Year-end report 2017

Development in company portfolio full-year 2017

- Sales -2%
- EBITA amounted to SEK 1,048m (1,008), +4%
- Adjusted EBITA totalled SEK 1,162m (1,336), -13%

Performance of Ratos's company portfolio[1)]

	Ratos's holding					
	2017 Q4	**2016 Q4**	Change	**2017 Q1-4**	**2016 Q1-4**	Change
Net sales in the portfolio	5,168	5,748	-10%	21,037	21,565	-2%
EBITA in the portfolio	43	71	-40%	1,048	1,008	+4%
Adjusted EBITA in the portfolio [2)]	118	213	-45%	1,162	1,336	-13%

[1)] Comparison with corresponding period in preceding year pro forma.

[2)] Excluding items affecting comparability

For reconciliation of alternative performance measures, see Note 3

Acquisitions and divestments

- Divestment of Nebula and Serena Properties completed in the third quarter, total exit gain SEK 594m
- GS-Hydro Holding Oy and GS-Hydro Oy were declared bankrupt in the third quarter
- Divestment of the remaining shareholding in Arcus in the first quarter, exit gain SEK 33m
- Divestment of AH Industries completed in the first quarter, exit loss SEK 32m

Financial information

- Total impairment of book values in Diab and HL Display SEK 550m (2 504)
- Consolidated net sales SEK 23,059m (25,228)
- Profit before tax SEK 658 (-890)
- Earnings per share before and after dilution SEK 0.72 (-1.79)
- Proposed dividend SEK 2.00 per share (2.00)
- Redemption of all Class C preference shares, total redemption proceeds SEK 1,300m
- Cash and cash equivalents in the parent company SEK 2,226m (2,677)

Financial development based on financial IFRS

SEKm	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4
Net sales	5,413	6,649	23,059	25,228
Operating profit	-496	1,551	1,081	-235
Profit before tax	-597	1,330	658	-890
of which, Profit/share of profits in portfolio companies	-47	-38	679	295
Earnings per share before and after dilution	-2.01	3.95	0.72	-1.79
Equity (attributable to owners of the parent)			9,660	11,283
Return on equity, %			3	-4
Equity ratio, %			46	45
Cash flow for the period from operating activities			1,299	1,451
Cash and cash equivalents in the parent company			2,226	2,677

CEO comments on performance in 2017

Weaker performance in the fourth quarter

Earnings in the company portfolio were significantly weaker in the fourth quarter compared with the year-earlier period. In connection with Ratos's year-end procedures, impairment requirements was identified in two of the companies. Overall, this resulted in a very weak end to a challenging 2017. The sales trend for the year was also negative. Naturally, we are not satisfied with Ratos's current performance.

I was entrusted as CEO with the task of leading Ratos in December and I am now devoting considerable time to better familiarising myself with the operations of our portfolio companies, meeting their management teams and reviewing the practical application of our corporate governance.

Our earnings for the full year and the fourth quarter underline how important it is moving forward that we focus on reversing the negative earnings trends in our company portfolio.

Earnings trend

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.

In the fourth quarter of 2017, sales in the company portfolio declined 10%, and EBITA declined 40% from SEK 71m to SEK 43m, pro forma and adjusted for Ratos's holdings. The decrease in earnings was largely attributable to Diab, which reported a loss of SEK -32m (28) in a weak market with high commodity costs. In the fourth quarter, Ratos provided Diab with a capital injection of SEK 130m, partly to enable investments. TFS's sales and earnings trend in the fourth quarter was the result of a weak order intake and project cancellations in the first half of the year. HL Display's sales and earnings were weak in the fourth quarter, impacted by a weak market in the UK. Jøtul's earnings were charged with non-recurring costs related to restructuring. Adjusted for this restructuring, earnings improved as a result of the measures implemented during the year, which reduced the cost base.

In connection with Ratos's year-end procedures the company identified impairment requirements in Diab and HL Display amounting to a combined total of SEK 550m, of which SEK 200m pertains to Diab and SEK 350m to HL Display.

The Ratos Group reported profit before tax of SEK 658m (-890) for 2017 and a loss of SEK -597m (1,330) for the fourth quarter. The earnings improvement for full-year 2017 includes an exit gain from the divestment of Nebula and Serena Properties. The impairment of book values affected the comparative figures for 2016. Ratos's loss before tax for the fourth quarter was impacted by Plantasjen's seasonal variations, as a result of which the company normally posts a loss. The company's loss in the fourth quarter amounted to SEK -151m (-47). Plantasjen was only included in earnings for December 2016, which impacts the comparison.

Events in portfolio companies

During the fourth quarter, HENT secured orders pertaining to the demolition and construction of a hotel in Copenhagen's post office building, and the construction of a bus depot in Uppsala. Aibel was awarded a major modification contract on the Snorre A platform. The contract has a total value of NOK 1.6 billion and work is expected to continue until autumn 2021. Plantasjen opened additional small-format stores in Sweden and Norway during the quarter. Speed Group entered into an agreement with Hemtex entailing that Speed will take over the operation of Hemtex's logistics.

Transactions

The transaction market remained strong in 2017. Ratos carried out a number of important divestments during the year: the remaining holding in Arcus; the completion of the divestment of AH Industries; the divestment of Nebula and Serena Properties, which generated an exit gain of SEK 596m.

Focus on earnings in portfolio companies

During 2017, we lowered costs in the parent company, launched an updated strategic agenda, and redeemed all preference shares of SEK 1,300m. Ratos is financially strong and with the right conditions to turn around the earnings development in the portfolio companies.

Jonas Wiström, Chief Executive Officer

Important events 2017

Events after the end of the period

- In February, Ratos has signed an agreement to sell all of its shares in its subsidiary Jøtul A/S (Jøtul), to OpenGate Capital for approximately NOK 360m (enterprise value). The divestment generates an estimated net result effect of approximately SEK 40m. The investment has generated a negative annual rate of return (IRR).

Fourth quarter

- In December, the Board of Directors appointed current 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.
- In connection with Ratos's year-end procedures, the company identified impairment losses on the book values of Diab and HL Display totalling SEK 550m.
- In December, Ratos contributed SEK 130m to Diab

Third quarter

- 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, after consultation with Ratos and GS-Hydro's lenders. The situation was mainly due to a weak trend and substantial price pressure in the offshore market, combined with an insufficiently competitive market position. The company's bankruptcy has a marginal impact on earnings. In July, Ratos provided GS-Hydro with a previously agreed capital injection of EUR 2m.
- In July, Ratos paid an additional purchase consideration of EUR 8.3m in relation to TFS.

