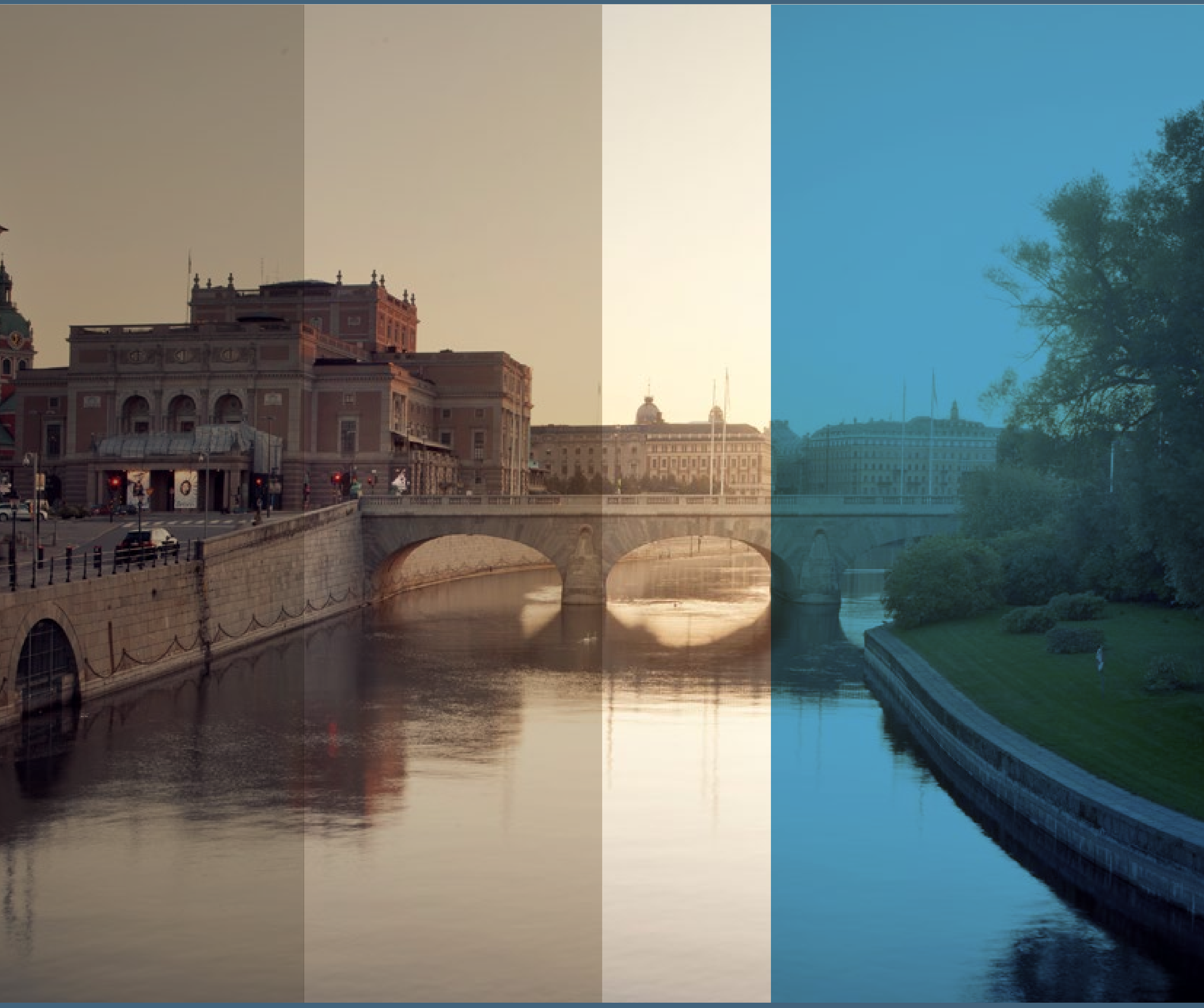
RATOS
ANNUAL REPORT 2017



RATOS IS TO BE THE FIRST CHOICE
AS A PARTNER FOR DEVELOPING COMPANIES


CEO'S COMMENTS 4


10 ACTIVE OWNERSHIP IN PRACTICE


SUSTAINABLE DEVELOPMENT 14


20 ORGANISATION
RATOS


OUR COMPANIES 28

Contents

The year in brief

2017 was an eventful year for Ratos, which launched an updated strategic agenda, completed the divestment of Nebula, Serena Properties and Sophion Bioscience (part of Biolin Scientific), and sold its remaining holding in Arcus, which was listed in 2016. In addition to this, important activities were conducted in our portfolio companies. A redemption of the outstanding preference shares was made at a total redemption amount of SEK 1,300m.

During the year, impairment losses totalling SEK 550m were posted on the book values of Diab and HL Display.

In December, Jonas Wiström was appointed as new CEO and Per-Olof Söderberg as new Chairman of the Board.

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

14 companies with SEK 32 billion in sales, SEK 1.6 billion in EBITA, 13,200 employees and 4[1] company divestments

[1] Includes divestment of Nebula, Serena Properties, parts of Biolin Scientific and sale of the remaining shares in Arcus. In 2016, an agreement was signed for the divestment of AH Industries. The sale was completed in March 2017.

Dividend*
2.0
per Class A and B share

* Proposed dividend for 2017

Return (IRR)
12%
average in the past five years

Exit gains
SEK 596 m
from companies

Profit
SEK 658 m
before tax

Earnings trend, SEKm	2017	2016	2015	2014	2013
Profit/loss before tax	658	-890	892	1,367	1,083
of which, Profit/share of profits from companies	679	295	664	392	602
of which, Exit gains portfolio companies	596	1,672	1,101	1,390	895
of which, Impairment portfolio companies	-550	-1,895*	-565	-250	-308
Earnings per share after dilution	0.72	-1.79	1.29	3.22	2.13
Equity (attributable to owners of the parent)	9,660	11,283	12,882	14,027	13,778

* Attributable to owners of the parent.

This is Ratos

Ratos is an investment company that acquires, develops and divests unlisted Nordic companies. The common denominator for the companies that Ratos acquires is a clear development potential with focus on growth and profitability.

VISION

Ratos is to be the first choice as a partner for developing companies

INVESTMENT STRATEGY

Ratos invests in unlisted medium-sized Nordic companies. The enterprise should have an established business model, in which Ratos recognises clear development potential. The goal for new acquisitions is that the company in question must have a minimum growth potential of SEK 0.5 billion in equity value over the next five years. The upper investment interval is SEK 2 billion in equity value.

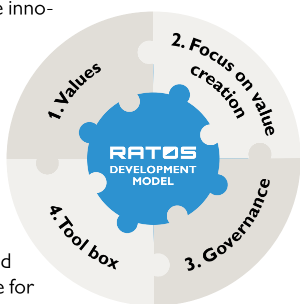
RATOS'S BUSINESS MODEL

ACQUISITIONS

Medium-sized companies with clear potential for development, tested business models and employees with strong drive are interesting investment opportunities for Ratos. Ratos primarily invests in unlisted companies in the Nordic countries and ideally in partnerships with entrepreneurs and other stakeholders who see the advantage of our flexible ownership horizon and active ownership model.

DEVELOPMENT

Ratos's goal is to generate value by developing successful companies. We lend the innovativeness, experience, expertise, contacts and capital needed to realise the potential of the companies in which we invest. Our primary focus is to work together with the companies' executive management to increase growth and improve profitability. The development of the companies in terms of environmental, climate and social sustainability is a prerequisite for long-term economic value creation.



DIVESTMENT

Ratos has a flexible ownership horizon and stays on as owner as long as we contribute to the development of the company and meet our return target. We endeavour to combine long-term sustainable growth with the highest possible return.

FINANCIAL TARGETS

Company-specific return target (IRR) of a minimum of 15%

RATOS'S VALUES

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

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

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

Ratos's portfolio

Ratos's portfolio consists of 14 medium-sized Nordic companies, with the largest segments in terms of sales being Industrials, Construction and Consumer goods/Commerce. A detailed description of each company is presented on ▶ pages 28-43.

SALES BREAKDOWN BY SEGMENT

– INDUSTRIALS –

Aibel
A leading Norwegian supplier of maintenance and modification services as well as newbuild projects in oil, gas and renewable energy.

Diab
A global company that manufactures and develops core material for sandwich composite structures including blades for wind turbines.

HL Display
An international supplier of products and solutions for in-store communication and merchandising.

LEDiL
A leading global supplier of high-quality secondary optics for LED lighting.

– CONSTRUCTION –

HENT
A Norwegian construction company that focuses on new construction of public and commercial real estate.

airteam
airteam offers high-quality, effective ventilation solutions in Denmark.

– CONSUMER GOODS/COMMERCE –

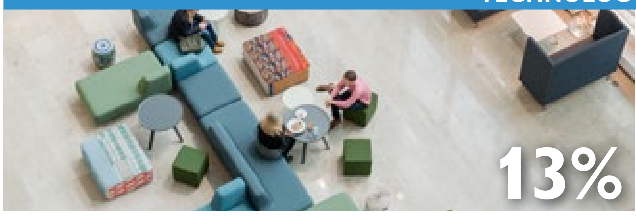
Plantasjen
The Nordic region's leading chain for sales of plants and gardening accessories with more than 120 stores in Norway, Sweden and Finland and a primary focus on consumers.

Gudrun Sjödén Group
International design company with a unique, colourful style and clear sustainability profile.

Jøtul
One of Europe's largest manufacturers of cast-iron stoves and fireplaces with global distribution through its own sales organisations and via distributors.

Oase Outdoors
Danish company that designs, produces and sells high-quality camping and outdoor equipment.

– TECHNOLOGY, MEDIA, TELECOM –



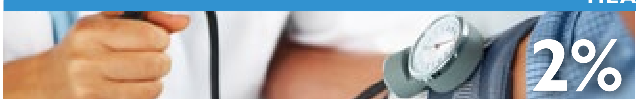
Bisnode
One of Europe's leading providers of decision-support solutions. By transforming data into insight, Bisnode helps decision makers to make smart decisions.

Kvdbil
Sweden's largest independent online marketplace offering broker services for second-hand vehicles.

– CORPORATE SERVICES –

Speed Group
A Swedish service provider in staffing, warehousing and logistics management with supplementary services in production, recruitment and training.

– HEALTH CARE –



TFS
A global service company that performs clinical trials on behalf of pharmaceutical, biotechnology and medical device industries.

Adjusted for the size of Ratos's holding.

Determined approach based on Ratos's position of strength will yield results

2017 was characterized by a weak performance in the company portfolio, company divestments, the presentation of an updated strategy and reduced costs in Ratos AB. I, Jonas Wiström, took over as CEO of Ratos in December. I am delighted and feel a great sense of commitment having returned to an operational role.

The past year

2017 was a year when the company portfolio as a whole performed below expectations, particularly during the second half of the year, despite a good macroeconomic situation in most markets. However, several companies did perform well, such as Bisnode, airteam and Gudrun Sjödén Group. Aibel, a company that is active in an extremely tough market, improved its earnings through successful project deliveries. Our portfolio company GS-Hydro declared bankruptcy in 2017. Over the course of many years, the company's competitive position and profitability had steadily weakened, the outlook was dire and Ratos had provided considerable capital contributions for several years. Taking all this into account, Ratos's management and the Board deemed it irresponsible to make further capital contributions in the company.

In 2017, several steps were taken to create a stronger Ratos looking ahead. In June, we presented an updated strategic agenda that means we will concentrate our holdings to fewer sectors, and retain certain companies longer with lower debt over time. In future, dividends on the Ratos share will be based on stable cash flows from the portfolio companies instead of on exit gains. We have streamlined the organisation, thereby lowering central administration costs, and redeemed all outstanding preference shares.

In line with our concentration on fewer sectors, we sold the real estate company Serena Properties. We also sold the cloud service supplier Nebula. Both Serena Properties and Nebula were investments that surpassed our return target.

Ratos – a continuously changing company

Ratos is a company that has a fantastic history. It has played, and will continue to play, a prominent role in Nordic business and community development.

Throughout its long past, dedicated owners have walked alongside the company. The Ratos brand is strong and we have attracted considerable interest from our operating environment.

There are many solid examples of instances when Ratos has generated substantial value as an owner by working effectively with its holdings. The most recent example that made an impression on me is Nebula, which we sold in 2017 as a company that was significantly stronger than when we acquired it.

As an owner, we also help our companies develop their sustainability agendas, thereby contributing to long-term value creation. This year, all of our companies will prepare a sustainability report and most of these are in accordance with the GRI standards. Sustainability consists of three key components: environmental sustainability, social sustainability and economic sustainability. I have seldom seen any conflict among these. On the contrary, they are prerequisites for each other. We bring this to the table in our company development.

Returning to the role of CEO

I feel a strong drive and commitment to being back behind the wheel and working operationally again. It has been less than one year since I stepped down from an operational CEO role. I did not accept the job out of a sense of duty but because I believe in Ratos and feel passionately about the development of companies.

To start, I will focus on learning more about Ratos, our portfolio companies and their respective markets. I want to get to know our company management teams and how we exercise corporate governance at Ratos. My experience as corporate director has taught me the importance of first understanding in order to make oneself understood, and that the answers are often to be found within the company. During this period, Ratos's complete focus will be on our current portfolio of companies.

Leadership and profitability

The definition of a good leader is one who gets good results and does so persistently. I believe that to do so one must be surrounded by a team that represents different skills and expertise as well as different perspectives and personalities. In short, a heterogeneous team of

employees who have the courage to say what they believe but who also have the conviction to carry out decisions that may not have been what they themselves proposed. An open culture of this sort makes us better at solving challenges together. This, in turn, means that we can develop as individuals and have fun at work. That's also important.

All long-term value creation is fundamentally built on a relationship of trust. This applies both to the stock market in relation to Ratos, but also to the trust between a company executive and the management/board of the portfolio company. Trust is established over time, but can erode quickly.

I believe that our single most important task is to ensure that we have the right people in place in the portfolio companies' management teams. Nothing is more critical to the success of a company than its management – even if the sector in which the company is active is important. To quote Warren Buffett, "When a management with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact."

We need to become even better at understanding the market conditions under which our portfolio companies operate.

Ratos moving forward

Ratos has been in business for more than 150 years. It is inevitable that we will face challenges and obstacles. It has happened before and there is every chance it will happen again. Steering Ratos into the future will take a lot of work.

It is my opinion that we have, in the past, sold several good companies too early and held on to lesser companies for too long. It is vital that we do not confuse long term with protracted. In fact, we need to accelerate. Today's markets and business environments change very fast. I therefore firmly believe that execution is far more important than long-term strategy plans. My task is clear: to increase shareholder value.

Ratos has everything it needs to reverse this profitability trend. From many perspectives, we have a strong brand, are financially strong, have long-term principal owners and talented people working for us. A concerted effort that leverages our actual positions of strength will produce results in the long term. Of this I am certain.

Jonas Wiström
CEO

2017 in 5 minutes

An active year

In 2017, Ratos launched an updated strategic agenda, completed four company divestments and continued its work on growth and improvement initiatives in the companies.

REFINANCING OF LEDIL

In February, LEDiL was refinanced and Ratos received a dividend of EUR 18m for its holding of 66%. The refinancing entailed that nearly 40% of Ratos's initial investment was repaid, which was facilitated by profitable growth and the favourable development of LEDiL's business.

BISNODE STRENGTHENS OFFERING THROUGH ACQUISITION

Bisnode continued its journey to become the most desirable partner for data and analysis in Europe, acquiring Global Group, a leading German supplier of solutions based on market information, in March. Accordingly, Bisnode's offering was extended to the German-speaking market, while the company's services contribute to Bisnode's product development initiative in marketing.

DIVESTMENT OF REMAINING HOLDING IN ARCUS

In March, Ratos divested its remaining holding of 23.6% in Arcus ASA (publ) ("Arcus") to Canica AS and Sundt AS. Canica AS, which was already Arcus's second-largest owner, is an investor that Ratos regarded as well-suited to be the new principal owner of Arcus. Ratos listed Arcus on the Oslo Stock Exchange in December 2016 and thus generated a total exit gain of SEK 1,437m (of which SEK 33m in 2017), an internal return rate (IRR) of 30% and a money multiple of 5.7x in SEK (6.2x in NOK) for Ratos.

AIBEL SECURES NEW PROJECTS

During the year, Aibel was awarded an FPSO* contract by Teekay to complete the production vessel Petrojarl I. The contract includes testing the vessel's onboard system and the work will be carried out in the Haugesund shipyard. Aibel was also awarded a major modification contract on the Snorre A platform, part of Statoil's "Snorre Expansion Project". The contract has a total value of NOK 1.6 billion and work is expected to continue until autumn 2021. In addition to the new projects carried out during the year, Aibel's three modules were successfully assembled in the Johan Sverdrup project in Klosterfjorden, north of Haugesund, outside Aibel's shipyard. After assembly, the combined platform was transferred to the shipyard where the final installations will be carried out. In summer 2018, the completed platform will be handed over to Statoil for transport to the North Sea.

* FPSO; Floating production storage and offloading.

DIVESTMENT OF NEBULA

In May, Ratos entered into an agreement to divest its subsidiary Nebula to Telia Company, generating an exit gain of SEK 515m. The divestment generated an IRR of 37% and a money multiple of 3.3x. In the four years that Ratos was an active owner in Nebula, the company conducted two synergy-generating add-on acquisitions and made key investments in product development and in sales and marketing resources.

PLANTASJEN BROADENS ITS OFFERING THROUGH ACQUISITION

With the acquisition of SABA Blommor AB, one of the leading suppliers of flowers to stores in Sweden, Plantasjen expanded its offering by a further 700 points of sale in the grocery segment, from the earlier 40 garden centres. By combining SABA's points of sales and competence as a leading supplier of flowers to the grocery segment with Plantasjen's industry-leading supply chain and plant expertise, Plantasjen has become increasingly accessible to its customers. The acquisition is an important part of the strategy to create a unique offering with an outstanding supply chain and increased market presence for more people to enjoy life with plants.

RATOS PRESENTS UPDATED STRATEGIC AGENDA

At its capital markets day in June, Ratos presented an updated strategic agenda. Through increased value creation and higher earnings levels in the portfolio companies, Ratos's long-ambition is to lay the foundation for a larger share of cash-flow generated financing of future dividends on the Ratos share.

The investment interval for new investments has also been updated. The goal for new acquisitions is that the company in question must have a minimum growth potential of SEK 0.5 billion in equity value over the next five years. The upper investment interval has been lowered from SEK 5 billion in equity value to SEK 2 billion in equity value to create a better balance and risk spread in the portfolio. Ratos has chosen six sectors on which it will focus its acquisition and business development efforts going forward.

The Ratos way

Ratos should be the preferred partner for developing companies

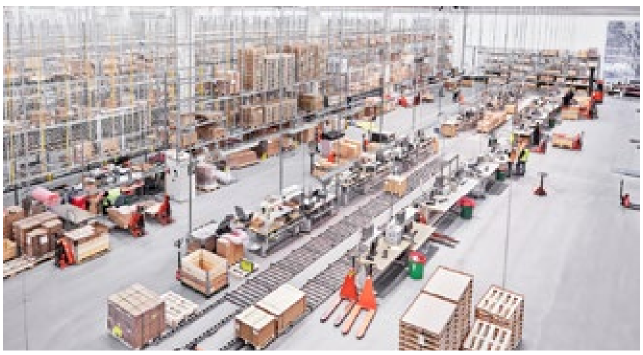
DIVESTMENT OF SERENA PROPERTIES

In June, Ratos signed an agreement on the divestment of Serena Properties to Fastighets AB Balder, which generated an exit gain of SEK 79m. The divestment generated an IRR of 26% and a money multiple of 1.4x. During nearly two years under Ratos's ownership, Serena has developed into a focused retail property company. As a property owner, Serena has succeeded in reducing vacancies, establishing favourable relations with key tenants, commencing development projects in several retail areas, and streamlining its property portfolio through the sale of properties not compatible with its strategy.

SPEED INVESTS IN AUTOSTORE SOLUTION

Speed Group signed a collaboration agreement with its customer Luna AB, part of B&B Tools, concerning logistics management, thereby becoming the first 3PL* company in the Nordic region to invest in a fully automated warehouse solution from Autostore. With this modern solution, Speed Group will be able to offer Luna AB a cost-efficient, futureproof logistics solution featuring high quality and operational reliability.

* 3PL: Third-party logistics.



Vision, business concept, investment strategy and goals

A Nordic business developer

Ratos is an investment company that acquires, develops and divests medium-sized unlisted enterprises in the Nordic countries, with a clear vision that Ratos is to be the first choice as a partner for developing companies.

Ratos's business model

ACQUISITIONS

Medium-sized companies with clear potential for development, tested business models and employees with strong drive are interesting investment opportunities for Ratos. Ratos primarily invests in unlisted companies in the Nordic countries and ideally in partnerships with entrepreneurs and other stakeholders who see the advantage of our flexible ownership horizon and active ownership model. Every year, Ratos analyses many interesting investment opportunities, some of which lead to acquisitions that are expected to realise Ratos's return requirement. Most ideas are generated within Ratos's investment organisation while others come from our Nordic network or through processes driven by investment banks and other advisors.

WE INVEST CAPITAL FROM OUR OWN BALANCE SHEET.

DEVELOPMENT

Ratos's goal is to generate value by developing successful companies. We lend the innovativeness, experience, expertise, contacts and capital needed to realise the potential of the companies in which we invest.

Together with the companies' executive management, we cultivate the conditions for increased growth and better profitability. During our joint journey with co-owners and management groups, we support the companies in undergoing a total transformation. The development of the companies in terms of environmental, climate and social sustainability is a prerequisite for long-term economic value creation.

OVER THE LAST FIVE YEARS, WE HAVE MADE A TOTAL OF APPROX. 25 ADD-ON ACQUISITIONS IN OUR COMPANIES.

DIVESTMENT

We work together with the companies toward mutual goals, normally with a time perspective of between five and ten years. However, Ratos has a flexible ownership horizon and stays on as owner as long as we contribute to the development of the company and meet our return target.

We endeavour to combine long-term sustainable growth with the highest possible return.

OVER THE PAST TEN YEARS, WE OWNED THE COMPANIES IN WHICH WE INVESTED (AND AFTERWARDS SOLD) FOR AN AVERAGE OF SEVEN YEARS.

Vision

Ratos is to be the first choice as a partner for developing companies.

Business concept

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

Investment strategy

Ratos invests mainly in unlisted medium-sized Nordic enterprises with clear development potential. The enterprises should have an established business model through which Ratos and the companies can together identify and then realise potential.

Holding and investment interval

Normally, Ratos is the largest owner in the companies, but we can also have a minority holding. However, our constant ambition is to be a committed owner that takes part in and can influence the companies' development. We gladly co-invest with entrepreneurs and other stakeholders, but have a minimum holding of 20%. The goal for new acquisitions is that the company in question must have a minimum growth potential of SEK 0.5 billion in equity value over the next five years. The upper investment interval is SEK 2 billion in equity value.

Geographic focus

Ratos invests in enterprises that are headquartered in the Nordic region. Many of our companies already have a strong international footprint. No geographic limits exist for add-on acquisitions to our companies.

Sector independent

Ratos develops companies through active ownership. Independent of sector, we lend the innovativeness, experience, expertise, contacts and capital needed to realise the potential of our companies.

Selection process

Ratos focuses on self-generated transactions. We focus our acquisition efforts on six sectors: consumer goods/commerce, construction, industrials, technology/telecom/media, business services and healthcare. Our investment organisation identifies and analyses companies with potential for growth that suit Ratos's portfolio of companies. We also take part in processes driven by investment banks and other advisors.

Ownership horizon

Ratos has a flexible ownership horizon with no limits to its holding period. The companies' return potential and Ratos's ability to contribute to their development is continuously assessed. Ratos can retain its holding as long as value is created in the company that exceeds the return target, which is often for a five-to-ten-year period.

Financial targets

Ratos has a company-specific return target (IRR) that amounts to a minimum of 15%. Ratos has divested 14 companies over the past five years, and filed for bankruptcy for one company in 2017. The average IRR during this period was 12%.

Ratos as owner

Committed and active partner

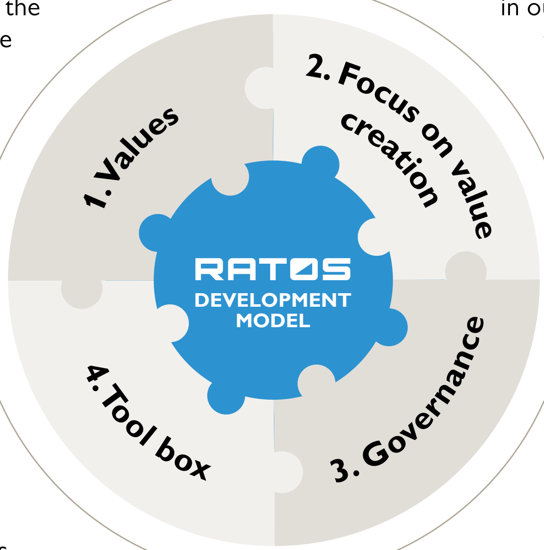
Ratos's goal is to develop successful companies. A committed and active owner, we invest in Nordic, primarily unlisted enterprises. Each investment situation is unique, and even if the companies operate strategically, operationally and financially independent of each other, there is a common denominator for our activities. Ratos's focus is to contribute to long-term and sustainable operational development based on common values. Our ownership model is based on four cornerstones:

1. Values

Ratos's actions are based on the core values of entrepreneurial, committed and responsible.
Entrepreneurial because we in our companies want to stimulate curiosity, original approaches, change and reinforce the will to exploit opportunities.
Committed since we want to work closely with key people in the companies, develop ideas and act together.
Responsible since we have high demands on business ethics and always weigh the consequences of the decisions we are involved in for people and the environment. Those with whom we do business will be able to trust us, want to choose us and return to us.

2. Focus on value creation

When we invest in a new company, a thorough and ambitious strategy and business plan is prepared, with clear business targets for development and financial effects. We support the companies' executive management in cultivating the conditions for increased growth and better profitability. Ratos has a flexible ownership horizon, which is most often five to ten years. We strive for long-term, lasting effects in our work with the companies and take part in driving sustainability development in the companies in which we are active.



4. Tool box

Through its organisation and industrial networks, Ratos contributes experience of operational development and also capital to its companies. This is done in part via board work, in part through daily contacts between key people in the companies and Ratos's employees, as well as in forums organised by Ratos in which employees from different companies meet and exchange best practices. Ratos's organisation contains experience accumulated in such areas as strategy processes, business analysis, acquiring and divesting companies, financing, accounting, communication and purchasing/sourcing, which contribute to the companies' development.

3. Governance

A distinct and transparent structure for corporate governance is always introduced in companies in which we invest. A board is appointed consisting of people who bring strategic expertise and industrial experience. The chairman of the board is recruited externally. Management has clear and complete operational mandate and responsibility. In parallel with a formal corporate governance, we want to create a close collaboration and common agenda for the company's development. We do so through our troikas (CEO, chairman of the board and Ratos's company executive) which efficiently prepare key issues and can serve as a sounding board for the CEO.

Acquisition opportunities

Ratos is always looking for attractive companies in which to invest. We have chosen to focus our acquisition effort on six sectors. The division into these sectors governs our work internally and using this approach, we build knowledge and networks in each sector. This work provides us with a good view of what sectors and niches we want to invest in moving forward. We also work with industrial advisors with in-depth sector expertise, who actively support our acquisition work by evaluating the investment theme and specific acquisition opportunities.

Acquisition ideas sometimes come directly from other owners and entrepreneurs who are looking for a partner to realise their visions. Contact is established with the owners and management of attractive companies and we often track these companies for several years, even in cases where the companies are not ready for a new partner/owner. Over the course of one year, Ratos analyses about 200 investment candidates.

No two acquisitions are alike and only a few lead to an investment. It is important that the company meets Ratos's investment criteria and return target, and that there is clear potential to realise. Other important conditions are mutual price expectations, timing and common values. It is vital to have a clear view early in the process of the company's business plan, how value creation occurs and how the return target can be realised. Another important aspect involves mapping sustainability-related risks and opportunities, including the long-term sustainability of the company and the sector. The analysis provides a base for the business plan that is formed to drive sustainability efforts in the companies under Ratos's ownership. Ratos also has exclusion criteria and does not invest in companies that operate in the arms industry or pornography.

Competition in the acquisitions market is fierce. Access to capital, from creditors and investors alike, triggers a rise in investment prices for good companies. It is important to find the optimum capital structure and company-specific leverage that allows profitable growth. For a long time, Ratos has adopted a long-term and responsible approach in the Nordic market and has a good reputation. We have good access to bank financing at reasonable terms.

In 2017, there was still a high level of activity and competition in the transaction markets. The positive market climate and availability of capital from lenders and investors led to high valuations of acquisition candidates. During the year, Ratos continued its intensive effort to find companies to acquire that suit Ratos's unique profile, flexible exit horizon and investment strategy. However, despite there being several attractive companies and processes, the company decided not to make any acquisitions.

Value-creating operational development

In partnership with the companies, long-term values are created mainly through sales growth and profitability improvements. How this is done in practice differs from company to company. As an active owner, we can help recruit key people and supply the capital that enables the companies to invest in product development, improved customer offerings and inroads in new markets. We offer a far-reaching network that can share best practices and new ideas for long-term operational development.

It may even entail making add-on acquisitions that provide revenue and cost synergies, or investments in new production technology to improve effectiveness and productivity.

We always aim to give management and the board new perspectives for growth, but also in relation to sustainable development, to ensure that the company has long-standing sustainable strategies.

Occasionally, initiatives that re-define entire sectors are taken. One good example is Arcus which, under Ratos's ownership, evolved from a predominantly Norwegian spirits producer to the Nordic region's leading supplier of wines and spirits – a journey that involved all types of value-creating activities. An initial public offering of Arcus was conducted in 2016 and the remaining portion of Ratos's holding in the company was sold in 2017.

Our single greatest contribution to creating value is to establish the companies' strategies together with management and the board, and to be clear in our demands to ensure that they are implemented and produce the desired results. This is how the investment idea behind the acquisition and the company's potential for development are realised.

HENT is a good example of how a company has been developed in an exciting industry (read more below).

Value growth measured in return

Our return target is company specific and at least 15% (IRR*), depending on company and market-specific factors. Assessing our success requires an analysis of the companies we have divested to date. During the past five years, Ratos has sold 14 companies (exits). In 2017, one company filed for bankruptcy. The average IRR amounts to 12%.

* IRR: Internal rate of return – the annual average return on the invested amount calculated from the original investment, final selling amount and other cash flows, considering when in time all these payments were made to or from Ratos.

HENT – *from Norway to the Nordic countries*

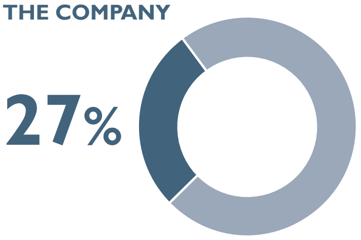
HENT

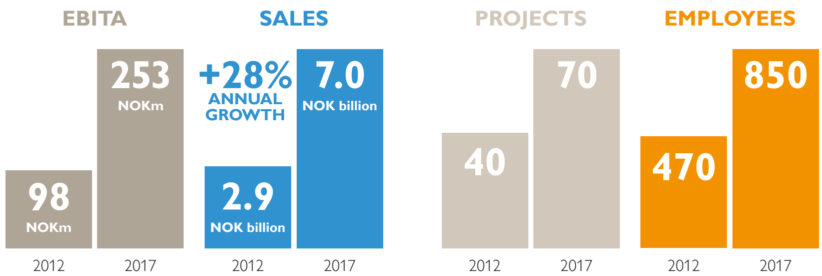
"We were looking for a partner who would support us but had no intention of acting operationally in the company...an owner who wanted to continue to professionalise the company's governance and strategic work based on a strong, functional business model and corporate culture."

JAN JAHREN, ADMIN. DIR. HENT

OPPORTUNITY	VALUE CREATION	RESULTS
Capable management. A different business model.	***A respectful partnership. An exciting journey of geographical growth.***	***A stronger position in Norway. A new player in the Nordic countries.***
One of Norway's leading construction contractors, HENT, stood out in the market due to its capable management and different business model. A centralised organisation and flexible cost structure, with a large part of the construction outsourced, made HENT unique.	When Ratos became the company's owner, the ownership picture changed and management expanded its partnership. Through a respectful partnership, Ratos has helped management create a platform for growth consisting of a strategic business plan, defined financial goals, a clear strategy for growth, professional corporate governance, an effective capital structure and structured sustainability work.	Under Ratos's part-ownership, HENT has more than doubled its sales and operating profit, strengthened its market position in Norway and commenced an expansion into the other Nordic countries. Ratos remains a long-term owner without a defined exit horizon, but with a continued focus on profitable growth in the Nordic countries.

MANAGEMENT'S SHARE IN THE COMPANY





Company divestments

Ratos divests a company when we have executed the plans made to realise the company's potential for growth or when another owner might be more suitable for the company's future development. Ratos does not set any limit on its holding period and we remain as owners as long as we create value – meaning that we are often owners between five and ten years, sometimes longer.

Ratos strives to make responsible exits where we are to combine long-term, good survival with the highest possible return. In 2017, Ratos carried out both successful divestments and a strategically key divestment where the investment did not deliver according to plan.

The divestment of part of the analysis instruments company Biolin Scientific (Sophion Bioscience) was concluded without generating any significant exit gain. The divestment of Nebula, Finland's leading provider of cloud-based services for small and medium-sized companies, and of Serena Properties, a real estate company with a portfolio of 21 commercial retail properties in Finland, are two examples of company divestments that generated a favourable return and for which the result of value-creating activities is apparent. In total, the year's exits (including the sale of the remaining shares in Arcus) generated an exit gain of SEK 596m.

Nebula

"I was looking for a partner for Nebula who could take the next step with the company I had founded, since I ultimately wanted to step down from my role as CEO. As the company's founder and CEO, it was important to me that the new owner understood the company and the challenges and opportunities we were facing. Ratos was a perfect partner to take the company to the next level."

VILLE SKOGBERG, FOUNDER OF NEBULA

OPPORTUNITY

A strong market leader in a well-defined niche. An attractive business model.

CEO/founder who ultimately wanted to take on a new role and needed a partner who could support him through this generation change. Scalable business model (low marginal costs for new customers). Nebula was embarking on a journey of growth and was a market leader in its niche. There was untapped potential in the relatively young company, with room for higher growth through acquisitions and the possibility to build on its already strong customer relations, focus the strategy by Introducing an activity-based business plan and clear governance model.

VALUE CREATION

Continued growth and profitability. Stronger market position, with improved customer offering. Reinforced management group.

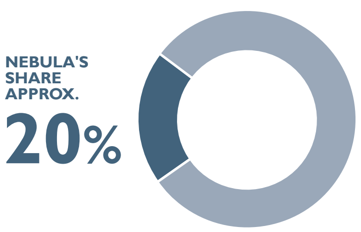
Ratos supported three, synergy-generating add-on acquisitions that strengthened the company's market-leading position among small and medium-sized enterprises in Finland. At the same time, the strategy was focused on cloud services. Commercial and operative tools were implemented to increase operational expertise and be able to deliver high customer satisfaction, growth and profitability. Investments in product development and in the company's sales and marketing resources strengthened its growth and market position.

RESULTS

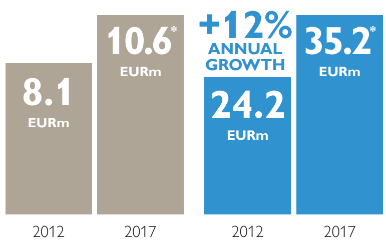
A well-managed company with a strong position for future growth. A strategic asset for industrial players.

A clearly supported business plan and increased strategic focus. Reduced dependence on individual employees. Strong governance model. Nebula maintained and strengthened its position as a market leader in small and medium-sized companies, with industry-leading profitability. The customer base increased 30% under Ratos's ownership and the number of employees increased from 110 to 145. Ratos sold the company in 2017 to Telia Company, a buyer that is a good complement to Nebula and will enable both companies to leverage their individual strengths.

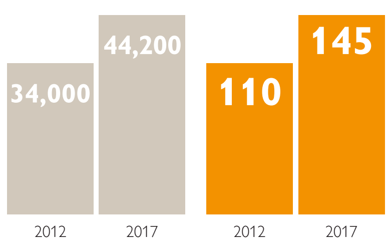
INTERNET TRAFFIC IN FINLAND



EBITA **SALES**



CUSTOMERS **EMPLOYEES**



* Rolling 12 months as of 31 December 2017.

Sustainable value creation

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

For Ratos, responsible ownership means active ownership that includes sustainability issues. This work is based on the Global Compact's ten principles for sustainable business and the UN Principles for Responsible Investment (PRI), which Ratos signed in 2013. Since 2015, Ratos has been reporting in accordance with GRI and this year's report follows the GRI Standards (see ▶ page 122-123 for reference index).

Significant sustainability issues and our stakeholders

Ratos's most significant sustainability issues are identified through intelligence gathering, industry analysis and a process that weighs in the different stakeholders' priorities and highly relevant issues for the operations and value creation. In 2016, structured interviews with stakeholders and discussions in Ratos's management group were held to ensure the correct focus. This mapping forms the basis for Ratos's prioritisation of key issues. The materiality analysis is still deemed relevant, which was confirmed by informal stakeholder meetings during 2017.

Ratos's key stakeholder groups are prioritised according to their influence on Ratos's financial, environmental and social aspects and are described in the table below.

Stakeholders	Method of interaction
Employees at Ratos	■ Interviews with representatives in connection with stakeholder dialogues in 2016 ■ Staff meetings, performance reviews ■ Structured discussion groups focusing on Ratos's values, corporate culture, processes and future development
Employees of Ratos's companies	■ Interviews with representatives in connection with stakeholder dialogues in 2016 ■ Meetings within Ratos's annual functional forum (CEO, CFO, HR, Sustainability, etc.)
The companies' management groups and board members	■ Interviews with representatives in connection with stakeholder dialogues in 2016 ■ Group-wide assessment of the work of the board
Owners and investors (see page 25 for Ratos's largest owners)	■ Interviews with representatives in connection with stakeholder dialogues in 2016 ■ Active in surveys from or dialogues with organisations such as CDP, RobecoSAM, Vigeo and Sustainalytics ■ General meetings ■ Dialogues and individual meetingz
Other	■ No proactive dialogue, available for discussions as needed

NB: Companies refers to subsidiaries. In its associated companies, Ratos can exert influence to a different extent, which is why demands and processes can vary.

For Ratos, sustainability means *sustainable development through active responsible ownership*. Based on the dialogue with stakeholder and the materiality analysis (see Ratos's website for a presentation of the materiality analysis), the following sustainability aspects have the highest priority for Ratos:

- Do business with good business ethics, including anti-corruption
- Ensure sound corporate governance and transparency
- Develop and involve our employees
- Drive corporate responsibility in the companies, including managing ESG risks and opportunities

Ratos's direct impact is slight in relation to the portfolio companies' impact, which is why Ratos's work as a responsible investor and owner has top priority. At the same time, the owner company's (parent company's) own sustainability agenda is a prerequisite for its ability to act as a responsible owner and drive the sustainability agenda in Ratos's companies, where financial strength and resilience are critical cornerstones for Ratos's ability to conduct its operations and develop companies. Refer to the financial reports for more details.

Responsibility, governance and follow-up

Ratos's active ownership necessitates a clear division of responsibility and follow-up. Ratos's CEO has the overall responsibility for Ratos's sustainability strategy and initiatives. Ratos's operational sustainability efforts are defined and coordinated by the Sustainability Committee and representatives from both the investment organisation and business support. Each investment manager is responsible for ensuring that sustainability is included on each company's management and board agendas.

The CEO and management of each company have operational responsibility for the company's sustainability work through direct delegation from Ratos's management. An instruction regarding the companies' work with sustainability, risk and compliance describes Ratos's expectations. Each company board is ultimately responsible for ensuring the company complies with applicable laws, guidelines and policies. Each company has an established process that enables the board to follow up sustainability efforts and as of 2014, all companies that Ratos has owned for more than one year present an annual sustainability report.

Key activities in 2017

- Training for the companies' sustainability managers in sustainability reporting and GRI
- Launch of Ratos's guidelines for sustainability reporting in the companies

- Ratos's Sustainability Day for the companies' sustainability managers
- Training and support for compliance managers regarding GDPR
- Analysis of the companies' work on sustainability, compliance and risk initiatives (questionnaire)

Ratos as responsible owner

Integrating sustainability factors into the investment process and ownership results in better understanding of all the risks and opportunities to which a company is exposed. A broadened perspective provides insights regarding the company's strategic and operative risks, such as in terms of exposure to assets that risk becoming obsolete, potentially disruptive industrial change, etc. Understanding and analysing various sustainability aspects can also generate greater confidence in a company's strategic possibilities, for example, through a presence in sectors that can be expected to have positive momentum and benefit from sustainability trends. For the companies in which Ratos invests, the ambition is that, over time, they will establish a good standard for sustainability, continuously improve their sustainable agenda and ensure a sustainable strategy.

