Year-end Report 2018

October–December 2018

- Consolidated net sales SEK 5,919m (5,413)
- Loss before tax SEK -747m (-597)
- Earnings per share before and after dilution SEK -2.46 (-2.01)
- Total impairment of consolidated value in Plantasjen SEK 600m

January–December 2018

- Consolidated net sales SEK 23,125m (23,059)
- Profit before tax SEK -69m (658)
- Earnings per share before and after dilution SEK -1.40 (0.72)
- Cash and cash equivalents in the parent company SEK 1,734m (2,226)
- Proposed dividend SEK 0.50 per share (2.00)

Development of the company portfolio, October–December 2018

- Net sales in the portfolio SEK 5,330m (4,816)
- EBITA in the portfolio SEK -87m (36)
- Adjusted EBITA in the portfolio SEK 27m (82)

Development of the company portfolio, January–December 2018

- Net sales in the portfolio SEK 21,165m (19,927)
- EBITA in the portfolio SEK 804m (1,038)
- Adjusted EBITA in the portfolio SEK 972m (1,119)

Acquisitions and divestments, January–December 2018

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

Financial performance in the Group

MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017
Net sales	5,919	5,413	23,125	23,059
EBITA	-69	81	978	1,741
Operating profit	-683	-496	320	1,081
Profit before tax	-747	-597	-69	658
of which, Profit/share of profits in portfolio companies	-142	-47	604	679
Basic earnings per share, SEK	-2.46	-2.01	-1.40	0.72
Diluted earnings per share, SEK	-2.46	-2.01	-1.40	0.72
Cash flow for the period from operating activities			732	1,299
Cash and cash equivalents in the parent company			1,734	2,226

Development of the company portfolio in comparison with year-earlier period pro forma. Adjusted EBITA excluding items affecting comparability.

For a reconciliation of alternative performance measures, refer to Note 3.

CEO comments on performance in the fourth quarter of 2018

Fourth quarter characterised by impairments and restructuring costs

EBITA in the company portfolio for the fourth quarter were negative owing to major project impairments in HENT and measures in Diab. EBITA in Plantasjen and Speed Group remained weak, while Aibel, airteam, Bisnode and HL Display are developing positively. The underlying earnings in Diab are also developing positively.

We recognised an impairment loss of Plantasjen's consolidated value of SEK 600m. A planned capital contributions of NOK 200m were made to Plantasjen in January 2019 to lower the company's leverage.

At the end of the quarter, Ratos acquired the remaining shares in TFS for an equity value of EUR 11m. After the acquisition, Ratos's ownership share totals 100%.

*Earnings figures for the Ratos portfolio are adjusted for Ratos's holdings and in SEK m.

Earnings trend*

For the fourth quarter of 2018, company portfolio sales increased 11%, while EBITA declined from SEK 36m to SEK -87m. This decline in earnings was primarily due to Diab, HENT, Plantasjen and Speed Group. Diab reported a negative carrying amount due to restructuring costs totalling SEK -78m, attributable to impairment of machinery and equipment as a result of production streamlining. Diab's adjusted EBITA improved compared with the year-earlier period and the wind power market remained positive during the quarter, a development that is expected to continue in 2019. HENT's earnings were charged with project impairments during the fourth quarter. The company, which has grown quickly, is now reviewing its organisation and procedures for tenders and project completion. Plantasjen's EBITA was negatively affected by the termination of unprofitable collaboration agreements and higher obsolescence. The development in Plantasjen resulted in lowered valuation which has led to impairment of consolidated book value. This, however, still means that we have ambitions for the company's profitability enhancement. Plantasjen is a strong brand in a growing industry where customer satisfaction has the highest priority. It will however take time until the ongoing improvement measurements reach its full effect compared to previous judgements. Problems with unprofitable customer agreements continue in Speed Group. EBITA was also negatively affected by costs of SEK -11m related to the divestment of Speed Production and a change of CEO.

Several companies delivered a positive performance. Aibel, airteam and Bisnode all developed favorable in the quarter as well as in the full year, due to completed restructuring and value-creating initiatives and a growing market. Throughout the quarter and the year, HL Display has displayed clear earnings improvements as a result of the initiatives undertaken in the company in 2018.

The Group reported a loss before tax of SEK -747m (-597). Impairment of consolidated value in Plantasjen of SEK 600m. The Ratos Group's EBITA in the quarter amounted to SEK -69 (81).

Events in portfolio companies

During the quarter, HENT won an assignment to build parts of the new life sciences building at Oslo University on behalf of Statsbygg. The order value amounts to approximately NOK 1 billion. Speed Group has divested its subsidiary Speed Production. The sale will contribute to the streamlining of Speed Group's business, with a focus on logistics services.

After the quarter ended, a previously planned capital contribution of NOK 200m was provided to Plantasjen to create a lower leverage. airteam continues to strengthen its market position in Sweden through the acquisition of Aurvandil AB, which owns the subsidiaries Creovent and Thorszelius. This is airteam's second acquisition in the Swedish market and its third bolt-on acquisition overall since Ratos became principal owner of the company in 2016.

At the end of the quarter, Ratos acquired the remaining shares in TFS for an equity value of EUR 11m. After the acquisition, Ratos's ownership share totals 100%.

Measures taken

During the year, we reviewed our central organisation in Ratos AB and recruited important operative expertise and streamlined our work method. This has helped lower our operational management costs for 2018 to SEK 117m (153).

Work involving the holding portfolio is continuing, with a primary focus on stability, profitability and growth. A number of measures have been taking during the year, not least in the fourth quarter. A change of CEO has been initiated in three companies: Diab, Kvdbil and Speed Group. Production systems have been streamlined in Diab and HL Display. A more results-focused organisation has been implemented in several companies, including TFS. New chairmen have been appointed in three companies. Ratos currently holds chairman positions in two of its companies.

All in all, I am confident we will see the effects of our measures in 2019.

Jonas Wiström, Chief Executive Officer

Important events 2018

Important events, October–December

- Peter Wallin has been appointed Chief Financial Officer (CFO) at Ratos. Peter joins the Group from his role as CFO of the Skanska Group and took up his position at Ratos in December 2018.
- HENT has signed an agreement for a major project in Oslo. The company has won an assignment to build portions of the new life sciences building at Oslo University on behalf of Statsbygg. The order value amounts to approximately NOK 1 billion.
- Impairment of consolidated book value in Plantasjen totalling SEK 600m.

Important events, January–September

- In September, Ratos divested all of its shares, corresponding to a holding of 30%, in the associated company Gudrun Sjödén Group to the company's founder and CEO Gudrun Sjödén. Ratos received SEK 225m in conjunction with the sale, corresponding to a capital gain of SEK 36m.
- In the second quarter, Aibel entered into an agreement with Equinor for the engineering, procurement and construction of the deck for a process platform at the Johan Sverdrup field, valued at approximately NOK 8 billion. Planning has begun and construction will commence in the first quarter of 2019, with final delivery scheduled in 2022.
- Ratos's Annual General Meeting on 3 May approved a dividend of SEK 2.00 per ordinary share, totalling SEK 638m, which was paid in May.
- HENT divested its residential development operations, HENT Eiendomsinvest, to Fredensborg Bolig during the second quarter, which involved a capital gain of NOK 84m.
- In conjunction with its Capital Markets Day in June, Ratos presented new financial targets.
    1. The earnings of the company portfolio should increase each year
    2. A conservative leverage in the portfolio companies with an aggregate debt ratio including Ratos AB (Net debt/EBITDA) of less than 2.5x
    3. The total return on Ratos shares should, over time, outperform the average on Nasdaq Stockholm
- Ratos provided capital of SEK 100m to Kvdbil in the second quarter.
- HENT issued a dividend of NOK 150m, of which Ratos's share in the second quarter totalled NOK 106m.
- airteam acquired Luftkontroll Energy i Örebro AB during the first quarter. The company's sales in 2017 amounted to approximately SEK 80m. Ratos did not provide any capital in conjunction with the acquisition.
- Ratos divested all of its shares in Jøtul for NOK 364m (enterprise value) in the first quarter. The divestment generated a capital gain of SEK 26m.
- During the first quarter, Ratos implemented changes to its management group and investment organisation.