Second quarter

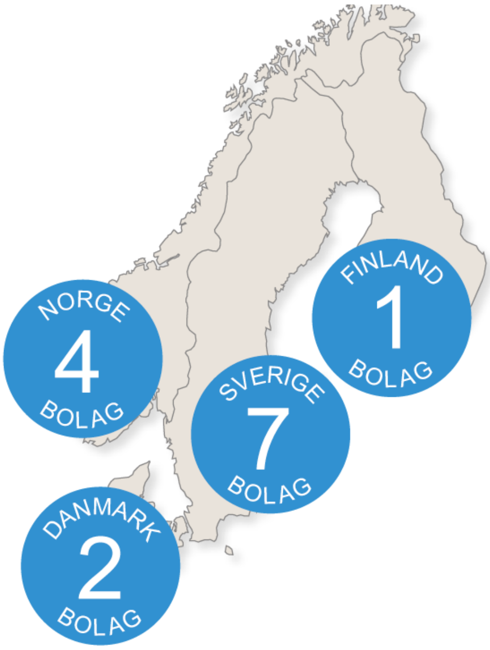
- Ratos's Annual General Meeting on 6 April approved a dividend of SEK 2.00 per ordinary share, totalling SEK 638m, which was paid in April.
- In May, Ratos's Board of Directors resolved to carry out a compulsory redemption of all Class C preference shares for total redemption proceeds of SEK 1,300m. Following the redemption of all 830,000 Class C preference shares, the total number of shares in Ratos was 324,140,896, of which 84,637,060 were Class A shares and 239,503,836 Class B shares.
- 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 about 37% and a money multiple of 3.3x.
- At its capital markets day in June, Ratos presented an updated strategic agenda. Through increased value creation and higher performance levels in the portfolio companies, Ratos's long-term ambition is to lay the foundation for a larger proportion of cash-flow-generated financing of the future dividends on Ratos's shares. 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 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.
- In June, Ratos signed an agreement to divest all of its shares in its subsidiary Serena Properties to Fastighets AB Balder for an enterprise value of EUR 206m (approximately SEK 2 billion). 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 June, Ratos contributed SEK 55m to HL Display in order to create scope for continued expansion.

First quarter

- In February, Ledil was refinanced. Ratos received a dividend of EUR 18m for its holding of 66%.
- 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.
- 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, Plantasjen signed an agreement to acquire SABA Blommor AB. The acquisition was completed in the second quarter and was financed by Plantasjen.

Companies overview

The Ratos Group's net sales for 2017 in accordance with IFRS amounted to SEK 23,059m (25,228). Operating profit for the same period totalled SEK 1,081 (-235). To facilitate a comparison of the ongoing performance of Ratos's company portfolio, the section below presents certain financial information that is not defined in accordance with IFRS. For a reconciliation of the alternative performance measures used in this report with the most directly reconcilable IFRS measures, refer to Note 3.



Ratos's company portfolio

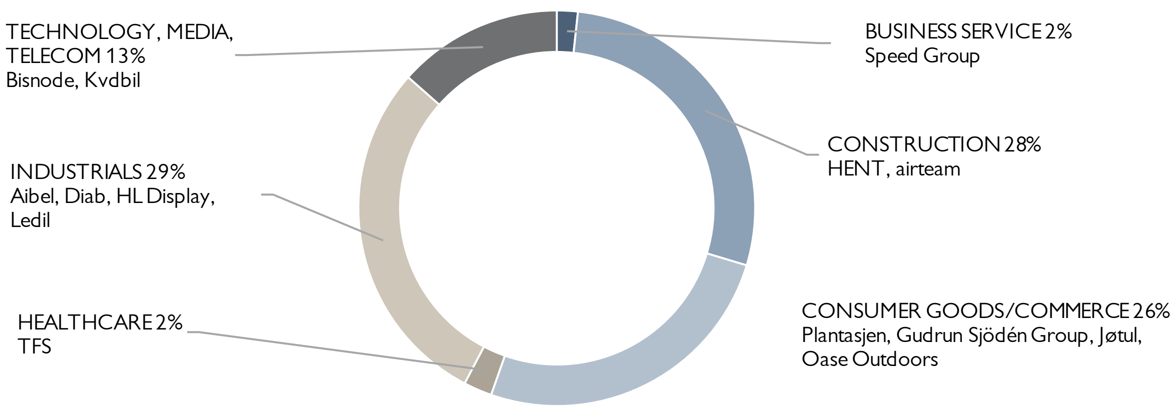
Ratos invests mainly in unlisted medium-sized Nordic companies and has 14 companies in its portfolio. The largest industries in terms of sales are Industrials, Construction and Consumer goods/Commerce.

14 companies with approximately

13,200* employees

* The number of employees is based on the average number of employees for full-year 2017 for the 14 companies.