Sustainability is an integrated part of the investment process and exercise of our ownership role. This work is based on a number of relevant policies and guidelines established by Ratos's Board of Directors (see the Code of Conduct, the Policy for Sustainability and Responsible Investments and the Environmental Policy on Ratos's website).

Acquisitions

Ratos always conducts an evaluation of potential acquisitions in relation to its established exclusion criteria. The assessment of a potential investment includes an analysis of the company's position in terms of the transition to a sustainable economy, meaning the company's exposure to long-term trends, such as the change to renewable energy, the sharing economy, electric vehicles, new materials, increased requirements on transparency, etc. The company's risks and activities relating to key sustainability areas are investigated, which entails an identification of risks in the company's operations or value chain connected with environmental and climate impact, employees, social responsibility, respect for human rights and business ethics, and counteracting bribery and corruption. An assessment is made of the company's current efforts to address these risks, during which the company's policies, processes and activities are evaluated. Since maturity in sustainability issues among medium-sized companies is generally low, the assessment of the company's values, culture and management is very important. A compiled due diligence is part of Ratos's final decision material ahead of the investment decision and constitutes a recommendation for the future ownership process.

Ratos's exclusion criteria:

Ratos does not invest in companies that

- operate in the arms industry
- cause serious environmental damage
- produce or are actively involved in the supply of pornography
- produce tobacco products

Ratos's policy:

As guidance in the assessment of new investments and in work with existing companies, Ratos has policies for

- breaches of international conventions
- how Ratos is to exercise climate consideration

During the year, Ratos used negative screening, meaning it assessed investment possibilities in relation to Ratos's exclusion criteria. Ahead of all final bids in 2017, an assessment of risks related to sustainability was made as part of due diligence, which resulted in a recommendation to proceed with the acquisition. However, no acquisitions were made in 2017.

Development

Ratos invests in several industries and our companies are affected by many different risks and opportunities related to sustainability. We therefore have common requirements for the portfolio as well as focusing on material issues for each company. Ratos's expectations are based on relevant legislation, respect for international conventions and the principles of the Global Compact. The base for the companies' sustainability work should constitute identifying significant sustainability issues, a strategy and process for the work together with set targets, anchored in the company's board. All Ratos companies submit a sustainability report annually to their respective board of directors and Ratos. As part of the effort to further

SUSTAINABILITY IS INTEGRATED INTO RATOS'S OPERATIONS

SCREENING/LEADS	ACQUISITIONS	DEVELOPMENT	DIVESTMENT
- Screening vs. exclusion criteria - Assess position, long-term strategy and commercial effects - Assess risks and practices, map sustainability-related risks and opportunities - In-depth due diligence employing expert support as needed	- Mapping and analysis are part of the decision material for Ratos's Board of Directors	- Key sustainability issues included in the ownership agenda and business plan - Establish a sustainability agenda and infrastructure in the first 12-18 months - Support to holding team and company as needed/requested	- Support in the exit process (communication pertaining to sustainability, risks, etc.)

GENERAL TARGETS FOR RATOS'S RESPONSIBLE OWNERSHIP EFFORTS

General targets	Status and activities 2017-2018
Ratos and the companies are to be considered attractive employers in each target group ■ Dedicated, motivated employees ■ Safe workplace	Ratos works to ensure that all companies follow up and prioritise this. Employee surveys were conducted at Ratos in 2017.
Before acquisition, all new investments are subject to sustainability or ESG screening.	Established processes and tools exist. No acquisitions made in 2017.
All Ratos companies have an established sustainability plan (pertains to companies Ratos has owned for at least the number of years stated) ■ Sustainability agenda established with top issues and activities (company > 1 year) ■ Sustainability goals established and followed up (company > 2 years) ■ Annual sustainability report (company > 1 year) ■ Sustainability report in accordance with GRI (majority-owned large companies)	▸ Of the companies Ratos has owned > 1 year, 93% have an established sustainability agenda ▸ Of the companies Ratos has owned > 2 years, 90% have sustainability goals ▸ Of Ratos's companies, 100% had a sustainability report for 2017 ▸ Of Ratos's majority-owned large companies, 100% reported in accordance with GRI
The board is ultimately responsible and involved: all company boards have defined the sustainability goals and follow up on the initiatives at least once a year.	In 100% of the companies we owned > 1 year, the board presented and discussed the company's sustainability efforts during the year.
For each company: reduce the climate impact and energy consumption per SEK of sales during the holding period.	Implementation of climate reporting in progress or will start in all companies that meet the size requirement stipulated in legislation. This is included in GRI, since it is deemed relevant for the individual portfolio company in the GRI analysis.

develop the companies' work in line with the EU directive and Swedish legislation on sustainability reporting, Ratos introduced a requirement in 2017 on sustainability reporting in accordance with GRI for all large majority-owned companies (see table above).

Ratos primarily invests in medium-sized companies, which generally have a lower level of maturity regarding sustainability and limited infrastructure for structured sustainability work. Accordingly, the focus of development work after acquisition is to identify significant sustainability issues and to establish steering documents, areas of responsibility, resources, processes and tools. To bolster each company's sustainability efforts during Ratos's ownership, each holding team and board of directors has an ongoing dialogue with the management team and sustainability managers in the companies and specific support is provided for certain matters. Every year, Ratos organises network meetings for various functional groups, during which the Sustainability Forum serves as a platform for sharing knowledge and experience. To facilitate the companies' work, there are, for example, framework agreements for whistleblowing systems and climate reporting systems. Of the 18 companies included in Ratos's portfolio at the start of 2017, Ratos interacted with all companies (100%) on the matter of sustainability, with the exception of AH Industries, which was divested in the first quarter of 2017.

Divestment

Ratos has an active exit strategy, which means that we are not a permanent owner. When divesting a company, we want to ensure good survival for the company in question. In 2017, the Board of Directors of the Ratos subsidiary GS-Hydro filed for bankruptcy, something that had never previously happened in Ratos's history. This was a difficult decision that was carefully considered, but was based on Ratos's responsibility to its shareholders and, following thorough evaluation of the situation, the conclusion was that it would have been irresponsible to continue investing capital in the company.

Parent company's sustainability efforts

At Ratos, we want to practice what we preach and further advance our positive reputation in the market, which requires that we conduct business using good business ethics, ensure good corporate governance and develop and engage our employees. In environmental and climate matters, Ratos wants to be a positive role model for its companies, even though its direct impact is limited.

Do business with good business ethics and culture

Ratos's reputation and the opportunity to do sound business rests on good business ethics. Ratos's internal policies, such as the Code of Conduct and guidelines for share transactions, and processes for ethics and regulatory compliance, are basic requirements for long-term confidence from the market. Active efforts are required to ensure that the company's values and ethical rules permeate all operations and that all employees understand and comply with the Code of Conduct adopted by Ratos's Board of Directors. When they are hired, new employees are trained in Ratos's Code of Conduct and other related policies. Other employees participate in training as required, for example, in conjunction with changes to the law or regulations. Ratos had no incidences of the Code of Conduct being breached and has not been fined or received any other sanctions due to violations of laws or regulations. During the year, three whistleblowing reports were received, which were managed in accordance with Ratos's whistleblowing process.

Ensure sound corporate governance and transparency

Ratos values and aims for a high level of transparency. We also believe that sound corporate governance creates value and is a requirement for good ownership work. Ratos's corporate governance and communications are continuously developed to ensure high quality and far-reaching confidence from the market. See ▸ pages 51-59 for more information about Ratos's corporate governance.

Develop and involve our employees
Ratos places great importance on strategic talent development and supply, better equal opportunities and diversity, and a sound occupational environment and health, including work-life balance.

See ▶ pages 20-23 for more information about Ratos's employees and how Ratos addresses these issues.

Climate impact
The adjustment to a climate-neutral world, in line with the Paris Agreement, is a matter that affects everyone. In addition to operating the companies in its portfolio, Ratos endeavours to assume responsibility for reducing its own climate impact, which primarily comprises emissions from business flights. The internal environmental work is based on Ratos's Environmental Policy and environmental plan. Ratos's parent company is not subject to any specific environmental legislation. Ratos's CEO is responsible for follow-up.

Ratos reports its climate impact according to the Greenhouse Gas protocol (GHG). By measuring and following up on our emissions, an awareness is generated as well as the possibility to reduce our consumption of energy and consumables and optimise business travel. Face-to-face meetings and networking are fundamental to our ability to do business, which is why critical business trips will continue to be prioritised. Climate compensation has been paid for all air travel since 2014 and, since 2016, Ratos only uses electricity labelled as a good environmental choice. Ratos's total emissions from the parent company amounted to 0 tonnes (46) of CO_2e in 2017 after climate compensation.

Total emissions, tonne CO_2e/yr	**2017**	**2016**	**2015**
Business trips	232	254	248
of which, air travel	216	230	207
Head office (the building)	16	20	27
of which, electricity consumption	3	3	3
Other *(incl. annual report calculated from a general LCA perspective)*	6	2	4
Total before climate compensation	**255**	**276**	**279**
Total after climate compensation	**0**	**46**	**72**

HL Display – *future-proof product offering*

Partnerships enable the development of environmentally compatible and more sustainable products.
HL Display is an international supplier of products and solutions for in-store communication and merchandising, and its customers include grocery retailers and brand manufacturers. HL's main input good is plastic, in particular, PVC. Given that oil is a raw material used in plastic and this can have a significant environmental impact, HL has initiated several strategically important development projects related to raw materials. The projects are operated in cooperation with expert organizations and are aimed at creating more sustainable and climate-adapted products for HL customers.

To identify how existing products can be improved from a sustainability perspective, HL, in cooperation with the IVL Swedish Environmental Research Institute, conducted a life-cycle analysis to map out the environmental and climate impact of HL's products from cradle to grave. Having a clear view of the current situation makes it easier to ensure that the company's development choices, such as the use of recycled material or the development of entirely new materials, lead to the desired improvements from a sustainability perspective.

In cooperation with the Royal Institute of Technology (KTH) in Stockholm, new materials with a lower environmental impact are being developed for use in the company's products. Eight new materials have been identified for further testing and production is expected to be scaled up in 2019. HL also has a strong partnership with the Mid Sweden University in Sundsvall. Joint research is being conducted into new, more sustainable materials based on cellulose.

"In our work to develop completely new materials and products, it is invaluable to have access to the expertise that exists at, for example, KTH and IVL. As a company today, it is difficult to have specialist knowledge in a wide range of fields, which means cooperation is becoming increasingly important. Together, we can find new solutions faster, while also contributing to a more sustainable world," says Peder Clason, Group Marketing Director and head of sustainability issues in HL's management group.

Responsibility for environmental and climate impact

Climate change is one of the greatest challenges of our time and essentially impacts all countries, industries and companies. Climate change will have an increasing effect on the value of various assets and companies' possibilities to grow and be profitable in the long term. Reducing climate impact is a requirement for stable future economic development.

As an owner, we can support our companies in developing sustainable and "climate smart" products and services, and advocate for a greater focus on energy efficiency and reducing greenhouse gas emissions. We also have a responsibility to ensure that the companies develop sustainable strategies that embrace and support the transition that the business world will go through.

A number of Ratos's companies have risks relating to environmental and climate issues by having, for example, operations in areas with a rising frequency of extreme weather (such as flooding) or operations aimed at customers in the field of fossil fuel extraction. See ▶ page 30-43 for comments on each company's significant sustainability issues and risks and the management of these.

All of Ratos's companies are to identify their respective environmental impact and implement an Environmental Policy/environmental plan. Each company has a delegated responsibility to comply with relevant environmental legislation/standards, ensure that environmental permits exist, and so on, and ensure adequate processes and activities to address the identified risks and negative impact.

The companies' sustainability reports contain a compilation of energy consumption (kWh), relative energy consumption, waste management and water consumption. Measurement and follow-up of greenhouse gas emissions is a key tool for reducing climate impact. On 31 December, 40% of the companies that Ratos owned >2 years had implemented or were in the process of implementing a system for reporting their carbon footprint in accordance with the GHG protocol.

Share of companies (>2 years) that have CO_2 reporting:

40%

Share of companies (<1 year) that have environmental certification (ISO14001):

36%

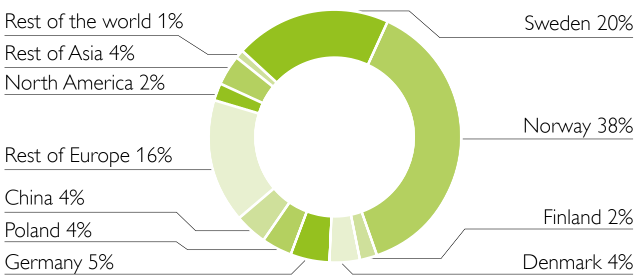
Assuming responsibility for employees in our companies

The Ratos Group has 13,200 employees, who all contribute to the implementation of Ratos's development plans in each company. Competent and committed employees in good health are a prerequisite for the implementation of Ratos's ownership agenda. Most (90%) of the employees work in the Nordic countries or elsewhere in Europe, while 7% are employed in Asia, primarily China.

Several of Ratos's companies have operations that put employees at a greater risk of personal injury. Other risks relevant to Ratos's companies comprise psychosocial health and the risk of discriminatory behaviour. Certain companies have risks related to future talent supply. See ▶ page 30-43 for comments on each company's significant sustainability issues and risks and the management of these.

A positive and safe work environment, employee commitment, talent development and equality are priority issues for Ratos, as are respect for human rights and reasonable working conditions. As an owner, Ratos makes it clear that international conventions, human rights, and employee rights and conditions must be respected, which is stipulated in Ratos's Code of Conduct. The companies are to implement a code of conduct in line with Ratos's Code. Based on identified risks, the companies implement relevant guidelines and secure processes and activities for implementation, including preventive health and safety work. The annual sustainability reports contain, for example, information on sick leave and the share of women in senior positions.

Group employees per geographic area 2017



Social responsibility, including respect for human rights

Social responsibility comprises many areas, including making demands on and monitoring sub-contractors in such areas as respect for human rights, absence of forced labour and reasonable working conditions.

Several of Ratos's companies have suppliers and partners in other countries where there is an elevated risk of violations of human rights or employee rights, which is why these issues have a prioritised position in the companies' supply chains. Other risks in social responsibility related to Ratos's companies include lack of quality and safety in products or services. See ▶ page 30-43 for comments on each company's significant sustainability issues and risks and the management of these.

Ratos's Code of Conduct clearly stipulates that international conventions, human rights and employee rights and conditions must be respected. These principles must be reflected in the companies' own codes of conduct and in the work and demands relating to suppliers and other parties in the value chain. Ratos's Code of Conduct also includes other aspects of social responsibility. Each company has a delegated responsibility to conduct risk analyses and due diligence, establish policies, processes and activities related to significant sustainability issues and risks in its area.

Sound business ethics, counteracting bribery and corruption

Ratos is convinced that sound ethical values and regulatory compliance create the conditions for long-term survival. An assessment of the risks related to corruption and irregularities is conducted regularly as part of Ratos's annual risk mapping.

About half of Ratos's companies are considered to have an elevated risk of corruption based on their presence in geographic markets with elevated risk (according to Transparency International) or through operations in exposed industries. See ▶ page 30-43 for comments on each company's significant sustainability issues and risks and the management of these.

The Code of Conduct that Ratos's companies implement contains written business ethics and anti-corruption instructions. Ratos's instructions governing sustainability, compliance and risk contain principles for the companies' work on anti-corruption and the development of anti-corruption programmes. All companies are to perform corruption risk analyses as part of their comprehensive risk mapping and management, and establish preventive routines and processes that are risk-specific. Preventive work includes guidelines for employees, training programmes for persons in positions of risk, and imposing demands and following up on business partners. During the year, Ratos also strengthened its follow-up processes concerning the companies' compliance with laws, including anti-corruption efforts.

As of 2016, Ratos's general rule is that all companies are to have an externally run whistleblowing system in place to guarantee anonymity and full integrity. On 31 December 2017, 60% of the companies that Ratos owned >1 year had implemented or were in the process of implementing such a system.

Ratos – the portfolio companies are equipped through network meetings and training

As part of its activity to drive the development of the companies' sustainability work, Ratos already imposes a requirement for sustainability reporting on the boards and owners of the companies. Most of Ratos's companies are subject to the new EU directive and Swedish legislation on company sustainability reporting, with a requirement for external sustainability reporting for companies of a certain size, which applies for the first time in the 2017 financial year.

To assist the companies and ensure a high standard of reporting, Ratos offered support and practical guidance during the year. In May, a one-day workshop on sustainability reporting was held, with a focus on GRI, which is the most widely employed framework for sustainability reporting today. Representatives of the companies received information on the new law, how a report is compiled and what it should contain. The participants developed a plan for their companies' reporting through practical exercises and with expert support. At the network day for the companies' sustainability coordinators in September, a follow-up discussion was held, giving the companies the opportunity to share experiences and ask questions. Ratos has also compiled a written guide with examples from other companies as support.

We at Ratos

People make the difference

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

The Ratos Group has about 13,200 employees worldwide who work for one of the 14 companies that make up Ratos's portfolio of companies or in Ratos's own organisation. In the parent company, approximately 24 individuals were employed at the beginning of 2018, 13 of whom work in the investment organisation responsible for development of the companies and finding new investment opportunities. In addition, 11 Industrial Advisors are associated with the operations. Ratos's CEO and management group are responsible for the employees' work situation and talent development.

Focus on the right skills

The investment organisation is staffed with people who have extensive experience in operational development and strategic analysis, people who often have a background as management consultants or from operative roles. They are continuously involved in investment processes, and lead the work in Ratos's companies together with each company's board and management. Ratos's organisation also includes people with expertise in communication, legal matters, financing and accounting.

During the year, the investment organisation continued the previously initiated project aimed at working in a more sector-oriented organisation. Among other things, the sector division will lead to a more structured approach in acquisition activities and comprises six different sectors, namely consumer goods/commerce, construction, industrials, energy, technology/telecom/media and healthcare.

The power of teamwork

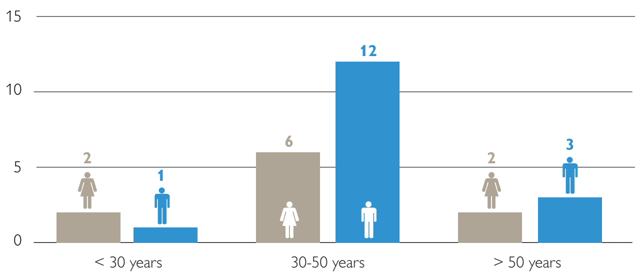
Each company has a team which normally consists of two Ratos employees, one of whom is company executive, with one or more as a member of the company's board. The composition of the team and its team spirit is key. Together with the companies' management and boards we draft ambitious business plans to create growth and profitability, and to realise our return target.

Network with Nordic business experience

Our Industrial Advisors act as advisors in investment processes and during operational development of the companies, and are often board members in the companies as well as members of our Advisory Boards. Furthermore, we work with an extended network of qualified advisors who have long-standing business experience from all the Nordic countries. To further broaden and improve our Nordic contact base, we have Advisory Boards in Denmark, Finland and Norway made up of people with many years of business experience. They act as Ratos's representatives and share their knowledge of local business life and contacts in their individual networks since the Nordic countries differ in several respects, including corporate structure, sector distribution and business culture.

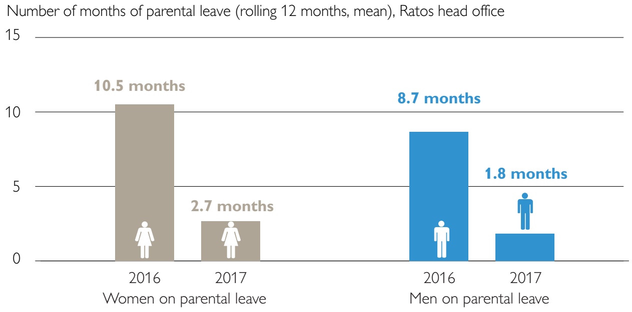
Age distribution 2017

Number of permanently employed per age category, Ratos head office



Average parental leave 2017

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



Ratos's values

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

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

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

Employees, type and function at Ratos's head office as of 31 December 2017

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

	Women	%	Men	%	<30 years	30-50 years	>50 years
Permanent employment [1]	10	38%	16	62%	3	18	5
Management group	1	17%	5	83%		4	2
Investment organisation [2]	2	18%	9	82%	1	9	
Business support	7	78%	2	22%	2	5	3
Total	**10**		**16**				
Ratos's Board of Directors	3	43%	4	57%			7
Boards in the companies, excluding Ratos's investment organisation	18	31%	41	69%			
Employees who have resigned	10		6			12	4
New employees	2		2		1	2	1

[1] All employees are full-time employees. Ratos employed four interns during the year, with temporary employment terms of approximately six months.
[2] At the beginning of 2018, two individuals had stepped down.

As CFO of Ratos, I have a diverse and engaging role. A wide variety of issues land on my desk: everything from financial reporting and follow-up of how our portfolio companies are performing to a multitude of specific and complex accounting questions. I am driven by working with the breadth of issues that my job entails, internally at Ratos and in relation to our portfolio companies. Accordingly, I work strategically and with a long-term approach, but also with a focus on resolving challenges on a short-term basis.

I support the holding teams through transactions and in various situations where my financial knowledge and expertise are of help. Historically, Ratos has operated under constant change and development, which means that we as a finance department have needed, and still need to be, adaptable and flexible. This places additional demands on us as a team, a challenge that makes my job particularly dynamic and exciting.

Carina Strid
CFO

As Investment Director and company executive at Ratos, I have a varied and stimulating role. Together with the boards of directors and management of the companies I am responsible for, we drive operational development. Ratos brings experience, competence, networks and capital to create increased growth and improved profitability.

Succeeding as an owner requires mutual trust between management, the board of directors and the owners. My view is that Ratos's contribution makes a huge difference to the companies in which we are involved. For our companies, we serve as an active sounding board that sets demands and ensures there is a comprehensive strategy in place, with ambitious operational goals for development. We are perceived as a reliable partner that challenges the status quo by providing new perspectives. Ratos is able to employ a flexible ownership horizon, which I believe is a prerequisite for ensuring long-term and sustainable development of a company.

Nebula is one of our most recent examples, in which Ratos has succeeded well as an owner in continuing to develop a successful entrepreneur-driven company, while at the same time creating major value for our shareholders.

Johan Rydmark
Investment Director

The Ratos spirit

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

Attractive employer

In all enterprise, value is created by people, which is why it is a major priority for us that we, and our companies, are attractive employers. We actively work to build networks of individuals with complementary and exciting skills and make sure that we find the right person for the right job.

Ratos has a structured approach for attracting, developing and retaining skilled employees and talent as it is imperative to Ratos and our companies' ability to deliver and realise long-term success. We offer attractive opportunities for personal growth and development through interesting and diverse tasks as well as the opportunity to create value and do business.

Talent and leadership development programmes are regularly offered based on identified individual and collective needs. All employees (100%) have annual formal performance reviews.

Sick leave is generally low and in 2017 was: 0.3%

Ratos endeavours to provide a good work-life balance. All of Ratos's employees work full time, but other alternatives are available and are determined by employee preference. The option exists to structure working hours to achieve a work-family life balance along with additional possibilities to work from home. Ratos encourages parental leave for both men and women, and actively works to make the return to work after parental leave smooth and straightforward. As of 2015, statistics concerning to what extent parental leave is taken are compiled and monitored. In 2017, of those on parental leave, women were on leave for an average of 2.7 months and men for 1.8 months.

To gain access to and harness the skills of a deep pool of talent, Ratos advocates equal opportunities and diversity. Historically, Ratos has had a relatively equal gender balance in terms of the total number of employees as well as in the investment organisation in relation to the industry, although this comparative figure is lower this year.

While there is normally no risk for serious physical injury at Ratos's office, there is a risk for stress-related illnesses. Ratos takes a preventive approach by encouraging health-promoting activities, for example, by offering fitness subsidies, health insurance, and preventive health exams.

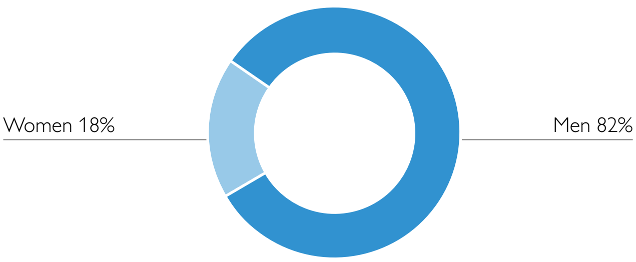
Sharing best practices

Every year, Ratos conducts a number of initiatives to stimulate the transfer of knowledge and exchange of best practice between different companies, sectors and employees through, for example, Network Days, Chairman Forum, CEO Summit, CFO Summit, CR Forum, HR Forum and Ratos Talent Award.

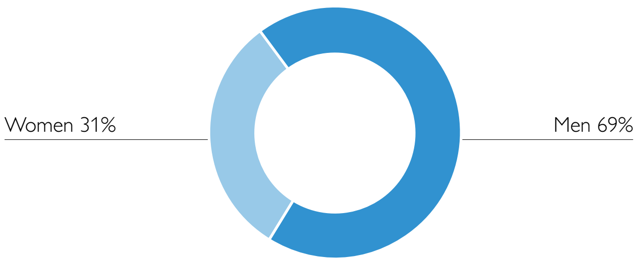
Involved in community development

Ratos's community involvement is founded in our 150-year history where long-term responsibility is a natural part of our operations. Ratos strives to contribute to a world where people have the opportunity to make a difference by changing and developing companies, sectors and society. Through an established cooperation with Inkludera Invest, which takes social innovations to market through strong social entrepreneurs, as well as the Stockholm School of Economics and SNS, we focus our community involvement on organisations close to our business and from which we gain a mutual exchange.

Distribution, investment organisation 2017



Distribution, the companies' boards 2017
(excluding Ratos employees and employee representatives)



Ratos Talent Award

Six years ago, Ratos established the Ratos Talent Award as a way of recognising the many talented individuals working at our companies. The ability to implement ambitious plans in our companies hinges on having the experience, expertise and commitment. Therefore, HR and talent development are prioritised issues for us as owners.

Entrepreneurial, Committed and Responsible comprise Ratos's core values – values that we believe are critical in our efforts to be the best at developing companies in the Nordic region. We are confident that there are many employees in our companies who are good role models when it comes to these qualities, which is why they were the criteria for this year's Ratos Talent Award.

The year's winners are:

Nikolai Kolderup Finstad in the category Entrepreneurial

Speed Group

"Already from start Niko has shown extreme commitment, skill and good business acumen. Niko was the one who was leading the Speed team to create the technical solution for Luna where Speed Group succeeded to be the first 3PL operator in the Nordics with an Autostore. The value of the contract period inclusive prolongation is estimated to a value of approx. SEK 400m which makes it to one of the largest outsourcing bids in the Nordics during 2017. Niko has also in a very short time proven to be a popular colleague that respect other individuals in a very good way and always have time to help and support other people in the organization."

Malin Höök in the category Committed

Bisnode

"Malin is a Bisnode knight. Through passion and dedication, she has led people all over Bisnode in our fight against our old legacy and make new clients join our new solutions. She has brought together people from Sales, Operations, Customer support and Product and made them act together - and reach results they are proud of. Especially in Sales, her never-ending love for selling and for winning with customers has been a key inspiration to new customer sales in segments where we used to have no new sales at all. Malin has consistently stepped up when others step down. She is a change agent for Bisnode's strategy and lead from the front."

Juha Röyhkiö in the category Responsible

LEDiL

"Juha created the application team from the beginning that now is an industry differentiator, but he has also been elemental part of building an r&d process that ensure that the products are high quality and practical to use for the customer. Juha is an inquisitive and relentless researcher of new technologies and methods to make things better, constantly gaining more know-how, learning new ways to improve, and putting his knowledge to action. He does not ask too many questions, he's too busy giving answers. Besides being a beloved co-worker, Juha is a responsible multi-tasker with deep and wide expertise, and a great mentor for those who aren't."

Ratos share data

Ratos shares decreased -17% with a total return (price development including reinvested dividends) of -13% compared with the SIX Return Index, which was +9%.

BRIEF FACTS 2017

Share listing	Nasdaq Stockholm
Total number of shares	324,140,896
Number of shares outstanding	319,014,634
Closing price, 2017-12-29	SEK 35.84 (Ratos Class B)
Highest/lowest quotation	SEK 48.7/35.1 (Ratos B)
Market capitalisation, 2017-12-29	SEK 12 billion

Share price performance

Performance for Ratos B shares was -17% compared with the OMXSPI, which was +6% in the same period. The highest quotation during the year (SEK 48.7) occurred in February and the lowest (SEK 35.1) in December. The closing price on 29 December was SEK 35.84. The total return (price development including reinvested dividends) for Ratos Class B shares in 2017 amounted to -13% compared with the SIX Return Index, which was +9% during the same period.

Trading

In 2017, a total of approximately 222 million Ratos shares (of which Class B shares accounted for more than 220 million) were traded via Nasdaq Stockholm at a value of approximately SEK 9 billion. An average of approximately 883,000 shares, of which 878,000 Class B shares, were traded per day. The turnover rate was 92% for Ratos Class B shares (93% in 2016).

Dividend

The Board of Directors proposes an ordinary dividend for the 2017 financial year of SEK 2.00 per Class A and B share and a total distribution of SEK 638m. Dividend yield amounts to 5.6% based on the closing price at year-end.

In 2017, a dividend on preference shares was paid in an amount of SEK 18m in February and SEK 21m in May, after which all preference shares were redeemed in June in accordance with a Board resolution in Ratos AB in May 2017.

Ownership structure

The ten largest shareholders accounted for 78% of the voting rights and 44% of the share capital. The proportion of shares owned by physical or legal entities outside Sweden amounted to 14%. The US, the UK and Luxembourg account for the largest shareholdings outside Sweden.

Employee ownership in Ratos

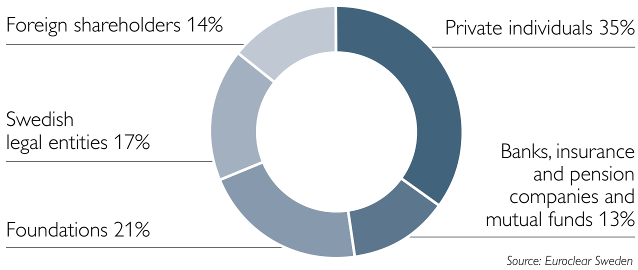
Key people at Ratos are encouraged to have a shared outlook with the company's shareholders, which is achieved through well-balanced option programmes. Read more in the Directors' Report on ▶ pages 46-49 and on Ratos's website.

Shareholder statistics Number of shares	Number of shareholders	Share of capital, %
1-500	34,536	1.85
501-1,000	9,164	2.31
1,001-5,000	12,123	8.95
5,001-10,000	1,918	4.42
10,001-15,000	604	2.35
15,001-20,000	336	1.88
20,001	845	78.24
Total	**59,526**	**100**

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

Source: Euroclear Sweden

Breakdown of Ratos's shareholders, % of capital



Source: Euroclear Sweden

Redemption of preference shares

On 16 May 2017, the Board of Directors of Ratos AB resolved on a compulsory redemption of all 830,000 Class C preference shares. The total redemption payment for the 707,408 outstanding Class C preference shares amounted to SEK 1,300m, corresponding to SEK 1,837.50 per preference share. Payment of the redemption proceeds took place on 16 June 2017.

Repurchase of treasury shares

The 2017 Annual General Meeting renewed the mandate for the company to acquire treasury shares. The holding of treasury shares may not exceed 7% of the total number of shares in the company. There were no repurchases of treasury shares in 2017. At year-end, Ratos owned 5,126,262 Class B shares (corresponding to 1.6% of the total number of shares) with an average purchase price of SEK 68.

Issue of Class B shares and preference shares

Since the 2009 Annual General Meeting there has been a decision that Ratos, in connection with acquisitions, may issue Class B shares in Ratos – through set-off, non-cash or for cash payment. This mandate was renewed at the 2017 Annual General Meeting and applies for a maximum of 35 million Class B shares. In addition, there is an authorisation from the Board to issue a maximum total of 1,250,000 preference shares of Class C and/or Class D in conjunction with agreements on acquisitions.

Analysts who monitor Ratos

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

Data per share*	2017	2016	2015	2014	2013
Earnings per share before dilution, SEK	0.72	-1.79	1.29	3.22	2.13
Dividend per Class A and B share, SEK	2.00 [1]	2.00	3.25	3.25	3.00
Dividend per Class C share (preference share), SEK		100	100	100	100
Dividend per Class A and B share as % of earnings	278 [1]	neg.	252	101	141
Dividend per Class A and B shares as % of equity	7 [1]	6	9	8	8
Equity, SEK [2]	30	31	36	39	38
Closing market price, Class B share, SEK	35.84	43.14	48.83	47.07	58.15
Market price/equity, %	118	139	135	121	153
Dividend yield, Class B share, %	5.6 [1]	4.6	6.7	6.9	5.2
Total return, Class B share, %	-13	-6	+9	-15	-2
P/E ratio	49.9	neg.	37.9	14.6	27.3
Highest/lowest price paid, Class B share, SEK	48.7/35.1	52.6/35.9	65/44.40	67.45/43.21	70/50.75

Key figures*	2017	2016	2015	2014	2013
Market capitalisation, SEKm [3]	11,723	16,252	17,563	17,103	20,508
Number of shareholders	59,526	66,057	61,740	58,554	57,052
Average number of Class A and B shares outstanding before dilution	319,014,634	319,014,428	319,012,617	319,009,126	319,005,200
Number of outstanding Class A and B shares at year-end	319,014,634	319,014,634	319,013,290	319,009,789	319,006,019
Average number of traded Ratos shares/day, (Nasdaq Stockholm)	883,000	790,000	774,000	768,000	690,000
Dividend, SEKm [4]	638 [1]	723	1,111	1,120	1,040

* Relates to Class B shares unless specified otherwise.
[1] Proposed dividend.
[2] Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period.
The comparative periods have been adjusted for outstanding preference capital. All preference shares had been redeemed by year-end 2017.
[3] Refers to shares outstanding (including preference shares from 2013-2016).
[4] Dividend refers to ordinary shares and to preference shares in 2013-2016.

Ratos shareholders* 2017-12-30	Number Class A shares	Class B shares	Share of capital, %	votes, %
Familjen Söderberg with companies etc.	46,050,562	13,699,011	18.4	43.7
Ragnar Söderbergs Foundation	17,235,241	13,706,552	9.5	17.1
Torsten Söderbergs Foundation	12,056,186	16,063,900	8.7	12.6
Spiltan fonder	0	9,047,092	2.8	0.8
Avanza Pension	78,396	6,686,335	2.1	0.7
Roosgruppen	0	4,009,625	1.2	0.4
NTC Various Fiduciary Capacit	0	3,269,962	1.0	0.3
JPM Chase NA	0	2,771,277	0.9	0.3
Håkansson, Björn	2,660,000	20,000	0.8	2.4
Uppsala University Foundation Admin.	0	2,591,838	0.8	0.2
Treasury shares	0	5,126,262	1.6	0.5
Others	6,556,675	162,511,982	52.2	21.0
Total	**84,637,060**	**239,503,836**	**100**	**100**


RATOS

Our companies

RATOS

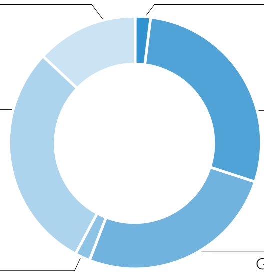
Companies overview

Ratos's portfolio of companies is made up of 14 companies that together employ some 13,200 employees with combined sales of approximately SEK 32 billion and EBITA of approximately 1.6 billion on an annual basis, not adjusted for Ratos's holding. The companies are active in different sectors, and operate strategically, operationally and financially independent of each other. The common denominator for these companies is the existence of an apparent company-specific growth potential that is realised by focusing on long-term value creation. Information about the companies' operations, market position, financial key figures and growth potential can be found on pages ▶ pages 30-43.

Development of the company portfolio

For full-year 2017, sales in the company portfolio declined -2%, while EBITA increased 4% from SEK 1,008m to SEK 1,048m, pro forma and adjusted for Ratos's holdings. Bisnode and Aibel contributed the largest earnings improvement in the portfolio.

Sales breakdown by segment



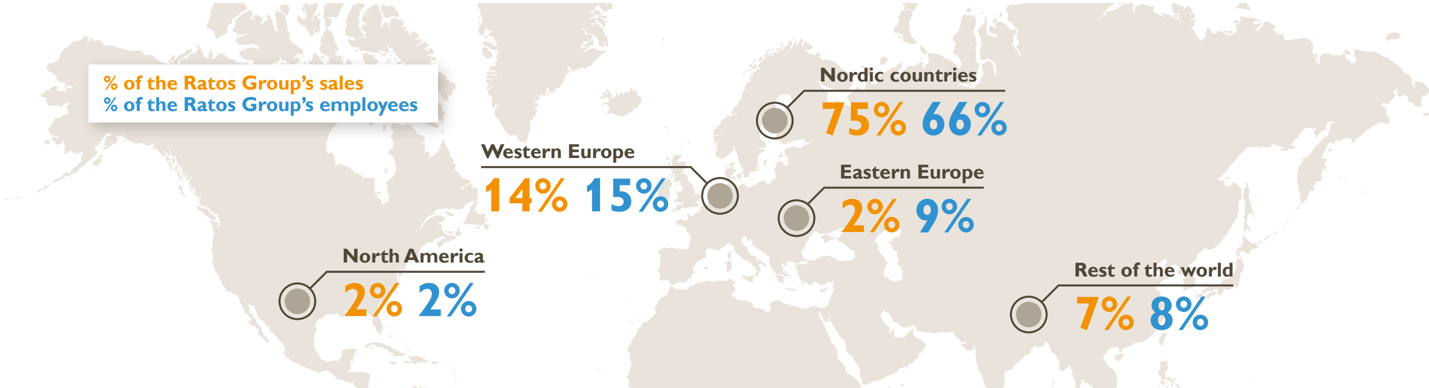
Summary of Ratos's companies

SEKm	Net sales in the portfolio		EBITA in the portfolio		Cash flow from operations in the portfolio A)	Interest-bearing net debt in the portfolio	Ratos's holding
	2017	2016	2017	2016	2017-12-31	2017-12-31	2017-12-31
Aibel	2,992	3,474	102	15	190	706	32
airteam [1]	571	535	54	32	79	67	70
Bisnode	2,484	2,416	277	159	277	1,094	70
Diab	1,382	1,456	1	105	22	743	96
Gudrun Sjödén Group [2]	238	214	25	21	26	-31	30
HENT	5,300	5,829	190	174	99	-484	73
HL Display	1,424	1,397	42	66	48	496	99
Jøtul	875	832	-15	0	49	436	93
Kvdbil	346	321	30	37	20	141	100
LEDiL [3]	257	242	71	70	40	242	66
Oase Outdoors [4]	321	331	42	36	27	218	78
Plantasjen [5]	3,960	3,650	217	230	366	2,077	99
Speed Group	359	393	17	24	-2	-20	70
TFS	529	475	-4	38	7	23	60
Total adjusted for Ratos's holding	**21,037**	**21,565**	**1,048**	**1,008**	**1,247**	**5,707**	
Change	**-2%**		**+4%**				

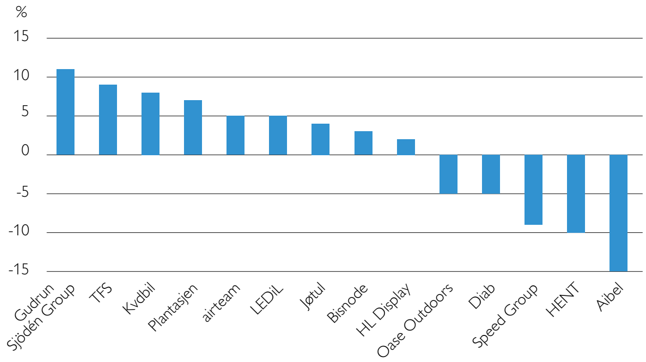
All figures in the above table are based on Ratos's holdings. In order to facilitate comparisons between years and provide a comparable structure, where appropriate some holdings are reported pro forma. Pro formas are presented below.

A) 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.
1) airteam's earnings for 2016 are pro forma in terms of Ratos's acquisitions, and for new financing and Group structure.
2) Gudrun Sjödén Group's earnings for 2016 are pro forma in terms of Ratos's acquisition.
3) LEDiL's earnings for 2017 are pro forma in terms of the changed assessment under IFRS, which has led to the capitalisation of Ledil's product tools and accordingly, an EBITA improvement of SEK 15m for 2017. No pro forma figures were calculated for 2016.
4) Oase Outdoors' earnings for 2016 are pro forma in terms of Ratos's acquisition, and for new financing and Group structure.
5) Plantasjen's earnings for 2016 are pro forma in terms of Ratos's acquisition, and for new financing and Group structure.