Important events after the end of the period

- Ratos's subsidiary airteam signed a contract to acquire Creovent AB (Creovent) and Thorszelius Ventilation & Service AB (Thorszelius), leading installers of climate and ventilation solutions in the Stockholm and Uppsala regions. Pro forma sales in 2017 for both companies amounted to approximately SEK 235m and adjusted EBITA to SEK 24m. The acquisition is expected to be completed in the first quarter of 2019 and is being financed by airteam.
- Ratos acquired the remaining shares (40%) in the subsidiary Trial Form Support International AB (TFS) from partner and founder Daniel Spasic for an equity value of EUR 11m. After the acquisition, Ratos's ownership share totals 100%.
- In January, Ratos implemented changes to its management group and investment organisation. As a result, two individuals have left their positions.
- A capital contribution of SEK 200m was made to Plantasjen in January 2019.

Impact of IFRS 16

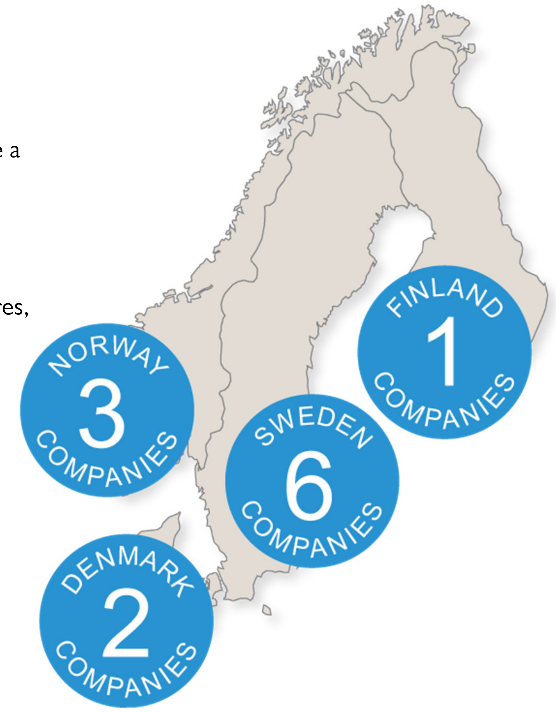
With the implementation of IFRS 16 *Leases*, the new leasing standard that came into force on 1 January 2019, interest-bearing net debt in the Group will increase approximately SEK 4 billion to almost SEK 8 billion as of 1 January 2019. The aggregate debt ratio will therefore increase, so Ratos's objective of an aggregate debt ratio of 2.5x will be reviewed, due to this changed accounting principle.

To make it easier for the reader, Ratos will include certain key figures excluding IFRS 16 in its interim reports for 2019. This is to ensure comparability between years. For further information, refer to Note 1 on page 23.

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

Companies overview

The Ratos Group's net sales for 2018 amounted to SEK 23,125m (23,059). Operating profit for the same period totalled SEK 320m (1,081). To facilitate a comparison of the ongoing performance of Ratos's company portfolio, the section below presents certain financial information that is not defined in accordance with IFRS. For a reconciliation of the alternative performance measures used in this report with the most directly reconcilable IFRS measures, refer to Note 3.



Ratos's company portfolio

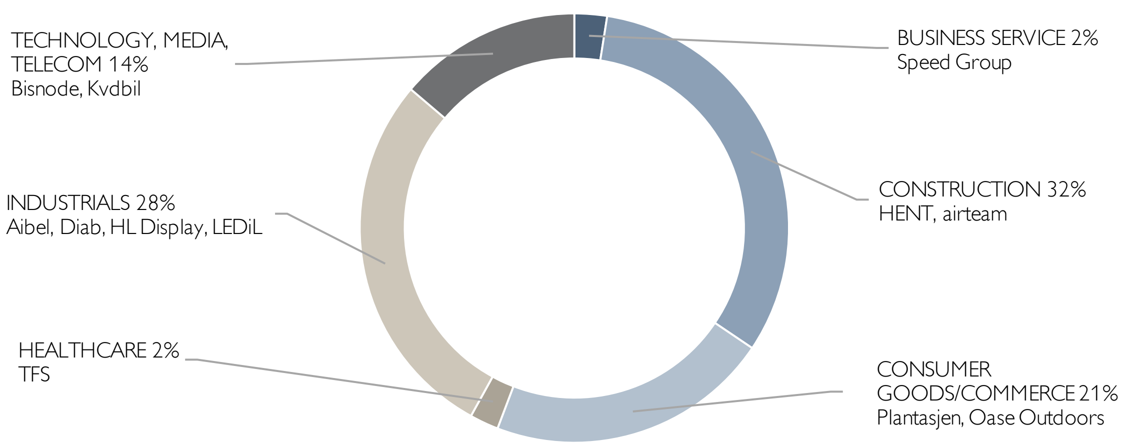
Ratos invests mainly in unlisted medium-sized Nordic companies and has 12 companies in its portfolio. The largest industries in terms of sales are Construction, Industrials and Consumer goods/Commerce.

12 companies with approximately

12,300* employees

* The number of employees is based on the average number of employees for full-year 2018 for the 12 companies.

