year, net after tax		**426**	**271**
Total comprehensive income for the year		**1,305**	**3,126**
Total comprehensive income for the year attributable to:			
Owners of the parent		913	2,879
Non-controlling interests		392	247

Consolidated statement of financial position

SEKm	Note 4	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Goodwill	11	14,811	10,028
Other intangible assets	11	2,096	1,390
Property, plant and equipment	12	1,725	1,503
Right-of-use assets	13	5,100	5,006
Investments recognised according to the equity method	14	1,573	1,259
Shares and participations	16	8	815
Other receivables	16	94	83
Deferred tax assets	10	357	303
Total non-current assets		**25,764**	**20,387**
Current assets			
Inventories	17	2,477	1,903
Tax assets		81	53
Trade receivables	16, 25	3,699	2,746
Prepaid expenses and accrued income		652	311
Contract assets	32	1,250	480
Other receivables	16	712	261
Derivative instruments	16	7	13
Cash and cash equivalents	16, 30	2,532	2,230
Total current assets		**11,411**	**7,998**
Total assets		**37,175**	**28,385**

SEKm	Note 4	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Share capital	18	1,027	1,023
Other capital provided		408	431
Reserves	19	115	–218
Retained earnings including profit for the year		10,740	10,703
Equity attributable to owners of the parent		**12,289**	**11,940**
Non-controlling interests	20	1,499	1,387
Total equity		**13,788**	**13,326**
Liabilities			
Non-current interest-bearing liabilities	16, 25, 26	11,318	7,191
Other non-current liabilities	16, 32	1,668	836
Provisions for pensions	22	60	76
Other provisions	23	44	39
Deferred tax liabilities	10	742	440
Total non-current liabilities		**13,832**	**8,582**
Current interest-bearing liabilities	16, 25, 26	1,717	842
Trade payables	16	2,916	2,430
Tax liabilities		182	163
Contract liabilities	32	1,750	723
Derivative instruments	16	6	49
Other liabilities		1,168	847
Accrued expenses	24	1,377	1,003
Provisions	23	439	421
Total current liabilities		**9,555**	**6,477**
Total liabilities		**23,387**	**15,059**
Total equity and liabilities		**37,175**	**28,385**

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 for the year	Total	Non-controlling interests	Total equity provided
Opening equity, 1 January 2021		**1,021**	**417**	**–490**	**8,417**	**9,366**	**1,915**	**11,281**
Profit for the year					2,637	2,637	218	2,855
Other comprehensive income for the year				272	–30	242	29	271
Comprehensive income for the year				**272**	**2,608**	**2,879**	**247**	**3,126**
Dividend					–303	–303	–3	–306
Non-controlling interests' share of capital contribution, new share issue and impaired equity							0	0
Transfer of treasury shares					227	227		227
Conversion of convertible debentures to shares		2	14			16		16
Value of conversion option for convertible debentures, net					5	5		5
Option premiums, net					5	5		5
Redeemed options					–6	–6		–6
Put options, future acquisitions from non-controlling interests					–207	–207	–357	–564
Acquisition of shares in subsidiaries from non-controlling interests					–31	–31	–7	–38
Disposal of shares in subsidiaries to non-controlling interests					–10	–10	19	8
Non-controlling interests at acquisition							493	493
Non-controlling interests in disposals							–921	–921
Closing equity, 31 December 2021		**1,023**	**431**	**–218**	**10,703**	**11,940**	**1,387**	**13,326**
Opening equity, 1 January 2022		**1,023**	**431**	**–218**	**10,703**	**11,940**	**1,387**	**13,326**
Profit for the year					548	548	331	879
Other comprehensive income for the year				333	32	365	61	426
Comprehensive income for the year				**333**	**580**	**913**	**392**	**1,305**
Dividend					–390	–390	–262	–651
Non-controlling interests' share of capital contribution, new share issue and impaired equity							–0	–0
Transfer of treasury shares			–52		55	2		2
Conversion of convertible debentures to shares		4	29			33		33
Value of conversion option for convertible debentures, net					7	7		7
Option premiums, net					9	9		9
Put options, future acquisitions from non-controlling interests					–227	–227	–567	–794
Acquisition of shares in subsidiaries from non-controlling interests					4	4	–10	–6
Disposal of shares in subsidiaries to non-controlling interests					–1	–1	36	35
Non-controlling interests at acquisition							522	522
Closing equity, 31 December 2022		**1,027**	**408**	**115**	**10,740**	**12,289**	**1,499**	**13,788**

Consolidated statement of cash flows

SEKm	Note 30	2022	2021
Operating activities			
Operating profit from continuing operations		1,618	1,656
Operating profit from discontinued operations			1,721
Adjustment for non-cash items		1,227	–960
		2,845	2,416
Income tax paid		–301	–265
Cash flow from operating activities before change in working capital		**2,544**	**2,151**
Cash flow from change in working capital			
Increase (–)/Decrease (+) in inventories		–487	–459
Increase (–)/Decrease (+) in operating receivables		–1,062	–38
Increase (+)/Decrease (–) in operating liabilities		913	–206
Cash flow from operating activities		**1,907**	**1,448**
Investing activities			
Acquisitions, Group companies		–4,542	–2,492
Disposals, Group companies		5	2,634
Investments and disposals, intangible assets/property, plant and equipment		–405	–419
Investments and disposals, financial assets		685	15
Interest received		18	4
Cash flow from investing activities		**–4,239**	**–258**

SEKm	Note 30	2022	2021
Financing activities			
Non-controlling interests' share of issue/capital contribution		0	0
Transfer of treasury shares		2	227
Option premiums paid		17	5
Repurchase/final settlement of options		–11	–243
Acquisition and disposal of shares in subsidiaries from non-controlling interests		–0	–29
Dividends paid		–390	–303
Dividends paid, non-controlling interests		–248	–3
Borrowings		9,957	2,361
Amortisation of loans		–5,519	–3,279
Interest paid		–495	–339
Amortisation of financial lease liabilities		–816	–623
Cash flow from financing activities		**2,497**	**–2,227**
Cash flow for the year		**165**	**–1,037**
Cash and cash equivalents at the beginning of the year		2,230	3,182
Exchange differences in cash and cash equivalents		138	84
Cash and cash equivalents at the end of the year		2,532	2,230

Parent company income statement

SEKm	Note	2022	2021
Other operating income	3	15	8
Other external costs	8	–63	–52
Personnel costs	7, 22	–86	–100
Depreciation of property, plant and equipment	12	–1	–0
Operating profit/loss		**–135**	**–144**
Profit from investments in Group companies	5	212	1,878
Result from other securities and receivables accounted for as non-current assets	9		–70
Other interest income and similar profit items	9	295	48
Interest expenses and similar profit/loss items	9	–145	–59
Exchange gains/losses	9	–55	5
Profit/loss after financial items		**172**	**1,658**
Group contributions, received		92	97
Profit before tax		**264**	**1,755**
Tax	10	56	76
Profit for the year		**320**	**1,831**

Parent company statement of comprehensive income

SEKm	2022	2021
Profit for the year	**320**	**1,831**
Other comprehensive income for the year	**0**	**0**
Comprehensive income for the year	**320**	**1,831**

Parent company balance sheet

SEKm	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	12	3	2
Financial assets			
Participations in Group companies	29	10,150	7,975
Receivables from Group companies	15, 16	6,180	4,029
Deferred tax assets		130	75
Total non-current assets		**16,464**	**12,081**
Current assets			
Current receivables			
Receivables from Group companies	15, 16	1,741	1,145
Other receivables		13	26
Derivative instruments	16	5	
Prepaid expenses and accrued income		30	9
Cash and bank balances	16, 30	410	294
Total current assets		**2,199**	**1,474**
Total assets		**18,663**	**13,555**

SEKm	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity	18		
Restricted equity			
Share capital		1,027	1,023
Statutory reserve		289	289
Unrestricted equity			
Share premium reserve		172	143
Retained earnings		8,167	6,708
Profit for the year		320	1,831
Total equity		**9,975**	**9,994**
Non-current liabilities			
Interest-bearing liabilities			
Convertible debentures	16	79	75
Liabilities to Group companies	16	206	670
Other interest-bearing liabilities	16	6,237	1,908
Non-interest bearing liabilities			
Other liabilities			
Deferred tax liabilities		3	2
Total non-current liabilities		**6,524**	**2,655**
Current provisions			
Other provisions	23	86	65
Total current provisions		**86**	**65**
Current liabilities			
Interest-bearing liabilities			
Liabilities to Group companies	16	1,464	664
Derivative instruments	16		34
Other interest-bearing liabilities	16	590	7
Non-interest bearing liabilities			
Liabilities to Group companies	16		79
Trade payables	16	2	8
Other liabilities		3	3
Accrued expenses	24	20	47
Total current liabilities		**2,079**	**842**
Total equity and liabilities		**18,663**	**13,555**

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

Parent company statement of changes in equity

SEKm	Note 18	Restricted equity		Unrestricted equity			
		Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity provided
Opening equity, 1 January 2021		**1,021**	**289**	**129**	**6,638**	**143**	**8,219**
Other disposition of earnings					143	–143	
Profit for the year						1,831	1,831
Comprehensive income for the year						**1,831**	**1,831**
Dividend					–303		–303
Transfer of treasury shares					227		227
Exercise of call options					–6		–6
Conversion of convertible debentures to shares		2		14			16
Option premiums					5		5
Value of conversion option for convertible debentures					6		6
Deferred tax, conversion option for convertible debentures					–1		–1
Closing equity, 31 December 2021		**1,023**	**289**	**143**	**6,708**	**1,831**	**9,994**
Opening equity, 1 January 2022		**1,023**	**289**	**143**	**6,708**	**1,831**	**9,994**
Other disposition of earnings					1,831	–1,831	
Profit for the year						320	
Comprehensive income for the year						**320**	**320**
Dividend					–390		–390
Transfer of treasury shares					2		2
Conversion of convertible debentures to shares		4		29			33
Option premiums					9		9
Value of conversion option for convertible debentures					8		8
Deferred tax, conversion option for convertible debentures					–2		–2
Closing equity, 31 December 2022		**1,027**	**289**	**172**	**8,167**	**320**	**9,975**

Parent company cash flow statement

SEKm	Note 30	2022	2021
Operating activities			
Profit before tax		264	1,755
Adjustment for non-cash items		–133	–1,785
		131	–30
Income tax paid			
Cash flow from operating activities before change in working capital		**131**	**–30**
Cash flow from change in working capital			
Increase (–) / Decrease (+) in operating receivables		–9	–112
Increase (+) / Decrease (–) in operating liabilities		677	44
Cash flow from operating activities		**798**	–98
Investing activities			
Acquisition, shares in subsidiaries		–3,584	–1,428
Disposals, shares in subsidiaries		5	2,949
Acquisition, property, plant and equipment		–2	–2
Cash flow from investing activities		**–3,581**	**1,519**
Financing activities			
Repurchase / redemption of options			–9
Option premiums paid		14	
Convertible debentures		52	43
Change in external loans		4,744	1,800
Change in intra-Group borrowings		–1,521	–4,007
Transfer of treasury shares		2	227
Dividends paid		–390	–303
Cash flow from financing activities		**2,901**	**–2,250**
Cash flow for the year		**119**	**–829**
Cash and cash equivalents at the beginning of the year		294	1,166
Exchange differences in cash and cash equivalents		–3	–42
Cash and cash equivalents at the end of the year		410	294

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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 85.

Changed accounting principles due to new or amended IFRS

No new standards or amendments to standards have been added in 2022 that have necessitated changes in the accounting or measurement principles.

New IFRS that have not yet come into force

Future standards, amendments and improvements to existing standards and interpretations that have not come into force for the 2022 financial year have not been applied in advance 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, which are presented on the following pages, 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 the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. In the acquisition analysis, 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

▷ Note 1, cont.

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 acquisition analysis 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. For accounting principles for call and put options issued to owners with non-controlling interests that were agreed in conjunction with acquisitions, refer to the paragraph below.

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.

Call and 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 at fair value at a future period in time. Call options issued to owners with non-controlling interests refer to agreements that give Ratos the right to purchase interests in the company at fair value at a future period in time. Ratos applies IFRS 10, policy option 3, for these options. 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. Valuation (Level 3) of the option takes place on a continuous basis, and changes are recognised directly in equity. 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 rate 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 transla-

▷ Note 1, cont.

tion 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 rate 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 rate differences attributable to monetary non-current receivables are reclassified from the translation reserve in equity to profit or loss for the year.

Discontinued operations

A discontinued operation is a part of the Group that has either been divested or is classified as held for sale and that corresponds to an independent business segment or is a subsidiary expressly acquired to be sold. A discontinued operation is recognised separately from continuing operations in profit or loss with equivalent recognition for the comparative period. Assets held for sale and their related liabilities are recognised separately in the balance sheet. The comparative period is not affected. Assets held for sale are measured at the lower of the carrying amount and fair value after deduction for selling costs.

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.

Government assistance

Government assistance refers to financial grants from states, authorities and similar local, national or international bodies. Government assistance is recognised when there is reasonable certainty that the grant will be received and that the company is likely to meet the conditions tied to the grant. Government assistance is recognised on a systematic basis in profit for the year in the same way and over the same periods in which the expenses which the grants are intended to offset are recognised. Government assistance pertaining to expenses is recognised in profit or loss through an equivalent reduction in expenses.

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 feasible, and the conditions exist to complete development and thereafter use or sell the asset provided 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 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.

▷ Note 1, cont.

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[1)]	20
Customer relations	5–10
Business systems	3–10
Other intangible assets	3–10

1) Brands that are currently identified by the Group as having indefinite useful lives and are therefore not amortised. Refer to Note 11.

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 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
Machinery and equipment	2–20

The residual value and useful life of an asset are assessed annually.

Leases

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

▷ Note 1, cont.

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.

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 net financial items together with exchange rate earnings.

Liabilities measured at amortised cost are all other liabilities except those measured at fair value through profit or loss. Interest expenses from financial liabilities that are measured at amortised cost are recognised as financial expenses 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 net financial items 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

▷ Note 1, cont.

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 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.

▷ Note 1, cont.

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

Discontinued operations and assets held for sale

A discontinued operation is a part of the Group that has either been divested or is classified as held for sale and that corresponds to an independent business segment or a significant operation in an area. A discontinued operation is recognised separately from continuing operations in profit or loss with equivalent recognition for the comparative period.

Non-current assets (or divestment groups) held for sale are classified as held for sale if their carrying amounts will be recovered primarily through the sale and not through ongoing use. Assets held for sale and their related liabilities are recognised separately in the statement of financial position. The comparative period is not affected. Non-current assets (or divestment groups) are measured at the lower of carrying amount and fair value with deduction for selling costs. One condition that needs to be met for an asset to be classified as held for sale is that the sale is highly probable and that the assets (divestment group) are available for sale in their existing condition.

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.

Purchases 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.

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 commitments. 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. The last outstanding call options were exercised in 2022, whereupon the exercise price was paid in and increased 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

▷ Note 1, cont.

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.

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.

▷ Note 1, cont.

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.

Group contributions are recognised based on their economic substance. Group contributions received are recognised as financial income and Group contributions paid are recognised as a financial expense.

Tax

Until 2020, the parent company was taxed according to the rules for investment companies. From 2021, the parent company's operations changed, which means that its tax status as an investment company is deemed to have ceased and, as of the third quarter of 2021, the parent company is taxed according to conventional income tax rules.

Untaxed reserves, including deferred tax liabilities, are recognised in the parent company. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.

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 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 2022, Ratos owned 15 subsidiaries and one associate. The companies are active in different sectors, and operate strategically, operationally and financially independently. Ratos has three business areas: Construction & Services, Consumer and Industry. The most relevant basis for revenue classification is based on the three business areas. This classification provides information about the Ratos Group's most material and relevant 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," regularly monitors operations in each business area and decides on resource allocation and assesses financial outcomes based on Ratos's financial targets.

2022 SEKm	**Construction & Services**	**Consumer**	**Industry**	**Group costs and eliminations**	**Total**
Net sales	16,901	6,986	6,002	–15	29,875
EBITDA	**1,646**	**982**	**624**	–293	**2,958**
Depreciation and impairment of assets	–370	–558	–309	–4	–1,240
EBITA	**1,276**	**424**	**315**	–297	**1,718**
Revaluation and capital gain/loss listed shares				–118	–118
Items affecting comparability			–130		–130
Adjusted EBITA	**1,276**	**424**	**445**	–179	**1,966**
Amortisation and impairment of assets resulting from acquisitions	–77	–4	–12	–7	–100
Operating profit	**1,199**	**420**	**303**	–304	**1,618**
Net financial items	–129	–288	–120	98	–440
Group contributions			–92	92	
Profit before tax	**1,070**	**132**	**91**	–114	**1,178**
Cash flow from operations	1,272	–491	167	–225	723
Interest-bearing net receivables(+)/net debt(–)	1,636	6,338	2,269	225	10,468

2021 SEKm	**Construction & Services**	**Consumer**	**Industry**	**Group costs and eliminations**	**Total**
Net sales	11,406	6,232	4,913	–0	22,551
EBITDA	**892**	**1,368**	**676**	–267	**2,669**
Depreciation and impairment of assets	–215	–524	–244	–1	–983
EBITA	**677**	**845**	**432**	–268	**1,686**
Revaluation and capital gain/loss listed shares				–116	–116
Adjusted EBITA	**677**	**845**	**432**	–152	**1,802**
Amortisation and impairment of assets resulting from acquisitions	–26	–4	–0		–30
Operating profit	**652**	**840**	**432**	–268	**1,656**
Net financial items	–48	–276	–30	4	–350
Group contributions		–15	–97	112	
Profit before tax	**604**	**549**	**305**	–153	**1,306**
Cash flow from operations	224	2	342	–144	425
Interest-bearing net receivables(+)/net debt(–)	893	5,532	1,421	–1,997	5,850

▷ **Note 2, cont.**

	Net sales[1]					Non-current assets[2]				
2022 SEKm	**Construction & Services**	**Consumer**	**Industry**	**Eliminations**	**Total**	**Construction & Services**	**Consumer**	**Industry**	**Eliminations**	**Total**
Norway	10,412	2,646	210	–1	13,267	4,151	4,414	10		8,575
Sweden	5,002	3,556	1,049	–13	9,594	2,389	2,271	6,067	34	10,761
Other Nordic countries	1,487	318	198		2,003	1,083	783	1,104		2,970
Rest of Europe		454	2,839		3,293					
Rest of the world		12	1,705		1,717					
	16,901	**6,986**	**6,002**	**–15**	**29,875**	**7,624**	**7,467**	**7,181**	**34**	**22,306**

	Net sales[1]					Non-current assets[2]				
2021 SEKm	**Construction & Services**	**Consumer**	**Industry**	**Eliminations**	**Total**	**Construction & Services**	**Consumer**	**Industry**	**Eliminations**	**Total**
Norway	6,767	2,834	152	–0	9,753	3,960	4,277	1		8,238
Sweden	3,624	2,718	345		6,687	1,673	2,336	1,831	36	5,876
Other Nordic countries	1,015	329	186		1,530	783	730	1,017		2,531
Rest of Europe		340	2,651		2,992					
Rest of the world		10	1,579		1,589					
	11,406	**6,232**	**4,913**	**–0**	**22,551**	**6,416**	**7,344**	**2,849**	**36**	**16,644**

[1] Net sales are based on where the customer is based geographically.
[2] Non-current assets refer to property, plant and equipment, intangible assets and right-of-use assets

No individual countries other than Norway and Sweden are assessed as material for the Group and are therefore not recognised separately in the table above. The assessment of whether or not a country is material is based on whether net sales or non-current assets for the country exceed 10% of the Group's total net sales or total non-current assets. No individual customer accounts for more than 10% of total net sales.