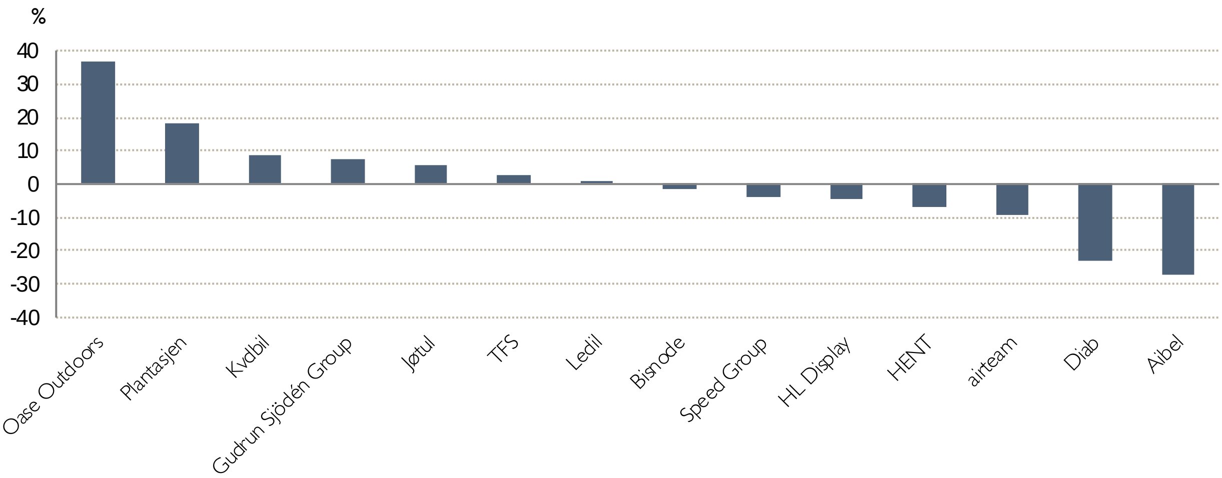
Sales breakdown by segment**



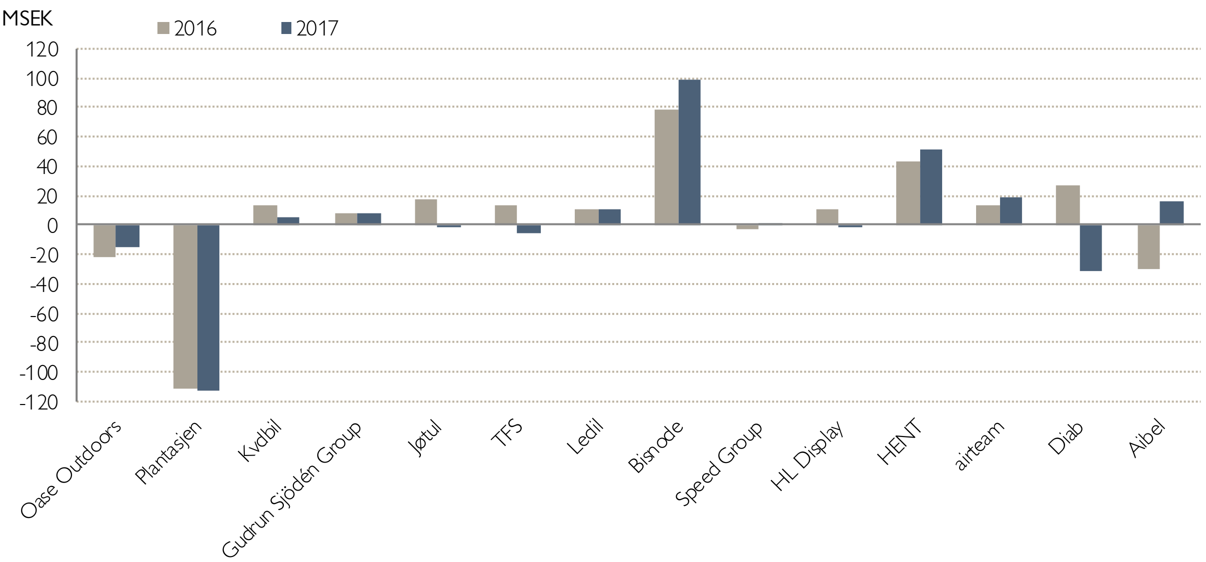
** Adjusted for the size of Ratos's holdings.

Ratos's companies
Q4 2017

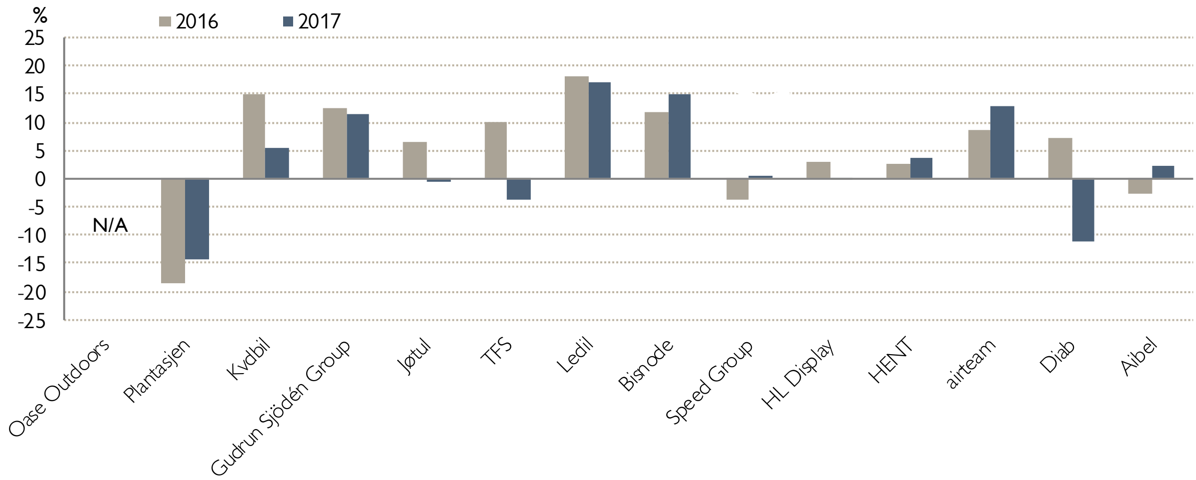
Sales trend



EBITA*



EBITA margin



* Adjusted for the size of Ratos's holdings.
The information presented for each company starting on page 6 refers to the company in its entirety and has not been adjusted for the size of Ratos's holding.

Consumer goods/Commerce

Plantasjen

- Strong sales trend in the quarter, driven by the acquisition of SABA and new store openings. Growth in comparable units was unchanged
- Lower EBITA compared with the year-earlier period, partly due to ongoing price campaigns to drive traffic to the stores and to manage inventory levels. EBITA in the year-earlier period was impacted by non-recurring costs of NOK 50m, mainly related to transaction costs
- Plantasjen's new CEO, Daniel Juhlin, assumed the position in December 2017. Daniel joins Plantasjen from his position as CEO of Byggmax AB and has extensive operational experience from the goods and retail sector

	Q4		Q1-4	
MNOK	2017	2016	2017	2016
Sales	755	638	3,881	3,624
EBITA	-109	-118	213	228
EBITA margin	-14.4%	-18.5%	5.5%	6.3%
Cash flow from operations	106		359	264

Plantasjen is 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.

Holding

99%

Gudrun Sjödén Group

- Sales growth of 7% for the fourth quarter and 11% for the full year. Favourable growth in all markets, particularly the US, the UK and France
- Lower EBITA margin due to market initiatives in the fourth quarter. Improved EBITA margin for full-year 2017
- Growth was driven by e-commerce, which accounted for 65% of total sales in 2017

	Q4		Q1-4	
MSEK	2017	2016	2017	2016
Sales	214	199	793	712
EBITA	25	25	83	70
EBITA margin	11.5%	12.6%	10.5%	9.9%
Cash flow from operations	37		87	8

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

Holding

30%

Jøtul

- Positive sales trend in the fourth quarter, the strongest quarter in terms of sales. Demand continued to improve in the two core markets of North America and France, while sales in the Nordic region were in line with the year-earlier period
- EBITA was negatively impacted by non-recurring costs totalling NOK 31m, of which NOK 23m pertains to the impairment of a product development project and the closure of a minor manufacturing unit in Norway
- Cash flow improved compared with the year-earlier period, fuelled by higher sales and improved production efficiency

	Q4		Q1-4	
MNOK	2017	2016	2017	2016
Sales	304	288	914	880
EBITA	-1	19	-16	0
EBITA margin	-0.4%	6.6%	-1.8%	0.0%
Cash flow from operations	131		51	4

The Norwegian company Jøtul is a global supplier of fireplaces with its main production facilities in Norway and Denmark.