Sales breakdown by segment**

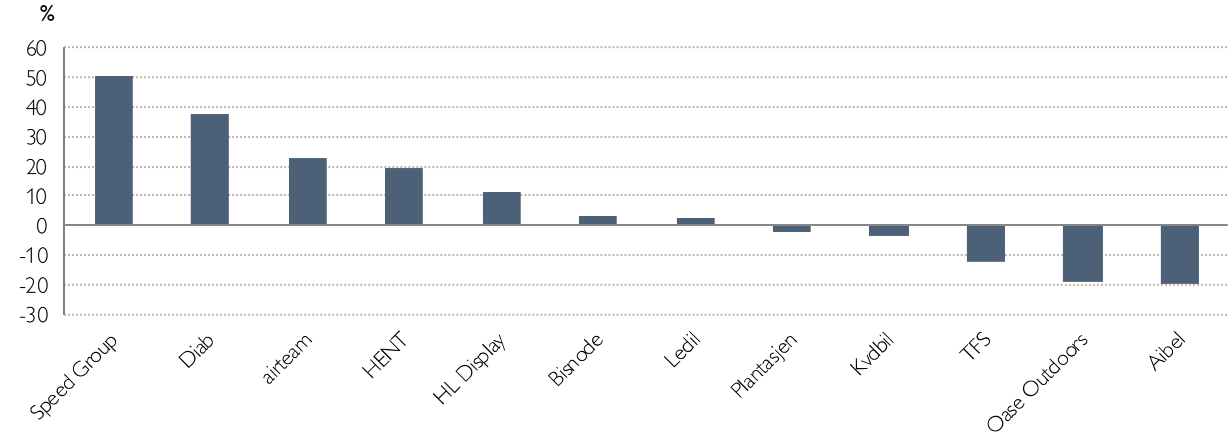


** Adjusted for the size of Ratos's holdings.

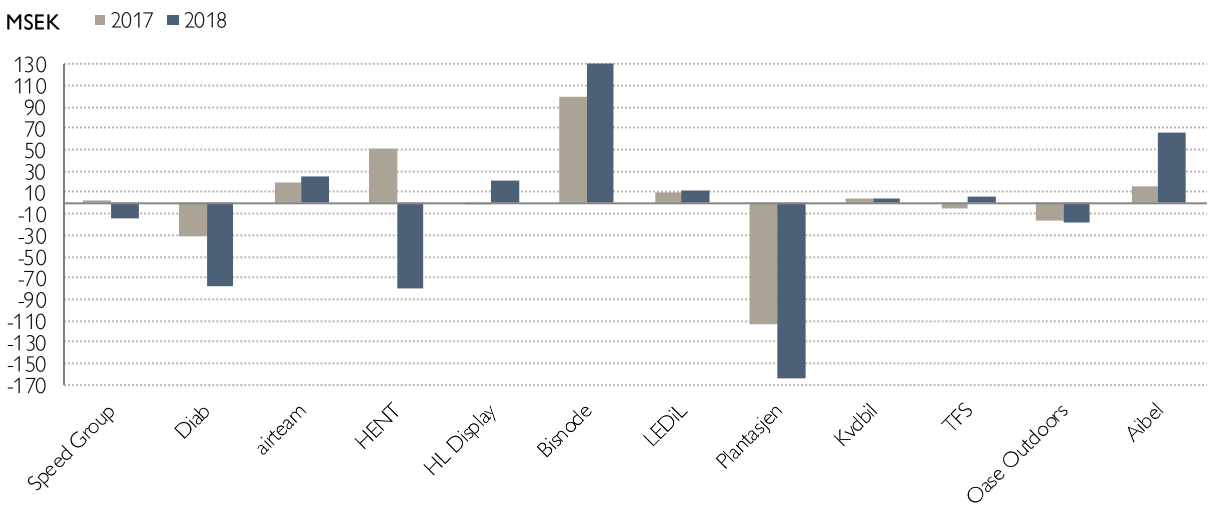
Ratos's companies

Q4 2018

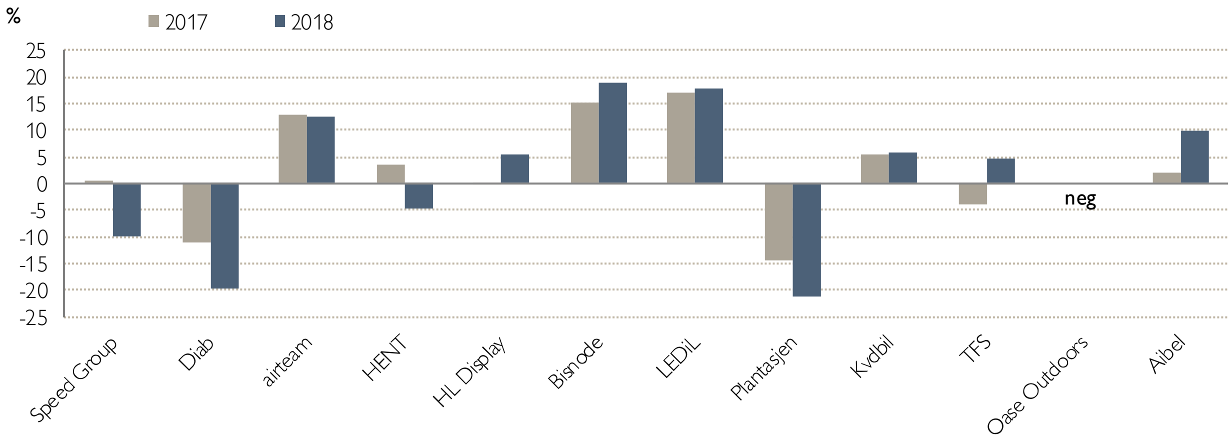
Sales trend, refers to companies in its entirety
Local currency



EBITA, adjusted for the size of Ratos's holding



EBITA margin, refers to companies in its entirety
Local currency



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

Consumer goods/Commerce

Plantasjen

PLANTASJEN

- Negative sales trend of 2% in the fourth quarter.
- EBITA was negatively affected by the termination of unprofitable collaboration agreements and higher obsolescence. Lower sales also negatively affected EBITA.
- Cash flow was negatively affected by calendar effects by year end.
- Impairment of Plantasjen's consolidated value of SEK 600m. After year-end, a capital contribution totalling NOK 200m was made to create a lower leverage.
- Daniel Juhlin left his role as CEO in February 2019 and Board member Christer Åberg took over as acting CEO of the company effective immediately.

	Q4		Q1-4	
MNOK	**2018**	**2017**	**2018**	**2017**
Sales	737	755	3,961	3,881
EBITA	-155	-109	72	213
EBITA margin	-21.1%	-14.4%	1.8%	5.5%
Cash flow from operations	-7	106	-71	359

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

Holding

99%

Oase Outdoors

OASE OUTDOORS

- Seasonally weak quarter, with sales for the quarter and the full year affected by challenging market conditions in the UK.
- The weaker market in the UK negatively impacted the EBITA margin, which was also burdened by investments in growth initiatives.

	Q4		Q1-4	
MDKK	**2018**	**2017**	**2018**	**2017**
Sales	8	10	306	316
EBITA	-16	-16	26	41
EBITA margin	neg	neg	8.5%	13.0%
Cash flow from operations	-58	-43	3	26

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

Holding

78%

Construction

HENT

- Negative EBITA due to further project impairment of approximately NOK -150m in the fourth quarter connected to increased costs and higher risk provisions.
- The company is reviewing its procedures and organisation for tenders and project completion.
- Sales growth of 19% driven by a strong order book. Order intake of approximately NOK 3 billion in the fourth quarter. New orders included an assignment to build parts of the new life sciences building at Oslo University on behalf of Statsbygg. The order value amounts to approximately NOK 1 billion. The order book at 31 December 2018 amounted to approximately NOK 13.4 billion.

	Q4		Q1-4	
MNOK	**2018**	**2017**	**2018**	**2017**
Sales	2,264	1,894	7,855	7,034
EBITA	-103	69	145	253
EBITA margin	-4.5%	3.7%	1.9%	3.6%
Cash flow from operations	109	489	99	132

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

Holding

73%

airteam

- Organic growth of 15% in the fourth quarter. EBITA increased as a result of a strong development in Denmark. In the fourth quarter, EBITA was charged with transaction costs of approximately DKK 1m in conjunction with acquisition.
- An agreement concerning the acquisition of Creovent and Thorszelius, leading installers of climate and ventilation solutions in the Stockholm and Uppsala regions, was signed and is expected to be completed in the first quarter of 2019. Pro forma sales in 2017 for both companies amounted to approximately SEK 235m and adjusted EBITA to SEK 24m. The acquisition is being financed by airteam.

	Q4		Q1-4	
MDKK	**2018**	**2017**	**2018**	**2017**
Sales	204	166	667	633
EBITA	25	21	64	60
EBITA margin	12.4%	12.8%	9.6%	9.4%
Cash flow from operations	36	49	51	88

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

Holding

70%

Industrials

Aibel

- Sales for the quarter fell below the year-earlier period primarily due to the company being between the completion and commencement of major EPC contracts (Engineering, Procurement and Construction). Order intake in the quarter totalled approximately NOK 730m and the order book at the end of the period amounted to about NOK 17 billion, up 45% compared with the same date in the preceding year.
- Improved profitability compared with the year-earlier period, fuelled by successful project deliveries, improved productivity and high utilisation of resources.
- In the fourth quarter, Aibel won an EPC contract for a bridge over the Johan Sverdrup field. Aibel won a FEED (front-end engineering design) contract for the Gudrun field, phase 2, with an option for engineering, procurement, construction and installation (EPCI).