Note 3 Revenue recognition

Net sales

Group

SEKm	2022	2021
Breakdown of net sales		
Sale of goods	10,901	10,152
Service contracts	5,287	2,036
Construction contracts	13,351	10,120
Reimbursable expenditure	336	242
	29,875	**22,551**

SEKm	2022	2021
Time of revenue recognition		
At a point in time	14,982	11,540
Over time	14,893	11,011
	29,875	**22,551**

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

Sale of goods

The performance obligation entails the sale of various types of goods to customers, including composite materials, store fixtures, plants, and gardening equipment. The obligation is fulfilled either upon delivery of the goods to the customer or immediately upon payment if a sale takes place in store. Payment terms vary between 15 and 120 days. An obligation for returns exists pertaining to the goods that are sold directly to the private individual, and the return period varies between seven and 30 days. There is a guarantee commitment for certain goods, and in these cases there are reserves for returns based on historical sales. The agreement contains separate selling prices. 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. Net sales from sale of goods pertains to the Consumer and Industry business areas.

Service contracts

The performance obligation entails supporting customers with various kinds of services, including technology consultancy assignments, infrastructure maintenance, and third-party logistics solutions and staffing. The performance of services is contract-based. The obligation is fulfilled either upon delivery of the service to the customer, meaning when the service is executed, or proportionally over the term of the contract. If the obligation is fulfilled when the service is executed, revenue is recognised at a point in time. This pertains, for example, to revenue from third-party logistics solutions and infrastructure maintenance. For performance obligations fulfilled proportionally over the term of the contract, revenue is recognised when the performance obligation has been fulfilled. Payment terms vary between 30 and 90 days, but payments can also be made in advance. There is 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. Net sales from service contracts pertain to the Construction & Services and Industry business areas.

Construction contracts

Contractual operations mainly involve performing contractual assignments (projects) with a duration from a few months to up to two or 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. Net sales from construction contracts pertain to the Construction & Services business area.

Other operating income

Group

Other operating income

SEKm	2022	2021
Capital gain from divestment of property, plant and equipment	17	10
Rental income	42	34
Other operating income	96	140
	155	**183**

Parent company

Other operating income

SEKm	2022	2021
Internal sales	7	5
Other operating income	8	3
	15	**8**

Note 4 Acquired and divested companies

In 2022

Acquisitions within Ratos

Acquisition of NVBS

On 16 May, Ratos acquired 74% of the shares in the Swedish company NVBS Rail Group Holding AB (NVBS). NVBS will become a Nordic platform company for Ratos in the attractive and growing railway infrastructure market, with a presence in Sweden, Finland and Norway.

The purchase price for the shares in NVBS amounted to SEK 546m. Goodwill, which has been identified for 100% of the shares, amounts to SEK 666m in the preliminary acquisition analysis and is attributable to synergies as well as the company's growth and business model. This goodwill is not tax-deductible.

NVBS has been included in the Ratos Group from the date of acquisition, with net sales of SEK 917m and profit before tax of SEK 23m. For full-year 2022, net sales amounted to SEK 1,058m and a loss before tax of SEK -30m was reported. Acquisition-related transaction costs amounted to SEK 16.5m.

Acquisition of Knightec

On 9 August, Ratos acquired 70% of the consulting company Knightec, thereby entering into a partnership with co-founder and CEO Dimitris Gioulekas.

Through its unique customer offerings and strong community involvement, Knightec has established a strong market position in technology, design and digitalisation of products and services.

The purchase price for the shares in Knightec amounted to SEK 1,261m. Goodwill, which has been identified for 100% of the shares, amounts to SEK 1,293m in the preliminary acquisition analysis and is attributable to synergies as well as the company's growth and business model. This goodwill is not tax-deductible.

Knightec has been included in the Ratos Group from the date of acquisition, with net sales of SEK 442m and profit before tax of SEK 53m. For full-year 2022, net sales amounted to SEK 990m and profit before tax to SEK 91m. Acquisition-related transaction costs amounted to SEK 3.8m.

Acquisition of Semcon

On 27 October, Ratos acquired Semcon AB (publ) through a public takeover offer. The offer was accepted by 98.7% of the shareholders.

Semcon is an international technology company headquartered in Gothenburg that offers services in advanced engineering, strategic innovation, digital services and product information solutions.

The purchase price for the shares in Semcon amounted to SEK 2,734m. Goodwill, which has been identified for 100% of the shares, amounts to SEK 2,144m in the preliminary acquisition analysis and is attributable to synergies as well as the company's growth and business model. This goodwill is not tax-deductible.

Semcon has been included in the Ratos Group from the date of acquisition, with net sales of SEK 360m and profit before tax of SEK 47m. For full-year 2022, net sales amounted to SEK 1,957m and profit before tax to SEK 162m. Acquisition-related transaction costs amounted to SEK 20.2m.

Acquisition of Presis Infra

On 30 November 2021, Ratos acquired 75% of the shares in Presis Infra, a leading Norwegian maintenance group in critical transportation infrastructure. The preliminary acquisition analysis during the first quarter of 2022 was updated after the final acquisition balance was determined, which entailed a payment of SEK 12m. Updating the acquisition analysis has not entailed any significant effects for the Group.

Preliminary acquisition analysis

SEKm	NVBS	Knightec	Semcon	Total
Intangible assets	79	273	403	755
Property, plant and equipment	14	12	23	49
Right-of-use assets	25	53	66	145
Financial assets	1	0		1
Deferred tax assets	11		3	14
Trade receivables	65	179	306	550
Current assets	383	62	249	694
Cash and cash equivalents	4	121	203	328
Non-controlling interests			-36	-36
Deferred tax liabilities	-24	-69	-152	-245
Non-current liabilities and provisions	-114	-167	-36	-318
Current liabilities	-391	-190	-440	-1,020
Net identifiable assets and liabilities	**53**	**274**	**590**	**917**
Recognised call and put options issued to minority owners [1]	-173	-306		-479
Goodwill	666	1,293	2,144	4,103
Equity value	**546**	**1,261**	**2,734**	**4,541**
of which, cash paid	546	1,261	2,734	4,541
of which, contingent consideration				

[1] Refer to Note 16 for further information on the Group's call and put options.

▷ Note 4, cont.

Acquisitions within business areas

Construction & Services

On 30 December 2021, Speed Group acquired shares in a subsidiary of Dream Logistics that provides transport management services, known as fourth-party logistics (4PL). The preliminary acquisition analysis during the first quarter of 2022 was updated after the final acquisition balance was determined, which entailed a payment of SEK 0.5m.

On 18 May, NVBS acquired the shares of the Finnish company Ratatek. Ratatek specialises in the design, installation and maintenance of overhead contact lines and electrical systems on tram tracks and railways, with operations in Finland and Sweden. Ratatek had sales of EUR 25.5m in 2021, with adjusted EBITA of EUR 2.7m.

On 1 July, NVBS acquired the shares in the civil engineering company TKBM Entreprenad AB. TKBM holds a strong position in cable and trunking installations and had sales of SEK 58m in 2021, with adjusted EBITA of SEK 1m.

On 3 October, Speed Group acquired the logistics company Scandi Terminal AB, an important provider of logistics and materials handling to customers in the process industry. The company operates in Stenungssund and had sales of SEK 48m for the last 12 months, with operating profit of SEK 8m.

On 3 October, airteam acquired the ventilation company Grundströms Plåt i Kiruna AB. The company carries out ventilation projects in renovations, expansions and new construction for companies in the mining industry as well as for construction projects and existing properties and had sales of SEK 25m in 2022, with EBITA of SEK 4m.

On 4 November, SSEA Group acquired the construction and painting company Kiruna Målbygg AB. The company carries out construction and painting assignments in Kiruna and the surrounding area and had sales of SEK 28m for the most recent financial year, with EBITA of SEK 1m.

Consumer

On 1 March, Plantasjen acquired Flyinge Plantshop AB, one of the leading nurseries in Sweden. The company's sales amounted to SEK 82m in 2021, with EBITDA of SEK 12m.

On 15 September, KVD acquired a minor company, WF inventarier AB, which became part of Forsbergs Fritidscenter's operations.

Industry

HL Display, which is part of the Industry business area, acquired the Irish company Allied POS on 1 December. Allied POS is a leading provider of point of sale (POS) solutions to grocery retailers, pharmacies and other stores in Ireland. The company has annual sales of EUR 2m and annual EBITA of EUR 0.3m.

TFS HealthScience, which is part of the Industry business area, acquired the company Appletree CI Group AG on 23 December. The company is an expert, niche CRO and global regulatory service provider. The company operates in five European countries and had sales for 2022 of CHF 3.3m, with EBITA of CHF 0.6m.

Preliminary acquisition analysis

SEKm	Construction & Services	Consumer	Industry	Total
Intangible assets	6			6
Property, plant and equipment	27	12	0	40
Right-of-use assets	24		1	25
Financial assets	1	0	0	1
Trade receivables	54	2	13	69
Current assets	43	10	9	63
Cash and cash equivalents	11	8	9	28
Non-controlling interests	-1			-1
Deferred tax liabilities	-2	-3		-4
Non-current liabilities and provisions	-30	-6		-35
Current liabilities	-109	-8	-10	-127
Net identifiable assets and liabilities	**24**	**16**	**23**	**63**
Goodwill	214	43	27	285
Equity value	**239**	**59**	**50**	**348**
of which, cash paid	208	50	40	298
of which, contingent consideration	30	9	10	50

2021

Acquisitions within Ratos

Acquisition of Vestia

On 9 April, Ratos acquired 62.8% of the shares of the construction company Vestia Construction Group, active in the Gothenburg market. Vestia works in accordance with a so-called "partnering model", whereby work is based on a target budget and Vestia is paid running costs coupled with a predetermined fee.

The total purchase price for the shares in Vestia Construction Group amounted to SEK 262m, of which Ratos's share amounted to SEK 165m. A maximum contingent consideration of SEK 95m may be paid depending on EBITA for the period from July 2020 to June 2023. The fair value of the contingent consideration amounted to SEK 77m on the acquisition date and corresponds with the carrying amount. Goodwill in the preliminary acquisition analysis amounts to SEK 232m and is attributable to the company's growth and business model. This goodwill is not expected to be tax-deductible.

Vestia has been included in the Ratos Group from the date of acquisition, with net sales of SEK 754m and profit before tax of SEK 21m. For full-year 2021, net sales amounted to SEK 932m and profit before tax to SEK 23m. Acquisition-related transaction costs amounted to approximately SEK 3.8m.

Acquisition of Presis Infra

On 30 November, Ratos acquired 75% of the shares in Presis Infra, a leading Norwegian maintenance group in critical transportation infrastructure. Presis Infra is currently the second-largest player in the Norwegian market for transportation infrastructure services, such as road and tunnel maintenance, ferry quay operations and maintenance, and rockfall protection.

The purchase price for the shares in Presis Infra totalled NOK 2.6 billion, of which Ratos's portion was SEK 1.95 billion. Goodwill in the preliminary acquisition analysis amounts to SEK 2.2 billion and is attributable to the company's growth and business model. This goodwill is not expected to be tax-deductible.

Presis Infra has been included in the Ratos Group from the date of acquisition, with net sales of SEK 225m and profit before tax of SEK 26m. For full-year 2021, net sales amounted to SEK 1,922m and profit before tax to SEK 287m. Acquisition-related transaction costs amounted to approximately SEK 8.5m.

SEKm	Vestia	Presis Infra	Total
Intangible assets	45	291	336
of which, customer contracts identified upon acquisitions	*45*	*166*	*211*
Property, plant and equipment	0	35	35
Right-of-use assets	6	252	258
Financial assets		22	22
Deferred tax assets		0	0
Trade receivables	79	307	386
Current assets	5	86	91
Cash and cash equivalents	33	207	240
Non-controlling interests		–28	–28
Deferred tax liabilities	–9	–38	–47
Non-current liabilities and provisions	–23	–240	–263
Current liabilities	–105	–556	–661
Net identifiable assets and liabilities	**31**	**337**	**368**
Goodwill	232	2,219	2,451
Equity value	**262**	**2,556**	**2,818**
of which, cash paid	185	2,556	2,741
of which, contingent consideration	77		77
Preliminary acquisition analysis	Yes	Yes	

Acquisitions within business areas

Construction & Services

On 30 December, Speed Group acquired shares in a subsidiary of Dream Logistics that provides transport management services, known as fourth-party logistics (4PL). The company is based in Mölndal, Sweden and has annual sales of SEK 100m, with an EBITA margin of approximately 3%, which is in line with other 4PL providers.

Consumer

On 16 July, KVD acquired Forsbergs Fritidscenter, which is the largest mobile home dealer in the Nordics. With this acquisition, KVD expanded its range and strengthened its offering to the end consumer. Forsbergs has annual sales of approximately SEK 940m.

In December, Plantasjen acquired shares in the property company Kaggen Gård AS. The total purchase price amounted to NOK 83m, and no goodwill or other surplus values were identified in conjunction with the acquisition. The transaction is not considered of material importance for the Ratos Group.

Industry

On 4 March, HL Display acquired Concept Group, a UK supplier of store solutions and services with sales of approximately GBP 5.4m and 65 employees.

On 1 April, HL Display acquired the company CoolPresentation, thus strengthening its market position in the Netherlands. CoolPresentation has established a strong position in the Dutch market with high-quality products and services for grocery retailers, pharmacies and brand manufacturers. CoolPresentation has approximately SEK 40m in annual sales.

On 1 September, HL Display acquired the company Display Italia, with sales of approximately SEK 100m. The acquisition strengthened HL Display's customer base and position as a market-leading supplier of in-store communication solutions for grocery retailers in Europe.

SEKm	Construction & Services	Consumer	Industry	Total
Intangible assets	4	1	3	8
Property, plant and equipment	0	20	7	27
Right-of-use assets		40	27	67
Financial assets			0	0
Deferred tax assets			3	3
Trade receivables	11	12	45	68
Current assets	0	212	22	234
Cash and cash equivalents	3	56	23	82
Non-controlling interests	–2			–2
Deferred tax liabilities	–1	–10	0	–11
Non-current liabilities and provisions		–75	–40	–115
Current liabilities	–16	–81	–32	–129
Net identifiable assets and liabilities	**0**	**176**	**56**	**232**
Goodwill	7	96	107	210
Equity value	**7**	**272**	**163**	**442**
of which, cash paid	7	272	156	435
of which, contingent consideration			8	8
Preliminary acquisition analysis	Yes	Yes	Yes	

Divestments within business areas

There was only one minor divestment of a subsidiary in KVD. The capital gain amounted to SEK 2m.

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

Group

Capital gain / loss from sale of Group companies[1]

SEKm	2022	2021
HL Display liquidation of SCI L'Eclipse	–0	
KVD divestment of Smart 365		2
	–0	**2**

[1] Capital gains / losses for discontinued operations are recognised in Note 33.

Parent company

Profit from investments in Group companies

SEKm	2022	2021
Dividend	102	
Gain from the sale of shares and similar items	110	1,878
	212	**1,878**

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

Group

SEKm	2022	2021
Share of profit		
Aibel	252	188
Share of profit from investments recognised according to the equity method, owned by Group companies	3	1
	255	**189**

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

Average number of employees[1]

	2022		2021	
	Total	Of whom women, %	Total	Of whom women, %
Parent company	20	40	18	42
Group companies	8,195	37	7,048	39
Group total	**8,215**		**7,066**	
Of whom, in:				
Sweden	3,250	33	2,578	34
Norway	2,161	31	1,640	33
Denmark	344	32	338	32
Finland	263	48	239	43
Australia	9	22	6	17
Belgium	4	25	4	25
Brazil	71	22		
Ecuador	8	38	70	10
France	118	59	115	59
United Arab Emirates	6		7	29
India	7	43	8	50
Ireland	7	57		
Italy	248	14	276	12
Canada	6	67		
China	286	39	335	30
Lithuania	78	32	147	33
Netherlands	40	48	28	50
Poland	326	57	398	60
Portugal	12	92		
Romania	3	100		
Russia			11	27
Switzerland	14	64	6	50
Slovenia	2		2	
Spain	244	82	225	78
UK	293	33	271	38
South Korea			7	14
Thailand	17	59	18	67
Czech Republic	11	72	11	73
Germany	112	47	100	63
Hungary	44	46	7	43
USA	213	45	199	41
Austria	19	26	20	25
	8,215		**7,066**	

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

Gender distribution, Board and senior executives[2]

	31 Dec 2022 Share of women	31 Dec 2021 Share of women
Board of Directors		
Parent company	33%	33%
Group total	14%	15%
Management		
Parent company	17%	14%
Group total	19%	23%

▷ Note 7, cont.

Group

Salaries and other remuneration

SEKm	Boards and senior executives[2]	Other employees	Total
2022			
Group, total	317	4,607	4,925
(of which, bonus)	(66)		(66)
Of which, in Sweden	154	1,611	1,765
(of which, bonus)	(15)		(15)
Of which, in other countries	163	2,996	3,160
(of which, bonus)	(51)		(51)
Average number of people	152		
2021			
Group, total	256	3,433	3,689
(of which, bonus)	(63)		(63)
Of which, in Sweden	140	1,178	1,318
(of which, bonus)	(42)		(42)
Of which, in other countries	116	2,255	2,371
(of which, bonus)	(21)		(21)
Average number of people	105		

2) In these tables, "senior executives" refers to senior executives in each sub-group.

Social security costs

SEKm	2022	2021
Social security costs	1,334	991
(of which, pension costs)	(363)	(305)

Of the Group's pension costs, SEK 43m (36) refers to the boards and senior executives in the Group's companies. The Group's outstanding pension commitments to these amount to SEK 15m (16).

Parent company

Salaries and other remuneration

SEKm	2022	2021
Senior executives and CEO		
Average number of people[1]	7	7
Salaries and other remuneration[2]	32	47
(of which, bonus)[3]	(6)	(24)
Salaries and other remuneration, other employees	14	11
Total	**46**	**58**

1) As of the closing date, the number of people was six (seven).
2) Including vacation bonus pay of 0.8%.
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. However, up to 100% of the variable cash remuneration for 2022 may be paid already in 2023, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested in instruments in Ratos's long-term incentive programme 2023.

Social security costs

SEKm	2022	2021
Social security costs	29	31
(of which, pension costs)	(12)	(10)

Of the parent company's pension costs, SEK 2.9m (2.6) refers to the CEO.

Remuneration to Board and senior executives

Guidelines and principles for remuneration to senior executives

The guidelines for remuneration and incentive systems for senior executives as set out below were approved by the 2022 Annual General Meeting. The following guidelines were applied throughout 2022.

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 www.ratos.com.

