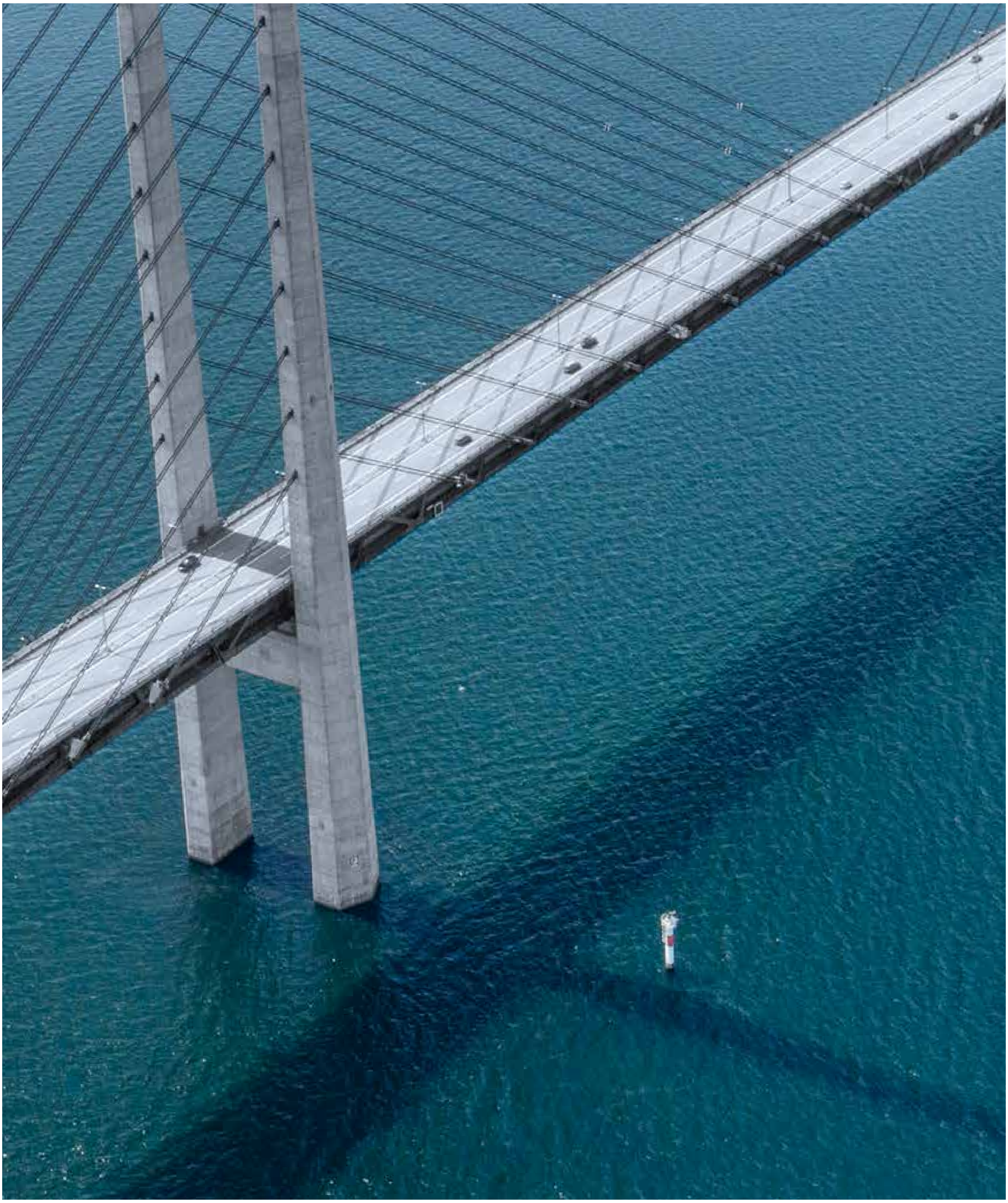
Annual Report 2020



RATOS

Contents

This is Ratos's Annual and Sustainability Report for 2020. The formal Annual Report comprises pages 40–113. The Sustainability Report on pages 10–21, 26–37 and 119–123 is Ratos's statutory sustainability report, as required by the Swedish Annual Accounts Act. The Sustainability Report also serves as our Communication on Progress to the UN Global Compact.

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

Ratos is a business group that enables independent companies to excel by being part of something larger. People, leadership, culture and values are key focus areas for Ratos. Everything we do is based on Ratos's core values: Simplicity, Speed in Execution and It's All About People.

Ratos's world 2020

12,500
employees

12
companies in three business areas

37
SEK billion in sales

2.5
SEK billion in EBITA

These figures pertain to the companies in their entirety, including Bisnode, which was divested in January 2021.

Three business areas

Ratos's operations are divided into three business areas. For further information about the 12 companies included in the business areas, refer to pages 24 to 37. Ratos has chosen to present its companies and business areas, page 3 to page 25, based on the size of Ratos's holding in each company.

Construction & Services

Sales: SEK 11,592m
Reported growth: –5%.
EBITA: SEK 400m
EBITA margin: 3.4%

Aibel

Supplier of offshore-based solutions and maintenance for the European energy sector

airteam

Energy-efficient ventilation solutions

HENT

Construction company within public and commercial real estate

Speed Group

Services for logistics and warehouse management as well as staffing services

Consumer & Technology

Sales: SEK 7,845m
Reported growth: 2%
EBITA: SEK 989m
EBITA margin: 12.6%

Bisnode

One of Europe's largest data and analysis companies

Kvdbil

Independent online marketplace offering testing, valuation and broker services for second-hand vehicles

Oase Outdoors

Develops, designs and produces innovative camping and outdoor equipment

Plantasjen

Chain store for the sale of plants, flowers and related products

Industry

Sales: SEK 4,634m
Reported growth: 1%
EBITA: SEK 524m
EBITA margin: 11.3%

Diab

Develops, produces and sells core materials for sandwich composite structures

HL Display

Store solutions for improved customer experience, profitability and sustainability

LEDiL

Designs, develops and sells secondary optics to lighting manufacturers

TFS

Services within clinical trials for the pharmaceutical industry

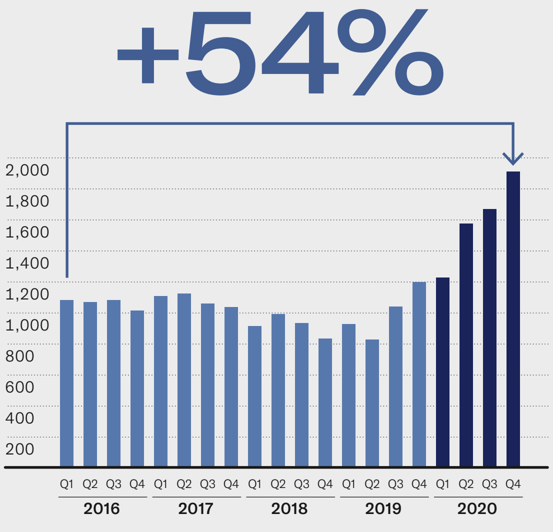
Continued earnings improvement

The improvements in profitability in 2019 continued during 2020. EBITA in the business group increased 60% compared with 2019 to SEK 1,913m. Ratos's leverage decreased to 1.1x.

Improved earnings in the companies

During the year, efforts to achieve high profitability generated increased earnings in the companies. 11 of 12 companies reported higher profitability compared with the preceding year.

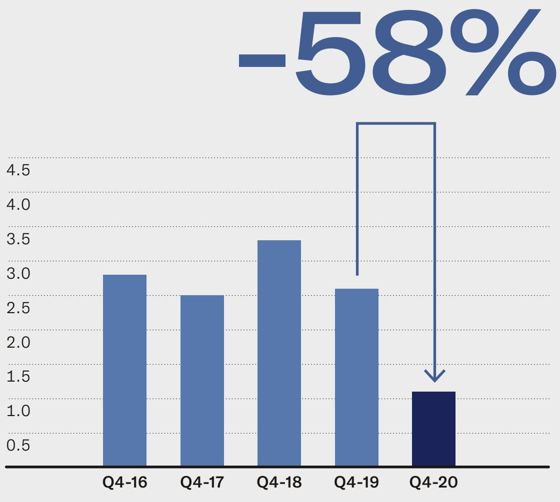
EBITA trend, last 12-month period
SEKm, Ratos's holding[1)]



Lower leverage

Ratos's leverage fell to 1.1x for full-year 2020, compared with 2.6x for full-year 2019. The strong balance sheet was attributable to the company's favourable earnings trend and cash flow.

Net debt/EBITDA (excluding IFRS 16)
SEKm, Ratos's holding, including Ratos's parent company's cash balances



Financial result

- Net sales for Ratos's business areas increased by 4% organically and amounted to SEK 24,071m
- EBITA for Ratos's business areas increased to SEK 1,913m
- Earnings per share increased to SEK 2.17 (2.11)
- The Board proposes a dividend of SEK 0.95 (0.65) per share

1) The figures are adjusted for Ratos's holding and include Bisnode, which was divested in January 2021. EBITA for 2016–2018 excludes IFRS 16, which affects EBITA up to and including the third quarter of 2019.

The divestment of Bisnode is a further step in the transformation of Ratos

On 8 October, Ratos signed an agreement to divest its 70% holding in Bisnode* to the company's partner Dun & Bradstreet Holdings Inc., which is listed on the New York Stock Exchange. The equity value for Ratos's holding of 70% was SEK 3,900m, yielding a consolidated capital gain of approximately SEK 1,900m. 25% of the equity value was invested in shares in Dun & Bradstreet, corresponding to approximately 1% of the shares outstanding. In addition, Ratos received a dividend from Bisnode during the fourth quarter of 2020 amounting to SEK 175m. The transaction was completed in January 2021.

Ratos's strategy

The divestment of Bisnode is yet another step in Ratos's evolution toward becoming a business group. The sale highlighted the value creation that has been achieved in Bisnode for many years, while also freeing up financial resources for Ratos. Ratos's strategy and development towards a business group is presented in greater detail in the CEO's comments on page 6–8.

Bisnode's transformation

Bisnode has undergone a successful development process over the past four years, with a focus on an improved customer offering, stability and profitability. The work has gradually yielded results, with the operating margin doubling from 7% in 2016 to 14% in 2020. However, the company's future profitable growth will require Bisnode's participation in the ongoing consolidation of the increasingly global data and analytics market. Through Bisnode's divestment and continued ownership under Dun & Bradstreet, Ratos has an opportunity to participate in this consolidation together with a leading global partner that can create major synergies with Bisnode.

Dun & Bradstreet new owner of Bisnode

Dun & Bradstreet and Bisnode have had a close partnership over the past two decades and complement each other well geographically. Bisnode holds a strong position in Northern and Central Europe, while Dun & Bradstreet is a market leader in the US and holds a leading position in several international markets. The merger will make Bisnode a natural platform for Dun & Bradstreet in Northern and Central Europe, while creating opportunities for achieving economies of scale in such areas as sales, product development, data sources and analytics.

* Excluding operations in Belgium

Successful transformation into a leading business group

Ratos's transformation from an investment company to a leading business group has progressed quickly. 11 of 12 companies increased their operating margins, and earnings for the business group as a whole rose 60%. Earnings per share nearly quadrupled (adjusted for the property sale in 2019). This operational development entailed that our financial position continued to improve in 2020. An additional non-core holding, Bisnode, was divested in January 2021, which improved our liquidity by about SEK 3 billion. As such, Ratos is well positioned for an exciting future journey as a business group.

The year in review
2020 was Ratos's strongest year for some time. After stabilising the business group in 2019, profitability has increased rapidly. The pandemic affected several companies negatively and resulted in greater attention being devoted to measures and monitoring related to safety and liquidity in our recurrent business reviews. This work paid off, and I am impressed by how quickly and resolutely our companies acted to mitigate the effects of the pandemic. Plantasjen and Oase Outdoors, on the other hand, benefited from the pandemic and reported stronger customer inflows.

New CEOs were appointed in HL Display and Plantasjen. Both positions were filled internally within the Ratos Group, demonstrating the strength of being part of a unified business group. In time, we will benefit greatly from this. Nothing is more important to us than having the right management in our companies, and by finding talented individuals whom we know well in our ecosystem of companies and employees, we reduce the risk of making poor recruitment decisions. During the year, we replaced the chairmen of HENT, Kvdbil, LEDiL and Plantasjen. Ratos employees currently hold chairman positions in 9 of our 11 companies.

During the year, we signed an agreement to divest most of Bisnode, a transaction that was completed in January 2021. It is sometimes jokingly said that "strategic transactions" are transactions that might not look good on paper. However, while this transaction was certainly strategic, it also looks good on paper when it comes to values and other conditions.

Strategic because our dependency on the company's main supplier has increased significantly throughout the years, leading to a major financial risk for Ratos. Strategic because Ratos lacks sufficient expertise and capital to make Bisnode a leading company in its industry and part of our future business group. Strategic because Ratos has an excellent opportunity to develop other companies in the Group, and the divestment will free up capital that can be invested in growth where the

Development of our business areas

Construction & Services' sales decreased slightly, by 5%, mainly due to lower sales in HENT and currency effects. Earnings increased 27%. **Aibel** was hit hard by the pandemic, with its reported earnings affected by substantial reserves. The final impact on earnings in major projects is difficult to forecast. However, in strategic terms, the trend is headed in the right direction for all of the companies in the Group. During the year, Aibel continued to strengthen its position in "green projects" such as offshore wind farms and green electricity for process platforms. As such, Aibel is well equipped for the transition to renewable energy. **airteam** continued to deliver favourable growth and reported a further improvement in earnings in Denmark and Sweden. The operations in **HENT** continued to stabilise, with fewer write-down losses and increased provisions for unforeseen occurrences. Sales declined slightly during the year as a result of more selective tender management and the impact of Covid-19. Following 2019's sweeping action programme and continued improvement measures implemented by its new management team, **Speed Group** is now a stable and profitable business with a favourable future outlook.

Consumer & Technology had a strong year, with all companies improving their earnings and Plantasjen more than doubling its profit. Sales increased a total of 2% and earnings rose by 86%. **Bisnode** skilfully managed the negative effects of the pandemic, primarily in marketing solutions, and delivered improved earnings compared with the preceding year. **Kvdbil** continued to win market shares and improved its profitability. **Oase Outdoors** suffered noticeably from the effects of the pandemic during the first half of the year. However, as stores and campsites reopened during the summer, demand for the company's new generation of products increased. The second half of the year was strong and 2021 concluded with a record-breaking order book. **Plantasjen** reported the largest earn-

potential for value creation is greatest. The purchaser, Dun & Bradstreet, possesses both the expertise and capital to develop the business and is the most suitable purchaser imaginable.

Sustainability

Our conviction that there is a strong connection between sustainability and long-term value creation was further strengthened during the year. As a result, sustainability work must be an integrated part of the companies' operations. This applies to everything from product development to sales and project completion. Our sustainability agenda is based on the UN Global Compact's (UNGC) ten principles for responsible business, which we continue to uphold. We carefully monitor key performance indicators (KPIs) for our sustainability work in the same way that we carefully monitor KPIs for financial development. It is gratifying to note that all of our companies now have an external whistleblowing system in place as well as their own code of conduct, environmental policy and sustainability reporting. It is also positive that the number of com-

ings improvement of all of Ratos's companies. The company's new management team has quickly succeeded in improving the gross margin through lower costs, particularly for logistics and purchasing, and better productivity in stores. At the same time, the company's sales benefited from the pandemic and a better customer offering, which resulted in customer growth and increased sales per customer.

Industry also experienced a very good year, despite significant negative effects from the pandemic. Sales rose 1% and earnings increased 49%. **Diab,** which experienced major challenges in keeping its factories open and transportation functioning for a reasonable price, reported an earnings improvement of 45% with sales growth of 13%. The company's adjustments in the preceding years and a strong market for wind power contributed to this favourable development. However, demand fell in marine and particularly in aerospace. In 2020, SEK 235m was invested in automation and increased production capacity for new products. For **HL Display**, demand declined as a result of the pandemic, leading to a reduction in sales. The company was impressively quick in developing and manufacturing personal protection products, while also increasing the efficiency of its factories and logistic chains. As a result, its earnings and profitability nonetheless improved. This was impressive. **LEDiL** was affected by the pandemic, which led to a reduced order intake and expensive transportation costs. By quickly and temporarily reducing its personnel costs, favourable earnings could be maintained. Toward the end of the year, the order intake began to increase. For **TFS**, the pandemic made it very challenging to carry out clinical trials in hospitals. Although sales fell 10%, earnings improved thanks to the action programme carried out at the beginning of the year – before the outbreak of the pandemic – and the good efforts of the new management team.

"Ratos's future lies in owning companies that are or can become market leaders in the markets where they operate."

panies that report their CO_2 emissions has increased from nine to ten. In 2021, all companies will report their CO_2 emissions, and we will be able to present a consolidated report for the Ratos Group. We also measure the share of women in senior positions as well as the share of women in total. These key figures are an important aspect of making a workplace more attractive. This is an area that we will be investing in even more in the years ahead.

From investment company to leading business group

When I became CEO of Ratos three years ago, the business concept was to acquire companies and own them for a certain amount of time before divesting them. However, it proved difficult to generate returns in an increasingly competitive and transaction-oriented financial market, which resulted in a negative development for shareholders. Nevertheless, Ratos's companies have excellent potential for value creation as long as they are provided with the right management and conditions.

Based on our analysis, we concluded that Ratos should be transformed into a business group with a number of particularly well-managed companies. These companies are supported by Ratos's industrial experience and talented employees within the framework of an ecosystem of expertise and an exchange of knowledge throughout the business group. To achieve this change, we reduced the number of employees in Ratos from 50 to 20. At the same time, we recruited new talents with operational experience that complemented the financial expertise that was already in place. Additionally, several members of management and the boards in the companies we own were replaced. The teams now in place within Ratos and our companies are very well suited to tackle this new directive.

Ratos's future lies in owning companies that are or can become market leaders in the markets where they operate. Our ownership horizon is "eternal" as long as we believe that we are the best owner and can increase profitability and sales continuously through a focus on operational profitability, organic growth and acquisitions, partly in our existing companies and partly in the form of new platform companies in industries with which we are familiar.

Our companies are independent but are part of a business group in which experiences are shared and certain synergies are created through networks – related to purchasing, for example – led by the companies themselves. Networks are created in several forums including our shared leadership and entrepreneurial programme, the Ratos Business Executive Leadership Programme. The companies incur modest debts to be able to make normal investments and add-on acquisitions. The dividend to Ratos's shareholders is financed by dividends from the companies to Ratos AB.

Now that we have improved our operational and financial stability, we are shifting our focus to industry-leading profitability in each company and, gradually, to growth.

At the time of writing, we have reached a point where several of our companies have achieved such stability, profitability and size that they can serve as a platform for add-on acquisitions. In parallel, we have divested three companies in the past three years that did not meet the requirements to be included in the business group. The divestment of Bisnode has provided us with capital to carry out new acquisitions that could provide a platform for growth, both organically and through add-on acquisitions.

As such, Ratos is very well positioned for an exciting journey ahead!

I would like to conclude by thanking all employees in the entire Ratos family who worked with such devotion and commitment during the year to achieve and exceed our goals during a particularly challenging time. I would also like to take this opportunity to thank all customers of Ratos's companies, who have trusted in the products, solutions and services that we provide.

Jonas Wiström
CEO

Targets and target fulfilment

Targets 2020	Outcomes 2020
Financial targets	
Increased earnings in Ratos's companies every year	EBITA increased from SEK 1,196m to SEK 1,913m[1]
A total return greater than SIX Return Index	The total return for Ratos's Class B share was 17.3% (SIX Return Index 14.8%)
Dividend	
Dividend amounting to 30–50% of the profit after tax attributable to owners of the parent	Dividend of SEK 0.95[2] per share, corresponding to 44% of profit after tax attributable to owners of the parent

New financial targets

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

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

Net leverage
Target: Net debt in relation to EBITDA should normally range from 1.5 to 2.5x, excluding financial leasing liabilities. The target includes the cash balances of Ratos's parent company.

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

Criteria for new investments

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

- Market-leading or the potential to become market-leading
- Highest profitability in the sector
- Ability to create a healthy cash flow over time
- Strong brand
- Potential to benefit from Ratos's networks
- Platform for add-on acquisitions

Ratos strives to implement quick improvements in its companies but remains an owner with a long-term vision. We own our companies for as long as we consider ourselves to be the best owner.

1) Earnings are defined as reported EBITA for the relevant business group and period
2) Proposed ordinary dividend

Ratos's model

Ratos develops companies with high ambitions and the potential to become market leaders. We focus on profitability and sustainable earnings growth.

Ratos increases the earnings of its companies through a combination of focusing on operational profitability, organic growth and acquisitions. Acquisitions are carried out by our existing companies with the aim of capturing market shares and creating synergies, and by the parent company to add new platform companies to the Ratos family as a base for further development.

Our role is to enable strong leaders and employees to excel in a heavily decentralised structure. Knowledge, experience and capital are available within the Ratos Group's network. We take swift, simple action, and allow the right people to take on a great deal of responsibility.

We focus on fundamental improvements that create lasting value. We are convinced that owners that challenge, impose strict requirements, dare to invest and show respect create the best conditions for their management teams to build companies capable of achieving long-term industrial success.

Today, we are a leading owner in the Nordics and operate via 11 companies with combined sales of SEK 33 billion and about 10,500 employees (after the divestment of Bisnode) in over 30 countries.

Value creation

Ratos develops a diversified business group by implementing measures that create value, supplemented by an active acquisition agenda. Our overall goal is to increase EBITA, continually and in the long term. The foundation for increasing EBITA is stability, based on sound management, clear business plans and a management team that is able to predict the development of the company and make accurate forecasts.

When a company has achieved stability, the focus shifts to profitability and establishing the financial prerequisites for growth. Efforts to identify a company's potential for profitability are carried out in a structured process together with the company's management team in order to develop clear, shared insights. The focus is on improving the gross margin and lowering costs.

It is only when stability and profitability have been achieved that the focus can shift toward growth. Organic growth is unparalleled when it comes to creating value for a company and, for this reason, is always a top priority. However, acquired growth can also generate considerable value when combined with real synergies in terms of expenses and revenue, and therefore plays a supplementary role.

The single most important assignment for Ratos is to appoint CEOs. When we attract the best CEOs to our companies, they will in turn attract a strong team. There is nothing more important for a company's development.

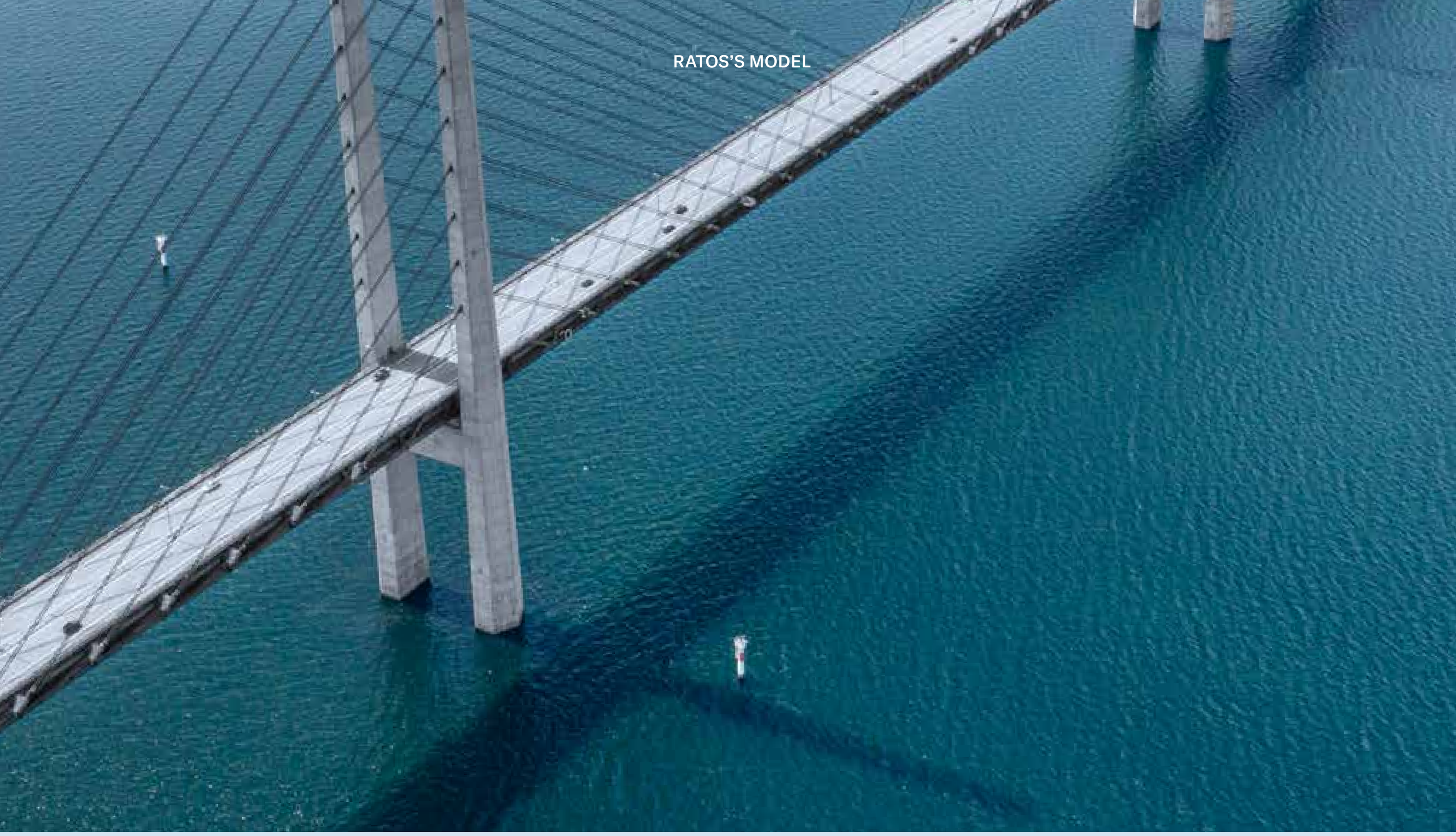
Ratos's day-to-day work is conducted through regular contact with the companies, including monthly follow-ups of earnings, cash flow and the balance sheet. With small, committed boards, Ratos – in its role as owner – is able to work closely with the CEOs of the companies.