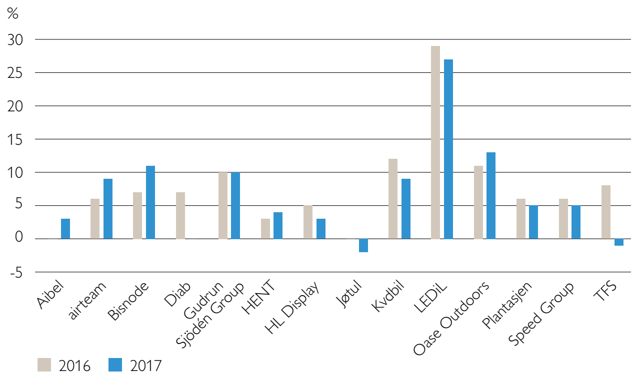
Sales breakdown and employees by geographic market



Sales development



EBITA margin



Sustainability indicators

	Average number of employees	Share of women on the Board	Share of production units with ISO 14001	CO_2-reporting	Code of conduct in line with Ratos's	External whistleblowing system	Sustainability Report in accordance with GRI standards
	3,594	0%	100%	Yes	Yes	Yes	Yes
	193	25%	0%	No	No	No	Yes
	2,097	20%	0%	Yes	Yes	Yes	Yes
	1,373	25%	86%	Yes	Yes	Yes	Yes
	329	67%	0%	Yes	Yes	No	No
	877	33%	100%	Yes	Yes	No	Yes
	1,006	25%	75%	No	Yes	Yes	Yes
	534	33%	0%	No	Yes	Yes	Yes
	173	25%	0%	Yes	Yes	Yes	No
	113	20%	0%	No	Yes	No	No
	87	33%	0%	No	No	No	Yes
	1,368	50%	0%	No	Yes	No	Yes
	707	25%	70%	No	Yes	Yes	Yes
	738	33%	0%	No	Yes	Yes	Yes
	13,189						

Financial performance in accordance with IFRS

The Ratos Group's net sales for 2017 according to IFRS amounted to SEK 23,059m (25,228), corresponding to a decrease of 9%, and operating profit totalled SEK 1,081m (-235). To facilitate a comparison between periods and enable follow-up of the ongoing performance of Ratos's company portfolio, the companies overview includes certain financial information that is not defined in accordance with IFRS. For a reconciliation of the alternative performance measures used in this report with the most directly reconcilable IFRS measures, refer to www.ratos.se.

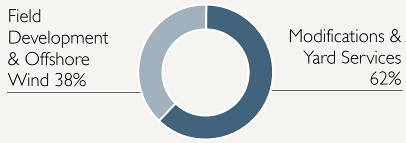
Aibel

Stable profitability in the current project portfolio contributed to an earnings improvement

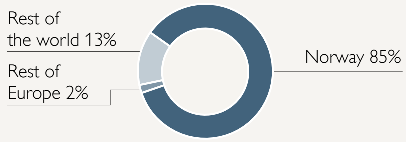
Continued reluctant market in Modifications and Yard Services

Awarded modification contract on the Snorre A platform worth NOK 1.6 billion

SALES BY OPERATING AREA



SALES BY MARKET



Aibel is a leading service company within the oil and gas industry and offshore wind industry. The company provides optimal and innovative solutions in engineering, construction, modifications and maintenance throughout the entire life cycle. Aibel's skilled employees are located close to its customers at the company's nine offices in Norway, Denmark and South-East Asia. Aibel also operates two yards in Haugesund (Norway) and Laem Chabang (Thailand) with complete prefabrication and construction capabilities. Aibel has a strong market position based on the company's integrated business model, which covers the entire value chain. Customers are primarily major oil companies operating on the Norwegian continental shelf.

Market

The market for maintenance and modification services for oil and gas production platforms has during recent years experienced a severe downturn, leading to low levels of activity and a need to restructure in the industry. Among Aibel's competitors are Aker Solutions in Field Development, Kvaerner as well as multinational companies and Asian yards.

Sustainability

Aibel is committed to balancing its economic sustainability alongside its social and environmental responsibilities. The company focuses on sustainability by being an attractive, safe and inspiring workplace for its employees, showing respect for the environment and its surroundings, working against corruption in all its forms, and creating value for its owners and clients. Aibel's CR policy, Code of Conduct and environmental policies constitute its top governing documents.

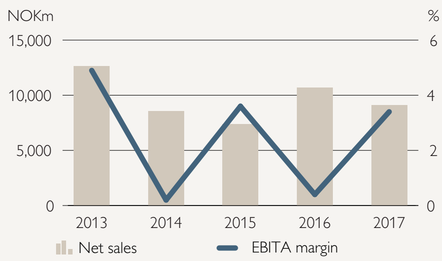
Better efficiency and competitiveness

Given the weak market trend, Aibel has devoted itself to strengthening its competitiveness in recent years. In future, the focus will be to continue to improve Aibel's delivery model to enhance efficiency and competitiveness, ensure high quality in the deliveries of existing project portfolios and win new contracts in both the oil, gas and wind segments. Aibel has a market-leading position, long-term customer relations and core expertise coupled with a strong business model in a market that has potential for growth.

FINANCIAL FACTS, NOKm	2017	2016	2015	2014	2013
Net sales	9,081	10,679	7,385	8,554	12,645
EBITA	309	46	267	20	619
Cash flow from operations	575	1,041	-	-	-
Interest-bearing net debt	2,211	2,453	4,060	4,553	3,589

SUSTAINABILITY INDICATORS	2017	2016
Sick leave	4.0%	3.6%
Number of serious incidents (per million working hours)	0.6	0.5
Number of integrity due diligences (IDD) conducted at suppliers	281	341
Number of employees who have completed certification in the Code of Conduct	3,211	
Number of work-related accidents	2	

SALES AND EARNINGS



OTHER KEY FIGURES	2017
Ratos's holding	32%
Co-owners: Ferd 49%, Sixth AP Fund (represented by Ratos) 17%, Management and Board of Directors 2%	68%
Net invested amount, SEKm	2,040
Time of acquisition	2013

A complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for all companies are available at www.ratos.se.

Company executive: Henrik Lundh **www.aibel.com**

airteam

High level of market activity

Improved profitability as a result of effective project execution

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

Market

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

Sustainability

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

Organic growth and international expansion

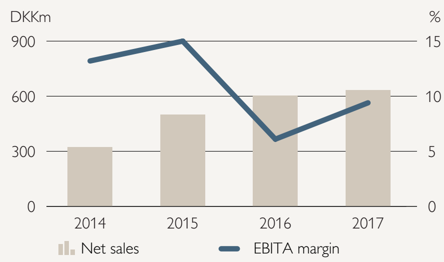
airteam is a fast-growing company with a leading market position and an attractive business model coupled with a strong, customer-oriented corporate culture that has dedicated employees. There is vast potential to develop the business further through organic growth in current markets and through studying acquisition candidates and international expansion.

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

SUSTAINABILITY INDICATORS	**2017**
Number of work-related accidents with absence	3
Employee turnover	22.3%
Percent sick leave (total number of sick-leave hours in relation to the potential total number of work hours)	3.3%

OTHER KEY FIGURES	**2017**
Ratos's holding	70%
Co-owners: Management and Board of Directors	30%
Net invested amount, SEKm	332
Time of acquisition	2016

SALES AND EARNINGS



A complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for all companies are available at www.ratos.se.

Company executive: Robin Molvin **www.airteam.dk**

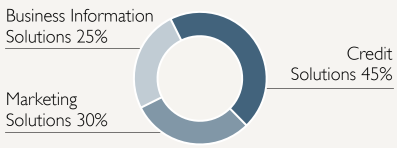
Bisnode

Ongoing change initiatives to strengthen core operations

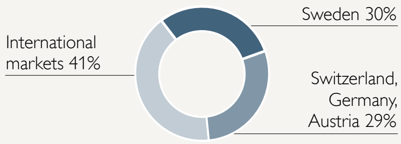
Improved profitability

Add-on acquisition that reinforces the company's data analysis service offering

SALES BY OPERATING AREA



SALES BY MARKET



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

Market

The European data and analysis market is growing in both B2B and B2C. The total European market is estimated to be around USD 7 billion. It is expected to continue to grow as digitisation, globalisation and new technologies facilitate faster and more cost-effective processing of large volumes of data.

Sustainability

Business ethics and integrity protection are Bisnode's most important sustainability issues. In addition, customers have gradually increased their focus on environmental and climate issues, prompting Bisnode to limit its environmental impact. The company's services are primarily produced and distributed digitally, contributing to reduced paper and electricity consumption. Bisnode is dedicated to increasing the proportion of women in the company, particularly in executive positions.

Digital transformation and growth potential

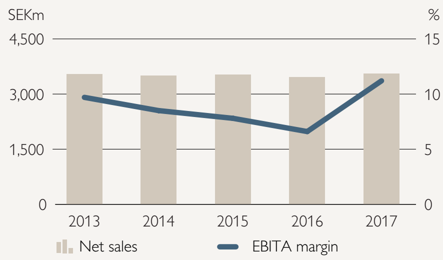
Bisnode has significant potential to continue to develop its business model based on the company's local expertise and global resources within a growing market information segment. Going forward, one priority is to pursue the ongoing digital transformation. A focus on creating economies of scale and synergies in what has evolved out of a decentralised structure and high rate of growth historically remains a priority. Moreover, the company has strategic initiatives that strengthen the organisation, develop the offering and expand operations in order to boost competitiveness and gain market shares.

FINANCIAL FACTS, SEKm	**2017**	**2016**	**2015**	**2014**	**2013**
Net sales	3,555	3,458	3,535	3,502	3,540
EBITA	397	228	275	298	344
Cash flow from operations	397	177	-	-	-
Interest-bearing net debt	1,566	1,745	1,896	1,983	1,862

SUSTAINABILITY INDICATORS	**2017**	**2016**
CO_2 emissions, CO_2e, 000 tonnes (scope 2 and business trips)	6,1	6,2
Share of women among employees	46.2%	47.2%
CO_2/FTE, tonnes	3,0	

OTHER KEY FIGURES	**2017**
Ratos's holding	70%
Co-owners: Bonnier	30%
Net invested amount, SEKm	644
Time of acquisition	2004

SALES AND EARNINGS



A complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for all companies are available at www.ratos.se.

Company executive: Mikael Norlander **www.bisnode.com**

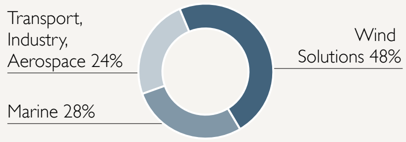
Diab

Sales decline due to weaker trend in wind energy segment

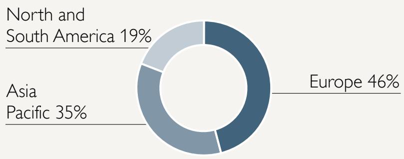
Weak EBITA as a result of lower sales and sharply increased commodity costs

Action programme implemented to counteract the weak market trend

SALES BY OPERATING AREA



SALES BY MARKET



Diab is a global company that develops, manufactures and sells core materials for sandwich composite structures used in, among other objects, leisure boats, wind turbine blades and components for aircraft, trains, industrial applications and buildings. The core materials have a unique combination of characteristics such as low weight, high strength, insulation properties and chemical resistance.

The company has production units for material in Sweden, Italy, the US and China. Material processing takes place in the production units as well as in Lithuania and Ecuador.

Market

The market for core material is growing due to the underlying demand for energy efficiency, which is leading to a greater need for high-strength, lightweight solutions. Wind turbines, leisure boats and various applications requiring the combination of light weight and high strength are the main application areas for the material. 3A Composites and Gurit are among Diab's competitors.

Sustainability

Designed in a lightweight material, Diab's products have a major positive effect on climate change. The company is committed to establishing a science-based target for the reduction of its own carbon footprint and has set a zero net target for emissions for 2050.

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

Growth potential and profitability improvements

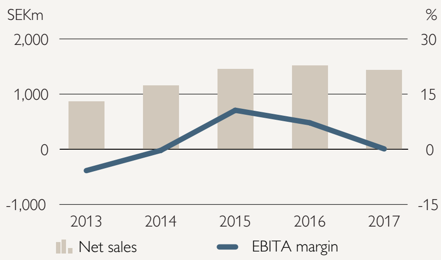
Diab has attractive long-term potential for growth and improved profitability. The company's growth profile is driven by the need for strong and lightweight structures paired with a sustainability perspective.

FINANCIAL FACTS, SEKm	**2017**	**2016**	**2015**	**2014**	**2013**
Net sales	1,439	1,516	1,450	1,157	864
EBITA	1	109	154	-4	-50
Cash flow from operations	23	7	-	-	-
Interest-bearing net debt	773	890	796	800	731

SUSTAINABILITY INDICATORS	**2017**
CO_2/product (tonnes)	8
Lost time accident rate (per million worked hours)	14.3
Whistleblowing incidents (number investigated)	3

OTHER KEY FIGURES	**2017**
Ratos's holding	96%
Co-owners: Management and Board of Directors	4%
Net invested amount, SEKm	1,014
Time of acquisition	2001/2009

SALES AND EARNINGS



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Company executive: Henrik Lundh **www.diabgroup.com**

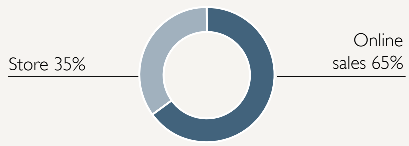
Gudrun Sjödén Group

Favourable growth in all markets, particularly the US, the UK and France

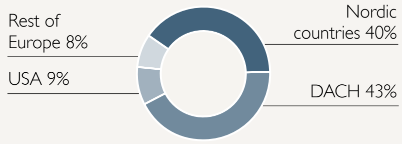
Improved profitability

Focus on global expansion and development of e-commerce

SALES BY OPERATING AREA



SALES BY REGION



Gudrun Sjödén Group is an international design company with a unique, colourful style and a strong emphasis on sustainability. The Gudrun Sjödén brand is sold and marketed globally through its own stores in seven countries, a global webshop and mail order service. Online sales represent the company's largest distribution channel and account for about 65% of sales. Customers are reached through international online sales channels in more than 50 countries, and through its own stores. Germany, the Nordic countries and the US are the largest markets.

Market

The market for Gudrun Sjödén's designer apparel and homeware products is growing as demand for enduring models, high quality and sustainable materials increases. The company's ageless customers are value-oriented with a strong cultural and social commitment. The clothes have a unique design that women worldwide appreciate.

Sustainability

Gudrun Sjödén's sustainability work is focused on different areas. One such area is achieving a timeless, functional design using "Gudrun's Good Fibres" and "Gudrun's Good Manufacturing," which entails using good textile materials and manufacturing in audited, certified factories. The company also resells clothes in "vintage corners" set up in Gudrun Sjödén's own shops, actively promotes a Code of Conduct for all suppliers in risk markets through BSCI [1] and works to ensure that its products comply with the EU REACH regulation [2].

Focus on global expansion and growth

Gudrun Sjödén Group has a strong brand founded on a unique, timeless design. The company has an impressive history of excellent growth and profitability based on an international expansion in Europe and the US that is primarily driven by e-commerce. However, because the company still has a relatively low market share outside Sweden, it's potential to grow is great. In partnership with the company, a clear business plan has been established that will allow the company to grow globally and further develop its operations.

[1] *BSCI, Business Social Compliance Initiative.*
[2] *REACH, the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.*

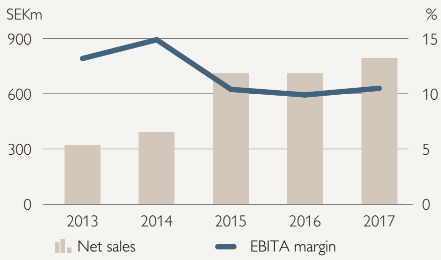
FINANCIAL FACTS, SEKm	2017	2016	2015*	2014	2013
Net sales	793	712	711	391	324
EBITA	83	70	74	58	43
Cash flow from operations	87	8	-	-	-
Interest-bearing net debt	-105	-6	-	-108	-105

SUSTAINABILITY INDICATORS	2017
Good Fibres	73%
Good Manufacturing	27%
Share of suppliers in risk countries that are members of BSCI [1]	77%

OTHER KEY FIGURES	2017
Ratos's holding	30%
Co-owners: Company founder Gudrun Sjödén (CEO)	70%
Net invested amount, SEKm	160
Time of acquisition	2016

** The German operation was included in its entirety for the period in 2015.*

SALES AND EARNINGS



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Company executive: Mikael Norlander **www.gudrunsjoden.com**

HENT

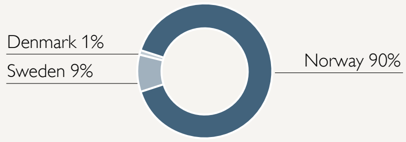
HENT

Order intake remained favourable

Strong profitability driven by effective project deliveries

Continued establishment of property development operations

SALES BY REGION



HENT is a leading construction company that mainly focuses on new construction of public and commercial real estate. HENT focuses on project development, project management and purchasing. To a large extent, its projects are carried out by a broad network of quality-assured subcontractors. HENT conducts projects throughout Norway, has expanded into Sweden and has secured individual projects in Denmark. HENT also conducts property-development operations that focus on housing projects in Norway.

Market

The total construction market in Norway amounts to approximately NOK 310 billion of which newbuild public and commercial real estate accounts for approximately NOK 50-60 billion. The newbuild market is cyclical, but has historically shown good structural growth. The Norwegian construction market is highly fragmented. HENT is one of the leading players and competes with such companies as Veidekke, Skanska, AF-Gruppen, NCC and Peab.

Sustainability

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

Long-term growth initiative

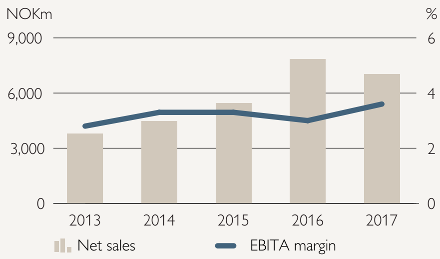
HENT delivers high project delivery quality and a flexible cost structure, which allows matching of costs to demand and managing fluctuations in the cyclical construction market. HENT has demonstrated stable profitability in its projects in recent years and has continuously strengthened its market position. The company has expanded into Sweden and established property development operations. The aim is for these initiatives to strengthen HENT in the long term. Together with the company's management, Ratos aims to further develop the company and create opportunities for continued organic growth.

FINANCIAL FACTS, NOKm	**2017**	**2016**	**2015**	**2014**	**2013**
Net sales	7,034	7,834	5,462	4,466	3,797
EBITA	253	234	180	146	108
Cash flow from operations	132	172	-	-	-
Interest-bearing net debt	-663	-695	-504	-464	-397

SUSTAINABILITY INDICATORS	**2017**
Lost days	329
GHG emissions, tonnes	1,573
Total energy consumption within the organisation, MWh	8,747

OTHER KEY FIGURES	**2017**
Ratos's holding	73%
Co-owners: Management	27%
Net invested amount, SEKm	50
Time of acquisition	2013

SALES AND EARNINGS



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Company executive: Mårten Bernow **www.hent.no**

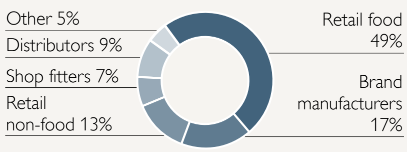
HL Display

Favourable growth in all markets except the UK

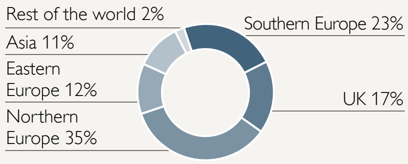
Broadening of offering

Focus on initiatives to strengthen profitability

SALES BY OPERATING AREA



SALES BY MARKET



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

Market

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

Sustainability

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

Focus on profitable growth

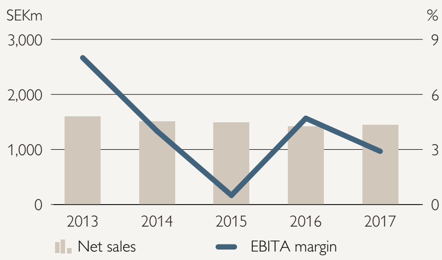
Since Ratos's acquisition, HL Display has reviewed its production structure, relocated production to low-cost countries and implemented a cost-cutting programme, which all combined improved the competitiveness of HL Display's product range. Over the past years, the company has also worked actively to create its own market through concept sales, more structured activities for global customers and continued product innovation, which resulted in growth during the year. The focus going forward will be on various initiatives to strengthen profitability.

FINANCIAL FACTS, SEKm	**2017**	**2016**	**2015**	**2014**	**2013**
Net sales	1,445	1,417	1,488	1,509	1,596
EBITA	43	67	8	60	128
Cash flow from operations	49	70	-	-	-
Interest-bearing net debt	503	569	627	635	296

SUSTAINABILITY INDICATORS	**2017**	**2016**
Recycled non-hazardous waste, tonnes	1,968	
Number of work-related accidents with absence	7	26
Share of business partners and key suppliers to have undergone sustainability screening	100%	

OTHER KEY FIGURES	**2017**
Ratos's holding	99%
Co-owners: Management and Board of Directors	1%
Net invested amount, SEKm	472
Time of acquisition	2001/2010

SALES AND EARNINGS



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Company executive: Lars Johansson **www.hl-display.com**

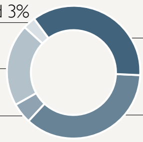
Jøtul

Strong sales growth in the main markets of France and the US

Improved profitability. Continued intense focus on improved cost efficiency

New CEO since September 2017

SALES BY REGION



Jøtul manufactures cast-iron stoves and fireplaces, inserts, surrounds and cast-iron stove accessories. The group's most important brands are Jøtul and Scan. Manufacturing mainly takes place in proprietary production in Norway and Denmark, in smaller units in France and the US and, to some extent, via partners. The company's products are sold worldwide through its sales subsidiaries and distributors.

Market

The market share in the Nordic countries is approximately 20%. Competition mainly comprises local players in Jøtul's various markets. However, the main competitor in the Nordic region, NIBE, like Jøtul has an international presence. The market is driven to varying degrees in different countries by a greater interest in remodelling, the overall economic trend and cost developments for alternative heating sources – electricity, oil and natural gas.

Sustainability

Environmental issues are a prioritised area for Jøtul. All cast iron used in production is manufactured from recovered scrap-iron and hydropower is used almost exclusively in the manufacturing process. Jøtul's products are among the market's most energy efficient and have a very clean burning technology. The products are environmentally certified in accordance with local environmental certification standards.

Through systematic improvements and risk mapping in the fields of health, work environment and safety, Jøtul works to lower the company's incidence rate and reduce its sick leave.

Streamlining operations

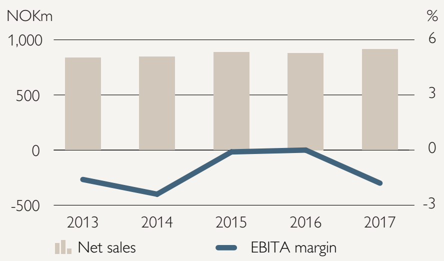
Jøtul has a strong global market position. However, market demand is volatile and has developed negatively since Ratos acquired the company. Jøtul has increased its market shares, but the earnings trend has been unsatisfactory. Focus for the most recent and coming years will be on further streamlining in order to improve profitability.

In addition to optimising purchasing, production, logistics and distribution, Jøtul will invest in product development to further strengthen its global market position.

FINANCIAL FACTS, NOKm	2017	2016	2015	2014	2013
Net sales	914	880	888	845	838
EBITA	-16	0	0	-20	-13
Cash flow from operations	51	4	-	-	-
Interest-bearing net debt	470	507	498	537	527

SUSTAINABILITY INDICATORS	2017	2016
Waste, sorting level	5.6%	4.4%
Share of hazardous waste	12.0%	0.0%
Incidence rate (H terms; work-related accidents with sick leave per million working hours)	15	5
Sick leave (Norway)	6.9%	7.9%

SALES AND EARNINGS



OTHER KEY FIGURES	2017
Ratos's holding	93%
Co-owners: Management and Board of Directors	7%
Net invested amount, SEKm	648
Time of acquisition	2006

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Company executive: Johan Rydmark **www.jotulgroup.com**

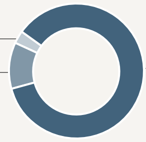
Kvdbil

Sales growth primarily driven by Private Cars

Investments in IT and development of services being carried out to increase customer value on auction sites

Stable profitability trend

SALES BY SEGMENT



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

Market

The market for company cars is stable, with car dealers comprising the largest competing channel for sales to end customers. Kvdbil's market share is approximately 10% in Sweden, making it the market leader. The market share for private cars shows a high rate of growth. Competitors in brokerage of private cars are primarily traditional car dealers and private sales to another private individual. The market share in heavy vehicles is approximately 7%.

Sustainability

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

Digital growth initiatives

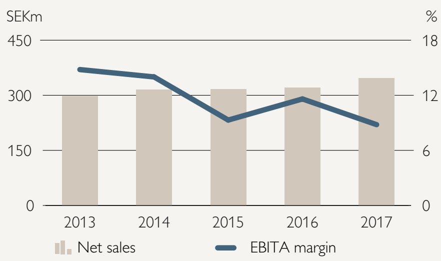
Kvdbil has a highly competitive business model with vast potential for growth, primarily within privately owned cars, where the market share is small, and there is a demand for this service from both private buyers and sellers. Developing strategic partnerships, automating processes, designing a better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

FINANCIAL FACTS, SEKm	2017	2016	2015	2014	2013
Net sales	346	321	317	315	297
EBITA	30	37	29	44	44
Cash flow from operations	20	27	-	-	-
Interest-bearing net debt	141	143	159	176	203

SUSTAINABILITY INDICATORS	2017	2016
Recommendation willingness, buying customers (scale of -100 to +100)	32	35
Recommendation willingness, selling customers (scale of -100 to +100)	45	13
CO_2 emissions, CO_2e tonnes (scope 1+2 and business trips)	245	180
CO_2 emissions, CO_2e tonnes/employee (scope 1+2 and business trips)	1.6	1.2

OTHER KEY FIGURES	2017
Ratos's holding	100%
Net invested amount, SEKm	225
Time of acquisition	2010

SALES AND EARNINGS



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Company executive: Lars Johansson **www.kvd.se**

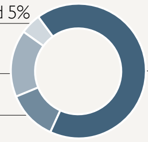
LEDiL

Growth driven by higher demand in all major markets

Continued healthy profitability during a year of investments in the organisation and operations

Growth initiatives in product development and establishment in new markets

SALES BY MARKET



LEDiL develops and sells secondary optics (plastic lenses which through design and material properties focus light from a source) for LED lighting. The company has proprietary products sold globally through its own sales force as well as through agents and distributors with an emphasis on Europe, North America and Asia. Production is carried out by subcontractors in primarily Finland and China. The products are found exclusively in commercial applications, such as retail stores, offices and street lighting.

Market

The global lighting market has annual sales of approximately SEK 850 billion, with LED market penetration amounting to approximately 20-25%. Underlying growth is driven by the rising population, urbanisation and an increased use of lighting. LED technology has revolutionised the lighting market through light quality, design flexibility, lower energy consumption, environmental friendliness and superior operating life. LEDiL's primary competitors are manufacturers of specially designed plastic components, such as LedLink, Bicom, Gaggione and Carclo.

Sustainability

From LEDiL's perspective, sustainability entails responsible operations throughout the supply chain. The entire organisation and the company's subcontractors apply the company's Code of Conduct and related policies, thereby laying the foundation for LEDiL's sustainable performance. Enhancing the efficiency and performance of LED lighting, and thereby further reducing the climate impact of lighting, is top priority for LEDiL. The company's optical solutions help provide light that enhances the well-being of people (through solutions designed for street lighting and evacuation routes) and results in lower energy consumption in gardening centres.

Global expansion and organic growth

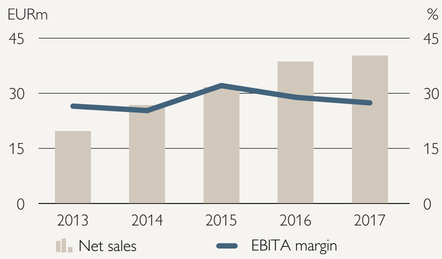
LEDiL is a fast-growing, profitable and innovation-focused company that has built up a strong market position within its niche. The company's opportunities for continued organic growth within several application areas and markets, combined with the underlying rising demand for energy-efficient, environmentally friendly and high-quality LED lighting, will be growth drivers in the years ahead. Investments are made in establishments in new markets and reinforcements in the organisation, such as in product development and sales.

FINANCIAL FACTS, EURm	2017	2016	2015	2014	2013
Net sales	40.3	38.6	31.7	26.8	19.7
EBITA	11.1	11.1	10.2	6.8	5.2
Cash flow from operations	6.2	9.9	-	-	-
Interest-bearing net debt	37.1	12.8	19.9	19.9	-

SUSTAINABILITY INDICATORS	2017	2016
Share of subcontractors who have subscribed to LEDiL's Code of Conduct	67%	50%
Share of employees who have attended sustainability courses	97%	93%
Cumulative energy saving by products sold annually	2.8	

OTHER KEY FIGURES	2017
Ratos's holding	66%
Co-owners: Founder, management and Board of Directors	34%
Net invested amount, SEKm	293
Time of acquisition	2014

SALES AND EARNINGS



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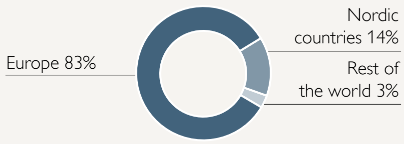
Company executive: Robin Molvin **www.ledil.com**

Oase Outdoors

Sales performance negatively impacted by currency effects

Recruitments in key functions, such as business development, purchasing and sales

SALES BY MARKET



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

Market

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

Sustainability

Given that Oase Outdoors operates in so-called elevated-risk markets, preventive anti-corruption and social compliance initiatives are key sustainability issues. Oase Outdoors plans to implement an anti-corruption policy, expand its work on business environment and social compliance initiatives, and improve its due diligence processes relating to the company's business partners. Culture and engagement are also important, making employee satisfaction another material pivotal sustainability issue – one that is measured through targeted employee satisfaction surveys.

Geographic expansion and continued product development

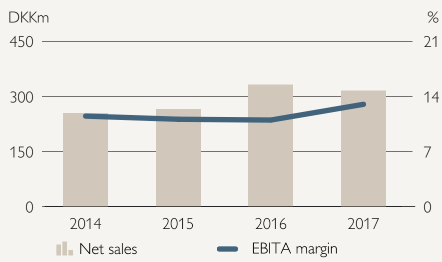
Oase Outdoors has a strong consumer-driven corporate culture that focuses on innovation and quality, which has generated positive sales growth in recent years and a solid market position in Europe. Ratos sees vast opportunities to continue to develop the organisation through geographic expansion, growth initiatives in the organisation, add-on acquisitions and continued product development.

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

SUSTAINABILITY INDICATORS	**2017**
Percentage of employees who have received training on anti-corruption	0%
Number of suppliers assessed for environmental impacts	0
Number of suppliers assessed for social impacts	0
Employee satisfaction – Trust Index for 2017	86%

OTHER KEY FIGURES	**2017**
Ratos's holding	78%
Co-owners: Company CEO Henrik Arens and a few key persons	22%
Net invested amount, SEKm	161
Time of acquisition	2016

SALES AND EARNINGS



A complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for all companies are available at www.ratos.se.

Company executive: Robin Molvin **www.oase-outdoors.dk**

Plantasjen

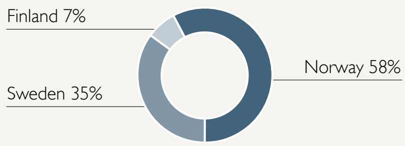
PLANTASJEN.

Strong sales trend driven by acquisition of SABA and new store openings

Lower profitability due to ongoing price campaigns to manage inventory levels

New CEO since December 2017

SALES BY MARKET



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

Market

The market for plants and gardening accessories has stable growth and underlying positive trends in the form of increased interest in cultivation, gardening and interior design. The Nordic market for plants and accessories is estimated at approximately EUR 3.3 billion, with a steady annual growth rate of around 2-3%. Other major players are Blomsterlandet, Mester Grönn and the consumer goods sector.

Sustainability

Plantasjen's operations, which focus on sales of plants, are closely linked to the environment and sustainability, since plants improve human well-being and contribute to biodiversity. Plantasjen strives to give people the possibility to improve their quality of life through plants. As an employer, Plantasjen wants to create meaningful and stimulating jobs for people who are passionate about plants. The company's aim is to integrate sustainability into every part of the business. The focus is on ensuring good social conditions for the people who work with Plantasjen's products, which also extends to suppliers in risk countries. Another focus area involves minimising the resources used – in terms of both energy and waste – in Plantasjen's operational activities, primarily in stores.

Potential for increased sales

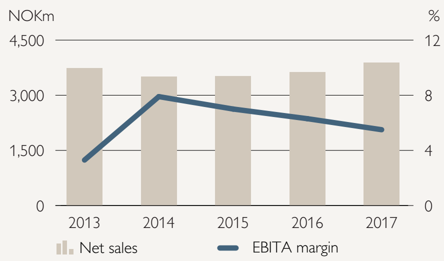
Plantasjen's leading market position, strong brand and industry-leading supply chain in a non-cyclical market with stable growth are highly attractive. Ratos anticipates continued potential for increased sales in both current garden centres and new investments in new channels, such as smaller, more centrally located stores. The acquisition of SABA Blommor made Plantasjen a leading supplier of flowers to grocery retailers, thereby generating more opportunities for growth in the future. The company is currently working to sharpen its focus on its range of plants and accessories to meet the increased interest in gardening, cultivation and interior decorating with plants, which we consider to be a successful strategy for continued growth in value.

FINANCIAL FACTS, NOKm	2017	2016	2015	2014	2013
Net sales	3,881	3,624	3,517	3,503	3,740
EBITA	213	228	247	275	124
Cash flow from operations	359	264	-	-	-
Interest-bearing net debt	2,100	2,262	-	2,560	5,724

SUSTAINABILITY INDICATORS	2017
Sale of plant products/total sales	54.9%
Employee Satisfaction Index (ESI) total	74
Employee Satisfaction Index (ESI) leadership index	75
Share of suppliers* in risk countries** that have been socially audited	70.5%

OTHER KEY FIGURES	2017
Ratos's holding	99%
Co-owners: Management	1%
Net invested amount, SEKm	1,384
Time of acquisition	2016

SALES AND EARNINGS

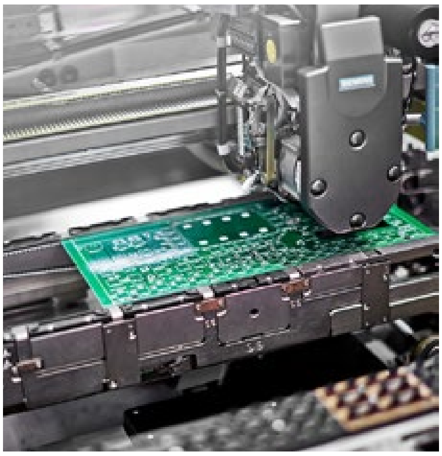


** Suppliers that produce Plantasjen's products under a private label **definition of risk countries according to Business Social Compliance Initiative (BSCI).*

A complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for all companies are available at www.ratos.se.

Company executive: Patrick Kortman — **www.plantasjen.no**

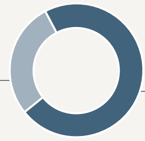
Speed Group



Weaker sales and low margin, mainly due to a modified contract portfolio

Investment in fully automated warehouse solution from Autostore

SALES BY SEGMENT



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

Market

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

Sustainability

A healthy and safe work environment is an important strategic issue for Speed Group. The company works systematically to minimise risks for industrial accidents and to prevent work-related ill health.

Motivated, committed and competent employees are a requirement for Speed Group's success. The company therefore works towards building an organisation characterised by sustainability and equality in order to ensure that Speed Group is perceived as an attractive employer.

Speed Group's environmental and climate impact are primarily attributable to its energy consumption and to waste that cannot be recycled. Consequently, the company endeavours to be energy efficient and to adapt its properties and operations to make them more environmentally friendly.

Organic growth and efficient production

Speed Group's customer-oriented corporate culture and strong market position in the Gothenburg region mean a continued development potential to expand organically with existing customers and to increase the market share in south-western Sweden. The market for efficient logistics solutions and the need for flexible solutions is still robustly expanding. As of 2017, Speed Group's offering also includes automated warehouse solutions, making the company unique among 3PL* companies in Sweden. Moving forward, the focus will be on strengthening and investing in internal processes and more efficiency improvements.

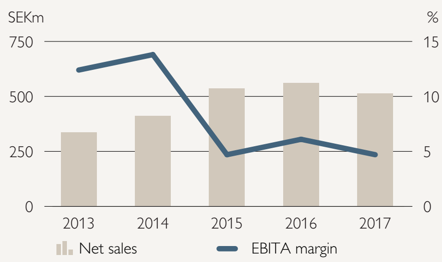
** Third-party logistics*

FINANCIAL FACTS, SEKm	**2017**	**2016**	**2015**	**2014**	**2013**
Net sales	513	562	536	413	337
EBITA	24	34	25	57	42
Cash flow from operations	-3	105	-	-	-
Interest-bearing net debt	-28	-50	41	-	8

SUSTAINABILITY INDICATORS	**2017**	**2016**
Serious work-related accidents	3	2
Share of managers who are women	23%	28%
Reduction in energy consumption	4.6%	

OTHER KEY FIGURES	**2017**
Ratos's holding	70%
Co-owners: Company founders Jarl Ternander, Daniel Johansson and Jesper Andersson	30%
Net invested amount, SEKm	281
Time of acquisition	2015

SALES AND EARNINGS



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Company executive: Christian Johansson Gebauer **www.speedgroup.se**

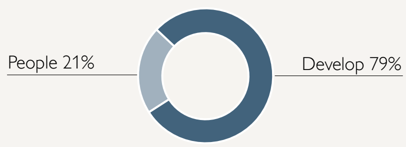
TFS

Growth impacted by weak order intake and cancellations

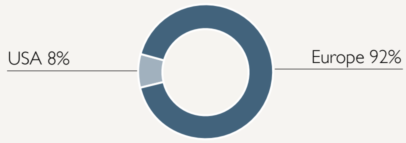
Lower profitability due to weaker sales

Change of CEO and reinforcements in management group

SALES BY SEGMENT



SALES BY REGION



TFS performs clinical trials in the human phase on behalf of the pharmaceutical, biotechnology and medical device industries as well as associated sectors. TFS is a clinical research organisation (CRO) that offers broad medical competence and niche expertise, providing global clinical trials to its customers in a regulated and safe manner. TFS has offices in Europe and North America and conducts trials in a total of 40 countries.

Market

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

Sustainability

TFS's key sustainability issues comprise equal opportunities, talent development, patient safety and data integrity, compliance with regulations, business ethics and anti-corruption. Patient safety and data integrity are TFS's top priorities and the company is committed to ensuring compliance with all legal and regulatory requirements throughout the supply chain. TFS's employees are its most valuable resources and in order to retain and attract talent, TFS focuses on creating a work environment based on mutual respect and trust, where people can develop. TFS has zero tolerance for all forms of corruption and makes active efforts to ensure that no corrupt practices take place within the TFS Group.

Growth initiatives and geographic expansion

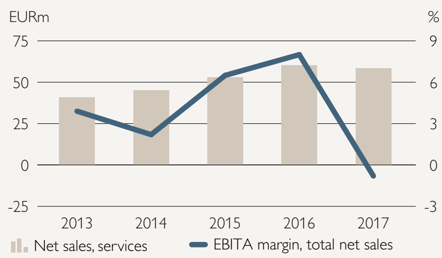
TFS has well-established and strong customer relations, and has developed a stable international platform in a market segment that is expanding as the demand for these service offerings increases. Consequently, the focus is on continuing to grow organically. Concurrently, we see a clear consolidation trend in the industry, opening up to interesting add-on acquisitions.

FINANCIAL FACTS, EURm	**2017**	**2016**	**2015**	**2014**	**2013**
Net sales	91.6	83.7	73.7	58.8	56.2
- Services	58.6	60.2	52.9	45.1	41.0
- Reimbursable expenditure	33.0	23.5	20.7	13.7	15.2
EBITA	-0.7	6.7	4.8	1.3	2.2
Cash flow from operations	1.2	1.4	-	-	-
Interest-bearing net debt	4.0	0.4	–	0.2	2.3

SUSTAINABILITY INDICATORS	**2017**
Percentage of employees receiving regular performance and career development reviews	100%
Percentage of women within the organisation's governance body	7.7%
Share of employees who have received training on anti-corruption	78%

OTHER KEY FIGURES	**2017**
Ratos's holding	60%
Co-owners: Company founder Daniel Spasic	40%
Net invested amount, SEKm	259
Time of acquisition	2015

SALES AND EARNINGS



A complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for all companies are available at www.ratos.se.