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 senior executives a competitive total remuneration.

Long-term share-related incentive programmes 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 about these programmes, see www.ratos.com.

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% 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% 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.

▷ Note 7, cont.

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% 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% 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 12 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 12 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% 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 12 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 individualised 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% for the CEO and the CFO, approximately 80–90% for the Business Area Presidents and approximately 75% 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 Group, and (ii) growth in earnings before tax (EBT) for the Ratos Group.

As a general rule, variable cash remuneration is paid out in an amount of 50% in the year after the remuneration is earned and 50% in the year thereafter. However, up to 100% of the variable cash remuneration may be paid out the year after it was earned, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested in instruments in Ratos's long-term incentive programme.

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.

Convertible debentures and warrants issued in 2018–2022

The Annual General Meetings from 2018 to 2022 resolved 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 – with certain exceptions – are free to decide how large a share of the Instruments offered should comprise convertibles and / or warrants, except for LTI2021 and LTI2022, where participants – with certain exceptions – are free to decide how large a share of the instruments offered should comprise convertibles but the share of warrants could comprise a maximum of 50% of the Instruments offered. 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 aforementioned convertible programmes extend for no more than four years and can be exercised after approximately three years at the earliest. The aforementioned warrant programmes extend for no more than three and a half to five years and can be exercised after approximately three to three and a half years at the earliest.

The standard valuation model for warrants (Black & Scholes) was applied to calculate the value. For programmes issued in 2018–2019 and 2021–2022, participants were offered warrants free of charge and received a benefit corresponding to the market value of the warrants on the date of allotment (option premium). The net expense for participants, after subsidies, was approximately 50% of the taxable benefit in LTI2018 and LTI2019 and approximately 25% of the taxable benefit in LTI2021 and LTI2022. For the 2020 programme, the participants paid in cash without subsidies.

▷ Note 7, cont.

Call option programmes issued 2016–2017

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. Acquisitions of call options are 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 over 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. No call options have currently been issued to any participants.

Synthetic options issued in 2013–2017

The Annual General Meetings from 2013 to 2017 resolved on cash-settlement option programmes related to Ratos's outstanding investments in companies. These programmes are carried out through the issue of synthetic options that have been transferred at market price. These programmes give key personnel in Ratos an opportunity to share in the companies' growth in value. These options gain value only when Ratos's average annual return exceeds a certain percentage (which varies between 8% and 15%). The purchase of options was subsidised by the option purchaser having received extra cash remuneration corresponding to a maximum of 50% of the option premium, whereby the remuneration was divided into equal components over four years, normally provided the person concerned was still working for the Ratos Group and still held options acquired from Ratos. Neither the CEO nor the Board members have been allotted any synthetic options.

Remuneration to Ratos's Board and senior executives 2022

SEKm	Board fee/ basic salary[1)]	Variable remunera-tion[2)]	Other benefits[3)]	Pension costs	Share-based remuneration	Total	Pension commitments
Per-Olof Söderberg, Chairman of the Board	1.1	–	–	–	–	1.1	–
Jan Söderberg, Board member	0.7	–	–	–	–	0.7	–
Karsten Slotte, Board member	0.7	–	–	–	–	0.7	–
Ulla Litzén, Board member	0.8	–	–	–	–	0.8	–
Tone Lunde Bakker, Board member	0.6	–	–	–	–	0.6	–
Helena Svancar, Board member[5)]	0.4	–	–	–	–	0.4	–
Jonas Wiström, CEO	9.7	0.8	0.1	2.9	1.6	15.2	–
Other senior executives[4)]	16.8	5.1	0.1	4.6	6.7	33.3	–

1) Basic salary including vacation bonus pay of 0.8%. The Board fee pertains to the fee for the meeting year from April 2022 up to and including March 2023.
2) Variable remuneration refers to bonuses attributable to 2022. 50% to be paid in 2023 and 50% in 2024. However, up to 100% of the variable cash remuneration for 2022 may be paid already in 2023, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested in instruments in Ratos's long-term incentive programme 2023. No bonus was paid to the CEO for 2022. The amount of SEK 0.8m pertains to subsidies for warrants.
3) Mainly comprises company car benefits.
4) Refers to six people who were members of the management group in 2022, one of whom for part of the year. As of 31 December 2022, the number is five.
5) Term: From April to October 2022.

Remuneration to Ratos's Board and senior executives 2021

SEKm	Board fee/ basic salary[1)]	Variable remunera-tion[2)]	Other benefits[3)]	Pension costs	Share-based remuneration	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	8.9	9.2	0.1	2.6	1.5	22.3	–
Other senior executives[4)]	14.1	15.0	0.1	4.1	5.6	38.9	–

1) Basic salary including vacation bonus pay of 0.8%. The Board fee pertains to the fee for the meeting year from April 2021 up to and including March 2022.
2) Variable remuneration refers to bonuses attributable to 2021. 50% to be paid in 2022 and 50% in 2023. However, up to 100% of the variable cash remuneration for 2021 may be paid to the CEO already in 2022, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested by the CEO in instruments in Ratos's long-term incentive programme 2022.
3) Mainly comprises company car benefits.
4) Refers to eight people who were members of the management group in 2021, two of whom for part of the year. As of 31 December 2021, the number is seven.

Note 7, cont.

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.

Warrants and call options issued by Ratos

	31 Dec 2022				31 Dec 2021			
	Warrants		Call options[1]		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	1,573,464	1,573,464	62,500	62,500	1,003,511	1,003,511	695,500	695,500
Issued	832,500	832,500			752,500	752,500		
Repurchased / redeemed	–334,264	–334,264	–62,500	–62,500	–182,547	–182,547	–633,000	–633,000
Outstanding at end of period	**2,071,700**	**2,071,700**	**0**	**0**	**1,573,464**	**1,573,464**	**62,500**	**62,500**
of which, redeemable	80,000				0			

[1] The exercise price for the call options was SEK 40 per share (40). The share price when the options expired was SEK 53.65 (45.6).

▷ Note 7, cont.

Disclosures on warrants issued during the period

Each warrant carries entitlement to purchase one share.

	2022	2021
Maturity date	15 Dec 2025	29 Nov 2024
Taxable benefit including social security costs, SEKm	11.9	10.0
Total payments to Ratos if shares acquired, SEKm	40.3	34.0

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 2022 No. of options	31 Dec 2022 Corresponding no. of shares	31 Dec 2021 No. of options	31 Dec 2021 Corresponding no. of shares
18 Mar 2022	4.50	40.00	1.00			62,500	62,500
						62,500	**62,500**
Maximum increase in number of shares in relation to outstanding shares at end of period							0.0%

The cash amount that Ratos received on exercise of outstanding options amounted to SEK 0m (3).

Option terms for outstanding warrants

Maturity date	Option price, SEK per option	Exercise price[3], SEK per share	Right to purchase no. of shares	31 Dec 2022 No. of options	31 Dec 2022 Corresponding no. of shares	31 Dec 2021 No. of options	31 Dec 2021 Corresponding no. of shares
8 Jun 2023[1]	3.30	31.37	1.00	80,000	80,000	362,264	362,264
14 Jun 2024[1]	3.93	28.70	1.00	429,200	429,200	436,200	436,200
30 April 2025[2]	3.87	23.07	1.00	50,000	50,000	50,000	50,000
29 Nov 2024[1]	10.10	44.93	1.00	712,500	712,500	725,000	725,000
25 Dec 2025[1]	10.92	46.61	1.00	800,000	800,000		
				2,071,700	**2,071,700**	**1,573,464**	**1,573,464**
Maximum increase in number of shares in relation to outstanding shares at end of period					0.6%		0.5%

[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.
[2] Cash payment.
[3] Restated for dividends.

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 153m (144). During the year, the Group's earnings were affected by SEK –17m (–10) relating to synthetic option liabilities.

Note 8 Fees and disbursements to auditors

SEKm	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Chief Auditor EY				
Audit assignment	21	19	3	3
Audit-related activities in addition to audit assignment	2	1	2	1
Tax advice	0	0		
Other services	0	0		
	23	**20**	**5**	**4**
Other auditors				
Audit assignment	3	3		
	26	**23**	**5**	**4**

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 tax consultations, tax advice in conjunction with company acquisitions, setting of transfer price, 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 2022	Amortised cost 2021	Fair value through profit or loss 2022	Fair value through profit or loss 2021	Total 2022	Total 2021
Financial income						
Interest income	15	4			15	4
Result from sale			5	–1	5	–1
Change in value, synthetic options			13	36	13	36
Change in value, derivatives						
– not hedge accounted			46	3	46	3
Other financial income	3	3			3	3
Changes in exchange rates, net		27				27
	18	**34**	**65**	**38**	**82**	**72**
Financial expenses						
Interest expenses	–117	–68			–117	–68
Interest expenses, finance leases	–266	–246			–266	–246
Interest expenses, convertible debentures	–7	–5			–7	–5
Change in value, synthetic options			–34	–46	–34	–46
Change in value, contingent considerations			–12	–6	–12	–6
Change in value, derivatives						
– not hedge accounted			–2	–34	–2	–34
Other financial expenses	–18	–15	–11		–30	–15
Changes in exchange rates, net	–54				–54	
	–463	**–335**	**–59**	**–86**	**–521**	**–421**
Pensions, interest expenses					–1	–1
					–522	**–422**
Net financial items					**–440**	**–350**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 15m (4). Interest expenses attributable to financial liabilities not measured at fair value through profit or loss amount to SEK –383m (–314). The Group has no fair value hedges.

▷ Note 9, cont.

Parent company

SEKm	Amortised cost 2022	Amortised cost 2021	Fair value through profit or loss 2022	Fair value through profit or loss 2021	Total 2022	Total 2021
Financial income						
Interest income, intra-Group	251	48			251	48
Interest income, other	2				2	
Result from sale				–70		–70
Change in value, derivatives						
– not hedge accounted			41		41	
Changes in exchange rates, net		5				5
	253	**52**	**41**	**–70**	**295**	**–17**
Financial expenses						
Interest expenses, intra-Group	–22				–22	
Interest expenses, convertible debentures	–7	–5			–7	–5
Interest expenses, other	–74	–3			–74	–3
Change in value, synthetic options			–26	–14	–26	–14
Change in value, derivatives						
– not hedge accounted			–6	–34	–6	–34
Other financial expenses	–10	–3			–10	–3
Changes in exchange rates, net	–55				–55	
	–169	**–11**	**–31**	**–48**	**–200**	**–59**
Net financial items					**94**	**–76**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 253m (48). Interest expenses attributable to financial assets not measured at fair value through profit or loss amount to SEK –97m (–3).

Note 10 Taxes

Recognised in income statement

SEKm	2022	2021
Tax expense for the year	–295	–218
Adjustment of tax attributable to previous years	–4	10
Deferred tax	–1	42
Total recognised tax expense in the Group	**–299**	**–166**

Reconciliation effective tax

SEKm	2022	2021
Profit before tax	1,178	1,306
Less profit from investments recognised according to the equity method	–255	–189
	923	**1,118**
Tax according to current tax rate, 20.6%	–190	–230
Effect of different tax rates in other countries	–3	–11
Non-deductible expenses	–104	–56
Non-taxable income	13	23
Increase in loss carry-forward without corresponding capitalisation of deferred tax	–64	–55
Impairment of previously capitalised loss carry-forward	–31	0
Use of previously non-capitalised loss carry-forward	29	39
Capitalisation of previously non-capitalised loss carry-forward	63	103
Tax attributable to previous years	–4	10
Other	–8	11
Reported effective tax	**–299**	**–166**

Tax items recognised in other comprehensive income

SEKm	2022	2021
Deferred tax attributable to change in hedging reserve	1	–9
Deferred tax attributable to remeasurement of defined benefit pension commitments	–4	–2
	–3	**–11**

Recognised deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
SEKm	2022	2021	2022	2021
Intangible assets	15	18	421	273
Property, plant and equipment	56	59	47	42
Right-of-use assets	119	104		
Financial assets		2	0	3
Inventories	22	24		
Trade receivables	6	0	1	1
Other receivables	9	1	27	1
Construction contracts			464	337
Interest-bearing liabilities		0	11	8
Provisions for pensions	7	12	0	0
Other provisions	62	59		1
Other liabilities	6	10		0
Loss carry-forwards	355	256		
Untaxed reserves/appropriations		5	71	21
Tax assets/tax liabilities	**656**	**550**	**1,042**	**687**
Offsets	–299	–247	–299	–247
Tax assets/tax liabilities, net	**357**	**303**	**742**	**440**

Of recognised deferred tax assets, SEK 29m (23) is expected to be used within one year and SEK 328m (280) has no fixed utilisation date. Of recognised deferred tax liabilities, SEK 84m (9) is expected to be used within one year and SEK 659m (431) has no fixed utilisation date.

Total loss carry-forwards amounted to SEK 16.1 billion, of which SEK 13.8 billion is attributable to Ratos AB. Of these loss carry-forwards, SEK 374m matures within ten years and SEK 15.7 billion has no fixed maturity date. The tax value of the loss carry-forwards is SEK 3.3 billion. Of the Group's total loss carry-forwards, a deferred tax asset of SEK 355m (256) has been recognised.

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

Parent company

The parent company's tax expense for 2022 amounted to SEK +56m (76). Ratos AB has an accumulated loss carry-forward that at the close of 2022 amounted to SEK 13.8 billion (14.0), of which SEK 130m (75) is recognised as a deferred tax asset at the end of the reporting period.

▷ Note 10, cont.

Change in deferred tax 2022

SEKm	Opening balance, 2022	Recognised in income statement	Recognised in conjunction with acquisition of companies	Recognised in other comprehensive income/equity	Translation difference	Reclassifications	Closing balance, 2022
Intangible assets	–255	16	–151		–9	–7	–406
Property, plant and equipment	17	–8	–1		2	–1	9
Right-of-use assets	104	12			3		119
Financial assets	–1	–2		3			0
Inventories	24	–3					22
Trade receivables	–1	5	2	–1			5
Other receivables	1	19	–38		–1	1	–18
Construction contracts	–338	–112			–15		–464
Interest-bearing liabilities	–8	–2		1	–1		–11
Provisions for pensions	12	–4	3	–4			7
Other provisions and liabilities	68	1	–4	–1	2	1	67
Loss carry-forwards	256	83	11		7	–2	355
Untaxed reserves/tax allocation reserves	–16	–6	–56			8	–70
Tax assets/tax liabilities, net	**–137**	**–1**	**–235**	**–3**	**–11**	**0**	**–386**

Change in deferred tax 2021

SEKm	Opening balance, 2021	Recognised in income statement	Recognised in conjunction with acquisition of companies	Recognised in other comprehensive income/equity	Translation difference	Reclassifications	Closing balance, 2021
Intangible assets	–196	–3	–47		–8		–255
Property, plant and equipment	45	–16	–1		5	–17	17
Right-of-use assets	68	12				18	104
Financial assets	4	–1		–2		–1	–1
Inventories	29	–8	1		2		24
Trade receivables	3	–4					–1
Other receivables	3					–2	1
Construction contracts	–289	–30			–18		–338
Interest-bearing liabilities	4	6	–3	–7	–7		–8
Provisions for pensions	14			–2			12
Other provisions and liabilities	81	–22	4	1	3	2	68
Loss carry-forwards	122	105			29		256
Untaxed reserves/ax allocation reserves	–6	2	–10		–1	–1	–16
Tax assets/tax liabilities, net	**–118**	**41**	**–56**	**–10**	**5**	**0**	**–137**

Note 11 Intangible assets

Group

SEKm	Goodwill	Acquired intangible assets: Trade-marks	Acquired intangible assets: Customer relations	Acquired intangible assets: Other assets	Business systems	Other assets	Projects in progress	Total
Accumulated cost								
Opening balance 1 January 2021	8,302	857	50	223	401	40	6	9,879
Business combinations	2,785		7	213	2			3,007
Investments					67		17	85
Divestments / disposals					–10			–10
Company disposals	–5							–5
Reclassifications					19	–0	–21	–2
Exchange rate differences for the year	331	52	0	7	20	1		410
Closing balance 31 December 2021	**11,413**	**909**	**57**	**443**	**498**	**41**	**3**	**13,363**
Opening balance 1 January 2022	11,413	909	57	443	498	41	3	13,363
Business combinations	4,400		755		69	0		5,224
Investments					62	1	10	72
Divestments / disposals					–5	–6		–11
Reclassifications					8	0	–8	0
Exchange rate differences for the year	401	40	1	16	16	1		476
Closing balance 31 December 2022	**16,214**	**949**	**813**	**458**	**647**	**37**	**5**	**19,123**

▷ Note 11, cont.

SEKm	Goodwill	Acquired intangible assets: Trade-marks	Acquired intangible assets: Customer relations	Acquired intangible assets: Other assets	Business systems	Other assets	Projects in progress	Total
Accumulated amortisation and impairment								
Opening balance 1 January 2021	–1,343	–6	–24	–207	–183	–34		–1,798
Business combinations				–1	–2			–2
Amortisation for the year			–5	–26	–65	–3		–99
Impairment for the year					–8			–8
Divestments/disposals					13			13
Reclassifications						0		0
Exchange rate differences for the year	–42	–1	–0	–3	–6	–1		–51
Closing balance 31 December 2021	**–1,385**	**–7**	**–29**	**–236**	**–251**	**–37**		**–1,945**
Opening balance 1 January 2022	–1,385	–7	–29	–236	–251	–37		–1,945
Business combinations					–64			–64
Amortisation for the year			–37	–63	–77	–1		–179
Divestments/disposals					4	6		10
Exchange rate differences for the year	–18	–0	–1	–11	–8	–1		–39
Closing balance 31 December 2022	**–1,403**	**–6**	**–67**	**–311**	**–396**	**–33**		**–2,215**
Carrying amount according to statement of financial position:								
At 31 December 2022	**14,811**	**943**	**746**	**148**	**251**	**4**	**5**	**16,908**
At 31 December 2021	**10,028**	**903**	**28**	**206**	**246**	**4**	**3**	**11,418**

Impairment and testing for goodwill and intangible assets with indeterminable useful lives

Goodwill and other intangible assets with indeterminable useful lives at 31 December 2022 amounted to a book value of SEK 15,754m (10,931). Below is a breakdown of the amount in cash-generating units, which comprise the respective company.

SEKm	Goodwill 2022	Goodwill 2021	Intangible assets[1] 2022	Intangible assets[1] 2021
Presis Infra	2,489	2,403		
Semcon	2,144			
Plantasjen	1,713	1,623	704	683
Knightec	1,293			
LEDiL	1,063	977		
airteam	1,027	953	18	17
HENT	920	892		
HL Display	869	843		
NVBS	868			
KVD	607	606		
Diab	573	573		
	13,567	**8,871**	**722**	**700**
Companies without separate significant value	1,244	1,157	221	203
Total	**14,811**	**10,028**	**943**	**903**

[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.

▷ Note 11, cont.

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 of goodwill in 2022

No impairment.

Impairment of goodwill in 2021

No impairment.

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.