Through an exchange of experiences within the Ratos business group, the companies benefit from being part of Ratos's network. The companies' management teams, Ratos's Board of Directors and Ratos's employees meet once per year to discuss central themes for value creation. In addition, various specialist functions meet to discuss and compare methods and models for value creation and efficiency. Several forums have also been established to discuss different initiatives, for example, in purchasing.

Acquisitions

We supplement the operational development of our companies through add-on acquisitions, with the goal of scaling the operations and strengthening the leadership and competence of the companies. Following an acquisition, we focus on operational synergies and implement best practices. In addition, we provide access to a platform for knowledge exchange between companies and our own network, with the aim of further accelerating growth.

Ratos also carries out new platform acquisitions when a unique opportunity presents itself in an industry in which Ratos has extensive knowledge and the ability to create value. Often, the starting point is that the company has a highly talented and committed management team, is based in the Nordics, has a scalable international business model and requires a strong owner in order to implement its expansion.



The Ratos principles

Having sustainable, industry-leading profitability is proof that a company has satisfied customers, employees who are developing and are content in their jobs, and a cost-efficient organisation. We do not believe in shortcuts or simple truths when it comes to long-term value creation. Rather, we believe in company-specific initiatives spearheaded by the management teams in our heavily decentralised organisation in which decisions are made by the relevant management team. However, there are certain elements that we at Ratos believe contribute to and set successful companies apart. These elements permeate our organisation and are recurrent themes as we challenge our management teams with new suggestions and ideas.

A company consists of **structures, processes and culture**. When implementing improvement efforts, we start with a company's structures and then move on to changing processes, which in time impacts the company's culture. The culture, which is the most difficult of these elements to change, has the greatest significance. The culture of a company dictates what is considered good, what is considered important, who are regarded as internal heroes and other fundamental opinions. We believe that culture has a greater impact on a company's results than organisation, processes and strategy.

Customers talk – we listen. It is the customers who pay the salaries of a company's employees. Listening to the customer allows us to understand problems and opportunities, market trends and the value that the company can provide. Armed with this understanding, we can develop product offerings and internal processes. Customer satisfaction is therefore a crucial parameter to keep a track of in our companies.

Benchmarking for measuring and comparison. A good result is when a company outperforms its competitors in the same market when it comes to profitability or growth. By compiling benchmarks between different units in the company and between different companies in the same industry, and by making use of external data, the company and its units can challenge themselves to develop further and learn from other companies that have performed even better.

Line managers in the management team. To establish a healthy dynamic in the management team, minimise overhead costs and keep the management team close to the business and the customers, we aim for at least half of its members to be comprised of line managers with profit responsibility. This creates a good balance between support services and those responsible for the customer's earnings.

What gets measured gets done – but don't measure everything. As people, we all have a strong drive to achieve positive results. This is why the things that get measured improve. However, it is crucial not to measure more parameters than we are able to cope with in our day-to-day work.

Focus on our strengths. Our experience has taught us that it is simpler to turn something that is working well into something that can work better, rather than turning something that is not working into something that works well. Therefore, we must focus our limited resources on our strengths rather than our weaknesses, and develop them even further.

Pricing can always be improved. Pricing is an important measure for improving profitability in every company. With a good understanding of the customer value that can be created, there are often opportunities to adjust prices in both directions. Our companies continually evaluate their pricing strategies through the work of the Board and in close dialogue with our company management teams.

Challenge your costs. We also believe we have an obligation to our companies to always scrutinise their costs and ensure that their operations provide customer value every step of the way. Constantly finding ways to improve operational efficiency is a continuous job. Our experience has taught us that companies that lower their costs considerably are often surprised by just how much their costs can be reduced without having a negative impact on their operations.

Execution 90% and strategy 10%. It is important that our companies have a clear idea about the path that they are on, but planning for the future in detail is often a waste of time since nobody really knows what is in store. It is more important to execute the chosen strategy, listen to customers, follow market developments and be quick to adapt to a changing world.

Sustainable value creation

Long-term value is created by developing sustainable companies. This is why sustainability is an integrated part of Ratos's business strategy. This applies to both Ratos's parent company and the work carried out as an active owner.

Ratos's greatest contribution to society is acting as an active and responsible owner which builds long-term successful and sustainable companies that create jobs, respect humanity and the environment, and deliver high-quality products and services. Ratos also makes a difference in that our principal owners are foundations that promote research and, with it, community development.

There are 20 employees at Ratos's head office and a total of about 12,500 employees in 35 countries in our companies. Through active ownership, Ratos acts as a driving force in ensuring that sustainability work is carried out in our companies. The foundation of this is Ratos's policy framework, consisting of: the Code of Conduct, the Policy for Sustainability and Responsible Investments, and the Environmental Policy (see Ratos's website). The policy framework is based on the UN Global Compact's ten principles for responsible business.

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

Focus area	SDG	SDG target	Ratos's contribution
Transparency and corporate governance	8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT; 12 HÅLLBAR KONSUMTION OCH PRODUKTION	**8.1** Sustainable economic growth. **12.2** Sustainable management and use of natural resources. **12.6** Encourage companies to adopt sustainable practices and sustainability reporting.	Ratos's goal is to create long-term successful and sustainable companies. One of Ratos's financial targets is to increase the earnings of the business group. In the long term, the companies should have the highest profitability in their sectors. We insist on and follow up to ensure that Ratos's companies: • Identify their primary environmental impact and implement an environmental policy/environmental plan. • Measure, report and follow up on CO_2 emissions. • Adopt sustainability goals.
Business ethics and anti-corruption	16 FREDLIGA OCH INKLUDERANDE SAMHÄLLEN	**16.2** Zero violence against children. **16.5** Combat corruption and bribery.	Working together with Net Clean Proactive, Ratos's parent company has installed a protection against child pornographic material on each employee's computer. Ratos's companies have the right to use a framework agreement to install this. Ratos's parent company and Ratos's companies must ensure transparent and sound corporate governance, and conduct their businesses with good business ethics and proactive anti-corruption initiatives.
Environment and climate impact	13 BEKÄMPA KLIMAT-FÖRÄNDRINGARNA	**13.1** Strengthen resilience and adaptive capacity to climate-related disasters. **13.3** Improve awareness and capacity to manage climate change.	We insist on and follow up to ensure that Ratos's companies measure, report and follow up on their CO_2 emissions.
Employees	5 JÄMSTÄLLDHET	**5.5** Ensure women's full participation in leadership on all levels of decision-making.	Ratos's Code of Conduct stipulates that we are a non-discriminatory workplace that promotes equal opportunities and diversity. The Code applies to Ratos's parent company and Ratos's companies. We keep track of the share of women among Ratos's employees as well as the share of women in senior positions.

Four focus areas

Ratos's sustainability efforts are structured based on four areas: Transparency and corporate governance, business ethics and anti-corruption, environment and climate impact, and employees.

These focus areas are selected based on the most essential aspects of our materiality analysis, see page 119. Policies, requirements and targets are connected to each focus area. Each company is also responsible for identifying any additional sustainability areas that are relevant for its operations. During the year, a continuous dialogue is conducted with the companies to follow up on and discuss sustainability efforts. All companies are also expected to report these developments publicly through an annual sustainability report.

To strengthen collaboration and support the exchange of experiences between companies, a sustainability forum is organised every year. This is also an opportunity to discuss and review Ratos's expectations of its companies' sustainability efforts and reporting as well as to bring up new areas and trends. Each sustainability forum focuses on a special theme. The theme of this year's forum was the EU taxonomy (a classification system for environmentally sustainable economic activities) and the Task Force on Climate-related Financial Disclosures (TCFD) (a framework to facilitate the identification of climate-related risks and opportunities).

The following section contains information on how we address each respective focus area, both within Ratos's parent company and in Ratos's companies.

Transparency and corporate governance

Sustainability is an important part of Ratos's corporate governance. We place requirements on active sustainability work and transparent sustainability reporting.

Corporate governance in sustainability issues

- Ratos's Board is ultimately responsible for the Group-wide strategy and sustainability initiatives, while operational responsibility rests with Ratos's CEO.
- Ratos's Business Area Managers are responsible for ensuring that sustainability is included on the agenda of the board and management of each Ratos company.
- The board of each Ratos company is ultimately responsible for ensuring the company complies with applicable laws, guidelines and policies on sustainability. The operational responsibility for sustainability work rests with the company's CEO and management.

Ratos's companies must:

- Have a process in place for identifying and managing risk.
- Implement a Code of Conduct in line with Ratos's Code.
- Identify their primary environmental impact, and implement an environmental policy/environmental plan.
- Measure, follow up on and report CO_2 emissions.
- Adopt sustainability goals and follow up on them at least once each year.
- Have an externally operated and anonymous whistleblowing system.
- Prepare a sustainability report inspired by the Global Reporting Initiative (GRI).

Read more about each company's sustainability work on pages 26–37.

Ratos in the community

In 2020, 17% (SEK 53m) of Ratos's dividend went to the Ragnar Söderberg Foundation and the Torsten Söderberg Foundation, two of the country's largest private investors in scientific research, mainly within economics, medicine and law.

Entrepreneurship and company development are key components in Ratos's legacy and in today's operations. Our commitment to entrepreneurship is key to Ratos's strategy for community partnerships. In 2020, Ratos provided financial support to our selected partners, including Inkludera Invest and the Stockholm School of Economics. Inkludera Invest works with the promotion of social entrepreneurship.

10 of 12

Ratos companies report their CO_2 emissions
(9 of 12 companies in 2019)

12 of 12

Ratos companies have a sustainability report

Business ethics and anti-corruption

Ratos requires the implementation of sound business ethics and proactive anti-corruption initiatives in its companies.

Code of Conduct. Ratos has a Code of Conduct that applies to employees in Ratos's parent company and Board of Directors. The Code of Conduct contains written anti-corruption and business ethics instructions. New employees are introduced to Ratos's Code of Conduct, Work Environment Policy, Employee Manual and Environmental Policy. Deviations and irregularities are reported and followed up using Ratos's external whistleblowing system. Both Ratos employees and external stakeholders can report suspected deviations anonymously.

As in the preceding year, no deviations from the Code of Conduct were reported in 2020, including no reported cases of discrimination in the whistleblowing system. Nor was Ratos imposed with any fines or other sanctions due to violations of laws or regulations.

Code requirements for Ratos's companies. The companies are to implement a code of conduct that, at a minimum, corresponds to Ratos's Code of Conduct, which stipulates that recognised international conventions, human rights and employee rights and conditions must be respected.

Whistleblowing system: Every employee has a responsibility to report an incident if they suspect that an action is in breach of the company's Code of Conduct. To make it possible to report violations anonymously, Ratos has procured an external whistleblowing system, Whistle B, which is fully independent of Ratos's IT systems and online services.

Anti-corruption. Ratos imposes requirements on the prevention of corruption. The companies must carry out risk analyses and implement measures in order to manage identified risks. Preventive work includes guidelines for employees, training programmes for individuals in positions of risk, and imposing demands and following up on business partners. During the year, all 12 of Ratos's companies were analysed for corruption risks. Six of the companies are considered to have an elevated risk of corruption based on their operations in exposed industries or in high-risk countries, according to the Transparency International Corruption Perception Index.

Human rights. Ratos supports and respects the protection of human rights and expects its companies to ensure they are not complicit in any human rights violations. Some of Ratos's companies have suppliers and partners in countries with an elevated risk of violations of human rights or employee rights. Respect for human rights and employee rights must be stipulated in the companies' own codes of conduct, and in their work relating to suppliers and partners.

100%
of Ratos companies have a Code of Conduct

100%
of Ratos companies have an external whistleblowing system

Environment and climate impact

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

Environmental Policy. Environmental work at Ratos's parent company is based on our Environmental Policy and related environmental plan. Since its operations are primarily conducted in an office environment, the company's direct environmental impact is limited and attributable to business trips, especially with air travel. The ambition is to reduce travel, for example, through the use of video conferencing and guidelines when choosing a means of transport. We pay climate compensation for emissions from all air travel.

Requirements for Ratos's companies. Ratos's significant environmental impact is created through its companies. Ratos expects every company to identify its environmental impact and implement an environmental policy. The companies' sustainability reports contain information concerning climate impact, energy consumption, waste management and water consumption. Several of Ratos's companies are working to adapt to a more climate-neutral economy. Aibel won major contracts in offshore wind and the electrification of oil and gas platforms during the year, Kvdbil is working to reduce the environmental impact of the Swedish vehicle fleet, HL Display has developed and is supplying recyclable plastic solutions, Diab is focusing on reducing its CO_2 emissions throughout the production chain and Speed Group has installed a rooftop photovoltaic (PV) system on its warehouse and head office, making the warehouse CO_2-positive. Several other companies have integrated a sustainability focus into their operations.

One of Ratos's sustainability focus areas is to increase the share of climate-reporting companies. Framework agreements for climate reporting systems and support are offered to all companies to facilitate their work. The number of companies that conduct climate reporting increased to ten during the year (nine companies in 2019).

Environmental impact in the parent company

Measuring and following up greenhouse gas (GHG) emissions from Ratos's parent company creates awareness about Ratos's impact and an understanding of effective measures, thereby creating opportunities to further reduce Ratos's climate impact. In 2020, the parent company's CO_2 emissions amounted to 89 tonnes (178), a reduction of 50%. There was a significant decline in business trips (flights) due to a reduction in travelling as a result of the Covid-19 pandemic. From 2020, emissions related to IT (computers and telephones) are also included, which meant that the item "Other" increased by 37 tonnes of CO_2. Ratos takes responsibility for its total emissions through climate compensation.

Total emissions, tonnes of CO_2e/yr	2020	2019	2018	2017
Business trips (Scope 3)	41	153	135	232
of which, air travel	35	145	124	216
Head office, building (Scope 2)[1]	10	19	16	16
of which, electricity consumption (Scope 2)	2	2	3	3
Other[2] (incl. annual report calculated from a general LCA perspective)	38	6	4	6
Total before climate compensation	**89**	**178**	**155**	**254**
Total after purchase of climate compensation	**0**	**0**	**0**	**0**

[1] Electricity and heat consumption.
[2] District heating, paper and printed materials, electricity consumption. From 2020, Other also includes IT (computers and telephones).

By focusing on its carbon footprint, Diab is creating business value

For a couple of years, Diab has had the ambition to be an industry leader when it comes to sustainability. Three years ago, the company became the world's first company in the field of composite materials to set science-based targets that were approved by the Science Based Targets initiative. Today, Diab's sustainability work is extremely important to the company's ability to win and retain business.

Diab has a contract as a supplier to Vestas, a leading manufacturer of wind turbines. Vestas has a clear target to become carbon neutral by 2030 – a requirement that also covers its entire supply chain. As a result, Vestas requires that Diab reports its carbon footprint from its production of components, and Diab imposes the same requirements on its subcontractors that Vestas does.

To meet Vestas's requirements, Diab is now working to systematically ensure that the company's subcontractor chain meets Vestas's strict requirements when it comes to reducing their carbon footprint.

Vestas's requirements for Diab have follow-on effects throughout the supply chain:

"The result is that the entire wind industry is moving toward a more low-carbon production line, which is a win for the climate. At the same time, it is clear that our high level of ambition in sustainability is helping to strengthen Diab's business," says Per Hökfelt, Group VP Sustainability at Diab.

Employees

Everything we do is based on the insight that nothing is more important than people. Ratos's leaders and employees make a difference every day. The Ratos Group employs approximately 12,500 people.

Attractive workplace. For Ratos to be able to achieve its goals, it is important that Ratos and its companies are responsible and attractive workplaces with the ability to recruit, retain and develop employees and leaders with the right expertise.

Leadership. Recruiting the right people for senior positions is one of Ratos's most important duties as an owner. The CEO is responsible for recruiting a team that has a clear strategy and can perform and deliver in accordance with this strategy. Every company must have clear processes in place for identifying, developing and rewarding leading talents.

A decentralised structure. Responsibility for each Ratos company rests with the company itself and its respective management. Decisions in the company should be made close to customers and employees, without any unnecessary bureaucracy.

Core values. Ratos has adopted three core values to guide us in how we work and act, both internally and externally. These core values are Simplicity, Speed in Execution and It's All About People.

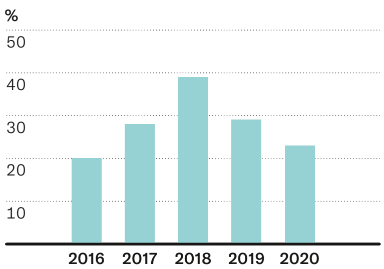
Networking and leadership development. Ratos enables companies to excel by being part of something larger. We have various platforms for sharing knowledge. Each year, we organise network meetings bringing together specialists in different functions to share their knowledge and experience. In 2020, there were meetings held in which HR managers, purchasing managers, heads of sustainability, finance managers and CEOs shared their knowledge and experience. We are continuing our Group-wide Business Executive Leadership Programme in collaboration with the Stockholm School of Economics (SSE) Executive Education Programme in Stockholm. 25 managers and leading talents from Ratos's companies took part. The purpose of the programme is to provide new insight into strategy and international leadership, while also creating the potential for a strong internal leadership network. In 2021, we will arrange Ratos Summit, an event where all of the management groups in Ratos's companies will meet for a full-day conference.

Equal opportunities and diversity. Ratos works to promote diversity and equal opportunities, both in our own organisation and in our companies. In addition to valuing equal opportunities and diversity from a human rights and democratic perspective, we are also convinced that these elements help to strengthen our profitability and competitiveness.

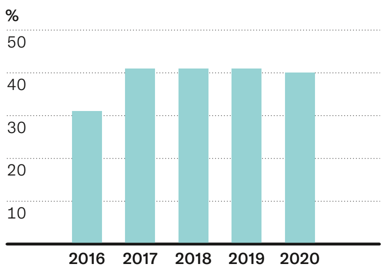
Ratos's view is that organisations distinguished by diversity and inclusion can create stronger and more dynamic teams. We strive to create an inclusive work environment that allows everyone the chance to realise their full potential. Recruitment and career development at Ratos should be based on relevant merits and skills. Pay divisions without any just reason must be avoided. Ratos should offer equal pay for equal work. This view should also be held in Ratos's companies. The companies' annual sustainability reports contain, for example, information on the share of women in senior positions.

Work environment. Ratos strives to create a positive work environment that promotes health and well-being for the Ratos Group's approximately 12,500 employees. Based on identified risks, the companies implement relevant guidelines and processes, and pursue a systematic and preventive work environment agenda. Some companies have operations that put employees at a greater risk of personal injury. It is the utmost priority of these companies to make their employees aware of and provide training in workplace risks. Incidents and accidents are investigated and followed up on. In some companies, there is a risk of skill shortages, high employee turnover and a dependence on key individuals, which is monitored by the companies' management teams and boards.

Share of women in senior positions, Ratos Group*



Share of women employed at Ratos, Ratos Group*



* Pertains to information based on the average number of employees in Ratos's subsidiaries.

Plantasjen's Chief HR Officer: "Leadership in a clear organisation is crucial for our journey of change"

In 2020, Plantasjen prepared a business strategy that clearly places the customer in focus. The transition toward an omnichannel offering, with in-store inspiration and gardening expertise, requires a decentralised organisation with a clear distribution of roles and strong leadership. Chief HR Officer Ragnhild Dahl Berge tells us how to succeed as a company in transition:

"This year was all about building a strong foundation for the HR model that will enable our company strategy. We have developed a flatter organisational structure in which managers have a more clearly defined and decentralised responsibility. We have also launched more leadership development programmes, one of the most important of which is for our store managers and regional managers."

Store managers are pivotal for success

Ragnhild Dahl Berge emphasises the important role that store managers have:

"The better we are at interacting with people and the more we know about the products we are selling, the more we will sell. This is simply about creating an offering, customer interactions and atmosphere that will allow Plantasjen to become the Nordic region's loveliest greenhouse."

Becoming even better at identifying, supporting and developing store managers is important for Plantasjen's journey of change. The new leadership programme provides regional managers and store managers with the necessary insight and tools to be strong ambassadors of the company's culture and values, an important aspect of an organisation with decentralised responsibility and an entrepreneurial spirit.

With store managers who are strong leaders, our store employees and gardening experts are provided with the necessary prerequisites to offer the customer inspiration, knowledge and the tools for a gardening lifestyle. Through greater e-commerce penetration, strongly supported by physical stores, our level of service and operational efficiency requirements have also been heightened. What distinguishes Plantasjen's employees is their extensive experience and impressive knowledge about gardening and cultivation. Something that is also a key focus area of the customer offering.

"It is incredibly important to us that we are knowledgeable about the products that we sell. When customers enter our stores, they not only expect good service and high-quality products. They also want to talk to an expert. As such, we are now concentrating on further strengthening the expertise of our store personnel in order to make our interactions with customers even better and more valuable."

Aibel is leading the transition toward renewable energy

Aibel has a long history of being a leading supplier of installations for the extraction of oil and gas. The company is now establishing itself in a new market as a partner in the design and construction of facilities for offshore wind farms. At the same time, the company is also helping its customers in the oil and gas industry to transition to electrified production.

Sustainable, offshore wind farms play a key role in Europe's climate transition. A rapid expansion of wind farms in the North Sea is now under way. In the future, offshore wind farms will account for a large and growing share of Europe's energy supply. As part of this expansion, Aibel has established a leading position as a partner in design, construction and electricity distribution over the last ten years.

Extensive experience of installations in demanding offshore environments

Offshore installations impose strict requirements on construction processes, technology and design. The facilities must be able to withstand a gruelling environment and last for several decades. At the same time, reliability is of the utmost importance since the installations will be a crucial part of Europe's energy supply. With its extensive experience of design and construction in demanding offshore environments, Aibel is well positioned to meet these strict requirements.

It has now gone more than ten years since Aibel won its first offshore wind power contract as a supplier to the DolWin Beta project. The project was a collaboration between Aibel and ABB, and consisted of the new construction of a high-voltage direct current (HVDC) platform, a link that receives power from wind farms, increases the voltage and converts the output so that the loss of power transmission to the mainland is minimal. The facility, which consists of three wind farms with a total of 240 wind turbines, became operational in 2015 and currently provides electricity to 1.5 million households in Germany.

The world's largest wind farm

Aibel established a strong position in offshore wind power through the successful implementation of DolWin Beta. When Equinor was looking to procure a partner for the design, installation and operation of the world's first commercial floating wind farm, Hywind Scotland, the assignment went to Aibel. Floating wind farms make it possible to place turbines in places where the sea is so deep that it is not possible to construct fixed-foundation facilities.

Thanks to its strong references from the installation of the transmission solution for DolWin Beta, Aibel was awarded a contract for DolWin 5 in a consortium together with Keppel FELS in 2019. This project confirmed Aibel's position as a leading supplier of solutions for transmitting electricity from wind farms. Later in 2019, Aibel won a contract for Dogger Bank Wind Farm, which is set to become the world's largest wind farm and is expected to supply electricity to 6 million British households.

Electrification of oil platforms

The transition to renewable energy places pressure on the oil and gas industry to transition from energy consumption from gas turbines that have high carbon emissions to electricity that is generated from renewable sources. In this project, Aibel provided a solution to transmit electricity from onshore power stations to offshore platforms.

The electrification of oil platforms is an important aspect of Norway's efforts to meet the goals of the Paris Agreement. In 2020, Aibel won important contracts for the electrification of the Johan Sverdrup field, Sleipner and the Gina Krog field in the North Sea as well as the Oseberg field and the Snow White natural gas field in the Norwegian continental shelf.