Holding

93%

Oase Outdoors

- Oase's sales have strong seasonal variations, with revenue mainly generated in the first half of the year, while the fourth quarter in particular is normally small in terms of sales
- Earnings were charged with ongoing investments in growth initiatives and product development

	Q4		Q1-4	
MDKK	2017	2016	2017	2016
Sales	10	7	316	332
EBITA	-16	-22	41	37
EBITA margin	-157%	-302%	13%	11%
Cash flow from operations	-43		26	35

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

Holding

78%

Construction

HENT

- As expected, sales declined 7% in the fourth quarter of 2017. Order intake of approximately NOK 2.7 billion in the fourth quarter (NOK 833m in 2016). New orders include the construction of a hotel in Denmark for Nordic Choice and the construction of a new bus depot in Uppsala. At 31 December 2017, the value of the order book was approximately NOK 11.0 billion (approximately NOK 8.9 billion at 31 December 2016)
- The company's favourable profitability continued in the fourth quarter, with EBITA impacted positively by an exit gain of NOK 8m pertaining to the divestment of land in the property development operations
- HENT has five projects in its property development operations, comprising just over 1,400 apartments, in which HENT's average holding is nearly 50%. The operations have not yet made a significant contribution to earnings

	Q4		Q1-4	
MNOK	2017	2016	2017	2016
Sales	1,894	2,032	7,034	7,834
EBITA	69	54	253	234
EBITA margin	3.7%	2.7%	3.6%	3.0%
Cash flow from operations	489		132	172

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

Holding

73%

airteam

- High activity level in the market. airteam is a project-based operation, in which the profitability, sales and cash flow of the projects vary over time and between periods
- Stronger profitability compared with the year-earlier period due to successful project execution
- After the end of the period airteam acquired Luftkontroll Energy Örebro AB. Through the acquisition the company expands to Sweden and strengthens its market position. The acquisition is expected to be completed in the first quarter of 2018.

	Q4		Q1-4	
MDKK	2017	2016	2017	2016
Sales	166	183	633	604
EBITA	21	16	60	37
EBITA margin	12.8%	8.5%	9.4%	6.1%
Cash flow from operations	49		88	39

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

Holding

70%

Industrials

Aibel

- At 31 December 2017, the value of the order book was approximately NOK 11 billion, down about 26% compared with 31 December 2016. Weaker sales in the fourth quarter, driven by a continued reluctant market in Modifications and Yard Services, and lower activity according to plan in the successful Johan Sverdrup contract
- Stable profitability in the current project portfolio contributed to this earnings improvement
- In December, Aibel was 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

	Q4		Q1-4	
MNOK	2017	2016	2017	2016
Sales	2,424	3,322	9,081	10,679
EBITA	51	-94	309	46
EBITA margin	2.1%	-2.8%	3.4%	0.4%
Cash flow from operations	230		575	1,041

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

Holding

32%

Diab

- Sales decline due to a weaker trend in the wind power segment, while the marine segment delivered a favourable performance
- The weak EBITA was due to lower sales and sharply increased commodity costs
- An action programme has been implemented to counteract the weak market trend. The current market conditions are expected to impact the start of 2018
- Impairment of Diab's consolidated book value of SEK 200m. Ratos provided a capital injection of SEK 130m in the fourth quarter, partly to enable investments

	Q4		Q1-4	
MSEK	2017	2016	2017	2016
Sales	299	390	1,439	1,516
EBITA	-33	29	1	109
EBITA margin	-11.1%	7.4%	0.1%	7.2%
Cash flow from operations	12		23	7

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

Holding

96%

HL Display

- Sales declined 4% in the fourth quarter, mainly due to lower sales in the UK
- Lower EBITA margin as a result of lower sales, higher logistics costs and mix effects. EBITA was impacted by restructuring costs of SEK 5m in Asia
- Impairment HL Display's consolidated book value of SEK 350m

	Q4		Q1-4	
MSEK	2017	2016	2017	2016
Sales	358	373	1,445	1,417
EBITA	-1	10	43	67
EBITA margin	-0.2%	2.8%	2.9%	4.7%
Cash flow from operations	88		49	70

HL Display is a global supplier of products and systems for merchandising and in-store communication with operations in 47 countries. Manufacturing takes place in Poland, Sweden, China and the UK.

Holding

99%

Ledil

- Sales on par with the year-earlier period for the fourth quarter, with positive growth in Asia and North America while certain markets in Europe had a negative impact
- Changed assessment resulted in Ledil capitalising its product tools, which had a total positive impact of EUR 0.6m on EBITA in the quarter compared with the year-earlier period. Previous periods in 2017 are pro forma in relation to the changed assessment
- Jyri Järvinen, who has extensive operational experience from the ABB Group, was appointed as the new CEO of Ledil and assumed the position on 1 February 2018

	Q4		Q1-4	
MEUR	2017	2016	2017	2016
Sales	9.2	9.2	40.3	38.6
EBITA	1.6	1.7	11.1	11.1
Adjusted EBITA margin	17.2%	18.2%	27.4%	28.9%
Cash flow from operations	-0.7		6.2	9.9

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

Holding

66%

Technology, Media, Telecom

Bisnode

- Bisnode has during the period phased out unprofitable products which has had a slight negative effect in sales
- Increased profitability as a result of restructuring work carried out in 2017
- The extensive change initiatives to strengthen the core business and modernise the customer offering continued

* DACH: Germany, Switzerland, Austria

	Q4		Q1-4	
MSEK	2017	2016	2017	2016
Sales	952	964	3,555	3,458
EBITA	143	113	397	228
EBITA margin	15.0%	11.8%	11.2%	6.6%
Cash flow from operations	127		397	177

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

Holding

70%

Kvdbil

- Growth in the quarter was driven by favourable trends for all three segments – Private Cars, Company Cars and Machines & Heavy Vehicles.
- EBITA was charged with impairment of SEK 10m for IT systems as a result of the ongoing investment in IT and the development of services in order to raise the level of customer value on auction sites
- Adjusted for non-recurring costs, earnings improved compared with 2016, fuelled by higher volumes and lower operating expenses

	Q4		Q1-4	
MSEK	2017	2016	2017	2016
Sales	93	85	346	321
EBITA	5	13	30	37
EBITA margin	5.5%	15.0%	8.8%	11.6%
Cash flow from operations	7		20	27

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

Holding

100%

Healthcare

TFS

- Service sales* in the fourth quarter amounted to EUR 14.0m (16.5). Negative organic service sales growth due to a weak order intake and cancellations in the first half of the year. Favourable order intake in the third and fourth quarters
- EBITA was negatively impacted by lower sales, costs for strengthening the organisation and negative currency effects. A cost-cutting programme was implemented
- János Filakovský was appointed as the new CEO of TFS, bringing operational and international experience of the life science sector, including experience at Quintiles. János assumed his new position in February 2018

	Q4		Q1-4	
MEUR	2017	2016	2017	2016
Sales	25.4	24.7	91.6	83.7
EBITA	-1.0	2.4	-0.7	6.7
EBITA margin	-3.9%	9.9%	-0.8%	8.0%
Cash flow from operations	0.7		1.2	1.4

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

Holding

60%

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

Business services

Speed Group

- Weaker sales and low margin, mainly due to a modified contract portfolio. Investments in process and system improvements and an automated warehouse solution create an attractive customer offering and facilitate future growth
- A collaboration agreement was entered into with Hemtex during the quarter entailing that Speed will take over the operation of Hemtex's logistics in the second half of 2018. The operations will be based in Speed's new 38,000-square-metre warehouse currently being built in the Viared Västra industrial park outside Borås
- The investment in Speed's fully automated warehouse solution from Autostore impacted cash flow

	Q4		Q1-4	
MSEK	2017	2016	2017	2016
Sales	131	136	513	562
EBITA	0	-5	24	34
EBITA margin	0.1%	-3.7%	4.7%	6.1%
Cash flow from operations	7		-3	105

Speed Group is a Swedish provider of services that extend from staffing and recruitment to full-scale warehouse management as well as production and education.