	Q4		Q1-4	
MNOK	**2018**	**2017**	**2018**	**2017**
Sales	1,949	2,424	7,907	9,081
EBITA	192	51	537	309
EBITA margin	9.8%	2.1%	6.8%	3.4%
Cash flow from operations	259	230	-92	575

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

Holding

32%

Diab

- Sales growth of 37% during the quarter, driven by a stronger wind market, which is expected to continue in 2019.
- Restructuring costs of SEK -81m related to cost savings and impairment of machinery and equipment. Adjusted EBITA amounted to SEK 0m.
- Restructuring and productivity measures are yielding results. Production efficiency increased in the quarter.
- A capital contribution of SEK 20m was provided during the fourth quarter.

	Q4		Q1-4	
MSEK	**2018**	**2017**	**2018**	**2017**
Sales	411	299	1,496	1,439
EBITA	-81	-33	-155	1
EBITA margin	-19.8%	-11.1%	-10.4%	0.1%
Cash flow from operations	-4	12	-68	23

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

Holding

96%

HL Display

- Sales growth of 11%, driven by increased sales in the UK and positive currency effects.
- EBITA was impacted positively by increased sales and ongoing profitability-enhancing initiatives.
- During 2018, the company's focus on increased profitability has yielded the expected results.

	Q4		Q1-4	
MSEK	**2018**	**2017**	**2018**	**2017**
Sales	397	358	1,554	1,445
EBITA	21	-1	96	43
EBITA margin	5.4%	-0.2%	6.2%	2.9%
Cash flow from operations	77	88	97	49

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

Holding

99%

LEDiL

- Sales growth of 2% in the quarter. Growth in Asia and stable development in Europe, while the trend in North America remains challenging.
- LEDiL's international expansion continued throughout the fourth quarter, including establishment in China. The investments have had some effect on EBITA.

	Q4		Q1-4	
MEUR	**2018**	**2017**	**2018**	**2017**
Sales	9.4	9.2	42.8	40.3
EBITA	1.7	1.6	10.6	11.1
EBITA margin	17.7%	17.2%	24.8%	27.4%
Cash flow from operations	1.7	-0.7	9.3	6.2

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

Holding

66%

Technology, Media, Telecom

Bisnode

- Positive profitability in the quarter as a result of positive currency effects, lower costs and realised effects of the change programme.
- The fourth quarter ended with continued favourable results in Bisnode's ongoing consolidation and investment in new customer offerings.
- Sales growth of 3% during the fourth quarter, driven by positive currency effects.

	Q4		Q1-4	
MSEK	**2018**	**2017**	**2018**	**2017**
Sales	985	952	3,696	3,555
EBITA	188	143	471	397
EBITA margin	19.0%	15.0%	12.7%	11.2%
Cash flow from operations	111	127	380	397

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

Holding

70%

Kvdbil

- Sales declined 4% compared with the year-earlier period due to a weak trend in Company Cars, while the trend in Private Cars was positive.
- EBITA was impacted negatively by SEK 4m in non-recurring costs due to a reorganisation. Adjusted EBITA amounted to SEK 9m (16). The lower earnings were attributable to the decrease in sales, increased costs for IT development and higher compensation claim costs.
- Lars Nykvist has taken over as CEO in Kvdbil. Lars most recently served as CEO of Outnorth AB.

	Q4		Q1-4	
MSEK	**2018**	**2017**	**2018**	**2017**
Sales	89	93	332	346
EBITA	5	5	8	30
EBITA margin	5.8%	5.5%	2.5%	8.8%
Cash flow from operations	7	7	16	20

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

Holding

100%

Healthcare

TFS

- Service sales* in the fourth quarter amounted to EUR 15.6m (14.0).
- Fourth-quarter EBITA was affected positively by items affecting comparability totalling EUR 1.1m (-0.4). Adjusted EBITA amounted to EUR -0.1m (-0.6) and was affected positively by completed restructuring.
- A major reorganisation was completed in the fourth quarter, which will lead to a focus on the two core areas of SRS (Strategic Resourcing Solutions) and CDS (Clinical Development Services).
- At year-end, Ratos acquired the remaining shares (40%) in TFS for an equity value of EUR 11m. After the acquisition, Ratos's ownership share totals 100%.

	Q4		Q1-4	
MEUR	**2018**	**2017**	**2018**	**2017**
Sales	22.2	25.4	82.0	91.6
EBITA	1.1	-1.0	-0.6	-0.7
EBITA margin	4.8%	-3.9%	-0.8%	-0.8%
Cash flow from operations	-0.8	0.7	-2.0	1.2

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

Holding

60%

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

Business services

Speed Group

- Sales growth of 50%, of which 12% organic. The acquisition of Samdistribution is proceeding well.
- Profitability was also negatively affected by non-recurring costs of SEK -15m related to the divestment of Speed Production and a change of CEO. Decline in adjusted EBITA due to continued efficiency problems in contracts.
- CFO Anders Appelqvist has been appointed Acting CEO in Speed Group until a permanent CEO has been recruited.

	Q4		Q1-4	
MSEK	**2018**	**2017**	**2018**	**2017**
Sales	196	131	738	513
EBITA	-20	0	-12	24
EBITA margin	-10.0%	0.1%	-1.6%	4.7%
Cash flow from operations	5	7	-52	-3

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

Holding

70%

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

	Net sales in portfolio				EBITA in portfolio			
MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017
Aibel	668	789	2,695	2,992	66	16	183	102
airteam	196	152	638	570	24	19	62	54
Bisnode	689	665	2,583	2,484	131	100	329	277
Diab	394	287	1,437	1,382	-78	-32	-149	1
HENT	1,772	1,410	6,124	5,300	-80	51	113	190
HL Display	391	352	1,531	1,424	21	-1	94	42
Kvdbil	89	93	332	346	5	5	8	30
LEDiL	64	60	290	256	11	10	72	70
Oase Outdoors	9	12	330	321	-17	-16	28	42
Plantasjen	784	756	4,184	3,963	-164	-112	76	217
Speed Group	137	91	517	359	-14	0	-9	17
TFS	137	148	504	529	7	-6	-4	-4
Total adjusted for Ratos's holding	**5,330**	**4,816**	**21,165**	**19,927**	**-87**	**36**	**804**	**1,038**
Change	**11%**		**6%**		**neg**		**-23%**	

	Adjusted EBITA in portfolio A)				Cash flow from operations in portfolio B)	Interest-bearing net debt in portfolio	Ratos's holding (%)
MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017	Q4 2018	2018-12-31	2018-12-31
Aibel	72	38	189	131	88	861	32
airteam	25	19	63	54	35	58	70
Bisnode	144	109	363	297	77	963	70
Diab	-0	-32	-32	1	-4	855	96
HENT	-80	45	47	184	85	-519	73
HL Display	29	5	105	49	76	441	99
Kvdbil	9	16	16	42	7	37	100
LEDiL	11	10	72	70	11	199	66
Oase Outdoors	-17	-16	28	42	-63	214	78
Plantasjen	-162	-110	122	229	-7	2,406	99
Speed Group	-3	0	3	17	4	49	70
TFS	0	-4	-5	2	-5	43	60
Total adjusted for Ratos's holding	**27**	**82**	**972**	**1,119**	**303**	**5,606**	
Change	**-67%**		**-13%**				

A) EBITA, adjusted for items affecting comparability.

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

Financial information

Ratos's results

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

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

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

Refer to Note 5 on pages 27–28 for more details.