Growing market

The growing market for offshore wind farms is expected to create significant opportunities for Aibel, in both the short and long-term. The expansion of offshore wind power will be substantial, with plans to increase EU capacity fivefold by 2030. By the end of 2020, the equivalent of 45% of Aibel's order book of almost NOK 11 billion consisted of offshore wind power and the electrification of oil platforms. If the market continues as anticipated, and Aibel fulfils its business plan, this share will exceed two-thirds of the order book by 2022.

Aibel plays a key role in Europe's transition to renewable energy, which is expected to create value for shareholders as well as benefiting the climate.

Ratos share data

Ratos's share developed 15.1% with a total return (price development including reinvested dividends) of 17.3% compared with the SIX Return Index, which was 14.8%.

Brief facts 2020

Share listing	Nasdaq Stockholm
Total number of shares	324,140,896
Number of shares outstanding	319,014,634
Closing price, 30 Dec 2020	SEK 38.48 (Ratos Class B)
Highest/lowest quotation	SEK 39.46 / 16.40 (Ratos Class B)
Market capitalisation, 30 Dec 2020	SEK 12 billion

Share price performance

The performance of Ratos's Class B shares was 15% compared with the OMXSPI, which was 13% in the same period. The highest quotation during the year (SEK 39.46) occurred in December and the lowest (SEK 16.40) in March. The closing price on 30 December was SEK 38.48. The total return (price development including reinvested dividends) for Ratos's Class B shares in 2020 amounted to 17.3% compared with the SIX Return Index, which was 14.8% during the same period.

Dividend

The Board of Directors proposes an ordinary dividend for the 2020 financial year of SEK 0.95 per Class A and B share and a total divided of SEK 303m. The dividend yield amounts to 2.5% based on the closing price at year-end.

Ownership structure

The ten largest shareholders accounted for 79% of the voting rights and 53% of the share capital. The proportion of shares owned by physical or legal entities outside Sweden amounted to 23%. Shareholders in the US, the UK, Luxembourg and Belgium 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 incentive programmes. Read more in the Directors' Report on pages 40–43 and on Ratos's website.

Purchase of treasury shares

The 2020 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 2020. 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 69.

Shareholder statistics

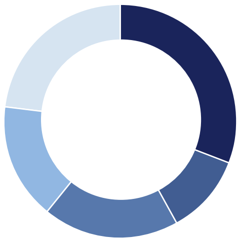
Number of shares	Number of shareholders	Share of capital, %
1–500	32,555	1.60
501–1,000	7,551	1.89
1,001–5,000	10,014	7.31
5,001–10,000	1,720	3.98
10,001–15,000	481	1.88
15,001–20,000	303	1.70
20,001–	733	81.64
Total	**53,357**	**100**

Breakdown by class of share

Share class	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



Private individuals 31%
Banks, insurance and pension companies and mutual funds 11%
Foundations 19%
Swedish legal entities 16%
Foreign shareholders 23%

Source: Euroclear Sweden

Issue of Class B shares

Since the 2009 Annual General Meeting, there has been a decision that Ratos, in connection with acquisitions, may issue Class B shares in Ratos through set-off, non-cash or for cash payment. This mandate was renewed at the 2020 Annual General Meeting and applies for a maximum of 35 million Class B shares.

Analysts who monitor Ratos

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

Data per share*

	2020	2019	2018	2017	2016
Earnings per share before dilution, SEK	2.17	2.11	–1.40	0.72	–1.79
Dividend per Class A and B share, SEK	0.95[1)]	0.65	0.50	2.00	2.00
Dividend per Class C share (preference share), SEK					100
Dividend per Class A and B share as % of earnings per share	44[1)]	31	neg.	278	neg.
Dividend per Class A and B share as % of equity	3[1)]	2	2	7	6
Equity, SEK[2)]	29	29	27	30	31
Closing market price, Class B share, SEK	38.48	33.42	23.28	35.84	43.14
Market price/equity, %	131	115	85	118	139
Dividend yield, Class B share, %	2.5[1)]	1.9	2.1	5.6	4.6
Total return, Class B share, %	17	46	–30	–13	–6
P/E ratio	17.7	15.8	neg.	49.9	neg.
Highest/lowest price paid, Class B share, SEK	39.46/16.40	36.36/18.10	38.58/21.92	48.7/35.1	52.6/35.9

Key figures*

	2020	2019	2018	2017	2016
Market capitalisation, SEKm[3)]	12,260	10,550	7,530	11,723	16,252
Number of shareholders	53,357	52,070	57,909	59,526	66,057
Average number of Class A and B shares outstanding before dilution	319,014,634	319,014,634	319,014,634	319,014,634	319,014,428
Number of outstanding Class A and B shares at year-end	319,014,634	319,014,634	319,014,634	319,014,634	319,014,634
Dividend, SEKm[4)]	303[1)]	207	160	638	723

* Relates to Class B shares unless otherwise specified.
1) Proposed dividend.
2) Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period.
3) Refers to shares outstanding (including preference shares for 2016).
4) Dividend refers to ordinary shares and to preference shares in 2016.

Ratos's shareholders

31 Dec 2020	Number Class A shares	Number Class B shares	Share of capital, %	Share of votes, %
Söderberg family with companies, etc.	46,741,796	17,541,064	19.83	44.66
Torsten Söderberg Foundation	12,056,186	16,063,900	8.68	12.58
Ragnar Söderberg Foundation	17,235,241	10,332,088	8.50	16.82
State Street Bank and Trust CO, W9	0	14,058,427	4.34	1.29
Spiltan Fonder	0	9,009,143	2.78	0.83
Avanza Pension	65,947	6,697,211	2.09	0.68
CBNY-Norges Bank	0	5,949,756	1.84	0.55
BNY Mellon NA (former Mellon), W9	0	5,563,278	1.72	0.51
RBC Investor Services Bank S.A	0	5,134,823	1.58	0.47
JP Morgan Chase Bank N.A.	0	4,497,127	1.39	0.41
Treasury shares	0	5,126,262	1.58	0.47
Others	8,537,890	139,530,757	45.67	20.73
Total	**84,637,060**	**239,503,836**	**100**	**100**

Source: Euroclear Sweden

Ratos's business areas and companies

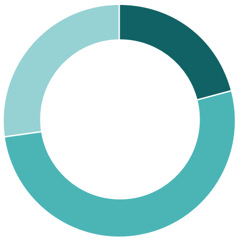
Ratos conducts operations in three business areas: Construction & Services, Consumer & Technology and Industry.

In 2020, the companies' net sales increased 4% organically, while EBITA increased 60% from SEK 1,198m to SEK 1,913m, adjusted for Ratos's holdings.

Share of sales by business area

- Construction & Services 48%
- Consumer & Technology 33%
- Industry 19%

Share of EBITA by business area



- Construction & Services 21%
- Consumer & Technology 52%
- Industry 27%

Employees by business area

- Construction & Services 49%
- Consumer & Technology 27%
- Industry 24%

Construction & Services

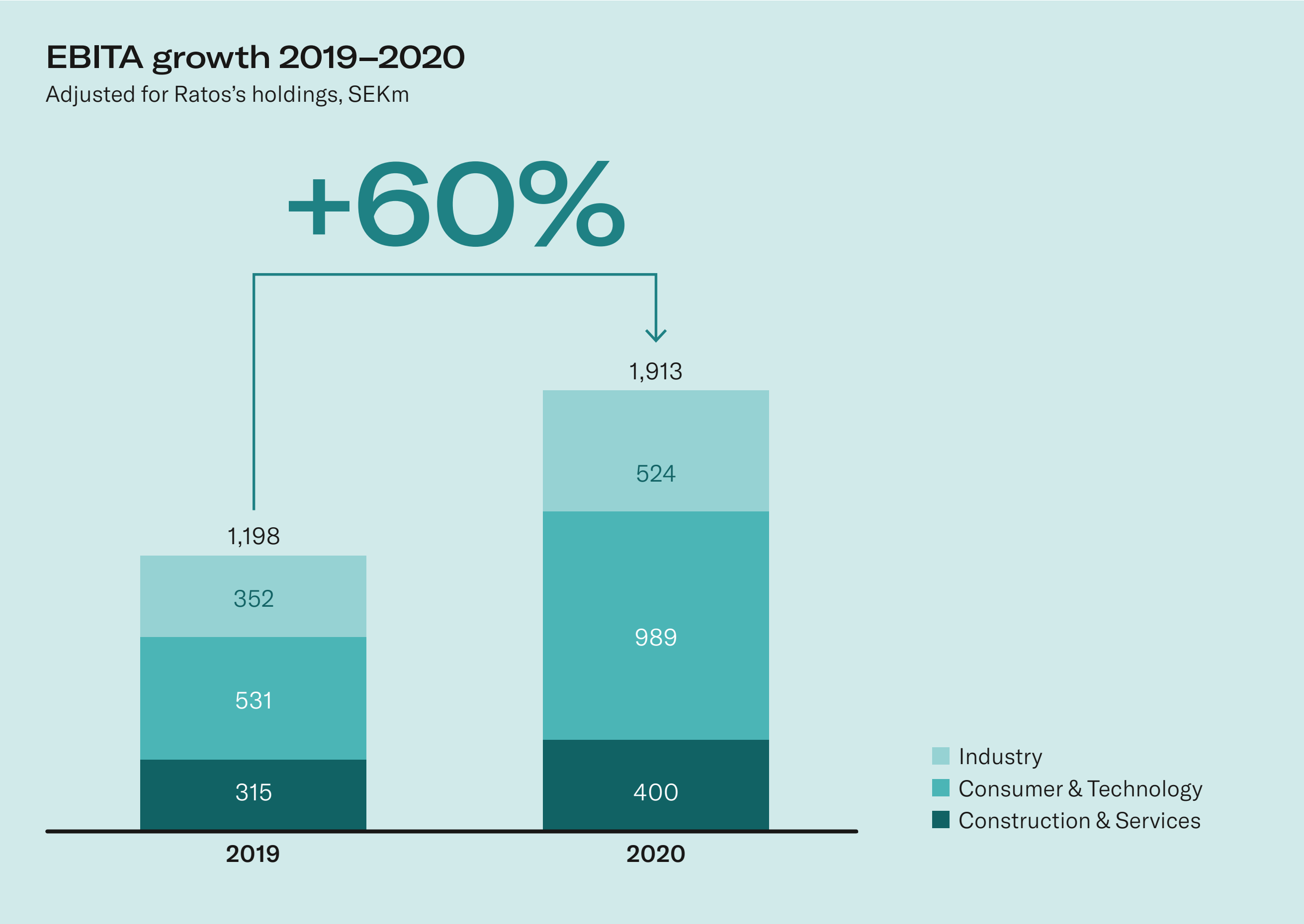
Sales: SEK 11,592m
Reported growth: -5%.
EBITA: SEK 400m
EBITA margin: 3.4%

Consumer & Technology

Sales: SEK 7,845m
Reported growth: 2%
EBITA: SEK 989m
EBITA margin: 12.6%

Industry

Sales: SEK 4,634m
Reported growth: 1%
EBITA: SEK 524m
EBITA margin: 11.3%



SEKm	Net sales 2020	Net sales 2019	EBITA 2020	EBITA 2019	EBITA margin 2020	EBITA margin 2019	Cash flow from operations 2020	Cash flow from operations 2019	Interest-bearing net debt 31 Dec 2020	Interest-bearing net debt 31 Dec 2019	Ratos's holding (%) 31 Dec 2020
Aibel	3,846	4,019	143	237	3.7%	5.9%	140	428	620	910	32
airteam	932	795	88	63	9.4%	7.9%	131	49	21	141	70
HENT	6,306	6,933	126	18	2.0%	0.3%	118	-50	-368	-294	73
Speed Group	508	495	43	-3	8.5%	-0.6%	44	8	533	347	70
Construction & Services	**11,592**	**12,242**	**400**	**315**	**3.4%**	**2.6%**	**432**	**435**	**806**	**1,104**	
Bisnode	2,567	2,638	352	338	13.7%	12.8%	337	277	1,181	1,228	70
Kvdbil	393	384	37	31	9.3%	8.1%	58	26	22	76	100
Oase Outdoors	328	335	38	8	11.5%	2.4%	103	20	125	210	78
Plantasjen	4,557	4,303	563	153	12.4%	3.6%	452	9	4,804	5,260	99
Consumer & Technology	**7,845**	**7,661**	**989**	**531**	**12.6%**	**6.9%**	**951**	**331**	**6,132**	**6,774**	
Diab	2,040	1,803	269	186	13.2%	10.3%	62	-41	899	881	96
HL Display	1,508	1,582	162	139	10.7%	8.8%	251	147	215	441	99
LEDiL	258	288	51	54	19.6%	18.8%	53	55	99	149	66
TFS	827	923	42	-27	5.1%	-2.9%	21	21	18	55	100
Industry	**4,634**	**4,595**	**524**	**352**	**11.3%**	**7.7%**	**387**	**183**	**1,231**	**1,527**	
Total, adjusted for Ratos's holding	**24,071**	**24,499**	**1,913**	**1,198**	**7.9%**	**4.9%**	**1,770**	**949**	**8,168**	**9,405**	
Change	*-2%*		*60%*				*86%*		*-13%*		

aibel

www.aibel.com

Aibel is a leading supplier of offshore-based construction and maintenance for the European energy sector. The company is active in the market for new construction of offshore wind power, new construction and maintenance for the oil and gas industry, and the electrification of oil and gas platforms. Aibel's skilled employees are located close to their customers at the company's eight offices in Norway and South East Asia. Aibel also operates two shipyards, one in Haugesund (Norway) and one in Laem Chabang (Thailand) with complete prefabrication and design capabilities. Aibel has a strong market position based on the company's business model, which covers the entire value chain, including front-end engineering design (FEED), engineering, procurement, construction and installation.

Market

The market for maintenance and modification services for oil and gas production platforms is healthy, and the market for the expansion of offshore wind power is experiencing strong growth. The market for electrification of oil and gas platforms is growing thanks to its environmental benefits. 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.

The year

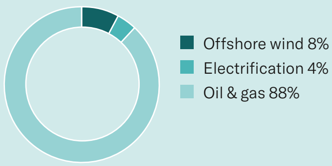
The activity level remained high during the year, despite the progress at shipyards being impacted to a certain degree by the restrictions implemented due to the Covid-19 pandemic. The EBITA margin was negatively impacted by provisions linked to the uncertainty surrounding Covid-19. During the year, Aibel won contracts for the electrification of platforms, which is vital work to reduce the carbon footprint from the extraction of offshore oil and gas.

Sustainability

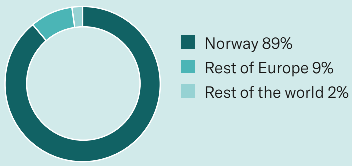
Aibel focuses on its social and environmental responsibility and sustainability in general. The company achieves this by being an attractive, safe and inspiring workplace for its

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 sustainability policy, Code of Conduct and environmental policies are its top governing documents and are based on the UN Global Compact's principles for responsible business.

Sales by operating area



Sales by market



FINANCIAL FACTS, NOKm	2020	2019	2018	2017	2016
Net sales	12,286	11,689	7,907	9,081	10,679
Organic growth	5%	47%			
EBITA	457	691	606	309	46
EBITA margin	3.7%	5.9%	7.7%	3.4%	0.4%
Cash flow from operations	446	1,246	-98	566	1,040
Interest-bearing net debt	2,030	2,690	2,634	2,211	2,453
– of which, lease liabilities[1)]	660	1,081	8	14	
Average number of employees	4,068	3,684	3,405	3,594	4,073

[1)] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
No. of serious incidents (per million working hours)	0.2 serious incidents (per million working hours)	0.2	0.2	0.2
No. of integrity due diligence (IDD) audits conducted at suppliers	10	13	12	12
Share of employees who have completed the Code of Conduct certification, %	90%	94%	95%	91%
Sorting of waste, %	>80%	80%	85%	88%
Implement energy and CO_2-reduction projects annually	Minimum of four projects annually	4	4	N/A

OTHER KEY FIGURES	2020
Ratos's holding	32%
Co-owners: Ferd 50%, Sixth AP Fund (represented by Ratos) 18%	68%
Time of acquisition	2013

airteam

www.airteam.dk

airteam offers high-quality, effective ventilation solutions in Denmark and Sweden. 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 sub-contractors. Furthermore, airteam offers maintenance and service of its installed ventilation solutions. Its customers are often major construction contractors in both renovation and new builds. airteam has a leading market position and an attractive business model coupled with a strong, customer-oriented corporate culture and dedicated employees.

Market

The Nordic construction market has growth potential based on increased demand for effective, high-quality ventilation solutions. There is an underlying need for large-scale renovation projects and new builds 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 and airteam is one of the leading players in its niche.

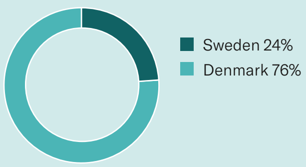
The year

In 2020, airteam continued its integration of the Swedish acquisition Creovent & Thorszelius. In Denmark, airteam solidified its position as the country's leading ventilation company by winning major ventilation contracts including the new construction of an underground line in Copenhagen and a new head office for the pharmaceutical company Ferring A/S. Profitability increased for both the Danish and Swedish operations.

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 its most important asset and the focus areas in relation to the company's employees include performance and career development, safety on building sites as well as work environment and conditions.

Sales by market



FINANCIAL FACTS, DKKm	2020	2019	2018	2017	2016
Net sales	946	801	667	633	604
Organic growth	15%	-3%			
EBITA	89	63	64	60	37
EBITA margin	9.4%	7.9%	9.6%	9.4%	6.1%
Cash flow from operations	133	49	51	88	39
Interest-bearing net debt	22	145	61	72	153
– of which, lease liabilities[1)]	13	15			
Average number of employees	326	321	230	193	186

[1)] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Number of work-related accidents with absence	To reduce the number of work-related accidents leading to absence	4	5	6
Employee turnover, %	To reduce employee turnover and retain employees for longer	15%	13%	21%
Sick leave (total number of sick-leave hours in relation to the potential total number of work hours), %	To reduce sick leave compared with the preceding year	3%	3%	2%
Employees receiving regular performance and career development reviews, %	To increase the percentage who receives development reviews	89%	91%	72%

OTHER KEY FIGURES	2020
Ratos's holding	70%
Co-owners: Management and Board of Directors	30%
Time of acquisition	2016

HENT

www.hent.no

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. Its projects are carried out with their own project administration and in collaboration with a knowledgeable network of quality-assured subcontractors. HENT conducts projects throughout Norway and in selected segments in Sweden and Denmark.

Market

The total construction market in Norway amounts to approximately NOK 310 billion of which new-build public and commercial real estate accounts for approximately NOK 50–60 billion. The new-build market is cyclical, but has historically shown good structural growth. The Norwegian construction market is fragmented and HENT is one of the leading players in the market.

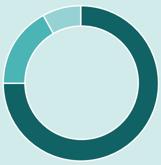
The year

During the year, HENT was affected to a certain extent by the Covid-19 pandemic, with reduced activity levels in certain projects. The EBITA margin improved during the year, despite higher costs related to Covid-19. Better project completion and a more stable project portfolio made a positive contribution to profitability. Good progress was made on recently awarded projects. The focus for HENT is on winning projects with healthy profitability. At the end of the year, public sector projects comprised approximately 70% of HENT's projects.

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 an ethical business in its industry is also a key priority and goal for HENT. Prequalification of subcontractors, procedures for quality management and on-site inspections are some of the means used to achieve this goal. HENT aims to limit its climate impact while at the same time leveraging business opportunities by producing sustainable buildings.

Sales by market



FINANCIAL FACTS, NOKm	2020	2019	2018	2017	2016
Net sales	8,833	8,843	7,855	7,034	7,834
Organic growth	–2%	13%			
EBITA	176	23	152	253	234
EBITA margin	2.0%	0.3%	1.9%	3.6%	3.0%
Cash flow from operations	165	–64	99	132	172
Interest-bearing net debt	–529	–382	–694	–663	–695
– of which, lease liabilities[1)]	201	196			
Average number of employees	1,012	986	940	877	773

[1)] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Sick leave, %	<3.5%	3.3%	3.2%	3.2%
Reduction of CO_2 emissions, (Scope 1, 2 and 3) in relation to sales	Annual reduction (for 2020–2021) with at least 2.5%	11%	N/A	N/A
Frequency of work-related accidents resulting in at least one day's absence from work (H1)	≤ 3.6	2.0	1.6	3.2
Recycled waste, %	85% recycled waste	84.1%	83.6%	87.6%
Employee turnover, %	≤8% employee turnover	12.8%	11.7%	11.6%

OTHER KEY FIGURES	2020
Ratos's holding	73%
Co-owners: Management	27%
Time of acquisition	2013

SPEED GROUP

www.speedgroup.se

Speed Group is a Swedish supplier of logistics and staffing services. The company is one of the Nordic region's leading third-party logistics (3PL) providers, with effective automation solutions and a total of approximately 150,000 square metres of warehouse space in Borås, Gothenburg and Stockholm. Within staffing, Speed Group offers flexible staffing services of both blue and white-collar personnel. The company also offers additional services in recruitment and education.

Market

Demand for efficient logistics 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. There is also a major market demand for flexible staffing solutions with specialised and competent personnel.

The year

The company's EBITA margin has improved significantly following a restructuring programme carried out in 2019 with the aim of reducing fixed costs and resolving unprofitable customer assignments. During the year, Speed Group secured a logistics contract from an existing customer entailing in an increased undertaking. The four-year contract is expected to generate sales of approximately SEK 100m per year, and will commence in 2021.

Sustainability

Motivated, committed and competent employees are a requirement for Speed Group's success. The company therefore endeavours to build a sustainable, equal opportunities organisation and to be perceived as an attractive employer. A healthy and safe work environment is an important strategic issue for Speed Group. The company works systematically to minimise the risk of work-related accidents and to prevent work-related ill health. Speed Group's environmental and climate impact are primarily attributable to its energy consumption. Being energy efficient and adapting its properties and operations are thus important issues for the company. Speed Group has also chosen to further co-locate its operations in order to reduce internal transport.

During the year, Speed Group's head office and warehouse were equipped with a rooftop photovoltaic system. This investment will provide Speed Group with an attractive green logistics offering and make the warehouse CO_2-positive. The facility is the largest in the Nordic region.

Sales by operating area

FINANCIAL FACTS, SEKm	2020	2019	2018	2017	2016
Net sales	726	707	738	513	562
Organic growth	3%	-3%			
EBITA	62	-4	-8	24	34
EBITA margin	8.5%	-0.6%	-1.0%	4.7%	6.1%
Cash flow from operations	63	11	-52	-3	105
Interest-bearing net debt	762	495	69	-28	-50
– of which, lease liabilities[1]	755	431			
Average number of employees	699	736	1,171	707	752

1) IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Serious work-related accidents	No serious work-related accidents	0	3	2
Share of managers who are women, %	Long-term target: Share of women managers is to reflect the share of women employees	20%	15%	12%
CO_2 neutrality*	CO_2-neutral by 2025 at the latest	2,909	N/A	N/A
Sick leave, %	Maximum of 6% sick leave (including both short and long-term sick leave)	9.03%	7.35%	7.31%
Energy intensity, district heating, kWh/sqm	≤1.81 kWh/sqm	1.95	1.83	1.93
Energy intensity, electricity consumption kWh/SEK thousand	≤19.0 kWh/SEK thousand	14.40	19.32	19.55

OTHER KEY FIGURES	2020
Ratos's holding	70%
Co-owners: The company's founders	30%
Time of acquisition	2015

* To achieve CO_2 neutrality, Speed Group will reduce its Scope 1, 2 and 3 emissions by the equivalent of 6.7% each year, calculated from the base year of 2020. The remainder will be offset through surplus production of electricity from the company's own rooftop photovoltaic system.

Bisnode

www.bisnode.com

Bisnode's core business is to support corporate processes in terms of credit and business decisions as well as marketing information through the use of data-driven solutions, making it easier for the company's 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 19 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 EUR 6 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.

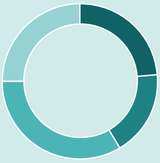
The year

During the year, Bisnode's sales in Marketing Solutions were negatively impacted by the Covid-19 pandemic, while credit and risk management services performed well. The EBITA margin increased as a result of the ongoing transformation work aimed at increasing operational efficiency and the action programme initiated to counteract the negative effects of Covid-19. During the year, an agreement was signed to divest Bisnode to Dun & Bradstreet.

Sustainability

In pace with the digital transformation, digital sustainability has been identified as Bisnode's most significant sustainability issue taking into account Bisnode's business model. Digital sustainability includes data security, data protection and personal integrity. In 2020, Bisnode continued to pursue the transition to a renewable energy supply in its offices and servers. Bisnode is convinced that diversity and a cohesive workplace drives innovation and attracts talent. Consequently, the company endeavours to increase the share of women in the company, particularly in executive positions. This commitment to sustainability is regulated in our Code of Conduct, which is based on the UN Global Compact.