Company executive: Mikael Norlander **www.tfscro.com**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Financial statements

RATOS

Directors' report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585 hereby submit the 2017 Annual Report for the parent company and the Group. The registered office of the Board is in Stockholm, Sweden.

The company's activities

Ratos is an investment company that owns and develops unlisted medium-sized companies in the Nordic countries. Over time, Ratos is to generate the highest possible return by actively exercising its ownership to realise the potential of a number of selected companies and investment situations.

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

At the beginning of 2018, 24 people worked at Ratos.

At 31 December 2017, Ratos owned 14 portfolio companies in the Nordic region.

Portfolio companies	Ratos's holding, 2017-12-31
Aibel	32%
airteam	70%
Bisnode	70%
Diab	96%
Gudrun Sjödén Group	30%
HENT	73%
HL Display	99%
Jøtul	93%
Kvdbil	100%
LEDiL	66%
Oase Outdoors	78%
Plantasjen	99%
Speed Group	70%
TFS	60%

Updated strategic agenda

At its capital markets day in June, Ratos presented an updated strategic agenda. Through increased value creation and higher earnings levels in the portfolio companies, Ratos's long-term ambition is to lay the foundation for a larger share of cash-flow generated financing of future dividends on the Ratos share. The investment interval for new investments has also been updated. The goal for new acquisitions is that the company in question must have a minimum growth potential of SEK 0.5 billion in equity value over the next five years. The upper investment interval has been lowered from SEK 5 billion to SEK 2 billion in equity value to create a better balance and risk spread in the portfolio.

Ratos has chosen six sectors on which it will focus its acquisition and business development efforts going forward.

Central management costs will be reduced through internal efficiency measures.

Investment strategy

Ratos invests mainly in unlisted medium-sized Nordic enterprises with clear development potential. The enterprises should have an established business model through which Ratos and the companies can together identify and then realise potential.

Holding and investment interval

Normally, Ratos is the largest owner in the companies, but can also have a minority holding. However, our constant ambition is to be a committed owner that takes part in and can influence the companies' development. We gladly co-invest with entrepreneurs and other stakeholders, but have a minimum holding of 20%. The goal for new acquisitions is that the company in question must have a minimum growth potential of SEK 0.5 billion in equity value over the next five years. The upper investment interval is SEK 2 billion in equity value.

Geographic focus

Ratos invests in enterprises that are headquartered in the Nordic region. Many of our companies already have a strong international footprint. No geographic limits exist for add-on acquisitions to our companies.

Sector independent

Ratos develops companies through active ownership. Independent of sector, we lend the innovativeness, experience, expertise, contacts and capital needed to realise the potential of our companies.

Selection process

Ratos focuses on self-generated transactions. We focus our acquisition efforts on six sectors: consumer goods/commerce, construction, industrials, technology/telecom/media, business services and healthcare. Our investment organisation identifies and analyses companies with potential for growth that suit Ratos's portfolio of companies. We also take part in processes driven by investment banks and other advisors.

Ownership horizon

Ratos has a flexible ownership horizon with no limits to its holding period. The companies' return potential and Ratos's ability to contribute to their development is continuously assessed. Ratos can retain its holding as long as value is created in the company that exceeds the return target, which is often for a five-to-ten-year period.

Financial targets

Ratos has a company-specific return target (internal rate of return, IRR) that amounts to a minimum of 15%. Ratos has divested 14 companies over the past five years, and GS Hydro was declared bankrupt in 2017. The average IRR during these years was 12% per year.

Events during the year

Ratos's Board of Directors appointed Chairman of the Board Jonas Wiström as the company's new CEO as of 13 December 2017. The Board of Directors also appointed Per-Olof Söderberg from within its own ranks as the new Chairman of the Board, and Jan Söderberg to the new position of Deputy Chairman.

Acquisitions

Ratos acquired no portfolio companies in 2017.

Divestments

In June, Ratos completed the divestment of Sophion Bioscience, the final remaining business area in the Ratos subsidiary Biolin Scientific. The divestment was covered by Chapter 16 of the Swedish Companies

Act (so-called Leo provisions) and was approved by an extraordinary general meeting of Ratos's shareholders on 14 June. The divestment generated no significant exit gain for Ratos.

In May, Ratos entered into an agreement to divest its subsidiary Nebula to Telia Company. The transaction was completed in July. The selling price for 100% of the shares (equity value) amounted to EUR 110m (approximately SEK 1.1 billion) and the enterprise value to EUR 165m. Ratos's share of the equity value was EUR 78m (SEK 752m) and the exit gain totalled SEK 515m. The divestment generated an IRR of 37% and a money multiple of 3.3x.

In June, Ratos signed an agreement to divest all of its shares in its joint venture Serena Properties to Fastighets AB Balder for an enterprise value of EUR 206m (approximately SEK 2 billion) (enterprise value). Ratos received EUR 50.4m (SEK 481m) for its shareholding. The divestment generated an exit gain of SEK 79m, an internal rate of return (IRR) of 26% and a money multiple of 1.4x. The divestment was completed in September.

In March, Ratos divested its remaining shareholding of 23.6% in Arcus to Canica AS and Sundt AS. Arcus was listed on the Oslo Stock Exchange in December 2016 and generated a total exit gain of SEK 1,437m, an IRR of 30% and a money multiple of 5.7x in SEK (6.2x in NOK).

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

GS-Hydro declared bankrupt

GS-Hydro Holding Oy and its subsidiary GS-Hydro Oy were declared bankrupt following a decision by the company's Board to file a bankruptcy petition in the Tavastia Proper District Court in September 2017, after consultation with Ratos and GS-Hydro's lenders. The company's situation was mainly due to a weak trend and substantial price pressure in the offshore market, combined with an insufficiently competitive market position. The bankruptcy had an impact of SEK 68m on earnings. In July, Ratos provided GS-Hydro with a previously agreed capital injection of EUR 2m.

Refinancing

In February, LEDiL was refinanced. Ratos received a dividend of EUR 18m for its holding of 66%.

Capital contribution/earn-out

In June, Ratos contributed SEK 55m to HL Display in order to create scope for continued expansion.

In March, Bisnode entered into an agreement to acquire Global Group Dialog Solutions AG. The acquisition was completed in April. Ratos contributed SEK 54m, corresponding to its holding.

An earn-out of EUR 8.3m was paid in connection with TFS.

In December, Ratos made a contribution of SEK 130m to Diab.

Environmental impact

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

Sustainability

Sustainability – accepting responsibility for the company's impact on its environment and stakeholders – is a key part of efforts to manage and develop the trust that Ratos has built up in the Nordic business community and society over a period of 150 years. As a responsible owner, Ratos generates value by driving the sustainability agenda in our companies. Sustainability is an integrated part of the exercise of our ownership role throughout the holding period – from decision processes ahead of an acquisition to a responsible divestment. Long-term sustainability, including climate impact, is an integrated part of our new investment assessments, and the investment organisation works actively with sustainability issues in every company based on both common requirements for all companies and company-specific efforts to ensure focus on sustainability issues relevant to each company.

Ratos's CR framework clarifies expectations and demands on the companies related to governance and management of sustainability programmes as well as the companies' conduct regarding human rights, labour, business ethics and anti-corruption, and the environment. It contains the same key areas as the UN Global Compact's ten principles as well as aspects related to strategy and governance of sustainability. The CEO and management of each company have operational responsibility for the company's sustainability efforts.

Each company board is ultimately responsible for ensuring the company complies with Ratos's and the company's policies and guidelines. Furthermore, each company's board ensures that the company meets Ratos's sustainability requirements and performs an annual review of work on these issues. In companies which are associates, Ratos has a different degree of influence, so demands and processes may be different. Ratos's sustainability efforts were addressed by Ratos's Board in 2017. For more information, refer to ▶ page 124 for page references in the statutory sustainability report in accordance with the Swedish Annual Accounts Act.

Consolidated result

The Ratos Group's profit before tax (see Note 2) amounted to SEK 658m (-890).

Profit/share of profits from companies excluding exit gains and impairment amounts to SEK 679m (295). The improvement is attributable to a changed company portfolio with earnings from the companies acquired in 2016: airteam, Gudrun Sjödén Group, Oase Outdoors and Plantasjen, improved earnings in Bisnode and a reduction in non-recurring items. The result includes impairments totalling SEK 550m (SEK 2,504m), attributable to the portfolio companies Diab (SEK 200m) and HL Display (SEK 350m). The impairments are a consequence of a weak earnings trend combined with the fact that the companies' measures to improve profitability are expected to take longer than previously predicted. Exit gains of SEK 596m (1,672) are included in the results for 2017. Ratos's operational management costs amounted to SEK -153m (-261). Costs of SEK 12m were incurred related to former CEO Magnus Agervald's salary, social security costs, vacation pay and pension premiums corresponding to a contractual 12-month term of notice. In 2016, costs included organisational changes including the change of CEO. Operational management costs correspond to approximately 1.3% (1.6) of the market capitalisation at 2017-12-31. In the past five years, operational management costs have amounted to an average of SEK 204m per year. Other items, including transaction costs, include capital gains of SEK 40m related to the divestment of a property development project in Aalborg, Denmark.

Financial position

Cash and cash equivalents in the Group amounted to SEK 3,881m (4,389) at year-end. The Group's interest-bearing net debt at year-end amounted to SEK 3,324m (3,939). Interest-bearing liabilities to credit institutions amounted to SEK 5,860 (7,371). Interest-bearing net debt for associates is not included. The Group's equity ratio amounted to 46% (45).

Cash and cash equivalents in the parent company totalled SEK 2,226m (2,677) at year-end. The parent company's liabilities mainly relate to centrally administered subsidiaries. The parent company has a rolling, long-term credit facility of SEK 2.2 billion including a bank overdraft facility. The purpose of the credit 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 of few or no divestments.

The parent company should normally be unleveraged. At the end of the period the credit facility was unutilised. In addition, there is a mandate from the 2017 Annual General Meeting to authorise the Board, in conjunction with company acquisitions, to make a decision on a new issue of a maximum of 35 million Ratos Class B shares as well as an authorisation to issue a maximum of 1,250,000 preference shares of Class C and/or Class D in conjunction with agreements on acquisitions. The mandate is unutilised and applies until the 2018 Annual General Meeting.

Parent company result

The parent company's operating loss totalled SEK -172m (-266). In 2016, earnings were impacted by higher personnel costs due to organisational changes. The parent company's profit before and after tax amounted to SEK 1,491m (-312), of which SEK -533m (-2,467) pertained to impairment of shares in subsidiaries.

Events after the reporting period

In february, Ratos signed an agreement to sell all of its shares in the subsidiary Jøtul A/S (Jøtul) to OpenGate Capital at an enterprise value of about NOK 360m (enterprise value). The sale is expected to generate an exit gain of approximately SEK 40m. The investment generated a negative average annual rate of return (IRR).

Future outlook

In 2017, several steps were taken towards a stronger Ratos looking ahead. In June, Ratos presented an updated strategic agenda that entails concentrating its holdings to fewer sectors, and retaining certain companies longer with lower debt over time. In future, dividends on the Ratos share will be based on stable cash flows from the portfolio companies instead of on exit gains. Ratos has streamlined the organisation, thereby lowering central administration costs, and redeemed all outstanding preference shares. Ratos had cash of SEK 2.2 billion at the close of 2017 and good prospects for developing the portfolio companies.

Risks and uncertainties

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

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

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

The Group through its activities is exposed to various types of financial risks related to trade receivables, trade payables, loans and derivative instruments. The financial risks consist of financing risks, interest rate risks, credit risks and currency risks. Ratos's Board approves the financial strategy for the parent company while the subsidiaries' boards adopt financial strategies for each company. The parent company's financial policy, which provides guidelines for management of financial risks, is adopted annually by Ratos's Board. The Board evaluates and when necessary proposes changes to the financial policy. The Group has no central treasury management function, on the other hand the Group's Debt Manager assists the subsidiaries with overall financial matters. Subsidiaries' financial policies are adopted by each company's board. For further information, refer to Note 26 Financial risks and risk policy.

The work of the Board of Directors

The Corporate Governance Report includes a report on the work of the Board; see ▶ page 51-59.

The Board's proposal to the 2018 Annual General Meeting for decision on guidelines for remuneration to senior executives

The Board proposes that the Annual General Meeting resolves, for the period until the 2019 Annual General Meeting, to adopt the following guidelines for remuneration to senior executives. The main difference between the proposed guidelines and those of previous years is a proposal to replace the long-term incentive system comprising a call options scheme and synthetic options scheme with a warrants scheme and convertible debenture scheme. The proposed guidelines are otherwise essentially unchanged compared with the guidelines resolved at the 2017 Annual General Meeting.

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

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

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

With regard to the costs for proposed incentive programmes, refer to the Board's proposal regarding warrants and convertible debentures.

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

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

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

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

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

Ratos share data

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

Class A shares carry entitlement to one vote per share and Class B and C shares (preference 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%, Class C shares in a number that corresponds to 10% and Class D shares in a number that corresponds to 10%. At year-end, the Söderberg family with companies owned shares corresponding to 18.4% of the capital and 43.7% of the voting rights. The Ragnar Söderberg Foundation had 9.5% of the capital and 17.1% of the voting rights. The Torsten Söderberg Foundation has 8.7% of the capital and 12.6% of the voting rights.

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

Holdings of treasury shares

The 2017 Annual General Meeting renewed the mandate that the company may repurchase Class A, Class B, Class C preference shares and Class D preference shares that may be issued during the period until the next Annual General Meeting. Acquisition may take place on one or more occasions prior to the next Annual General Meeting. Acquisition shall take place on Nasdaq Stockholm at a price within the price band prevailing on Nasdaq Stockholm on each occasion. A maximum number of shares may be acquired so that the company's holding at any time does not exceed 7% of all the shares in the company.

Purchases of treasury shares are carried out in order to give the Board greater freedom of action in its efforts to create value for the company's shareholders. This includes hedging of call options issued within the framework of Ratos's incentive programme.

No Class A or B shares were repurchased in 2017. At year-end, the company held 5,126,262 Class B shares, corresponding to 1.6% of the total number of shares with a quota value of SEK 3.15 per share. A total of SEK 355m was paid for the shares at an average price of SEK 68.

The Board of Directors of Ratos AB resolved on 16 May 2017 on a compulsory redemption of all Class C preference shares. In accordance with the redemption provision in Article 6, item 5 of the Articles of Association, the Board also decided to reduce the company's share capital by SEK 2,614,500 in conjunction with the redemption of its 830,000 preference shares. The total redemption proceeds for the 707,408 Class C preference shares outstanding amounted to SEK 1,300m, corresponding to SEK 1,837.50 per preference share. Payment of the redemption proceeds took place on 16 June 2017. Prior to redemption, dividends on Class C preference shares were paid as follows: With a record date of 15 February 2017, SEK 18m was paid on 20 February 2017. With a record date of 15 May 2017, SEK 21m was paid on 18 May 2017.

Proposed distribution of profit

	SEK
Premium reserve	128,695,169
Fair value reserve	6,648,659
Retained earnings	5,828,590,168
Profit for the year	1,491,461,239
Total	7,455,395,235

The Board of Directors proposes the following distribution of profit:

Dividend to holders of Class A and B shares SEK 2.00 per share [1]	638,029,268
To be carried forward	6,817,365,967

[1] Based on the number of shares outstanding on 28 March 2018. The number of treasury shares on that date was 5,126,262 and may change during the period until the record date for dividends.

Chairman's letter

Ratos embarked on a change of direction in 2016 that continued throughout 2017. The preferred pace of this change resulted in another shift in management in the form of a new CEO. The Board decided that, in order to resolve our challenges and implement changes in terms of our selected sectors with longer company-holding periods, Ratos needed a new type of leadership. We are pleased to report that Jonas Wiström has accepted the role of CEO. We now have an experienced CEO who has a broad industrial and operational background coupled with proven strong leadership capabilities.

In terms of earnings, we are putting yet another mediocre year behind us. Our short-term focus is on increasing profitability in our company portfolio. Some of the companies have performed well in terms of sales and earnings, while far too many have reported lacklustre growth over an extended period.

In the future, I foresee a Ratos that is a more industry-driven owner company with a focus on business. A company in which we capitalise on the potential for development in our holdings, on the people, managers and those who want to contribute to building for the future.

When I look back on Ratos's 150-year history, there have been upswings and downturns. When things were slow, the company changed direction and found new energy. From where I stand, I can see that we are heading towards a new era. It has only been two weeks since Jonas and I assumed our new positions in 2017, but we are both determined to drive a paradigm shift.

By investing in selected sectors, we will cultivate valuable knowledge within the organisation and a network that can foster continued growth. Growth which may arise organically, but largely through add-on acquisitions within the existing companies and sectors.

Our ambition is to create a super-effective, modern, driven owner company that operates logically and concentrates on the value growth of its holdings.

While we will be based in the Nordic countries, we will be able to grow globally.

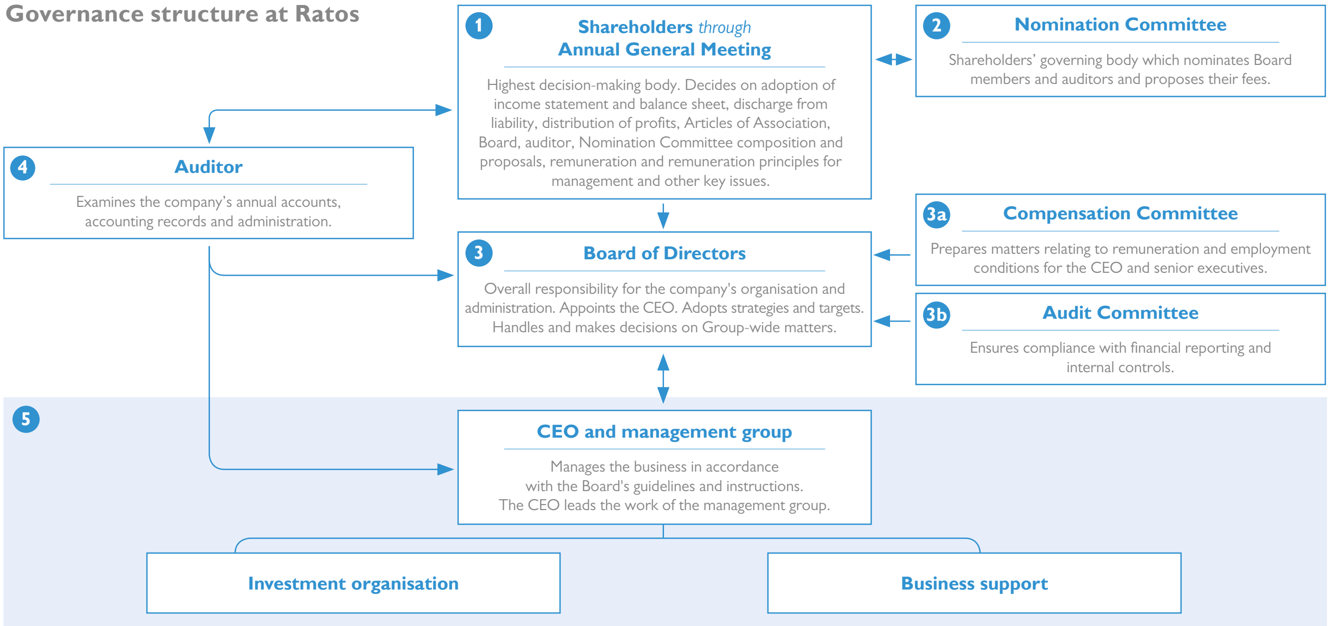
We will be relevant to the times in which we live.

In one year's time, I hope to return to share all the exciting developments that took place during 2018.

Per-Olof Söderberg
Chairman of the Board

Corporate Governance Report

Governance structure at Ratos



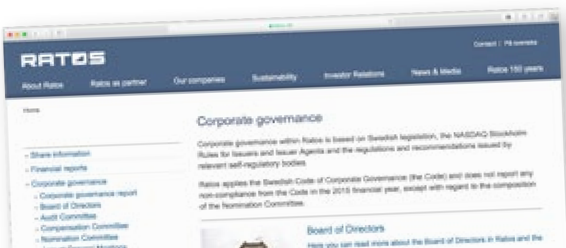
Corporate governance in Ratos

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

Ratos applies the Swedish Corporate Governance Code (the Code) and did not report any non-compliance with the Code in the 2017 financial year, except with regard to the composition of the Nomination Committee (see Nomination Committee on ▶ page 53).

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

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



Read more about Ratos's corporate governance

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

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

Key external rules

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

Key internal rules and documents

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

1 Shareholders and general meetings

Share capital and shareholders

Ratos has been listed on Nasdaq Stockholm since 1954. At year-end the share capital amounted to SEK 1,021m divided among a total of 324,140,896 shares, of which 84,637,060 Class A shares and 239,503,836 Class B shares. On 16 May 2017, the Board of Directors of Ratos resolved to redeem all preference shares (Class C shares). Consequently, there are currently no preference shares issued in the company. The company's Class A shares carry entitlement to one vote per share while Class B shares and preference 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 dividend on preference shares is regulated by the Articles of Association and includes preferential right before Class A and B shares to the company's assets. The Annual General Meeting decides on dividends.

At year-end, Ratos had a total of 59,526 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 78.5% of the voting rights and 46.2% of the share capital. More information about Ratos's shares and shareholders is provided on ▶ pages 24–25.

General meetings

The general meeting is the highest decision-making body in Ratos and it is through attendance that Ratos's shareholders exercise their influence on the company. Normally, one general meeting is held each year, the Annual General Meeting of Shareholders, which is convened in Stockholm before the end of June. Notice is published in the form of an announcement in the *Official Swedish Gazette (Post- och Inrikes Tidningar)* and on Ratos's website. Publication of the notice is announced in *Svenska Dagbladet*. All documentation required ahead of the Meeting is available on the website 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.

59,526

shareholders in Ratos

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

The following business shall be resolved at the Annual General Meeting:

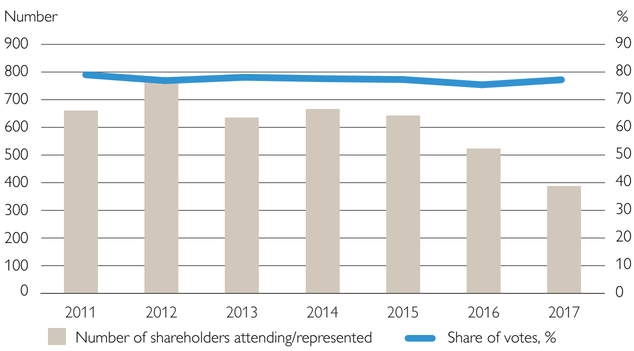
- adoption of the income statement and balance sheet
- discharge from liability for the Board and CEO
- disposition of the company's profit or loss
- determination of fees to be paid to the Board of Directors
- election of the Board of Directors and auditor
- guidelines for remuneration to senior executives
- amendments to the Articles of Association

Annual General Meeting 2017

The 2017 Annual General Meeting was held on 6 April at Skandiascenen, Cirkus, in Stockholm, Sweden. The Meeting was attended by 388 shareholders, proxies and assistants, who together represented 77.2% of the voting rights and 46.7% of the capital.

All Board members, who were elected at the Annual General Meeting, as well as Ratos's CEO and auditor, were present at the Meeting. Minutes and information about the 2017 Annual General Meeting, in both Swedish and English versions, well as the CEO's address to the Meeting are published on www.ratos.se.

Attendance at Annual General Meetings



Annual General Meeting 2018

The 2018 Annual General Meeting (AGM) will be held on 3 May, 2:00 p.m., at Skandiascenen, Cirkus, in Stockholm, Sweden.

For matters related to the Nomination Committee and the Annual General Meeting, refer to Ratos's website. For further information about the Annual General Meeting, see ▶ page 125.

Extraordinary general meetings in 2017

On 14 June 2017, Ratos held an extraordinary general meeting in Sibeliussalen, Finlandshusets konferens, Stockholm. The meeting concerned the sale of Sophion Bioscience, part of Ratos's previous subsidiary Biolin Scientific, to the company's CEO, among others. The sale is covered by Chapter 16 of the Swedish Companies Act (the so-called Leo provisions). The meeting was attended by 137 shareholders, proxies and assistants, who together represented 64.7% of the voting rights and 35.6% of the capital.

A majority of the Board's members, including the Chairman of the Board, as well as Ratos's CEO, were present at the extraordinary general meeting. Minutes and information about the extraordinary general meeting, in both Swedish and English versions, are published on www.ratos.se.

Decisions at the 2017 Annual General Meeting included the following:

- Dividend of SEK 2 per Class A and B share, a total of SEK 638m. Dividend on Class C preference shares issued on 19 June 2013 of SEK 30 per share per quarter, although a maximum of SEK 120 per year, a total of SEK 85m
- Fees of SEK 1,450,000 to the Chairman of the Board and SEK 485,000 to each member of the Board as well as fees to auditors
- Re-election of Board members Ulla Litzén, Annette Sadolin, Charlotte Strömberg, Jan Söderberg, Karsten Slotte, Per-Olof Söderberg and Jonas Wiström. Re-election of Jonas Wiström as Chairman of the Board
- Re-election of audit firm PricewaterhouseCoopers (PwC)
- Adoption of guidelines for remuneration to senior executives
- Offer to key people in Ratos on acquisition of call options in Ratos and of synthetic options relating to investments in the companies
- Amendments to the Articles of Association to enable a new issue of Class C and/or D preference shares
- Authorisation for the Board to acquire Ratos shares up to 7% of all shares
- Authorisation for the Board to decide on a new issue of a maximum of 35 million Class B shares to be used for acquisitions
- Authorisation for the Board to decide on a new issue of a maximum total of 1,250,000 Class C and/or Class D preference shares to be used for acquisitions

2 Nomination Committee

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

The current composition of the Nomination Committee was announced on Ratos's website and disclosed through a press release on 25 October 2017. Because Ratos's Board of Directors appointed Jonas Wiström as the new CEO and Per-Olof Söderberg as the new Chairman of the Board, Per-Olof Söderberg replaced Jonas Wiström as a member of Ratos's Nomination Committee as of 19 December 2017, which was announced on Ratos's website and disclosed through a press release on 19 December 2017. Following this change, the Nomination Committee comprises:

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

Combined, the Nomination Committee represents 59.8% of the voting rights for all the shares in the company.

The work of the Nomination Committee

The duties of the Nomination Committee include:

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

Nomination Committee's work ahead of the 2018 Annual General Meeting

Ahead of the 2018 Annual General Meeting, the Nomination Committee held five minuted meetings and was in regular contact in between. In its work, the Nomination Committee has taken note of the internal evaluation of the Board's work, taken the Chairman's account of the Board's work and the CEO's account of the company's strategies. The Nomination Committee Chairman has also interviewed individual Board members.

Ratos is an investment company that invests in, owns and develops unlisted companies primarily in the Nordic region. In 2017, Ratos drafted a new strategic direction that is currently being implemented. This means that strict requirements are placed on the Board to be able to both evaluate acquisition and divestment opportunities and participate in operating and developing companies in different industries and phases of development, in combination with continuity for the implementation of the new strategic direction. 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 continued 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, but feels that the proposed composition of six members, which entails a reduction of one member, is suitable and appropriate, and that Jonas Wiström, who was appointed as the new CEO at the close of 2017, should remain as a member.

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. In addition to what has already been stated regarding the Board members' background and experience as well as the importance of continuity for the continued work of the Board, it is noted that the gender balance will be less equal than in previous years as the members proposed for re-election include two women and four men, resulting in a gender distribution of 33.3%/66.7% for the proposed Board. According to the Nomination Committee, this is in accordance with the requirement for an equal gender balance.

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

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

The Nomination Committee's proposals, an account of the work of the Nomination Committee ahead of the 2018 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 2018 Annual General Meeting.

Deviations/violations

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

3 Board of Directors

Composition of the Board

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

The 2017 Annual General Meeting resolved that the Board shall consist of seven members and no deputies. The Meeting re-elected Ulla Litzén, Annette Sadolin, Charlotte Strömberg, Karsten Slotte, Jan Söderberg, Per-Olof Söderberg and Jonas Wiström. Jonas Wiström was re-elected as Chairman of the board.

Up to and including 12 December 2017, the CEO was not a member of the Board but attended Board meetings. As of 13 December 2017, the CEO is a member of the Board. The composition of the Board and an assessment of each Board member's independence is presented in more detail on ▶ pages 60–61.

Responsibilities and duties of the Board

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

Each year, the Board adopts a formal work plan for its work designed to ensure that the company's operations and financial circumstances are controlled in an adequate manner. The formal work plan describes the special role and duties of the Chairman of the Board, decision-making procedures, instructions for Ratos's CEO and reporting as well as areas of responsibility for the committees. Furthermore, the Board also adopts annually a number of policy documents for the company's operations and ensures that there is satisfactory control of the company's compliance with laws, rules and internal guidelines. The Board ensures compliance through various tools including Ratos's annual risk management process and assurance mapping – in which responsibility for and validation of internal processes and identified risks are clarified – and through the committees formed in 2017 comprising senior executives, which address a number of important matters related to insider issues, sustainability issues and personal data issues.

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

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

Work of the Board in 2017

During 2017, a total of 13 minuted Board meetings were held: eight ordinary meetings, one statutory meeting, and four extra Board meetings. Board meetings have a recurrent structure with established key items. Information and documentation for decision ahead of Board meetings are usually sent out approximately one week before each meeting. An external secretary to the Board has taken the minutes of the Board up to and including the Board meeting on 16 August 2017, after which Ratos's general counsel has taken over the role of secretary for the Board of Directors.

Extra Board meetings normally examine acquisition and divestment issues as well as financing, and are held when such matters requiring a Board decision arise. 2017 was a year of great activity in terms of the divestment of companies, modifications to Ratos's strategy, the redemption of preference shares and addressing issues pertaining to the change in CEO. Senior executives at Ratos attended Board meetings to present specific issues.

Evaluation of the Board

The Board annually evaluates the work of the Board in a structured process where members are given an opportunity to express their opinions on working methods and efficiency, Board material, the performance of the members and the scope of the assignment in order to develop the Board's working methods. For the 2017 financial year, the evaluation

COMPOSITION OF THE BOARD

					Attendance at meetings 2017		
Name	**Elected year**	**Independent the company**	**Independent of major shareholders**	**Total fee [1], SEK 000s**	**Compensation Committee meetings**	**Audit Committee meetings**	**Board meetings**
Per-Olof Söderberg [2]	2000	Yes	No	535	13/13	–	13/13
Jan Söderberg [3]	2000	Yes	No	535	13/13	–	13/13
Ulla Litzén	2016	Yes	Yes	585	–	5/5	12/13
Annette Sadolin	2007	Yes	Yes	485	–	–	13/13
Karsten Slotte	2015	Yes	Yes	485	–	–	12/13
Charlotte Strömberg	2014	Yes	Yes	635	–	5/5	13/13
Jonas Wiström [4]	2016	Yes	Yes	1,200	13/13	4/5	12/13
Total				**4,460**			

[1] Relates to fees for the Annual General Meeting year 2017/2018.
[2] Ordinary Board member up to and through 12 December 2017 and then Chairman of the Board, Compensation Committee Chairman and member of the Audit Committee without prejudice to fees received.
[3] Deputy Chairman as of 13 December 2017 without prejudice to fees received.
[4] Chairman of the Board, Compensation Committee Chairman and member of the Audit Committee up to and through 12 December 2017 and then ordinary Board member. Jonas Wiström received 75% of the fees resolved at the 2017 AGM for his role as the company's Chairman of the Board and his work in the company's committees. Furthermore, Jonas Wiström received no fee for the role of ordinary Board member.

was performed internally with the members answering an anonymous questionnaire and the results of the evaluation have been presented by the Chairman with subsequent discussion on the Board. Furthermore, the Chairman of the Nomination Committee held individual interviews with each Board member. The results of the evaluation have been reported to the Nomination Committee. The evaluation indicates that the Board work is deemed to function well.

Committees

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

3a Work of the Compensation Committee

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

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

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

The Compensation Committee works in accordance with an adopted formal work plan. Normally, early in the autumn, an examination is carried out to see whether there are any major remuneration-related issues of principle to prepare. If such issues exist, they are processed ahead of a final proposal at the ordinary meeting in January. In 2017, the Compensation Committee made a thorough evaluation of Ratos's remuneration structures and incentive programme, which resulted in proposals from the committee to modify calculations and criteria for variable cash salary for 2017, and to propose to the Annual General Meeting a new long-term incentive programme in the form of a warrants and convertible debenture programme instead of the synthetic options and call options programme formerly proposed. Certain modifications in the remuneration guidelines are proposed ahead of the 2018 Annual General Meeting. The Compensation Committee also prepares and processes guidelines for the structure of general salary development for the years ahead and conducts an annual review of Ratos's long-term incentive systems, of which Ratos's Board of Directors then submit an account of no later than three weeks before the Annual General Meeting on the company's website (www.ratos.se).

During 2017, Jonas Wiström (Chairman of the Board and of the Compensation Committee), Jan Söderberg and Per-Olof Söderberg were members of the Compensation Committee. After Jonas Wiström assumed the role of CEO on 13 December 2017 and Per-Olof Söderberg the role of Chairman of the Board, Per-Olof Söderberg took over as Chairman of the Committee. As of 13 December 2017, the Compensation Committee is made up of Per-Olof Söderberg (Chairman) and Jan Söderberg.

The Compensation Committee held 13 minuted meetings in 2017 and in between has been in regular contact. The Committee's minutes were kept by the Board's former secretary, attorney Ingrid Westin Wallinder, up to and including the meeting on 5 September 2017, after which Ratos's general counsel took over the role of secretary. The Compensation Committee provides continuous oral reports to the Board and submits proposals on issues that require a Board decision. Minutes are made available to all members of the Board. The CEO and senior executives normally participate in the meetings of the committee as rapporteur concerning certain issues.

3b Work of the Audit Committee

During 2017, Charlotte Strömberg (Chairman), Jonas Wiström and Ulla Litzén were members of the Committee. After Jonas Wiström assumed the role of CEO on 13 December 2017 and Per-Olof Söderberg the role of Chairman of the Board, Per-Olof Söderberg took over as member of the Committee. As of 13 December 2017, the Compensation Committee is made up of Charlotte Strömberg (Chairman), Per-Olof Söderberg and Ulla Litzén. The company's auditor has participated in five Audit Committee meetings in 2017. The Audit Committee held five minuted meetings. The Committee's minutes were kept by the Board's former secretary, attorney Ingrid Westin Wallinder, up to and including the meeting on 14 August 2017, after which Ratos's CFO took over the role of secretary.

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

Each year, the Audit Committee adopts a fiscal cycle for its working duties and areas for which the Audit Committee is responsible. In 2016, the fiscal cycle and the Audit Committee's work plan were reviewed due to new regulations, making another review unnecessary in 2017. 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, sustainability, insurance, disputes and strategic accounting issues as well as compliance with rules and regulations and certain policy documents adopted by Ratos's Board. Furthermore, the Audit Committee oversees Ratos's externally operated whistleblowing system. Since 2016, the Audit Committee has also modified its work to more closely follow Ratos's interim reporting and restructured its work on valuation issues and impairment testing, which resulted in a plan with five regular meetings every year and a stipulation that the auditor will participate in all Committee meetings. Specific issues addressed in 2017 included valuation and impairment issues, follow-up of bank terms, commitments concerning capital contributions and disputes. The CEO and senior executives normally participate in the meetings of the Committee as rapporteur.

The main duties of the Audit Committee are as follow:

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

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

Evaluation of the need for an internal audit

Ratos is an investment company that acquires, develops and divests Nordic companies. At the close of the year, Ratos had 14 companies that operate in different industries with various risks. Ratos's company portfolio and its composition show significant differences over time.

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

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

Ratos performs an annual review of risks where significant risks in the companies are summarised and discussed in Ratos's management, Audit Committee and Board of Directors. The process is intended to give Ratos's management, Audit Committee and Board of Directors an understanding of the Group's greatest risks. Each company's CEO and management have operational responsibility for having an appropriate risk process in place which is approved by the company's board. Since 2016, Ratos expanded the risk management process with an assurance mapping, meaning a clarification of responsibilities and validation of internal processes linked to identified risks. Ratos's management and Audit Committee can use this as a basis to identify a need for a closer look at/development of certain areas, the opportunity to identify areas that need to be centralised/strengthened, and to provide guidance to the Audit Committee for audit priorities for the portfolio companies.

In addition, the audit measures carried out by the auditor for the parent company and Group, including an audit of internal controls, are important instruments for identifying shortcomings and providing a basis for more in-depth measures/follow-up and the basis for decision regarding future audit priorities for the portfolio companies.

With 24 employees at the beginning of 2018, the parent company Ratos AB is a relatively small company which lacks complex functions that are difficult to analyse. The need to introduce an internal audit function for the parent company Ratos AB must therefore be regarded as negligible. Against this background, the Audit Committee has decided, as in previous years, not to establish an internal audit function at Group level or for the parent company Ratos AB.

Remuneration to the Board of Directors

The 2017 Annual General Meeting resolved that remuneration to the ordinary members of the Board should be paid in an amount of SEK 485,000 per member and year. Remuneration to the Chairman of the Board should amount to SEK 1,450,000 per year. It was decided to pay an additional SEK 150,000 per year to the Chairman of the Audit Committee and SEK 100,000 per year to other members of the Committee. It was decided to pay SEK 50,000 per year to the Chairman of the Compensation Committee and SEK 50,000 per year to other members of the Committee.

4 Auditor

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

At the 2017 Annual General Meeting, the audit firm PricewaterhouseCoopers was elected as auditor until the next Annual General Meeting. PwC has appointed Peter Clemedtson as Senior Auditor. In addition to his assignment in Ratos, Peter Clemedtson is senior auditor for, among others, Nordea, SKF and Volvo.

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. In 2016, the Audit Committee adopted

RECOMMENDED RISK MANAGEMENT PROCESS FOR RATOS'S SUBSIDIARIES

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

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

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

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

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

a policy for the purchase of non-audit-related services, which took effect on 1 January 2017. This policy is continuously monitored by the Audit Committee, which also evaluates the content of both auditing and consulting services.

5 Governance in Ratos

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

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

Investment decisions and evaluation of existing companies

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

CEO and management group

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

Magnus Agervald was CEO of Ratos from 14 November 2016 through 12 December 2017. Magnus Agervald was replaced by Jonas Wiström, who is the new CEO of Ratos as of 13 December 2017.

At the beginning of 2017, the management group at Ratos consisted of the CEO, Deputy CEO, three Senior Investment Directors, the Head of Strategic HR, the CFO and (as of April 2017) the General Counsel. In conjunction with changes in the organisation during the year, the management group at the beginning of 2018 consisted of the CEO, three Senior Investment Directors, the CFO and the General Counsel. The role of the management group is to prepare and implement strategies, manage corporate governance and organisational issues, and monitor Ratos's financial development and Ratos's sustainability programme.

The development of events in the companies as well as updating of ongoing investment processes are dealt with at weekly meetings in a broader group comprising primarily the CEO, the investment organisation and other senior executives.

Ideas for acquisitions are analysed by the investment organisation and discussed in an internal new-investment group, whose main role is to provide feedback on bids made by Ratos in connection with investment processes. After completion of due diligence, a basis for decision is sent to Ratos's Board ahead of a decision regarding a possible investment. (Read more about the development model in the section Ratos as owner).

Remuneration to senior executives

Guidelines for remuneration to senior executives were approved at the 2017 Annual General Meeting. More information about basic and variable salary is provided in Note 7 on ▶ pages 86–90.

Internal control

The Board has overarching responsibility for ensuring that Ratos internally has an effective and adequate process for risk management and internal control. The purpose is to provide reasonable assurance that operations

RATOS'S INTERNAL RISK PROCESS

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

Q1 JAN–MAR

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

Q2 APR–JUN

- An overall Group risk report is aggregated and compiled
- Discussion and adoption of final risk report in Ratos's management group
- Risk report is presented and then discussed in Ratos's Audit Committee

Q3 JUL–SEP

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

Q4 OCT–DEC

- Short update to the Audit Committee regarding the Group's greatest risks
- Focus on major changes in the risk map and status update action plan for Group-wide risks

are conducted in an appropriate and effective manner, that external reporting is reliable and that laws as well as internal rules and policy documents are complied with. This work is conducted through structured Board work as well as by tasks being delegated to management, the Audit Committee and other employees. In addition, a dialogue with the Group's auditors is maintained about their regular observations and the annual audit of internal control completed during the third quarter and presented by Ratos's auditors to the Audit Committee, which decides on appropriate measures based on the irregularities identified in the report. Responsibility and authority are also defined in Ratos's assurance mapping, which is part of Ratos's risk management process, and in instructions for powers of authorisation, policy documents and manuals which provide guidelines and guidance for the Group's operations and employees. As of 2017, as a complement to the portfolio companies' financial reporting and sustainability reporting, Ratos sends an annual compliance survey to the CFOs all of the portfolio companies. The findings are compiled and reported by the General Counsel to the Audit Committee, providing a basis for, among other things, decisions regarding future audit priorities for the portfolio companies.