Holding

70%

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

	Net sales in portfolio				EBITA in portfolio			
SEKm	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4
Aibel	789	1,128	2,992	3,474	16	-30	102	15
airteam [1)]	152	166	571	535	19	14	54	32
Bisnode	665	674	2,484	2,416	100	79	277	159
Diab	287	375	1,382	1,456	-32	28	1	105
Gudrun Sjödén Group [2)]	64	60	238	214	7	8	25	21
HENT	1,410	1,598	5,300	5,829	51	43	190	174
HL Display	352	368	1,424	1,397	-1	10	42	66
Jøtul	288	283	875	832	-1	18	-15	0
Kvdbil	93	85	346	321	5	13	30	37
Ledil [3)]	60	60	257	242	10	11	71	70
Oase Outdoors [4)]	12	11	321	331	-16	-21	42	36
Plantasjen [5)]	755	702	3,960	3,650	-112	-112	217	230
Speed Group	91	95	359	393	0	-4	17	24
TFS	148	144	529	475	-6	14	-4	38
Total adjusted for Ratos's holding	5,168	5,748	21,037	21,565	43	71	1,048	1,008
Change	-10%		-2%		-40%		+4%	

	Adjusted EBITA in portfolio [A)]				Cash flow from operations in portfolio [B)]	Interest-bearing net debt in portfolio	Ratos's holding (%)
SEKm	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4	2017 Q1-4	17-12-31	17-12-31
Aibel	38	10	131	100	190	706	32
airteam [1)]	19	14	54	52	79	67	70
Bisnode	109	111	297	250	277	1,094	70
Diab	-32	28	1	110	22	743	96
Gudrun Sjödén Group [2)]	7	8	25	21	26	-31	30
HENT	45	43	184	175	99	-484	73
HL Display	5	18	49	84	48	496	99
Jøtul	29	19	19	7	49	436	93
Kvdbil	16	13	42	48	20	141	100
Ledil [3)]	10	11	71	70	40	242	66
Oase Outdoors [4)]	-16	-17	42	57	27	218	78
Plantasjen [5)]	-110	-61	229	295	366	2,077	99
Speed Group	0	1	17	29	-2	-20	70
TFS	-4	15	2	40	7	23	60
Total adjusted for Ratos's holding	118	213	1,162	1,336	1,247	5,707	
Change	-45%		-13%				

A) EBITA, adjusted for non-recurring items.
B) Cash flow from operations, excluding paid tax and interest, but including investments and divestments of intangible assets and property, plant and equipment, respectively.

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.

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 4m for the fourth quarter, and 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.

Complete income statements, statements of financial position and statements of cash flows for all of the companies are available at www.ratos.se.

Financial information

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 Sjöden 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 items including transaction costs include an exit gain of SEK 40m on the divestment of a property development project in Aalborg, Denmark. Refer to Note 5 for more details about Ratos's results.

Cash flow and financial position

Cash flow for the period was SEK -494m (-2,187), of which cash flow from operating activities accounted for SEK 1,299m (1,451), cash flow investing activities for SEK 1,135m (-1,844) and cash flow from financing activities for SEK -2,928m (-1,794). In addition to the conditions in the portfolio companies' operating activities, Ratos's cash flow was impacted by changes in the company portfolio. At the end of the period, the Group's cash and cash equivalents amounted to SEK 3,881m (4,389) and interest-bearing net debt totalled SEK 3,324m (3,939).

Ratos's equity

At 31 December 2017, Ratos's equity (attributable to owners of the parent) amounted to SEK 9,660m (SEK 10,225m at 30 September 2017), corresponding to SEK 30 per share outstanding (SEK 32 at 30 September 2017).

Parent company

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 tax amounted to SEK 1,491m (-312), of which impairment of shares in subsidiaries accounted for SEK -533m (-2,467). The parent company's cash and cash equivalents totalled SEK 2,226m (2,677).

Ratos's Class B share

Earnings per share before and after dilution amounted to SEK 0.72 (-1.79). At 31 December 2017, the closing price for Ratos's Class B share was SEK 35.84. The total return on Class B shares for full-year 2017 amounted to -13%, compared with the performance of the SIX Return Index, which was 9%.

Redemption of Ratos's preference shares

On 16 May 2017, the Board of Directors of Ratos AB resolved 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.

Treasury shares and number of shares

No Class B shares were repurchased and no call options were exercised during the period. At the end of December, Ratos owned 5,126,262 Class B shares (corresponding to 1.6% of the total number of shares), repurchased at an average price of SEK 68.

At 31 December 2017, the total number of shares in Ratos (Class A and B shares) amounted to 324,140,896 and the number of votes to 108,587,444. The number of outstanding Class A and B shares was 319,014,634. The average number of Class B treasury shares in Ratos in full-year 2017 was 5,126,262 (5,126,468 in full-year 2016).

Credit facilities and new issue mandate

The parent company has a credit facility of SEK 2.2 billion including a bank overdraft facility. The purpose of the facility is to be able to use it when bridge financing is required for acquisitions and to be able to finance dividends and day-to-day running costs in periods with few or no exits. The parent company should normally be unleveraged. The credit facility was unutilised at the end of the period. In addition, there is also a mandate from the 2017 Annual General Meeting to issue a maximum of 35 million Ratos Class B shares in conjunction with agreements on acquisitions and an authorisation to issue a maximum total of 1,250,000 Class C and/or Class D preference shares in conjunction with acquisitions.

Proposals to the Annual General Meeting 2018

Annual General Meeting

Ratos's Annual General Meeting (AGM) will be held on 3 May 2018 at 2:00 p.m. at Skandiascenen, Cirkus, in Stockholm, Sweden. Shareholders who wish to participate in the Annual General Meeting must be recorded in the register of shareholders maintained by Euroclear Sweden AB on 26 April 2018 and notify the company of their intention to attend not later than 26 April 2018. The Annual Report will be available at the company's head office and on its website, www.ratos.se, not later than the week starting 26 March 2018.

Proposed dividend for Class A and B shares

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.

Key figures for Ratos's share

SEKm	2017 Q1-4	2016 Q1-4
Key figures per share [1]		
Total return, %	-13	-6
Dividend yield, %	5.6	4.6
Market price, SEK	35.84	43.14
Dividend, SEK	2.00 [4]	2.00
Equity attributable to owners of the parent, SEK [2]	30	31
Earnings per share before and after dilution, SEK [3]	0.72	-1.79
Average number of ordinary shares outstanding:		
– before dilution	319,014,634	319,014,428
– after dilution	319,014,634	319,014,428
Total number of registered shares	324,140,896	324,970,896
Number of shares outstanding	319,014,634	319,722,042
– of which, Class A shares	84,637,060	84,637,060
– of which, Class B shares	234,377,574	234,377,574
– of which, Class C shares		707,408

1) Relates to Class B shares unless specified otherwise.

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

3) 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.