Sales by operating area



Sales by market

FINANCIAL FACTS, SEKm	2020	2019	2018	2017	2016
Net sales	3,673	3,776	3,696	3,555	3,458
Organic growth	-2%	0%			
EBITA	504	484	471	397	228
EBITA margin	13.7%	12.8%	12.7%	11.2%	6.6%
Cash flow from operations	483	396	373	391	172
Interest-bearing net debt	1,690	1,758	1,378	1,566	1,745
– of which, lease liabilities[1)]	208	295	50	54	58
Average number of employees	1,984	1,994	2,045	2,097	2,209

[1)] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
CO_2 emissions, CO_2e, 1,000 tonnes (Scope 2 and business trips)	General targets: 100% renewable energy for Bisnode's office and servers. Reduce emissions related to air and road travel.	3.3	4.8	4.8
CO_2/FTE, tonnes		1.6	2.4	2.6
Share of women among employees, %		45%	45%	45%
Number of incidents reported concerning GDPR*	0 GDPR incidents	7	11	12

OTHER KEY FIGURES	2020
Ratos's holding	70%
Co-owners: Bonnier	30%
Time of acquisition	2004

* Reported to the Swedish Data Protection Authority

www.kvdbil.se

The KVD Group is Sweden's largest online marketplace offering valuation and broker services for second-hand vehicles (company cars and private cars), machines and heavy vehicles as well as sales of related car valuation products and services. The KVD Group is made up of Kvdbil, an independent marketplace for second-hand cars; the car valuation companies Bilpriser and Smart 365; and Kvdpro, which brokers machines and heavy vehicles. Every week more than 500 second-hand cars are sold on kvdbil.se. Kvdbil handles the entire transaction from client order to end customer and guarantees the quality of the brokered car by means of testing.

Market

Over 1.3 million used vehicles are sold in Sweden each year. Kvdbil's market share for company cars is approximately 10%, and there has been strong growth in the private car segment over the last few years. When it comes to the brokerage of private cars, the company's main competitors are traditional car dealers and private sales to other private individuals.

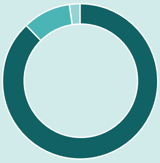
The year

During the year, Kvdbil continued to develop its offering to the consumer market, and launched a home delivery service for sold cars. The company succeeded in capturing market shares in the vehicle broker sector, which was initially negatively affected by Covid-19, but saw growing demand for cars as a safe transportation option during the year. The EBITA margin improved during the year, driven by enhanced efficiency in the company.

Sustainability

By offering an effective, independent and well-functioning marketplace for the second-hand market, Kvdbil contributes to more efficient use of resources and sustainable societal development. Kvdbil has become part of the efforts to reduce the Swedish vehicle fleet's climate impact by spreading knowledge, for example, about the optimal life cycle of vehicles and the fact that most of the vehicles powered by electricity, hybrid technology, gas or ethanol are exported from Sweden. In early 2020, Kvdbil decided to stop exporting green vehicles in order to accelerate the transition of the Swedish vehicle fleet.

Sales by operating area



FINANCIAL FACTS, SEKm	2020	2019	2018	2017	2016
Net sales	393	384	332	346	321
Organic growth	2%	16%			
EBITA	37	31	8	30	37
EBITA margin	9.3%	8.1%	2.5%	8.8%	11.6%
Cash flow from operations	58	26	16	20	26
Interest-bearing net debt	22	76	37	141	143
– of which, lease liabilities[1)]	53	63	2	4	2
Average number of employees	199	195	193	173	162

[1)] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Recommendation willingness, buying customers (scale of -100 to +100)	Recommendation willingness, buying customers, +30	+27	+21	+26
Recommendation willingness, selling customers (scale of -100 to +100)	Recommendation willingness, selling customers, +50	+47	+50	+35
CO_2 emissions, CO_2e tonnes (Scope 1+2 and business trips)	Reduce CO_2 emissions by 20% by 2020	163	283	264
CO_2 emissions, CO_2e tonnes/employee (Scope 1+2 and business trips)	Reduce CO_2 emissions by 20% by 2020 based on gross level for CO_2 emissions in 2016 (2.0 per employee)	0.8	1.5	1.4
Employee sick leave, %	<4%	4.6%	3.5%	4.1%

OTHER KEY FIGURES	2020
Ratos's holding	100%
Time of acquisition	2010

OASE OUTDOORS

www.oase-outdoors.dk

Oase Outdoors develops, designs and sells 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.

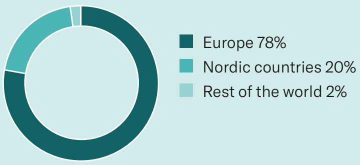
The year

Oase Outdoors experienced strong demand during the year, driven by a positive trend with respect to camping and outdoor life across Europe in the wake of the Covid-19 pandemic. This high demand and the company's cost awareness led to very healthy profitability during the year.

Sustainability

Given that Oase Outdoors operates in elevated-risk markets, preventive anti-corruption and social compliance initiatives are key sustainability issues. Oase Outdoors has implemented an anti-corruption policy and is expanding its work on business environment and social compliance initiatives and extending its due diligence processes relating to the company's business partners. Corporate culture and engagement are also prioritised, making employee satisfaction a pivotal sustainability issue that is measured through targeted employee satisfaction surveys.

Sales by market



FINANCIAL FACTS, DKKm	2020	2019	2018	2017	2016
Net sales	297	301	306	316	332
Organic growth	-1%	-2%			
EBITA	34	7	26	41	37
EBITA margin	11.5%	2.4%	8.5%	13.0%	11.0%
Cash flow from operations	93	18	3	26	35
Interest-bearing net debt	118	192	198	210	220
– of which, lease liabilities[1)]	13	15			
Average number of employees	79	89	88	87	78

1) IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Share of relevant employees (22) who have completed the anti-corruption training course, %	100%	27%	27%	N/A
High-risk suppliers that have completed social responsibility assessments in accordance with Amfori BSCI (Business Social Compliance Initiative)	At least ten high-risk suppliers assessed in accordance with Amfori BSCI	12	7	7
Employee satisfaction – Trust Index for 2020, %	Minimum Trust Index of 80%	83%	83%	85%

OTHER KEY FIGURES	2020
Ratos's holding	78%
Co-owners: Company CEO and other key individuals	22%
Time of acquisition	2016

PLANTASJEN

www.plantasjen.no www.plantagen.se

Plantasjen is the Nordic region's leading chain for the sale of plants, flowers and related products. With just over 130 stores in Norway, Sweden and Finland, the vision is to create the Nordic region's loveliest greenhouse, which brings customers closer the positive power of nature. By providing customers with inspiration, knowledge and tools, Plantasjen aims to serve as a natural spring for a healthy and growing quality of life.

Market

The market for plants and gardening accessories is non-cyclical but 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 to have a steady annual growth rate of around 2–3%.

The year

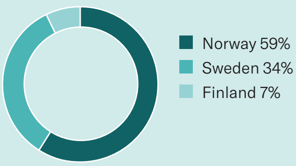
Plantasjen achieved increased sales during the year as a consequence of an improved customer offering and growing interest in plants and flowers in the wake of the Covid-19 pandemic. Profitability also improved, driven by the company's increased sales, higher store productivity and an improved cost base. During the year, Nina Jönsson assumed the position of CEO. Nina joined the company from her role as CEO of HL Display. A new management team was established with a focus on the consumer, operational efficiency and further improvement of the customer offering during all of the year's seasons.

Sustainability

With its core operations in plants and gardening accessories, Plantasjen endeavours to integrate sustainability issues into its operations. Plants are important to both Plantasjen's operations and the community in general. Plantasjen's ambition is that its products will contribute in a positive way to both human well-being and biodiversity. Plantasjen's sustainability agenda focuses on social sustainability and auditing of stakeholders in the supply chain as well as on streamlining

operations in Plantasjen's stores, transportation and offices. As an employer, it is important to attract, develop and retain talented employees. Leadership development is therefore a prioritised area for driving profitable growth.

Sales by market



FINANCIAL FACTS, NOKm	2020	2019	2018	2017	2016
Net sales	4,682	4,026	3,961	3,881	3,624
Organic growth	19%	4%			
EBITA	578	143	72	213	228
EBITA margin	12.4%	3.6%	1.8%	5.5%	6.3%
Cash flow from operations	465	8	-134	296	201
Interest-bearing net debt	5,060	5,000	2,376	2,100	2,262
– of which, lease liabilities[1]	4,037	3,336	598	620	612
Average number of employees	1,185	1,146	1,178	1,368	1,168

[1] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Employee Satisfaction Index (ESI) total[2]		75	75	74
Employee Satisfaction Index (ESI) leadership index[2]		76	76	75
Share of suppliers in risk countries[3] that have been socially audited, %		96.1%	90.4%	84.8%
CO_2 emissions from energy consumption, tonnes		20,457	23,867	27,747

OTHER KEY FIGURES	2020
Ratos's holding	99%
Co-owners: Management	1%
Time of acquisition	2016

[2] Data from 2019. An employee survey is carried out every other year.
[3] Definition of risk countries according to Amfori BSCI, Business Social Compliance Initiative.

Diab

www.diabgroup.com

Diab is a global company that develops, manufactures and sells core materials for sandwich composite structures. Sandwich composite structures are lightweight structures that are used to achieve high strength with light weight and are used in applications in wind turbines, aircraft, leisure boats, trains and industrial applications. Diab's primary market is the wind industry and the company's material is a prerequisite for the construction of wind turbine blades. The lightweight construction of composite structures increases the competitiveness of wind farms and is critical in the battle against fossil fuels.

Market

The wind market, Diab's largest market, is expected to continue its strong development, driven by competitiveness among wind farms in comparison with other energy sources as well as the trend in renewable energy sources. The expansion of installed wind power has increased from 50 GW in 2018 to 80 GW in 2020 after continuous revaluations of future expectations.

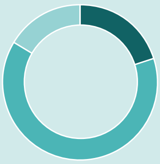
The year

An increase in demand combined with an expanded production capacity in the wind segment and a higher market share in PET contributed to strong growth during the year. EBITA increased mainly due to higher volumes. During the year, Diab has invested in several PET production facilities in the US, Europe and Asia to be able to produce its Divinycell PET range. The total capacity for PET foam core makes Diab a world-leading company for PET production.

Sustainability

Diab's products contribute to the increased growth of renewable energy (expansion of wind turbines) and reduced energy consumption by using lightweight solutions. Diab is thus actively contributing to a more sustainable society. Diab places considerable emphasis on sustainability issues, such as energy usage in the company, safety and ethics. The company has policies, processes and activities in place to manage the risk of corruption and fraud. Diab is the first company in the world within the field of composite materials whose science-based climate targets have been approved to lower its carbon footprint by 2050.

Sales by operating area



Sales by market

FINANCIAL FACTS, SEKm	2020	2019	2018	2017	2016
Net sales	2,121	1,874	1,496	1,439	1,516
Organic growth	16%	21%			
EBITA	280	193	-155	1	109
EBITA margin	13.2	10.3%	-10.4%	0.1%	7.2%
Cash flow from operations	65	-43	-74	18	4
Interest-bearing net debt	935	916	890	773	890
– of which, lease liabilities[1]	132	128	16	17	20
Average number of employees	1,234	1,268	1,294	1,373	1,242

[1] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
CO_2/product (tonnes)	8	7	9	10
Lost-time accident rate (per million worked hours)	0 lost-time accidents	8	15	20
Whistleblowing incidents (number investigated)	The number of whistleblowing incidents is to remain low	2	3	1

OTHER KEY FIGURES	2020
Ratos's holding	96%
Co-owners: Management and Board of Directors	4%
Time of acquisition	2001/2009

www.hl-display.com

HL Display is a European leader in store solutions for improved customer experience, profitability and sustainability, particularly for grocery retailers. HL Display helps its customers to achieve increased sales by providing attractive store environments, lowering costs through the automation of routine procedures and reducing the loss of goods. The company sells items such as pull-feeds for products, shelf dividers, category solutions for fruit and vegetables, bulk bins for lightweight items (such as sweets and nuts) and datastrips. HL Display's products are installed in approximately 295,000 stores worldwide.

Market

HL Display's market is largely driven by developments in the offline grocery retail sector, an increased focus on store experience and store operation efficiency. The company operates in a fragmented market with many local competitors, where HL Display is one of the global players and dominant in Europe.

The year

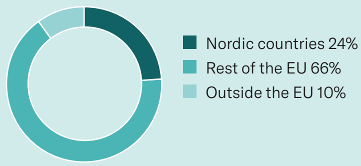
Net sales decreased during the year in light of falling demand due to the Covid-19 pandemic. However, this decline was offset by sales in HL Display's new category, personal protective equipment (developed due to Covid-19) for stores. EBITA was strengthened through sound cost control, enhanced efficiency in production and a favourable product mix. During the year, Björn Borgman assumed the position of CEO. Björn most recently served as Group Commercial Director at HL Display.

Sustainability

HL Display takes an active approach to sustainability issues and was the first in the market to introduce a product segment that is manufactured using recycled or bio-based plastic (HL Sustainable Choice). In 2020, more than one-third of the company's range was available within Sustainable Choice. The greatest environment impact for HL Display is the CO_2 emissions from purchased raw materials, energy consumption and the burning of plastic waste. Diab has thus established reduction targets in accordance with the Science Based Targets initiative. The focus is on increasing the use of recycled and bio-based materials. During the year, processes have been developed for recycling obsolete products from the supply chain in order to return the material into production. 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.

Sales by operating area

Sales by market



FINANCIAL FACTS, SEKm	2020	2019	2018	2017	2016
Net sales	1,520	1,594	1,554	1,445	1,417
Organic growth	-3%	0%			
EBITA	163	140	96	43	67
EBITA margin	10.7%	8.8%	6.2%	2.9%	4.7%
Cash flow from operations	253	148	96	48	70
Interest-bearing net debt	216	444	447	503	569
– of which, lease liabilities[1)]	83	99	1	1	1
Average number of employees	995	985	1,023	1,006	982

1) IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Recycled non-hazardous waste, tonnes	Maximise internal recycling of waste from production	2,365	2,225	2,551
Number of work-related accidents with absence	Eliminate all work-related accidents leading to absence	7	9	9
Share of business partners and key suppliers to have undergone sustainability screening, %	100% of business partners and key suppliers have undergone sustainability screening	100%	100%	100%
Share of production units with ISO 14001 certification, %	100% of production units with ISO 14001 certification by 2021	75%	75%	75%
Annual water consumption, (m^3)	Continually reduce annual water consumption	320,832	377,759	366,631

OTHER KEY FIGURES	2020
Ratos's holding	99%
Co-owners: Key employees in the company	1%
Time of acquisition	2001/2010

LEDiL®

www.ledil.com

LEDiL designs, develops and sells optics for LED lighting. Optics are a prerequisite for accomplishing the desired design of the lamp, providing a more pleasant light and increasing energy efficiency. LEDiL is a global leader in LED optics, with a global sales network and a production network covering Asia, Europe and North America. Development and design are carried out in Finland. LEDiL's products are primarily used in commercial applications such as street lighting, offices, industry and architecture.

Market

LEDiL's market is driven by the general lighting market and LED market penetration. The lighting market in turn is driven by a growing population and continued urbanisation. LED technology has revolutionised the lighting market thanks to its light quality, design flexibility and lower energy consumption. LEDiL adds considerable value for customers since optics account for a major part of the performance of the lamp but a small share of the total cost.

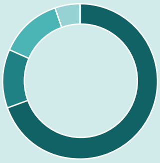
The year

During the year, LEDiL's net sales declined due to a negative impact from the Covid-19 pandemic. The indoor segment was particularly affected as a result of the exposure to end markets such as retail and offices. The outdoor segment was also negatively affected, but to a lesser extent. During the year, profitability strengthened due to sound cost control, but decreased in absolute terms as a result of a decline in sales.

Sustainability

The increased efficiency and longer sustainability of LED solutions means that the shift from traditional lighting to LED results in a positive contribution to the environment. In turn, optics further improve LED efficiency, which is of great importance for LEDiL. The company's optical solutions provide light that improves people's well-being and safety and results in lower energy consumption. 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.

Sales by market



FINANCIAL FACTS, EURm	2020	2019	2018	2017	2016
Net sales	37.1	40.9	42.8	40.3	38.6
Organic growth	-9%	-6%			
EBITA	7.3	7.7	10.6	11.1	11.1
EBITA margin	19.6%	18.8%	24.8%	27.4%	28.9%
Cash flow from operations	7.6	7.8	9.3	6.2	9.9
Interest-bearing net debt	14.8	21.5	29.3	37.1	12.8
– of which, lease liabilities[1)]	1.7	1.7			
Average number of employees	107	123	122	113	95

[1)] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Share of subcontractors who have subscribed to LEDiL's Code of Conduct, %	80% of subcontractors are to subscribe to the Code of Conduct	71%	77%	71%
Share of employees who have participated in sustainability training, %	100% of employees are to participate in sustainability training	99%	99%	99%
Cumulative energy saving by products sold annually, TWh	3 TWh cumulative energy saving by products sold annually	4.6	4.3	4.2
Employee sick leave, %	Employee sick leave <3%	1.4%	2.6%	1.6%
CO_2 emissions, CO_2e tonnes (Scope 3)		6,314	5,199	N/A

OTHER KEY FIGURES	2020
Ratos's holding	66%
Co-owners: Company founder, management and Board of Directors	34%
Time of acquisition	2014

TFS
It's all about trust

www.tfscro.com

TFS is a global, mid-sized, clinical contract research organisation (CRO) that supports pharmaceutical companies through the entire clinical development process. TFS focuses its scientific and medical competence across a broad therapeutic spectrum, with industry-leading capabilities in dermatology, oncology and haematology. TFS has two business Areas: Clinical Development Services (CDS), which offers clinical trials for small pharmaceutical companies during the clinical development process, and Strategic Resourcing Solutions (SRS), which offers resource solutions featuring clinical professionals and targeting pharmaceutical companies. Over the past five years, TFS has been involved in approximately 1,100 studies in 40 countries globally.

Market

The global CRO market is a high-growth market, driven primarily by increased regulatory complexity for studies combined with an increased share of clinical studies that are outsourced. The CDS business area focuses on pharmaceutical customers and competing with other mid-sized CROs. The SRS business area focuses on major pharmaceutical companies and normally competes with staffing companies that specialising in medical resources.

The year

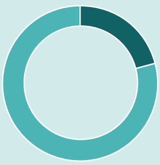
During the year, Covid-19 led to TFS experiencing difficulty in carrying out clinical trials in hospital environments, which had a negative impact on sales. However, business activities and EBITA improved as a result of TFS's focused strategy and the restructuring programme carried out at the end of 2019. During the year, TFS entered a partnership to conduct a global study on the COVID-19 pandemic and an important partnership with Duke Clinical Research Institute in North Carolina, strengthening the company's presence in the US.

Sustainability

TFS considers a sustainable environment integral to the organization. TFS's corporate culture thrives on delivering high-quality

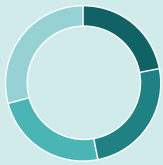
services, with sustainability regarded as a cornerstone in its partnerships with customers. When it comes to sustainability, TFS's focus areas include equal opportunities, patient safety and data integrity, compliance with laws and regulations, talent development, business ethics and anti-corruption.

Sales by operating area



Clinical Development Services 21%
Strategic Resourcing Solutions 79%

Sales by market



Nordic countries 22%
Southern Europe 25%
Central Europe 24%
USA 29%

FINANCIAL FACTS, EURm	2020	2019	2018	2017	2016
Net sales	79.0	87.3	82.0	91.6	83.7
– Services	59.7	61.9	55.9	58.6	60.2
– Reimbursable expenditure	19.2	25.4	26.0	33.0	23.5
Organic growth	-9%	6%			
EBITA	4.0	-2.5	-0.6	-0.7	6.7
EBITA margin	5.1%	-2.9%	-0.8%	-0.8%	8.0%
Cash flow from operations	2.0	2.0	-2.0	1.2	1.4
Interest-bearing net debt	1.8	5.2	7.0	4.0	0.4
– of which, lease liabilities[1)]	2.9	4.8			
Average number of employees	636	662	660	738	729

[1)] IFRS 16 is applied as of 1 January 2019

SUSTAINABILITY INDICATORS	TARGET	2020	2019	2018
Share of employees receiving regular performance and career development reviews, %	80%	88%	52%	N/A
Share of women in the organisation, %	50%	76%	76%	75%
Share of employees who have received anti-corruption training, %	100%	100%	99%	99%

OTHER KEY FIGURES	2020
Ratos's holding	100%
Time of acquisition	2015/2019

Financial statements

Contents

Directors' Report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585 hereby submit the 2020 Annual Report for the parent company and the Group. The registered office of the Board is in Stockholm, Sweden.

The company's activities

Ratos is a business group that enables independent companies to excel by being part of something larger. People, leadership, culture and values are key focus areas for Ratos. Ratos has its roots in Söderberg & Haak – Sweden's first wholesaler of iron and iron products – which was formed on 5 May 1866. In 1934, the assets were placed in an investment company under the name Ratos, as in Ragnar and Torsten Söderberg. Ratos was listed in 1954. The business direction has changed a few times over the years, but the connecting thread throughout Ratos's history is entrepreneurship, business development and community involvement.

At 31 December 2020, 20 people worked at Ratos's head office. Ratos owned 12 companies in the Nordic region at 31 December 2020.

Company	Ratos's holding, 31 December 2020
Aibel	32%
airteam	70%
Bisnode	70%
Diab	96%
HENT	73%
HL Display	99%
Kvdbil	100%
LEDiL	66%
Oase Outdoors	78%
Plantasjen	99%
Speed Group	70%
TFS	100%

Financial targets

Ratos's overall target is to increase shareholder value while ensuring Ratos's growth. Ratos's financial targets focus on the earnings trend and the total return on the share:

1. Increased earnings in Ratos's companies every year
2. A total return greater than SIX Return Index

A follow-up on the year's targets is presented on page 9.

Criteria for new investments

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

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

- Market-leading or the potential to become market-leading
- Highest profitability in the sector
- Ability to create a healthy cash flow over time
- Strong brands
- Potential to benefit from Ratos's networks
- Platform for add-on acquisitions

Ratos strives to implement quick improvements in its companies but remains an owner with a long-term vision. We own our companies for as long as we consider ourselves to be the best owner.

Events during the year

The year was largely characterised by Covid-19, although its direct impact varied between companies. However, the business group as a whole has stabilised and profitability increased, improving Ratos's financial position over the year.

The ordinary Annual General Meeting for 2020 resolved that no dividend would be paid for the 2019 financial year. It was instead noted that the Board of Directors intended to invite the shareholders to an extraordinary general meeting later in the year to resolve on a dividend if the market had stabilised at that time and Ratos's visibility of earnings had normalised. On 22 October, Ratos AB held an extraordinary general meeting during which a dividend of 0.65 SEK (0.50) per share was approved for the 2019 financial year. In conjunction with the resolution passed at the extraordinary general meeting regarding dividends, Ratos repaid the government assistance received in Sweden linked to the Covid-19 pandemic.

During the year, Ratos provided a capital contribution of SEK 288m to Plantasjen.

Refer to pages 24–37 for financial facts and information about the events that took place at each company during the year.

Acquisitions, divestments and discontinued operations

Ratos acquired no companies in 2020. Only minor acquisitions took place within Bisnode during the year.

In October, Ratos signed an agreement to divest all of the shares in Bisnode, excluding its operations in Belgium, to Bisnode's partner Dun & Bradstreet for an enterprise value of SEK 7,200m for 100% of the company. Ratos's holding in Bisnode amounted to 70%. In January 2021, Ratos completed the sale of Bisnode. The equity value for Ratos's holding of 70% was SEK 3,900m, yielding a consolidated capital gain of approximately SEK 1,900m, which will be recognised in the first quarter of 2021. As of 31 December 2020, Ratos reports its holding in Bisnode as a discontinued operation. In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, Bisnode's profit after tax is reported on a separate row in the income statement for 2020 and the comparative period 2019. In the statement of financial position, Bisnode's assets and related liabilities are reported on separate rows for 2020. The comparative period has not been restated.

Dividends from companies

Bisnode issued a dividend of SEK 250m, of which Ratos's share totalled SEK 175m.

Sustainability

Long-term value is created by developing sustainable companies. This is why sustainability is an integrated part of Ratos's business strategy. This applies to both Ratos's parent company and the work carried out as an active owner.

Ratos's greatest contribution to society is acting as an active and responsible owner which builds long-term successful and sustainable companies that create jobs, respect humanity and the environment, and deliver high-quality products and services. Ratos also makes a difference in that our principal owners are foundations that promote research and, with it, community development.

There are 20 employees at Ratos's head office and a total of about 12,500 employees in 35 countries in our companies. Through active ownership, Ratos acts as a driving force in ensuring that sustainability work is carried out in our companies. The foundation of this is Ratos's policy framework, consisting of: the Code of Conduct, the Policy for Sustainability and Responsible Investments, and the Environmental Policy (see Ratos's website). The policy framework is based on the UN Global Compact's ten principles for responsible business as well as the UN Principles for Responsible Investment (PRI).