Furthermore, the board of each subsidiary is responsible for ensuring that the company in question complies with laws and regulations as well as for compliance with internal policy documents and guidelines. Over the years, a procedure has gradually been implemented to strengthen the follow-up of these matters.

Ratos's risk management process

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

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

Ratos continuously works to strengthen the internal and subsidiary risk processes. Since 2016, Ratos has expanded the risk management process to include an assurance mapping, meaning a clarification of responsibilities and validation of internal processes and identified risks. Ratos's greatest risks are summarised in the Directors' report on ▶ pages 46–49.

Ratos supports the subsidiaries with structures, models and so forth for work with risk management; see the illustration on ▶ page 57.

Internal control of financial reporting

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

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

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

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

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

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

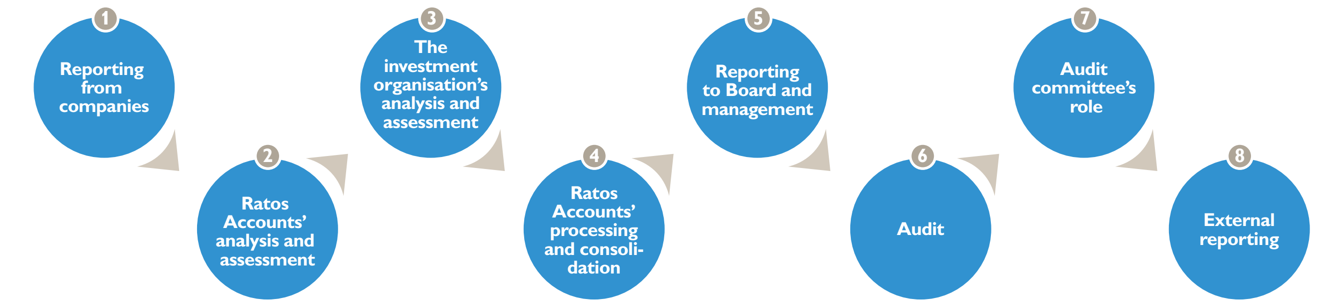
Quality assurance for financial reporting

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

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

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

PROCESS FOR FINANCIAL REPORTING



1 REPORTING FROM COMPANIES

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

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

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

2 RATOS ACCOUNTS' ANALYSIS AND ASSESSMENT

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

3 THE INVESTMENT ORGANISATION'S ANALYSIS AND ASSESSMENT

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

4 RATOS ACCOUNTS' PROCESSING AND CONSOLIDATION

Ratos Accounts prepares both a legal consolidated financial statement according to IFRS and various analyses of Ratos's portfolio companies combined, such as the table of companies found on ▶ pages 28–29.

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

5 REPORTING TO BOARD AND MANAGEMENT

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

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

6 AUDIT

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

The auditors also perform a review of the interim report and the holding's closing accounts which, as of the 2017 financial year, will be performed as per June instead of as per September as in previous years.

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

7 AUDIT COMMITTEE'S ROLE

The Audit Committee receives an audit report from Ratos's auditor, both in conjunction with the second-quarter accounts and the year-end accounts. Ratos's auditors then also present an oral audit report to the Audit Committee and there is then an opportunity for Ratos's Audit Committee to ask complementary questions. Ratos's CEO and Finance Manager attend these meetings. As of the 2016 Annual General Meeting, the auditors attend all Audit Committee meetings.

8 EXTERNAL REPORTING

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

Board of Directors and CEO

Board's and CEO's holdings at 31 December 2017

Per-Olof Söderberg, Chairman*

Dependent (on major shareholders) Chairman of the Board since December 2017.

MSc Econ, SSE. MBA Insead. Born 1955, Swedish.

Chairman of Söderberg & Partners, Byggdialog, Stockholm City Mission and Inkludera Invest. Deputy Chairman of the Stockholm Chamber of Commerce and Board member of Stockholm School of Economics, among others.

Shareholding in Ratos (own and related parties): 16,705,964 Class A shares, 18,000 Class B shares, 90 preference shares

** new Chairman since 13 December 2017 – position formerly held by Jonas Wiström since 2016.*

Ulla Litzén

Independent Board member since 2016.

MSc Econ and MBA. Born 1956, Swedish.

Board member of Alfa Laval, Electrolux, Husqvarna and NCC.

Formerly CEO of W Capital Management AB (wholly owned by the Wallenberg Foundations). Senior positions and member of the management group of Investor AB.

Shares in Ratos: 20,000 Class B shares

Options in Ratos issued by Ratos's principal owner: 85,000

Annette Sadolin

Independent Board member since 2007.

LL.B. Born 1947, Danish.

Chairman of Østre Gasværk Teater. Board member of Blue Square Re NL, DSB, DSV, Ny Carlsberg Glyptotek and Topdanmark.

Formerly Deputy CEO of GE Frankona Ruck 1996–2004, CEO of GE Employers Re International 1993–96, Deputy CEO of GE Employers Re International 1988–93.

Shares in Ratos: 8,264 Class B shares

Options in Ratos issued by Ratos's principal owner: 42,500

Karsten Slotte

Independent Board member since 2015.

MSc Econ. Born 1953, Finnish.

Board member of Onvest, Royal Unibrew and Scandi Standard.

Formerly President and CEO of the Karl Fazer Group 2007–2013. Formerly CEO of Cloetta-Fazer 2002–2006.

Shares in Ratos: 8,600 Class B shares

Options in Ratos issued by Ratos's principal owner: 42,500

Charlotte Strömberg

Independent Board member since 2014.

MSc Econ. Born 1959, Swedish.

Chairman of Castellum. Board member of Bonnier Holding, Clas Ohlson, Skanska and Sofina S.A. Member of the Swedish Securities Council.

Formerly CEO of Jones Lang LaSalle Nordic. Executive positions in Carnegie Investment Bank and Alfred Berg/ABN AMRO.

Shareholding in Ratos (own and related parties): 11,500 Class B shares

Options in Ratos issued by Ratos's principal owner: 85,000

Jan Söderberg, Deputy Chairman*

Dependent (on major shareholders) Deputy Chairman of the Board since December 2017.

MSc Econ. Born 1956, Swedish.

Chairman of Söderbergföretagen. Board member of Blinkfyrar, Elisolation, Henjo Plåtteknik, NPG, ProVia, SEAB Nordic and My Big Day. Member of the Lund School of Economics Management Advisory Board.

Shareholding in Ratos (own and related parties): 14,975,580 Class A shares, 2,047,800 Class B shares

** new Deputy Chairman as of 13 December 2017 – completely new position.*

Jonas Wiström, CEO*

CEO and independent Board member since 2017.

MSc Eng. Born 1960, Swedish.

Deputy Chairman of the Board of Business Sweden, Teknikföretagen and IVA Business Executives Council. Board member of ICC and Tieto.

Shares in Ratos: 40,000 Class B shares

Options in Ratos issued by Ratos's principal owner: 260,000

** new CEO as of 13 December 2017*
– position formerly held by Magnus Agervald since November 2016.

AUDITOR

At the 2017 Annual General Meeting, the auditing firm PricewaterhouseCoopers AB, with authorised public accountant Peter Clemedtson as Senior Auditor, was elected for the period until the 2018 Annual General Meeting has been held.

SECRETARY TO THE BOARD

Magnus Stephensen, General Counsel, Ratos.

Financial statements

Consolidated income statement

SEKm	Note 2, 4	2017	2016
Net sales	3	23,059	25,228
Other operating income		79	88
Change in inventories of products in progress, finished goods and work in progress		-16	7
Work performed by the company for its own use and capitalised		70	90
Raw materials and consumables		-12,123	-13,695
Employee benefit costs	7, 23	-6,098	-6,807
Depreciation and impairment of property, plant and equipment and intangible assets	11, 12	-1,163	-1,441
Other costs	8, 27	-3,467	-3,539
Capital gain from sale of Group companies	5	559	1,678
Impairment and capital gains for investments recognised according to the equity method		161	-1,692
Share of profits from investments recognised according to the equity method [1]	6, 13	19	-152
Operating profit/loss		**1,081**	**-235**
Financial income	9	77	96
Financial expenses	9	-500	-751
Net financial items		**-423**	**-655**
Profit/loss before tax		**658**	**-890**
Tax	10	-234	-198
Share of tax from investments recognised according to the equity method 1)	10	-17	18
Profit/loss for the year		**407**	**-1,071**
Attributable to			
Owners of the parent		268	-500
Non-controlling interests		139	-570
Earnings per share, SEK	22		
- before dilution		0.72	-1.79
- after dilution		0.72	-1.79

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

Consolidated statement of comprehensive income

SEKm	Note	2017	2016
Profit/loss for the year		**407**	**-1,071**
Other comprehensive income			
Items that will not be reclassified to profit or loss	23		
Revaluation of defined benefit pension obligations, net		8	-70
Tax attributable to items that will not be reclassified to profit or loss	10	2	18
		10	**-51**
Items that may be reclassified subsequently to profit or loss	20		
Translation differences for the year		-29	312
Change in hedging reserve for the year		-1	-54
Tax attributable to items that may be reclassified subsequently to profit or loss	10	0	9
		-30	**268**
Other comprehensive income for the year		**-20**	**216**
Total comprehensive income for the year		**387**	**-854**
Total comprehensive income for the year attributable to			
Owners of the parent		248	-388
Non-controlling interests		139	-466

Consolidated statement of financial position

SEKm	Note 4	2017-12-31	2016-12-31
ASSETS			
Non-current assets			
Goodwill	11	11,583	12,990
Other intangible assets	11	1,841	1,844
Property, plant and equipment	12	1,827	1,970
Investments recognised according to the equity method	13	1,204	1,964
Shares and participations	16	10	11
Financial receivables	16	84	340
Other receivables		25	57
Deferred tax assets	10	478	594
Total non-current assets		**17,053**	**19,771**
Current assets			
Inventories	18	1,136	1,389
Tax assets		73	70
Trade receivables	16, 26	2,432	2,757
Prepaid expenses and accrued income		303	267
Financial receivables	16	34	27
Other receivables	34	411	650
Cash and cash equivalents	16, 31	3,881	4,389
Assets held for sale	32		485
Total current assets		**8,270**	**10,034**
Total assets		**25,323**	**29,805**
EQUITY AND LIABILITIES			
Share capital	19, 20	1,021	1,024
Other capital provided		417	1,842
Reserves		-374	-364
Retained earnings including profit for the year		8,596	8,780
Equity attributable to owners of the parent		**9,660**	**11,283**
Non-controlling interests	21	1,886	2,003
Total equity		**11,546**	**13,286**
Liabilities			
Non-current interest-bearing liabilities	16, 26	5,819	6,953
Other non-current liabilities		179	216
Financial liabilities	16	177	366
Provisions for pensions	23	486	487
Other provisions	24	61	99
Deferred tax liabilities	10	500	501
Total non-current liabilities		**7,222**	**8,623**
Current interest-bearing liabilities	16, 26	1,019	1,228
Financial liabilities	16	4	189
Trade payables	16	2,284	2,300
Tax liabilities		126	201
Other liabilities	34	1,098	1,431
Accrued expenses and deferred income		1,369	1,508
Provisions	24	656	553
Liabilities attributable to assets held for sale	32		485
Total current liabilities		**6,555**	**7,896**
Total liabilities		**13,777**	**16,519**
Total equity and liabilities		**25,323**	**29,805**

For information about the Group's pledged assets and contingent liabilities, see Note 28.

Consolidated statement of changes in equity

SEKm	Note 19, 20, 21	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, 2016-01-01		**1,024**	**1,842**	**-523**	**10,540**	**12,882**	**2,419**	**15,302**
Adjustment[1]				9	-44	-35	-10	-46
Adjusted equity		1,024	1,842	-514	10,495	12,847	2,409	15,256
Profit/loss for the year					-500	-500	-570	-1,071
Other comprehensive income for the year				151	-38	113	104	216
Comprehensive income for the year				**151**	**-538**	**-388**	**-466**	**-854**
Dividend					-1,108	-1,108	-22	-1,131
Non-controlling interests' share of capital contribution and new issue							494	494
Net effect, purchase of treasury shares					-61	-61		-61
Option premiums					2	2		2
Put options, future acquisitions from non-controlling interests					-4	-4	-38	-42
Acquisition of shares in subsidiaries from non-controlling interests					-6	-6	-55	-60
Disposal of shares in subsidiaries to non-controlling interests							0	0
Non-controlling interests at acquisition							8	8
Non-controlling interests in disposals							-63	-63
Adjustment, non-controlling interests							-264	-264
Closing equity, 2016-12-31		**1,024**	**1,842**	**-364**	**8,780**	**11,283**	**2,003**	**13,286**
Opening equity, 2017-01-01		**1,024**	**1,842**	**-364**	**8,780**	**11,283**	**2,003**	**13,286**
Adjustment[2]				16	-17	0	0	0
Adjusted equity		1,024	1,842	-348	8,764	11,283	2,004	13,286
Profit/loss for the year					268	268	139	407
Other comprehensive income for the year				-27	7	-20	0	-20
Comprehensive income for the year				**-27**	**275**	**248**	**139**	**387**
Dividend					-659	-659	-90	-749
Non-controlling interests' share of capital contribution, new issue and impaired equity							27	27
Net effect, purchase/redemption of treasury shares		-3	-1,425		128	-1,300		-1,300
Option premiums					1	1		1
Put options, future acquisitions from non-controlling interests					-3	-3	-2	-5
Acquisition of shares in subsidiaries from non-controlling interests					-1	-1	-6	-6
Disposal of shares in subsidiaries to non-controlling interests					1	1	6	6
Non-controlling interests in disposals							-101	-101
Adjustment, non-controlling interests					91	91	-91	0
Closing equity, 2017-12-31		**1,021**	**417**	**-374**	**8,596**	**9,660**	**1,886**	**11,546**

1) Refers to adjustment of acquisition analysis from 2013 in Arcus (SEK 31m) and adjustment of the accrual cost principle in Bisnode (SEK 13m).
2) Refers to adjustment of translation reserve in Bisnode.

Consolidated statement of cash flows

SEKm	Note 31	2017	2016
Operating activities			
Operating profit/loss		1,081	-235
Adjustment for non-cash items		522	1,784
		1,602	1,549
Income tax paid		-251	-232
Cash flow from operating activities before change in working capital		**1,351**	**1,317**
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories		-26	-47
Increase (-)/Decrease (+) in operating receivables		232	-118
Increase (+)/Decrease (-) in operating liabilities		-258	299
Cash flow from operating activities		**1,299**	**1,451**
Investing activities			
Acquisitions, Group companies		-365	-2,242
Disposals, Group companies		709	1,757
Acquisitions, investments recognised according to the equity method		-16	-585
Disposals, investments recognised according to the equity method		1,065	
Acquisitions, other intangible assets/property, plant and equipment		-578	-548
Disposals, other intangible assets/property, plant and equipment		6	19
Investments, financial assets		0	-261
Disposals, financial assets		288	4
Interest received		25	13
Cash flow from investing activities		**1,135**	**-1,844**
Financing activities			
Non-controlling interests' share of issue/capital contribution		41	298
Purchase/redemption of treasury shares		-1,300	-62
Exercise of options		-24	-11
Option premiums		19	66
Acquisition of shares in subsidiaries from non-controlling interests		0	-96
Dividend paid		-677	-1,109
Dividends paid, non-controlling interests		-90	-28
Borrowings		662	3,376
Amortisation of loans		-1,199	-3,903
Interest paid		-330	-284
Amortisation of financial leasing liabilities		-30	-41
Cash flow from financing activities		**-2,928**	**-1,794**
Cash flow for the year		**-494**	**-2,187**
Cash and cash equivalents at the beginning of the year		4,389	6,455
Exchange differences in cash and cash equivalents		-46	138
Cash and cash equivalents classified as assets held for sale		32	-17
Cash and cash equivalents at the end of the year		3,881	4,389

Parent company income statement

SEKm	Note	2017	2016
Other operating income		10	2
Other external costs	8	-81	-81
Personnel costs	7, 23	-98	-184
Depreciation of property, plant and equipment	12	-3	-4
Operating profit/loss		**-172**	**-266**
Profit from investments in Group companies	5	883	-8
Profit from investments in associates	5	778	
Other interest income and similar profit/loss items	9	24	14
Interest expenses and similar profit/loss items	9	-21	-52
Profit/loss after financial items		**1,491**	**-312**
Tax	10		
Profit/loss for the year		**1,491**	**-312**

Parent company statement of comprehensive income

SEKm	Note 20	2017	2016
Profit/loss for the year		**1,491**	**-312**
Comprehensive income for the year		**1,491**	**-312**

Parent company balance sheet

SEKm	Note	2017-12-31	2016-12-31
ASSETS			
Non-current assets			
Property, plant and equipment	12	61	64
Financial assets			
Participations in Group companies	30	8,267	9,068
Investments in associates	14		3
Receivables from Group companies	15, 16	12	
Other securities held as non-current assets	16, 17	0	0
Financial receivables	16		4
Total non-current assets		**8,340**	**9,139**
Current assets			
Current assets			
Receivables from Group companies	15,16	2	1
Other receivables		11	47
Prepaid expenses and accrued income		2	3
Cash and bank balances	16, 31	2,226	2,677
Total current assets		**2,240**	**2,728**
Total assets		**10,581**	**11,867**
EQUITY AND LIABILITIES			
Equity	19, 20		
Restricted equity			
Share capital (number of Class A shares 84,637,060, number of Class B shares 239,503,836)		1,021	1,024
Statutory reserve		289	286
Unrestricted equity			
Share premium reserve		129	1,556
Fair value reserve		7	7
Retained earnings		5,829	6,671
Profit/loss for the year		1,491	-312
Total equity		**8,765**	**9,232**
Non-current provisions			
Other provisions	24		11
Total non-current provisions			**11**
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to Group companies	16	306	2,254
Financial liabilities	16	30	39
Non-interest bearing liabilities			
Other liabilities		18	34
Total non-current liabilities		**354**	**2,327**
Current provisions			
Other provisions	24	140	117
Total current provisions		**140**	**117**
Current liabilities			
Interest-bearing liabilities			
Liabilities to Group companies	16	13	16
Non-interest bearing liabilities			
Liabilities to Group companies	16	1,250	
Trade payables	16	7	11
Other liabilities		7	42
Accrued expenses and deferred income	25	46	112
Total current liabilities		**1,322**	**181**
Total equity and liabilities		**10,581**	**11,867**

For information about the Group's pledged assets and contingent liabilities, see Note 28.

Parent company statement of changes in equity

SEKm	Note 19, 20	Restricted equity		Unrestricted equity				
		Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the year	Total equity provided
Opening equity, 2016-01-01		**1,024**	**286**	**1,556**	**7**	**7,251**	**587**	**10,711**
Other disposition of earnings						587	-587	
Profit/loss for the year							-312	
Comprehensive income for the year							**-312**	**-312**
Dividend						-1,108		-1,108
Purchase of Class C shares (preference shares)						-61		-61
Option premiums						2		2
Closing equity, 2016-12-31		**1,024**	**286**	**1,556**	**7**	**6,671**	**-312**	**9,232**
Opening equity, 2017-01-01		**1,024**	**286**	**1,556**	**7**	**6,671**	**-312**	**9,232**
Other disposition of earnings						-312	312	
Profit/loss for the year							1,491	1,491
Comprehensive income for the year							**1,491**	**1,491**
Dividend						-659		-659
Purchase of Class C shares (preference shares)		-3	3	-1,428		128		-1,300
Option premiums						1		1
Closing equity, 2017-12-31		**1,021**	**289**	**129**	**7**	**5,829**	**1,491**	**8,765**

Parent company cash flow statement

SEKm	Note 31	2017	2016
Operating activities			
Profit/loss before tax		1,491	-312
Adjustment for non-cash items		-1,463	143
		27	-169
Income tax paid		-	-
Cash flow from operating activities before change in working capital		**27**	**-169**
Cash flow from change in working capital			
Increase (-)/Decrease (+) in operating receivables		-19	-4
Increase (+)/Decrease (-) in operating liabilities		-69	-28
Cash flow from operating activities		**-61**	**-201**
Investing activities			
Acquisitions, shares in subsidiaries		-422	-3,198
Disposals, shares in subsidiaries			1,196
Liabilities to Group companies [1)]		1,228	1,364
Disposals, shares in associates		781	
Acquisition, property, plant and equipment		0	-1
Investments, financial assets			-4
Cash flow from investing activities		**1,587**	**-643**
Financing activities			
Purchase/redemption of treasury shares		-1,300	-62
Option premiums		4	6
Redemption of options		-16	
Dividend paid		-677	-1,109
Cash flow from financing activities		**-1,989**	**-1,165**
Cash flow for the year		**-463**	**-2,009**
Cash and cash equivalents at the beginning of the year		2,677	4,677
Exchange differences in cash and cash equivalents		12	9
Cash and cash equivalents at the end of the year		2,226	2,677

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

Index to the notes

RATOS

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 79.

Changed accounting principles due to new or amended IFRS

No new standards or amendments to standards have been added in 2017 that have necessitated changes in the accounting or measurement principles. The following change has been made to the presentation form and new disclosure in accordance with the amendment to IAS 7.

Amended presentation form for the Consolidated statement of cash flows

To more clearly separate cash flows arising in operations conducted and the cash flows that relate to the financing of such operations, interest paid and interest received, which were previously included in operating activities, have been moved to financing activities (interest paid) and investing activities (interest received). Consequently, cash flow is based on operating profit instead of profit before tax, which was used in the past.

Amendment in IAS 7

Within the framework of the Disclosure Initiative project, IASB has issued an amendment to IAS 7, which has been endorsed by the EU and applies for the financial year beginning on 1 January 2017. The amendment means that companies are to disclose changes in liabilities where the cash flow is recognised in the financing activities. Ratos has supplemented the information in Note 31 Cash flow statement with a reconciliation between opening and closing balances for current liabilities with information about the changes that arise from cash flows from financing activities and other non-cash accounting changes.

New IFRS that have not yet come into force

Several new standards, amendments and improvements to existing standards and interpretations have yet not come into force for the 2017 financial year and have thus not be applied in preparation of this financial report. New standards expected to have an impact on Ratos's financial reports when they come into force, or which are otherwise deemed important to address, are presented below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will be applied from 2018 and addresses the recognition of revenue from contracts with customers and the sale of certain non-financial assets. It replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. Ratos's subsidiaries operate in a variety of sectors and will thus be affected to different degrees by the new rules. In 2016, the portfolio companies commenced a review of their respective types of revenue and analysed whether the new rules in IFRS 15 will affect revenue recognition when the standard takes effect. This work continued in 2017. Ratos has chosen to apply the full retrospective approach during the transition, using the practical solutions provided in the standard. Based on this, the companies have applied the new standard to revenue for 2017 in order to identify any differences in recognition compared with IAS 11 and IAS 18, which were applied in the 2017 Annual Report. No material differences have been identified. Based on this and on additional analyses of the conditions for revenue from the existing operations in each company, all of Ratos's portfolio companies concluded that the application of IFRS will not have any material impact on revenue recognition in the individual company. Accordingly, the previous preliminary conclusion that the transition to IFRS 15 would not have any material effects on the Ratos Group's financial earnings and position was confirmed in the fourth quarter of 2017.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement The standard is effective from 2018. The amended standard primarily impacts the Ratos Group in terms of recognition of bad debts. The Group's bad debts have been, and are expected to remain, very small. Moreover, a number of the portfolio companies already apply an impairment model that largely complies with the requirements in IFRS 9, which means that the impact of the new reporting standard will not be material. Any minor effects of the transition will be recognised as an adjustment of opening equity in the first quarter of 2018. Nor will the new rules for hedge accounting have a material impact on the Ratos Group's financial position or earnings. Refer to Note 16 Financial instruments and Note 26 Financial risks and risk policy for a description of the hedges within the Ratos Group.

IFRS 16 Leases

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

IFRS 16 will impact Ratos's portfolio companies to varying degrees and at year-end 2017, each company had developed a transition plan, including an inventory and analysis of existing leases and other factors concerning materiality, discount rates and the need for system support.

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

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

Estimations and assessments

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

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

When applying IFRS, assessments which have a material effect on the financial statements, such as estimations made that may result in substantial adjustments to the following year's financial statements are described in greater detail in Note 33.

Classification

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

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

Acquisitions and divestments in subsidiaries where the controlling interest is unchanged

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

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

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

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

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

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

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

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

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

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

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

Foreign currency

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

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

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

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

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

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

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

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

Revenue recognition
Revenue recognition occurs when significant risks and benefits that are associated with companies' goods are transferred to the purchaser and the economic benefits will probably accrue to the company. The company does not subsequently retain any commitment in the current administration that is normally associated with ownership. Furthermore, revenue recognition does not occur until the income and expenditure that arose or are expected to arise as a result of the transaction can be calculated in a reliable manner.

Revenues from service assignments are recognised in profit or loss when the financial results can be calculated in a reliable manner. Income and expenses are then recognised in profit or loss in relation to the percentage of completion of the assignment.

Construction contracts
When the outcome of a construction contract can be calculated in a reliable manner, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively in the consolidated income statement by reference to the stage of completion known as percentage of completion. Stage of completion is determined by calculating the relationship between contract costs paid for work carried out at the end of the reporting period and estimated total contract costs.

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

Financial income and expenses
Net financial items include dividends, interest as well as costs for raising loans, calculated using the effective interest method, and exchange-rate fluctuations relating to financial assets and liabilities. Dividend income is recognised when the right to receive dividends is established. Capital gains or losses that arise in conjunction with divestments of financial assets and impairment of financial assets are also reported in net financial items, as are unrealised and realised changes in value relating to financial assets measured at fair value through profit or loss, including derivative instruments that are not recognised in other comprehensive income due to hedge accounting.

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

Exchange gains and exchange losses are recognised net.

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

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

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

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

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

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

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

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

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

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

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

Leased assets

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

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

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

Borrowing costs

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

Subsequent expenditure

Subsequent expenditure is added to cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be estimated in a reliable manner. All other subsequent expenditure is recognised as an expense in the period in which it arises. Decisive for assessment of when a subsequent expenditure is added to cost is whether the expenditure relates to replacement of identified components, or parts of the same, whereby such expenditure is recognised as an asset.

In cases where a new component is created, the expenditure is also added to cost. Any undepreciated carrying amounts on replaced components, or parts of components, are disposed of and recognised as an expense when the replacement takes place. Repairs are recognised as an expense on a current basis.

Depreciation principles

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

Number of years	Group	Parent company
Buildings	10-50	20-100
Equipment	3-10	3-10

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

Financial instruments

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

Recognition and derecognition from the Statement of financial position

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

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

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

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

Classification and measurement

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

A division of financial assets and liabilities is made into one of the categories listed below. A combination of the purpose of the holding at the original acquisition date and type of financial asset or liability is decisive for the division. Category classification is not specified in the Statement of financial position but is specified, on the other hand, in Note 16.

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

– Financial assets at fair value through profit or loss

This category consists of two sub groups: financial assets held for trading and other financial assets that the company has chosen to classify in this category (the fair value option). These are measured on a current basis at fair value with changes in value recognised in profit or loss for the year. The first sub group includes derivatives with a positive fair value with the exception of derivatives that are an identified and effective hedging instrument. The purpose of a derivative instrument, which is not classified as a hedging instrument, determines if the change in value is recognised in net financial items or in operating profit or loss.

– Loans and receivables

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

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

– Available-for-sale financial assets

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

– 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.

– Financial liabilities at fair value through profit or loss

This category consists of two sub groups: financial liabilities held for trading and other financial liabilities that the company chose to place in this category (the fair value option); see description on this page under “Financial assets at fair value through profit or loss”. The first category includes derivative instruments with a negative value that are not classified as hedging instruments when hedge accounting is applied. These are measured on a current basis at fair value with changes in value recognised in profit or loss for the year. The purpose of the derivative instrument determines whether a change in value is recognised in net financial items or in operating profit or loss. Change in value of financial liabilities attributable to issued synthetic options where market premiums have been paid is recognised within net financial items.

– Other financial liabilities

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

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

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, and swaps.

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

In order to meet the requirements for hedge accounting according to IAS 39, there must be an unequivocal link to the hedged item. Furthermore, it is required that the hedge effectively protects the hedged item, that hedging documentation is prepared and that effectiveness through effectiveness measurement can be shown to be sufficiently high. The outcome related to hedges are recognised in profit or loss for the year at the same time as gains or losses are recognised for the hedged items.

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

Receivables and liabilities in foreign currency

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

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

Cash flow hedges

Hedges of forecast purchases/sales in foreign currency

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

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

Hedging of future interest flows

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

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

Impairment

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

Assessment of carrying amount is performed in another manner for certain assets. This applies to inventories, assets held for sale, assets under management used for financing of employee benefits and deferred tax assets, see respective headings below. IAS 36 is applied to impairment of assets other than financial assets which are reported according to IAS 39.

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

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

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

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

Impairment of financial assets

On each reporting date the Group evaluates whether there are objective indications that a financial asset or group of financial assets is impaired. Objective indications comprise both noticeable circumstances that have occurred and which have a negative impact on the possibility to recover cost, as well as significant or lengthy reductions in the fair value of an investment in a financial investment classified as an available-for-sale financial asset; see Note 16.

The impairment requirement of the receivables is determined on the basis of historical experience of bad debts on similar receivables. Trade receivables with an impairment requirement are recognised at the present value of anticipated future

cash flows.

Impairment of available-for-sale financial assets is recognised in net financial items.

Reversal of impairment

Goodwill impairment is not reversed.

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

Impairment of held to maturity investments or loan and trade receivables recognised at amortised cost are reversed if the earlier reasons for impairment no longer exist and full payment is expected. Impairment of equity instruments classified as Available-for-sale financial assets, which were previously recognised in profit or loss are not reversed through profit or loss for the year but in other comprehensive income. The impaired value is the amount from which a subsequent revaluation is performed which is recognised in other comprehensive income. Impairments of fixed-income instruments, classified as Available-for-sale financial assets, are reversed through profit or loss if the fair value increases and the increase can objectively be attributed to an event that occurred after the impairment was recognised.

Inventories

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

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

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

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

Assets held for sale

Assets are classified as assets held for sale when it is highly probable that a sale will take place. This can be an individual asset, a group of assets and liabilities attributable to them or a company, i.e. a subsidiary or an associate. Assets classified as assets held for sale are recognised separately as a current asset. Liabilities attributable to assets held for sale are recognised separately as a current liability in the Statement of financial position. Immediately prior to classification as an asset held for sale, the carrying amount of the assets and liabilities (and all assets and liabilities in a disposal group) is determined in accordance with applicable standards. Subsequently, assets held for sale are recognised at the lower of carrying amount and fair value with deduction for selling costs. Changes in value are recognised in profit or loss.

Equity

Purchase of treasury shares

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

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

Preference shares

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

Dividends

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

Employee benefits

Defined contribution pension plans

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

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

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

Defined benefit plans

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

When the terms in a plan improve, the portion of the increased benefits attributable to the employees' past service is recognised as an expense in profit or loss. Remeasurements which arise as a result of defined benefit plans also include return on plan assets (excluding interest) and the effect of an asset ceiling (if any, excluding interest). These are recognised immediately in other comprehensive income. All other costs related to defined benefit plans are recognised under personnel costs in the income statement. The Group recognises interest on defined benefit obligations under net financial items in the income statement. When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of unrecognised actuarial losses and unrecognised past service costs and the present value of future repayments from the plan or reduced future payments to the plan.

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

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

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

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

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

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

Earnings per share

Earnings per share are based on consolidated profit for the year attributable to owners of the parent reduced by the period's dividend to preference shareholders divided by average outstanding ordinary shares.

The dilution effect of option programmes depends on outstanding call options during the year. Calculation of the number of shares is based on the difference between the exercise price for all outstanding call 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.

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

Contingent liabilities

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

Parent company's accounting principles

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

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

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

Classification and presentation

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

Financial instruments

The parent company applies the rules in the Swedish Annual Accounts Act, Chapter 4, Section 14 a-e, which allow measurement of some financial instruments at fair value.

Anticipated dividends

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

Associates and subsidiaries

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

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

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

Group contributions and shareholder contributions

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

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

Tax

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

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

Note 2 Operating segments

Ratos is an investment company whose business comprises the acquisition, development and divestment of preferably unlisted Nordic enterprises. Over time, Ratos is to generate the highest possible return by actively exercising its ownership to realise the potential of a number of selected companies and investment situations. In this respect, Ratos provides stock market players with a unique investment opportunity.

Ratos's CEO and Board, the Ratos Group's "chief operating decision-makers," monitor operations on the basis of development in all Ratos's companies. Net sales, EBITA, adjusted EBITA, EBT and consolidated value are followed up for the companies individually and in total. Management and the Board also follow up operations on the basis of how well the company-specific return target has been achieved.

SEKm	Net sales		Depreciation 1)		Interest income		Interest expenses 2)		EBT 3)		Interest-bearing net receivable (+) / net debt (-) 4)	
Company	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Aibel									-24	-198		
Bisnode	3,555	3,458	-153	-148	1	1	-75	-86	280	47	-1,566	-1,745
DIAB	1,439	1,516	-72	-65	1	0	-34	-36	-41	84	-773	-890
HENT	7,266	7,991	-9	-7	5	3	-7	-9	250	191	664	733
HL Display	1,445	1,417	-36	-36	0	0	-25	-30	17	43	-503	-569
Jøtul	944	898	-48	-49	1	1	-23	-23	-46	-10	-471	-534
Kvdbil	346	321	-8	-6	0	0	-4	-5	27	31	-141	-143
LEDiL	388	365	-7	-1	0	0	-9	-10	93	91	-365	-123
Speed Group	513	562	-22	-31	0	0	-2	-2	10	11	28	50
TFS	882	793	-32	-30	0	1	-2	-2	-30	6	-39	-3
Total companies in the portfolio all periods presented	**16,778**	**17,320**	**-388**	**-373**	**9**	**7**	**-181**	**-203**	**535**	**296**	**-3,166**	**-3,224**
airteam 5)	820	601	-36	-26	0	0	-7	-5	37	14	-96	-197
Gudrun Sjödén 6)									23	8		
Oase Outdoors 7)	409	14	-7	-2	0	0	-9	-3	40	-44	-278	-284
Plantasjen 8)	4,009	280	-115	-7	1	-1	-142	-7	51	-37	-2,103	-2,384
Total companies acquired during periods presented	**5,239**	**895**	**-158**	**-36**	**2**	**-1**	**-158**	**-15**	**151**	**-59**	**-2,477**	**-2,865**
AH Industries	265	1,059		-35			-3	-20	-2	19		
Arcus		2,294		-48		7		-71	0	4		
Biolin Scientific		186		-15		0		-5		-28		-56
Euromaint		1,061		-20		0		-16		9		
GS-Hydro	542	886	-15	-24	0	1	-9	-19	-79	-149		-368
Mobile Climate Control		1,194		-13		0		-16		77		
Nebula	177	332	-15	-27	0	0	-8	-19	40	71		-440
Serena Properties									33	56		
Total companies divested during periods presented	**985**	**7,013**	**-29**	**-182**	**0**	**8**	**-21**	**-167**	**-7**	**58**	**0**	**-865**
Total companies in the portfolio	**23,001**	**25,228**	**-575**	**-591**	**10**	**15**	**-359**	**-384**	**679**	**295**	**-5,642**	**-6,954**

The table continues on the next page.

1) Depreciation of intangible assets and property, plant and equipment.
2) Including interest on shareholder loans.
3) 100% of subsidiaries' profits included in consolidated profit and investments recognised according to the equity method included with pre-tax holding percentage.
4) Excluding shareholder loans.
5) airteam is included as a subsidiary with effect from April 2016.
6) Gudrun Sjödén Group is included as an associate with a holding of 30% with effect from September 2016.
7) Oase Outdoors is included as a subsidiary with effect from September 2016.
8) Plantasjen is included as a subsidiary with effect from December 2016.

Note 2, cont.

SEKm	Net sales		Depreciation [1]		Interest income		Interest expenses [2]		EBT [3]		Interest-bearing net receivable (+) / net debt (-)[4]	
Company	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Exit AH Industries									-32			
Exit Arcus									33	1,403		
Exit Euromaint										0		
Exit Mobile Climate Control										268		
Exit Nebula									515			
Exit Serena Properties									79			
Exit gain/loss									**596**	**1,672**		
Impairment AH Industries										-135		
Impairment Aibel										-1,692		
Impairment Biolin Scientific										-314		
Impairment Diab									-200			
Impairment Euromaint										-122		
Impairment and loss from GS-Hydro bankruptcy									68	-160		
Impairment HL Display									-350			
Impairment Jøtul										-81		
Profit/loss from companies	**23,001**	**25,228**	**-575**	**-591**	**10**	**15**	**-359**	**-384**	**792**	**-538**	**-5,642**	**-6,954**
Items attributable to the parent company and central companies												
Operational management costs			-9	-4					-153	-261		
Other income and costs, including transaction costs	58	0							34	-56		
Costs that will be charged to the portfolio companies									0	-9		
Financial items					26	32	-1	0	-16	-27		
Other/eliminations					-7	-10	7	10			2,318	3,015
Group total	**23,059**	**25,228**	**-584**	**-594**	**29**	**36**	**-353**	**-374**	**658**	**-890**	**-3,324**	**-3,939**

Ratos's results

Profit before tax for full-year 2017 amounted to SEK 658m (-890), of which impairment of portfolio companies accounted for SEK 550m (2,504). Earnings for 2017 include an exit gain of SEK 596m (1,672). This result includes profit/a share of profits from the companies of SEK 679m (295). The improvement is attributable to a changed company portfolio with earnings from the companies acquired in 2016: airteam, Gudrun Sjödén Group, Oase Outdoors and Plantasjen, improved earnings in Bisnode and a reduction in non-recurring items.

Ratos's operational management costs amounted to SEK -153m (261). These costs include SEK 12m pertaining to the 12-month notice period for former CEO Magnus Agervald, including salary, social security costs, vacation pay and pension premiums. In 2016, costs included organisational changes including the change of CEO. Other income and costs, including transaction costs, include an exit gain of SEK 40m on the divestment of a property development project in Aalborg, Denmark.

	Share of profits from investments recognised according to the equity method	
SEKm	**2017**	**2016**
Aibel	-24	-198
Arcus	0	3
Gudrun Sjödén Group	23	8
Serena Properties	18	36
Recognised in portfolio company	3	
Parent company and central companies	-1	-1
	19	**-152**

Net sales per geographic area

The Ratos Group has its main focus on the Nordic market, which is reflected in the share of net sales in the Nordic countries amounting to approximately 72% (68). The rest of Europe is the second-largest market and amounts to approximately 21% (19), with the remainder evenly divided between North America and the rest of the world.

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

Note 2, cont.

	Consolidated value [1]	
SEKm	**2017-12-31**	**2016-12-31**
Aibel	679	587
airteam	383	356
Arcus		729
Bisnode	1,929	1,606
Diab	623	770
GS-Hydro		0
Gudrun Sjödén Group	183	166
HENT	410	298
HL Display	566	840
Jøtul	-34	4
Kvdbil	376	356
LEDiL	418	530
Nebula		283
Oase Outdoors	155	137
Plantasjen	1,275	1,303
Serena Properties		398
Speed Group	297	296
TFS	239	168
Total	**7,497**	**8,825**
Other net assets in the parent company and central companies [2]	2,163	2,458
Equity (attributable to owners of the parent)	**9,660**	**11,283**

[1] Holdings are shown at consolidated figures, which correspond to the Group's share of the holding's 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 totalled SEK 2,226m (2,677).

Note 3 Revenue breakdown

Group

SEKm	**2017**	**2016**
Breakdown of net sales		
Sale of goods	10,001	11,504
Service contracts	4,655	4,624
Construction contracts	8,086	8,877
Reimbursable expenditure	318	223
	23,059	**25,228**

Note 4 Acquired and divested businesses

2017

Divested subsidiaries

Cash flow effect from divested companies is provided in Note 31.

Divestment of AH Industries

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

Divestment of Nebula

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

Divestment of Sophion Bioscience

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

Divested companies recognised according to the equity method

Divestment of the remaining holding in Arcus

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

Divestment of Serena Properties

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

GS-Hydro declared bankrupt

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

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

Adjusted purchase price allocation for Plantasjen

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

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

Acquisitions within subsidiaries

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

The acquired companies are subsidiaries in their respective groups. The subsidiaries that are part of the Ratos Group at year-end and the acquisition of which have had the greatest impact on Ratos's financial statements are presented below.

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

Acquisitions 2016

Acquisitions of subsidiaries

Plantasjen

At the end of November 2016, Ratos acquired 99% of the shares in Plantasjen in accordance with the agreement signed in September of the same year. The equity value amounted to approximately NOK 1.2 billion, corresponding to an enterprise value of about NOK 2.8 billion, adjusted for estimated net debt on completion of the transaction. Ratos provided SEK 1.4 billion. The acquisition was made via the wholly owned subsidiary Blomster Intressenter AB, which subscribed for 99% of the shares in Plantasjen Holding AS, which subsequently acquired 100% of the shares in Plant Topco AS through its wholly owned subsidiary Plantasjen Group AS.