Presis Infra

Impairment testing for Presis Infra 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 11% before tax. The market for infrastructure maintenance was robust in 2022, and is expected to remain so. In the forecast period, Presis Infra forecasts sales growth partly based on a higher market share. Profitability is expected to be stable over the next few years, driven by sales growth and sound cost control. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Semcon

Impairment testing for Semcon is based on fair value. The fair value is based on the transaction price for Ratos's acquisition of Semcon. The market for technology consultancy services was robust in 2022, and is expected to remain so. Profitability is expected to be stable over the next few years, driven by sales growth and sound cost control. 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%. The estimated cash flows have been calculated at present value using a discount rate of 10% after tax and 12% before tax. Compared with the two preceding years, which were positively impacted by the Covid-19 pandemic, sales decreased in 2022. However, sales and profit were higher compared with the years before the pandemic, which indicates a stable level of earnings. The forecast for next year includes continued initiatives to improve the customer offering, enhance productivity in stores and reduce costs. These initiatives are expected to stabilise profitability during the forecast period. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Knightec

Impairment testing for Knightec 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. The market for technology consultancy services was robust in 2022, and is expected to remain so. In the forecast period, Knightec forecasts sales growth partly based on a higher market share. Profitability is expected to be stable over the next few years, driven by sales growth and sound cost control. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

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 10% after tax and 12% before tax. The market for LED lighting has recovered after the Covid-19 pandemic and LEDiL forecasts sales growth over the next few years, based on increased market shares and the launch of new products. Profitability is expected to be stable over the next few years, driven by sales growth, sound cost control and continued investments in R&D. 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 fair value. The fair value is included in level 3 and is based on inputs in a measurement model. airteam posted positive growth in 2022, mainly in the Danish operations. The company's order intake was healthy during the year and included several major ventilation contracts extending over the coming years, which is expected to drive sales growth. airteam has a strong profitability focus and the EBITA margin is expected to remain stable, driven by efficient project completion. 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.

HENT

Impairment testing for HENT is based on fair value. The fair value is included in level 3 and is based on inputs in a measurement model. HENT had a stable performance in 2022, with a robust order intake. The order backlog included several major construction contracts extending over the coming years, which are expected to drive sales growth. HENT has a strong profitability focus and the EBITA margin is expected to remain stable, driven by efficient project completion. 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 fair value. The fair value is included in level 3 and is based on inputs in a measurement model. The forecast for the coming year is based on the company being a market leader in Europe and having a good strategic position with diversified customer exposure. Sales growth and profitability are expected to remain stable over the next few years. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

▷ Note 11, cont.

NVBS
Impairment testing for NVBS 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 7% after tax and 8% before tax. The market for infrastructure maintenance was robust in 2022, and is expected to remain so. In the forecast period, NVBS forecasts sales growth partly based on a higher market share. Profitability is expected to be stable over the next few years, driven by sales growth and sound cost control. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

KVD
Impairment testing for KVD 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 9% after tax and 11% before tax. During the year, the company continued to be adversely impacted by the prevailing shortage of components, which resulted in delayed deliveries of mobile homes and a sparse inflow of company cars. The forecast for the coming years includes efforts at lowering costs to adapt the cost base to the reduced sales volumes. These initiatives are expected to stabilise profitability 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 12% (10) after tax and 15% (13) before tax. The wind market continued to decline in 2022, but is expected to stabilise in 2023. The market is expected to subsequently recover, and Diab forecasts sales growth partly based on a higher market share. The cost-savings programme that was implemented, the increase in capacity utilisation, and greater production efficiency are expected to result in improved EBITA margins during the forecast period. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

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 104–105 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 impairment tests for 2022, this growth rate was 2% (2).

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
- EBITDA and EBIT forecast

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

EBITDA and EBIT 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 0.5 of a percentage point, the discount rate has been raised by 0.5 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 a level and the earnings 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 2021	806	2,548	271	3,626
Investments	36	147	150	333
Divestments/disposals	–53	–80		–133
Assets in acquired companies	114	77		192
Assets in disposed companies		–0		–0
Transferred from construction in progress	7	206	–212	
Reclassifications	–0	5	–6	–2
Expensed			–1	–1
Exchange rate differences for the year	42	85	10	136
Closing balance 31 December 2021	**952**	**2,987**	**211**	**4,151**
Opening balance 1 January 2022	952	2,987	211	4,151
Investments	111	164	79	355
Divestments/disposals	–19	–88		–107
Assets in acquired companies	24	191		215
Transferred from construction in progress	0	85	–85	
Reclassifications		14	–7	6
Expensed			–1	–1
Exchange rate differences for the year	44	127	14	184
Closing balance 31 December 2022	**1,113**	**3,480**	**211**	**4,804**

SEKm	Land and buildings	Equipment	Construction in progress	Total
Accumulated depreciation and impairment				
Opening balance 1 January 2021	–473	–1,955		–2,428
Depreciation for the year	–40	–176		–217
Impairment for the year	–9	–3		–12
Accumulated depreciation in acquired companies	–14	–34		–48
Accumulated depreciation in disposed companies		0		0
Reversed impairment		8		8
Divestments/disposals	50	76		127
Reclassifications		–0		–0
Exchange rate differences for the year	–19	–58		–78
Closing balance 31 December 2021	**–506**	**–2,142**		**–2,648**
Opening balance 1 January 2022	–506	–2,142		–2,648
Depreciation for the year	–41	–226		–267
Impairment for the year	–1	–23		–24
Accumulated depreciation in acquired companies	–10	–116		–126
Reversed impairment		6		6
Divestments/disposals	19	82		101
Reclassifications		–2		–2
Exchange rate differences for the year	–23	–95		–118
Closing balance 31 December 2022	**–563**	**–2,516**		**–3,079**
Carrying amount according to statement of financial position				
At 31 December 2022	**550**	**964**	**211**	**1,725**
At 31 December 2021	**447**	**845**	**211**	**1,503**

▷ Note 12, cont.

Parent company

SEKm	Equipment	Construction in progress	Total
Accumulated cost			
Opening balance 1 January 2021	5		5
Investments		2	2
Divestments / disposals	–3		–3
Closing balance 31 December 2021	**2**	**2**	**4**
Opening balance 1 January 2022	2	2	4
Investments	1	1	2
Reclassifications	3	–3	
Expensed		–0	–0
Divestments / disposals	–1		–1
Closing balance 31 December 2022	**5**		**5**
Accumulated depreciation			
Opening balance 1 January 2021	–4		–4
Depreciation for the year	–0		–0
Divestments / disposals	3		3
Closing balance 31 December 2021	**–2**		**–2**
Opening balance 1 January 2022	–2		–2
Depreciation for the year	–1		–1
Divestments / disposals	1		1
Closing balance 31 December 2022	**–1**		**–1**
Carrying amount according to statement of financial position			
At 31 December 2022	**3**		**3**
At 31 December 2021	**0**	**2**	**2**

Note 13 Right-of-use assets

Group

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Opening balance 1 January 2021	5,650	223	5,873
Additional contracts during the year	422	82	504
Divestments and premature contract terminations	–137	–34	–170
New contracts upon acquisitions	101	223	324
Other changes	36	2	38
Exchange rate differences for the year	203	14	217
Closing balance 31 December 2021	**6,276**	**510**	**6,786**
Opening balance 1 January 2022	6,276	510	6,786
Additional contracts during the year	152	257	409
Divestments and premature contract terminations	–35	–39	–75
New contracts upon acquisitions	129	40	170
Changes in existing contracts	268	–4	264
Reclassifications	–1	–6	–7
Other changes	10	1	10
Exchange rate differences for the year	156	18	174
Closing balance 31 December 2022	**6,954**	**777**	**7,731**

SEKm	Land and buildings	Equipment	Total
Accumulated depreciation and impairment			
Opening balance 1 January 2021	–1,103	–93	–1,196
Divestments and premature contract terminations	123	32	156
Reclassifications	–1		–1
Depreciation for the year	–614	–71	–685
Other changes	1		1
Exchange rate differences for the year	–50	–4	–54
Closing balance 31 December 2021	**–1,644**	**–136**	**–1,779**
Opening balance 1 January 2022	–1,644	–136	–1,779
Divestments and premature contract terminations	29	26	55
Reclassifications	0	1	2
Depreciation for the year	–706	–169	–876
Other changes	13	2	16
Exchange rate differences for the year	–44	–4	–48
Closing balance 31 December 2022	**–2,351**	**–280**	**–2,631**
Carrying amount according to statement of financial position			
At 31 December 2022	**4,603**	**497**	**5,100**
At 31 December 2021	**4,632**	**375**	**5,006**

Note 14 Investments recognised according to the equity method

Change in carrying amounts
Group

SEKm	2022	2021
Carrying amount, 1 January	1,259	1,003
Investments in acquired companies		22
Investments	0	
Share of profit from investments recognised according to the equity method	337	236
Share of tax from investments recognised according to the equity method	-82	-47
Share of other comprehensive income from investments recognised according to the equity method	27	-60
Dividend	-3	
Exchange rate differences	35	106
Carrying amount at year-end	**1,573**	**1,259**

Impairment testing Aibel
At 31 December 2022, the consolidated value for Aibel totalled SEK 982m. "Consolidated value" refers to the Group's share of equity and any consolidated surplus and deficit values, taking non-controlling interests into account (32%). The carrying amount is the consolidated value included in the consolidated statement of financial position (49%). Completed impairment testing for 2022, based on a fair value calculation, indicates no impairment requirement. The profit multiple used is on a par with listed comparable companies. The earnings forecast is based on the budgets and forecasts most recently adopted by management. 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

	2022			2021		
SEKm	Aibel[1]	Individually insignificant investments	Total	Aibel[1]	Individually insignificant investments	Total
Investments recognised according to the equity method						
Included in the Group as follows:						
Share of profit before tax	334	3	337	234	1	236
Income tax	-82		-82	-47	0	-47
Share of other comprehensive income	27		27	-60		-60
Share of comprehensive income	**279**	**3**	**282**	**127**	**1**	**129**
Carrying amount	**1,535**	**38**	**1,573**	**1,223**	**36**	**1,259**
100%						
Net sales	12,919			12,890		
Profit for the year	504			376		
Other comprehensive income	54			-121		
Total comprehensive income	**558**			**255**		
Non-current assets	7,532			7,334		
Current assets	5,646			4,233		
Non-current liabilities	-2,985			-3,189		
Current liabilities	-7,122			-5,932		
Net assets	**3,070**			**2,446**		

[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.

Note 14, cont.

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

	Aibel 100%	
SEKm	2022	2021
Opening balance net assets	**2,446**	**1,983**
Profit for the year before tax	668	469
Income tax	–164	–93
Other comprehensive income	54	–121
Translation differences	66	208
Closing balance net assets	**3,070**	**2,446**

	Aibel 49%[1]	
SEKm	2022	2021
Share in net assets	1,535	1,223
Carrying amount	**1,535**	**1,223**

[1] Consolidated value, adjusted for the share subject to non-controlling interests, amounts to SEK 982m (782).

Note 15 Receivables from Group companies

Parent company

	Non-current receivables Group companies	
SEKm	2022	2021
Accumulated cost at 1 January	**4,029**	**0**
Subsequent expenditure	1,981	4,018
Reclassifications	139	
Settlements	–0	–79
Change in exchange rates	32	90
Closing balance	**6,180**	**4,029**

	Current receivables Group companies	
SEKm	2022	2021
Accumulated cost at 1 January	**1,145**	**7**
Subsequent expenditure	2,068	2,302
Reclassifications	–139	
Settlements	–1,313	–1,169
Change in exchange rates	–20	5
Closing balance	**1,741**	**1,145**

Note 16 Financial instruments

Group

31 December

SEKm	Amortised cost 2022	Amortised cost 2021	Fair value through profit or loss 2022	Fair value through profit or loss 2021	Derivatives used for hedging 2022	Derivatives used for hedging 2021	Total according to statement of financial position 2022	Total according to statement of financial position 2021
Financial assets								
Shares and participations	0	0	8	815			8	815
Other receivables[1]	93	64					93	64
Derivative instruments			5		2	13	7	13
Trade receivables	3,699	2,746					3,699	2,746
Cash and cash equivalents	2,532	2,230					2,532	2,230
	6,325	**5,041**	**13**	**815**	**2**	**13**	**6,340**	**5,868**
Surplus in pension plans, asset							1	1
							6,341	**5,870**
Financial liabilities								
Interest-bearing liabilities								
– Liabilities to credit institutions	6,871	2,102					6,871	2,102
– Financial lease liabilities	5,670	5,507					5,670	5,507
– Convertible debentures	99	79					99	79
– Other interest-bearing liabilities	7	7	388	337			396	345
Other non-current liabilities[2]			1,669	830			1,669	830
Derivative instruments				39	6	10	6	49
Trade payables	2,916	2,430					2,916	2,430
	15,563	**10,126**	**2,058**	**1,207**	**6**	**10**	**17,626**	**11,342**
Provisions for pensions							60	76
							17,686	**11,418**

1) Other receivables include SEK 93m (64) which is interest-bearing.
2) Other non-current liabilities pertains in its entirety to call and put options issued to owners with non-controlling interests. Changes in the value of these options are recognised directly in equity.

Fair value

Forward contracts are measured at fair value taking interest rates and prices on the closing date into account. 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 leverage, 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, level 1

During 2021 and the first half of 2022, the Group also had assets in level 1 of the fair value hierarchy, in the form of listed shares. These were divested in June 2022. Book value amounted to SEK 808m on 31 December 2021, as did fair value.

Fair value hierarchy

Assets SEKm	Level 2 2022	Level 2 2021
Derivatives		
– Forward contracts	7	13
	7	**13**

▷ Note 16, cont.

Fair value hierarchy

Liabilities SEKm	Level 2 2022	Level 2 2021	Level 3 2022	Level 3 2021
Synthetic options			153	144
Derivatives				
– Forward contracts	6	49		
Call and put options to non-controlling interests			1,669	830
Contingent considerations			236	194
	6	**49**	**2,058**	**1,167**

Change, level 3

Liabilities SEKm	Synthetic options 2022	Synthetic options 2021	Call and put options 2022	Call and put options 2021	Contingent considerations 2022	Contingent considerations 2021
Opening balance	144	173	830	240	194	20
Recognised in net financial items	17	10			12	6
Recognised in operating profit or loss					–3	–9
Recognised against equity			221			
Newly issued / subsequent expenditure	2	5	566	564	49	184
Acquisitions, Group companies			8	6	26	
Settlements	–11	–47			–46	–11
Exchange rate differences	2	3	44	20	4	3
Closing balance	**153**	**144**	**1,669**	**830**	**236**	**194**

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.

Call and put options to non-controlling interests are measured starting from the terms of the purchase agreement and shareholder agreement, discounted to the closing 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. Of the closing balance, SEK 164m is expected to be settled in 2023 and the maximum nominal amount is SEK 289m.

▷ Note 16, cont.

Parent company

31 December

SEKm	Amortised cost 2022	Amortised cost 2021	Fair value through profit or loss 2022	Fair value through profit or loss 2021	Total according to statement of financial position 2022	Total according to statement of financial position 2021
Financial assets						
Receivables from Group companies[1]	7,921	5,174			7,921	5,174
Derivative instruments			5		5	
Cash and cash equivalents	410	294			410	294
	8,331	**5,468**	**5**		**8,336**	**5,468**
Financial liabilities						
Interest-bearing liabilities						
– Liabilities to credit institutions	6,719	1,850			6,719	1,850
– Liabilities to Group companies	2,304	1,333	3		2,306	1,333
– Convertible debentures	99	79			99	79
– Other interest-bearing liabilities			88	62	88	62
Liabilities to Group companies, non-interest-bearing		79				79
Trade payables	2	8			2	8
Derivative instruments				34		34
	9,124	**3,349**	**90**	**96**	**9,214**	**3,445**

[1] Receivables from Group companies include SEK 7,828m (4,484) that is interest-bearing.

Fair value hierarchy

Assets SEKm	Level 2 2022	Level 2 2021
Derivatives		
– Forward contracts	5	
	5	

Fair value hierarchy

Liabilities SEKm	Level 2 2022	Level 2 2021	Level 3 2022	Level 3 2021
Synthetic options			88	62
Derivatives				
– Forward contracts		34		
		34	**88**	**62**

Change, level 3

Liabilities SEKm	Synthetic options 2022	Synthetic options 2021
Opening balance	62	48
Recognised in net financial items	26	14
Closing balance	**88**	**62**

Remeasurements of synthetic options are included in profit or loss for the year, with SEK –26m (–14) relating to liabilities in the closing balance.

Note 17 Inventories

Group

SEKm	2022	2021
Raw materials and consumables	207	163
Products in progress	213	252
Finished products and goods for resale	1,990	1,371
Advances to suppliers	65	116
	2,477	**1,903**

The cost of inventories recognised and included in the cost of goods sold amounts to SEK 5,977m (4,984). Write-down of inventories recognised as expenses during the year amounts to SEK 58m (38) and is included in the cost of goods sold. The part of inventories measured at net realisable value totals SEK 126m (205).

Note 18 Equity

Share capital

	Ordinary Class A		Ordinary Class B	
Number	**2022**	**2021**	**2022**	**2021**
Shares in the company at 1 January	84,637,060	84,637,060	240,101,760	239,503,836
Shares in the company at 31 December	**84,637,060**	**84,637,060**	**241,261,928**	**240,101,760**

	Total number of shares	Quota value	SEKm
Shares in the company at 1 January 2022	324,738,820	3.15	1,023
Shares in the company at 31 December 2022	**325,898,988**	**3.15**	**1,027**

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 2022, 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 and hedging of net investments.

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.

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) EBITA growth, EBITA is to amount to at least SEK 3 billion by 2025, (2) Leverage, Net debt, excluding financial lease liabilities,

▷ Note 18, cont.

in relation to EBITDA should normally range from 1.5 to 2.5x. (3) Dividend payout ratio, The dividend payout ratio should amount to 30–50% of profit after tax attributable to owners of the parent, excluding capital gains and losses

The Group's adjusted EBITA for 2022 amounted to SEK 1,966m (1,686) for continuing operations, corresponding to growth of 17%.

Excluding financial lease liabilities, the Group's leverage amounted to 2.5x at the end of the reporting period.

The Board of Directors proposes an ordinary dividend for the 2022 financial year of SEK 0.84 per Class A and B share, corresponding to a total divided of SEK 274m and dividend payout ratio of 41%. The dividend yield amounts to 2.0% based on the closing price at year-end.

The 2022 Annual General Meeting renewed the mandate entitling Ratos, in connection with acquisitions, to issue Class B shares in Ratos through offset issues, non-cash issues or for cash payment. This 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

	2022	2021
Number of shares		
Opening treasury shares	62,500	5,126,262
Transfer of treasury shares		-4,430,762
Sold in conjunction with exercise of call options	-62,500	-633,000
Closing treasury shares		**62,500**
Number of shares outstanding		
Total number of shares	325,898,988	324,738,820
Treasury shares		-62,500
	325,898,988	**324,676,320**

Options

Call options 2016–2017

The 2016–2017 Annual General Meetings decided to issue call options on treasury shares. At the start of the year, there were 62,500 treasury shares, all of which were sold in conjunction with the redemption of call options in the first quarter of 2022.