Ratos's CEO has overall responsibility for the Group-wide strategy and sustainability initiatives as well as responsible investments. All business area managers at Ratos are responsible for ensuring that sustainability is included on the agenda of each company's management and board. The CEO and management of each company have operational responsibility for the company's sustainability efforts through direct delegation from Ratos's management.

For more information, see pages 10–21, 26–37 and 119–123 for the statutory sustainability report in accordance with the Swedish Annual Accounts Act.

Ratos's significant environmental impact is created through its companies. Ratos expects every company to identify its environmental impact and implement an environmental policy. The companies' sustainability reports contain information concerning climate impact, energy consumption, waste management and water consumption. Several of Ratos's companies are working to adapt to a more climate-neutral economy. Ratos AB's direct environmental and climate impact is limited.

Consolidated result

Operating profit for the year amounted to SEK 1,929m (1,655). All companies reported better earnings compared with the preceding year, with the exception of Aibel and LEDiL. Both companies were adversely affected by the Covid-19 pandemic during the year.

Year-earlier operating profit included a capital gain of SEK 31m from the sale of Euromaint and a capital gain of SEK 487m from Ratos's sale of the Lejonet property.

Operating profit from continuing operations amounted to SEK 1,457m (1,192). This result excludes Bisnode. Since the agreement to divest Bisnode was signed in October 2020 and the transaction was completed in January 2021, Bisnode is recognised as a discontinued operation. This means that's Bisnode's earnings after tax for the year are included in "Profit for the year from discontinued operations." The comparative figures in the income statement have been adjusted. Bisnode is reported on a separate row in the balance sheet under "Assets held for sale" and "Liabilities attributable to assets held for sale" for 2020.

During the year, the company received government assistance that was offered in various countries and constitutes an amount of approximately SEK 79m.

Operating profit includes profit/a share of profits from the companies of SEK 2,076m (1,265). Operating profit from continuing operations includes profit/a share of profits from the companies of SEK 1,603m (800).

Ratos's income and expenses attributable to the parent company and central companies amounted to SEK –151m (366). The year-earlier period included capital gains from the sale of the Lejonet property.

Net financial items amounted to SEK –656m (–595). The decrease in net financial items was mainly attributable to the negative impact from the remeasurement of financial instruments. Net financial items from continuing operations amounted to SEK –584m (–474).

Profit before tax for the year amounted to SEK 1,272m (1,061). This includes profit/a share of profits from the companies of SEK 1,439m (653). Tax expense for the year amounted to SEK –389m (–234). The higher tax expense is primarily attributable to higher taxable earnings.

For continuing operations, profit before tax amounted to SEK 873m (718), including profit/a share of profits from the companies of SEK 1,038m (310) and tax expense of SEK –258m (–139).

Consolidated statement of cash flows

Cash flow for the year amounted to SEK 40m (–264), of which cash flow from operating activities accounted for SEK 3,201m (1,909).

Cash flow from investing activities amounted to SEK –694m (–107) and cash flow from financing activities to SEK –2,467m (–2,065).

The improvement in cash flow was attributable to operating activities, with improved earnings and lower tied-up capital having an effect throughout the year. Cash flow from investing activities included SEK 550m from the sale of Ratos's property in the comparative year. Cash flow from financing activities was impacted by lower borrowing and the fact that the comparative year included the acquisition of shares from a minority owner in TFS.

Financial position and leverage

The Group's cash and cash equivalents at the end of the year amounted to SEK 3,182m (3,219) and interest-bearing net debt totalled SEK 7,269m (7,826). The Group's leverage amounted to 2.3x (3.3x) at year-end. Excluding financial lease liabilities, leverage amounted to 1.1x (2.3x) at year-end. Excluding Bisnode, leverage amounted to 2.3x at year-end and 0.6x excluding financial lease liabilities. The total translation effect of currency for interest-bearing liabilities amounted to approximately SEK –440m, of which approximately SEK –200m related to liabilities to credit institutions and approximately SEK –220m to financial lease liabilities.

Credit facilities and new issue mandate

The parent company has a credit facility of SEK 1 billion including a bank overdraft facility. The purpose of the facility is to be able use it as needed for bridge financing. The parent company should normally be unleveraged. The credit facility was unutilised at the end of the year. In addition, there is also a mandate from the 2020 Annual General Meeting to issue a maximum of 35 million Ratos Class B shares in conjunction with agreements on acquisitions.

Parent company

The parent company posted an operating loss of SEK –150m (365) for the year. The results for the year-earlier period included the capital gain of SEK 495m from the sale of the Lejonet 4 property. The capital gain differs from the profit reported in the Group due to the application of different accounting principles. The parent company's profit before tax amounted to SEK 142m (552), of which SEK 175m (175) pertains to dividends from Group companies and SEK 134m (11) to capital gains. The capital gains pertain to the liquidation of dormant companies and had no impact on consolidated profit. Cash and cash equivalents in the parent company amounted to SEK 1,166m (1,607).

Events after the reporting period

Divestment of Bisnode

In January 2021, Ratos completed the divestment of its 70% holding in Bisnode, excluding its operations in Belgium, to Bisnode's partner Dun & Bradstreet. The equity value for Ratos's holding of 70%, as communicated earlier, was SEK 3,900m, yielding a consolidated capital gain of approximately SEK 1,900m. 25% of the consideration was invested in shares in Dun & Bradstreet, which is listed on the New York Stock Exchange, corresponding to approximately 1% of shares outstanding. In addition, Ratos received a dividend from Bisnode during the fourth quarter of 2020 amounting to SEK 175m in accordance with the terms and conditions of the transaction and as previously announced.

New financial targets

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

Ratos decided on the following financial targets:

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

Net leverage
Target: Net debt in relation to EBITDA should normally range from 1.5 to 2.5x, excluding financial lease liabilities. The target includes the cash balances of Ratos's parent company.

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

Future outlook

No new investments were made outside our existing companies. Ratos's business concept is to own companies that are or can become market leaders in the markets where they operate. We own companies for as long as we consider ourselves to be the best owner. Now that we have improved our overall operational and financial stability, we are shifting our focus to industry-leading profitability in each company as well as growth. At the close of the year, Ratos AB had a strong cash position of SEK 1.1 billion. The divestment of Bisnode, which was completed in January 2021, was an important step in the transformation of

Ratos from an investment company to a leading business group. The divestment contributed approximately SEK 3 billion to Ratos's cash balance, further increasing Ratos AB's cash and cash equivalents.

Risks and uncertainties

Ratos is a business group that enables independent companies to excel by being part of something larger. People, leadership, culture and values are key focus areas for Ratos. These operations include inherent risks attributable to both Ratos and the companies. These mainly comprise market, operational and transaction risks and can include both general risks, such as external factors and macroeconomic development as well as company and sector-specific risks.

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

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

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

Ratos's Board approves the financial strategy for the parent company while the subsidiary or associate boards adopt financial strategies for each company. The parent company's financial policy, which provides guidelines for management of financial risks, is adopted annually by Ratos's Board. The Board evaluates and where necessary proposes changes to the financial policy. Although the Group has no central treasury management function, Ratos's head office assists the subsidiaries with overall financial matters. Each subsidiary prepares its own financial policy to suit the company's operations and risks. For further information, refer to Note 25 Financial risks and risk policy.

The ongoing Covid-19 pandemic had an impact on earnings for the year and creates uncertainty for Ratos's financial development for 2021. The impact of Covid-19 on Ratos's companies varies, since they are active in different segments, industries and geographies. Ratos's business model, with clearly decentralised earnings responsibility, entails that the companies make decisions independently and make adaptations to the prevailing circumstances. The effect on the measurement of balance-sheet items has been limited to date.

The work of the Board of Directors

The Corporate Governance Report includes a report on the work of the Board. See pages 45–51.

The Board's proposal for resolution by the 2021 Annual General Meeting on guidelines for remuneration to senior executives

These guidelines cover members of the board of directors, the CEO and other senior executives in Ratos's management group. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2021 Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Information regarding the company's business strategy and long-term interests, including its sustainability, is available on the company's website https://www.ratos.com/.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the senior executives a competitive total remuneration.

Long-term share-related incentive programmes have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. For more information regarding these incentive plans, please see https://www.ratos.com/.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration to senior executives shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 100% of the total fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 25% of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the compensation committee.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30% of the fixed annual cash salary.

For other senior executives, pension benefits, including health insurance, shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30% of the fixed annual cash salary.

Other benefits may include, for example, reimbursements for dental care and health care (including medication), medical insurance (Sw: sjukvårdsförsäkring) and company cars. For the CEO, such benefits may be paid out to a customary limited extent.

Termination of employment

Upon termination of an employment, the notice period may not exceed 12 months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for six months for the CEO and 12 months for other senior executives. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income, amount to not more than 60% of the fixed monthly cash salary at the time of termination of employment, shall only be paid in so far as the previously employed senior executive is not entitled to severance pay and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment for senior executives. When termination is made by the senior executive, the notice period may not exceed six months, without any right to severance pay.

Criteria for awarding variable cash remuneration, etc.
The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may be individualized quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The proportion of variable cash remuneration varies depending on the senior executive's position in the company. The portion of the variable cash remuneration linked to the outcome of financial criteria is normally 100% for the CEO and the CFO, approximately 90% for the Business Area Managers and approximately 75% for other senior executives, even if the portion can be larger or smaller depending on the specific circumstances, and shall be dependent on (i) EBITA growth in Ratos's company portfolio, (ii) growth in earnings before tax (EBT) for the Ratos Group, and (in certain cases) (iii) EBITA growth for portfolio companies in the business area where a member of a business area team works.

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

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board of Directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO, based on a proposal from the compensation committee. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the starting point for the evaluation shall be the latest financial information made public by the company.

Salary and employment conditions for employees
In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the compensation committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to the senior executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines
The Board of Directors has established a compensation committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the annual general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The compensation committee shall also monitor and evaluate programmes for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the compensation committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines
The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the compensation committee's tasks include preparing the board of directors' resolutions in remuneration-related matters.

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 shares to one-tenth of a vote per share. Class A shares can be issued in a maximum number that corresponds to 27% of the share capital and Class B shares in a number that corresponds to 100% of the share capital, Class C shares in a number that corresponds to 10% of the share capital and Class D shares in a number that corresponds to 10% of the share capital. At year-end, the Söderberg family with companies owned shares corresponding to 19.83% of the capital and 44.66% of the voting rights. The Ragnar Söderberg Foundation had 8.50% of the capital and 16.82% of the voting rights. The Torsten Söderberg Foundation had 8.68% of the capital and 12.58% 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 2020 Annual General Meeting renewed the mandate that the company may repurchase Class A and Class B shares. Acquisition may take place on one or more occasions prior to the next Annual General Meeting. Acquisition are to 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.

No Class A or B shares were repurchased in 2020. At year-end, Ratos 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 69.

Proposed distribution of profit

	SEK
Share premium reserve	128,695,169
Retained earnings	6,638,278,486
Profit for the year	142,774,758
Total	**6,909,748,413**
The Board of Directors proposes the following distribution of profit: Dividend to holders of Class A and B shares, SEK 0.95 per share [1]	303,063,902
To be carried forward	**6,606,684,511**

[1] Based on the number of shares outstanding on 20 January 2021. 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's performance in 2020 lived up to our expectations. Although the world faced a global pandemic, Ratos nonetheless finished the year with full marks. Our results speak for themselves. In this annual report, you can read in black and white about our earnings trend, cash flow and returns.

Ratos has continued to build on its expertise, experience, talent and wisdom. Ratos is a company to grow with.

We are now leveraging all of the strengths that our companies and employees possess and have developed over several years.

Our energy is now directed towards growth, continuous improvements and a desire to be the best.

Ratos is close to its companies, a strength that was even clearer in 2020. Ratos is well on its way to becoming the business group we have wanted to be for the last three years. We have turned away from transactions as a model for value creation. We want to maintain and develop our expertise, knowledge and culture as far as possible – which is quite far!

Applying industrial experience over the long term is the basis of all successful value creation. I believe that developing companies and people today will always lead to numerous new opportunities in the future that we are not yet aware of.

We create value by continuously acquiring more knowledge and expertise about the companies we own.

We aim to own and operate companies that are well suited to the Ratos model and for which we are the best possible owner.

Our cash balance is strong, and we have several exciting acquisitions ahead of us. Ideally, we want to develop the companies we have through add-on acquisitions but we will, indeed must, also add new platforms.

Nor can we entirely rule out selling individual holdings if they would do better elsewhere. This way, everybody wins.

The divestment of Bisnode was a tremendous success. Ratos had owned Bisnode for ten years. The company has now found a long-term home and, with all of its advantages, will quickly become a world-leading group.

I am also deeply impressed by how well Ratos's management handled the transaction.

A company like Ratos has an obvious place in the market.

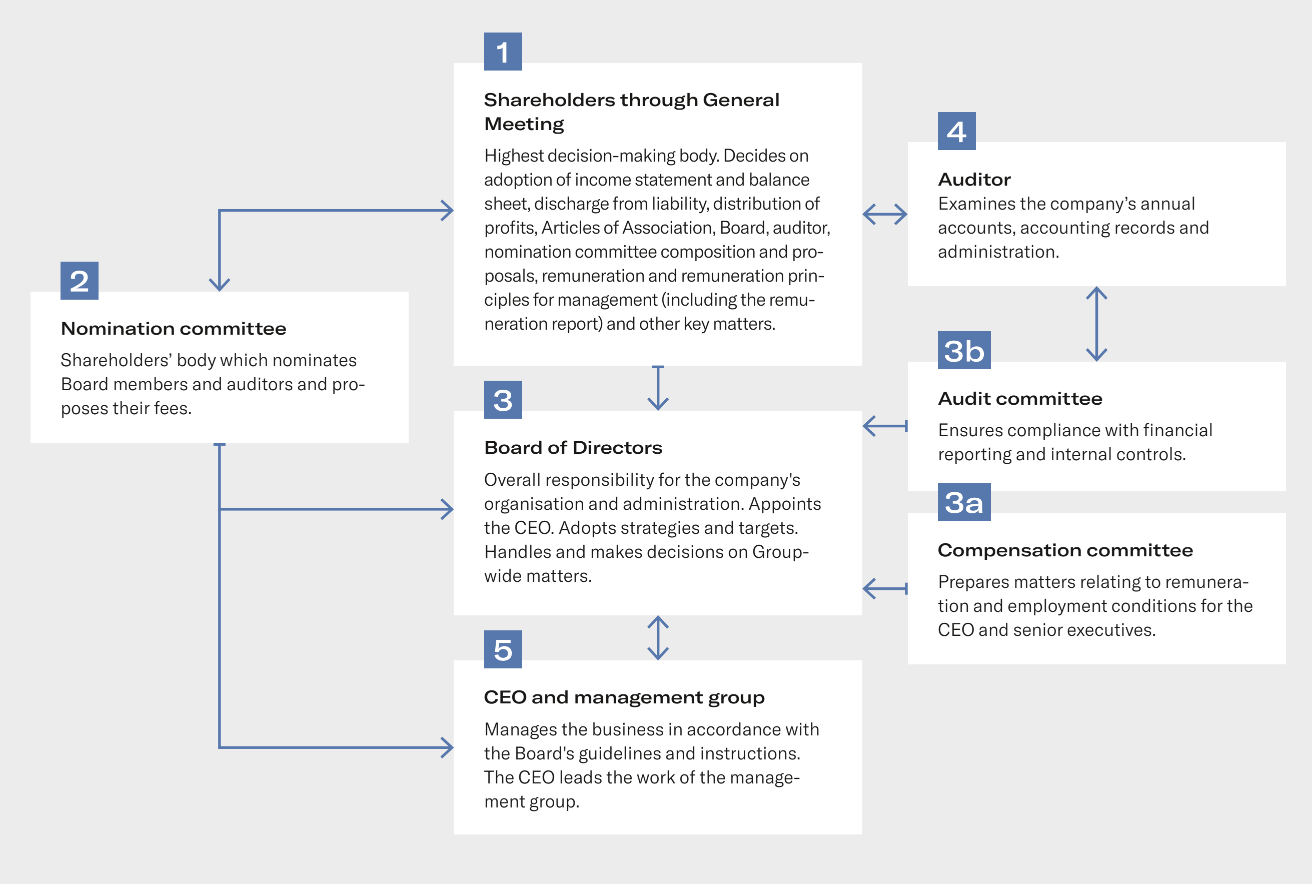
I would like to thank all of our shareholders, employees, customers and suppliers and welcome you on our journey, where I look forward to many successful years together.

We have already had many, and there are many more to come.

Per-Olof Söderberg
Chairman of the Board

Corporate Governance Report

Governance structure at Ratos



Corporate governance in Ratos

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

Ratos applies the Swedish Corporate Governance Code (the Code) and did not report any non-compliance with the Code in the 2020 financial year, except with regard to the composition of the nomination committee (see nomination committee on page 47).

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

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

Key external rules

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

Key internal rules and documents

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

Read more about Ratos's corporate governance

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

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

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. The company's Class A shares carry entitlement to one vote per share while Class B shares carry entitlement to one-tenth of a vote per share. Class A and B shares carry the same right to a share of the company's assets and to the same amount of dividend. The general meeting decides on dividends.

At year-end, Ratos had a total of 53,357 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 78.8% of the voting rights and 52.8% of the share capital. More information about Ratos's shares and shareholders is provided on pages 22–23.

General meetings

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

A shareholder with at least one-tenth of the votes in Ratos is entitled to request an extraordinary general meeting. The Board and Ratos's auditor can also convene an extraordinary general meeting.

In order to have a matter considered at an Annual General Meeting, a shareholder must submit a written request to the Board in good time so that the matter can be included in the notice of the meeting, normally approximately seven weeks before the Annual General Meeting. The closing date for such requests is stated on Ratos's website.

Shareholders who are registered on Euroclear Sweden's list of shareholders and who have notified their attendance to the company in due time are entitled to attend the Meeting, in person or through a proxy, and to vote for their holding of shares. Shareholders may bring an assistant to the meeting provided they have notified the company. A summary of the main resolutions to be made at the Annual General Meeting is presented in Ratos's Articles of Association on Ratos's website.

2020 Annual General Meeting

The 2020 Annual General Meeting was held on 1 April at Skandiascenen, Cirkus, in Stockholm, Sweden. The Meeting was attended by 122 shareholders, proxies and assistants, who together represented 75.6% of the voting rights and 43.3% of the capital.

The Chairman and Board members Jan Söderberg and Jonas Wiström (also CEO) were present, as was Ratos's auditor. Minutes and information about the 2020 Annual General Meeting in both Swedish and English as well as the CEO's address to the Meeting are published on Ratos's website.

Resolutions at the 2020 Annual General Meeting included the following:

- No dividend to holders of Class A and B shares
- Fees of SEK 970,000 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 Per-Olof Söderberg, Eva Karlsson, Ulla Litzén, Karsten Slotte, Jan Söderberg and Jonas Wiström. Re-election of Per-Olof Söderberg as Chairman of the Board
- Election of the audit firm Ernst & Young AB (EY)
- Adoption of guidelines for remuneration to senior executives
- Offer to CEO and other key employees in Ratos to acquire convertibles and warrants in Ratos
- 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

At the Annual General Meeting, the Chairman noted that the Board of Directors intended to invite the shareholders to an Extraordinary General Meeting later in 2020 to resolve on a dividend if the market had stabilised at that time and the company's visibility of earnings had normalised.

Extraordinary General Meeting in 2020

On 22 October 2020, Ratos held an Extraordinary General Meeting pursuant to Sections 20 and 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198), allowing participation at the meeting only by postal vote. The meeting intended to resolve on a dividend of SEK 0.65 per Class A and B share, a total of SEK 207m, for the 2019 financial year. The meeting was attended by 182 shareholders, who together represented 73.9% of the voting rights and 43.9% of the capital. Minutes and information about the extraordinary general meeting in both Swedish and English are published on www.ratos.com.

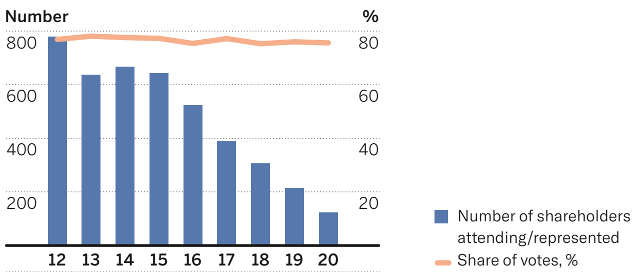
2021 Annual General Meeting

The 2021 Annual General Meeting will be held on 10 March 2021 rather than 5 May 2021 as previously announced.

The Annual General Meeting will be conducted by postal vote.

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 128.

Attendance at Annual General Meetings



2 Nomination committee

The Annual General Meeting has decided on the principles for how the nomination committee should be appointed and these principles apply until otherwise decided by the general meeting. The nomination committee is to comprise a minimum of five members together with the Chairman. The nomination committee's members are to be appointed by the largest shareholders in terms of voting rights, or group of shareholders in the Euroclear Sweden system (such a group is considered one shareholder), based on Euroclear Sweden AB's shareholder statistics at 31 August the year before the Annual General Meeting. If a shareholder waives the entitlement to appoint a member, the shareholder who is the next largest owner in terms of voting rights is to appoint a member. The majority of the members of the nomination committee are to be independent in relation to the company and 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 14 October 2020. The nomination committee comprises:

- Jenny Parnesten, appointed by the Ragnar Söderberg Foundation as well as own and related parties' holdings, Chairman of the nomination committee
- Jan Söderberg, own holdings
- Maria Söderberg, appointed by the Torsten Söderberg Foundation as well as own holdings
- Erik Brändström, appointed by Spiltan Fonder AB
- Martin Gärtner, appointed by SEB Investment Management
- Per-Olof Söderberg, Chairman of Ratos's Board

Combined, the nomination committee represents 62% of the voting rights for all the shares in the company.

A summary of the nomination committee's tasks is presented in Ratos's instructions to the nomination committee on Ratos's website.

Nomination committee's work ahead of the 2021 Annual General Meeting

Ahead of the 2021 Annual General Meeting, the nomination committee held four minuted meetings and was in regular contact in between. In its work, the nomination committee has taken note of the internal evaluation of the Board's work.

Ratos develops companies headquartered in the Nordics that are or can become market leaders. In 2020, Ratos adopted a new strategy that is currently being implemented. This new strategy requires the Board to have a broad industrial background as well as a documented ability to operate and develop companies in different industries and phases of development. The nomination committee deems the members proposed for re-election to have broad and complementary experience that more than adequately meets these requirements and deems that ongoing continuity in the work of the Board is paramount given the company's current stage of development. Consequently, the nomination committee sees no reason at this time to elect another Board member and feels that the proposed composition of six members is suitable and appropriate.

The requirement for independence is also assessed as having been met.

The nomination committee has continued to discuss requirements for diversity based in part on the Code's requirement for stipulating how the diversity policy has been applied and has chosen to use Rule 4.1 of the Code, which states that the Board is to exhibit diversity and breadth of qualifications, experience and background, and strive for an equal gender balance. Following deliberation by the nomination committee regarding, for example, the Board members' background and experience, it is noted that the gender balance will be unchanged compared with previous years as the members proposed 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 2021 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 2021 Annual General Meeting.

No fees have been paid for participation in the nomination committee.

Deviations/violations

Ratos deviates from the Code's rule 2.4, second paragraph, which states that if more than one Board member sits on the nomination committee, a maximum of one of them may be non-independent in relation to the company's major shareholders. Per-Olof Söderberg (also the Chairman of the Board) and Jan Söderberg are members of the nomination committee and regarded as non-independent in relation to the company's major shareholders. Against the background of these persons' extensive experience of Board work, their in-depth knowledge of Ratos and roots in the ownership group, and their network in Swedish industry, it was deemed beneficial to the company to deviate from the Code on this point.

No violations of Nasdaq Stockholm's Rule Book for Issuers or good practice in the stock market have occurred.

3 Board of Directors

Composition of the Board

Ratos's Board is to comprise of a minimum of four and a maximum of nine members 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 2020 Annual General Meeting resolved that the Board is to consist of six members and no deputies. The Meeting re-elected Per-Olof Söderberg, Eva Karlsson, Ulla Litzén, Karsten Slotte, Jan Söderberg and Jonas Wiström. Per-Olof Söderberg was re-elected as Chairman of the Board. The CEO is part of the Board and attends Board meetings. The composition of the Board and an assessment of each Board member's independence is presented in more detail on pages 52–53.

Responsibilities and duties of the Board

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

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

The main duty of the Chairman of the Board is to lead the work of the Board and ensure that Board members carry out their respective duties.