Plantasjen was founded in Norway in 1986 and is the Nordic region's leading chain for sales of plants and gardening accessories, with a total of 124 stores in Norway, Sweden and Finland, and a primary focus on consumers. Plantasjen has approximately 1,200 employees.

The total consideration transferred for the acquisition of the shares in Plantasjen amounted to SEK 1,232m. Goodwill in the preliminary purchase price allocation amounts to SEK 2,391m and is primarily attributable to the company's growth and business model as well as an organisation with a strong culture. Plantasjen has been included in the Ratos Group from the date of acquisition, with net sales of SEK 280m and a loss before tax of SEK -37m. For the January to December period, net sales amounted to SEK 3,696m and profit before tax to SEK 56m. Acquisition-related transaction costs amounted to SEK 24m.

Preliminary purchase price allocation (PPA) Plantasjen	SEKm
Trademarks	624
Customer relations	40
Other intangible assets	4
Property, plant and equipment	841
Financial assets	21
Deferred tax assets	230
Current assets	528
Cash and cash equivalents	198
Non-controlling interests	-11
Deferred tax liabilities	-148
Non-current liabilities and provisions	-3,027
Current liabilities	-459
Net identifiable assets and liabilities	**-1,159**
Goodwill	2,391
Consideration transferred	**1,232**
of which, cash paid	1,222
via non-cash issue	10

Oase Outdoors

In September 2016, Ratos acquired 79% of the shares in Danish company Oase Outdoors, in accordance with the agreement signed in June of the same year. The enterprise value for 100% of the company amounted to DKK 380m, of which Ratos provided DKK 126m. The acquisition was made via the wholly owned subsidiary Outdoor Intressenter AB, which subscribed for 79% of the shares in Sunrise TopCo ApS, which subsequently acquired 100% of the shares in Oase Outdoors ApS through its subsidiary Sunrise BidCo.

Oase Outdoors is a family-owned company that designs, produces and supplies innovative camping and outdoor equipment under three strong brands, namely Outwell®, Easy Camp® and Robens®. Resellers distribute the products globally to more than 40 markets.

The total consideration transferred for the acquisition of the shares in Oase Outdoors amounted to SEK 423m. Goodwill in the preliminary purchase price allocation amounts to SEK 223m and is primarily attributable to the company's growth and business model as well as an organisation with a strong culture. Oase Outdoors has been included in the Ratos Group from the date of acquisition, with net sales of SEK 14m and a loss before tax of SEK -44m. For the January to December period, net sales amounted to SEK 422m and profit before tax to SEK 37m. Acquisition-related transaction costs amounted to SEK 8m.

Preliminary purchase price allocation (PPA)

Oase Outdoors	SEKm
Trademarks	165
Customer relations	6
Intangible assets	0
Property, plant and equipment	5
Financial assets	1
Current assets	91
Cash and cash equivalents	13
Deferred tax liabilities	-39
Current liabilities	-43
Net identifiable assets and liabilities	**200**
Goodwill	223
Consideration transferred	**423**
of which, cash paid	359
of which, promissory note	64

airteam

Ratos acquired 70% of the shares in airteam in April 2016, in accordance with the agreement signed in February of the same year. The enterprise value for 100% of the company amounted to DKK 575m, of which Ratos provided DKK 272m. The acquisition was carried out when Ratos, via wholly owned subsidiary Vento Intressenter AB, subscribed for 70% of the shares issued in the newly formed Danish owner company Airteam TopCo ApS, which in turn acquired 100% of the shares in Airteam A/S via Airteam Holding ApS.

airteam offers high-quality, effective ventilation solutions in Denmark and is headquartered in Aarhus. The company focuses on project development, project management and procurement where the projects, to a large extent, are carried out by a broad network of quality-assured subcontractors. Furthermore, airteam offers maintenance and service of its installed solutions.

The total consideration transferred for the acquisition of the shares in airteam amounted to SEK 740m. A contingent consideration may be paid in a maximum amount of SEK 37m, which corresponds with the book value, dependent on the outcome of customer guarantees in the acquired company. Goodwill in the preliminary purchase

Preliminary purchase price allocation (PPA)

airteam	SEKm
Trademarks	15
Customer relations	57
Property, plant and equipment	2
Financial assets	2
Current assets	135
Cash and cash equivalents	42
Deferred tax liabilities	-47
Non-current liabilities and provisions	-7
Current liabilities	-122
Net identifiable assets and liabilities	**76**
Goodwill	664
Consideration transferred	**740**
of which, cash paid	703
of which, contingent consideration	37

price allocation amounts to SEK 664m and is primarily attributable to the company's growth and business model as well as an organisation with a strong culture. airteam has been included in the Group from the acquisition date, with net sales of SEK 601m and profit before tax of SEK 14m, after amortisation of acquisition-related intangible assets of SEK 25m.

For the January to December period, net sales amounted to SEK 769m and profit before tax to SEK 14m. Acquisition-related transaction costs amounted to SEK 7m.

Investments recognised according to the equity method

Serena Properties

In January 2016, Ratos acquired 56% of the shares in Serena Properties, a newly formed real estate company with commercial retail properties in Finland, in accordance with the agreement signed in November 2015. The enterprise value for 100% of the company amounted to EUR 191.5m, of which Ratos paid EUR 39m (SEK 359m). The acquisition was carried out when Ratos, via wholly owned subsidiary Aneres Properties AB subscribed for shares in the newly formed owner company Serena Properties AB, which in turn acquired a number of Finnish real estate companies. The amount provided includes lending to the Serena Properties Group from Aneres Properties. Serena Properties is a joint venture in which Ratos has joint controlling influence and the company is therefore recognised according to the equity method in the Group.

Serena Properties owns and manages retail properties located across 14 mid-sized towns in Finland. The properties are located in established retail areas with tenants that are attractive and largely comprise grocery and discount retailers. The properties were previously 100% owned by Varma, which following the sale, will retain 43% ownership in Serena Properties. Redito has been commissioned as property portfolio manager and has acquired 1% of the shares.

Gudrun Sjödén Group

In September 2016, Ratos acquired 30% of the shares in Gudrun Sjödén Group, in accordance with the agreement signed in July of the same year. The enterprise value for 100% of the company amounted to SEK 725m, of which Ratos paid SEK 152m for a holding of 30%, after adjustment for net debt. Ratos also signed an agreement for an option to increase its holding a further 40% in 2018.

Gudrun Sjödén Group is a family-owned, Swedish design company with a unique, colourful style and a clear sustainability profile. The Gudrun Sjödén brand is sold and marketed globally through 21 of its own stores in seven countries, a global webshop and mail order service as well as online sales, which is the largest distribution channel. Customers are located in more than 50 countries, with Germany and Sweden comprising the largest markets. Gudrun Sjödén Group is recognised in the Ratos Group according to the equity method from the date of acquisition.

Acquisitions within subsidiaries

During the year, TFS strengthened its market position in Germany through the acquisition of dermatology specialist SCIderm GmbH. Bisnode acquired the Danish company NN Markedsdata ApS, Belgium's Swan Insights NV and three companies to strengthen its position in Central Europe. airteam acquired Ventek Ventilation A/S. The acquired companies are subsidiaries in their respective groups. The subsidiaries included in the Ratos Group at year-end and whose acquisitions had the greatest impact on Ratos's financial statements are presented below.

Note 4, cont.

SEKm	Within Bisnode	Within TFS
Intangible assets	57	2
Property, plant and equipment	1	4
Current assets	15	37
Cash and cash equivalents	7	0
Deferred tax liabilities	-8	-1
Non-current liabilities	0	
Current liabilities	-45	-28
Net identifiable assets and liabilities	**27**	**14**
Goodwill	101	23
Consideration transferred	**128**	**37**
of which, cash paid	120	15
of which, contingent consideration	8	22

Approval of purchase price allocation, Speed Group and TFS

In 2016, the earlier preliminary purchase price allocations for the acquisition of Speed Group in September 2015 and of TFS in October 2015 were approved and intangible assets in the form of trademarks and customer contracts were valued. As a consequence of this, previously recognised goodwill declined. The complete definitive purchase price allocations on the date of acquisition are presented below. Identified customer contracts are amortised from the date of acquisition and over the maturity of the contract. Amortisation of customer contracts in Speed Group was charged to earnings for the period in an amount of SEK 17m, net of the effect of deferred tax. Amortisation of customer contracts in TFS was charged to earnings for the period in an amount of SEK 21m, net of the effect of deferred tax.

Speed Group SEKm	Preliminary purchase price allocation (PPA)	Definitive purchase price allocation
Trademarks		5
Customer relations		64
Property, plant and equipment	20	20
Current assets	201	201
Cash and cash equivalents	25	25
Deferred tax liabilities	-1	-16
Current liabilities	-289	-289
Net identifiable assets and liabilities	**-44**	**10**
Goodwill	342	289
Consideration transferred	**299**	**299**

TFS SEKm	Preliminary purchase price allocation (PPA)	Definitive purchase price allocation
Trademarks		21
Customer relations		55
Property, plant and equipment	7	7
Financial assets	3	3
Current assets	177	177
Cash and cash equivalents	36	36
Non-controlling interests	-150	-150
Deferred tax liabilities		-17
Non-current liabilities and provisions	-1	-1
Current liabilities	-216	-216
Net identifiable assets and liabilities	**-145**	**-86**
Goodwill	370	311
Consideration transferred	**225**	**225**

Divestments 2016

Cash flow effect from divested companies is provided in Note 31.

Euromaint

In November 2016, Ratos divested 100% of the shares in subsidiary Euromaint in accordance with the agreement signed in October of the same year. The selling price amounted to approximately SEK 650m (enterprise value). The divestment generated no exit gain as the holding was impaired to the net realisable value during the third quarter.

Mobile Climate Control

In November 2016, Ratos divested 100% of the shares in subsidiary Mobile Climate Control in accordance with the agreement signed in the same month. The selling price amounted to SEK 1,373m and generated an exit gain of SEK 268m.

Initial public offering for Arcus

On 1 December 2016, the subsidiary Arcus was listed on the Oslo Stock Exchange at a price of NOK 43 per share. In conjunction with the listing, Ratos sold shares for a total value of SEK 1,194m. Since, as a result of this transaction, Arcus has changed from being a subsidiary to being an associate of Ratos, the entire holding in conjunction with the changeover, in accordance with IFRS, has been remeasured at fair value which is based on the listing price. The exit gain, which is based on both realised shares and an increase in value from remeasurement of shares retained, amounted to SEK 1,403m.

Divestment of Analytical Instruments, part of Biolin Scientific

Biolin Scientific divested its Analytical Instruments business area in December. The sale generated a minor exit gain for Ratos. In future, the continuing operations will be run under the name Sophion and recognised under other net assets in Ratos.

Agreement signed for the divestment of AH Industries

In December, Ratos signed an agreement to divest all of its shares in AH Industries at an enterprise value of DKK 240m for 100% of the company. Ratos's holding amounts to 70%. Accordingly, no significant exit earnings effect is expected on completion of the transaction during the first quarter of 2017.

Divestments within subsidiaries

Ratos's subsidiary Bisnode divested Bisnode Campaign AS in 2016. Ratos's subsidiary Euromaint signed an agreement in December 2015 to sell all its shares in its German subsidiary. The divestment was completed during the first quarter of 2016.

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

Group

Capital gain/loss from sale of Group companies

SEKm	2017	2016
Arcus		1,403
Nebula	515	
GS-Hydro (loss from bankruptcy)	68	
AH Industries	-32	
Euromaint		0
Mobile Climate Control		268
Companies within the former portfolio company Biolin Scientific	7	9
Companies within the Bisnode group	1	11
Companies within the Euromaint group		-13
	559	**1,678**

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

SEKm	2017	2016
Companies within the HENT group	8	
Serena Properties	79	
Arcus	33	
Aalborg Real Estate	40	
	161	**0**

Parent company

Profit from investments in Group companies

SEKm	2017	2016
Dividend	572	
Gain from the sale of shares	844	2,459
Impairment	-533	-2,467
	883	**-8**

Profit from investments in associates

SEKm	2017	2016
Gain from the sale of shares	778	
	778	**0**

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

Group

SEKm	2017	2016
Share of profit		
Aibel	-24	-198
Gudrun Sjödén	23	8
Serena Properties	18	36
Share of profit from investments recognised according to the equity method, owned by Group companies	2	2
	19	**-152**
Share of tax from investments recognised according to the equity method	-17	18
	2	**-134**

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

Average number of employees

	2017		2016	
	Total	Of whom, women, %	Total	Of whom, women, %
Parent company	36	46	47	53
Group companies	9,957	41	11,189	31
Group total	**9,993**		**11,236**	
Of whom in:				
Sweden	2,626	44	3,233	29
Norway	2,035	35	1,783	21
Finland	541	39	511	30
Denmark	585	30	701	23
Australia	9	22	10	30
Belgium	166	33	176	33
Bosnia-Herzegovina	2	50	1	100
Ecuador	126	7	114	8
Estonia	50	94	47	94
France	147	54	145	44
United Arab Emirates	7	29	7	29
India	10	40	11	36
Indonesia	8	63	8	50
Italy	291	13	233	18
Japan	3	39	4	43
Canada	3	67	334	11
China	556	31	729	30
Croatia	42	60	37	61
Latvia			17	12
Lithuania	224	31	173	28
Netherlands	53	50	62	47
Poland	553	60	694	52
Romania	11	45	10	42
Russia	21	43	23	43
Switzerland	99	36	103	36
Serbia	26	73	26	85
Singapore	8	13	14	21
Slovakia	32	84	38	21
Slovenia	100	58	97	58
Spain	358	68	419	65
UK	266	31	280	28
South Korea	55	20	76	18
Thailand	13	62	14	64
Czech Republic	109	62	119	44
Germany	448	46	428	44
Hungary	85	58	88	57
USA	246	24	379	28
Austria	74	54	84	49
Other countries	1	0	10	20
	9,987		**11,236**	

Note 7, cont.

Gender distribution, Board and senior executives

	2017-12-31 Share of women	2016-12-31 Share of women
Board of Directors		
Parent company	43%	43%
Group total	18%	21%
Management		
Parent company	17%	0%
Group total	28%	20%

Group – Salaries and other remuneration

SEKm	Board and senior executives	Other employees	Total
2017			
Group, total	273	4,318	4,590
(of which, bonus)	(27)		(27)
Of which in Sweden	112	1,150	1,261
(of which, bonus)	(11)		(11)
Of which in other countries	161	3,168	3,329
(of which, bonus)	(16)		(16)
Number of people	224		
2016			
Group, total	376	4,694	5,070
(of which, bonus)	(54)		(54)
Of which in Sweden	131	1,433	1,564
(of which, bonus)	(26)		(26)
Of which in other countries	245	3,261	3,506
(of which, bonus)	(28)		(28)
Number of people	302		

Social security costs

SEKm	2017	2016
Social security costs	1,258	1,452
(of which, pension costs)	(332)	(415)

Of the Group's pension costs, SEK 36m (36) refers to the boards and senior executives in the Group's companies. The Group's outstanding pension commitments to these amount to SEK 14m (10).

Parent company – Salaries and other remuneration

SEKm	2017	2016
Senior executives, CEO and Deputy CEO		
Number of people [1]	6	5
Salaries and other remuneration [2]	34	40
(of which, bonus)	(3)	(12)
Salaries and other remuneration, other employees	31	80
Total	**65**	**120**

1) At 31 December 2016, the number was 4 people.
2) Excluding vacation pay.

Social security costs

SEKm	2017	2016
Social security costs	35	58
(of which, pension costs)	(17)	(19)

Of the parent company's pension costs, SEK 4.2m (4.4) refers to the CEO and Deputy CEO.

Remuneration to Board and senior executives

Guidelines and principles for remuneration to senior executives

The guidelines for remuneration and incentive systems for senior executives as set out below were approved by the 2017 Annual General Meeting. The following guidelines were applied throughout 2017.

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

The incentive system comprises a number of components – basic salary, variable salary, pension provisions, call options and synthetic options – and rests on five basic principles.

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

As far as possible, pension benefits shall be defined contribution pension solutions, but certain pension benefits that follow the ITP plan are defined benefit plans.

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

Variable cash salary for senior executives

The variable cash salary is related to the annual shared and individual targets. The targets are both quantitative and qualitative and aimed at meeting Ratos's long-term strategy. In 2017, the criteria for and the calculation of the outcome of variable cash salary were modified. Examples of targets were the increase in EBITA in the portfolio companies and the increase value of the underlying portfolio companies.

Variable cash salary is disbursed over a two-year period and is divided into 50% for each year. However, the expense for each year's variable salary is expensed in its entirety in the year the remuneration is earned. A ceiling has been established in relation to each senior executive's fixed salary and could, for 2017, amount to a maximum of 130% of fixed salary.

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

Call option programmes

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

Synthetic options

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

Remuneration to Ratos's Board and senior executives

2017 SEKm	Board fee/ Basic salary [1]	Variable remuneration [2]	Other benefits [3]	Pension costs	Total	Pension commitments
Per-Olof Söderberg, Chairman of the Board [4]	0.5	-	-	-	0.5	-
Jonas Wiström, former Chairman of the Board [5]	1.2	-	-	-	1.2	-
Jan Söderberg, Board member	0.5	-	-	-	0.5	-
Annette Sadolin, Board member	0.5	-	-	-	0.5	-
Karsten Slotte, Board Member	0.5	-	-	-	0.5	-
Charlotte Strömberg, Board member [6]	0.6	-	-	-	0.6	-
Ulla Litzén, Board member [6]	0.6	-	-	-	0.6	-
Jonas Wiström, CEO [7]	-	-	-	-	-	-
Magnus Agervald, CEO [8]	13.2	1.6	-	4.1	18.9	-
Bo Jungner, Deputy CEO through 2017-02-28 [9]	2.3	-	-	0.1	2.4	-
Other senior executives [10]	9.9	4.0	0.1	3.6	17.6	-

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

Remuneration to Ratos's Board and senior executives

2016 SEKm	Board fee/ Basic salary [1]	Variable remuneration [2]	Other benefits [3]	Pension costs	Total	Pension commitments
Jonas Wiström, Chairman of the Board [5]	1.2	-	-	-	1.2	-
Arne Karlsson, Chairman of the Board [6]	0.3	-	-	-	0.3	-
Annette Sadolin, Board member	0.5	-	-	-	0.5	-
Jan Söderberg, Board member	0.5	-	-	-	0.5	-
Per-Olof Söderberg, Board member	0.5	-	-	-	0.5	-
Karsten Slotte, Board Member	0.5	-	-	-	0.5	-
Charlotte Strömberg, Board member [4]	0.6	-	-	-	0.6	-
Ulla Litzén, Board member [4] [5]	0.5	-	-	-	0.5	-
Staffan Bohman, Board member [4] [6]	0.2	-	-	-	0.2	-
Susanna Campbell, CEO [8]	16.4	0.1	0.1	2.0	18.5	-
Magnus Agervald, CEO [9]	0.9	1.3	-	0.3	2.5	-
Bo Jungner, Deputy CEO	3.3	4.1	-	0.6	8.0	-
Henrik Blomé, Deputy CEO [7]	1.5	0.1	0.1	0.2	1.8	-
Lars Johansson, Deputy CEO [10]	3.7	3.8	-	0.8	8.3	-
Other senior executives [11]	2.7	2.6	0.1	0.5	5.8	-

1) Basic salary excluding vacation pay. 2) Including subsidies on call options and synthetic options. 3) Company car. 4) Invoiced fee taking social security costs into account. 5) With effect from the 2016 AGM. 6) With effect through the 2016 AGM. 7) Henrik Blomé was a member of the management team through 30 June 2016, and thereafter was no longer one of the senior executives. Bonus pertains to synthetic option subsidies allocated during the period as Deputy CEO. 8) Susanna Campbell stepped down as Ratos's CEO on 1 July 2016. Basic salary includes remuneration for a six-month notice period and severance pay corresponding to one and a half annual salary. The severance pay will be paid during 2017 and 2018 and be set off against any received remuneration from a third party. 9) CEO from 14 November 2016. 10) Lars Johansson was a member of the management group all of 2016. Acting CEO during the period 1 July to 13 November 2016. 11) Two other people who were members of the management group in 2016, but during different periods.

Note 7, cont.

Remuneration to the CEO [1]

Variable remuneration

The size of variable remuneration is decided on a discretionary basis by the Board based on a proposal from the Compensation Committee and within the framework of the total variable remuneration component for senior executives and other key people. Acquisitions of call options and synthetic options are subsidised within the framework of the option programme for senior executives.

Pension terms

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

Terms for severance pay

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

1) The terms apply to the current CEO Jonas Wiström. The terms are the same as for former CEO except for the notice period, where former CEOs had a twelve-month (12) notice period if notice were to be given by the company.

Other senior executives

Variable remuneration

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

Pension terms

Pension benefits comprise a defined contribution pension solution as of 1 May 2017, when the company converted to a defined contribution solution and left the ITP plan. There is no agreed retirement age.

Terms for severance pay

In the event of notice being given by the company or by the senior executive, a period of notice of three (3) to twelve (12) months applies. There is no agreement regarding severance pay.

Call options

Holding 2017-12-31 [1]	2013 Number	2014 Number	2015 Number	2016 Number	2017 Number	Benefit
Chairman of the Board [2]	-	-	-	-	-	-
Other Board members [2]	-	-	-	255,000	-	-
Jonas Wiström, CEO (as of 13 December 2017) [2) 3)]	-	-	-	260,000	-	-
Other senior executives	48,000	140,000	66,100	110,000	87,500	-

Holding 2016-12-31 [1]	2012 Number	2013 Number	2014 Number	2015 Number	2016 Number	Benefit
Chairman of the Board [2]	-	-	-	-	260,000	-
Other Board members [2]	-	-	-	-	255,000	-
Magnus Agervald, CEO	-	-	-	-	100,000	
Bo Jungner, Deputy CEO	117,300	90,000	50,000	46,500	50,000	-
Other senior executives	39,000	22,500	80,000	37,500	70,000	-

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

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

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

Synthetic options

	2017			2016		
SEKm	Paid-in premium	Proceeds received upon redemption	Benefit	Paid-in premium	Proceeds received upon redemption	Benefit
Board of Directors	-	-	-	-	-	-
CEO and other senior executives	1.0	1.5	-	0.8	-	-

Call options issued by Ratos

	2017-12-31		2016-12-31	
	Number of options	Corresponding number of shares	Number of options	Corresponding number of shares
Outstanding at beginning of period	3,224,700	3,259,176	3,411,700	3,442,392
Issued	242,500	242,500	453,000	453,000
Recalculated due to dividends				22,984
Expired [1]	-1,149,200	-1,183,676	-640,000	-659,200
Outstanding at end of period	**2,318,000**	**2,318,000**	**3,224,700**	**3,259,176**

1) Exercise price SEK 72.0 per share (154.6), share price when the options expired was SEK 42.35 (51.55).

Note 7, cont.

Disclosures on call options issued during the period

Each option carries entitlement to purchase one share.

	2017	2016
Maturity date	2022-03-18	2021-03-19
Exercise price per share on issuance, SEK	47.10	48.70
Total option premium payments, SEKm	1.1	2.2
Total payments to Ratos if shares acquired, SEKm	11.4	22.1

Option terms for outstanding call options

				2017-12-31		2016-12-31	
Maturity date	**Option premiums SEK per option**	**Exercise price SEK per share**	**Right to purchase number of shares**	**Number of options**	**Corresponding number of shares**	**Number of options**	**Corresponding number of shares**
2017-03-20	4.70	72.00	1.03			1,149,200	1,183,676
2018-03-20	11.50	56.90	1.00	585,900	585,900	585,900	585,900
2019-03-20	7.30	51.80	1.00	574,500	574,500	574,500	574,500
2020-03-20	6.50	55.50	1.00	462,100	462,100	462,100	462,100
2021-03-19	4.80	45.00	1.00	453,000	453,000	453,000	453,000
2022-03-18	4.50	47.10	1.00	242,500	242,500		
				2,318,000	**2,318,000**	**3,224,700**	**3,259,176**
Maximum increase in number of shares in relation to outstanding shares at end of period					0.7%		1.0%

Cash amount that the company may receive on exercise of outstanding options amounts to SEK 121m (203).

Incentive programmes in Ratos's subsidiaries

Ratos makes active efforts to ensure that an incentive strategy is in place for boards and senior executives of the companies in which Ratos invests. There are a number of different incentive programmes which include shares, shareholder loans, subscription warrants, synthetic options and synthetic shares. Investments are made on market terms with some exceptions.

These exceptions did not have any material effect on the Ratos Group's income statement and balance sheet.

In total, financial liabilities relating to synthetic options in the Ratos Group amounted to SEK 159m (158). During the year, the Group's earnings were affected by SEK -9m (-173) relating to synthetic option liabilities.

Note 8 Fees and disbursements to auditors

	2017		2016	
SEKm	**Group**	**Parent company**	**Group**	**Parent company**
Senior auditor PwC				
Audit assignment	19	2	18	2
Audit-related activities in addition to audit assignment	1	0	1	
Tax advice	2	0	1	
Other services	2	1	2	1
Other auditors				
Audit assignment	10		13	
Audit-related activities in addition to audit assignment	0		1	
Tax advice	0		1	
Other services	0		2	
	35	**3**	**38**	**3**

Group

Of audit-related activities in addition to audit assignment, SEK 1m refers to PwC Sweden, of the fees for tax advice, SEK 0m refers to PwC Sweden and of other services, SEK 1m refers to PwC Sweden.

Parent company

For the parent company, SEK 0m refers to PwC Sweden for audit-related activities in addition to audit assignment, SEK 0m refers to PwC Sweden for tax advice and SEK 1m refers to PwC Sweden for other services.

Audit assignment refers to examination of the annual accounts and accounting records as well as the administration by the Board of Directors and the CEO, other tasks which are the business of the company's auditors, and advice or other assistance which is caused by observations on such examination or implementation of other such work tasks. Everything else relates to other services.

Note 9 Financial income and expenses

Group **Financial income** **SEKm**	Fair value through profit or loss – Held for trading 2017	2016	Loans and receivables 2017	2016	Available-for-sale financial assets 2017	2016	Other financial liabilities 2017	2016	Total 2017	2016
Interest income			29	36					29	36
Dividend					2	26			2	26
Result from sale					0	1			0	1
Change in value, synthetic options	21	14							21	14
Change in value, contingent considerations	0	10							0	10
Change in value, derivatives										
– hedge accounted	15								15	
– not hedge accounted	9	8							9	8
Other financial income			0	1					0	1
	46	**32**	**29**	**38**	**2**	**27**			**77**	**96**
Financial expenses										
Interest expenses							-353	-374	-353	-374
Change in value, synthetic options	-31	-187							-31	-187
Change in value, contingent considerations	-22	-43							-22	-43
Change in value, derivatives										
– hedge accounted	-9	-1							-9	-1
– not hedge accounted	-6	-4							-6	-4
Other financial expenses							-53	-78	-53	-78
Changes in exchange rates, net							-19	-23	-19	-23
Impairment						-32				-32
	-68	**-234**				**-32**	**-425**	**-475**	**-493**	**-741**
Pensions, interest expenses									-7	-9
									-500	**-751**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 29m (36). Interest expenses attributable to financial liabilities not measured at fair value through profit or loss amount to SEK 353m (374). Profit for the year includes SEK 7m (6) which relates to ineffectiveness in cash flow hedges. The Group has no fair value hedges.

Impairment of financial assets

SEKm	**2017**	**2016**
Trade receivables	34	40
Other financial assets		32
Total impairment	**34**	**72**

Impairment is recognised in trade receivables taking into account customers' ability to pay.

Parent company **Financial income** **SEKm**	Fair value through profit or loss – Held for trading 2017	2016	Loans and receivables 2017	2016	Available-for-sale financial assets 2017	2016	Other financial liabilities 2017	2016	Total 2017	2016
Interest income			0	1					0	1
Dividend					2				2	
Change in value, synthetic options	10	2							10	2
Change in value, contingent considerations		1								1
Changes in exchange rates, net			12	10					12	10
	10	**3**	**12**	**11**	**2**				**24**	**14**
Financial expenses										
Interest expenses							0		0	
Change in value, synthetic options	-13	-33							-13	-33
Change in value, contingent considerations		-11								-11
Other financial expenses							-8	-8	-8	-8
	-13	**-44**					**-8**	**-8**	**-21**	**-52**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 0m (1).
Interest expenses attributable to financial liabilities not measured at fair value through profit or loss amount to SEK 0m (0).

Note 10 Taxes

Recognised in profit or loss

SEKm	2017	2016
Tax expense for the period	-180	-324
Adjustment of tax attributable to previous years	-2	7
Deferred tax relating to temporary differences	-32	90
Deferred tax expense due to changed tax rates	7	0
Deferred tax income in capitalised tax value in loss carry-forward during the year	16	92
Deferred tax expense due to utilisation of earlier capitalised tax value in loss carry-forward	-43	-63
	-234	**-198**
Share of associates' tax	-17	18
Total recognised tax expense in the Group	**-251**	**-180**

Reconciliation effective tax, Group

SEKm	2017	2016
Profit/loss before tax	658	-890
Less profit from investments recognised according to the equity method	-19	152
	639	**-738**
Tax according to current tax rate, 22%	-140	162
Effect of special taxation rules for investment companies	14	156
Effect of different tax rates in other countries	-9	-30
Non-deductible expenses	-177	-706
Non-taxable income	171	446
Increase in loss carry-forward without corresponding capitalisation of deferred tax	-107	-245
Impairment of previously capitalised loss carry-forward	-2	-14
Use of previously non-capitalised tax loss carry-forward	7	5
Capitalisation of previously non-capitalised loss carry-forward	8	15
Tax attributable to previous years	-2	7
Effect of changed tax rates and tax rules	13	1
Other	-8	6
Reported effective tax	**-234**	**-198**

Tax items recognised in other comprehensive income

SEKm	2017	2016
Deferred tax attributable to hedging reserve	0	9
Deferred tax attributable to remeasurement of defined benefit pension commitments	2	18
	2	**27**

Recognised deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
SEKm	**2017**	**2016**	**2017**	**2016**
Intangible assets	11	10	357	331
Property, plant and equipment	13	22	66	80
Financial assets	46	47	1	5
Inventories	15	25	2	4
Trade receivables	5	8	1	0
Interest-bearing liabilities	11	13	3	1
Provisions for pensions	79	75	0	2
Other provisions	162	131		
Other	3	69	254	255
Loss carry-forward	310	367		
Tax allocation reserves	17	15	12	11
Tax assets/ tax liabilities	**674**	**782**	**696**	**689**
Offsets	-196	-188	-196	-188
Tax assets/tax liabilities, net	**478**	**594**	**500**	**501**

Of recognised deferred tax assets, SEK 6m (42) falls due within one year and SEK 380m (523) has no due date. Of deferred tax liabilities, SEK 44m (66) falls due within one year and SEK 441m (406) has no due date.

Unrecognised temporary differences

SEKm	2017	2016
Deductible temporary differences	138	48
Loss carry-forward	15,568	15,011
	15,706	**15,059**

SEK 197m (82) of the unrecognised loss carry-forwards are attributable to subsidiaries administered centrally by Ratos. SEK 505m (491) of the tax deficits fall due during the next ten years. The remainder of the tax deficit does not have set due dates. The above unrecognised deductible temporary differences and tax deficit correspond to a tax value amounting to SEK 3,500 (3,419). Since it is improbable that unrecognised tax assets will lead to lower tax payments in the future, these have not been assigned any value.

Parent company

The parent company is taxed according to the rules for investment companies [1]. These rules normally result in the parent company not paying any income tax. The parent company's tax expense for 2017 amounted to SEK 0m (0). Ratos AB has an accumulated deficit that at the close of 2017 amounted to approximately SEK 14 billion (14).

[1] For a more detailed description of these rules, see Note 1 Accounting principles.

Note 11 Intangible assets

Group		Non-current assets acquired					Generated internally intangible assets				
SEKm	**Goodwill**	**Trade-marks**	**Customer relations**	**Data-bases**	**Business systems**	**Other assets**	**Data-bases**	**Business systems**	**Other assets**	**Projects in progress**	**Total**
Accumulated cost											
Opening balance 2016-01-01	14,543	925	367	258	404	524	266	103	234	117	17,741
Business combinations	3,394	806	80		15	113			3		4,411
Investments		33		8	49	30	12	1	5	116	253
Company disposals	-2,938	-779			-212	-90			-56	-12	-4,088
Divestments		-2			-3	-9	-4	0	-1	0	-20
Reclassification to Assets held for sale					-3						-3
Reclassifications	-995	26	3	118	-95	107	14	5	36	-69	-850
Exchange differences for the period	520	80	18	13	25	28	7	0	5	2	696
Closing balance 2016-12-31	**14,522**	**1,087**	**469**	**396**	**179**	**703**	**294**	**109**	**226**	**154**	**18,139**
Opening balance 2017-01-01	14,522	1,087	469	396	179	703	294	109	226	154	18,139
Business combinations	124		16		0			1	-3		138
Investments					25	45	11	6	12	122	221
Company disposals	-493				0	-70			-80	-10	-654
Divestments		0			-4	-20	-4	-19	-38	0	-85
Reclassification to Assets held for sale [1]	-846				-7	-22					-875
Reclassifications	-68	86	3	-182	-96	-279	237	144	301	-104	40
Exchange differences for the period	-66	-32	3	2	1	4	6	0	6	-2	-77
Closing balance 2017-12-31	**13,172**	**1,141**	**492**	**216**	**99**	**360**	**544**	**242**	**422**	**160**	**16,848**
Accumulated amortisation and impairment											
Opening balance 2016-01-01	-1,872	-77	-275	-232	-211	-421	-198	-52	-108		-3,447
Business combinations		-2			-9	-50			-1		-63
Amortisation for the year		-8	-13	-32	-37	-107	-26	-12	-29		-266
Impairment for the year	-812			-6	-6	-2	-13		-7		-847
Accumulated amortisation and impairment	602	50			106	82			33		873
Divestments		2			2	8	5		1		18
Reclassification to Assets held for sale					3						3
Reclassifications	631		0	-62	57	8	-4		-52		579
Exchange differences for the period	-81	-6	-14	-11	-17	-21	-6	0	-1		-156
Closing balance 2016-12-31	**-1,533**	**-41**	**-302**	**-343**	**-111**	**-505**	**-243**	**-64**	**-165**		**-3,306**
Opening balance 2017-01-01	-1,533	-41	-302	-343	-111	-505	-243	-64	-165		-3,306
Business combinations									1		1
Amortisation for the year		-3	-29	-4	-14	-87	-49	-25	-35		-246
Impairment for the year	-550					-13	-4		-11		-578
Accumulated amortisation and impairment	469				0	60			71		601
Divestments					4	13	3	18	42		80
Reclassification to Assets held for sale [1]					4	15					19
Reclassifications				135	86	252	-156	-81	-237		0
Exchange differences for the period	24	1	-4	-2	0	-2	-6	-1	-4		5
Closing balance 2017-12-31	**-1,589**	**-43**	**-335**	**-214**	**-32**	**-266**	**-454**	**-153**	**-337**		**-3,424**
Carrying amount according to Statement of financial position:											
At 2017-12-31	**11,583**	**1,098**	**157**	**2**	**66**	**93**	**90**	**89**	**85**	**160**	**13,424**
At 2016-12-31	**12,990**	**1,046**	**167**	**53**	**68**	**198**	**51**	**45**	**61**	**154**	**14,833**

[1] Refers to Nebula, which was divested in 2017.

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

Goodwill and intangible assets with indeterminable useful lives amounted at 31 December 2017 to a book value of SEK 12,656m (14,009). Below is a breakdown of the amount in cash-generating units, which comprise the respective portfolio companies.

	2017		2016	
SEKm	**Goodwill**	**Intangible assets** [1]	**Goodwill**	**Intangible assets** [1]
Bisnode	4,173		4,071	
Plantasjen	2,185	671	2,350	612
HL Display	718		1,068	
HENT	871		917	
LEDiL	939		912	
Nebula			802	
Diab	573		773	
airteam	729	16	700	15
	10,190	**687**	**11,594**	**628**
Portfolio companies within separate significant value	1,394	386	1,396	391
	11,583	**1,073**	**12,990**	**1,019**

1) Relates to trademarks with indeterminable useful lives and which are therefore not amortised. Trademarks with indeterminable useful lives are key assets for the subsidiaries that have measured these assets. Work on improving and developing trademarks is ongoing. Net cash flows generated by trademarks are not expected to cease in the foreseeable future. Trademarks are therefore regarded as having indeterminable useful lives.

Ratos continuously assesses whether there is any indication that any portfolio company has declined in value. In the event that such an indication exists, the recoverable amount of the company is calculated. Goodwill and other intangible assets with indeterminable useful lives are also tested annually, regardless of whether there is any indication of a decline in value. Testing of carrying amounts is done by calculating each portfolio company's recoverable amount. The recoverable amount, which comprises the higher of value in use and fair value less selling costs, is compared with the carrying amount. If the recoverable amount is lower than the carrying amount, an impairment is recognised. Primarily goodwill is impaired.

Calculation of value in use

Value in use for a portfolio company is based on Ratos's share of the present value of the portfolio company's future estimated cash flow, which is based on an earnings forecast that covers a maximum of five years. Assessment of the earnings forecast is based on adopted budgets and forecasts as well as reasonable and verifiable assumptions that comprise Ratos's best estimation of the economic conditions that are expected to prevail during the forecast period. The basis for estimating the value of these is in accordance with previous experience as well as external sources.

A final value is assessed after the forecast period. Starting in the 2017 financial year, this is done using an assumption of stable growth in nominal terms for each company that matches the assumed long-term growth rate for relevant products, industries, countries and markets. In the impairments tests for 2017, this growth rate was 2-3%. For 2016, a final value for the portfolio company was instead assessed based on a multiple valuation.

Other key assumptions for the calculation of the value in use include the discount rate, sales growth, and gross and EBITA margins. The assumptions used are modified for each portfolio company since each company in itself is an independent unit with unique circumstances. Key assumptions are described below under the headings Discount rate and Impairment testing in portfolio companies with significant goodwill items.

Discount rate

Future cash flows are present-value calculated using a discount rate. Ratos has used a discount factor after tax where estimated future cash flows also include tax. On the basis of the actual applied required rate of return after tax (WACC) Ratos has made a translation to an estimate corresponding to a required rate of return before tax by dividing with a minus tax rate.

The discount factor reflects market assessments of monetary values over time and specific risks inherent in the asset. Below are the discount rates that are used to calculate the value in use in portfolio companies with significant goodwill items.

	Discount rate after tax		Discount rate before tax	
%	**2017**	**2016**	**2017**	**2016**
AH Industries		8		10
airteam	7	7	10	9
Bisnode	8	10	10	12
Diab	8	8	10	10
HL Display	9	6	11	8
Plantasjen	9		12	

Calculation of fair value

Calculation of fair value is based on three levels. In level one fair value is calculated minus selling costs based on the price in a binding agreement between independent parties. In level two fair value can, in the absence of binding agreements, be determined by market price provided the asset is sold in an active market. The immediately preceding transaction can also provide a basis from which the value can be determined when current purchase rates are not available. If this too is not available, fair value minus selling costs comprises in level three the price that is expected to be obtained in the event of a sale of the asset between parties who are independent of each other, well informed and have an interest in the transaction. When the amount is determined the result of disposals of other companies made recently within the same sector is taken into account. The estimated value is not based on a forced sale.

Impairment of goodwill

Impairment of goodwill in 2017

Based on impairment tests for 2017 and adopted by the Board of Directors of Ratos AB, impairment of goodwill attributable to portfolio companies Diab and HL Display was carried out.

HL Display

As a result of a weak earnings trend combined with the fact that the company's measures to improve profitability are expected to take longer than originally anticipated, Ratos recognised an impairment loss of SEK 350m for the consolidated carrying amount of HL Display. After impairment, the carrying amount for HL Display totalled SEK 566m. The amount corresponds to the recoverable amount established on the basis of value in use.

Diab

As a result of a weak performance in 2017 combined with the fact that the company's measures to improve profitability are expected to take longer than originally anticipated, Ratos recognised an impairment loss of SEK 200m for the consolidated carrying amount of Diab. After impairment, the carrying amount for Diab totalled SEK 623m. The amount corresponds to the recoverable amount established on the basis of value in use.

Note 11, cont.

Impairment of goodwill in 2016

Based on impairment tests for 2016 and adopted by the Board of Directors of Ratos AB, impairment of goodwill attributable to portfolio companies AH Industries, Biolin Scientific, Euromaint, GS-Hydro and Jøtul was carried out. In total, the impairment impacted Ratos's operating profit in an amount of SEK 812m. Biolin Scientific, Euromaint and AH Industries have been divested in 2016 and 2017. GS-Hydro was declared bankrupt in 2017.

The impairment of SEK 81m in Jøtul was mainly attributable to continued weak demand for cast-iron stoves and fireplaces and low sales volumes, which led to a failure to achieve earlier forecasts. At 31 December 2017, the book value for Jøtul amounted to SEK -34m.