Ratos's results October–December

EBITA in the fourth quarter amounted to SEK -69m (81). This result includes profit/a share of profit from the companies of SEK -56m (90), with HENT, Plantasjen and Diab reporting weaker earnings compared with the year-earlier period. Aibel, Bisnode and HL Display delivered earnings improvements compared with the year-earlier period.

The loss before tax for the fourth quarter of 2018 amounted to SEK -747m (-597), of which impairment of portfolio companies accounted for SEK -600m (-550). Profit/share of profit from the companies amounted to SEK -142m (-47).

Ratos's operating management costs amounted to SEK -19m (-38). The decline in costs was primarily attributable to lower personnel costs and other management costs.

Refer to Note 5 on pages 27–28 for more details.

Cash flow

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

Cash flow from investing activities amounted to SEK -256m (1,135) and cash flow from financing activities to SEK -962m (-2,928).

Financial position and leverage

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

The portfolio's aggregate debt ratio, including the parent company, amounted to 3.4x (2.4x). Ratos's aim is to have a conservative leverage in the portfolio companies with an aggregate debt ratio, including the parent company, that falls below 2.5x on a long-term basis (Net Debt/EBITDA).

With the implementation of IFRS 16 Leases, the new leasing standard that came into force on 1 January 2019, interest-bearing net debt in the Group will increase approximately SEK 4 billion to almost SEK 8 billion as of 1 January 2019. The aggregate debt ratio will therefore increase, so Ratos's objective of an aggregate debt ratio of 2.5x will be reviewed, due to this changed accounting principle.

Ratos's equity

At 31 December 2018, Ratos's equity (attributable to owners of the parent) amounted to SEK 8,701m (SEK 9,660m), corresponding to SEK 27 per share outstanding (SEK 30).

Parent company

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

Ratos's Class B share

Earnings per share before and after dilution amounted to SEK -1.40 (0.72) for the full year. At 31 December 2018, the closing price for Ratos's Class B share was SEK 23.28. The total return on Class B shares for the full year 2018 amounted to -30%, compared with the performance for the SIX Return Index, which was -4%.

Incentive programmes

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

Treasury shares and number of shares

No Class B shares were repurchased. At 31 December 2018, Ratos owned 5,126,262 Class B shares (corresponding to 1.6% of the total number of shares), repurchased at an average price of SEK 68. The 2018 Annual General Meeting (AGM) renewed the mandate for the company to acquire treasury shares. The holding of treasury shares may not exceed 7% of all shares.

At 31 December 2018, the total number of shares in Ratos (Class A and B shares) amounted to 324,140,896 and the number of votes to 108,587,444. The number of outstanding Class A and B shares was 319,014,634. The average number of Class B treasury shares in Ratos during full-year 2018 was 5,126,262 (5,126,262).

Credit facilities and new issue mandate

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

Proposals to the 2019 Annual General Meeting

Annual General Meeting

Ratos's Annual General Meeting (AGM) will be held on 8 May 2019 at Skandiascenen, Cirkus, in Stockholm, Sweden. The Annual Report will be available at the company's head office and on its website, www.ratos.se, not later than the week starting 1 April 2019.

Proposed dividend for Class A and B shares

The Board proposes an ordinary dividend for the 2018 financial year of SEK 0.50 (2.00) per Class A and Class B share. The record date for the right to receive dividends is proposed as 10 May 2019 and dividends are expected to be paid from Euroclear Sweden on 15 May 2019.

Key figures for Ratos's share

MSEK	Q1-4 2018	Q1-4 2017
Key figures per share [1]		
Total return, %	-30	-13
Dividend yield, %	2.1	5.6
Market price, SEK	23.28	35.84
Dividend, SEK	0.50 [4]	2.00
Equity attributable to owners of the parent, SEK [2]	27	30
Basic earnings per share, SEK [3]	-1.40	0.72
Diluted earnings per share, SEK [3]	-1.40	0.72
Average number of ordinary shares outstanding:		
– before dilution	319,014,634	319,014,634
– after dilution	319,424,669	319,014,634
Total number of registered shares	324,140,896	324,140,896
Number of shares outstanding	319,014,634	319,014,634
– of which, Class A shares	84,637,060	84,637,060
– of which, Class B shares	234,377,574	234,377,574

[1] Relates to Class B shares unless specified otherwise.

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

[3] See definition at webside www.ratos.se.

[4] Proposed dividend.

Financial statements

Consolidated income statement

MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017
Net sales	5,919	5,413	23,125	23,059
Other operating income	40	10	115	79
Change in inventories of products in progress, finished goods and work in progress	2	-28	-1	-16
Work performed by the company for its own use and capitalised	35	24	128	70
Raw materials and consumables	-3,616	-2,856	-13,084	-12,123
Employee benefit costs	-1,540	-1,528	-6,107	-6,098
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	-784	-707	-1,167	-1,163
Other costs	-792	-880	-3,010	-3,467
Capital gain/loss from group companies	-12	-0	104	559
Impairment and capital gain from investments recognised according to the equity method	0	48	44	161
Share of pre-tax profit from investments recognised according to the equity method [1)]	65	8	171	19
Operating profit/loss	**-683**	**-496**	**320**	**1,081**
Financial income	36	21	62	77
Financial expenses	-100	-122	-450	-500
Net financial items	**-64**	**-101**	**-388**	**-423**
Profit/loss before tax	**-747**	**-597**	**-69**	**658**
Income tax	-4	-16	-155	-234
Share of tax from investments recognised according to the equity method [1)]	-18	-13	-38	-17
Profit/loss for the period	**-769**	**-625**	**-262**	**407**
Profit/loss for the period attributable to:				
Owners of the parent	-787	-641	-448	268
Non-controlling interests	18	16	186	139
Basic earnings per share, SEK	-2.46	-2.01	-1.40	0.72
Diluted earnings per share, SEK	-2.46	-2.01	-1.40	0.72

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

Consolidated statement of comprehensive income

MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017
Profit/loss for the period	**-769**	**-625**	**-262**	**407**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit pension obligations, net	-15	8	-15	8
Tax attributable to items that will not be reclassified to profit or loss	1	2	1	2
	-14	**10**	**-14**	**10**
Items that may be reclassified subsequently to profit or loss:				
Translation differences for the period	-216	74	209	-29
Change in hedging reserve for the period	-13	24	-10	-1
Tax attributable to items that may be reclassified subsequently to profit or loss	3	-5	2	0
	-225	**93**	**201**	**-30**
Other comprehensive income for the period	**-239**	**103**	**187**	**-20**
Total comprehensive income for the period	**-1,008**	**-523**	**-75**	**387**
Total comprehensive income for the period attributable to:				
Owners of the parent	-981	-560	-307	248
Non-controlling interest	-27	38	232	139

Summary consolidated statement of financial position

MSEK	2018-12-31	2017-12-31
ASSETS		
Non-current assets		
Goodwill	11,274	11,583
Other intangible non-current assets	1,761	1,841
Property, plant and equipment	1,586	1,827
Financial assets	1,213	1,323
Deferred tax assets	486	478
Total non-current assets	**16,320**	**17,053**
Current assets		
Inventories	1,060	1,136
Current receivables	4,020	3,253
Cash and cash equivalents	3,404	3,881
Total current assets	**8,483**	**8,270**
Total assets	**24,803**	**25,324**
EQUITY AND LIABILITIES		
Equity including non-controlling interests	**10,630**	**11,546**
Non-current liabilities		
Interest-bearing liabilities	4,938	5,819
Non-interest bearing liabilities	456	356
Pension provisions	524	486
Other provisions	21	61
Deferred tax liabilities	429	500
Total non-current liabilities	**6,368**	**7,222**
Current liabilities		
Interest-bearing liabilities	1,591	1,019
Non-interest bearing liabilities	5,509	4,880
Provisions	705	656
Total current liabilities	**7,805**	**6,555**
Total equity and liabilities	**24,803**	**25,323**