Composition of the Board

Name [1]	Elected year	Independent of the company	Independent of major shareholders	Total fee [1], SEK thousand	Attendance at meetings 2020: Compensation committee meetings	Audit committee meetings	Board meetings
Per-Olof Söderberg	2000	Yes	No	1,120	7/7	5/5	16/16
Jan Söderberg	2000	Yes	No	635	7/7	5/5	16/16
Eva Karlsson	2019	Yes	Yes	585	–	4/5	15/16
Ulla Litzén	2016	Yes	Yes	635	–	3/5	15/16
Karsten Slotte	2015	Yes	Yes	635	7/7	5/5	16/16
Jonas Wiström [2]	2016	No	Yes	0	–	–	14/16
Total				**3,610**			

[1] Relates to fees for the Annual General Meeting year 2020/2021.
[2] Jonas Wiström received no fee for the role as ordinary Board member.

Work of the Board in 2020

During 2020, a total of 16 minuted Board meetings were held: six ordinary meetings, one statutory meeting, and nine extraordinary 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. Ratos's General Counsel has taken the minutes at the Board meetings.

At every ordinary Board meeting, information is presented about the company's financial position and important events that affect the company's operations. At extra Board meetings, acquisition and divestment matters are normally examined as well as financing and incentive matters. Extra Board meetings are held when such matters requiring a Board decision arise. 2020 was characterised by the new strategy for Ratos, acquisitions and disposals, and incentive and financing matters. Senior executives at Ratos attended Board meetings to present specific matters.

Evaluation of the Board

The Board annually evaluates the work of the Board in a structured process where members are given an opportunity to express their opinions on working methods and efficiency, Board material, the performance of the members and the scope of the assignment in order to develop the Board's working methods. For the 2020 financial year, the evaluation was performed internally with the members answering an anonymous questionnaire, and the results of the evaluation have been presented by the Chairman with a subsequent discussion by the Board. Furthermore, the Chairman of the nomination committee held individual interviews with each Board member. The results of the evaluation have been reported to the nomination committee. The evaluation indicates that the Board work is deemed to function well.

Committees

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

3a Work of the compensation committee

The compensation committee has both an advisory function (follow-up and evaluation) and a preparatory function for decision matters prior to their examination and decision by Ratos's Board.

The following matters, among others, are handled by the compensation committee:

- the CEO's terms of employment, and terms for management and those directly subordinated 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 and decisions relating to the incentive systems for Ratos and the companies, in some cases for decision by the Board and/or the general meeting
- The Board's proposal to the Annual General Meeting regarding guidelines for remuneration to senior executives and the report on remuneration to senior executives

The compensation committee works in accordance with an adopted formal work plan. Normally, early in the autumn, an examination is carried out to see whether there are any major remuneration-related matters of principle to prepare. If such matters exist, they are addressed ahead of a final proposal at the ordinary meetings in December and January. In 2020, the compensation committee made a thorough evaluation of Ratos's remuneration structures and incentive programmes, which resulted in proposals from the committee to leave the structure for variable cash salary for 2020 essentially unchanged and, as in 2019, to propose to the 2020 Annual General Meeting a new long-term incentive programme in the form of a warrants and convertible debenture programme. Ahead of the 2021 Annual General Meeting, only minor modifications to the remuneration guidelines are proposed. The compensation committee also performs an annual evaluation of Ratos's long-term incentive system and prepares an annual report on remuneration to senior executives, which the Board presents to the Annual General Meeting for approval.

During 2020, Per-Olof Söderberg (Chairman of the Board and of the compensation committee), Jan Söderberg and Karsten Slotte were members of the compensation committee.

The compensation committee held seven minuted meetings in 2020 and was in regular contact in between. Ratos's General Counsel has taken the minutes of the committee. The compensation committee provides continuous oral reports to the Board and submits proposals on matters that require a Board decision. Minutes are made available to all members of the Board. The CEO and other senior executives normally attend the meetings of the committee to present specific matters.

3b Work of the audit committee

In 2020, all Board members except the CEO served on the audit committee. All members of the audit committee are regarded as independent of the company and its management. Ulla Litzén is the Chairman of the committee. The company's auditor participated in all five audit committee meetings in 2020.

The audit committee held five minuted meetings. Ratos's General Counsel has taken the minutes of the committee.

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

Each year, the audit committee adopts a fiscal cycle for its working duties and areas for which the audit committee is responsible. The audit committee is responsible for and monitors according to an adopted schedule, among other things, accounting and reporting, audit, internal control, corporate governance, risk management, purchases of non-audit-related services, tax payment, the parent company's guarantee and equity commitments, IT security, insurance, disputes and strategic accounting matters as well as compliance with rules and regulations and certain policy documents adopted by Ratos's Board. Furthermore, the audit committee oversees Ratos's externally operated whistleblowing system. The audit committee's work follows Ratos's interim reporting and Ratos's work on valuation matters and impairment testing, with five regular meetings held every year where the auditor participates in all committee meetings. Specific matters addressed in 2020 included follow-up of bank terms, commitments concerning capital contributions and disputes. The CEO and senior executives normally attend the meetings of the committee to present specific matters.

The audit committee submits proposals on matters that require a Board decision and the minutes are made available to all members of the Board. The Chairman of the committee maintains regular contact with the company's auditor.

Remuneration to the Board of Directors

The 2020 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 970,000 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, remuneration of senior executives (including the remuneration report), the sustainability report and the corporate governance work. The review work and auditor's report are presented at the Annual General Meeting.

At the 2020 Annual General Meeting, the audit firm Ernst & Young AB (EY) was elected as auditor until the next Annual General Meeting. EY appointed Erik Sandström as Chief Auditor. In addition to his assignment in Ratos, Erik Sandström is Chief Auditor for, among others, Atlas Copco, Autoliv, Gränges and Mycronic. At the 2021 Annual General Meeting, EY was proposed as the company's audit firm until the next Annual General Meeting.

Auditor's fees

Remuneration is paid to the company's auditor in accordance with a special agreement on this matter in accordance with a resolution at the Annual General Meeting. For a specification of audit fees and fees for other assignments, see Note 8. Ratos's policy for the purchase of non-audit-related services is continuously monitored by the audit committee, which also evaluates the content of both auditing and consulting services.

5 Governance in Ratos

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

Ratos's business concept is to develop companies headquartered in the Nordics that are or can become market leaders. Ratos enables independent companies to excel by being part of something larger. Ratos's owner policy includes specific strategic foundations that provide a basis for how we choose to act as an owner and how we view corporate governance. One of these foundations is that Ratos's companies must be independent of each other, strategically, operationally and financially. As an owner, Ratos is to add and create value but value creation and governance are therefore not identical in all situations. Having a clear division of responsibility between owner, board and CEO is important for the governance of Ratos's companies as well as for the parent company Ratos AB, and is therefore a key part of Ratos's business model and success as an owner. Read more about Ratos's exercise of its ownership role on pages 10–11.

CEO and management group

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

Ratos's management group consisted of the CEO, CFO, Vice President, the General Counsel and the Head of IR and Press from the beginning of 2020 until February 2020, after which it consisted of the CEO, the acting CFO (made permanent in October 2020), the General Counsel, the Head of IR and Press and three Business Area Managers. The role of the management team is to prepare and implement strategies, manage corporate governance and organisational matters, and monitor Ratos's financial development and Ratos's sustainability programme.

The companies' financial development and ongoing activities are addressed at monthly meetings attended by the respective company's CEO and CFO alongside Ratos's CEO, CFO and other senior executives.

Remuneration to senior executives

Guidelines for remuneration to senior executives were approved at the 2020 Annual General Meeting. More information about basic and variable salary is available in Note 7.

Evaluation of the need for an internal audit

Ratos develops companies headquartered in the Nordics that are or can become market leaders. At the close of the year, Ratos had 12 companies operating in three business areas in different industries with various risks. With regard to Ratos and the need for an internal audit, it has been judged more suitable to discuss and decide for each individual company according to need, size and complexity, rather than from parent company or Group level.

Ratos performs an annual review of risks where significant risks in the companies are summarised and discussed in Ratos's management and Board (refer to page 50). Ratos's management and Board can use this as a basis to identify a need for a closer look at/development of certain areas, the opportunity to identify areas that need to be centralised/strengthened, and to provide guidance to the audit committee for audit priorities for the 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 companies.

The parent company Ratos AB, with 20 employees at the beginning of 2021, 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.

Internal control

The Board has overarching responsibility for ensuring that Ratos has an effective and adequate process for risk management and internal control. The purpose is to provide reasonable assurance that operations are conducted in an appropriate and effective manner, that external reporting is reliable and that laws as well as internal rules and policy documents are complied with. This work is conducted through structured Board work as well as by tasks being delegated to management, the audit committee and other employees. In addition, the Group engages in a dialogue with its auditors regarding their ongoing observations as well as the annual audit of internal control completed during the third quarter and presented by Ratos's auditors to the audit committee. Responsibilities and authorities are also defined in Ratos's assurance mapping, which is part of Ratos's risk management process, and in instructions for powers of authorisation, policy documents and manuals which provide guidelines and guidance for the Group's operations and employees. As a complement to the companies' financial reporting and sustainability reporting, Ratos sends an annual compliance survey to all the CFOs of the companies. The findings are compiled and reported by the General Counsel to the audit committee, providing a basis for, among other things, decisions regarding future audit priorities for the companies.

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

Ratos's risk management process

Ratos performs an annual review of risks where significant risks in its own operations and the companies are summarised and discussed in Ratos's management and Board. The process is intended to give Ratos's management and Board of Directors an understanding of the Group's most material risks.

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

Ratos provides support to its companies in the form of structures and models, and works continuously to strengthen their risk processes as well as its own. Ratos has supplemented the risk management process to include an assurance mapping, meaning a clarification of responsibilities and validation of internal processes and identified risks. Ratos's most material risks are summarised in the Directors' Report on pages 40–43.

Internal control of financial reporting

Internal control of financial reporting is based on how Ratos's operations are conducted and how the organisation is built up. Ratos's operations focus on the development of mid-sized companies. Ratos has three business areas – Construction & Services, Consumer & Technology and Industry – and each business area currently consists of three to four companies. Each business area has a dedicated team that also works actively in the companies' boards. Each company is independent of other companies owned by Ratos. The intention is not that these companies' systems and reporting should be integrated into the Ratos Group, but rather that resources be used for follow-up and development of financial reporting from subsidiaries and associates. Ratos's aim, as part of its value-creating work with the companies, is to create independent and high-quality organisations with a quality of financial reporting that corresponds to that of a listed company.

Ratos has the overarching responsibility but the decisions and management of each company are carried out based on the needs, size and complexity of the company. Internal control of financial reporting is therefore designed to be appropriate in Ratos AB as well as in the companies. Evaluations and decisions are made by each board and management. This means that the material risks that affect internal control of financial reporting are identified and managed by Ratos as well as at the company level.

The basis for internal control of financial reporting consists of an overarching control environment where organisation, decision-making processes, authority and areas of responsibility have been documented and communicated in several guiding documents. This means that authority and responsibility within Ratos AB are established in several internal guidelines, policy documents and manuals. This

Recommended internal risk management process for Ratos

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

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 Board annually.

applies, for example, to the division of work between the Board and the CEO and other bodies set up by the Board, instructions for powers of authorisation as well as accounting and reporting instructions. This also serves to reduce the risk of irregularities and inappropriate favouring of a third party at the company's expense.
All companies report their complete accounts on a monthly basis and full-year forecasts. These reports are entered into a Group-wide consolidated reporting system. This is the foundation for the Group's consolidated financial reporting. Each company is responsible for its own financial management and for ensuring that the reports are correct, complete and delivered in time for the Group's reporting. The financial reporting is designed to follow the applicable laws and regulatory frameworks, such as IFRS. The companies' application of IFRS in their reporting and how they comply with the principle choices Ratos has made are followed up regularly. As support for the companies' reporting, Ratos Accounts has a number of supporting instructions and documents to ensure the financial reporting is complete and accurate.

In 2021, Ratos will introduce a framework with minimum internal control requirements (MICR) connected to internal control for financial reporting (ICFR). This is to ensure with reasonable certainty that the external financial reporting is reliable and prepared according to laws, regulations, financial reporting standards and other relevant requirements applicable for Ratos. The minimum requirements will be followed up and assessed annually.

Quality assurance for financial reporting

It is the opinion of the Board that the quality of a company's reporting is primarily determined by the organisation's competence in accounting matters as well as how the accounting, reporting and finance functions are staffed and organised. Ratos's business area managers and finance function are involved in the reporting from the companies. This means that the quality of the accounting and reporting of the companies is continuously examined and developed. Ratos's business area managers, together with Ratos's finance function, evaluate the material reported by the companies analytically, looking at its completeness, accuracy and compliance with Ratos's accounting principles. Ratos's finance function has an active dialogue with each company. Any deviations noted in the legal and operational follow-up are corrected. Performance and risks that are identified are communicated monthly to the CEO and CFO who, where appropriate, in turn report to Ratos's Board.

Every month, the companies provide a report in which the activities in the company and the company's development are described and analysed. The report is submitted to Ratos's management and Board. The reports are supplemented with monthly meetings between the companies and Ratos's management, during which the reporting is discussed and analysed to understand each company's financial development and follow up on the company's operations.

Accounts relating to acquisitions and investments as well as major transactions and accounting matters are discussed and regularly reconciled with Ratos's auditors. Group consolidation includes a number of reconciliation controls, both manual and automatic, such as in the Group-wide consolidated reporting system.

Ratos's accounts function is organised and staffed on the basis of the need to ensure that the Group maintains a high accounting standard and complies with IFRS and other standards within accounting. Working duties include preparing regular accounts mainly for the parent company and preparing closing accounts for both the parent company and the Group. A total of four people are employed within the accounts function, which is headed by Ratos's CFO. The employees have long professional experience in reporting and accounting.

Through the audit committee, the Board oversees the internal control and the accuracy of the financial reporting and evaluates recommendations for improvement. The audit committee submits proposals on matters that require a Board decision.

Board of Directors and CEO

Auditor
At the 2020 Annual Meeting, the auditing firm Ernst & Young AB, with authorised public accountant Erik Sandström as Chief Auditor, was elected for the period until the 2021 Annual General Meeting has been held.

Board's and CEO's holdings at 31 December 2020

Jonas Wiström, President and CEO
Board member since 2016. Chairman of the Board April 2016–December 2017. President and CEO since December 2017. Independent in relation to major shareholders in the company. Dependent in relation to the company and company management.
MSc Eng.
Born 1960, Swedish.
Vice Chairman of the Board of Business Sweden. Former President and CEO of ÅF, President and CEO of Prevas. CEO of Silicon Graphics northern Europe and positions within Philips, Saab-Scania and Sun Microsystems.

Shareholding in Ratos (own): 240,000 Class B shares
Warrants in Ratos: 200,000
*Convertible debentures in Ratos:*400,000
Options issued by Ratos's principal owner: 260,000

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

Ulla Litzén
Board member since 2016. Independent in relation to the company, company management and major shareholders in the company.
MSc Econ and MBA.
Born 1956, Swedish.
Board member of Electrolux, Epiroc and Husqvarna.
Former CEO of W Capital Management AB (wholly owned by the Wallenberg Foundations). Managing Director and member of the management group, Investor AB.

Shareholding in Ratos (own): 20,000 Class B shares
Options issued by Ratos's principal owner: 85,000

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

Shareholding in Ratos (own and related parties): 16,714,396 Class A shares, 1,875,135 Class B shares

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

Shareholding in Ratos (own): 8,600 Class B shares
Options issued by Ratos's principal owner: 42,500

Eva Karlsson
Board member since 2019. Independent in relation to the company, company management and major shareholders in the company.
Master's degree in industrial work environment.
Born 1966, Swedish.
CEO of Arcam EBM. Board member of Assa Abloy AB and Valcon A/S.
Former President and CEO of Armatec AB, CEO of SKF Sweden, Global Manufacturing Manager Industry Division, Director Industrial Marketing & Product Development at SKF and positions in the SKF Group within manufacturing management.

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

Jan Söderberg, Deputy Chairman
Board member since 2000 and Deputy Chairman of the Board since December 2017. Independent in relation to the company and company management. Dependent in relation to major shareholders in the company.
MSc Econ.
Born 1956, Swedish.
Chairman of the Board of Söderberg-företagen. Board member of Blinkfyrar, Constant Clean, Elisolation, Nordic Plastics Group, Motala Intressenter and SEAB Nordic. Member of the Lund School of Economics Management Advisory Board. Board member of My Special Day Foundation.
Former positions include the President and CEO of Bröderna Edstrand and senior positions in Dahl Invest AB, Fosselius & Alpen and Esselte.

Shareholding in Ratos (own and related parties): 14,517,996 Class A shares, 4,273,000 Class B shares

Consolidated income statement

SEKm	Note 2, 4	2020	2019
Net sales	3	20,941	21,286
Other operating income	3	70	570
Cost of goods and services sold		–12,627	–13,410
Work performed by the company for its own use and capitalised		3	6
Employee benefit costs	7, 22	–4,358	–4,612
Depreciation / amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	11, 12, 13	–966	–938
Other external costs	8, 26	–1,650	–1,850
Capital gain from Group companies	5	0	3
Share of profits from investments recognised according to the equity method	6, 14	44	137
Operating profit		**1,457**	**1,192**
Financial income	9	26	48
Financial expenses	9	–610	–522
Net financial items		**–584**	**–474**
Profit before tax		**873**	**718**
Income tax	10	–258	–139
Profit for the year from continuing operations		**614**	**579**
Profit for the year from discontinued operations	33	269	247
Profit for the year		**883**	**827**
Profit for the year attributable to:			
Owners of the parent		693	673
Non-controlling interests		191	153
Earnings per share from profit for the year, SEK	21		
– basic earnings per share		2.17	2.11
– diluted earnings per share		2.17	2.11
Earnings per share from continuing operations, SEK	21		
– basic earnings per share		1.58	1.57
– diluted earnings per share		1.58	1.57

Consolidated statement of comprehensive income

SEKm	Note	2020	2019
Profit for the year		**883**	**827**
Other comprehensive income			
Items that will not be reclassified to profit or loss	22		
Remeasurement of defined benefit pension obligations, net		–30	–97
Tax attributable to items that will not be reclassified to profit or loss	10	5	19
		–25	**–77**
Items that may be reclassified subsequently to profit or loss	19		
Translation differences for the year		–480	151
Change in hedging reserve for the year		–34	–2
Tax attributable to items that may be reclassified subsequently to profit or loss	10	2	2
		–512	**151**
Other comprehensive income for the year, net after tax		**–537**	**74**
Total comprehensive income for the year		**346**	**901**
Total comprehensive income for the year attributable to			
Owners of the parent		278	750
Non-controlling interests		69	151

Consolidated statement of financial position

SEKm	Note 4	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	11	6,958	11,610
Other intangible assets	11	1,123	1,853
Property, plant and equipment	12	1,198	1,173
Right-of-use assets	13	4,677	4,423
Investments recognised according to the equity method	14	1,003	1,121
Shares and participations	16	7	8
Other receivables	16	62	83
Deferred tax assets	10	156	508
Total non-current assets		**15,185**	**20,780**
Current assets			
Inventories	17	1,075	1,072
Tax assets		43	85
Trade receivables	16, 25	2,140	2,918
Prepaid expenses and accrued income		274	457
Contract assets	32	429	548
Other receivables	16	207	325
Derivative instruments	16	1	2
Cash and cash equivalents	16, 30	2,826	3,219
		6,995	**8,625**
Assets held for sale	33	6,458	
Total current assets		**13,453**	**8,625**
Total assets		**28,638**	**29,405**
EQUITY AND LIABILITIES			
Share capital	18, 19	1,021	1,021
Other capital provided		417	417
Reserves		–490	–94
Retained earnings including profit for the year		8,417	7,953
Equity attributable to owners of the parent		**9,366**	**9,298**
Non-controlling interests	20	1,915	1,920
Total equity		**11,281**	**11,218**
Liabilities			
Non-current interest-bearing liabilities	16, 25, 26	6,760	8,399
Other non-current liabilities	16, 32	257	269
Provisions for pensions	22	86	642
Other provisions	23	28	21
Deferred tax liabilities	10	275	464
Total non-current liabilities		**7,405**	**9,795**
Current interest-bearing liabilities	16, 25, 26	1,568	2,046
Trade payables	16	1,843	2,813
Tax liabilities		112	168
Contract liabilities	32	859	1,230
Derivative instruments	16	33	5
Other liabilities		767	607
Accrued expenses	24	823	1,076
Provisions	23	447	448
		6,451	**8,392**
Liabilities attributable to assets held for sale	33	3,501	
Total current liabilities		**9,952**	**8,392**
Total liabilities		**17,357**	**18,188**
Total equity and liabilities		**28,638**	**29,405**

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

Consolidated statement of changes in equity

		Equity attributable to owners of the parent						
SEKm	Note 18, 19, 20	Share capital	Other capital provided	Reserves	Retained earnings incl. profit for the year	Total	Non-controlling interests	Total equity
Opening equity, 1 January 2019		**1,021**	**417**	**–223**	**7,486**	**8,701**	**1,929**	**10,630**
Adjustment[1)]				–3	–16	–20	–2	–22
Adjusted equity		**1,021**	**417**	**–227**	**7,470**	**8,681**	**1,927**	**10,608**
Profit for the year					673	673	153	827
Other comprehensive income for the year				133	–57	77	–2	74
Comprehensive income for the year				**133**	**617**	**750**	**151**	**901**
Dividend					–160	–160	–75	–235
Non-controlling interests' share of capital contribution, new share issue and impaired equity							15	15
Value of conversion option for convertible debentures, net					2	2		2
Option premiums, net					2	2		2
Put options, future acquisitions from non-controlling interests					–8	–8	54	46
Acquisition of shares in subsidiaries from non-controlling interests					30	30	–154	–123
Disposal of shares in subsidiaries to non-controlling interests					–0	–0	2	1
Closing equity, 31 December 2019		**1,021**	**417**	**–94**	**7,953**	**9,298**	**1,920**	**11,218**
Opening equity, 1 January 2020		**1,021**	**417**	**–94**	**7,953**	**9,298**	**1,920**	**11,218**
Profit for the year					693	693	191	883
Other comprehensive income for the year				–396	–19	–415	–122	537
Comprehensive income for the year				**–396**	**674**	**278**	**69**	**346**
Dividend					–207	–207	–75	–283
Non-controlling interests' share of capital contribution, new share issue and impaired equity							2	2
Value of conversion option for convertible debentures, net					2	2		2
Option premiums, net					0	0		0
Put options, future acquisitions from non-controlling interests							–5	–5
Acquisition of shares in subsidiaries from non-controlling interests					–12	–12	–7	–19
Disposal of shares in subsidiaries to non-controlling interests					7	7	11	19
Closing equity, 31 December 2020		**1,021**	**417**	**–490**	**8,417**	**9,366**	**1,915**	**11,281**

1) Mainly pertains to adjustment of the opening balance for the transition to IFRS 16 Leases.

Consolidated statement of cash flows

SEKm	Note 30	2020	2019
Operating activities			
Operating profit from continuing operations		1,457	1,192
Operating profit from discontinued operations		472	464
Adjustment for non-cash items[1)]		1,332	547
		3,261	2,202
Income tax paid		–223	–230
Cash flow from operating activities before change in working capital		**3,038**	**1,972**
Cash flow from change in working capital			
Increase (–)/Decrease (+) in inventories		–109	–40
Increase (–)/Decrease (+) in operating receivables		264	–311
Increase (+)/Decrease (–) in operating liabilities		7	288
Cash flow from operating activities		**3,201**	**1,909**
Investing activities			
Acquisitions, Group companies		–38	–93
Disposals, Group companies		2	94
Acquisitions, investments recognised according to the equity method			–2
Investments and disposals, intangible assets/property, plant and equipment[1)]		–664	–120
Investments and disposals, financial assets		0	0
Interest received		6	13
Cash flow from investing activities		**–694**	**–107**
Financing activities			
Non-controlling interests' share of issue/capital contribution		2	15
Repurchase/final settlement options		–39	–27
Option premiums paid		3	6
Acquisition and disposal of shares in subsidiaries from non-controlling interests		–0	–130
Dividends paid		–207	–160
Dividends paid, non-controlling interests		–75	–75
Borrowings		795	1,314
Amortisation of loans		–1,832	–1,879
Interest paid		–439	–465
Amortisation of financial lease liabilities		–673	–665
Cash flow from financing activities		**–2,467**	**–2,065**
Cash flow for the year		**40**	**–264**
Cash and cash equivalents at the beginning of the year		3,219	3,404
Exchange differences in cash and cash equivalents		–77	79
Cash and cash equivalents at the end of the year		3,182	3,219
– of which attributable to continuing operations		2,826	
– of which attributable to discontinued operations		356	

[1)] 2019 includes a capital gain of SEK 487m from the sale of Ratos's property, which was transferred to investing activities.