4) Proposed dividend

Financial statements

Consolidated income statement

SEKm	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4
Net sales	5,413	6,649	23,059	25,228
Other operating income	10	56	79	88
Change in inventories of products in progress, finished goods and work in progress	-28	-36	-16	7
Work performed by the company for its own use and capitalised	24	32	70	90
Raw materials and consumables	-2,856	-3,625	-12,123	-13,695
Employee benefit costs	-1,528	-1,735	-6,098	-6,807
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	-707	-412	-1,163	-1,441
Other costs	-880	-976	-3,467	-3,539
Capital gain/loss from group companies	-0	1,680	559	1,678
Impairment and capital gain from investments recognised according to the equity method	48		161	-1,692
Share of pre-tax profit/loss from investments recognised according to the equity method [1)]	8	-83	19	-152
Operating profit/loss	-496	1,551	1,081	-235
Financial income	21	41	77	96
Financial expenses	-122	-262	-500	-751
Net financial items	-101	-221	-423	-655
Profit/loss before tax	-597	1,330	658	-890
Tax	-16	-61	-234	-198
Share of tax from investments recognised according to the equity method [1)]	-13	-0	-17	18
Profit/loss for the period	-625	1,270	407	-1,071
Profit/loss for the period attributable to:				
Owners of the parent	-641	1,277	268	-500
Non-controlling interests	16	-8	139	-570
Earnings per share, SEK				
– before dilution	-2.01	3.95	0.72	-1.79
– after dilution	-2.01	3.95	0.72	-1.79

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

Consolidated statement of comprehensive income

SEKm	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4
Profit/loss for the period	-625	1,270	407	-1,071
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit pension obligations, net	8	18	8	-70
Tax attributable to items that will not be reclassified to profit or loss	2	-3	2	18
	10	15	10	-51
Items that may be reclassified subsequently to profit or loss:				
Translation differences for the period	74	-340	-29	312
Change in hedging reserve for the period	24	-61	-1	-54
Tax attributable to items that may be reclassified subsequently to profit or loss	-5	11	0	9
	93	-390	-30	268
Other comprehensive income for the period	103	-375	-20	216
Total comprehensive income for the period	-523	895	387	-854
Total comprehensive income for the period attributable to:				
Owners of the parent	-560	980	248	-388
Non-controlling interest	38	-85	139	-466

Summary consolidated statement of financial position

SEKm	2017-12-31	2016-12-31
ASSETS		
Non-current assets		
Goodwill	11,583	12,990
Other intangible non-current assets	1,841	1,844
Property, plant and equipment	1,827	1,970
Financial assets	1,323	2,373
Deferred tax assets	478	594
Total non-current assets	17,053	19,771
Current assets		
Inventories	1,136	1,389
Current receivables	3,252	3,771
Cash and cash equivalents	3,881	4,389
Assets held for sale		485
Total current assets	8,270	10,034
Total assets	25,323	29,805
EQUITY AND LIABILITIES		
Equity including non-controlling interests	11,546	13,286
Non-current liabilities		
Interest-bearing liabilities	5,819	6,953
Non-interest bearing liabilities	356	582
Pension provisions	486	487
Other provisions	61	99
Deferred tax liabilities	500	501
Total non-current liabilities	7,222	8,623
Current liabilities		
Interest-bearing liabilities	1,019	1,228
Non-interest bearing liabilities	4,880	5,630
Provisions	656	553
Liabilities attributable to Assets held for sale		485
Total current liabilities	6,555	7,896
Total equity and liabilities	25,323	29,805

Summary statement of changes in consolidated equity

	2017-12-31			2016-12-31		
SEKm	Owners of the parent	Non-controlling interest	Total equity	Owners of the parent	Non-controlling interest	Total equity
Opening equity	11,283	2,003	13,286	12,882	2,419	15,302
Adjustment	0	0	0	-35	-10	-46
Adjusted equity	11,283	2,004	13,286	12,847	2,409	15,256
Total comprehensive income for the period	248	139	387	-388	-466	-854
Dividends	-659	-90	-749	-1,108	-22	-1,131
Non-controlling interests' share of capital contribution and new issue		27	27		494	494
Purchase/redemption of treasury shares, net effect	-1,300		-1,300	-61		-61
Option premiums	1		1	2		2
Put options, future acquisitions from non-controlling interests	-3	-2	-5	-4	-38	-42
Acquisition of shares in subsidiaries from non-controlling interests	-1	-6	-6	-6	-55	-60
Disposal of shares in subsidiaries to non-controlling interests	1	6	6		0	0
Non-controlling interests at acquisition					8	8
Non-controlling interests in disposals		-101	-101		-63	-63
Adjusted non-controlling interests	91	-91			-264	-264
Closing equity	9,660	1,886	11,546	11,283	2,003	13,286

Consolidated statement of cash flows

SEKm	2017 Q1-4	2016 Q1-4
Operating activities		
Profit/loss before tax	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		
Acquisition, group companies	-365	-2,242
Disposal, 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	
Purchase and disposal, intangible assets/property, plant and equipment	-572	-529
Investments and disposal, financial assets	288	-257
Received interest	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
Option premiums paid	19	66
Redemption of options	-24	-11
Acquisition and disposal of shares in subsidiaries from non-controlling interests	0	-96
Dividends paid	-677	-1,109
Dividends paid, non-controlling interests	-90	-28
Borrowings	662	3,376
Amortisation of loans	-1,199	-3,903
Paid interest	-330	-284
Amortisation of finanicial lease liabilitities	-30	-41
Cash flow from financing activities	-2,928	-1,794
Cash flow for the period	-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
Increase (-)/Decrease (+) of cash and cash equivalents classified as Assets held for sale	32	-17
Cash and cash equivalents at the end of the period	3,881	4,389

Parent company income statement

SEKm	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4
Other operating income	-4	0	10	2
Other external costs	-27	-21	-81	-81
Personnel costs	-25	-42	-98	-184
Depreciation of property, plant and equipment	-1	-1	-3	-4
Operating loss	-56	-64	-172	-266
Gain from sale of participating interests in group companies	846	1,155	844	2,459
Dividends from group companies			572	
Impairment of shares in group companies	-410	-226	-533	-2,467
Gain from sale of interests in associates			778	
Result from other securities and receivables accounted for as non-current assets		0	2	0
Other interest income and similar profit/loss items	9	-9	22	14
Interest expenses and similar profit/loss items	1	-12	-21	-52
Profit/loss after financial items	390	844	1,491	-312
Tax				
Profit/loss for the period	390	844	1,491	-312

Parent company statement of comprehensive income

SEKm	2017 Q4	2016 Q4	2017 Q1-4	2016 Q1-4
Profit/loss for the period	390	844	1,491	-312
Total comprehensive income for the period	390	844	1,491	-312