Warrants 2018–2022

The 2018–2022 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 2018–2022

The 2018–2022 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 end of the reporting period, the Board proposed the following dividend:

	SEKm
Dividend to holders of Class A and B shares, SEK 0.84 per share[1)]	-274
To be carried forward	8,386

[1)] Based on the number of shares outstanding on 31 December 2022.

The proposed dividend for 2022 will be presented for approval at the Annual General Meeting on 28 March 2023.

Note 19 Disclosure of other comprehensive income and change in reserves and non-controlling interests

SEKm	Majority's share of reserves: Translation reserve	Majority's share of reserves: Hedging reserve	Majority's share of reserves: Total	Non-controlling interests	Total
Opening carrying amount 1 January 2021	**–456**	**–34**	**–490**	**–181**	**–672**
Translation differences for the year	244		244	47	291
Translation differences attributable to divested companies	0		0		0
Cash flow hedges					
– recognised in other comprehensive income		36	36	5	41
– tax attributable to change for the year		–8	–8	–1	–9
Closing carrying amount 31 December 2021	**–212**	**–6**	**–218**	**–131**	**–349**
Opening carrying amount 1 January 2022	**–212**	**–6**	**–218**	**–131**	**–349**
Translation differences for the year	338		338	53	391
Cash flow hedges					
– recognised in other comprehensive income		–7	–7	–2	–9
– tax attributable to change for the year		1	1	0	2
Closing carrying amount 31 December 2022	**126**	**–11**	**115**	**–79**	**35**

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.

Note 20 Non-controlling interests

2022 SEKm	NCS Invest	Speed Group	LEDiL	HENT	Individually insignificant non-controlling interests [1]	Total
In their entirety, 100%						
Non-current assets	1,535	1,120	1,115	1,159		
Current assets	0	290	174	3,055		
Non-current liabilities		–587	–170	–374		
Current liabilities		–421	–90	–2,886		
Net assets	**1,535**	**403**	**1,028**	**954**		
Carrying amount of non-controlling interests	**552**	**123**	**343**	**157**	**324**	**1,499**
Net sales		1,158	487	8,032		
Profit for the year	252	82	80	173		
Other comprehensive income	60		83	34		
Total comprehensive income	**312**	**82**	**163**	**208**		
Cash flow from operating activities		219	96	913		
Cash flow from investing activities		–29	–28	2		
Cash flow from financing activities		–226	–103	–878		
Cash flow for the year		**–36**	**–35**	**38**		
Profit/loss for the year attributable to non-controlling interests	91	25	27	47	142	**331**
Other comprehensive income attributable to non-controlling interests	22		28	8	4	**61**
Dividends paid to non-controlling interests		–30	–25	–126	–67	**–248**
Non-controlling interests, share	**36%**	**30%**	**34%**	**27%**		

1) Significant non-controlling interests are defined as at least 10% of the Group's total non-controlling interests.

Note 20, cont.

2021 SEKm	NCS Invest	Speed Group	LEDiL	HENT	Individually insignificant non-controlling interests	Total
In their entirety, 100%						
Non-current assets	1,223	1,172	1,024	1,254		
Current assets	0	328	179	2,737		
Non-current liabilities		–655	–172	–341		
Current liabilities		–380	–91	–2,816		
Net assets	**1,223**	**465**	**940**	**834**		
Carrying amount of non-controlling interests	**440**	**143**	**313**	**228**	**262**	**1,387**
Net sales		1,060	481	8,054		
Profit for the year	188	63	87	153		
Other comprehensive income	44		18	34		
Total comprehensive income	**231**	**63**	**105**	**187**		
Cash flow from operating activities		264	126	18		
Cash flow from investing activities		–28	–18	11		
Cash flow from financing activities		–152	–64	483		
Cash flow for the year		**84**	**44**	**512**		
Profit/loss for the year attributable to non-controlling interests	68	19	29	42	60	**218**
Other comprehensive income attributable to non-controlling interests	16		6	7	0	**29**
Dividends paid to non-controlling interests					–3	**–3**
Non-controlling interests, share	**36%**	**30%**	**34%**	**27%**		

Note 21 Earnings per share

Calculation of earnings per share is carried out as follows:

SEKm	2022	2021
Profit for the year attributable to owners of the parent	548	2,637
Used in calculating earnings per share before dilution	**548**	**2,637**
Interest expense for convertible debentures, net	1	5
Used in calculating earnings per share after dilution	**550**	**2,642**
Weighted average number of shares		
Total number of ordinary shares	325,898,988	324,738,820
Effect of holding of treasury shares and issue of new shares	–675,099	–1,792,978
Weighted average number before dilution	**325,223,889**	**322,945,842**
Call options	3,561	123,099
Warrants	287,409	398,176
Convertible debentures	927,500	2,864,913
Weighted average number after dilution	**326,442,359**	**326,332,029**
Earnings per share before dilution, SEK	1.69	8.17
Diluted earnings per share, SEK	1.68	8.10

▷ Note 21, cont.

Call options

At the start of 2022, Ratos AB had one outstanding call option programme for which the exercise price was SEK 40.00. All call options were redeemed in the first quarter of 2022, but had a dilution effect since the exercise price of the options was lower than the average price for ordinary shares during the period up to the redemption. For further information, refer to Note 7.

Warrants

At the end of 2022, Ratos AB had five outstanding warrant programmes. The exercise prices for these programmes are SEK 31.37, SEK 28.70, SEK 23.07, SEK 44.93 and SEK 46.61, respectively. Warrants have a dilution effect in the event the exercise price of the warrants is lower than the average price for ordinary shares during the year, though weighted in the event they are not outstanding for the entire year. For further information, refer to Note 7.

Convertible debentures

Convertible debentures issued 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 after dilution in the event earnings per share improves after dilution. For further information, 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, four have defined benefit pension plans. Diab has the largest defined benefit pension obligation in the Group in terms of amount, totalling SEK 50m (67). Diab accounts for 83% 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 2022, Alecta's surplus in the form of the collective funding ratio amounted to a preliminary 172% (172). 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 41m (37) was paid to Alecta in premiums for the year.

Group

Pension cost

SEKm	2022	2021
Cost regarding current service period	1	2
Past service cost	0	0
Net interest	1	1
Effects of curtailments and settlements	1	0
Pension costs for defined benefit pensions	**4**	**3**
Pension costs for defined contribution pensions, Alecta	41	37
Pension costs for defined contribution pensions, other	153	86
Pension costs for the year	**197**	**125**

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.

Defined benefit pension plans

SEKm	2022	2021
Present value of funded obligations	36	101
Fair value of plan assets	–32	–30
	4	**71**
Present value of unfunded obligations	55	4
Net liability in the statement of financial position	**59**	**75**
Amount recognised in the balance sheet		
Provisions for pensions	60	76
Surplus in defined benefit plans recognised as non-current financial receivables	1	1
Net liability in the statement of financial position	**59**	**75**

▷ Note 22, cont.

Changes in defined benefit pension obligations

SEKm	2022	2021
Opening balance	105	113
Pensions vested during the period	1	2
Interest expenses	2	1
Benefits paid	-4	-2
Pension obligations in acquired/divested companies		
Actuarial gains/losses:		
Financial assumptions	-21	-11
Demographic assumptions	-2	-0
Assumptions based on experience	6	3
Reclassified to liabilities attributable to assets held for sale		
Other	-2	-1
Exchange rate differences	4	0
Defined benefit obligations, year-end	**90**	**105**

Changes in plan assets

SEKm	2022	2021
Opening balance	29	27
Interest income	0	
Contribution from employer	1	1
Contribution from employees	0	0
Benefits paid	-2	-1
Return on plan assets excl. the above interest income	-1	1
Reclassified to assets held for sale		
Other	0	0
Exchange rate differences	2	1
Plan assets, year-end	**31**	**29**

Plan assets comprise the following:

SEKm	2022	2021
Assets held by insurance companies	31	29
	31	**29**

Of the plan assets, SEK 15m (14) pertains to listed assets and SEK 17m (16) to unlisted assets.

Key actuarial assumptions used at the end of the reporting period

	Diab	
	2022	2021
Net liability in the statement of financial position	50	67
Discount rate, %:		
First-class bonds, Sweden	3.8	1.9
First-class bonds, Italy	3.4	0.4
First-class bonds, other	4.7	3.0
Inflation, %	1.8	1.8
Anticipated rate of salary increase, %	2.8	2.8
Annual increase in pensions and paid-up policies, %	2.0	2.0

Parent company

The parent company's pension costs for defined contribution pensions amounted to SEK 10m (8), of which SEK 0m (0) pertains to Alecta.

Note 23 Provisions

Group

Provisions, non-current

SEKm	2022	2021
Guarantee commitments		
At the beginning of the year	6	6
Provisions for the year	0	0
Utilised provisions		-0
Unutilised reversed provisions	0	1
Exchange rate differences	1	0
At the end of the year	**7**	**6**
Other		
At the beginning of the year	33	22
Provisions for the year	7	1
Utilised provisions	-1	-2
Unutilised reversed provisions	-5	-2
Provisions in acquired companies	1	13
Exchange rate differences	2	0
At the end of the year	**36**	**33**
Total non-current provisions	**44**	**39**

▷ Note 23, cont.

Provisions that are current liabilities

Provisions, current

SEKm	2022	2021
Guarantee commitments		
At the beginning of the year	383	424
Provisions for the year	120	118
Utilised provisions	–94	–101
Unutilised reversed provisions	–25	–98
Provisions in acquired companies		17
Reclassifications	–2	
Translation difference	11	23
At the end of the year	**394**	**383**
Other		
At the beginning of the year	38	23
Provisions for the year	102	19
Utilised provisions	–91	–8
Unutilised reversed provisions	–4	–3
Provisions in acquired companies	0	6
Reclassifications	–0	
Translation difference	1	0
At the end of the year	**46**	**38**
Total current provisions	**439**	**421**

Nature and maturity structure of provisions

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. The guarantee periods extend over two to ten years for non-current provisions and over one year for current provisions.

Other provisions

Other non-current provisions include provisions relating to legal requirements. These other provisions are expected to be settled within two to five years and current provisions within one year.

The Construction & Services business area is involved in a dispute pertaining to a completed construction contract. The dispute will be settled through arbitration, with an announcement expected in 2024. The outcome of this proceeding is difficult to assess and may deviate from the company's current assessment and reporting.

Parent company

Provisions, current

SEKm	2022	2021
Other		
At the beginning of the year	65	10
Provisions for the year	21	62
Utilised provisions	–0	–4
Unutilised reversed provisions	–1	–3
At the end of the year	**86**	**65**

Of the parent company's provisions SEK 60m (60) relates to provisions for subsidiaries and associates.

Note 24 Accrued expenses and deferred income

Group

SEKm	2022	2021
Personnel costs	1,034	751
Other	343	252
	1,377	**1,003**

Parent company

SEKm	2022	2021
Personnel costs	14	42
Other	6	5
	20	**47**

Note 25 Financial risks and risk policy

Principles for funding and financial risk management

The financial risks associated with Ratos's operating activities are limited. Through its activities, the Group is exposed to various types of financial risks related to trade receivables, trade payables, loans and derivative instruments. Ratos's financial risks consist of:

- currency risks
- interest rate risks
- liquidity risks
- credit risks

Ratos's financing and financial risks are managed within the Group in accordance with the financial policy established by the Board. The Board also decides on the financial strategy for the parent company while the subsidiaries' boards adopt financial strategies for the company in accordance with the parent company's financial policy.

Parent company

The parent company's financial policy, which provides guidelines for management, division of mandates and monitoring of financial risks, is adopted annually by Ratos's Board. The Board evaluates and where necessary proposes changes to the financial policy.

The Group aim to have a good financial position that contributes towards maintaining the confidence of investors, creditors and the market. A good financial position provides a basis for continued development of business operations at the same time as creating satisfactory the long-term shareholder return.

Group companies

The internal and external finance operations are concentrated in Ratos's Group Treasury function, thereby creating economies of scale when it comes to pricing of financial transactions and the Group's financing. Since the parent company treasury function utilises cash surpluses in order to balance deficits in the Group, the Group's financing requirements, and thus its interest expenses, can be minimised. According to Ratos's financial policy, the main rule is that all Group companies in which Ratos has a majority stake (>50%) are financed by Ratos AB.

Currency risks

Currency risk is the risk that changes in exchange rates have a negative impact on the consolidated income statement and / or cash flows. Currency risk exists both in translation exposure linked to foreign Group companies and in financial assets and liabilities.

Current currency exposure of financial assets and liabilities as per the closing date

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 companies manage their currency risks in accordance with the financial policy and risk management strategy adopted by the board of each Group company.

The Ratos Group operates in some 30 countries, and the Group companies' earnings and financial positions are reported in the local currency of the individual Group company and thereafter translated to SEK. The Group's earnings as well as equity and other items in the financial statements are therefore impacted by fluctuations in the exchange for SEK.

A change in SEK of 10% against Ratos's exposure of net flows in EUR, NOK, DKK, GBP and USD would have an impact on earnings of approximately SEK 25m (145). The sensitivity analysis is calculated based on financial receivables and liabilities in foreign currency as per the end of the reporting period.

The parent company, and certain Group companies, hold forward contracts and currency swaps. External contracts have generally been entered into with major banks or financial institutions that are not expected to become insolvent and are generally shorter than 12 months. The main rule for Group companies is that these contracts must be made with Ratos AB, which absorbs and hedges the total currency exposure of the Group. All outstanding forward contracts, which are not encompassed by hedge accounting, are revalued to the fair market value which is reflected in the annual accounts, and changes are recognised in the income statement. The aim of these contracts is to minimise exchange rate differences attributable to receivables and liabilities in foreign currency.

The greatest impact on profit, after net financial items, arises when financial liabilities and assets are revaluated. Where hedge accounting is applied, other comprehensive income is affected until settlement. The effect is then transferred to the consolidated profit. In the Group, hedges are used for net investments in foreign operations.

The net fair value of forward contracts amounted to SEK 1m (36) at 31 December 2022. Of this amount, SEK 7m (13) is recognised in the statement of financial position as assets and SEK 6m (49) as liabilities. The amount recognised on forward contracts that are hedge accounted amounted to SEK –4m (3), of which SEK 2m (13) is recognised as an asset and SEK 6m (10) as a liability.

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

	EUR		NOK		DKK		GBP		USD		SEK	
SEKm	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Trade receivables	614	345	22	26	4	5	66	51	397	311	72	80
Other receivables	346	281	2,363	2,184	192	176	112	359	336	628		665
Other liabilities	–874	–47	–1,004	–1,846		4	–112	–231	–840	–807	–16	–937
Trade payables	–523	–284	–4	–23	–14	–27	–65	–40	–302	–298	–84	–103
Currency exposure financial assets and liabilities	**–436**	**295**	**1,377**	**341**	**182**	**158**	**2**	**138**	**–408**	**–166**	**–28**	**–296**
Forward contracts	569	–478	–942	–828	–242	–222	–169	–71	–188	–619		–41
Exposure, net	**134**	**–183**	**435**	**–487**	**–60**	**–63**	**–167**	**68**	**–597**	**–786**	**–28**	**–336**

▷ Note 25, cont.

Interest rate risks

Interest rate risk is the risk that changes in interest rates will affect the Group's financial result and cash flow. Interest rate risks mainly relate to the Group's interest-bearing net debt, which amounted to SEK 10,468m (5,850) on 31 December 2022. The borrowing rate is linked to the market rate.

According to the financial policy, the interest rate duration for the Group shall take into consideration the forecasted cash flow from the Group companies, matching between internal and external assets and liabilities, and remain stable to temporary market rate fluctuations.

The fixed-interest term for the individual Group company is to match its structure and the risk management strategy adopted for the Group company. The interest rate duration may be managed by means of interest rate swaps. At 31 December 2022, the Group had no interest rate swaps.

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 69m (21). This sensitivity analysis is based on all other factors (such as exchange rates) remaining unchanged.

As of 31 December 2022, all of the Group's loans carry variable interest.

Liquidity risks

Liquidity risk refers to the risk that a company may experience difficulties in meeting its obligations to third parties, mainly associated with financial liabilities, but also due to other obligations in its operating activities.

The parent company shall have committed loan facilities from banks with a maturity of at least 12 months. In total, the combination of available credit facilities and available cash is to exceed the forecast obligations for the next 12 months. 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 shall not issue general guaranteed in favour of any lender for the commitments of a group company or a third party. Guarantees relating to provision of equity capital may be provided following a Board decision.

At 31 December 2022, the parent company had a credit facility of SEK 3 billion and bank overdraft facilities of SEK 150m. The facility is used for general corporate purposes. At 31 December 2022, SEK 2,321m of the credit facility and SEK 23m of the bank overdraft facility had been utilised. 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.

At the end of the year, the Group's interest-bearing liabilities to credit institutions amounted to SEK 6,860m (2,102). Total unutilised credit facilities amounted to SEK 843m (875), with predetermined interest margins. The majority of the Group's credit facilities have certain covenants, amongst other the leverage need to be below a certain threshold level. All criteria were fulfilled throughout the year.

Maturity structure for financial liabilities

The following maturity structure is shown for the Group's financial liabilities at 31 December 2022, comprising undiscounted cash flows relating to amortisation and estimated interest payments based on forward contracts alternatively actual interest as well as estimated margins. Amounts in foreign currency are translated to SEK at the rate on the closing date.

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 2022, the Group's liabilities for synthetic options amounted to SEK 153m (144).

Maturity structure for financial liabilities

31 Dec 2022

SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	811	1,050	5,347	16	309	7,533
Financial lease liabilities	950	937	665	569	3,052	6,173
Other interest-bearing liabilities	28	51	53			133
Trade payables	2,550					2,550
Call and put options	9	756		1,007	407	2,178
Contingent considerations	140	67	6	3		216
Forward contracts						
– outflow	–23					–23
– inflow	19					19
Total	**4,484**	**2,861**	**6,071**	**1,595**	**3,767**	**18,778**

31 Dec 2021

SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	78	171	1,939	13	0	2,201
Financial lease liabilities	769	805	610	513	3,191	5,889
Other interest-bearing liabilities	3	23	19	45		89
Trade payables	2,430					2,430
Call and put options			6	750	473	1,230
Contingent considerations	51	125	32			208
Forward contracts						
– outflow	2,174					2,174
– inflow	–2,124					–2,124
Total	**3,382**	**1,124**	**2,605**	**1,321**	**3,665**	**12,097**

▷ Note 25, cont.

Credit risks

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 certainty of liquid assets 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 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 credit rating 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 2022, cash and cash equivalents in the parent company amounted to SEK 410m (294).

At 31 December 2022, cash and cash equivalents in the Group amounted to SEK 2,532m (2,230). During 2022, 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 deemed 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. Ratos's Group companies 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 Group company 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 2022

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	2,671	446	147	119	385	3,767
of which, construction operations	*672*	*83*	*38*	*87*	*325*	*1,206*
Expected loss level, %	0%	0%	14%	5%	10%	2%
Provisions for credit losses	**–2**	**–2**	**–21**	**–5**	**–39**	**–68**
Recognised contract assets – gross	1,250					
Expected loss level, %	0%					
Provisions for credit losses	**0**					

31 Dec 2021

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	1,709	292	82	281	405	2,768
of which, construction operations	*482*	*77*	*21*	*256*	*391*	*1,227*
Expected loss level, %	0%	1%	10%	1%	2%	1%
Provisions for credit losses	**0**	**–3**	**–8**	**–3**	**–8**	**–22**
Recognised contract assets – gross	480					
Expected loss level, %	0%					
Provisions for credit losses	**0**					

▷ Note 25, cont.