Summary statement of changes in consolidated equity

MSEK	2018-12-31 Owners of the parent	2018-12-31 Non-controlling interest	2018-12-31 Total equity	2017-12-31 Owners of the parent	2017-12-31 Non-controlling interest	2017-12-31 Total equity
Opening equity	**9,660**	**1,886**	**11,546**	**11,283**	**2,003**	**13,286**
Adjustment [1)]	-29	-17	-46	-0	0	-0
Adjusted equity	**9,631**	**1,869**	**11,500**	**11,283**	**2,004**	**13,286**
Total comprehensive income for the period	-307	232	-75	248	139	387
Dividends	-638	-42	-680	-659	-90	-749
Non-controlling interests' share of capital contribution and new issue		9	9		27	27
Purchase/redemption of treasury shares, net effect				-1,300		-1,300
The value of the conversion option of the convertible debentures	2		2			
Option premiums	1		1	1		1
Put options, future acquisitions from non-controlling interests	8	-114	-106	-3	-2	-5
Acquisition of shares in subsidiaries from non-controlling interests	3	-15	-12	-1	-6	-6
Disposal of shares in subsidiaries to non-controlling interests	1	5	6	1	6	6
Non-controlling interests at acquisition		0	0			
Non-controlling interests in disposals		-15	-15		-101	-101
Adjusted non-controlling interests				91	-91	
Closing equity	**8,701**	**1,929**	**10,630**	**9,660**	**1,886**	**11,546**

1) Pertains to adjustment of changed valuation of associated company to Aibel, reclassified from assets held for sale to investments recognised according to equity method.

Consolidated statement of cash flows

MSEK	Q1-4 2018	Q1-4 2017
Operating activities		
Operating profit	320	1,081
Adjustment for non-cash items	1,042	522
	1,362	1,602
Income tax paid	-147	-251
Cash flow from operating activities before change in working capital	**1,215**	**1,351**
Cash flow from change in working capital		
Increase (-)/Decrease (+) in inventories	-73	-26
Increase (-)/Decrease (+) in operating receivables	-730	232
Increase (+)/Decrease (-) in operating liabilities	321	-258
Cash flow from operating activities	**732**	**1,299**
Investing activities		
Acquisition, group companies	-82	-365
Disposal, group companies	92	709
Acquisitions, investments recognised according to the equity method	-0	-16
Disposals, investments recognised according to the equity method	233	1,065
Purchase and disposal, intangible assets/property, plant and equipment	-510	-572
Investments and disposal, financial assets	1	288
Received interest	10	25
Cash flow from investing activities	**-256**	**1,135**
Financing activities		
Non-controlling interests' share of issue/capital contribution	9	41
Repurchase/redemption of treasury shares		-1,300
Option premiums paid	7	19
Repurchase/final settlements options	-10	-24
Acquisition and disposal of shares in subsidiaries from non-controlling interests	-11	0
Dividends paid	-638	-677
Dividends paid, non-controlling interests	-55	-90
Borrowings	2,542	662
Amortisation of loans	-2,475	-1,199
Paid interest	-301	-330
Amortisation of finanicial lease liabilitities	-31	-30
Cash flow from financing activities	**-962**	**-2,928**
Cash flow for the period	**-485**	**-494**
Cash and cash equivalents at the beginning of the year	3,881	4,389
Exchange differences in cash and cash equivalents	7	-46
Increase (-)/Decrease (+) of cash and cash equivalents classified as Assets held for sale		32
Cash and cash equivalents at the end of the period	3,404	3,881

Parent company income statement

MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017
Other operating income	7	-4	22	10
Other external costs	-14	-27	-55	-81
Personnel costs	-15	-25	-77	-98
Depreciation of property, plant and equipment	-1	-1	-4	-3
Operating loss	**-22**	**-56**	**-114**	**-172**
Gain from sale of participating interests in group companies	38	846	614	844
Dividends from group companies			114	572
Impairment of shares in group companies	-810	-410	-836	-533
Gain from sale of interests in associates				778
Result from other securities and receivables accounted for as non-current assets			2	2
Other interest income and similar profit/loss items	0	9	12	22
Interest expenses and similar profit/loss items	7	1	-29	-21
Profit/loss after financial items	**-786**	**390**	**-239**	**1,491**
Income tax	0		0	
Profit/loss for the period	**-786**	**390**	**-239**	**1,491**

Parent company statement of comprehensive income

MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017
Profit/loss for the period	**-786**	**390**	**-239**	**1,491**
Other comprehensive income				
Change in fair value reserve for the period			-7	
Other comprehensive income for the period			**-7**	
Total comprehensive income for the period	**-786**	**390**	**-245**	**1,491**

Summary parent company balance sheet

MSEK	2018-12-31	2017-12-31
ASSETS		
Non-current assets		
Property, plant and equipment	59	61
Financial assets	6,931	8,267
Receivables from group companies	5	12
Total non-current assets	**6,995**	**8,340**
Current assets		
Current receivables	21	12
Receivables from group companies	5	2
Cash and cash equivalents	1,734	2,226
Total current assets	**1,760**	**2,240**
Total assets	**8,755**	**10,581**
EQUITY AND LIABILITIES		
Equity	**7,885**	**8,765**
Non-current liablities		
Interest-bearing liabilities, group companies	572	306
Non-interest bearing liabilities	6	18
Other financial liabilities	48	30
Convertible debentures	16	
Total non-current liablities	**643**	**354**
Current provisions	**140**	**140**
Current liabilities		
Interest-bearing liabilities, group companies		13
Other financial liabilities	0	
Non-interest bearing liabilities, group companies	33	1,250
Non-interest bearing liabilities	53	59
Total current liabilities	**87**	**1,322**
Total equity and liabilities	**8,755**	**10,581**

Summary statement of changes in parent company's equity

MSEK	2018-12-31	2017-12-31
Opening equity	**8,765**	**9,232**
Comprehensive income for the period	-245	1,491
Dividends	-638	-659
Purchase/redemption of treasury shares, net effect		-1,300
The value of the conversion option of the convertible debentures	2	
Option premiums	2	1
Closing equity	**7,885**	**8,765**

Parent company cash flow statement

MSEK	Q1-4 2018	Q1-4 2017
Operating activities		
Profit/loss before tax	-239	1,491
Adjustment for non-cash items	254	-1,463
	16	27
Income tax paid		
Cash flow from operating activities before change in working capital	**16**	**27**
Cash flow from change in working capital:		
Increase (-)/Decrease (+) in operating receivables	0	-19
Increase (+)/Decrease (-) in operating liabilities	-61	-69
Cash flow from operating activities	**-45**	**-61**
Investing activities		
Investment, shares in subsidiaries	-120	-422
Disposal, shares in subsidiaries	62	
Liabilities to group companies [1)]	236	1,228
Disposal, shares in associates		781
Acquisition, property, plant and equipment	-2	0
Cash flow from investing activities	**177**	**1,587**
Financing activities		
Repurchase/redemption of treasury shares		-1,300
Option premiums paid		4
Repurchase/final settlements options	-3	-16
Convertible debentures	18	
Dividends paid	-638	-677
Cash flow from financing activities	**-623**	**-1,989**
Cash flow for the period	**-491**	**-463**
Cash and cash equivalents at the beginning of the year	2,226	2,677
Exchange differences in cash and cash equivalents	-1	12
Cash and cash equivalents at the end of the period	1,734	2,226

[1)] Liability to centrally administrated group company that arose in conjuction with divestment of group company.