Impairment

SEKm	2017	2016
AH Industries		135
Diab	200	314
Biolin Scientific		314
HL Display	350	314
Euromaint		122
GS-Hydro		160
Jøtul		81
	550	**812**

Impairment testing in portfolio companies with significant goodwill items, 2017

The impairment testing and key assumptions used to calculate the recoverable amounts of portfolio companies in which goodwill at the close of 2017 was deemed to be significant in size are described below. Goodwill attributable to other portfolio companies is not significant in each one separately in relation to the Ratos Group's total goodwill.

Recoverable amount determined through calculating value in use

The recoverable amount was determined through calculating value in use for portfolio companies Bisnode, Diab, HL Display, Plantasjen and airteam. Key assumptions in addition to discount rate (see separate table on page 94) are sales growth and adjusted EBITA margin.

A sensitivity analysis of the calculations has been carried out for one assumption at a time, where long-term growth rate has been reduced by 1 percentage point, the discount rate has been raised by 1 percentage point and the forecast cash flow has been reduced by 10%.

Bisnode

The forecast cash flow for Bisnode includes an assumption of a slightly higher growth rate next year. Thereafter, the rate of growth is expected to return to the slightly lower historical level. Growth is driven by an expanding market for credits, an appropriate product portfolio and the launch of new products within the Marketing Solutions business area. An improved EBITA margin based on economies of scale and the realisation of cost-rationalising initiatives is expected for next year, after which it will level out at the slightly higher level. The rate of growth after the forecast period amounts to 2%. The sensitivity analysis has not resulted in the recoverable amount falling below the book value.

Plantasjen

Plantasjen was acquired in November 2016. In 2017, colder temperatures and a subsequently lacklustre spring season had a negative impact on the sales trend and EBITA margin for the year. The forecast for next year includes accelerated shop expansion and e-commerce initiatives, which are expected to drive long-term growth and profitability. The rate of growth after the forecast period amounts to 2%. The sensitivity analysis has not resulted in the recoverable amount falling below the book value.

HL Display

Forecast cash flows are based on the company being a market leader in Europe and having a good strategic position with diversified customer exposure. Sales growth is expected to remain on a stable level over the next few years. Improvement initiatives and cost-efficiency programmes in progress are expected to improve the EBITA margin during the forecast period. The rate of growth after the forecast period amounts to 2%.

The sensitivity analysis indicates a further impairment requirement of SEK 100m in the event of a 1 percentage point reduction in the long-term growth rate, SEK 120m in the event of a 1 percentage point increase in the discount rate and SEK 100m in the event of a 10% reduction in forecast cash flow.

Diab

Diab's weaker performance in 2017 is not expected to impact the operation's long-term potential. The measures implemented by the company with the aim of improving profitability are expected to take longer than originally anticipated. Future growth is driven by a fundamental demand for lightweight material (to build strong and lightweight structures) with a sustainability perspective. Diab operates in a growth market where the wind segment is expected to drive significant growth, alongside future applications in the transport, industry and aerospace segments. Given Diab's operational leverage, an increase in capacity utilisation and completed investments in the production plant in China are expected to contribute to improved EBITA margins in the future.

The rate of growth after the forecast period amounts to 3%. The market for core material grows with the underlying customers' production volumes, such as the number of wind turbines and boats, and through the increased use of sandwich structures in existing and new applications. Growth is driven by efforts to achieve structures with greater strength and lower weight.

The sensitivity analysis indicates a further indication of impairment of SEK 180m in the event of a 1 percentage point reduction in the long-term growth rate, SEK 230m in the event of a 1 percentage point increase in the discount rate and SEK 140m in the event of a 10% reduction in forecast cash flow.

airteam

Through its market-leading position in Denmark, airteam is expected to surpass market growth. However, assumed growth is lower than the historic high growth rate due to the company's adoption of a more restrictive approach to new projects paired with greater focus on profitability, which is expected to mean that the company will revert to a slightly higher EBITA margin. The rate of growth after the forecast period amounts to 2.5%. The Danish construction market has structural growth potential based on increased demand for effective, high-quality ventilation solutions. The sensitivity analysis has not resulted in the recoverable amount falling below the book value.

Recoverable amount determined through calculating fair value

For the portfolio companies HENT and LEDiL, the recoverable amount was determined through calculating fair value less selling costs. Fair value was determined in accordance with level three of the valuation hierarchy. For both companies, the calculations show that the recoverable amount exceeds the book value and there is no need for impairment. Key assumptions for the valuation are profit multiple at exit and EBITA forecast. The profit multiple used is on a par with listed comparable companies. A sensitivity analysis of the calculations has been carried out for one assumption at a time, where the EBITA multiple was adjusted downward by 1% and the EBITA forecast was adjusted downward by 10%. Neither of the sensitivity analyses for the portfolio companies has resulted in the recoverable amount falling below the book value.

HENT
HENT had stable growth in 2017. Sales declined, which was as expected, but favourable project development strengthened the EBITA margin. The trend in the construction industry has been stable albeit with slightly weaker profit multiples, primarily due to uncertainty in the Norwegian and Swedish housing markets, which has been considered when calculating fair value. The forecast for next year is based on the current order book and sales forecast.

LEDiL
LEDiL forecasts continued sales growth over the next few years based on market growth, expansion in new markets and the launch of new products. Profitability is expected to be stable over the next few years as a result of sales growth and continued investments in the organisation and expansion.

Impairment testing in portfolio companies with significant goodwill items, 2016
The impairment testing and key assumptions used to calculate the recoverable amounts of portfolio companies in which goodwill at the close of 2016 was deemed to be significant in size are described below. Goodwill attributable to other portfolio companies is not significant in each one separately in relation to the Ratos Group's total goodwill.

Plantasjen
Plantasjen was acquired in November 2016 and there has been no indication that the company has declined in value has during the final month of the year. Subsequently, no recoverable amount has been estimated for Plantasjen.

Recoverable amount determined through calculating value in use
The recoverable amount was determined through calculating value in use for the portfolio companies Bisnode, HL Display, Diab and airteam. For all these companies, the calculations show that the recoverable amount exceeds the book value and there is no need for impairment. Key assumptions in addition to discount rate (see separate table on page 94) are sales growth and adjusted EBITA margin as well as profit multiple. Estimated profit multiple has been determined based on data from comparable companies.

Bisnode
Forecast cash flow for Bisnode includes a gradual sales increase during the next few years based on market growth in credit, product rationalisation, new product launches and growth from the acquisition of NN Marketdata. The EBITA margin is also expected to increase over the next few years as a function of increased sales and realisation of cost-rationalising measures that are part of the company's strategy plan. No reasonable changes in key assumptions will result in the estimated value in use for Bisnode falling below the carrying amount.

HL Display
The forecast cash flows for HL Display are based on the company being a market leader in Europe and having a good strategic position with diversified customer exposure. Sales growth is expected to remain on a stable level over the next few years with sales growth in a number of defined areas. The EBITA margin, a key assumption for HL Display, is expected to show some increase due to economies of scale and cost efficiency programmes. Reasonable possible changes in the EBITA margin and sales growth would indicate an additional impairment requirement, where a 2 percentage point decline in sales growth and 2 percentage point decline in the EBITA margin indicate an impairment requirement of SEK 296m and SEK 202m, respectively.

Diab
For Diab, forecast cash flow includes sales growth, primarily in the Wind Energy and Transport, Industry and Aerospace (TIA) business areas. Given operational leverage, growth in sales is expected to lead to margin improvements. No reasonable changes in key assumptions will result in the estimated value in use for Bisnode falling below the carrying amount.

airteam
airteam was acquired in April 2016 and the company has largely developed in line with expectations, displaying strong sales growth and continued favourable operating profitability. Forecast cash flows have taken into account a certain slowdown in the historic growth rate. The long-term EBITA margin has been expected to be relatively stable based on historic levels. No reasonable changes in key assumptions will result in the estimated value in use falling below the carrying amount.

Recoverable amount determined through calculating fair value
For the portfolio companies HENT, LEDiL and Nebula, the recoverable amount was determined through calculating fair value less selling costs. Fair value was determined in accordance with level three of the valuation hierarchy. For all these companies, the calculations show that the recoverable amount exceeds the book value and there is no need for impairment. Key assumptions for the valuation are profit multiple at exit. The profit multiple used is on a par with listed comparable companies.

HENT
HENT has had a very strong sales growth for several years, driven by strong order intake and good project development. The strong sales growth has been combined with a stable margin, driven by effective project completion. Order intake remained favourable in 2016. No reasonable changes in key assumptions will result in the estimated recoverable amount falling below the carrying amount.

LEDiL
The company has been dominated by strong sales growth, driven by higher demand in all major markets, Europe, North America and Asia, which has also increased EBITA. No reasonable possible changes in key assumptions will result in the estimated recoverable amount falling below the carrying amount.

Nebula
The portfolio company Nebula was divested in May 2017.

Note 12 Property, plant and equipment

Group

SEKm	Land and buildings	Equipment	Construction in progress	Total
Accumulated cost				
Opening balance 2016-01-01	646	4,607	157	5,410
Investments	8	182	128	318
Disposals	-5	-155	-1	-161
Assets in acquired companies	1,012	842		1,854
Assets in disposed companies	-69	-1,336	-21	-1,427
Transferred from construction in progress	2	93	-100	-5
Reclassification to Assets held for sale	-78	-427		-505
Reclassifications	2	12	-22	-8
Exchange differences for the period	-2	218	6	222
Closing balance 2016-12-31	**1,517**	**4,034**	**148**	**5,699**
Opening balance 2017-01-01	1,517	4,034	148	5,699
Investments	27	234	101	362
Disposals	-7	-210		-217
Assets in acquired companies		12		12
Assets in disposed companies	-8	-319	-4	-331
Transferred from construction in progress	1	111	-112	
Reclassification to Assets held for sale [1)		-216		-216
Reclassifications	0	10	-31	-21
Exchange differences for the period	-21	-48	-4	-73
Closing balance 2017-12-31	**1,510**	**3,607**	**98**	**5,215**
Accumulated depreciation and impairment				
Opening balance 2016-01-01	-278	-3,343		-3,621
Depreciation for the year	-25	-303		-329
Accumulated depreciation in acquired companies	-337	-663		-1,000
Accumulated depreciation in disposed companies	16	850		866
Disposals	3	140		143
Reclassification to Assets held for sale [1)	52	299		351
Reclassifications		0		0
Exchange differences for the period	-3	-136		-139
Closing balance 2016-12-31	**-573**	**-3,157**		**-3,729**
Opening balance 2017-01-01	-573	-3,157		-3,729
Depreciation for the year	-67	-271		-338
Impairment for the year		-2		-2
Accumulated depreciation in acquired companies		-3		-3
Accumulated depreciation in disposed companies	5	263		268
Disposals	7	205		212
Reclassification to Assets held for sale		153		153
Reclassifications	0	2		2
Exchange differences for the period	9	40		49
Closing balance 2017-12-31	**-618**	**-2,769**		**-3,387**
Carrying amount according to Statement of financial position				
At 2017-12-31	**892**	**838**	**98**	**1,827**
Of which finance leases	496	23		518
At 2016-12-31	**945**	**878**	**148**	**1,970**
Of which finance leases	469	38		507

1) Refers to Nebula, which was divested in 2017.

Note 12, cont.

Parent company

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Opening balance 2016-01-01	82	26	108
Investments		1	1
Scrapping/disposals		-7	-7
Closing balance 2016-12-31	**82**	**20**	**102**
Opening balance 2017-01-01	82	20	102
Investments		0	0
Closing balance 2017-12-31	**82**	**20**	**103**
Accumulated depreciation			
Opening balance 1 2016-01-01	-19	-23	-42
Depreciation for the year	-2	-1	-4
Scrapping/disposals		7	7
Closing balance 2016-12-31	**-21**	**-17**	**-38**
Opening balance 2017-01-01	-21	-17	-38
Depreciation for the year	-2	-1	-3
Closing balance 2017-12-31	**-24**	**-18**	**-42**
Value according to balance sheet			
At 2017-12-31	**58**	**2**	**61**
At 2016-12-31	**61**	**3**	**64**

Note 13 Investments recognised according to the equity method

Change in carrying amounts

Group

SEKm	2017	2016
Carrying amount, 1 January	1,964	2,357
Adjusted opening amount	3	
Investments	128	555
Disposals	-871	
Group companies reclassified as investments recognised according to the equity method		754
Impairment		-1,692
Dividends		-3
Share of profit from investments recognised according to the equity method	19	-152
Share of tax from investments recognised according to the equity method	-17	18
Share of other comprehensive income from investments recognised according to the equity method	-9	-28
Investments recognised according to the equity method in disposed companies		-55
Exchange differences	-13	210
Carrying amount at year-end	**1,204**	**1,964**

Impairment Aibel

In 2016, Ratos' impairment of the equity share for Aibel was SEK 1,692m, of which SEK 1,083m was attributable to owners of the parent. The impairment was caused by a lower level of activity combined with overcapacity in the industry and pressure on margins, and the fact that Ratos did not assume a return to the market situation that prevailed before the drop in the price of oil. The impairment carried out resulted impacted the item Investments recognised according to the equity method in the Consolidated statement of financial position. At 31 December 2016, the carrying amount for Aibel totalled SEK 587m and the recoverable amount totalled SEK 690m.

At 31 December 2017, the carrying amount for Aibel totalled SEK 679m. Completed impairment testing for 2017, based on a value-in-use calculation, indicates no further impairment requirement. As with the use-in-value calculation for 2016, sales growth and assumptions on EBITA margin in the forecast cash flows have been modified for the current market conditions. The discount rate after tax amounted to 8% (7 at 2016-12-31) and the discount rate before tax amounted to 11% (9 at 2016-12-31). No reasonable changes in key assumptions will result in the estimated value in use falling below the carrying amount. For a description of the methods for impairment testing, see Note 11.

Note 13, cont.

Investments recognised according to the equity method breakdown between significant and individually insignificant investments

SEKm	2017					2016					
	Aibel[1]	Gudrun Sjödén Group[2]	Serena Properties[3]	Individually insignificant investments	Total	Aibel[1]	Arcus[4]	Gudrun Sjödén Group[2]	Serena Properties[3]	Individually insignificant investments	Total
Investments recognised according to the equity method	**49%**	**30%**				**49%**	**24%**	**30%**	**56%**		
Included in the Group as follows:											
Share of profit/loss before tax	-24	23	18	2	19	-198		8	36	2	-152
Tax	-1	-6	-4	-6	-17	32		-2	-12		18
Share of other comprehensive income	-8	1	-3		-10	-31			3		-28
Share of comprehensive income	-33	17	11	-4	-8	-197		5	28	2	-162
Consolidated value	**997**	**183**		**24**	**1,204**	**918**	**729**	**166**	**134**	**17**	**1,964**
100%											
Net sales	9,381	793	85			10,892		262	159		
Profit/loss for the year	-50	56	25			-372		18	43		
Other comprehensive income	-16	2	-6			-62		3	6		
Total comprehensive income	-65	58	20			-434		21	49		
Non-current assets	6,658	256				7,156	2,415	252	1,862		
Current assets	2,897	248				2,969	2,323	202	108		
Non-current liabilities	-4,339	-209				-4,602	-1,147	-239	-1,677		
Current liabilities	-3,437	-107				-3,680	-2,001	-86	-60		
Net assets	1,778	187				1,843	1,590	129	232		

[1] Aibel Holding I AS is 49% owned by NCS Invest. More information about the Group structure is provided in Note 30 Participations in Group companies.
[2] Gudrun Sjödén Group is 30% owned by GS Intressenter AB.
[3] Serena Properties AB was divested in September 2017.
[4] Remaining shareholding in Arcus was divested in January 2017.

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

	Aibel 100%		Gudrun Sjödén Group 100%		Serena Properties 100%	
SEKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Opening balance net assets	**1,843**	**4,212**	**552**		**235**	
Investments				533		0
New issue		996				183
Impairment		-3,395				
Profit/loss for the year before tax	-48	-436	77	25	32	71
Tax	-2	64	-21	-7	-6	-24
Other comprehensive income	-13	-62	2	0	-6	6
Translation differences	-3	463				
Divestments					-255	
Closing balance net assets	**1,778**	**1,843**	**610**	**552**	**0**	**235**

	Aibel 49% [1]		Gudrun Sjödén Group 30%		Serena Properties 100%	
SEKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Share in net assets	885	918	56	38		130
Goodwill			119	119		
Other	112		9	9		4
Carrying amount	**997**	**918**	**183**	**166**		**134**

[1] Consolidated value, adjusted for the share subject to non-controlling holding, amounts to SEK 679m (587).

Note 14 Specification of parent company's investments in associates

Change in carrying amounts

Parent company

SEKm	2017	2016
Accumulated cost opening balance at 1 January	3	
Subsidiary reclassified as associate		3
Disposals	-3	
Value according to balance sheet	**0**	**3**

Associate, corp. reg. no., registered office	Number of participations	Owned share, %	Book value 2017	Book value 2016
Arcus AS, 987 470 569, Oslo, Norway				3
Total			**0**	**3**

Note 15 Receivables from Group companies

Parent company

	Non-current receivables Group companies	
SEKm	**2017**	**2016**
Accumulated cost at 1 January	**0**	**17**
Investments	3	
Transferred receivable	27	
Settlements	-18	-17
Closing balance	**12**	**0**

	Current receivables Group companies	
SEKm	**2017**	**2016**
Accumulated cost at 1 January	**1**	**70**
Investments	226	2,475
Reclassifications	-27	2
Settlements	-197	-2,546
Closing balance	**2**	**1**

Note 16 Financial instruments

Group

31 December	Fair value through profit or loss – Held for trading		Derivatives used for hedging		Loans and receivables		Available-for-sale financial assets		Other financial liabilities		Total according to statement of financial position	
SEKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Financial assets												
Shares and participations							10	11			10	11
Financial receivables [1]		7	29	20	88	338					117	365
Trade receivables					2,432	2,757					2,432	2,757
Cash and cash equivalents					3,881	4,389					3,881	4,389
		7	**29**	**20**	**6,402**	**7,484**	**10**	**11**			**6,440**	**7,522**
Surplus in pension plans, asset											1	3
											6,442	**7,525**
Financial liabilities												
Interest-bearing liabilities												
– Liabilities to credit institutions									5,860	7,371		
– Finance leases									698	736		
– Other interest-bearing liabilities	162		26						92	75	6,838	8,181
Financial liabilities	181	516		39							181	555
Trade payables									2,284	2,300	2,284	2,300
	343	**516**	**26**	**39**					**8,934**	**10,482**	**9,303**	**11,036**
Provisions for pensions											486	487
											9,789	**11,523**

[1] Financial receivables include SEK 89m (340) which is interest-bearing.

Fair value

Forward contracts are measured at fair value taking interest rates and prices on the closing date into account. Fair value of interest rate swaps is based on a discount of estimated future cash flows according to the maturity dates and terms of the contract and taking into account market interest rate for similar instruments at the end of the reporting period. Fair value of receivables with floating interest corresponds to their carrying amount. Since most of the interest-bearing liabilities carry floating interest, and often a margin based on debt/equity ratio, fair value at the end of the reporting period corresponds to carrying amount.

The tables below provide disclosures of how fair value is determined for the financial instruments measured at fair value in the Statement of financial position. Classification of how fair value is determined is based on the following levels.

Level 1: Financial instruments measured according to listed prices in an active market.

Level 2: Financial instruments measured according to directly or indirectly observable market data not included in level 1.

Level 3: Financial instruments measured on the basis of inputs that are not based on observable market data.

Fair value hierarchy

Assets	Level 2		Level 3	
SEKm	**2017**	**2016**	**2017**	**2016**
Derivatives				
– Forward contracts	29	24		
Contingent considerations				3
	29	**24**	**0**	**3**

Change, level 3	Contingent considerations	
SEKm	**2017**	**2016**
Opening balance	3	11
Recognised in financial items		-11
Subsequent expenditure		3
Settlements	-3	
Closing balance	**0**	**3**

Liabilities	Level 2		Level 3	
SEKm	**2017**	**2016**	**2017**	**2016**
Synthetic options			159	158
Derivatives				
– Interest rate swaps	15	23		
– Forward contracts	15	19		
Put options to non-controlling interests			173	166
Contingent considerations			7	189
	30	**42**	**339**	**513**

Note 16, cont.

Change, level 3	Synthetic options		Put options		Contingent considerations	
SEKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Opening balance	158	108	166	207	189	200
Recognised in financial items	9	173			22	20
Recognised in operating profit or loss			-3	3	2	-12
Recognised against non-controlling interests			5	42		
Newly issued/subsequent expenditure	18	60				4
Disposals, Group companies	0	-178		-58	-1	
Acquisitions, Group companies					-40	44
Settlements	-22	-11			-143	-75
Expired agreements				-40		
Translation difference	-4	6	5	12	1	9
Reclassifications					-22	
Closing balance	**159**	**158**	**173**	**166**	**7**	**189**

Remeasurement of financial instruments in level three is included in profit for the year, and refer to liabilities included in the closing balance, amount to SEK -8m (-59).

The closing balance for synthetic options represents the total assessed value of a number of outstanding options within the Group which have Ratos's various companies as underlying assets. Ratos values its synthetic options on the basis of accepted market principles. Decisive parameters in conjunction with valuation of options are assumed market values relating to the underlying assets, the volatility of the underlying assets and the length of the remaining option term. As a rule, there is no strong correlation between how these parameters are developed for different option programmes. Possible covariance has more to do with macroeconomic factors.

Put options to non-controlling interests are measured starting from the terms of the purchase agreement and shareholder agreement, discounted to the balance sheet date. The key parameter in the valuation is the value development of the shares which is based on results until the estimated maturity date.

Measurement of contingent considerations takes into account the present value of expected payments, discounted with a risk-adjusted interest rate. Different possible scenarios for forecast results are taken into account to assess the size of the expected payments and the probability of these.

Parent company

31 December	Fair value through profit or loss – Held for trading		Loans and receivables		Available-for-sale financial assets		Other financial liabilities		Total according to statement of financial position	
SEKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Financial assets										
Other securities held as non-current assets					0	0			0	0
Financial receivables				4						4
Receivables from Group companies			15	1					15	1
Cash and cash equivalents			2,226	2,677					2,226	2,677
			2,241	**2,682**	**0**	**0**			**2,241**	**2,682**
Financial liabilities										
Interest-bearing liabilities, Group companies							319	2,270	319	2,270
Non-interest bearing liabilities, Group companies							1,250		1,250	
Financial liabilities	30	39							30	39
Trade payables							7	11	7	11
	30	**39**					**1,576**	**2,281**	**1,605**	**2,321**

Fair value hierarchy
Parent company

Change, level 3	Synthetic options		Contingent consideration	
SEKm	**2017**	**2016**	**2017**	**2016**
Opening balance		9		11
Recognised in financial items		-9		-11
Subsequent expenditure				
Translation difference				
Closing balance		**0**		**0**

Liabilities	Level 3	
SEKm	**2017**	**2016**
Synthetic options	30	39
	30	**39**

Change, level 3	Synthetic options	
SEKm	**2017**	**2016**
Opening balance	39	16
Recognised in financial items	3	21
Newly issued	3	2
Settlements	-16	
Closing balance	**30**	**39**

Remeasurements of synthetic options are included in profit or loss for the year, with SEK -3m (-21), relating to assets and liabilities in the closing balance.

Note 17 Other securities held as non-current assets

Parent company

SEKm	2017	2016
Accumulated cost		
At the beginning of the year	0	27
Impairment		-27
	0	**0**

Note 18 Inventories

Group

SEKm	2017	2016
Raw materials and consumables	121	213
Products in progress	179	173
Finished products and goods for resale	836	1,003
	1,136	**1,389**

Note 19 Equity

Share capital

	Ordinary Class A		Ordinary Class B		Preference Class C	
Number	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Shares in the company at 1 January	84,637,060	84,637,060	239,503,836	239,503,836	830,000	830,000
Redemption of Class C shares (preference shares)					-830,000	
Shares in the company at 31 December	**84,637,060**	**84,637,060**	**239,503,836**	**239,503,836**	**0**	**830,000**

	Total number of shares	Quota value	SEKm
Shares in the company at 1 January 2017	324,970,896	3.15	1,024
Redemption of Class C shares (preference shares)	-830,000		-3
Shares in the company at 31 December 2017	**324,140,896**	**3.15**	**1,021**

Conversion of shares

The 2003 Annual General Meeting resolved that a conversion clause allowing conversion of Class A shares to Class B shares should be added to the Articles of Association. This means that owners of Class A shares have an ongoing right to convert them to Class B shares. In 2017, 0 Class A shares (0) were converted into Class B shares.

Group

Other capital provided

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

Retained earnings including profit for the year

Retained earnings includes earned profits and remeasurement of defined benefit pension plans recognised in other comprehensive income for the parent company and its subsidiaries and associates. Previous provisions to statutory reserve are also included in this item.

Parent company

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Statutory reserve

The purpose of the statutory reserve has been to save part of net profits not used to cover a loss carried forward. The statutory reserve also includes amounts transferred to the premium reserve prior to 1 January 2006.

Unrestricted equity

The following funds together with profit for the year comprise unrestricted equity, meaning the amount that is available for dividends to shareholders.

Share premium reserve

When shares are issued at a premium, i.e. more is paid for the shares than their quota value, an amount corresponding to the amount received in excess of the quota value of the shares is transferred to the premium reserve. After 1 January 2006, an allocation to a premium reserve comprises unrestricted equity.

Fair value reserve

The parent company applies the Swedish Annual Accounts Act's rules relating to measurement of financial instruments at fair value according to Chapter 4, Section 14 a-e. Recognition takes place directly in the fair value reserve when the change in value relates to a price change on a monetary item that comprises part of the company's net investment in a foreign operation. Accounting treatment is shown in Note 20.

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 company-specific return target (annual average internal rate of return, IRR) amounts to a minimum of 15%.

Ratos has divested 14 companies over the past five years, and GS Hydro was declared bankrupt in 2017. The average IRR during these years was 12% per year. Returns will always vary over time and between investments. In 2017, the portfolio companies AH Industries, Nebula, Serena Properties, part of Biolin and the remaining shares in Arcus were divested. The investment in AH Industries generated a negative IRR, while Nebula and Serena Properties generated an IRR of 37% and 26%, respectively. The investment in Arcus generated an IRR of 30%.

The Board of Directors proposes an ordinary dividend for the 2017 financial year of SEK 2.00 per Class A and B share, corresponding to a

Note 19, cont.

total divided of SEK 638m. The dividend yield amounts to 5.6% based on the closing price at year-end. During the first six months of 2017, dividends on Class C preference shares were paid in the amount of SEK 39m. In May 2017, Ratos's Board decided on a compulsory redemption of all outstanding Class C preference shares.

Since the 2009 Annual General Meeting, there has been a decision that Ratos, in connection with acquisitions, may issue Class B shares in Ratos through set-off, non-cash or for cash payment. This mandate was renewed at the 2017 Annual General Meeting and applies for a maximum of 35 million Class B shares. In addition, there is an authorisation to the Board to issue a maximum total of 1,250,000 preference shares of Class C and/or Class D in the company in conjunction with agreements on acquisitions.

Neither the parent company nor any of the subsidiaries is subject to external capital requirements.

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

Number of shares	2017	2016
Opening treasury shares	5,248,854	5,217,460
Acquisitions for the year		32,738
Divestments for the year (to employees)		-1,344
Redemption of Class C shares (preference shares)	-122,592	
Closing treasury shares	**5,126,262**	**5,248,854**
Number of shares outstanding		
Total number of shares	324,140,896	324,970,896
Treasury shares	-5,126,262	-5,248,854
	319,014,634	**319,722,042**

Call options 2013-2017

The 2013-2017 Annual General Meetings decided to issue call options on treasury shares.

Terms for call options outstanding at 31 December 2017 are described in Note 7 (page 90). According to the outstanding option programme 2,318,000 treasury shares are reserved for transfer. In total, the number of repurchased Class B shares amounts to 5,126,262.

Dividend

After the reporting period, the Board proposed the following dividend:

	SEKm
Dividend to holders of Class A and B shares, SEK 2.00 per share 1)	638
To be carried forward	6,817

1) Based on the number of shares outstanding on 28 March 2018. The number of treasury shares on that date was 5,126,262 and may change during the period until the record date for dividends.

The proposed dividend for 2016 was approved at the Annual General Meeting on 6 April 2017. The proposed dividend for 2017 will be presented for approval at the Annual General Meeting on 3 May 2018.

Note 20 Disclosure of other comprehensive income and change in reserves and non-controlling interests

	Majority's share of reserves				
SEKm	Translation reserve	Hedging reserve	Total	Non-controlling interests	Total
Opening carrying amount 2016-01-01	**-516**	**-8**	**-523**	**-249**	**-772**
Adjustment	9		9		9
Adjusted opening carrying amount	-507	-8	-514	-249	-763
Translation differences for the year	393		393	170	563
Translation differences attributable to discontinued operations	-207		-207	-44	-251
Cash flow hedges					
– recognised in other comprehensive income		-42	-42	-12	-54
– tax attributable to change for the year		7	7	3	9
Closing carrying amount 2016-12-31	**-321**	**-43**	**-364**	**-132**	**-495**
Opening carrying amount 2017-01-01	**-321**	**-43**	**-364**	**-132**	**-495**
Adjustment	16		16		16
Adjusted opening carrying amount	-305	-43	-348	-132	-479
Translation differences for the year	-10		-10	14	5
Translation differences attributable to discontinued operations	-16		-16	-18	-34
Cash flow hedges					
– recognised in other comprehensive income		-1	-1	0	-1
– tax attributable to change for the year		0	0	0	1
Closing carrying amount 2017-12-31	**-331**	**-43**	**-374**	**-135**	**-509**

Note 20, cont.

Translation reserve

The translation reserve includes all exchange rate differences that arise on translation of financial reports from foreign operations that have prepared their financial reports in another currency than the currency in which the Group's financial reports are presented. The parent company and Group present their financial reports in Swedish kronor.

Hedging reserve

The hedging reserve comprises the effective portion of cumulative net change in fair value of the cash flow hedging instruments attributable to cash flows that have not yet occurred.

Parent company

Specification of equity item reserves

SEKm	2017	2016
Fair value reserve		
Opening balance	7	7
Remeasurement recognised in other comprehensive income		
Closing balance	**7**	**7**

Note 21 Non-controlling interests

2017 SEKm	NCS Invest	Bisnode	LEDiL	Individually insignificant non-controlling interests	Total
Non-controlling interests, share in %	**36%**	**30%**	**34%**		
Non-current assets	885	5,011	974		
Current assets		949	79		
Non-current liabilities		-1,644	-331		
Current liabilities		-1,556	-92		
Net assets	**885**	**2,760**	**629**		
Carrying amount of non-controlling interests	**319**	**831**	**211**	**525**	**1,886**
Net sales		3,555	388		
Profit/loss for the year	-25	201	72		
Other comprehensive income	-8	57	15		
Total comprehensive income	**-33**	**258**	**87**		
Profit/loss for the year attributable to non-controlling interests	-9	61	24	63	139
Other comprehensive income attributable to non-controlling interests	-3	17	5	-19	0
Cash flow from operating activities		515	75		
Cash flow from investing activities		-291	-35		
Cash flow from financing activities		-183	-43		
Cash flow for the year		**41**	**-3**		

2016 SEKm	NCS Invest	Bisnode	LEDiL	Individually insignificant non-controlling interests	Total
Non-controlling interests, share in %	**36%**	**30%**	**34%**		
Non-current assets	918	5,195	915		
Current assets		899	76		
Non-current liabilities		-1,877	-98		
Current liabilities		-1,500	-95		
Net assets	**918**	**2,717**	**797**		
Carrying amount of non-controlling interests	**330**	**819**	**268**	**586**	**2,003**
Net sales		3,458	365		
Profit/loss for the year	-1,858	60	70		
Other comprehensive income	200	100	0		
Total comprehensive income	**-1,658**	**161**	**70**		
Profit/loss for the year attributable to non-controlling interests	-669	18	24	57	-570
Other comprehensive income attributable to non-controlling interests	72	30	11	-10	104
Cash flow from operating activities		197	75		
Cash flow from investing activities		-305	-3		
Cash flow from financing activities		13	-120		
Cash flow for the year		**-96**	**-48**		

Note 22 Earnings per share

Calculation of earnings per share is carried out as follows:

SEKm	2017	2016
Profit for the year attributable to owners of the parent	268	-500
Less – dividend on preference shares	-39	-72
	229	**-572**
Weighted average number of shares		
Total number of ordinary shares 1 January	324,140,896	324,140,896
Effect of holding of treasury shares	-5,126,262	-5,126,468
Weighted average number before dilution	**319,014,634**	**319,014,428**
Effect of call options		
Weighted average number after dilution	**319,014,634**	**319,014,428**
Earnings per share before dilution	0.72	-1.79
Earnings per share after dilution	0.72	-1.79

Instruments that can lead to potential dilution effects

At the close of 2017, Ratos AB had five outstanding call option programmes for which the exercise price, SEK 56.90, SEK 51.80, SEK 55.50, SEK 45.00 and SEK 47.10, respectively, exceeded the average price for ordinary shares. These options are therefore regarded as having no dilution effect and were excluded from the calculation of earnings per share after dilution. If the market price in future rises to a level above the exercise price, these options will lead to dilution.

Note 23 Pensions

In the Group there are both defined benefit and defined contribution pension plans. The Ratos Group does not have any Group-wide policy relating to pensions so it is up to the board of each company to decide on pension solutions for the company. Of Ratos's current subsidiaries, six have defined benefit pension plans. The defined benefit plans are not the main solution for the subsidiaries but only constitute a complement to defined contribution pension plans.

Bisnode has the largest pension obligation in the Group in terms of size and this amounts to SEK 413m and is divided among plans in five different countries.

Defined benefit pensions

Pension plans mainly comprise retirement pensions. Earned pension is based on the number of years within the pension plan and salary at retirement.

Pension obligations are either financed through pension foundations or similar or by the company.

Defined contribution pensions

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

Note 23, cont.

Group

Pension cost

SEKm	2017	2016
Cost regarding current service period	23	23
Net interest	7	9
Effects of curtailments and settlements	1	-2
Pension costs for defined benefit pensions	**31**	**31**
Pension costs for defined contribution pensions, Alecta	78	78
Pension costs for defined contribution pensions, other	111	123
Pension costs for the year	**220**	**231**

Pension costs are included in the income statement on the line Employee benefits with the exception of net interest which is included in net financial items in the income statement.

Defined benefit pension plans

SEKm	2017	2016
Present value of funded obligations	395	409
Fair value of plan assets	-237	-236
	158	**174**
Present value of unfunded obligations	328	312
Effect of limitation rule for net assets	-2	-1
Net liability in the Statement of financial position	**485**	**485**
Amount recognised in the balance sheet		
Provisions for pensions	486	487
Surplus in defined benefit plans recognised as non-current financial receivables	-1	-3
Net liability in the Statement of financial position	**485**	**485**

Actuarial gains and losses

Adjustments based on experience are made as a consequence of the result due to mortality, morbidity, employee turnover, changes in salary and return on plan assets during the year deviating from assumptions made.

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

SEKm	2017	2016
Net liability at 1 January	485	445
Net cost recognised in profit or loss	31	31
Remeasurement of pension obligation recognised in other comprehensive income [1)]	-16	46
Premiums and pensions paid	-14	-20
Exchange differences on foreign plans	1	18
Net pension obligations transferred through sale of companies	-2	-35
Net liability at 31 December	**485**	**485**

1) In the Group's Other comprehensive income, remeasurement of pension obligations for investments that in the Group are recognised according to the equity method are is recognised.

Note 23, cont.

Plan assets comprise the following:

SEKm	2017	2016
Equity instruments	2	1
Financial fixed-income assets	2	2
Properties	2	2
Other assets	232	231
	237	**236**

Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2017, Alecta's surplus in the form of the collective funding ratio amounted to 154% (148). The collective funding ratio comprises the market value of Alecta's assets expressed as a percentage of insurance obligations calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

Key actuarial assumptions used at the end of the reporting period

	2017	2016
Discount rate, %	0.8-3.0	0.2-3.0
Inflation, %	0.5-2.0	0.5-2.0
Anticipated rate of salary increase, %	1.5-3.0	1.5-3.0
Annual increase in pensions and paid-up policies, %	0.4-2.0	0.8-2.0

The discount rate is based on first-class corporate bonds in all countries in the eurozone. For Swedish pension plans, the discount rate is based on mortgage bonds.

Parent company

The parent company's pension costs for defined contribution pensions amounted to SEK 13m (14) of which SEK 1m (7) pertains to Alecta.

Note 24 Provisions

Group

Provisions, non-current

SEKm	2017	2016
Guarantee commitments		
At the beginning of the year	6	23
Provisions for the year	3	2
Provisions in disposed company	0	-19
Translation difference	0	0
At the end of the year	**9**	**6**
Other		
At the beginning of the year	93	88
Provisions for the year	3	26
Utilised provisions	-13	-12
Unutilised reversed provisions	-13	0
Provisions in disposed company	-6	-1
Provisions in acquired company		1
Change in discounted value		1
Reclassifications	-11	-15
Translation difference	-2	5
At the end of the year	**53**	**93**
Total non-current provisions	**61**	**99**

Note 24, cont.

Provisions that are non-current liabilities and maturity structure

Guarantee commitments

Provisions relate to guarantee commitments for work carried out. Provision for guarantees start to be estimated when a service is completed or an item is transferred to a customer. In order to estimate amounts, historical data relating to repairs and exchanges in mainly used. Guarantee periods extend over 2-10 years.

Other provisions

Other non-current provisions include provisions relating to sale and leaseback transactions and legal requirements. Of other provisions, SEK 38m (47) has a maturity structure of up to eight years. The remainder is expected to be settled within 2-5 years.

Provisions that are current liabilities

Prepaid service contracts

Provision for prepaid service contracts refers to compensation for as yet not completed services.

Provisions, current

SEKm	2017	2016
Guarantee commitments		
At the beginning of the year	480	348
Provisions for the year	143	156
Unutilised reversed provisions	-51	-9
Utilised provisions	-52	-38
Provisions in acquired companies		4
Provisions in disposed company	0	-17
Translation difference	-24	37
At the end of the year	**496**	**480**
Prepaid service contracts		
At the beginning of the year	13	12
Provisions for the year		2
Provisions in disposed company	-13	0
At the end of the year	**0**	**13**
Other		
At the beginning of the year	59	235
Provisions for the year	142	183
Utilised provisions	-47	-380
Unutilised reversed provisions	-14	6
Change in discounted value	0	0
Reclassifications	20	15
Translation difference	1	0
At the end of the year	**161**	**59**
Total current provisions	**656**	**553**

Parent company

Provisions, non-current

SEKm	2017	2016
Other		
At the beginning of the year	11	23
Reclassifications	-11	-13
Change in discounted value	0	1
At the end of the year	**0**	**11**

Note 24, cont.

Provisions, current

SEKm	2017	2016
Other		
At the beginning of the year	117	309
Provisions for the year	129	133
Utilised provisions	-97	-338
Unutilised reversed provisions	-21	
Exchange effect	1	
Reclassifications	11	13
At the end of the year	**140**	**117**

Of the parent company's provisions, SEK 112m (90) relates to provisions for subsidiaries and associates.

Note 25 Accrued expenses and deferred income

Parent company

SEKm	2017	2016
Personnel costs	**35**	**63**
Other	11	49
	46	**112**

Note 26 Financial risks and risk policy

Principles for funding and financial risk management

The Group through its activities is exposed to various types of financial risks related to trade receivables, trade payables, loans and derivative instruments. Ratos's financial risks consist of:

- financing risks
- credit risks
- interest rate risks
- currency risks

Ratos's Board approves the financial strategy for the parent company while the subsidiaries' boards adopt financial strategies for each company.

Parent company

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

Group companies

The Group has no central treasury management function, on the other hand the Group's Debt Manager assists the subsidiaries with overall financial matters. The board of each subsidiary adopts its financial policy.

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

Ratos seeks to ensure that the companies have an optimal financial structure based on prevailing conditions.

Financing risk

Definition

Financing risk is the risk that costs will be higher when raising new loans and that financing of maturing loans will be difficult.

Current financing risk

The parent company is normally unleveraged and does not pledge shares or other assets as collateral for own commitments or for commitments of the companies or a third party. Nor shall the parent company issue guarantees with any lender for the commitments of the companies or a third party.

Guarantees relating to provision of equity capital may be provided following a Board decision. Access to capital and flexibility are ensured by the parent company having a rolling non-current loan facility, which amounts to SEK 2.2 billion, including a bank overdraft facility. This credit facility can also be used to finance dividends and day-to-day running expenses during a period of few or no exits. In addition, the parent company has an authorisation from the Annual General Meeting to issue shares in conjunction with agreements on acquisitions; see also Note 19 Equity management.

Every subsidiary manages its own financing. At 31 December 2017, the Group's interest-bearing liabilities to credit institutions amounted to SEK 5,860m (7,371). Total unutilised credit facilities amounted to SEK 4,265m (3,769).