Summary parent company balance sheet

SEKm	2017-12-31	2016-12-31
ASSETS		
Non-current assets		
Property, plant and equipment	61	64
Financial assets	8,280	9,075
Total non-current assets	8,340	9,139
Current assets		
Current receivables	15	51
Cash and cash equivalents	2,226	2,677
Total current assets	2,240	2,728
Total assets	10,581	11,867
EQUITY AND LIABILITIES		
Equity	8,765	9,232
Non-current provisions		
Other provisions		11
Non-current liablities		
Interest-bearing liabilities, group companies	306	2,254
Non-interest bearing liabilities	18	34
Other financial liabilities	30	39
Current provisions	140	117
Current liabilities		
Interest-bearing liabilities, group companies	13	16
Non-interest bearing liabilities, group companies	1,250	
Non-interest bearing liabilities	59	181
Total equity and liabilities	10,581	11,867

Summary statement of changes in parent company's equity

SEKm	2017-12-31	2016-12-31
Opening equity	9,232	10,711
Comprehensive income for the period	1,491	-312
Dividends	-659	-1,108
Purchase/redemption of treasury shares, net effect	-1,300	-61
Option premiums	1	2
Closing equity	8,765	9,232

Parent company cash flow statement

SEKm	2017 Q1-4	2016 Q1-4
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		
Investment, shares in subsidiaries	-422	-3,198
Disposal, shares in subsidiaries		1,196
Liabilities to group companies [1)]	1,228	1,364
Disposal, shares in associates	781	
Acquisition, property, plant and equipment	0	-1
Investments and disposals, financial assets		-4
Cash flow from investing activities	1,587	-643
Financing activities		
Purchase/redemption of treasury shares	-1,300	-62
Option premiums paid	4	6
Redemption of options	-16	
Dividends paid	-677	-1,109
Cash flow from financing activities	-1,989	-1,165
Cash flow for the period	-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 period	2,226	2,677

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

Note 1 Accounting principles

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

Reporting and measurement principles are unchanged compared with those applied in Ratos's 2016 Annual Report. The following change has been made to the presentation form.

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.

New IFRS that have not yet come into force

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 and IAS 18 Transfers of Assets from Customers and related interpretations. Ratos's subsidiaries operate in a variety of sectors and will 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 18 Financial instruments and Note 30 Financial risks and risk policy in Ratos's 2016 Annual Report for a description of the hedges within the Ratos Group.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases and 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.

Note 2 Risks and uncertainties

Ratos invests in and develops unlisted enterprises in the Nordic region.

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

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

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

A more detailed description of the material risks and uncertainties to which the Group and the parent company are exposed is provided in the Directors' report and in Notes 30 and 37 in the 2016 Annual Report.

Note 3 Alternative performance measures

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

To facilitate a comparison between periods and enable follow-up of the ongoing earnings and performance of the company portfolio, Ratos presents certain financial information that is not defined in accordance with IFRS.

This information is intended to give the reader a better opportunity to evaluate Ratos's investments and should be regarded as a complement to the financial information recognised in accordance with IFRS.

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

As of the January-March 2017 interim report, Net sales, Adjusted EBITA, EBITA and Interest-bearing net debt for the portfolio are no longer reported with the companies included in their entirety. The portfolio is reported adjusted for Ratos's holdings only. The aim is to clarify for the reader by only using one method of reporting the portfolio.

Net sales

SEKm	2017 Q1-4	2016 Q1-4	Change
Net sales in portfolio, Ratos's holding	21 037	21 565	-2%
Net sales in subsidiaries, holding not owned by Ratos	4 209	3 959	
Subsidiaries acquired during current year		-3 621	
Subsidiaries divested during current year	1 043	7 013	
Investments recognised according to the equity method	-3 230	-3 688	
Net sales in accordance with IFRS	23 059	25 228	-9%

Adjusted EBITA, EBITA and operating profit

SEKm	2017 Q1-4		2016 Q1-4
Adjusted EBITA, Ratos's holding	1 162	-13%	1 336
Items affecting comparability, Ratos's holding	-114		-328
EBITA, Ratos's holding	1 048	4%	1 008
EBITA in subsidiaries, holding not owned by Ratos	271		207
Subsidiaries acquired during current year			-321
Subsidiaries divested during current year	-13		330
Exit gain/loss from portfolio companies	663		1 672
Investments recognised according to the equity method	-110		-190
Income and expense in the parent company and central companies	-119		-326
Amortisation and impairment of intangible assets in connection with company acquisitions	-660		-2 617
Consolidated operating profit	1 081		-235

Cash flow from operations

SEKm	2017 Q1-4
Cash flow from operations in portfolio	1,247
Cash flow from operations, holding not owned by Ratos	232
Cash flow from operations, holdings divested during current year	2
Investments recognised according to the equity method	-216
Acquisitions and disposals, intangible assets/property, plant and equipment	572
Income tax paid	-251
Attributable to the parent company	-61
Eliminations	-226
Cash flow from operating activities	1,299

Interest-bearing net debt

SEKm	2017-12-31
Total interest-bearing net debt in the portfolio, Ratos's holding	5,707
Interest-bearing net debt in subsidiaries, holding not owned by Ratos	610
Investments recognised according to the equity method	-675
Attributable to the parent company and central companies	-2,318
Consolidated interest-bearing net debt	3,324

	2017-12-31	2016-12-31
Non-current interest-bearing liabilities	5,819	6,953
Current interest-bearing liabilities	1,019	1,228
Provisions for pensions	486	487
Interest-bearing assets	-118	-340
Cash and cash equivalents	-3,881	-4,389
Consolidated interest-bearing net debt	3,324	3,939

Note 4 Acquired and divested businesses

GS-Hydro declared bankrupt

In September 2017, Ratos filed a bankruptcy petition for the subsidiary GS-Hydro Holding Oy and its subsidiary GS-Hydro Oy. 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 book value 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 and was recognised in the third quarter as a Capital gain from Group companies in the consolidated income statement.

Adjusted acquisition analysis for Plantasjen

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

Plantasjen	Preliminary acquisition analysis	Adjusted acquisition analysis
Trademarks	624	715
Customer relations	40	44
Other assets	1,821	1,821
Non controlling interest	-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

Divestment of Nebula

In May 2017, Ratos signed an agreement to sell all of its shares in Nebula for a selling price (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 amounted to EUR 78m (SEK 752m) and the exit gain, which was recognised in the third quarter, amounted to SEK 515m.

Divestment of Serena Properties

In June 2017, Ratos signed an agreement to sell all of its shares in Serena Properties for a selling price (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 of SEK 79m was recognised in the same period.

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.

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 in the first quarter.

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 also sold its remaining holding of 24% at a price of NOK 762m, corresponding to NOK 47.40 per share. The sale yielded an exit gain of SEK 33m in the first quarter. The total exit gain from the sales of Arcus was SEK 1,437m, of which SEK 1,403m was included in earnings for 2016.

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.

Agreement of divestment of Jøtul

In February 2018 Ratos signed an agreement to sell all of its shares in its subsidiary Jøtul A/S (Jøtul), for approximately NOK 360m (enterprise value). The divestment generates an estimated net result effect of approximately SEK 40m.