Note 1 Accounting principles

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

Changed accounting principles due to new IFRS

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRS 9 Financial Instruments

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

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

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

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

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

Convertible debt instrument and warrants

The parent company has issued a convertible debt instrument to its personnel, who paid market value. Recognition of the convertible debt instrument is divided up into an interest-bearing debt and a conversion option. The conversion option is recognised in equity.

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

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

New IFRS that have not yet come into force

IFRS 16 *Leases* replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease* and related rules as of 2019. Under the new standard, the lessee is required to recognise all contracts that meet the definition of a lease (except leases of 12 months or less and leases of low-value assets) as a right-of-use asset and financial liability in the statement of financial position.

The standard entails no difference for the lessee between operating and finance leases. Leases that currently comprise operating leases will subsequently be recognised in the balance sheet, which entails that the current operating expense, corresponding to the leasing charges for the period, will be replaced by amortisation and interest expense in the income statement. Ratos's financial statements will largely be impacted as follows: improved operating profit, declined net financial items, increased total assets, cash flow from leases moved from operating activities to financing activities (amortisation and interest paid).

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

Ratos has chosen to apply the modified retrospective method during the transition to IFRS 16. Both 2017 and 2018 are based on earlier principles and have not been restated. The effect of IFRS 16 will be reported in the opening balance as of 1 January 2019. IFRS 16 entails that interest-bearing net debt in the Group will increase approximately SEK 4 billion to almost SEK 8 billion as of 1 January 2019. The increase is mainly attributable to Plantasjen, whose leasing liability will increase by around SEK 3 billion. The table below shows the preliminary effect on the opening balance as of 1 January 2019.

Preliminary impact on opening balance 2019	**Change**
Billion SEK	**2019-01-01**
ASSETS	
Right-of-use assets	4
Deferred tax assets	0
Current receivables	0
Total Assets	**4**
EQUITY AND LIABILITIES	
Equity	0
LIABILITIES	
Finance lease liability (interest-bearing)	4
Provisions	0
Total Equity and Liabilities	**4**

Note 2 Risks and uncertainties

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

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

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

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

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

Note 3 Alternative performance measures

Due to the nature of Ratos's operations – acquisition, development and divestment of companies – differences may arise in the structure of the Group between periods. Accordingly, consolidated sales, earnings, cash flow and financial position may vary significantly from period to period as a result of differences in the composition of the company portfolio. Moreover, earnings from company divestments normally arise at irregular intervals, generating significant non-recurrent effects. To facilitate a comparison between periods and enable follow-up of the ongoing earnings and performance of the company portfolio, Ratos presents certain financial information that is not defined in accordance with IFRS.

This information is intended to give the reader a better opportunity to evaluate Ratos's investments and should be regarded as a complement to financial information for the Group.

The following reconciliations and accounts pertain to components included in the alternative performance measures used in this report. Definitions are available at www.ratos.se.

Net sales

MSEK	Q1-4 2018	Q1-4 2017	Change
Net sales in the portfolio, Ratos's holding	**21,165**	**19,927**	**6%**
Net sales in subsidiaries, holding not owned by Ratos	4,586	4,137	
Subsidiaries divested during current year	70	1,987	
Investments recognised according to the equity method	-2,695	-2,992	
Consolidated net sales	**23,125**	**23,059**	**0%**

Adjusted EBITA, EBITA and operating profit

MSEK	Q1-4 2018	Q1-4 2017	Change
Adjusted EBITA in the portfolio, Ratos's holding	**972**	**1,119**	**-13%**
Items affecting comparability, Ratos's holding	-168	-81	
EBITA in the portfolio, Ratos's holding	**804**	**1,038**	**-23%**
EBITA in subsidiaries, holding not owned by Ratos	225	272	
Subsidiaries divested during current year	0	-30	
Exit gain/loss from portfolio companies	62	663	
Investments recognised according to the equity method	-13	-85	
Income and expenses in the parent company and central companies	-99	-119	
Consolidated EBITA	**978**	**1,741**	**-44%**
Amortisation and impairment of intangible assets in connection with company acquisitions	-659	-660	
Consolidated operating profit	**320**	**1,081**	**-70%**

Cash flow from operations

MSEK	Q1-4 2018
Cash flow from operations in portfolio Q4, Ratos's holding	**303**
Cash flow from operations in portfolio Q1-3, Ratos's holding	46
Cash flow from operations in portfolio Q1-4, Ratos's holding	**349**
Cash flow from operations, holding not owned by Ratos	172
Cash flow from operations, holdings divested during current year	-22
Investments recognised according to the equity method	31
Acquisitions and disposals, intangible assets/property, plant and equipment	510
Income tax paid	-147
Attributable to the parent company	-45
Eliminations	-117
Cash flow from operating activities	**732**

Interest-bearing net debt

MSEK	2018-12-31	
Total interest-bearing net debt in the portfolio, Ratos's holding	**5,606**	
Interest-bearing net debt in subsidiaries, holding not owned by Ratos	528	
Investments recognised according to the equity method	-861	
Attributable to the parent company and central companies	-1,725	
Consolidated interest-bearing net debt	**3,549**	
	2018-12-31	**2017-12-31**
Non-current interest-bearing liabilities	4,938	5,819
Current interest-bearing liabilities	1,591	1,019
Provisions for pensions	524	486
Interest-bearing assets	-100	-118
Cash and cash equivalents	-3,404	-3,881
Consolidated interest-bearing net debt	**3,549**	**3,324**

Note 4 Acquired and divested businesses

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

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

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

In October, Speed Group sold its shares in Speed Production AB. The buyer was Inission Borås AB. The sale resulted in a capital loss of SEK -12m.

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

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

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

Note 5 Operating segments

	Sales				EBT [1]			
MSEK	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017	Q4 2018	Q4 2017	Q1-4 2018	Q1-4 2017
Aibel					65	-1	159	-24
airteam	281	218	918	820	33	17	83	37
Bisnode	985	952	3,690	3,555	176	98	321	280
Diab	411	299	1,496	1,439	-88	-35	-181	-41
HENT	2,429	1,933	8,394	7,266	-101	70	165	250
HL Display	397	358	1,554	1,445	18	-10	69	17
Kvdbil	89	93	332	346	6	4	6	27
LEDiL	98	91	439	388	15	13	99	93
Oase Outdoors	12	15	421	409	-25	-23	26	40
Plantasjen	793	765	4,233	4,009	-231	-151	-116	51
Speed Group	196	131	738	513	-22	-3	-32	10
TFS	229	248	841	882	12	-13	-14	-30
Total companies in portfolio all reported periods	**5,919**	**5,101**	**23,056**	**21,072**	**-142**	**-35**	**584**	**709**
AH Industries				265				-2
Arcus								-0
GS-Hydro				542				-79
Gudrun Sjödén Group						7	10	23
Jøtul		311	70	944		-19	10	-46
Nebula				177				40
Serena Properties								33
Total companies divested during reported periods		**311**	**70**	**1,929**		**-12**	**20**	**-30**
Total companies in portfolio	**5,919**	**5,413**	**23,125**	**23,001**	**-142**	**-47**	**604**	**679**
AH Industries								-32
Gudrun Sjödén Group							36	
Arcus								33
Jøtul							26	
Nebula								515
Serena Properties								79
Total exit gains							**62**	**596**
Impairment Diab						-200		-200
Impairment and result from bankruptcy GS-Hydro								68
Impairment HL Display						-350		-350
Impairment Plantasjen					-600		-600	
Companies total	**5,919**	**5,413**	**23,125**	**23,001**	**-742**	**-597**	**66**	**792**
Income and expenses in the parent company and central companies								
Operating management costs					-19	-38	-117	-153
Other income and expenses, incl. transaction costs				58	6	31	1	34
Costs which will be charged to portfolio companies					0	-2	2	0
Financial items					8	9	-20	-16
Group total	**5,919**	**5,413**	**23,125**	**23,059**	**-747**	**-597**	**-69**	**658**