Loan agreements in subsidiaries normally contain financial key figures. The key figure levels are unique for each subsidiary. The most usual key figures are interest-bearing net debt in relation to profit before depreciation and net interest, interest coverage and cash flow.

If a subsidiary does not fulfil the terms of a long-term loan agreement by or before the end of the reporting period with effect that the company does not have an unconditional right to postpone payment of the debt for a minimum twelve months, the liability is classified as current.

Maturity structure for financial liabilities

The following anticipated maturity structure is shown for the Group's financial liabilities at 31 December 2017, comprising undiscounted cash flows relating to amortisation and estimated interest payments based on forward contracts alternatively actual interest as well as estimated margins.

Translation to SEK of amounts in foreign currency has been done at the exchange rate that applied at the end of the reporting period.

The maturity analysis does not include liabilities relating to synthetic options. At 31 December 2017, the Group's liabilities for synthetic options amounted to SEK 159m (158).

Note 26, cont.

Maturity structure for financial liabilities

2017-12-31 SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	1,053	1,956	524	415	2,333	6,282
Finance leases	77	78	75	72	870	1,172
Other interest-bearing liabilities	18	1	1	1	93	114
Trade payables	2,284					2,284
Put options				173		173
Contingent consideration	6	1	1	1	1	9
Interest rate swaps	11	4				15
Forward contracts						
– outflow	387					387
– inflow	-372					-372
Total	**3,465**	**2,039**	**601**	**662**	**3,297**	**10,065**

2016-12-31 SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	1,113	1,042	2,607	592	2,949	8,304
Finance leases	81	86	86	86	985	1,324
Other interest-bearing liabilities	4	1	1	1	91	99
Trade payables	2,300					2,300
Put options					240	240
Contingent consideration	170	3	1	1	2	176
Interest rate swaps	11	9	3			23
Forward contracts						
– outflow	541					541
– inflow	-522					-522
Total	**3,698**	**1,142**	**2,698**	**680**	**4,268**	**12,485**

Credit risks

Definition

Credit risks comprise risks in financial and in commercial transactions. In its financial activities, the Group is exposed to counterparty credit risk in conjunction with investment of surplus liquidity in bank accounts, fixed-income securities and in conjunction with the purchase of derivative instruments. Commercial exposure mainly comprises the credit risk in the Group's trade receivables, and mainly relates to customers failing to meet their payment commitments.

Current financial credit risks

In order to reduce the parent company's financial credit risk and provide the parent company with a high level of preparedness for investments, cash and cash equivalents are invested in banks or fixed-income securities with low credit risk and high liquidity. In addition to placing cash and cash equivalents in bank accounts or deposit accounts with Nordic banks approved by Ratos, investments may only be made in securities (treasury bills, commercial papers, bonds or similar) issued by the Kingdom of Sweden, Swedish municipalities, banks and companies that have received a rating of at least A+ from Standard & Poor's or a corresponding rating from Moody's. 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 2017, cash and cash equivalents in the parent company amounted to SEK 2,226m (2,677).

At 31 December 2017, cash and cash equivalents in the Group amounted to SEK 3,881m (4,389). During 2017, there were no credit losses from investment of cash and cash equivalents.

Current commercial credit risks

The parent company does not have any trade receivables.

The carrying amount of the Group's trade receivables, in the Statement of financial position, reflects maximum exposure to credit risk. The Group's subsidiaries operate within a number of different sectors and in a large number of geographic markets, which provides a good risk spread.

Through its industry spread combined with global operations the Group has no significant concentration on individual customers. Trade receivables are analysed continuously by each subsidiary to determine whether any impairment exists.

Assessments take the form of individual assessments as well as on the basis of historical data on suspended payments.

Age analysis, trade receivables

Group

2017-12-31 SEKm	Nominal	Accumulated impairment	Book value
Not overdue	1,749	-5	1,743
Past due 0 – 60 days	522	-10	512
Past due 60 – 180 days	73	-4	69
Past due 181 – 365 days	36	-9	27
Past due more than one year	117	-36	80
Total	**2,497**	**-65**	**2,432**

2016-12-31 SEKm	Nominal	Accumulated impairment	Book value
Not overdue	1,695	-3	1,692
Past due 0 – 60 days	784	-8	776
Past due 60 – 180 days	205	-9	196
Past due 181 – 365 days	96	-14	81
Past due more than one year	38	-26	12
Total	**2,819**	**-62**	**2,757**

Information on impairment of trade receivables is provided in Note 9.

Interest rate risks

Definition

Interest rate risk is the risk that changes in interest rates will affect the Group's financial result and cash flow.

Current interest rate risks

The parent company is not exposed to interest rate risk since the parent company is normally unleveraged.

The Group's exposure to interest rate risk mainly occurs in subsidiaries' long-term borrowing. The fixed-interest term depends on the individual subsidiary's structure and adopted financial policy. In the event that the fixed-interest period has changed, interest rate swaps have been used.

Interest rate swaps correspond to 22% (15) of the Group's liabilities to credit institutions at 31 December 2017. The fair value of interest rate swaps amounted to SEK 15m (23) and are recognised as a liability. Of the Group's outstanding interest rate swaps, 100% (100) mature within 36 months.

Sensitivity analysis

If interest rates change by 1 percentage point in all countries where the Ratos Group has loans or investments, the effect on net financial items, based on liabilities to credit institutions at year-end which are not hedged, will total approximately SEK 36m (51). This sensitivity analysis is based on all other factors (such as exchange rates) remaining unchanged.

Currency risks

Definition

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

Current currency exposure of monetary financial assets and liabilities as per the end of the reporting period

In the parent company, investments are made only in Swedish currency. Normally, currency hedging is not applied to shares, shareholder loans or similar balance sheet items in the parent company. Transaction exposure ahead of an acquisition or disposal of a foreign company can be currency hedged.

The Group manages its currency risks in accordance with the financial policy adopted by the board of each subsidiary. Currency exposure net and related sensitivity analysis refers to the position at the closing date and includes trade receivables, trade payables, liabilities to credit institutions and internal financial receivables and liabilities.

The net fair value of forward contracts amounted to SEK 14m (5) at 31 December 2017. Of this amount, SEK 29m (24) is recognised in the Statement of financial position as assets and SEK 15m (19) as liabilities.

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

Sensitivity analysis

The sensitivity analysis is calculated based on monetary financial receivables and liabilities in foreign currency as per the end of the reporting period. Changes in currency rates mainly affect the consolidated profit. Where hedge accounting is applied, other comprehensive income is affected until settlement. The effect is then transferred to the consolidated profit.

A change in SEK of 10% against Ratos's exposure of net flows in EUR, NOK, DKK, GBP and USD would have a negative effect on earnings of approximately SEK 138m (179). The greatest impact on profit, after net financial items, arises when liabilities to credit institutions are translated.

	EUR		NOK		DKK		GBP		USD		SEK	
SEKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Trade receivables	188	245	42	20	39	5	6	20	316	460	272	69
Financial receivables	321	248	176	186	69	93	74	105	383	302	9	0
Liabilities to credit institutions	-920	-967	-444	-462	-66	-63	-173	-189	-390	-512	-443	-388
Trade payables	-292	-284	-50	-15	-59	-25	-3	-5	-305	-414	-362	-136
Currency exposure financial assets and liabilities	-703	-758	-276	-271	-17	9	-96	-68	4	-163	-524	-455
Forward contracts	-14	-354			-147	-106	174	174	-300	-241	-261	271
Exposure, net	**-717**	**-1 111**	**-276**	**-271**	**-165**	**-96**	**79**	**106**	**-296**	**-404**	**-785**	**-185**

Note 27 Leases

Group

Operating leases where the company is the lessee

Leasing payments made during the financial year relating to leases amount to:

SEKm	2017	2016
Minimum lease payments	911	965
Variable payments	7	16
Total leasing costs	**919**	**981**

Future payments for leases entered into amount to:

SEKm	2017	2016
Payments within 1 year	834	820
Between 1–5 years	2,635	2,592
>5 years	2,376	2,428
	5,845	**5,840**

Of total future payments for operating leases, SEK 3,943m (3,964) pertains to Plantasjen, for which the company provides a guarantee.

Financial leases where the company is the lessee

Leasing payments made during the financial year relating to leases amount to:

SEKm	2017	2016
Minimum lease payments	83	54
Total leasing costs	**83**	**54**

Present value of financial leasing liabilities is distributed as follows:

SEKm	2017	2016
Within 1 year	32	32
Between 1–5 years	158	176
>5 years	508	528
	698	**736**

Note 28 Pledged assets and contingent liabilities

Group

Pledged assets

SEKm	2017	2016
Real estate mortgages	25	28
Chattel mortgages	101	1,269
Shares in Group companies	9,004	8,994
Other pledged assets	3,616	3,823
	12,746	**14,113**
Contingent liabilities	1,665	1,743

Parent company

The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 358m (533). 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. Furthermore, the parent company guarantees that Sophion Holding AB, Emaint AB and AHI Intressenter AB will fulfil their obligations in connection with the divestment of Sophion Bioscience, Euromaint and AH Industries, respectively.

Note 29 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; see Note 30. The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 358m (533). 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. Furthermore, the parent company guarantees that Sophion Holding AB, Emaint AB and AHI Intressenter AB will fulfil their obligations in connection with the divestment of Sophion Bioscience, Euromaint and AH Industries, respectively.

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

SEKm	Capital contributions	Dividend
2017	316	572
2016	814	

SEKm	Receivable	Provision	Liability	Contingent liability
2017-12-31	15	112	1,569	358
2016-12-31	1	90	2,269	533

During the year, Ratos provided a contribution of SEK 130m to Diab, SEK 54m to Bisnode (add-on acquisition), SEK 55m to HL Display, SEK 32m to AH Industries, SEK 26m to Sophion and SEK 19m to GS-Hydro.

Transactions with key persons in leading positions

Remuneration to senior executives and Board members is specified in Note 7.

Note 30 Participations in Group companies

Parent company

SEKm	2017	2016
Accumulated cost opening balance at 1 January	13,952	12,126
Investments	473	3,053
Repaid shareholder contribution	-19	-42
Subsidiary reclassified as associate		-4
Reclassifications		-812
Wound up	-723	-366
Subsidiary declared bankrupt	-503	
Disposals		-4
At the end of the year	**13,180**	**13,952**
Accumulated impairment opening balance	-4,885	-3,229
Wound up	2	
Subsidiary declared bankrupt	503	
Reclassifications		812
Impairment for the year	-533	-2,467
At the end of the year	**-4,913**	**-4,885**
Value according to balance sheet	**8,267**	**9,068**

Based on the impairment tests that Ratos does annually, see Note 11, the possible indication of impairment of the recognised the carrying amount of participations in Group companies is evaluated. In 2017, the parent company recognised an impairment on the carrying amount for seven companies: AH Intressenter AB SEK 40m (123), EMaint AB SEK 50m (99), GS Hydro Holding Oy SEK 19m (405), HL Intressenter AB SEK 272m, Kamin Intressenter AB SEK 5m (133), Kompositkärnan Förvaltning AB SEK 138m, and Quartzin Intressenter AB SEK 9m (345).

Subsidiary, corp. reg. no., registered office SEKm	Number of shares	Owned share, %	2017-12-31	2016-12-31	Company	Owned share, %
Directly owned companies						
Bisnode Business Information Group AB, 556681-5725, Stockholm	84,263,330	70	1,897	1,843		
GS Hydro Holding OY, 2268968-9 Finland [6]				19		
Owner companies to portfolio companies						
Blomster Intressenter AB, 559077-8675, Stockholm	50,000	100	1,386	1,386	Plantasjen [5]	96
GS Intressenter AB, 559067-2415, Stockholm	50,000	100	160	160	Gudrun Sjödén Group	30
HL Intressenter AB, 556809-4402, Stockholm	50,000	100	566	833	HL Display [5]	96
Kamin Intressenter AB, 556801-8427, Stockholm	100,000	100	4	9	Jøtul [5]	93
Kelly Intressenter 1 AB, 556826-5705, Stockholm	50,000	100	244	244	Kvdbil	100
Kompositkärnan Förvaltning AB, 556777-2271, Stockholm	100,000	100	670	678	Diab	96
Medcro Holding AB, 559026-2019, Stockholm	50,000	100	259	180	TFS [4]	60
Miehdnort AB, 556801-4731, Stockholm	100,000	100	313	313	HENT	73
NCS Intressenter AB, 556801-8435, Stockholm	100,000	100	802	690	Aibel [2]	32
Noiro Holding AB, 556993-7104, Stockholm	50,000	100	462	462	LEDiL	66
Outdoor Intressenter AB, 559067-2456, Stockholm	50,000	100	162	162	Oase Outdoors [5]	79
Speed Group Intressenter AB, 556801-8419, Stockholm	100,000	100	286	286	Speed Group	70
Vento Intressenter AB, 559052-2057, Stockholm	50,000	100	335	308	airteam	70
Directly owned other subsidiaries						
Aalborg Fastigheter Intressenter ApS, 32318746, Aalborg, Denmark	867,668	87	24	24		
AHI Intressenter AB, 556726-7744, Stockholm [7]	100,000	100	0	0	AH Industries [1]	
Alube Network AB, 556925-9376, Stockholm [7]	50,000	100	285	285	Nebula [1]	
Aneres Properties AB, 559030-0967, Stockholm [7]	50,000	100	348	359	Serena Properties [1]	
EMaint AB, 556731-5378, Stockholm	100,000	100	34	68		
Myggvärmare AB, 556723-5667, Stockholm [3]				475		
Quartzin Intressenter AB , 556835-3824, Stockholm	50,000	100	23	31	Biolin Scientific [1]	
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6	6		
Spin International AB, 556721-4969, Stockholm [3]				246		
			8,267	**9,068**		

[1] Divested in 2017. [2] NCS Intressenter AB owns 64% of the shares in NCS Invest AB where the remaining 36% of the shares are owned by the Sixth AP Fund. NCS Invest in turn owns 49% of the shares in Aibel. Ratos's indirect holding in Aibel therefore amounts to 32%. [3] Wound up during the year. [4] Medcro Holding AB owns 100% of the shares in Medcro Intressenter AB which in turn owns 60% of the shares in TFS. [5] Owned share refers to ordinary shares. [6] Declared bankrupt in 2017. [7] The company is involved in liquidation proceedings.

Note 31 Cash flow statement

SEKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Dividends received	2	13	2	26
Interest received	25	13	0	0
Interest paid	-330	-284		

Adjustment for non-cash items

SEKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Share of profit from investments recognised according to the equity method	-19	152		
Dividend		3	-398	
Capital gains/losses	-720	-1,690	-1,622	-2,459
Depreciation/amortisation and impairment of assets	1,163	3,174	533	2,497
Capitalised interest				
Unrealised exchange differences	13	-28	-12	-9
Provisions, etc.	76	172	31	115
Adjustment for non-cash items	**522**	**1,784**	**-1,463**	**143**

Cash and cash equivalents

SEKm	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Cash and bank balances	3,881	4,389	2,226	2,677
Cash and cash equivalents	**3,881**	**4,389**	**2,226**	**2,677**

Unutilised credit facilities

Unutilised credit facilities amount to SEK 4,265m (3,769) for the Group and SEK 2,200m (2,200) for the parent company.

Company disposals – Group [1]

SEKm	2017	2016
Intangible assets	908	3,215
Property, plant and equipment	126	561
Financial assets	12	70
Deferred tax assets	64	246
Inventories	226	1,006
Current assets	246	1,766
Cash and cash equivalents	136	930
Assets held for sale	485	300
Total assets	**2,204**	**8,094**
Non-controlling interests	120	4
Non-current liabilities and provisions	836	2,430
Current liabilities and provisions	428	2,613
Liabilities attributable to Assets held for sale	485	291
Total liabilities	**1,868**	**5,337**
Consideration transferred	843	2,760
Minus:		
Purchase promissory note		-73
Contingent consideration	2	
Cash and cash equivalents in the disposed operations	-136	-930
Effect on Group's cash and cash equivalents	**709**	**1,757**

[1] Includes also GS-Hydro which was declared bankrupt in 2017.

Acquisition of Group companies – Group

SEKm	2017	2016
Intangible assets	15	988
Property, plant and equipment	9	854
Financial assets		25
Deferred tax assets	4	230
Inventories	11	456
Current assets	64	350
Cash and cash equivalents	20	260
Total assets	**123**	**3,163**
Non-controlling interests		11
Non-current liabilities and provisions		3,081
Deferred tax liabilities	4	196
Current liabilities and provisions	80	698
Total liabilities	**84**	**3,986**
Net identifiable assets and liabilities	39	-823
Goodwill	124	3,394
Consideration transferred	163	2,570
Minus:		
Promissory note		-64
Provision contingent consideration		-68
Non-cash issue		-10
Cash and cash equivalents in the acquired operations	-20	-260
Paid contingent consideration	222	74
Effect on Group's cash and cash equivalents	**365**	**2,242**

Note 31, cont.

Changes in liabilities attributable to financing activities SEKm	Opening balance, 2017	Cash flow: Borrowings	Cash flow: Amortisation of loans	Non-cash effect changes: Acquired and divested companies	Non-cash effect changes: Reclassifications	Non-cash effect changes: Change in exchange rates	Non-cash effect changes: Other changes	Closing balance, 2017
Liabilities to credit institutions, non-current	6,178	478	-667	-816	-216	-88	36	4,906
Liabilities to credit institutions, current	1,192	169	-526	-120	215	6	18	954
Finance leases	736	0	-30	-10	1	-6	6	698
Other interest-bearing liabilities	75	15	-6	0	204	2	-10	280
Total liabilities from financing activities	**8,181**	**662**	**-1,228**	**-947**	**205**	**-87**	**51**	**6,838**

Note 32 Assets held for sale

Assets held for sale

SEKm	2017-12-31	2016-12-31
Property, plant and equipment		154
Financial assets		4
Deferred tax assets		12
Inventories		140
Current assets		144
Cash and cash equivalents		32
Total assets reclassified		**485**

Liabilities attributable to Assets held for sale

SEKm	2017-12-31	2016-12-31
Interest-bearing liabilities		306
Non-interest bearing liabilities		172
Deferred tax liabilities		7
Total liabilities reclassified		**485**

In 2017, Nebula was recognised as assets and liabilities held for sale. The company was divested in July 2017.

Assets and liabilities recognised as assets and liabilities held for sale in 2016 referred to the subsidiary AH Industries, which was divested during the first quarter of 2017.

Note 33 Key estimations and assessments

Ratos's financial statements are prepared in accordance with IFRS. This requires management to make assessments, estimations and assumptions that affect the application of accounting principles and the recognised amounts of assets, liabilities, income and expenses. Estimations and assessments are based on historical experience, external information and assumptions which management regards as reasonable under prevailing circumstances. Changed assumptions can result in adjustments to recognised figures and the actual outcome can differ from estimations and assessments made.

Within the framework of IFRS, a choice can be made in certain cases between different principles. The choice of principle requires in some cases management to make assessments as to which principle provides the most true and fair picture of Ratos's operations.

Development within accounting and the choice of principles are discussed also with Ratos's Audit Committee.

The most important areas where critical assessments were made in application of the Group's accounting principles and key sources of uncertainty in estimations are shown below.

Assessments at application of accounting principles

Acquisition and disposal of subsidiaries and associates

Ratos's operations as investment company means that companies are both acquired and divested; add-on acquisitions and partial disposals are also part of operations. Accounting for acquisitions and divestments of subsidiaries and associates is therefore of significance for Ratos as regards, among other things, date, degree of influence and valuation. At each individual business combination in 2017, a decision has been made regarding proportionate or full goodwill. No portfolio companies were acquired in 2017.

Key sources of uncertainty in estimations

The value of subsidiaries and associates, including goodwill, is tested annually by calculating a recoverable amount, meaning the higher of value in use or fair value with deduction for selling costs for each company. Calculation of these values requires a number of assumptions on future conditions and estimations of parameters such as profit multiples and future profitability levels. A description of this procedure is provided in Note 11. Future events and new information can change these assessments and estimations.

Note 34 Construction contracts

Construction contracts are recognised as revenue according to the stage of completion of the project. See Note 1 Accounting principles.

Income statement

SEKm	2017	2016
Contract revenue	8,086	8,877
Net profit	1,017	953

Statement of financial position

Receivables from customers for assignments under a construction contract

SEKm	2017	2016
Contract revenue	5,636	6,098
Billing	-5,476	-5,834
	161	**264**
Of which current receivables	161	264

Liabilities to customers for assignments under a construction contract

SEKm	2017	2016
Billing	-19,844	-19,390
Contract revenue	19,289	18,482
	-556	**-908**

Note 35 Events after the reporting period

In February, Ratos signed an agreement to sell all of its shares in the subsidiary Jøtul A/S (Jøtul) to OpenGate Capital at an enterprise value of about NOK 360m. The sale is expected to generate an exit gain of approximately SEK 40m. The investment generated a negative average annual rate of return (IRR).

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 1661, SE-111 96 Stockholm and the visiting address is Drottninggatan 2.

The consolidated financial statements for 2017 comprise the parent company and its Group companies. The Group also includes the owned shares in investments recognised according to the equity method.

The Board of Directors' and CEO's certification

The Board of Directors confirms that the consolidated financial statements and annual accounts have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of international financial reporting standards and generally accepted auditing standards, and give a true and fair view of the parent company's and Group's financial position and results of operations. The statutory Board of Directors' report gives a true and fair view of the development of the Group's and parent company's operations, financial position and results of operations and describes significant risks and uncertainties facing the parent company and Group companies.

Stockholm, 28 March 2018

Per-Olof Söderberg
Chairman

Ulla Litzén
Board member

Annette Sadolin
Board member

Karsten Slotte
Board member

Charlotte Strömberg
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 28 March 2018. 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 3 May 2018.

Our audit report was submitted 28 March 2018
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant
Auditor-in-charge

Helena Kaiser de Carolis
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ratos AB (publ) for the year 2017 except for the corporate governance statement on pages 51-61. The annual accounts and consolidated accounts of the company are included on pages 45-115 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 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 2017 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 51-61. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

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

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

Our audit approach

Audit scope

Ratos is an investment company acquiring, developing and selling Nordic companies. At the end of the year, Ratos had 14 holdings operating within a variety of industries with a variety of risks. The contribution of the different holdings to the group's equity varies between approximately 0-19%. These factors contribute to a risk spread which reduces the risk of material misstatements in the consolidated accounts.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The audit risks were determined in the consolidated accounts based on a group perspective. In our audit, we focused on the operations in the parent company, including impairment testing, and on the most significant holdings in the group. In addition, other holdings have been the subject of certain audit procedures.

As a part of our work, we have also issued audit instructions and have obtained written reporting from the auditors of Ratos' various investments. We have also had conversations and visited selected auditors and companies in order to conclude as to whether sufficient and appropriate audit evidence has been obtained.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the Key audit matter*
Valuation of goodwill, respectively holdings reported according to the equity method Ratos' holdings at the end of the year were comprised of 12 subsidiaries and two associated companies, where each and every holding comprises a cash generating unit. Goodwill of SEK 11,583 million has been allocated to the subsidiaries, and the share of equity in associates amounted to SEK 1,204 million at the end of the year. Goodwill and shares reported according to the equity method comprise a significant portion of the group's total assets, which amounts to SEK 25 323 million. The value of goodwill and shares reported according to the equity method is tested annually for impairment. This testing and the resultant reported values are dependent on the Board of Director's and management's judgments and assumptions regarding, amongst other things, growth, future profitability, the discount rate and profit multiples. Future events and new information can change these judgments and estimates and it is, therefore, particularly important that management undertake an assessment, on an ongoing basis, to determine if the value of the reported goodwill and shares reported according to the equity method can be motivated with consideration of the applied assumptions. Considering the above and the fact that certain holdings operates in challenging market conditions, we deem that the valuation of goodwill and shares reported according to the equity method comprised the most significant area in our audit.	In our audit we have focused the audit on the holdings where the difference between the book value and recoverable value is limited. With the assistance of valuation specialists, we have executed a number of audit procedures to verify that the impairment testing undertaken by Ratos is based on generally accepted valuation methods, is mathematically correct and is based on reasonable assumptions as regards future cash flows, growth and discount rates. Our audit procedures have included the examination of the company's forecasts where we assess the reasonableness of those forecasts based on historical outcome and market prospects. We have also discussed the valuation with the individuals responsible within Ratos for the various investments and have challenged their assumptions and assessments in this context. We have evaluated the sensitivity analyses for important assumptions, such as growth and profit margin assumptions and have assessed the appropriateness of the peer group used in the multiple valuation and have compared this against independent sources. We have also evaluated the disclosures provided in the Notes in relation to the requirements found in IAS 36 and IAS 1.

Refer to the annual report Note 11 – Intangible assets and Note 13 Shares reported according to the equity method.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-44 and 119-125. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ratos AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 51-61 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Ratos AB (publ) by the general meeting of the shareholders on the 6 April 2017 and has been the company's auditor since the 18 April 2012.

Stockholm March 28, 2018
PricewaterhouseCoopers AB

*Signature on original auditors' report in Swedish**

Peter Clemedtson
Authorized Public Accountant
Auditor-in-charge

*Signature on original auditors' report in Swedish**

Helena Kaiser de Carolis
Authorized Public Accountant

** This is a translation of the original auditors' report in Swedish. In the event of any differences between the translation and the original statement in Swedish, the Swedish version shall prevail.*

Additional information

RATOS

Five-year summary, Group

	2017	2016	2015	2014	2013
Key figures [1]					
Earnings per share before dilution, SEK	0.72	-1.79	1.29	3.22	2.13
Dividend per Class A and B share, SEK	2.00[2]	2.00	3.25	3.25	3.00
Dividend per Class C share (preference share), SEK		120	100	100	100
Dividend yield, %	5.6[2]	4.6	6.7	6.9	5.2
Total return, %	-13	-6	9	-15	-2
Market price, year-end, SEK	35.84	43.14	48.83	47.07	58.15
Equity per share, 31 December, SEK [3]	30	31	36	39	38
Equity, SEKm [4]	9,660	11,283	12,882	14,027	13,778
Return on equity, %	3	-4	4	8	6
Equity ratio, %	46	45	47	46	41
Average number of shares before dilution	319,014,634	319,014,428	319,012,617	319,009,126	319,005,200
Number of Class A, B and C shares outstanding [5]	319,014,634	319,722,042	319,753,436	319,839,789	319,836,019
Income statement, SEKm					
Profit/share of profit from companies	679	295	664	392	602
Exit gain from the sale of companies	596	1,672	1,101	1,390	895
Impairment, companies and loss from bankruptcy	-482	-2,504	-565	-250	-308
Profit/loss from companies	**792**	**-538**	**1,200**	**1,532**	**1,189**
Income and expenses in the parent company and central companies	-134	-353	-308	-165	-106
Consolidated profit/loss before tax	**658**	**-890**	**892**	**1,367**	**1,083**
Tax	-251	-180	-216	-238	-281
Consolidated profit/loss after tax	**407**	**-1,071**	**676**	**1,129**	**802**
Profit/loss attributable to owners of the parent	268	-500	496	1,109	742
Statement of financial position, SEKm					
Intangible assets	13,424	14,834	14,293	16,917	20,445
Property, plant and equipment	1,827	1,970	1,789	2,744	3,581
Financial assets	1,323	2,372	2,522	4,133	2,970
Deferred tax assets	478	594	490	559	550
Current assets	8,270	10,034	13,529	12,353	11,620
Assets	**25,323**	**29,805**	**32,623**	**36,706**	**39,166**
Equity	11,546	13,286	15,302	17,009	16,133
Provisions	1,204	1,139	1,160	1,091	929
Deferred tax liabilities	500	501	392	434	478
Interest-bearing liabilities	6,838	8,181	8,232	10,263	12,517
Non-interest bearing liabilities	5,235	6,696	7,538	7,909	9,109
Equity and liabilities	**25,323**	**29,805**	**32,623**	**36,706**	**39,166**

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. Comparative periods have been adjusted for outstanding preference capital. All preference shares were redeemed at the close of 2017.
4) Attributable to owners of the parent.
5) All Class B shares were redeemed at the close of 2017.

Definitions*

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

Return on capital employed
Profit before interest expenses and tax expressed as a percentage of average capital employed.

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

EBIT
(Earnings Before Interest and Tax). Profit before net financial items and tax.

EBITA
(Earnings Before Interest, Tax and Amortisation). Operating profit before impairment of goodwill as well as amortisation and impairment of other intangible assets that arose in conjunction with company acquisitions and similar transactions.

EBITA margin
EBITA expressed as a percentage of net sales.

EBITDA
(Earnings Before Interest, Tax, Depreciation and Amortisation). Profit before depreciation, amortisation and impairment.

EBT
(Earnings Before Tax) Profit before tax.

EBT margin
EBT expressed as a percentage of net sales.

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

Enterprise value
Market value of the shares plus interest-bearing net debt.

Exit gain/loss
Exit gain/loss is the capital gain or loss which arises when a company is sold.

IRR
(Internal Rate of Return). Annual average return on the invested amount calculated from the original investment, final selling amount and other capital flows, taking into account when in time all these payments were made to or from Ratos.

Consolidated value
The Group's share of the company's equity, any residual consolidated surplus and deficit values minus any intra-Group profits. In addition, shareholder loans and capitalised interest on such loans are included.

Turnover rate
Number of Class B shares traded during a year in relation to the total number of Class B shares outstanding.

Adjusted EBITA
EBITA minus items affecting comparability.

Adjusted EBITA expressed as a percentage of net sales
Adjusted EBITA expressed as a percentage of net sales

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

Portfolio performance measures
The following performance measures are presented for Ratos's company portfolio – both for the companies in their entirety (100% of the holdings in the companies) regardless of Ratos's holding and adjusted for the size of Ratos's holding in each company.

- *Net sales in the portfolio* – Net sales for the entire current period and comparative periods in the companies included in the portfolio at the end of the reporting period.
- *EBITA in the portfolio* – Operating profit for the entire current period and comparative periods in the companies included in the portfolio at the end of the reporting period before impairment of goodwill as well as amortisation and impairment of other intangible assets arising in conjunction with company acquisitions and equivalent transactions.
- *Adjusted EBITA in the portfolio* – EBITA in the portfolio according to the above definition, adjusted for items affecting comparability.
- *Adjusted EBITA margin in the portfolio* – Adjusted EBITA in the portfolio expressed as a percentage of net sales in the portfolio.
- *Items affecting comparability* – Income items that have a material impact on earnings in the company and, if not highlighted, would lead to difficulty in understanding the company's underlying operational development and/or valuation.

Earnings per share
Profit for the period attributable to owners of the parent minus dividend for the period on preference shares divided by the average number of outstanding ordinary shares.

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

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

Debt/equity ratio (multiple)
Interest-bearing liabilities in relation to equity.

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

Capital employed
Total assets minus non-interest bearing liabilities.

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

** Relates to Class B shares unless otherwise specified.*

GRI Index

Ratos's sustainability reporting refers to the 2017 calendar year. This report has been prepared in accordance with the GRI Standards: Core option. Ratos has used relevant sections of GRI Sector Disclosures, Financial Services. This is Ratos's second sustainability report according to GRI and Ratos intends to report annually.

In line with the Global Compact (GC) commitment, Ratos submits a Communication on Progress (COP) that presents the task of implementing GC's principles. This index describes where the GRI and COP information can be found in Ratos's 2017 Annual Report.

The sustainability report is prepared based on GRI's principles in order to determine content and ensure quality. The report covers Ratos as an investment company, meaning the parent company Ratos. Ratos has a significant ownership in the portfolio companies. However, a key principle in Ratos's owner model (described in Ratos's

GRI STANDARDS INDEX CORE LEVEL WITH FINANCIAL SERVICES SECTOR DISCLOSURE

Indicator/disclosure		Page	Comments	UNGC principles
102: GENERAL STANDARD DISCLOSURES 2017				
Organisation profile				
102-1	Name of the organisation	2		
102-2	Operations, brands, products and services	2, 3		
102-3	Location of headquarters	126, back side		
102-4	Countries served by the organisation	1		
102-5	Nature of ownership and legal form	46		
102-6	Markets served by the organisation	1, 3, 18, 28-29		
102-7	Organisation scale	18, 20-21, 28-29		
102-8	Information on employees and other workers	20-21		
102-9	Supply chain		Ratos's purchases include services and products to office operations in Stockholm and consultancy in the acquisition and sales processes as well as development procedures. Suppliers operate primarily in the Nordic countries.	
102-10	Significant changes to the organisation and its supply chain	46-47		
102-11	Precautionary principle	122	The precautionary principle is followed and refers to assessment and management of sustainability risks in connection with investments.	
102-12	External initiatives	14-15, 17, 19, 122-123		
102-13	Membership of organisations	14-15, 122	The Confederation of Swedish Enterprise, the Swedish Venture Capital Association and Swedish Leadership for Sustainable Development.	
Strategy				
102-14	Statement from senior decision-maker	4-5, 14-17		
Ethics and integrity				
102-16	Values, principles and ethical guidelines	10, 14-22		10
Governance				
102-18	Governance	14, 51-58		
Stakeholder engagement				
102-40	List of stakeholder groups	14		
102-41	Collective bargaining agreements		Ratos has not entered into any collective agreements.	3
102-42	Identification and selection of stakeholders	14		
102-43	Approach to stakeholder engagement	14		
102-44	Key topics raised through stakeholders	14		
Reporting				
102-45	Entities included in the consolidated financial statements	72-73, 80-81, 112		
102-46	Process for defining report content and topic boundaries	14, 123		
102-47	List of material topics/sustainability issues	123	www.ratos.se/globalassets/global/04_hallbarhet/dokument/ratos-vasentlighetsanalys.pdf	
102-48	Restatements of information		This is Ratos's third sustainability report according to the GRI Standards. No significant changes have been made related to the information provided in earlier reports.	
102-49	Changes in reporting		See above.	
102-50	Reporting period	122		
102-51	Date of most recent report		2017-03-20	
102-52	Reporting cycle	122		
102-53	Contact person for the report		Jonas Wiström, CEO +46 8 700 17 00 Helene Gustafsson, Head of IR and Press +46 8 700 17 00	
102-54	Claims of reporting in accordance with the GRI Standards	122-123		
102-55	GRI content index	122-123		
102-56	External assurance		The sustainability report is not subject to external review.	

owner policy) is that each company acts strategically, operationally and financially independent of each other. Furthermore, Ratos is not a perpetual owner to its companies, but instead has an active exit strategy, which means that the composition of the portfolios changes every year. An active sustainability programme for Ratos's parent company is a prerequisite for Ratos's ability to develop companies and their sustainability performance during the period of ownership.

Stakeholder dialogues and materiality analysis are the basis for Ratos's sustainability issues. Ratos's direct impact is considered very slight in relation to the portfolio companies' impact, which is why reporting Ratos's work as a responsible investor and owner has top priority. "Within the organisation" refers to the parent company Ratos. "Outside the organisation" refers to Ratos's companies and their operations as well as other parts of the value chain. See also index per aspect.

SIGNIFICANT ISSUES, GOVERNANCE AND TOPIC-SPECIFIC DISCLOSURES

Indicator/disclosure		Page	Comments	UNGC principles
404: TRAINING AND EDUCATION 2017 – BOUNDARY RATOS'S PARENT COMPANY				
103-1 - 103-3	Sustainability governance	14, 17		3-6
404-3	Percentage of employees receiving regular performance and career development reviews	22		3-6
405: DIVERSITY AND EQUAL OPPORTUNITY 2017 – BOUNDARY RATOS'S PARENT COMPANY				
103-1 - 103-3	Sustainability governance	14, 17-18, 123		3-6
405-1	Diversity of Board of Directors, governance bodies and employees	21, 60-61		3-6
205: ANTI-CORRUPTION 2017 – BOUNDARIES RATOS'S PARENT COMPANY, HOLDINGS AND OUTSIDE THE ORGANISATION; BUSINESS PARTNERS				
103-1 - 103-3	Sustainability governance	15, 19, 56-58		10
205-1	Business units analysed for risks related to corruption	19		10
419: SOCIOECONOMIC COMPLIANCE 2017 – BOUNDARY RATOS'S PARENT COMPANY				
103-1 - 103-3	Sustainability governance	15, 19, 56-58, 123		10
419-1	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and rules in the social and economic area		During the year Ratos has not been issued material fines or received any other sanctions due to violations of laws or regulations.	10

RATOS'S OWN SUSTAINABILITY ISSUES – BOUNDARY RATOS'S PARENT COMPANY				
Product portfolio				
103-1 - 103-3	Sustainability governance	3, 14-19		1-10
FS6	Percentage of the portfolio based on the investment portfolio – region, scope, sector	3, 15-16, 18-19, 28-29		1-10
Active ownership				
103-1 - 103-3	Sustainability governance	14-19, 47	Voting is used as an integrated part of governance of the portfolio of companies, where environmental and social issues are included.	1-10
FS10	Share of the companies that the organisation has interacted with on environmental or social issues	16		1-10

Sustainability report

Ratos's sustainability report was prepared in accordance with GRI Standards: Core option and in line with Swedish legislation regarding the companies' sustainability reporting and diversity policy in accordance with Chapter 6, Sections 10–14 and Chapter 7, Sections 31a–c of the Swedish Annual Accounts Act. The report, including indicators and data points, refers to the 2017 financial year unless otherwise stipulated. Refer also to the GRI Index on pages 122–123 for a description of the report and its principles.

Ratos's sustainability report includes a description of the strategy and business model (pages 8-9), accounts of material sustainability issues in its capacity of an active responsible owner, including policies and processes for managing these, and an account of the results on pages 14-19. A brief account of each portfolio company's sustainability agenda is included in the company descriptions (pages 28-43). The sustainability indicators reported for the portfolio companies constitute a selection of the most important indexes concerning each company's significant sustainability issues.

In addition to Ratos's sustainability report, large majority-owned portfolio companies (meaning companies that independently qualify for sustainability reporting in accordance with the EU directive as adopted in national legislation or the equivalent) have prepared their own sustainability reports in accordance with GRI Standards and the auditor of each company has verified that the report complies with relevant legislation. Large portfolio companies include airteam, Bisnode, DIAB, HL Display, HENT, Jøtul, Plantasjen, Speed Group and TFS. Ratos's associates, Aibel and Gudrun Sjödén, have both prepared their own sustainability reports in accordance with legislation. The portfolio companies' individual sustainability reports will be published on Ratos's website during the second quarter of 2018.

Auditor's opinion regarding the statutory sustainability report

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

Assignment and allocation of responsibilities

The Board of Directors is responsible for the 2017 sustainability report on pages 8-9, 14-19, 28-43 and 122-123, and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the examination

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report.* This means that our examination of the statutory sustainability report is 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.

Opinion

A statutory sustainability report has been prepared.

Peter Clemedtson
Authorized Public Accountant
Auditor-in-charge

Helena Kaiser de Carolis
Authorized Public Accountant

Stockholm, 28 March 2018
PricewaterhouseCoopers AB

Shareholder information

Annual General Meeting 3 May 2018

The Annual General Meeting of Ratos AB (publ) will be held at 2:00 p.m. CET on Thursday, 3 May 2018 at Skandiascenen at Cirkus, Djurgårdsslätten 43-45, Stockholm.

Participation

To be entitled to participate in the business of the Meeting, shareholders must

- be recorded in the register of shareholders maintained by Euroclear Sweden AB on Thursday, 26 April 2018,
- notify the company of their intention to attend no later than Thursday, 26 April 2018.

Notification

Out of consideration for the environment and to become more efficient through the use of digital services, Ratos has this year chosen to not issue invitations to the Annual General Meeting by mail.
Notification of participation may be made

- via www.ratos.se
- via phone +46 8 518 15 50 weekdays between 9.00 a.m. and 4:00 p.m.
- in writing to the following address: Computershare AB, "Ratos årsstämma 2018", Box 610, 182 16 Danderyd.

When notifying participation please state name, personal/corporate registration number, postal address, daytime telephone number and the number of assistants, if relevant.

Nominee registered shares

In order to be entitled to participate in the Meeting and exercise their voting rights, shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names. Such registration must be effected at Euroclear Sweden AB no later than Thursday, 26 April 2018. Shareholders are requested to inform their nominees in good time prior to this date.

Dividend and record date

The Board proposes an ordinary dividend for the 2017 financial year of SEK 2.00 (2.00) per Class A and Class B share. The record date for the right to receive dividends is proposed as 7 May 2018 and dividends are expected to be paid from Euroclear Sweden on 11 May 2018.

Calendar

3 May	2018 Annual General Meeting
3 May	Interim Report, January–March 2018
17 Aug	Interim Report, January–June 2018
25 Oct	Interim Report, January–September 2018

Reports can be accessed on Ratos's website directly after publication and are issued in Swedish and English. The annual report is sent by post to shareholders who have so requested.

Publications can be ordered at www.ratos.se or by

post: Ratos AB
Box 1661
SE-111 96 Stockholm

e-mail: info@ratos.se

Shareholder contact

Helene Gustafsson
Head of IR and Press
Tel: +46 8 700 17 00
e-mail: info@ratos.se

Contact details Board and Nomination Committee

Ratos AB
Box 1661
SE-111 96 Stockholm
e-mail: info@ratos.se

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