Changes to loss provisions during the year are specified below:

	Trade receivables	
SEKm	**2022**	**2021**
Opening balance, 1 January	**–22**	**–25**
Changes to loss provisions recognised in profit or loss	–31	0
Receivables written off during the year	–5	0
Reversal of unutilised amount	–1	3
Exchange rate differences	–0	–0
Loss provisions, acquired companies	3	
At 31 December	**–56**	**–22**

In accordance with the rules in IFRS 9, the Group applies an approach for impairment testing of trade receivables and contract assets. 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. The risk of loss is primarily based on historic outcomes but also on individual assessments if other factors indicate a diminished ability to pay. The impairment of trade receivables is recognised in profit or loss and amounted to SEK –25m (8). For contract assets, there was no loss for 2022 or 2021.

Credit risks, construction operations

The Group's construction operations account for a material share of the Group's total trade receivables and contract assets. Historically, the risk of loss on these receivables has been marginal, and no provision for future losses has therefore been recognised. As of the closing date, the Group's construction operations also had bank guarantees and other collateral for outstanding receivables totalling SEK 75m (349).

Note 26 Leases

Group

Leases

Of the total lease assets (right-of-use assets) of SEK 5,100m, 90% 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, including value-added tax and 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 (present value of future lease payments) pertaining to property, the rate implicit in the lease / incremental borrowing rate is used. 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.

The leases have terms that vary between 5 and 20 years, but the majority have terms of 10 to 15 years. Most of the leases give the companies a unilateral right to extend the lease term. Other leases give the companies an indirect right of tenure. The right to extend the lease can only be exercised by the companies and not by the lessor. The leases cannot be terminated prematurely. The leases may be extended multiple times after the end of the lease term and do not have a definitive end date, given that there are no obstacles to repeatedly extending the lease term. The companies expect that the leases for a small number of premises will be terminated prematurely and that the lease liability / asset will be adjusted since agreements have been reached to vacate the premises early. For 2022, the adjustment amounts were not material. The leases for other premises and land are not expected to be extended. Extension options are not included in most leasing liabilities / assets. The companies evaluate on a yearly basis whether or not it is reasonably certain that an extension option will be exercised.

The lease liability and right-of-use asset will be adjusted accordingly if future changes arise due to changes to the lease term in conjunction with the renegotiation of a lease or in the event that a lease is terminated prematurely.

▷ Note 26, cont.

Group

Income statement

SEKm	2022	2021	Included in the following line
Income from sub-leasing	41	34	Other operating income
Depreciation / amortisation and impairment for the year	–876	–686	Depreciation / amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets
Costs pertaining to short-term leases	–11	–10	Other external costs
Costs pertaining to low-value leases	–2	–1	Other external costs
Costs pertaining to variable lease payments		–0	Other external costs
Interest expenses	–266	–246	Financial expenses
Total impact on earnings, leases	**–1,114**	**–909**	

Statement of cash flows

SEKm	2022	2021	Included in the following line
Short-term leases, low-value leases and variable lease payments[1)]	–14	–11	Operating activities
Amortisation of financial lease liabilities	–816	–623	Financing activities
Interest paid on financial lease liabilities	–265	–246	Financing activities
Total impact on cash flow, leases[1)]	**–1,094**	**–881**	

1) Excluding the impact from sub-leasing

Statement of financial position

SEKm	31 Dec 2022	31 Dec 2021
Non-current lease liability, interest-bearing	4,754	4,767
Current lease liability, interest-bearing	916	740
Total	**5,670**	**5,507**

See Note 25 Financial risks and risk policy 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.

Leases entered into with possession taken in 2023 or later

HENT signed five leases for construction trailers. Possession of the trailers will be taken in 2023 and 2024 and the leases extend for two to three years. A preliminary forecast of the value in use is estimated at SEK 5m.

Note 27 Pledged assets and contingent liabilities

Group

Pledged assets

SEKm	2022	2021
Net assets	2,128	1,295
Other pledged assets	1,719	3,472
	3,847	**4,767**

Of other pledged assets amounting to SEK 1,719m, HENT accounts for SEK 1,544m. 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.

Parent company

The parent company has no pledged assets. The parent company has no contingent liabilities to subsidiaries and associates (131).

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 no contingent liabilities to subsidiaries and associates. In the preceding year, the parent company has contingent liabilities to subsidiaries and associates amounting to SEK 131m, of which SEK 131m pertained to associates.

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.

SEKm	2022	2021
Financial income	252	48
Other income	7	5
Financial expenses	–27	–0
Other expenses	–2	–2
Dividend	102	
Group contributions	92	97

SEKm	31 Dec 2022	31 Dec 2021
Cash pool receivable	872	270
Other receivables	7,049	4,904
Cash pool liability	1,142	664
Other liabilities	528	749
Provision	60	60
Contingent liability		131

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	2022	2021
Accumulated cost at 1 January	12,004	11,803
Investments	3,983	2,270
Repaid shareholder contribution	-1,785	
Disposals		-2,069
Wound up	-1,075	
At the end of the year	**13,127**	**12,004**
Accumulated impairment at 1 January	-4,028	-4,201
Disposals		172
Wound up	1,052	
At the end of the year	**-2,977**	**-4,028**
Value according to balance sheet	**10,150**	**7,975**

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 2022 or 2021.

Subsidiary, Corp. Reg. No., registered office SEKm	**Number of shares**	**Owned share, %**	**31 Dec 2022**	**31 Dec 2021**	**Company**
Directly owned companies					
Blomster Intressenter AB, 559077-8675, Stockholm	50,000	100	1,085	1,084	Plantasjen
EMaint AB, 556731-5378, Stockholm[1]	100,000	100		23	
Kelly Intressenter 1 AB, 556826-5705, Stockholm	50,000	100	356	356	KVD
Knightec HoldCo AB, 559384-1058, Stockholm[2]	817,496	66	821		Knightec
Kompositkärnan Förvaltning AB, 556777-2271, Stockholm	100,000	100	665	933	Diab
Medcro Holding AB, 559026-2019, Stockholm	50,000	100	409	424	TFS HealthScience[3]
Miehdnort AB, 556801-4731, Stockholm	100,000	100	85	314	HENT
NCS Intressenter AB, 556801-8435, Stockholm	100,000	100	699	699	Aibel[4]
Noiro Holding AB, 556993-7104, Stockholm	50,000	100	416	674	LEDiL
NVBS Railtech Holding AB, 559304-1329, Stockholm[5]	25,000	100	325	0	NVBS
Outdoor Intressenter AB, 559067-2456, Stockholm	50,000	100	106	195	Oase Outdoors
Presis Infra Holdco AS, 927 459 574, Oslo, Norge	22,459,800	100	970	961	Presis Infra
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6	860	
Ratos Ind. AB, 556809-4402, Stockholm[6]	50,000	100	719	646	HL Display
Semcon AB, 556539-9549, Gothenburg	17,411,420	99	2,754		Semcon
Speed Group Intressenter AB, 556801-8419, Stockholm	100,000	100	216	286	Speed Group
SSEA Group Svenska Samverkansentreprenadaktiebolag, 559281-7323, Stockholm	500	100	180	180	SSEA Group
Vento Intressenter AB, 559052-2057, Stockholm	50,000	100	339	339	airteam
			10,150	**7,975**	

1) The company was liquidated in 2022.
2) Owned share refers to ordinary shares.
3) Medcro Holding AB owns 100% of the shares in Medcro Interessenter AB which in turn owns 100% of the shares in TFS HealthScience.
4) 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 Holding I AS, Corp. Reg. No. 992 241 883, Sandnes, Norway. Ratos's direct holding in Aibel therefore amounts to 32%.
5) The company changed its name during the year, formerly Ratos Treasury AB.
6) The company changed its name during the year, formerly HL Intressenter AB.

Note 30 Cash flow statement

	Group		Parent company	
SEKm	2022	2021	2022	2021
Interest received	18	4	229	43
Interest paid	–495	–339	–193	–2

Adjustment for non-cash items

	Group		Parent company	
SEKm	2022	2021	2022	2021
Share of profit from investments recognised according to the equity method	–255	–189		
Capital gains	104	–1,672	–110	–1,841
Depreciation/amortisation and impairment of assets	1,340	1,020	1	0
Unrealised exchange differences	–44	–28	–53	28
Provisions and other	83	–91	29	27
Adjustment for non-cash items	**1,227**	**–960**	**–133**	**–1,785**

Cash and cash equivalents

	Group		Parent company	
SEKm	2022	2021	2022	2021
Cash and bank balances	2,532	2,230	410	294
Cash and cash equivalents	**2,532**	**2,230**	**410**	**294**

Unutilised credit facilities

Unutilised credit facilities amount to SEK 843m (875) for the Group and SEK 806m (304) for the parent company.

Divested companies – Group

SEKm	2022	2021
Goodwill		4,029
Other intangible assets		723
Property, plant and equipment		37
Right-of-use assets		186
Financial assets		24
Deferred tax assets		212
Trade receivables		545
Current assets		155
Cash and cash equivalents		323
Total assets		**6,233**
Non-controlling interests		0
Deferred tax liabilities		141
Non-current liabilities and provisions		707
Current liabilities and provisions		2,487
Total liabilities		**3,335**
Consideration transferred		4,999
Less:		
Contingent consideration		–2,042
Cash and cash equivalents in the divested company		–323
Contingent consideration paid	5	
Effect on Group's cash and cash equivalents	**5**	**2,634**

Acquired companies – Group

SEKm	2022	2021
Intangible assets	761	349
Property, plant and equipment	89	153
Right-of-use assets	170	371
Financial assets	2	117
Deferred tax assets	14	9
Trade receivables	619	510
Current assets	757	332
Cash and cash equivalents	355	420
Total assets	**2,767**	**2,260**
Non-controlling interests	36	53
Deferred tax liabilities	249	58
Non-current liabilities and provisions	353	516
Current liabilities and provisions	1,148	897
Total liabilities	**1,786**	**1,523**
Net identifiable assets and liabilities	980	737
Goodwill	4,400	2,680
Recognised call and put options issued to minority owners	–479	
Purchase price	4,901	3,417
Less:		
Promissory note		–388
Provision contingent consideration	–50	–127
Cash and cash equivalents in the acquired operations	–355	–420
Paid contingent consideration	46	10
Effect on Group's cash and cash equivalents	**–4,542**	**2,492**

▷ Note 30, cont.

Changes in liabilities attributable to financing activities – Group

		Cash flow				Non-cash effect changes				
SEKm	Opening balance 1 January 2022	Borrowings	Amortisation	Option premiums paid	Repurchase/ final settlement of options	Acquired and divested companies	Reclassifica-tions	Change in exchange rates	Other changes	Closing balance 31 December 2022
Liabilities to credit institutions, non-current	2,059	9,150	–5,029			143	–138	129		6,314
Liabilities to credit institutions, current	43	754	–394			4	138	3	9	558
Financial lease liabilities	5,507		–816			140		124	716	5,670
Convertible debentures	79	52					–7		–26	99
Other interest-bearing liabilities[1]	151	0	–96	17	–11	95		2	2	160
Total liabilities from financing activities	**7,839**	**9,957**	**–6,335**	**17**	**–11**	**383**	**–7**	**257**	**701**	**12,800**

		Cash flow				Non-cash effect changes				
SEKm	Opening balance 1 January 2021	Borrowings	Amortisation	Option premiums paid	Repurchase/ final settlement of options	Acquired and divested companies	Reclassifica-tions	Change in exchange rates	Other changes	Closing balance 31 December 2021
Liabilities to credit institutions, non-current	1,808	1,800	–617			0	–1,024	86	5	2,059
Liabilities to credit institutions, current	1,005	510	–2,523				1,024	32	–4	43
Financial lease liabilities	5,155		–621			309		175	489	5,507
Convertible debentures	54	43					–5		–13	79
Other interest-bearing liabilities[1]	317	9	–139	5	–47	42	–40	5	–2	151
Total liabilities from financing activities	**8,340**	**2,361**	**–3,900**	**5**	**–47**	**352**	**–45**	**299**	**475**	**7,839**

1) In addition to the above, contingent considerations of SEK 236m (194) are also included in other interest-bearing liabilities, which amount to a total of SEK 396m (345).

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 carrying amounts 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

Testing of subsidiaries and associates, including goodwill

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.

Acquisitions

Ratos and its subsidiaries conduct acquisition analyses related to business acquisitions. Acquisition analyses use valuation models to establish the fair value of assets and liabilities at the time of the acquisition. The valuation methods require making several assumptions about future conditions and estimates of parameters such as future cash flows and remaining economic lifetime. Due to these estimates and assessments, the final results may vary from the estimated outcome.

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.

Disputes

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. Due to the use of assessments, the final results may differ from the recognised provision. Disclosures about provisions are presented in Note 23.

Deferred assets on loss carry-forwards

Deferred tax assets on loss carry-forwards are only recognised to the extent it is probable that these will be utilised against future surpluses. Accordingly, assumptions about deferred tax assets are made when recognising deferred tax assets.

Note 32 Contract assets and contract liabilities

SEKm	2022	2021
Contract assets		
Construction contracts	915	369
Other contract assets	336	111
Total current contract assets	**1,250**	**480**
Contract liabilities		
Other contract liabilities	7	6
Total non-current contract liabilities	**7**	**6**
Construction contracts	1,233	433
Other contract liabilities	517	290
Total current contract liabilities	**1,750**	**723**
Date for recognition of non-current contract liabilities		
Other contract liabilities		
Within 1–3 years	7	6
Total non-current contract liabilities	**7**	**6**
Contract liabilities included in the opening balance, recognised as income during the year		
Construction contracts	326	538
Other contract liabilities	164	5
Total contract liabilities recognised as income	**490**	**543**

Order backlog

HENT, Presis Infra and SSEA Group had the largest order backlogs out of all of Ratos's subsidiaries as of 31 December 2022. HENT had an order backlog amounting to NOK 21.9 billion at 31 December 2022 (NOK 19 billion at 31 December 2021). Approximately 40% of the order backlog is expected to be recognised in revenue in 2023 and the rest in 2024–2027. Presis Infra had an order backlog of NOK 6.4 billion at 31 December 2022 (NOK 4.7 billion at 31 December 2021), of which 31% is expected to be recognised in revenue in 2023. SSEA Group had an order backlog of SEK 2 billion at 31 December 2022 (SEK 2.8 billion at 31 December 2021), which is expected to be fully recognised in revenue in 2023.

▷ Note 32, cont.

Significant changes to contract assets and contract liabilities

The change in current contract assets and contract liabilities attributable to construction contracts pertains primarily to NVBS and Semcon, which were acquired in 2022, and to HENT. Given the nature of HENT's operations, which comprise construction contracts, a certain degree of variation in these items is expected between the periods, since the items are dependent on the progress and invoicing in projects in progress.

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	2022	2021
Contract revenue	13,351	10,120
Net profit	1,521	1,060

Statement of financial position

Receivables from customers for assignments under a construction contract

SEKm	2022	2021
Contract revenue	21,088	16,486
Billing	–20,174	–16,117
Total receivables from customers	**915**	**369**
Of which, current contract receivables	915	369

Liabilities to customers for assignments under a construction contract

SEKm	2022	2021
Billing	–14,888	–16,531
Contract revenue	12,937	15,466
Total liabilities to customers	**–1,951**	**–1,065**
Of which, current contract liabilities	–1,233	–433

Note 33 Discontinued operations and assets held for sale

Divestment of Bisnode

In October 2020, Ratos signed an agreement to divest all of the shares in Bisnode, excluding its operations in Belgium, for an enterprise value of SEK 7,200m for 100% of the company. Ratos's holding amounted to 70%. In January 2021, Ratos completed the sale of Bisnode to Bisnode's partner Dun & Bradstreet. The equity value for Ratos's holding of 70% was SEK 3,860m, yielding a consolidated capital gain of approximately SEK 1,816m.

Acquisitions and divestment of Bisnode Belgium

For the divestment of Bisnode to Dun & Bradstreet, Bisnode's Belgian operations were not included in the transaction. Bisnode Belgium was included in the Ratos Group in the first quarter of 2021. Ratos signed an agreement to divest Bisnode Belgium on 31 March 2021. The consolidated capital loss amounted to SEK 25m.

Income statement

SEKm	2021
Net sales	105
Expenses and other operating income, net	–111
Operating profit/loss	**–6**
Financial items, net	–4
Profit/loss after financial items	**–10**
Taxes	–1
Profit/loss after tax	**–11**
Capital gain from divestment of discontinued operations	**1,727**
Net profit from discontinued operations	**1,715**
Attributable to	
Owners of the parent	1,719
Non-controlling interests	–3
Profit for the year	**1,715**
Earnings per share, SEK	
– basic earnings per share	5.32
– diluted earnings per share	5.28

Net assets at time of divestment

Assets and liabilities that were part of the discontinued operation in Bisnode are presented below.

SEKm	8 Jan 2021
Goodwill	4,186
Other intangible assets	720
Property, plant and equipment	28
Right-of-use assets	141
Financial assets	24
Deferred tax assets	206
Current receivables	650
Cash and cash equivalents	247
Non-controlling interests	–881
Non-current interest-bearing liabilities	–631
Non-current non-interest bearing liabilities	–148
Current interest-bearing liabilities	–1,162
Current non-interest bearing liabilities	–1,338
Divested net assets	**2,044**
Capital gain, excluding transaction costs	1,816
Consideration transferred	**3,860**
Shares in Dun & Bradstreet	–924
Less cash and cash equivalents in divested companies	–247
Total effect on cash flow	**2,690**

Statement of cash flows

SEKm	2021
Cash flow from operating activities	61
Cash flow from investing activities	2,636
Cash flow from financing activities	–191
Change in cash and cash equivalents	**2,506**

Note 34 Events after the end of 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 35 Exchange rates

Average rates

SEK	2022	2021
Danish kronor, DKK	1.429	1.364
Euro, EUR	10.632	10.145
Norwegian kronor, NOK	1.052	0.998

Closing date rates

SEK	31 Dec 2022	31 Dec 2021
Danish kronor, DKK	1.496	1.375
Euro, EUR	11.128	10.227
Norwegian kronor, NOK	1.057	1.025

Note 36 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 511, SE-114 11 Stockholm and the visiting address is Sturegatan 10.

The consolidated financial statements for 2022 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 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. Our certification also encompasses the statutory sustainability report.

Stockholm, 7 March 2023

Per-Olof Söderberg
Chairman

Ulla Litzén
Board member

Tone Lunde Bakker
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 7 March 2023. 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 28 March 2023.

Stockholm, 7 March 2023

Ernst & Young AB

Erik Sandström
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Ratos AB (publ), corporate identity number 556008-3585

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ratos AB (publ) except for the corporate governance statement on pages 58–65 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 52–134 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 2022 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 2022 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 58–65. 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 participation in group companies

Description

Goodwill amounts to 14.8 billion SEK in the consolidated statement of financial position and participation in group companies amounts to 10.2 billion SEK 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. Participation in group companies is assessed for impairment indicators regularly and if indicators are identified the assets recoverable amount is calculated. The impairment tests for 2022 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 estimates on profit forecast and profit multiple.