Note 5 Operating segments

SEKm	Sales 2017 Q4	Sales 2016 Q4	Sales 2017 Q1-4	Sales 2016 Q1-4	EBT [1] 2017 Q4	EBT [1] 2016 Q4	EBT [1] 2017 Q1-4	EBT [1] 2016 Q1-4
Aibel					-1	-100	-24	-198
Bisnode	952	964	3,555	3,458	98	126	280	47
Diab	299	390	1,439	1,516	-35	23	-41	84
HENT	1,933	2,190	7,266	7,991	70	21	250	191
HL Display	358	373	1,445	1,417	-10	2	17	43
Jøtul	311	305	944	898	-19	4	-46	-10
Kvdbil	93	85	346	321	4	10	27	31
Ledil	91	90	388	365	13	8	93	91
Speed Group	131	136	513	562	-3	-9	10	11
TFS	248	240	882	793	-13	-24	-30	6
Total companies in portfolio all reported periods	4,415	4,774	16,778	17,320	103	61	535	296
airteam [2]	218	237	820	601	17	10	37	14
Gudrun Sjödén Group (30%) [3]					7	7	23	8
Oase Outdoors (79%) [4]	15	9	409	14	-23	-31	40	-44
Plantasjen [5]	765	280	4,009	280	-151	-37	51	-37
Total companies acquired during reported periods	998	527	5,239	895	-150	-51	151	-59
AH Industries		254	265	1,059		12	-2	19
Arcus		523		2,294		2	-0	4
Biolin Scientific		44		186		-5		-28
Euromaint				1,061				9
GS-Hydro		220	542	886		-55	-79	-149
Mobile Climate Control		218		1,194		-32		77
Nebula		88	177	332		15	40	71
Serena Properties						15	33	56
Total companies divested during reported periods		1,348	985	7,013		-48	-7	58
Total	5,413	6,649	23,001	25,228	-47	-38	679	295
Exit AH Industries							-32	
Exit Arcus						1,403	33	1,403
Exit Euromaint						0		0
Exit Mobile Climate Control						268		268
Exit Nebula							515	
Exit Serena Properties							79	
Total exit gains						1,672	596	1,672
Impairment AH Industries						-43		-135
Impairment Aibel								-1,692
Impairment Biolin Scientific								-314
Impairment Diab					-200		-200	
Impairment Euromaint								-122
Impairment and result from bankruptcy GS-Hydro						-160	68	-160
Impairment HL Display					-350		-350	
Impairment Jøtul								-81
Companies total	5,413	6,649	23,001	25,228	-597	1,430	792	-538
Income and expenses in the parent company and central companies								
Operating management costs					-38	-66	-153	-261
Other income and expenses, incl. transaction costs			58		31	-31	34	-56
Costs which will be charged to portfolio companies					-2	24	0	-9
Financial items					9	-27	-16	-27
Group total	5,413	6,649	23,059	25,228	-597	1,330	658	-890

1) Subsidiaries are included with 100% in consolidated profit. Investments recognised according to the equity method are included with holding percentage of pre-tax profit/loss.
2) airteam is included as a subsidiary as of April 2016.
3) Gudrun Sjödén Group is included as an associate with a holding of 30% as of September 2016.
4) Oase Outdoors is included as a subsidiary as of September 2016.
5) Plantasjen is included as a subsidiary as of December 2016.

	Consolidated value [1]	
SEKm	2017-12-31	2016-12-31
AH Industries		0
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 holdings' equity, any residual values on consolidated surplus and deficit values minus any intra-group profits. Shareholder loans are also included.

[2] Of which cash and cash equivalents in the parent company totalled SEK 2,226m (2,677).

Note 6 Financial instruments

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

The measurement methods were unchanged during the period.

In the statement of financial position at 31 December 2017, the total value of financial instruments measured at fair value in accordance with level three was SEK 340m (510). This change was primarily attributable to the payment of additional purchase considerations.

In the statement of financial position at 31 December 2017, the net value of derivatives amounted to SEK -1m (-18), of which SEK 29m (24) was recognised as an asset and SEK 30m (42) as a liability.

Note 7 Goodwill and impairment

Goodwill changed during the period as shown below.

SEKm	Accumulated cost	Accumulated impairment	Total
Opening balance 1 January 2017	14,522	-1,532	12,990
Business combinations	124		124
Divested companies	-493	469	-24
Reclassified to Assets held for sale [1]	-846		-846
Reclassifications	-68		-68
Impairment		-550	-550
Translation differences for the year	-66	24	-43
Closing balance 31 December 2017	13,173	-1,589	11,583

[1] Nebula, divested 2017

Impairment

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

The Board of Ratos AB resolved on impairments in the fourth quarter totalling SEK 550m attributable to the portfolio companies Diab and HL Display.

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 recovery value established based on value in use, with a discount rate after tax of 9% applied (6). The discount rate before tax was 11% (8). Key assumptions in addition to discount rate are sales growth, gross margin and EBITA margin. After the forecast period, which corresponds to five years, a final value is estimated. As of the 2017 financial year, this is done using an assumption of a stable, long-term growth rate for relevant products, sectors, countries and markets. The assumed annual growth rate after the forecast period is 2%.

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 value of Diab. After impairment, the carrying amount for Diab totalled SEK 623m. The amount corresponds to the recovery value established based on value in use, with a discount rate after tax of 8% applied (8). The discount rate before tax amounts to 10% (10). Key assumptions in addition to discount rate are sales growth, gross margin and EBITA margin. After the forecast period, which corresponds to five years, a final value is estimated. As of the 2017 financial year, this is done using an assumption of a stable, long-term growth rate for relevant products, sectors, countries and markets. The assumed annual growth rate after the forecast period is 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.

Note 8 Related party disclosures

Transactions with related parties are made on market terms.

Parent company

The parent company has a related party relationship with its Group companies. For more information, refer to Note 33 in the 2016 Annual Report. 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 fulfill their obligations in connection with the acquisition of TFS and Oase Outdoors, respectively. The parent company also guarantees that Sophion Holding AB, EMaint AB and AHI Intressenter AB will fulfill their obligations in connection with the divestment of Sophion Bioscience, Euromaint and AH Industries, respectively.

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

SEKm	Capital contribution	Dividend
2017 Q1-4	316	598
2016 Q1-4	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 quarter, Ratos provided a contribution of SEK 130 to Diab. Earlier in the year, Ratos provided a contribution of 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.

Telephone conference	
16 February at 10:00 a.m.	+46 8 566 426 69

Financial calendar	
2018	
Interim report January-March	3 May 2018
Interim report January-June	17 August 2018
Interim report January-September	25 October 2018

Stockholm, 15 February 2018
Ratos AB (publ)

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

This is information that Ratos AB is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication at 8:00 a.m. CET on 16 February 2018.

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Ratos owns and develops unlisted medium-sized companies in the Nordic countries. Our goal as an active owner is to contribute to long-term and sustainable business development in the companies we invest in and to make value-generating transactions. Ratos's portfolio consists of 14 medium-sized Nordic companies and the largest segments in terms of sales are Industrials, Construction and Consumer goods/Commerce. Ratos is listed on Nasdaq Stockholm and has approximately 13,200 employees.