Parent company income statement

SEKm	Note	2020	2019
Other operating income	3	5	512
Other external costs	8	–63	–59
Personnel costs	7, 22	–91	–86
Depreciation of property, plant and equipment	12	–0	–2
Operating profit/loss		**–150**	**365**
Profit from investments in Group companies	5	309	186
Result from other securities and receivables accounted for as non-current assets	9	1	1
Other interest income and similar profit items	9	0	6
Interest expenses and similar profit/loss items	9	–18	–5
Profit after financial items		**142**	**552**
Income tax	10	0	0
Profit for the year		**143**	**552**

Parent company statement of comprehensive income

SEKm	2020	2019
Profit for the year	**143**	**552**
Other comprehensive income for the year	**0**	**0**
Comprehensive income for the year	**143**	**552**

Parent company balance sheet

SEKm	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	1	2
Financial assets			
Participations in Group companies	29	7,602	7,770
Receivables from Group companies	15, 16		2
Total non-current assets		**7,603**	**7,773**
Current assets			
Current receivables			
Receivables from Group companies	15.16	7	8
Other receivables		12	34
Prepaid expenses and accrued income		4	4
Cash and bank balances	16, 30	1,166	1,607
Total current assets		**1,189**	**1,653**
Total assets		**8,792**	**9,426**
EQUITY AND LIABILITIES			
Equity	18		
Restricted equity			
Share capital		1,021	1,021
Statutory reserve		289	289
Unrestricted equity			
Share premium reserve		129	129
Retained earnings		6,638	6,291
Profit for the year		143	552
Total equity		**8,219**	**8,281**
Non-current liabilities			
Interest-bearing liabilities			
Convertible debentures	16	54	35
Liabilities to Group companies	16	391	357
Other interest-bearing liabilities	16	48	44
Non-interest bearing liabilities			
Other liabilities		14	11
Deferred tax liabilities		1	1
Total non-current liabilities		**508**	**448**
Current provisions			
Other provisions	23	10	328
Total current provisions		**10**	**328**
Current liabilities			
Interest-bearing liabilities			
Liabilities to Group companies	16		92
Other interest-bearing liabilities	16	1	1
Non-interest bearing liabilities			
Liabilities to Group companies	16		225
Trade payables	16	4	5
Other liabilities		3	3
Accrued expenses	24	46	44
Total current liabilities		**54**	**369**
Total equity and liabilities		**8,792**	**9,426**

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

Parent company statement of changes in equity

SEKm	Note 18	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted equity: Share premium reserve	Unrestricted equity: Retained earnings	Unrestricted equity: Profit/loss for the year	Total equity provided
Opening equity, 1 January 2019		**1,021**	**289**	**129**	**6,685**	**–239**	**7,885**
Other disposition of earnings					–239	239	
Profit for the year						552	552
Comprehensive income for the year						**552**	**552**
Dividend					–160		–160
Option premiums					2		2
Value of conversion option for convertible debentures					2		2
Deferred tax, conversion option for convertible debentures					–1		–1
Closing equity, 31 December 2019		**1,021**	**289**	**129**	**6,291**	**552**	**8,281**
Opening equity, 1 January 2020		**1,021**	**289**	**129**	**6,291**	**552**	**8,281**
Other disposition of earnings					552	–552	
Profit for the year						143	143
Comprehensive income for the year						**143**	**143**
Dividend					–207		–207
Option premiums					0		0
Value of conversion option for convertible debentures					3		3
Deferred tax, conversion option for convertible debentures					–1		–1
Closing equity, 31 December 2020		**1,021**	**289**	**129**	**6,638**	**143**	**8,219**

Parent company cash flow statement

SEKm	Note 30	2020	2019
Operating activities			
Profit before tax		142	552
Adjustment for non–cash items		–96	–470
		46	82
Income tax paid		–	–
Cash flow from operating activities before change in working capital		**46**	**82**
Cash flow from change in working capital			
Increase (–)/Decrease (+) in operating receivables		–11	–17
Increase (+)/Decrease (–) in operating liabilities		11	–22
Cash flow from operating activities		**45**	**43**
Investing activities			
Acquisition, shares in subsidiaries		–292	–660
Disposals, shares in subsidiaries		0	
Liabilities to Group companies[1)]			78
Disposals, property, plant and equipment			550
Cash flow from investing activities		**–292**	**–32**
Financing activities			
Convertible debentures		20	20
Dividends paid		–207	–160
Cash flow from financing activities		**–187**	**–140**
Cash flow for the year		**–433**	**–128**
Cash and cash equivalents at the beginning of the year		1,607	1,734
Exchange differences in cash and cash equivalents		–7	1
Cash and cash equivalents at the end of the year		1,166	1,607

[1)] Liability that arose in conjunction with divestments of companies.

Index to the notes

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 70.

Changed accounting principles due to new or amended IFRS

No new standards or amendments to standards have been added in 2020 that have necessitated changes in the accounting or measurement principles.

New IFRS that have not yet come into force

Several new standards, amendments and improvements to existing standards and interpretations have not come into force for the 2020 financial year and have thus not been applied in the preparation of this financial report. Ratos has deemed that none of these amendments, which have not yet come into force, are expected to entail any material impact on the Group's financial statements.

Conditions for preparation of the financial statements of the parent company and the Group

The parent company's functional currency is Swedish kronor (SEK), which also comprises the presentation currency for the parent company and the Group. This means that the financial statements are presented in Swedish kronor.

Amounts are presented in SEK million (SEKm) unless otherwise stated. Rounding may apply in tables and calculations, which means that the stipulated total amounts are not always an exact amount of the rounded amounts.

Measurement of assets and liabilities is based on historical cost except for the following assets and liabilities which are measured in another manner:

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

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

Estimations and assessments

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

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

When applying IFRS, assessments which have a material effect on the financial statements, such as estimations made that may result in substantial adjustments to the following year's financial statements are described in greater detail in Note 31.

Classification

Non-current assets essentially comprise amounts expected to be recovered or paid after more than 12 months from the end of the reporting period, while current assets essentially comprise amounts that are expected to be recovered or paid within 12 months from the end of the reporting period.

Non-current liabilities essentially comprise amounts that the Ratos Group has an unconditional right to choose to pay later than 12 months from the end of the reporting period. If such a right does not exist at the end of the reporting period or if the liability is expected to be regulated within the normal business cycle, the liability amount is recognised as a current liability.

Consolidation principles and business combinations

The consolidated financial statements are prepared in accordance with IFRS 10 Consolidated Financial Statements and IFRS 3 Business Combinations. Subsidiaries are consolidated by applying the acquisition method. Associates and joint ventures are consolidated by applying the equity method.

Subsidiaries

Subsidiaries are companies over which Ratos exercises control. Control exists when the Group is exposed to or is entitled to a variable return from its holding in the company and is able to affect the return through its controlling influence in the company. Subsidiaries are included in the consolidated financial statements with effect from the date when control is transferred to the Group.

Potential voting rights

Consolidation is normally carried out on the basis of the current ownership interest. Potential voting rights relate to votes that may be added after the exercise of, for example, convertibles and options. Potential shares carrying voting rights that can be utilised or converted without delay are taken into account when assessing whether a significant influence or control exists. The existence of all such potential voting rights is taken into account, i.e. not only those related to the parent or owner company.

Acquisition method

Subsidiaries are recognised according to the acquisition method. This method means that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. In the 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.

Note 1, cont.

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. Contingent considerations are recognised at fair value on the date of acquisition. If the contingent consideration is classified as a financial liability, this is remeasured at fair value on each reporting date. The change in value is recognised in profit or loss for the year. If the contingent consideration, on the other hand, is classified as an equity instrument no remeasurement is performed and adjustment is made within equity.

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 the Group ceases to have a controlling influence. At that point in time, every remaining holding is measured at fair value. The change in value is recognised in profit or loss for the year. The fair value is used as the first carrying amount and provides the basis for future recognition of the remaining holding as an associate, joint venture or financial asset. All amounts relating to the sold subsidiaries which were previously recognised in other comprehensive income, are recognised as if the Group directly sold the attributable assets or liabilities, meaning that amounts previously recognised in Other comprehensive income are reclassified to profit or loss.

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

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

Associates and joint ventures are recognised according to the equity method. The equity method means that the book value in the Group of the shares in associates corresponds to the Group's share of equity in associates, and any residual values on consolidated surplus and deficit values minus any intra-Group profits. In the consolidated income statement, the Group's share of associates' profits after tax is recognised as "Share of profits from investments recognised according to the equity method". Dividends received from associates reduce carrying amounts.

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

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

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

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

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

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

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

Exchange 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 recognised in other comprehensive income and accumulated in the translation reserve in equity.

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

Note 1, cont.

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 holding as previously, the accumulated translation differences are not transferred from the translation reserve in equity to profit or loss for the year. At disposal of a foreign operation, the accumulated exchange differences attributable to monetary non-current receivables are reclassified from the translation reserve in equity to profit or loss for the year.

Discontinued operations

A discontinued operation is a part of the Group that has either been divested or is classified as held for sale and that corresponds to an independent business segment or is a subsidiary expressly acquired to be sold. A discontinued operation is recognised separately from continuing operations in profit or loss with equivalent recognition for the comparative period. Assets held for sale and their related liabilities are recognised separately in the balance sheet. The comparative period is not affected. Assets held for sale are measured at the lower of the carrying amount and fair value after deduction for selling costs (Note 33).

Revenue recognition

Revenue recognition in accordance with IFRS 15 shall take place in the manner that best reflects the transfer of promised goods or services to the customer, based on a five-step model stipulated in the standard. To apply the model, a company must identify a contract that includes a performance obligation to transfer a good or service to the customer at a fixed transaction price (selling price). The transaction price consists of the amount of consideration to which a company expects to be entitled in exchange for transferring promised goods or services to a customer. When the transaction price is determined, it must be allocated to the performance obligations in the contract. Revenue is recognised when the performance obligation is satisfied. Revenue is recognised either over time or at a point in time, depending on when control is transferred to the customer. A company satisfies a performance obligation over time if one of the following criteria is met:

1. the customer immediately receives the benefits when the obligation is satisfied
2. the company's performance creates or enhances an asset that the customer controls
3. the company's performance does not create an asset with an alternative use for the company and the company has the right to payment for performance completed to date.

For more information about revenue recognition, refer to Note 3.

Government assistance

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

Financial income and expenses

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

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

Exchange gains and exchange losses are recognised net.

Intangible assets

Goodwill

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

Research and development

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

Other intangible assets

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

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

Subsequent expenditure

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

Borrowing costs

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

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:

Note 1, cont.

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

Property, plant and equipment

Owned assets

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

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

Borrowing costs

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

Subsequent expenditure

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

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

Depreciation principles

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

Number of years	Group
Buildings	10–50
Machinery and equipment	2–20

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

Leases

Up to and including the 2018 financial year, leases (rent) for property, vehicles, inventory and equipment are recognised as operating or finance leases according to IAS 17. As of 1 January 2019, the majority of leases are recognised as right-of-use assets with associated liabilities, beginning when the asset is available for use by the lessee. All leases are considered finance leases. Upon the initial recognition of a lease, the value of the right-of-use asset and the lease liability are normally equal. Each lease payment is apportioned to interest and amortisation of the lease liability. The interest is recognised as a financial expense in income statement, apportioned over the lease term so that each period is charged with an amount reflecting a fixed interest rate on the underlying lease liability.

The right-of-use asset is measured at cost, which reflects the value of the lease liability, plus any initial direct expenditure, plus obligations for disassembly, removal or recovery at the end of the lease. As a general rule, the right-of-use asset is depreciated on a straight-line basis over the term of the lease or, given an option to extend, the period during the lessee expects to use the asset. Leases that are of a low value as well as leases with a term of 12 months or less, referred to as short-term leases, are not included in the lease liability but rather are expensed on a straight-line basis during the lease term. Low-value leases refer to leases with a value under SEK 50,000 or USD 5,000 or the individual company's materiality level.

Lease liabilities are initially measured at the present value of future lease payments. Lease payments are discounted by the lease's implicit interest rate, if the implicit interest rate can be easily determined, but the typical method is for the Group to use the incremental borrowing rate. Future lease payments calculated at present value consist primarily of fixed payments, variable lease payments based on an index and obligations to pay the residual value at the end of the lease. Lease liabilities that fall due within 12 months are classified as current liabilities and liabilities that fall due after 12 months as non-current liabilities.

Upon determining the term for a lease, extension options are taken into account if it is likely that they will be exercised. Instead of the term of the lease, the lessee uses the likely amount of time by which it will be extended. The ability to extend/terminate a lease is only included in the term of the lease if it is reasonable to expect that the lease will be extended or not concluded. Certain options can be exercised at a later occasion.

The incremental borrowing rate is used as the discount rate for the calculation of present value. This is the rate that the lessee would pay on a loan to purchase an asset equivalent to the one in the lease liability. Among other things, the lease's term, country, currency, collateral and credit risk for the lender are taken into account.

Financial instruments

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

Recognition and derecognition from the statement of financial position

A financial asset or a financial liability is recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the company has performed and a contractual obligation to pay exists, even if an invoice has not yet been sent. Trade receivables are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and a contractual 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.

Note 1, cont.

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

Classification and measurement

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

Fair value for listed financial assets corresponds to the listed purchase price of the asset at the end of the reporting period. Fair value of unlisted financial assets is determined by applying valuation techniques such as recently completed transactions, price of similar instruments or discounted cash flows. Amortised cost is determined on the basis of the effective interest calculated on the acquisition date. Effective interest is the rate that discounts the estimated future cash flows throughout the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all charges made or received by the contractual parties that are part of effective interest, transaction costs and all other premiums or discounts.

The classification of investments as debt instruments is due to the Group's business model for management of financial assets and the contractual terms of the asset's cash flows. For equity instruments that are not held for trading, recognition depends on whether the Group, on the acquisition date for the instrument, made an irrevocable choice to recognise the equity instrument at fair value through other comprehensive income. The Group only reclassifies debt instruments in cases where the Group's business model for the instrument is changed. Category classification is shown in Note 16.

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

The Ratos Group's financial assets and liabilities are classified according to the categories listed below.

Amortised cost

Assets held for the purpose of collecting contractual cash flows and where these cash flows solely consist of the principal amount and interest, are recognised at amortised cost. Interest income from such financial assets is recognised as financial income by applying the effective interest method. Gains and losses that arise during derecognition from the statement of financial position are recognised directly in profit or loss in net financial items together with exchange rate earnings.

Liabilities measured at amortised cost are all other liabilities except those measured at fair value through profit or loss. Interest expenses from financial liabilities that are measured at amortised cost are recognised as financial expenses by applying the effective interest method. Gains and losses that arise during derecognition from the statement of financial position are recognised directly in profit or loss in net financial items together with exchange rate earnings.

The category of amortised cost includes trade receivables, other receivables, cash and cash equivalents, trade payables, liabilities to credit institutions, financial lease liabilities and other interest-bearing liabilities. Trade receivables are recognised at the amount at which they are expected to accrue, with deduction for loss provisions. Trade payables that have a short anticipated maturity are measured at nominal amounts without discount.

Fair value through profit or loss

Assets and liabilities that do not meet the requirements to be measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The Group measures all equity instruments at fair value.

Changes in the fair value of financial assets/liabilities measured at fair value through profit or loss are recognised in profit or loss. A gain or loss for a debt instrument that is measured at fair value through profit or loss and that is not part of a hedging relationship is recognised net in profit or loss in the period in which the gain or loss arises.

Debt instruments included in the category are contingent considerations, synthetic options, put options and derivatives, with the exception of derivatives that are identified and effective hedging instruments in conjunction with hedge accounting. The purpose of a derivative instrument, which is not classified as a hedging instrument, determines if the change in value is recognised in net financial items or in operating profit or loss. Any change in the value of issued synthetic options where market premiums have been paid is recognised in net financial items.

Equity instruments included in the category are holdings of shares and participations that are not recognised as subsidiaries or associates.

Client money

Client money, which is recognised as assets and liabilities in the statement of financial position, includes payment received for a specific receivable on behalf of a client and to be paid to the client within a specific period. Client money is cash and cash equivalents with a limited right of disposition, so that the same amount is recognised as liabilities. Client money is not classified as cash and cash equivalents but as other current receivables.

Derivative instruments and hedge accounting

The Group's derivative instruments are acquired to hedge the risks of interest rate and currency exposure to which the Group is exposed. In order to hedge this risk, various types of derivative instruments are used such as forward contracts, swaps and hedges of net investments in foreign operations.

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

In accordance with IFRS 9, the Group documents the relationship between the hedging instrument and the hedged item when the transaction is entered into as well as the Group's target for risk management and the risk management strategy pertaining to the hedge. Both when entering into the hedging transaction and on an ongoing basis, the Group also documents its assessment as to whether or not the derivatives used for the hedging transaction are, and remain, efficient in terms of offsetting changes in the fair value of the hedged items or in terms of the cash flows pertaining to them. The outcome related to hedges are recognised in profit or loss for the year at the same time as gains or losses are recognised for the hedged items.

If hedge accounting is discontinued before the maturity of the derivative instrument, the derivative instrument returns to classification as a 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

Note 1, cont.

applied, changes in value for the period are recognised in other comprehensive income and accumulated changes in value in the hedging reserve within equity until the hedged flow is recognised in profit or loss for the year, whereby the hedging instrument's accumulated changes in value are reclassified to profit or loss for the year where they meet and match profit or loss effects from the hedged transaction.

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

Hedging of future interest flows

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

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

Hedging of net investments

Hedging of net investments in foreign operations is recognised in a similar manner to cash flow hedges.

The portion of the gain or loss on a hedging instrument considered as effective hedging is recognised in other comprehensive income and accumulated in equity. Gains or losses attributable to the ineffective portion are recognised directly in profit or loss as other income or other costs.

Accumulated gains and losses in equity are reclassified in profit or loss when the foreign operations are partially or entirely divested.

Impairment

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

Assessment of carrying amount is performed in another manner for certain assets. This applies to inventories, assets held for sale, assets under management used for financing of employee benefits and deferred tax assets, see respective headings below. IAS 36 is applied to impairment of assets other than financial assets which are recognised according to IFRS 9.

Impairment of goodwill, intangible assets, property, plant and equipment, and right-of-use assets

The value of goodwill, intangible assets, property, plant and equipment, and right-of-use assets is calculated at the end of each reporting period to determine if there is any indication of an impairment requirement. If such an indication exists, the recoverable amount of the asset is calculated. Additionally, the recoverable amount for goodwill, other intangible assets with an indeterminable useful life and intangible assets that are not yet ready for use is calculated annually, regardless of whether there is any indication of an impairment requirement.

In the Ratos Group, goodwill and intangible assets with an indeterminable useful life are attributed to a company, i.e. a subsidiary or associate, where each company comprises a cash-generating unit. Testing of carrying amounts is performed per company, including the value of goodwill and intangible assets which are attributable to the company in question.

An impairment is charged to operating profit or loss and recognised when the carrying amount exceeds the recoverable amount. Impairment is allocated in the first instance to goodwill. The recoverable amount is the higher of fair value with deduction for selling costs and value in use. For a more detailed description, see Note 11.

Impairment of financial assets

The Group measures future expected credit losses related to investments in debt instruments recognised at amortised cost and fair value, respectively, with changes through other comprehensive income based on forward-looking information.

In accordance with the rules in IFRS 9, the Group applies a simplified approach for impairment testing of trade receivables. The approach entails that the reserve for expected credit losses is calculated based on the risk of loss over the entire lifetime of the receivable and is recognised when the receivable is initially measured. For more information, see Note 25.

Reversal of impairment

Goodwill impairment is not reversed.

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

Financial assets are written off when a reasonable expectation of payment no longer exists, for example when a debtor has failed to comply with a repayment plan or a receivable has fallen due for a certain number of days. When loans and receivables are written off, measures continue to be undertaken to recover the receivable. If a previously written off receivable is recovered, the amount is recognised in profit or loss.

Inventories

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

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

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

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

Discontinued operations and assets held for sale

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

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

Equity

The Group's equity is allocated to share capital, other capital provided, reserves, retained earnings including profit/loss for the year and non-controlling interests.

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.

Note 1, cont.

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 the return on plan assets (excluding interest), gains or losses arising from changes to demographic and financial assumptions, experience-based gains or losses. These are recognised immediately in other comprehensive income. All other costs related to defined benefit plans are recognised under personnel costs in the income statement. The Group recognises interest on defined benefit obligations under net financial items in the income statement. In the Group's Other comprehensive income, remeasurement of pension obligations for investments that in the Group are recognised according to the equity method are also recognised.

Adjustments based on experience (profit and loss) are made as a consequence of the result due to mortality, sick leave, employee turnover, changes in salary and return on plan assets during the year deviating from assumptions made.

Other long-term benefits
The portion of variable remuneration to employees that is only paid if the employee remains in service, is recognised under other non-current liabilities. The remuneration is discounted to a present value and the fair value of any plan assets is deducted. The discount rate is determined on the same basis as for defined benefit pension plans.

Compensation in the event of termination of employment
Costs for benefits in conjunction with termination of employment are only recognised if the company is demonstrably obligated, without any realistic possibility of withdrawal, by a formal, detailed plan to terminate an employment prior to the normal date. When benefits are provided as an offering to encourage voluntary attrition, an expense is recognised if it is probable that the offer will be accepted and the number of employees that will accept the offer can be estimated in a reliable manner.

Short-term benefits
Short-term employee benefits are calculated without discount and recognised as expenses when the relative services are received.

Incentive programmes, call options
Ratos AB issued call option programmes between 2013 and 2017. The call option programmes are secured through purchases of treasury shares. Purchases of treasury shares are recognised as a reduction of equity. The options have been acquired at a market price and the option premium is recognised directly in equity. In the event of future exercise of the options, the exercise price will be paid and increase equity.

Incentive programmes, synthetic options
Ratos AB issued synthetic options between 2007 and 2017. Synthetic options may also be issued by subsidiaries.

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

The liability is remeasured on a current basis to fair value by applying an options valuation model taking current terms into account.

The changes in value during the term of the options are recognised as a financial item.

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

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

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

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

Note 1, cont.

Earnings per share
Earnings per share are based on consolidated profit/loss for the year attributable to owners of the parent divided by average outstanding ordinary shares.

When calculating diluted earnings per share, earnings and the average number of shares are adjusted to take into account the effects of potential ordinary shares, which, for the reported periods, pertain to convertible debentures and warrants issued to employees. Dilution resulting from convertible debentures is calculated by increasing the number of shares by the total number of shares to which the convertibles correspond and increasing earnings by the recognised interest expense after tax.

The dilution effect of option programmes (warrants and call options) depends on options during the year. Calculation of the number of shares is based on the difference between the exercise price for all outstanding options and the average market price of a corresponding number of shares. This difference corresponds, taking the average market price for Ratos shares into account, to a certain number of shares. These shares, together with the present number of shares, provide an estimated number of shares which is used to obtain the dilution effect.

Potential ordinary shares are considered to have a dilutive effect only during periods when they result in lower earnings or a higher loss per share.

Provisions
A provision differs from other liabilities since there is uncertainty about the payment date or the size of the amount to settle the provision.

A provision is recognised in the statement of financial position when the Group has an existing legal or constructive obligation as a consequence of an event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimation of the amount can be made.

Provisions are made in the amount that is the best estimate of what is required to settle the existing obligation on the closing date. If the effect of timing of the payment is significant, provisions are calculated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the value in time of the money and, where applicable, the risks associated with the provision.

A provision for an onerous contract is recognised when the expected economic benefits to the Group from a contract are lower than the unavoidable costs of meeting obligations under the contract.

A provision for guarantees is recognised when the underlying products or services are sold. The provision is based on historical data on guarantees and a weighing up of possible outcome in relation to the probabilities inherent in the outcome.

Restructuring
A provision for restructuring is recognised when there is an adopted, detailed and formal restructuring plan and the restructuring has either started or been publicly announced. No provision is made for future operating expenses.

Tax
Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or loss except when the underlying transaction is recognised directly in other comprehensive income or equity, when the inherent tax effect is recognised in other comprehensive income or in equity.

Current tax is tax that is to be paid or received relating to the current year, applying the tax rates decided or in practice at the closing date. Current tax also includes adjustments of current tax attributable to past periods.

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

Deferred tax assets and liabilities are offset if a legal right to offset current tax assets and liabilities exists, and when the deferred tax assets and liabilities pertain to taxes charged by the same tax authority and there is an intention to settle these through a net payment.

When necessary, a provision is recognised in the form of tax liabilities pertaining to an uncertain tax position. An uncertain tax position is deemed to exist when there is uncertainty about whether a particular treatment will be approved by the tax authority. For example, the application of tax legislation for a certain transaction or under certain conditions may be unclear.

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

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

The recommendation states what exemptions and additions should be made to IFRS.

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

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

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

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

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

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

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

Note 1, cont.

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 income 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.

Leases
The parent company applies the exemption rule in RFR 2 and recognises lease payments as a cost on a straight-line basis over the lease term.

Note 2 Operating segments

Ratos develops companies headquartered in the Nordics that are or can become market leaders. Over time, Ratos is to generate the highest possible shareholder value by actively exercising its ownership to realise the potential of a number of selected companies. At the end of 2020, Ratos owned 11 subsidiaries and one associate. The companies are active in different sectors, and operate strategically, operationally and financially independent of each other. Ratos has three business areas – Construction & Services, Consumer & Technology and Industry – and each business area consists of four companies. The most relevant basis for revenue classification is based on the three business areas and the companies they include. This classification provides information about the Ratos Group's primary analysis requirement and give the reader an opportunity to gain an understanding of the various industries in which Ratos is involved in order to assess the Group's sensitivity to market trends and other economic factors that could impact revenue.