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 participation in group companies in the parent company, to be a key audit matter.

How our audit addressed this key audit matter

In our 2022 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 examined 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.

Accounting for business combinations

Description

During 2022 the group completed business combinations for a total purchase price of 4.9 billion SEK. In a business combination the acquired assets and liabilities must be identified separately and valued at fair value at the date of acquisition. To determine the fair value of acquired assets and liabilities, which are not traded on an active market, valuation methods and significant estimates are required. Disclosures related to the group's accounting principles, significant estimates and judgements are provided in note 31. Note 4 contains disclosures related to completed business combinations. As the total purchase price during the year is significant and due to the significant estimates required in order to account for the business combinations, we assess that the accounting for business combinations is a key audit matter.

Auditor's report, cont.

How our audit addressed this key audit matter
As part of our audit, we have evaluated the group's process for accounting for business combinations. We have examined the purchase agreements and purchase price allocations for all significant business combinations. With the support of our internal valuation specialists, we have assessed the applied valuation models and the significant estimates. The procedures have been performed using established valuation techniques as well as comparison to historical outcome, future cash flow projections and external sources. Furthermore, we have conducted sensitivity analyses for significant estimates and benchmarks with other companies.

Finally, we have assessed the appropriateness of the disclosures in the annual report.

Accounting of construction contracts
Description
Construction contracts are accounted for based on percentage of completion and the accounting principles are disclosed in note 3. Accounting of construction contracts requires estimates and assessments in order to, among others, estimate the total cost to complete the contract, and where applicable, assess the outcome of disputes related to the contracts. Key estimations and assessments are disclosed in note 31 and note 23.

Due to the estimates and judgments required, we assess the accounting of construction contracts to be a key audit matter.

How our audit addressed this key audit matter
In our 2022 audit we have assessed the group's process for accounting of construction contracts. We have evaluated the group's estimations and judgements by, on a sample basis, examining significant construction contracts compared to agreements and project accounting records as well as through discussions with responsible parties within the group. Furthermore, we have, where applicable, obtained legal opinions from the group's legal advisors.

Finally, we have audited and assessed 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 2–49 and 140–161. The remuneration report for 2022 which will be authorized for release after the date of this auditors report also constitutes other information. 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.

If we conclude that the remuneration report contains a material misstatement, we are required to raise the matter with the Board of Directors and request a correction.

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.

▷ Auditor's report, cont.

- 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, actions taken to eliminate threats or safeguards applied.

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

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

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 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

▷ Auditor's report, cont.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Ratos AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Ratos AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 58–65 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 RevR 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 (publ) by the general meeting of the shareholders on the 22nd of March 2022 and has been the company's auditor since the 8th of May 2029.

Stockholm, 7 March 2023

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

4 Information on sustainability

Detailed information on sustainability

This section contains detailed information that complements the description of Ratos's sustainability efforts on pages 21–39. Ratos's double 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.

About Ratos's sustainability report

Ratos reports in accordance with the Global Reporting Initiative (GRI), and this year's report follows the GRI Universal Standards (see pages 148–151 for a GRI-index). The company's statutory sustainability report in accordance with the Swedish Annual Accounts Act is presented on pages 20–39 and 140–147. As of 2015, Ratos also submits its sustainability report to the Global Compact as its Communication on Progress (COP).

Our stakeholders and key sustainability topics

Stakeholder dialogues

Ratos's most significant sustainability issues are identified through intelligence gathering, industry analysis, risk mapping and stakeholder dialogues. A new double materiality analysis was also carried out in 2022. Combined, these dialogues and analyses form Ratos's materiality analysis.

Materiality analysis – updated in 2022

Ratos's most significant materiality issues were identified through a double materiality analysis, which looks at the effect Ratos has on the world (external impact) and the impact external sustainability issues have on Ratos (financial impact).

Ratos's double materiality analysis includes:

- Surveying and analysing relevant sustainability issues for Ratos and its portfolio companies.
- Surveying typical risks and external factors, such as relevant regulations.
- Dialogue with key stakeholders.

Based on impact, likelihood and relative weight, a limited number of issues were identified as the most material. For the impact of sustainability factors on Ratos, an evaluation was made of likelihood and financial impact over a ten-year period. The results are illustrated in the graph below. Ratos defined its material sustainability issues based on this analysis. For each of these issues, Ratos develops targets and action plans to carry out and develop its sustainability and to strengthen its long-term value creation.

Dual materiality in line with EFRAG's draft to ESRS

In 2022, Ratos conducted a review of its materiality analysis in accordance with the upcoming EU Corporate Sustainability Reporting Directive (CSRD) and the versions of the European Sustainability Reporting Standards (ESRS) published in April 2022.

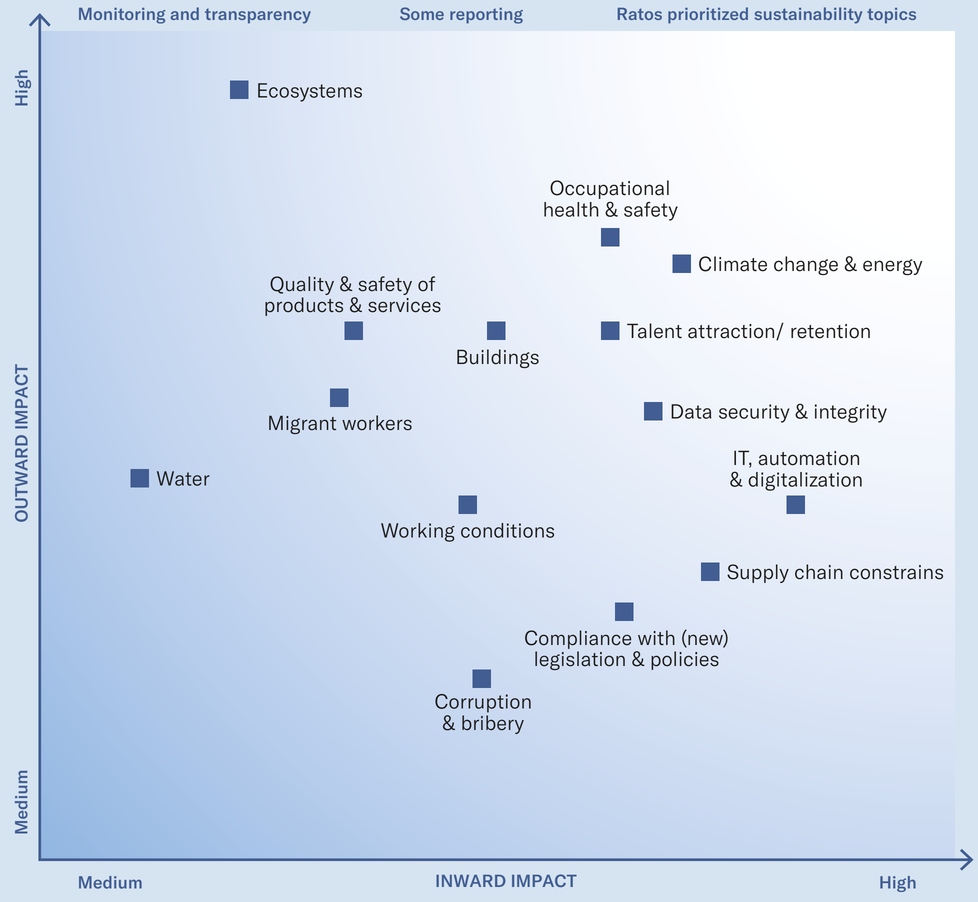
In accordance with the CSRD, companies that are covered by the directive are to include information in their Directors' Report in accordance with a double materiality analysis. This includes information required to understand the company's impact on sustainability issues and information required to understand how sustainability issues impact the company's development, earnings and position.

Stakeholder dialogues

Stakeholders	Method of interaction [1]
Employees at Ratos	• Interviews with representatives in connection with stakeholder dialogues • 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 • 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 • Group-wide assessment of the work of the boards
Owners and investors	• Interviews with representatives in connection with stakeholder dialogues • 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 • Discussions as needed

[1] A total of 26 individuals were interviewed during stakeholder dialogues in 2022.

Double materiality analysis



Ratos and the EU Taxonomy 2022

The requirements for reporting in line with the EU Taxonomy as part of the statutory sustainability report have been expanded for 2022 compared with the preceding year. For the 2022 financial year, non-financial companies are to disclose the proportion of their activities that are eligible in accordance with the current version of the taxonomy and the proportion of their eligible activities that are also taxonomy-aligned. In this section, we describe our analysis process, which activities are taxonomy-eligible and our conclusions with regard to whether these activities are taxonomy-aligned.

The EU Taxonomy is part of the EU's action plan on financing sustainable growth. The purpose of the Taxonomy is to channel companies and capital flows towards more sustainable activities. The Taxonomy Regulation is a classification system that offers shared definitions of sustainable economic activities. Reporting in line with the Taxonomy links the company's financial reporting of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) with defined sustainability criteria for various economic activities. At present, only two of a total of six environmental objectives are included in the Taxonomy: (i) climate change mitigation, and (ii) climate change adaptation. Assuming the timetable is not delayed further, the other four environmental objectives will be published and adopted by the EU in 2023. The remaining four environmental objectives are: (iii) the sustainable use and protection of water and marine resources, (iv) the transition to a circular economy, (v) pollution prevention and control, (vi) the protection and restoration of biodiversity and ecosystems.

Analysis process

Ratos's taxonomy reporting covers the entire Group, including all subsidiaries except Aibel, which is an associate. Each subsidiary has analysed its economic activities with support from Ratos. This information was then compiled and quality-assured at Group level. During the year, Ratos provided the subsidiaries with training to ensure that they have sufficient knowledge of the taxonomy to conduct their analyses and reporting in accordance with the requirements and guidelines contained in the taxonomy. As a complement to this training, the companies have also had access to individual guidance to facilitate the taxonomy analysis in each company and to ensure that the framework is interpreted and implemented consistently across the entire Group. Ratos will continue with this approach in 2023 to ensure that the EU Taxonomy is handled in a proactive and effective manner.

Taxonomy-eligible activities

Seven of the Group's companies have identified taxonomy-eligible activities. This means that for the Group as a whole in 2022, 44.6% of turnover, 5.5% of CapEx and 10.8% of OpEx were taxonomy-eligible. Of Ratos's three business areas – Construction & Services, Consumer and Industry – the largest proportion of taxonomy-eligible turnover, CapEx and OpEx are attributable to the Construction & Services business area through the companies HENT, SSEA Group, airteam and NVBS. Within Industry, Diab and Semcon conduct taxonomy-eligible activities, and within Consumer, a portion of KVD's activities are taxonomy-eligible.

For the Group's two companies in the construction industry, HENT and SSEA Group, all of the companies' turnover is attributable to the taxonomy activities "Renovation of existing buildings" and "Construction of new buildings". A portion of both companies' CapEx and OpEx is also attributable to these two activities. airteam's business comprises installation and maintenance of ventilation systems, and all of the company's turnover are attributable to the taxonomy activity "Installation, maintenance and repair of energy efficiency equipment", an activity whose definition also includes ventilation. A large part of NVBS's business involves railway maintenance and contracting and therefore comprises the taxonomy-eligible activity "Infrastructure for rail transport"

Nearly half of Diab's turnover is attributable to the wind power segment, where the company's unique products represent an important part of the production of wind turbines. Diab's technology is the market's only solution for producing wind turbine blades with sandwich technology. Given that this unique solution is a critical component of many wind turbines, we have determined that this portion of the company's turnover is eligible and attributable to the taxonomy activity "Manufacture of renewable energy technologies". For the newly acquired company Semcon, a small proportion of its turnover is derived from energy audits of buildings and thus comprises the taxonomy-eligible activity "Professional services related to energy performance of buildings". KVD has identified a limited proportion of its turnover, CapEx and OpEx as eligible, linked to the activity "Transport by motorbikes, passenger cars and light commercial vehicles".

For 2022, the other companies in the Group have not identified any eligible activities linked to any of the three taxonomy KPIs of turnover, CapEx and OpEx. Reporting principles and assessments of eligibility are in all material respects unchanged compared with the preceding year.

Taxonomy-aligned activities

Ratos's assessment is that it cannot count any of its turnover, CapEx or OpEx for 2022 as taxonomy-aligned. In light of the recommendations in the advisory report "Final Report on Minimum Safeguards" from the Platform on Sustainable Finance (October 2022) on how companies can become aligned with the taxonomy's minimum safeguards, Ratos's current assessment is that the Group is not currently in compliance with the taxonomy's expectations with respect to the due diligence process in line with the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines) and the UN Guiding Principles on Business and Human Rights (UNGPs). Accordingly, none of the Group's taxonomy-eligible activities can be taxonomy-aligned. In the analyses of the Group's taxonomy-eligible activities, it was also difficult in many cases to fulfil the detailed requirements imposed on the climate risk analyses to be carried out for all activities as part of the criteria for "doing no significant harm".

Several of the Group's companies with taxonomy-eligible activities are already aligned with the technical screening criteria for making a substantial contribution to "climate change mitigation". This will provide the Group with good conditions over the coming year to increase the proportion of taxonomy-aligned turnover, CapEx and OpEx by developing processes and strengthening communication concerning the aforementioned minimum safeguards and climate risk analyses. There is currently no CapEx plan in accordance with the taxonomy criteria.

Outlook

The taxonomy analysis for 2022 provides us with a good basis for addressing and developing the processes related to the taxonomy requirements during 2023 given that we do not currently fulfil all of the criteria. An important first step in this direction was taken in 2022 when Ratos conducted a new materiality analysis in accordance with the concept of double materiality. The analysis identifies the Group's impact and impact risks throughout the value chain and is an important cornerstone in the efforts to establish the due diligence process needed to be aligned with the taxonomy requirements for minimum safeguards.

In 2023, Ratos will also continue to work proactively to further develop its taxonomy reporting process and continue to offer training and guidance to the subsidiaries. We are also preparing for the four new environmental objectives to be able to immediately identify which activities are eligible in accordance with these four objectives and analyse the related criteria. Since the taxonomy is being continuously developed, we see favourable potential for more companies in the Group to become taxonomy-eligible in the future. Accordingly, Ratos's work related to the taxonomy will include all of the companies, not only the seven companies that are currently taxonomy-eligible.

Turnover				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year N	Taxonomy-aligned proportion of turnover, year N-1	Category (enabling activity)	Category (transitional activity)
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
N/A	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	0%	–	–	–
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%														0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	508	1.7%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	33	0.1%																	
Infrastructure for rail transport	6.14	349	1.2%																	
Construction of new buildings	7.1	9,833	32.9%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	1,491	5.0%																	
Renovation of existing buildings	7.2	1,109	3.7%																	
Professional services related to energy performance of buildings	9.3	0	0.0%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		13,325	44.6%																	
Total (A.1 + A.2)		13,325	44.6%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		16,550	55.4%																	
Total (A+B)		29,875	100.0%																	

CapEx

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution	Substantial contribution criteria: Biodiversity and ecosystems	DNSH criteria (Does Not Significantly Harm): Climate change mitigation	DNSH criteria (Does Not Significantly Harm): Climate change adaptation	DNSH criteria (Does Not Significantly Harm): Water and marine resources	DNSH criteria (Does Not Significantly Harm): Circular economy	DNSH criteria (Does Not Significantly Harm): Pollution	DNSH criteria (Does Not Significantly Harm): Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, year N	Taxonomy-aligned proportion of CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
N/A	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	0%	–	–	–
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%																	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	38	1.8%																	
Construction of new buildings	7.1	58	2.7%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	20	0.9%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		116	5.5%																	
Total (A.1 + A.2)		116	5.5%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-Non-eligible activities (B)		2,005	94.5%																	
Total (A+B)		2,121	100.0%																	

OpEx				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, year N	Taxonomy-aligned proportion of OpEx, year N-1	Category (enabling activity)	Category (transitional activity)
		SEKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
N/A	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	0%	–	–	–
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%																	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	77	9.2%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	1	0.1%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	12	1.5%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		90	10.8%																	
Total (A.1 + A.2)		90	10.8%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-Non-eligible activities (B)		748	89.2%																	
Total (A+B)		838	100.0%																	

Ratos's parent company

Employees

Ratos promotes the health of employees by offering healthcare insurance, preventive health evaluations and fitness subsidies. Parental leave is seen as standard, and provisions are in place to give those on parental leave a smooth transition when returning to work. Talent development is addressed at annual performance reviews. In 2022, performance reviews were held as usual with all employees. The average number of employees during 2022 was 20. As of 31 December 2022, the parent company had 18 employees.

Work environment

Ratos's 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 a specially designated work environment team led by a representative from management. In 2022, this was the Head of Talent Management and General Counsel. 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) and work-life balance as well as discrimination and harassment are included in Ratos's annual employee satisfaction survey. Sick leave is generally low.

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 – but the focus is primarily on the long-term sustainability of the business concept. 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 do not comply with international conventions, that contribute to environmental damage, that produce or actively supply pornography, or that manufacture tobacco products. Nor does Ratos invest in companies that systematically contribute to violating human rights, the fundamental rights of employees or corruption.

Ratos actively seeks to invest in companies that support the transition to a more sustainable society through measures such as reducing carbon footprints.

Due diligence ahead of acquisitions includes a customary financial review of the company in question, reviewing current policies and governance documents, and extended interviews with individuals in key positions.

Follow-up and overview of sustainability at Group companies

Ratos's requirements and expectations in terms of the companies' sustainability efforts are based on international conventions, current legislation as well as Ratos's Policy for Sustainability and Responsible Investments, the Environmental Policy and the Code of Conduct. How Ratos's companies lived up to Ratos's requirements and expectations in 2022 is presented in the table below.

	Code of Conduct	Environmental Policy	External whistleblowing system	CO_2 reporting	Sustainability reporting in accordance with GRI[1]
Aibel	Yes	Yes	Yes	Yes	Yes
airteam	Yes	Yes	Yes	Yes	Yes
Diab	Yes	Yes	Yes	Yes	Yes
HENT	Yes	Yes	Yes	Yes	Yes
HL Display	Yes	Yes	Yes	Yes	Yes
Knightec	Yes	Yes	Yes	No	Yes
KVD	Yes	Yes	Yes	Yes	Yes
LEDiL	Yes	Yes	Yes	Yes	No
NVBS	Yes	Yes	Yes	Yes	Yes
Oase Outdoors	Yes	Yes	Yes	Yes	Yes
Plantasjen	Yes	Yes	Yes	Yes	Yes
Presis Infra	Yes	Yes	Yes	No	No
Semcon	Yes	Yes	Yes	Yes	Yes
Speed Group	Yes	Yes	Yes	Yes	Yes
SSEA Group	Yes	Yes	Yes	Yes	Yes
TFS HealthScience	Yes	Yes	Yes	Yes	Yes

[1] The companies that issue a sustainability report do so in line with the GRI Universal Standards.