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

	EBITA [1]			
	Q4	Q4	Q1-4	Q1-4
MSEK	**2018**	**2017**	**2018**	**2017**
Aibel	65	-1	159	-24
airteam	35	28	89	77
Bisnode	188	143	464	397
Diab	-81	-33	-155	1
HENT	-109	71	155	261
HL Display	21	-1	96	43
Kvdbil	5	5	8	30
LEDiL	17	16	109	107
Oase Outdoors	-22	-20	36	53
Plantasjen	-166	-114	77	220
Speed Group	-20	0	-12	24
TFS	11	-9	-6	-4
Total companies in portfolio all reported periods	**-56**	**84**	**1,019**	**1,185**
AH Industries				3
Arcus				0
GS-Hydro				-70
Gudrun Sjödén Group		7	10	23
Jøtul		-1	0	-17
Nebula				54
Serena Properties				18
Total companies divested during reported periods		**6**	**10**	**11**
Total companies in portfolio	**-56**	**90**	**1,030**	**1,196**
AH Industries				-32
Gudrun Sjödén Group			36	
Arcus				33
Jøtul			26	
Nebula				515
Serena Properties				79
Total exit gains			**62**	**596**
Impairment and result from bankruptcy GS-Hydro				68
Companies total	**-56**	**90**	**1,092**	**1,859**
Income and expenses in the parent company and central companies				
Operating management costs	-19	-38	-117	-153
Other income and expenses, incl. transaction costs	6	31	1	34
Costs which will be charged to portfolio companies	0	-2	2	0
Group total	**-69**	**81**	**978**	**1,741**

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

	Sales breakdown by segment [1]			
MSEK	**Q4 2018**	**Q4 2017**	**Q1-4 2018**	**Q1-4 2017**
Construction				
airteam	281	218	918	820
HENT	2,429	1,933	8,394	7,266
	2,710	**2,151**	**9,312**	**8,086**
Technology, Media, Telecom				
Bisnode	985	952	3,690	3,555
Kvdbil	89	93	332	346
Nebula [2]				177
	1,075	**1,045**	**4,022**	**4,078**
Industrials				
AH Industries [3]				265
Diab	411	299	1,496	1,439
GS-Hydro [4]				542
HL Display	397	358	1,554	1,445
LEDiL	98	91	439	388
	905	**747**	**3,489**	**4,079**
Consumer goods/Commerce				
Jøtul [5]		311	70	944
Plantasjen	793	765	4,233	4,009
Oase Outdoors	12	15	421	409
	805	**1,091**	**4,723**	**5,363**
Healthcare				
TFS	229	248	841	882
	229	**248**	**841**	**882**
Business service				
Speed Group	196	131	738	513
	196	**131**	**738**	**513**
Sales in central companies				58
Total	**5,919**	**5,413**	**23,125**	**23,059**

[1] Note 5 Operating segments includes sales from subsidiaries. Associates are recognized according to the equity method.
[2] Nebula was divested in July 2017
[3] AH Industries was divested in March 2017
[4] GS-Hydro was declared bankrupt in September 2017
[5] Jøtul was divested in February 2018

	Consolidated value [1]	
MSEK	**2018-12-31**	**2017-12-31**
Aibel	725	679
airteam	443	383
Bisnode	2,156	1,929
Diab	454	623
Gudrun Sjödén Group		183
HENT	413	410
HL Display	621	566
Jøtul		-34
Kvdbil	481	376
LEDiL	495	418
Oase Outdoors	188	155
Plantasjen	575	1,275
Speed Group	278	297
TFS	246	239
Total	**7,074**	**7,497**
Other net assets in the parent company and central companies [2]	1,627	2,163
Equity (attributable to owners of the parent)	**8,701**	**9,660**

1) Holdings are shown at consolidated values, which correspond to the Group's share of the holdings' equity, any residual values on consolidated surplus and deficit values minus any intra-group profits. Shareholder loans are also included.

2) Of which, cash and cash equivalents in the parent company account for SEK 1,734m (2,226)

Note 6 Financial instruments

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

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

In the statement of financial position at 31 December 2018, the total value of financial instruments measured at fair value in accordance with level three was SEK 475m (340). This change was attributable to the remeasurement of synthetic options, additional put options and additional contingent considerations.

In the statement of financial position at 31 December 2018, the net value of derivatives amounted to SEK 12m (-1), of which SEK 17m (29) was recognised as an asset and SEK 5m (30) as a liability.

Note 7 Goodwill and impairment

Goodwill changed during the period as shown below.

MSEK	Accumulated cost	Accumulated impairment	Total
Opening balance 1 January 2018	13,172	-1,589	11,583
Business combinations	60		60
Divested companies	-496	486	-10
Impairment		-600	-600
Translation differences for the year	250	-10	240
Closing balance 31 December 2018	**12,987**	**-1,713**	**11,274**

Impairment of goodwill attributable to Plantasjen

The Board of Ratos AB resolved on impairment in the fourth quarter attributable to Plantasjen totalling SEK 600m.

As a result of weak earnings trend combined with the fact that the company's measures to improve profitability are expected to take longer than originally anticipated, Ratos recognised an impairment loss of SEK 600m for the consolidated value of Plantasjen. After impairment, the consolidated value for Plantasjen totalled SEK 575m. The amount corresponds to the recovery value established based on fair value less sales cost. Key assumptions in addition to profit multiple are sales growth, gross margin and EBITA margin. The profit multiple used is on a par with listed comparable companies.

Ratos continuously assesses whether there is any indication that any portfolio company has declined in value. In the event that such an indication exists, the recovery value of the company is calculated. If the recovery value is lower than the carrying amount, an impairment is recognised. Goodwill and other intangible assets with indeterminable useful lives are tested annually during the fourth quarter, regardless of whether there is any indication of decline in value.

Note 8 Related party disclosures

Transactions with related parties are made on market terms.

Parent company

The parent company has a related party relationship with its Group companies. For more information, refer to Note 29 in the 2017 Annual Report. The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 603m (358). The parent company provided a capital guarantee for borrowing in TFS. In addition, the parent company guarantees that Medcro Intressenter AB and Outdoor Intressenter AB will fulfil their obligations in connection with the acquisition of TFS and Oase Outdoors, respectively. The parent company also guarantees that Sophion Holding AB and EMaint AB will fulfil their obligations in connection with the divestment of Sophion Bioscience and Euromaint, respectively.

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

MSEK	Financial income	Other income	Capital contribution	Dividend
2018 Q1-4	4	5	120	114
2017 Q1-4		6	316	572

MSEK	Receivable	Provision	Liability	Contingent liability
2018-12-31	10	135	606	603
2017-12-31	15	112	1,569	358

During the quarter, Ratos provided a contribution of SEK 20m to Diab. Earlier in the year, Ratos provided a contribution of SEK 100m to Kvdbil.

Telephone conference

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Financial calendar

2019	
Ratos Annual Report 2018 published	Week starting 1 April
Annual General Meeting	8 May
Interim report January–March	8 May
Interim report January–June	16 August
Interim report January–September	5 November

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Ratos AB (publ)

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

This is information that Ratos AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 11:00 p.m. CET on 7 February 2019.

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