GRI content index

Ratos's sustainability report covers the calendar year 2022. The figures reported are from 1/1/2022 until 31/12/2022 unless otherwise specified. This report has been prepared with reference to the GRI Sustainability Reporting Standards (GRI Standards). The requirements and principles for the use of GRI Standards (GRI 1) used are GRI 1: Foundation 2021. No GRI sector standard is applicable. This is Ratos's seventh sustainability report using the GRI standards and Ratos intends to report annually.

The reporting of Ratos's material aspects and topic-specific disclosures are largely limited to Ratos's parent company. The disclosures on the management of the topics encompass both the parent company and holdings. All calculations regarding energy and carbon dioxide emissions are comparisons between the financial years 2018 and 2022, the base year for environmental data is 2016. The data is provided by third-party providers, unless specified otherwise. All calculations regarding the environment are based on the GHG Protocol.

Ratos has signed the UN Global Compact (UNGC). This means that Ratos annually reports on its work with the Global Compact's ten principles (Communication on Progress, COP). The COP information is derived from Ratos' Annual Report 2022.

GRI index

Standard & disclosure		Location	Comment	GC-principle
GRI 2: GENERAL DISCLOSURES 2021				
2-1	Organizational details	87, 92, 133		
2-2	Entities included in the organization's sustainability reporting	128, 77		
2-3	Reporting period, frequency and contact point	134, 148, 161		
2-4	Restatements of information	GRI index	No changes	
2-5	External assurance	Audit report		
2-6	Activities, value chain and other business relationships	44–48		
2-7	Employees	2, 92		
2-9	Governance structure and composition	58–67		
2-10	Nomination and selection of the highest governance body	59, 61		
2-11	Chair of the highest governance body	67		
2-12	Role of the highest governance body in overseeing the management of impacts	21, 26–27		
2-13	Delegation of responsibility for managing impacts	27, 53		
2-14	Role of the highest governance body in sustainability reporting	27, 53, 58–59		
2-15	Conflicts of interest	60		
2-16	Communication of critical concerns	29		
2-18	Evaluation of the performance of the highest governance body	61–63		
2-19	Remuneration policies	61–63		
2-20	Process to determine remuneration	61–63		
2-22	Statement on sustainable development strategy	15, 56		
2-23	Policy commitments	21, 27–29		
2-24	Embedding policy commitments	27–31		
2-25	Processes to remediate negative impacts	21, 27–29		
2-26	Mechanisms for seeking advice and raising concerns	21, 27–29		
2-27	Compliance with laws and regulations	21, 27–29		

Standard & disclosure		Location	Comment	GC-principle
2-28	Membership associations	GRI index	The Confederation of Swedish Enterprise	
2-29	Approach to stakeholder engagement	140–142		
2-30	Collective bargaining agreements	GRI index	Ratos has not entered into any collective agreements	

Material topics

Standard & disclosure		Location	Comment	GC-principle
GRI 3: MATERIAL TOPICS 2021				
3-1	Process to determine material topics	140		
3-2	List of material topics	21		
BUILDINGS				
GRI 3: Material Topics 2021				
3-3	Management of material topics	21		8–9
CLIMATE CHANGE & ENERGY				
GRI 3: Material Topics 2021				
3-3	Management of material topics	31		8–9
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	31		8
305-2	Energy indirect (Scope 2) GHG emissions	31		8
305-3	Other indirect (Scope 3) GHG emissions	31		8
305-5	Reduction of GHG emissions	31		8
ECOSYSTEMS				
GRI 3: Material Topics 2021				
3-3	Management of material topics	21		8
GRI 413: Local Communities 2016				
413-2	Operations with significant actual and potential negative impacts on local communities	27		8
WATER				
GRI 3: Material Topics 2021				
3-3	Management of material topics	21		8
MIGRANT WORKERS				
GRI 3: Material Topics 2021				
3-3	Management of material topics	21		1–6

Standard & disclosure		Location	Comment	GC-principle
OCCUPATIONAL HEALTH & SAFETY				
GRI 3: Material Topics 2021				
3-3	Management of material topics	33		1-6
GRI 403: Occupational Health and Safety 2018				
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	33		1-6
QUALITY & SAFETY OF PRODUCTS & SERVICES				
GRI 3: Material Topics 2021				
3-3	Management of material topics	21		1-6
WORKING CONDITIONS				
GRI 3: Material Topics 2021				
3-3	Management of material topics	26, 33, 146		1-6
GRI 401: Employment 2016				
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	146		6
401-3	Parental leave	146		6
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	60, 92		6
GRI 406: Non-discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	29		6
TALENT ATTRACTION & RETENTION				
GRI 3: Material Topics 2021				
3-3	Management of material topics	33-34, 146		
GRI 404: Training and Education 2016				
404-2	Programs for upgrading employee skills and transition assistance programs	146		6
404-3	Percentage of employees receiving regular performance and career development reviews	146		6
COMPLIANCE WITH (NEW) LEGISLATION & POLICIES				
GRI 3: Material Topics 2021				
3-3	Management of material topics	61-64		1-6, 10
GRI 419: Socioeconomic compliance 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	29		1-6, 10
CORRUPTION & BRIBERY				
GRI 3: Material Topics 2021				
3-3	Management of material topics	29		10
GRI 205: Anti-corruption 2016				
205-2	Communication and training about anti-corruption policies and procedures	25, 29		10
205-3	Confirmed incidents of corruption and actions taken	29		10

Standard & disclosure		Location	Comment	GC-principle
DATA SECURITY & INTEGRITY				
GRI 3: Material Topics 2021				
3–3	Management of material topics	27, 62–63		2
IT, AUTOMATION & DIGITALISATION				
GRI 3: Material Topics 2021				
3–3	Management of material topics	21		
SUPPLY CHAIN CONSTRAINTS				
GRI 3: Material Topics 2021				
3–3	Management of material topics	21		

Sustainability Report

Ratos's Sustainability report was prepared in accordance with Chapter 6, Sections 10–14 and Chapter 7, 31a–c of the Swedish Annual Accounts Act. The report, including indicators and data points, refers to the 2022 financial year unless otherwise stipulated. Refer also to the GRI-index on pages 148–151 for a description of the report and its principles.

Ratos's sustainability report includes a description of the strategy and model for company development (page 20), 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 21–39. Additional information on the parent company's sustainability work can be found on pages 140–147.

In addition to Ratos's sustainability report, large majority-owned 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. The companies' individual sustainability reports will be published on Ratos's website during the second quarter of 2023.

The auditor's statement on the statutory sustainability statement

To the general meeting of the shareholders in Ratos AB (publ), corporate identity number 556008-3585

Engagement and responsibility

The Board of Directors is responsible for the statutory sustainability report for 2022 on pages 20–39 and 140–147 and its preparation in accordance with the Swedish 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 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 opinion.

Opinions

A statutory sustainability report has been prepared.

Stockholm, 7 March 2023

Ernst & Young AB

Erik Sandström
Authorised Public Accountant

5 Additional information

Five-year summary, Group

	2022	2021	2020	2019	2018
Key figures[1]					
Basic earnings per ordinary share, SEK	1.69	8.17	2.17	2.11	–1.40
Dividend per Class A and B share, SEK	0.84[2]	1.20	0.95	0.65	0.50
Dividend yield, %	2.0[2]	2.1	2.5	1.9	2.1
Total return, %	–27	54	17	46	–30
Market price, year-end, SEK	41.49	57.95	38.48	33.42	23.28
Equity per share, 31 December, SEK[3]	38	37	29	29	27
Equity, SEKm[4]	12,289	11,940	9,366	9,298	8,701
Return on equity, %	5	24	7	7	–5
Return on capital employed, excl. finance leases, %	10.2	11.0	8.4		
Return on capital employed	8.6	9.0	7.0		
Leverage excl. finance leases	2.5x	0.1x	1.1x		
Leverage	3.5x	1.3x	2.3x		
Equity ratio, %	37	47	39	38	43
Average number of ordinary shares before dilution	325,223,889	322,945,842	319,014,634	319,014,634	319,014,634
Number of Class A, B and C shares outstanding	325,898,988	324,676,320	319,014,634	319,014,634	319,014,634
Income statement, SEKm					
Net sales	29,875	22,551	20,941	21,286	23,125
EBITDA	2,958	2,669	2,422	2,130	1,460
Adjusted EBITA[5]	1,966	1,802	1,468	702	890
Operating profit	1,618	1,656	1,457	1,192	293
Profit/loss before tax	1,178	1,306	873	718	–107
Profit/loss for the year from continuing operations	879	1,139	614	579	–262
Profit for the year from discontinued operations		1,715	269	247	
Profit/loss for the year	879	2,855	883	827	–262
Profit/loss attributable to owners of the parent	548	2,637	693	673	–448

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
4) Attributable to owners of the parent
5) 2019 and 2018 excluding capital gains on the sale of property and companies

	2022	2021	2020	2019	2018
Statement of financial position, SEKm					
Intangible assets	16,908	11,418	8,082	13,463	13,035
Property, plant and equipment	1,725	1,503	1,198	1,173	1,586
Right-of-use assets	5,100	5,006	4,677	4,423	
Financial assets	1,675	2,157	1,072	1,213	1,213
Deferred tax assets	357	303	156	508	486
Current assets	11,411	7,998	6,995	8,625	8,483
Assets held for sale			6,458		
Assets	**37,175**	**28,385**	**28,638**	**29,405**	**24,803**
Equity	13,788	13,326	11,281	11,218	10,630
Provisions	543	535	561	1,111	1,250
Deferred tax liabilities	742	440	275	464	429
Lease liabilities	5,670	5,507	5,155	4,871	683
Other interest-bearing liabilities	7,371	2,575	3,206	5,579	5,846
Non-interest bearing liabilities	9,061	6,002	4,660	6,163	5,965
Liabilities attributable to assets held for sale			3,501		
Equity and liabilities	**37,175**	**28,385**	**28,638**	**29,405**	**24,803**

Reconciliations of alternative performance measures

Ratos applies financial measures that are not defined in IFRS but are so-called alternative performance measures (APMs). The alternative performance measures presented are considered to be valuable supplementary information for analysts and other stakeholders for the evaluation and assessment of the Group's financial performance and position. Ratos's definitions of these performance measures may differ from other companies and, accordingly, these are not always comparable with similar performance measures used in other companies.

The following reconciliations and accounts pertain to sub-components included in the material APMs used in the Annual Report. Reconciliation is made against the most reconcilable item, subtotal or total provided in the financial statements for the corresponding period. Definitions are available at www.ratos.com and on page 159.

Organic growth

SEKm	2022	2021
Growth net sales, %	**32%**	**8%**
Net sales	**29,875**	**22,551**
Acquired net sales	4,629	1,483
Effects of change in currency	914	16
Other	-39	
Adjusted net sales	**24,371**	**21,052**
Divested net sales in the comparative period	7	
Net sales adjusted for the comparative period	**22,544**	**20,941**
Elimination of internal net sales	-15	-0
Organic growth	**1,841**	**111**
Organic growth, %	**8%**	**1%**

EBITDA, EBITA and operating profit

SEKm	2022	2021
EBITDA	**2,958**	**2,669**
Depreciation and impairment	-1,240	-983
EBITA	**1,718**	**1,686**
Revaluation of and capital gains on listed shares	-118	-116
Restructuring costs	-130	
Adjusted EBITA	**1,966**	**1,802**
Amortisation and impairment of intangible assets in connection with company acquisitions	-100	-30
Operating profit	**1,618**	**1,656**

Operational cash flow

SEKm	2022	2021
Cash flow from operating activities	**1,907**	**1,448**
Investments and disposals, intangible assets / property, plant and equipment	-405	-419
Lease payments	-1,081	-870
Income tax paid	301	265
Cash flow from operations	**723**	**425**

Interest-bearing net debt

SEKm	31 Dec 2022	31 Dec 2021
Interest-bearing liabilities, other	7,371	2,575
Financial lease liabilities	5,670	5,507
Provisions for pensions	60	76
Interest-bearing assets	-101	-78
Cash and cash equivalents	-2,532	-2,230
Interest-bearing net debt	**10,468**	**5,850**

Definitions

Growth measures

Organic growth

Net sales growth in comparable units. The effects of acquisitions, divestments and exchange rate changes are excluded.

This measure displays underlying sales growth driven by changes to volume, price and product mix for comparable units between different periods.

Return measures

Return on equity

Profit for the year attributable to owners of the parent for the last 12 months divided by average equity attributable to owners of the parent during the five most recent quarters.

This measure is used to display total profitability in relation to equity invested by the parent company's shareholders.

Return on equity, continuing operations

Profit for the year from continuing operations attributable to owners of the parent for the last 12 months divided by average equity attributable to owners of the parent during the five most recent quarters.

This measure is used to display total profitability for continuing operations in relation to equity invested by the parent company's shareholders.

Return on capital employed

Adjusted EBITA for the last 12 months as a percentage of average capital employed during the five most recent quarters.

This measure is used to display profitability in relation to how efficiently capital is used.

Dividend yield

Proposed dividend on ordinary shares expressed as a percentage of the Class B share's closing price at the period's last trading day.

This measure displays the size of the percentage of shareholders' investments that are regained annually in the form of a dividend.

EBITDA

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

This measure displays the operating result and the ability to generate revenue from operations without taking the capital structure, investments in non-current assets or the tax situation into consideration.

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).

This measure is central for management's earnings follow-up since it displays the underlying profitability generated from operating activities.

EBITA margin

EBITA expressed as a percentage of net sales.

Adjusted EBITA

EBITA adjusted for capital gains and the revaluation of listed shares and non-recurring items affecting comparability at the business area level.

Adjusted EBITA margin

Adjusted EBITA expressed as a percentage of net sales.

Total return

Price development of Class B shares including reinvested dividends (this year's paid dividend) on ordinary shares.

This measure displays the total return on shares from an owner perspective.

Capital measures

Interest-bearing net debt

Interest-bearing liabilities and pension provisions minus interest-bearing assets and cash and cash equivalents.

This measure is used to define financing via financial liabilities taking financial assets into consideration, and used as a component of the assessment of financial risk.

Leverage

Interest-bearing net debt in relation to EBITDA for the last 12 months.

This measure displays financial risk and the ability to pay off debt. It is used by management for following up on and monitoring the debt level.

Equity ratio

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

This measure displays financial risk expressed as the percentage of total assets that are financed by the owners.

Capital employed

Equity, non-controlling interests and interest-bearing liabilities.

Share-related measures

Equity per share

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

This measure provides an indication of the amount of capital per share that is attributable to the parent company's owners.

P/E ratio

Market share price for Class B share in relation to earnings per share.

Basic earnings per share

Profit for the year attributable to owners of the parent company divided by the average number of outstanding ordinary shares.

Diluted earnings per share

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.

Other measures

Average number of employees

Total number of hours worked during the period restated as full-time positions.

Cash flow from operations

Cash flow from operating activities, excluding paid tax, but including cash flow from investments and divestments of intangible assets and property, plant and equipment, as well as amortisation of lease liabilities and interest paid on leasing.

This measure displays the cash flow that the operations generate and that could potentially be used to repay creditors, pay interest, for dividends to owners and for other strategic initiatives.

Shareholder information

Annual General Meeting 28 March 2023

The Annual General Meeting of Ratos AB (publ) will be held on Tuesday, 28 March 2023 at 2:00 p.m. at Lilla Cirkus, Cirkus, Djurgårdsslätten 43–45, Stockholm.

Right to participate and registration

There are two ways for shareholders to participate in the AGM: (i) attend in person or through a proxy, or (ii) participate through postal voting. In both cases, shareholders whose shares are registered in the name of a nominee must temporarily register the shares in their own name (described below).

Participation in person or through proxy

In order to participate in the AGM in person or through a proxy, shareholders must:

- be recorded as a shareholder in the register of shareholders maintained by Euroclear Sweden AB on Monday, 20 March 2023
- notify the company of their intention to participate in the AGM no later than Wednesday, 22 March 2023, according to the following instructions.

Notification of participation in the AGM may be submitted online at www.ratos.com, by phone at +46 8 518 01 550 on business days from 9:00 a.m. to 4:00 p.m. or by post at Computershare AB, "Ratos AGM 2023", Box 5267, SE-102 46 Stockholm, Sweden. When submitting a notification of participation, the shareholder must state their name, personal identity number / corporate registration number, postal address, phone number and the number of assistants, if relevant (no more than two).

For shareholders wishing to participate through a proxy, a written, dated power of attorney signed by the shareholder is to be sent to the above address ahead of the AGM. Power of attorney forms are available on the company's website www.ratos.com. If power of attorney is issued by a legal entity, enclose a copy of the registration certificate or an equivalent document for the legal entity. To facilitate registration for the AGM, the power of attorney and registration certificate or equivalent document must be received by the company at the above address by Wednesday, 22 March 2023 at the latest.

Postal voting

The Board has resolved to allow shareholders to exercise their voting right through postal voting. In order to participate in the AGM through postal voting, shareholders must:

- be recorded as a shareholder in the register of shareholders maintained by Euroclear Sweden AB on Monday, 20 March 2023
- notify the company of their intention to participate in the AGM by casting their postal vote no later than Wednesday, 22 March 2023 in accordance with to the instructions below.

A separate form is to be used for postal voting. It is available on the company's website (www.ratos.com). The completed and signed document is to be e-mailed to info@computershare.se or sent by post to Computershare AB, "Ratos årsstämma 2023", Box 5267, SE-102 46 Stockholm, Sweden. Computershare must receive the completed form no later than Wednesday, 22 March 2023. Shareholders may also cast their votes electronically by signing with BankID on the company's website (www.ratos.com). Such votes must also be submitted by no later than Wednesday, 22 March 2023.

Shareholders may not give any other instructions or conditions on the advanced voting form. Modified forms are rendered invalid. Further instructions and conditions are provided on the postal voting form.

If a shareholder submits their postal vote through a proxy, a written, dated power of attorney signed by the shareholder is to be enclosed with the postal voting form. Power of attorney forms are available on the company's website. If power of attorney is issued by a legal entity, enclose a copy of the registration certificate or an equivalent document for the legal entity.

Shareholders who wish to participate in the AGM in person or through a proxy must notify the company according to the instructions under the heading "Participation in person or through proxy" above. This means that a notification of participation through postal voting is not sufficient to participate in the AGM in person or through a proxy.

For any questions regarding postal voting, please contact Computershare AB by phone at +46 8 518 01 550 between 9:00 a.m. and 4:00 p.m. weekdays.

Nominee-registered shares

To participate in the AGM (including through postal voting), shareholders whose shares registered in the name of a nominee must temporarily register the shares in their own name so that the shareholder is listed in the register of shareholders on Monday, 20 March 2023. Note that this procedure also applies for shares registered with bank custody accounts and certain investment savings accounts. Such voting right registration is to be carried out in accordance with the nominee's procedures and at the time decided by the nominee. Voting right registration carried out by the nominee no later than Wednesday, 22 March 2023 will be included in the register of shareholders.

Dividend and record date

The Board proposes a dividend for the 2022 financial year of SEK 0.84 (1.20) per Class A and Class B share. The record date for the right to receive dividends is proposed as 30 March 2023 and dividends are expected to be paid from Euroclear Sweden on 4 April 2023.

Calendar

28 March	2023 Annual General Meeting
27 April	Interim Report, January–March 2023
19 July	Interim Report, January–June 2023
23 October	Interim Report January–September 2023

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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