Ratos's management, which is the Ratos Group's "chief operating decision-maker," monitors operations in all of Ratos's business areas and companies, based on Ratos's financial targets which stipulate that the earnings of the companies should increase each year.

SEKm	Net sales		EBITDA		EBITA		Net financial items		Profit before tax	
Company	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Aibel			43	135	43	135			43	135
airteam	1,331	1,135	137	102	126	90	-6	-8	119	82
HENT	8,644	9,504	248	84	172	24	-35	6	137	30
Speed Group	726	707	162	82	62	-4	-16	-9	38	-34
Total Construction & Services	**10,701**	**11,347**	**590**	**404**	**403**	**245**	**-58**	**-11**	**338**	**213**
Bisnode	3,673	3,776	750	721	504	484	-72	-121	401	344
Kvdbil	393	384	67	56	37	31	-3	-2	33	29
Oase Outdoors	418	427	55	18	48	10	-14	-15	34	-4
Plantasjen	4,582	4,327	1,046	645	566	154	-334	-353	227	-206
Total Consumer & Technology	**9,067**	**8,914**	**1,919**	**1,440**	**1,155**	**680**	**-424**	**-491**	**695**	**162**
Diab	2,121	1,874	380	285	280	193	-106	-61	174	132
HL Display	1,520	1,594	252	218	163	140	-32	-36	132	104
LEDiL	389	433	110	110	76	81	-6	-9	69	73
TFS	828	924	67	0	42	-27	-10	-2	32	-29
Total Industry	**4,858**	**4,826**	**809**	**613**	**561**	**388**	**-153**	**-109**	**406**	**279**
Total companies	**24,625**	**25,087**	**3,318**	**2,457**	**2,118**	**1,313**	**-635**	**-611**	**1,439**	**653**
Euromaint				31		31				31
Capital gains				**31**		**31**				**31**
Profit/loss from companies	**24,625**	**25,087**	**3,318**	**2,488**	**2,118**	**1,343**	**-635**	**-611**	**1,439**	**684**
Income and expenses in the parent company and central companies			-151	368	-151	366			-151	366
Financial items							-19	17	-19	17
Items attributable to the parent company and central companies			**-151**	**368**	**-151**	**366**	**-19**	**17**	**-170**	**383**
Other/eliminations	-12	-26	3	-7	3	-7	-2	0	3	-7
Group total	**24,613**	**25,061**	**3,171**	**2,850**	**1,971**	**1,703**	**-656**	**-594**	**1,272**	**1,061**
Less discontinued operations	-3,673	-3,776	-750	-721	-504	-484	72	121	-401	-344
Group total, continuing operations	**20,941**	**21,286**	**2,422**	**2,130**	**1,468**	**1,219**	**-584**	**-474**	**873**	**718**

In the above table, consolidated profit includes 100% of subsidiaries' profit and the owned share of investments is recognised according to the equity method. EBITDA, EBITA, net financial items and profit before tax are presented excluding IFRS 16 in the 2019 annual report in order to improve comparability with the preceding year. This year, all amounts are presented including IFRS 16.
Of the above net sales, the following amounts are attributable to sales to other Group companies: airteam SEK 11m (25) and Bisnode SEK 1m (1).

Note 2, cont.

Reconciliations between EBITDA, EBITA, operating profit and profit before tax are presented below.

SEKm	2020	2019
EBITDA	**2,422**	**2,130**
Depreciation / amortisation and impairment of assets attributable to ordinary operations	-954	-911
EBITA	**1,468**	**1,219**
Depreciation / amortisation and impairment of assets resulting from acquisitions	-12	-28
Operating profit	**1,457**	**1,192**
Financial income	26	48
of which, interest income	6	18
Financial expenses	-610	-522
of which, interest expenses	-398	-434
Profit before tax	**873**	**718**

SEKm	**Interest-bearing net receivable (+) / net debt (–)[1]**		**Consolidated value[2]**	
Company	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Aibel			634	704
airteam	-30	-202	537	497
HENT	505	404	468	436
Speed Group	-762	-495	280	259
Total Construction & Services	**-287**	**-294**	**1,919**	**1,896**
Bisnode	-1,690	-1,758	2,067	2,150
Kvdbil	-22	-76	513	503
Oase Outdoors	-159	-268	221	213
Plantasjen	-4,830	-5,289	940	544
Total Consumer & Technology	**-6,702**	**-7,391**	**3,741**	**3,410**
Diab	-935	-916	863	783
HL Display	-216	-444	773	709
LEDiL	-148	-225	587	570
TFS	-18	-55	455	402
Total Industry	**-1,318**	**-1,640**	**2,678**	**2,464**
Total companies	**-8,307**	**-9,325**	**8,338**	**7,771**
Items attributable to the parent company and central companies[3]	1,061	1,521	1,028	1,527
Other / eliminations	-23	-22		
Group total	**-7,269**	**-7,826**	**9,366**	**9,298**
Less liabilities / consolidated value attributable to assets held for sale	1,690	1,758	-2,067	-2,150
Group total, continuing operations	**-5,578**	**-6,068**	**7,299**	**7,148**

1) Excluding shareholder loans. Interest-bearing net receivables/debt are presented excluding IFRS 16 in the 2019 annual report in order to improve comparability with the preceding year. This year, all amounts are presented including IFRS 16.

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

3) Consolidated value includes cash and cash equivalents in the parent company of SEK 1,166m (1,607).

Note 2, cont.

SEKm	Cash flow[1) 2020	Cash flow[1) 2019
Aibel		
airteam	187	70
HENT	161	-68
Speed Group	63	11
Total Construction & Services	**410**	**13**
Bisnode	483	396
Kvdbil	58	26
Oase Outdoors	131	25
Plantasjen	455	9
Total Consumer & Technology	**1,127**	**456**
Diab	65	-43
HL Display	253	148
LEDiL	80	83
TFS	21	21
Total Industry	**418**	**210**
Cash flow from operations in the companies	**1,955**	**679**
Investments and disposals, intangible assets / property, plant and equipment	664	670
Lease payments	932	914
Income tax paid	-223	-230
Attributable to the parent company and central companies	51	43
Eliminations	-180	-167
Cash flow from operating activities	**3,201**	**1,909**

1) The definition of cash flow from operations was revised in 2020 and includes amortisation of lease liabilities and interest paid on leases.

SEKm	Depreciation/amortisation 2020	Depreciation/amortisation 2019
Aibel		
airteam	-12	-12
HENT	-75	-60
Speed Group	-104	-107
Total Construction & Services	**-192**	**-180**
Bisnode	-263	-250
Kvdbil	-31	-25
Oase Outdoors	-7	-8
Plantasjen	-454	-498
Total Consumer & Technology	**-754**	**-782**
Diab	-100	-92
HL Display	-74	-76
LEDiL	-34	-29
TFS	-25	-27
Total Industry	**-233**	**-224**
Total companies all periods presented	**-1,179**	**-1,185**
Attributable to the parent company and central companies	-0	-2
Group total	**-1,180**	**-1,187**
Less discontinued operations	263	250
Group total, continuing operations	**-917**	**-937**

The above table pertains to amortisation of intangible assets and depreciation of property, plant and equipment. Of the above depreciation/amortisation, SEK -42m (-48) pertains to depreciation/amortisation on assets arising in conjunction with acquisitions, of which SEK -31m (-20) pertains to discontinued operations.

SEKm	Net sales[1) 2020	Net sales[1) 2019	Property, plant and equipment, intangible assets and right-of-use assets 2020	Property, plant and equipment, intangible assets and right-of-use assets 2019
Norway	9,340	9,501	5,031	5,906
Sweden	4,802	4,861	5,526	7,052
Other Nordic countries	2,306	2,501	2,490	3,484
Rest of Europe	2,774	2,894	546	2,316
Rest of the world	1,720	1,528	363	301
	20,941	**21,286**	**13,957**	**19,059**

1) Net sales are based on where the customer is based geographically.

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

Note 3 Revenue recognition

Net sales

Group

SEKm	2020	2019
Breakdown of net sales		
Sale of goods	9,314	8,932
Service contracts	5,133	5,246
Construction contracts	9,964	10,614
Reimbursable expenditure	202	269
Group total	**24,613**	**25,061**
Less discontinued operations	–3,673	–3,776
Group total, continuing operations	**20,941**	**21,286**

SEKm	2020	2019
Time of revenue recognition		
At a point in time	10,946	10,728
Over time	13,667	14,332
Group total	**24,613**	**25,061**
Less discontinued operations	–3,673	–3,776
Group total, continuing operations	**20,941**	**21,286**

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

Of the Group's total net sales, 83% (84) is attributed to the subsidiaries below.

Bisnode

Service contracts

Subscription-based sales

The performance obligation entails providing customers with continuous access to databases and offering customers recurring advisory services through subscription-based sales. There are essentially two types of subscription contracts: fixed-price contracts and click-based contracts. The performance obligation is met proportionally over the term of the contract, with revenue recognised when the performance obligation has been met. Fixed-price contracts are typically invoiced in advance, while click-based contracts are invoiced in arrears, per click in the database. Payment terms for subscription contracts vary between ten and 60 days. The company has no obligation for returns, repayment or warranty. The agreements contain a separate selling price. In cases of variable remuneration (price reductions, volume discounts and so forth) or other discounts, a corresponding amount is apportioned to relevant obligations based on their relative separate selling prices.

One-off selling

The performance obligation entails providing the customer with access to the database, advisory services and the issue of certificates, at a specific time. The performance obligation is met when the service or data is delivered to the customer, upon which revenue is recognised at the time of delivery. Payment terms for one-off sales vary between ten and 60 days. The company has no obligation for returns, repayment or warranty. The agreements contain a separate selling price. In cases of variable remuneration (price reductions, volume discounts and so forth) or other discounts, a corresponding amount is apportioned to relevant obligations based on their relative separate selling prices.

Diab

Sale of goods

Composite material

The performance obligation is to deliver composite material to customers. The performance obligation is met when the goods are delivered from the factory to the customer. Payment terms vary between 30 and 120 days. The company has no obligation for returns or repayment. Warranty is provided that the product matches the specification. The agreement contains a separate transaction price. In cases of variable remuneration (price reductions, volume discounts and so forth) or other discounts, a corresponding amount is apportioned to all performance obligations based on their relative separate selling prices.

HENT

Construction contracts

The company's operations mainly involve performing contractual assignments (projects) with a duration from a few months to two to three years and apply to all types of construction and engineering projects. The performance obligation is to construct buildings for customers. The transfer of the risk to the customer takes place on a continuous basis and revenue recognition is effected over time (percentage of completion method) since the buildings are constructed on the customer's land, no alternative use for the constructed buildings exists and the company has a right to payment. The percentage of completion method means revenue is recognised as work progresses, based on the degree of completion. The degree of completion is assessed on the basis of the completed production and is normally calculated as the relationship between costs incurred at the end of the accounting period and the expected total cost of each project. Earnings in a project are recognised from the first month revenue is recognised, corresponding to the costs incurred. As soon as a final result can be reliably estimated, earnings are continuously recognised in relation to the degree of completion in the project. Normally, the customer is invoiced each month with payment terms of 30 days. Each project has different payment plans. Invoicing takes place either as work progresses or in accordance with the agreed payment plan. Payment terms for the final invoice to the customer are normally 60 days. Accrued revenue that is not invoiced is recognised as a contract asset. Invoiced revenue that is not yet earned is recognised as a current contract liability. The company has no obligation for returns or repayment. The company has a guarantee obligation and makes a provision for compensation claims. The assessment of guarantee commitments is based on historical data from similar projects. The warranty period is normally between three and five years. The agreement contains a separate selling price.

HL Display

Sale of goods

Shop fittings and customised goods

The performance obligation entails delivering shop fittings and customised fittings to customers and the obligation is met on delivery. Revenue is recognised when the performance obligation is met, taking anticipated bonuses and discounts into account. The customisations are simple in nature and the projects are only for a relatively short period of time, entailing no revenue recognition over time. Payment terms vary between 30 and 90 days. The company normally has no obligation for returns and repayment. General guarantee commitments are not available, though these may apply in certain individual customer contracts. Contracts regarding shop fittings and customised goods contain a separate selling price.

Note 3, cont.

Plantasjen

Sale of goods

The performance obligation entails the sale of, for example, plants, cut flowers and gardening equipment to customers in shops or online. Sales can be made in cash or credit. The obligation is met immediately upon payment in the store, since the risk is transferred to the buyer in connection with the payment. In online sales, the risk is transferred when the item is delivered to the customer. In these cases, revenue is recognised when the goods leave the warehouse, which is the same time as the risk is transferred since all deliveries are same-day. With credit sales, risk is transferred to the customer upon delivery, which is when the revenue is recognised. Payment terms vary between 15 and 45 days. The obligation for returns varies between seven and 30 days. Guarantee commitments are five days for cut flowers and 12 months for outdoor plants. A provision is recognised for returns, the size of the provision is based on the previous month's sales. Contracts include a separate selling price. In cases of variable remuneration (price reductions or volume discounts) or other discounts, these are apportioned to all performance obligations based on their relative separate selling prices. A loyalty club is used in Sweden, where purchases are registered and result in a refund of 2%, paid as bonus vouchers. These bonuses reduce revenue since the obligation is recognised as a liability and is measured in accordance with historic outcomes.

Other operating income

Group

Other operating income

SEKm	2020	2019
Capital gain from divestment of property, plant and equipment	1	488
Rental income	33	36
Other operating income	35	46
	70	**570**

Parent company

Other operating income

SEKm	2020	2019
Internal sales	5	6
Capital gain from divestment of property, plant and equipment		495
Rental income		3
Other operating income	0	8
	5	**512**

Note 4 Acquired and divested companies

2020

Acquisitions within Ratos

No acquisitions were carried out during the year.

Acquisitions within subsidiaries

In February, Bisnode acquired assets from the Swiss company AXON INSIGHT. The operations taken over comprise a number of customer contracts in the banking and insurance industry and have annual revenues of approximately SEK 22m. In addition to the transactions reported above, some minor acquisitions of operations took place within Bisnode during the year. For the impact on Ratos's financial statements, refer to the table below. The acquisition costs were not material.

Acquisitions of assets – within subsidiaries

SEKm	Within Bisnode
Intangible assets	66
Current assets	0
Current liabilities	–13
Net identifiable assets and liabilities	**53**
Consideration transferred	**53**
of which, cash paid	38
of which, contingent consideration	15

Divestments within subsidiaries

There was only one minor divestment of a subsidiary in Bisnode. The capital gain amounted to SEK 3m.

Agreement to divest Bisnode

In October, Ratos signed an agreement to divest its 70% holding in Bisnode, excluding its operations in Belgium, to Bisnode's partner Dun & Bradstreet. The transaction was completed in January 2021. The holding in Bisnode is therefore classified as held for sale and as a discontinued operation for the 2020 financial year. Refer to Note 33 for further details.

2019

Acquisition of shares from non-controlling interests

On 11 January, Ratos acquired the remaining shares (40%) in the subsidiary Trial Form Support International AB (TFS) from partner and founder Daniel Spasic for an equity value of EUR 11m (SEK 117m). After the acquisition, Ratos's ownership share totals 100%.

Acquisitions within subsidiaries

On 14 February, airteam acquired Creovent AB and Thorszelius Ventilation & Service AB, leading installers of climate and ventilation solutions in the Stockholm and Uppsala regions. The acquired companies are subsidiaries of the airteam group. For the impact on Ratos's financial statements, refer to the table below. Carrying amounts are final. Acquisition-related expenses for the acquisition total just over SEK 1m and are included in other costs in the consolidated income statement for 2019. The fair value and nominal value of trade receivables amount to SEK 22m. No trade receivables are considered uncertain. For the January to December period, net sales amounted to SEK 213m. Besides this acquisition within airteam, a minor acquisition of operations took place in Bisnode during the period.

Note 4, cont.

Acquisitions of Group companies – within subsidiaries

SEKm	Within airteam
Intangible assets	73
Property, plant and equipment	8
Deferred tax assets	
Current assets	33
Cash and cash equivalents	4
Other non-current liabilities	-6
Deferred tax liabilities	-4
Current liabilities	-88
Net identifiable assets and liabilities	**19**
Goodwill	95
Consideration transferred	**115**
of which, cash paid	77
of which, contingent consideration	34
Acquisition-related expenses	1
Share acquired, %	74

Divestments within subsidiaries

In October, Plantasjen sold its subsidiary Spira (formerly SABA Blommor AB), which is a supplier of flowers and plants to grocery retailers in Sweden. The buyer is the Dutch company Groenland BV. With some 110 employees, Spira has annual sales of approximately SEK 350m. The sale resulted in a capital loss of SEK 28m. The divestment of Spira was intended to refine Plantasjen's operations and strengthened its profitability. This divestment was not classified as held for sale and a discontinued operation since the operation was not considered an independent business segment within Ratos.

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

Group

Capital gain/loss from sale of Group companies

SEKm	2020	2019
Euromaint		31
Companies within the Plantasjen group		-28
Other	0	
	0	**3**

Parent company

Profit from investments in Group companies

SEKm	2020	2019
Dividend	175	175
Gain from the sale of shares	134	11
	309	**186**

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

Group

SEKm	2020	2019
Share of profit		
Aibel	43	135
Share of profit from investments recognised according to the equity method, owned by Group companies	0	2
	44	**137**

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

Average number of employees[1)]

	2020		2019	
	Total	Of whom, women, %	Total	Of whom, women, %
Parent company	19	42	20	40
Group companies	8,458	40	8,507	41
Group total	**8,477**		**8,527**	
Of whom, in:				
Sweden	2,601	39	2,657	41
Norway	1,759	38	1,666	38
Denmark	418	33	429	31
Finland	300	57	321	55
Australia	6	17	10	30
Belgium	163	32	154	31
Bosnia-Herzegovina	6	100	6	83
Ecuador	163	6	136	7
Estonia	50	92	50	92
France	105	58	109	53
United Arab Emirates	8	25	9	22
India	10	40	8	38
Italy	314	7	339	7
Canada	1	100		
China	300	35	328	35
Croatia	49	51	48	50
Latvia	8	75	8	75
Lithuania	166	33	189	32
Netherlands	28	64	31	61
Poland	521	57	493	60
Romania	6	67	9	56
Russia	11	27	14	36
Switzerland	103	38	101	38
Serbia	21	67	21	67
Slovakia	16	81	20	70
Slovenia	78	59	83	61
Spain	229	79	252	77
UK	208	36	209	35
South Korea	8	25	7	29
Thailand	16	63	17	59
Czech Republic	90	48	98	49
Germany	420	41	434	41
Hungary	80	54	78	54
USA	155	42	133	42
Austria	60	50	60	48
	8,477		**8,527**	
Of which, discontinued operations	1,984	43	1,994	44

1) Excluding Aibel, which is recognised according to the equity method

Gender distribution, Board and senior executives[1)]

	31 Dec 2020 Share of women	31 Dec 2019 Share of women
Board of Directors		
Parent company	33%	33%
Group total	17%	22%
Management		
Parent company	14%	20%
Group total	23%	29%

Group

Salaries and other remuneration

SEKm	Board and senior executives[1)]	Other employees	Total
2020			
Group, total	305	4,314	4,619
(of which, bonus)	(56)		(56)
Of which, in Sweden	148	1,315	1,463
(of which, bonus)	(36)		(36)
Of which, in other countries	157	2,999	3,156
(of which, bonus)	(20)		(20)
Average number of people	148		
2019			
Group, total	276	4,565	4,842
(of which, bonus)	(42)		(42)
Of which, in Sweden	131	1,298	1,429
(of which, bonus)	(28)		(28)
Of which, in other countries	145	3,267	3,412
(of which, bonus)	(14)		(14)
Average number of people	155		

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

Social security costs

SEKm	2020	2019
Social security costs	1,236	1,316
(of which, pension costs)	(342)	(412)

Of the Group's pension costs, SEK 35m (41) refers to the boards and senior executives in the Group's companies. The Group's outstanding pension commitments to these amount to SEK 30m (27).

Parent company

Salaries and other remuneration

SEKm	2020	2019
Senior executives and CEO		
Average number of people[1)]	6	6
Salaries and other remuneration[2)]	40	33
(of which, bonus)[3)]	(18)	(13)
Salaries and other remuneration, other employees	24	20
Total	**64**	**52**

1) As of the closing date, the number of people was seven (five).
2) Including vacation bonus pay of 0.8% For 2020, consulting fees to senior executives are included.
3) Variable cash salary is disbursed over a two-year period and is divided into 50% for each year. However, the expense for each year's variable salary is expensed in its entirety in the year the remuneration is earned. However, up to 100% of the variable cash remuneration for 2020 may be paid already in 2021, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested in instruments in Ratos's long-term incentive programme 2021.

Social security costs

SEKm	2020	2019
Social security costs	29	30
(of which, pension costs)	(11)	(13)

Of the parent company's pension costs, SEK 2.4m (2.3) refers to the CEO.

Note 7, cont.

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 2020 Annual General Meeting. The following guidelines were applied throughout 2020.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Information regarding the company's business strategy and long-term interests, including its sustainability, is available on the company's website (https://www.ratos.se/).

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Long-term share-related incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. For more information regarding these incentive plans, please see https://www.ratos.se/.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration to senior executives shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 100% of the total fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 25% of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the compensation committee.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30% of the fixed annual cash salary.

For other senior executives, pension benefits, including health insurance, shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30% of the fixed annual cash salary.

Other benefits may include, for example, reimbursements for dental care and health care (including medication), medical insurance (Sw: sjukvårdsförsäkring) and company cars. For the CEO, such benefits may be paid out to a customary limited extent.

Termination of employment

Upon termination of an employment, the notice period may not exceed 12 months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for six months for the CEO and 12 months for other senior executives. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income, amount to not more than 60% of the fixed monthly cash salary at the time of termination of employment, shall only be paid in so far as the previously employed senior executive is not entitled to severance pay and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment for senior executives. When termination is made by the senior executive, the notice period may not exceed six months, without any right to severance pay.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may be individualized quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. The proportion of variable cash remuneration varies depending on the senior executive's position in the company. The portion of the variable cash remuneration linked to the outcome of financial criteria is normally 100% for the CEO and the CFO, 85% for the Business Area Managers and 65% for other senior executives, even if the portion can be larger or smaller depending on the specific circumstances, and shall be dependent on (i) EBITA growth in Ratos's company portfolio, (ii) growth in earnings before tax (EBT) for the Ratos Group, and (in certain cases) (iii) EBITA growth for portfolio companies in the business area where a member of a business area team works. Variable cash remuneration is paid out in an amount of 50% in the year after the remuneration is earned and 50% in the year thereafter.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board of Directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO, based on a proposal from the compensation committee. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the starting point for the evaluation shall be the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the compensation committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to the senior executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a compensation committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the annual general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The compensation committee shall also monitor and evaluate programmes for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the compensation committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the

Note 7, cont.

company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the compensation committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters.

Convertible debentures and warrants issued in 2018–2020

The 2018–2020 Annual General Meetings voted to introduce a long-term incentive programme for the CEO and other key personnel in Ratos consisting of convertibles and warrants (referred to below as the "Instruments"), where participants in the programme are free to decide how large a share of the Instruments offered should comprise convertibles (which extend for no more than four years) and/or warrants (which extend for no more than five years). One prerequisite for allotment of warrants is that the employee has signed an agreement regarding repurchase etc. with the company whereby the company or purchaser designated by the company has the right to repurchase warrants if the participant's employment is terminated.

The standard valuation model for warrants (Black & Scholes) was applied to calculate the value. For programmes issued in 2018–2019, participants were offered warrants free of charge and received a benefit corresponding to the market value of the warrants on the date of allotment (option premium). The net expense for participants, after subsidies, was approximately 50% of the taxable benefit. For the 2020 programme, the participants paid in cash.

Call option programmes issued 2016–2017

Annual general meetings from 2001 up to and including 2017 have decided on call option programmes directed to senior executives and other key people within Ratos. Members of the Board of Ratos are not included in this offer. Employees have paid a market premium for the call options in all programmes. Acquisitions of call options are subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the remuneration is divided into equal parts over five years. Payment of remuneration is normally conditional upon continued employment and continued holding of options acquired from Ratos or shares acquired through the options. The call options are issued on treasury shares.

Synthetic options issued in 2011–2017

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 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 2020

SEKm	Board fee/ basic salary[1]	Variable remuneration[2]	Other benefits[3]	Pension costs	Total	Pension commitments
Per-Olof Söderberg, Chairman of the Board	1.1	–	–	–	1.1	–
Eva Karlsson, Board member	0.6	–	–	–	0.6	–
Jan Söderberg, Board member	0.6	–	–	–	0.6	–
Karsten Slotte, Board member	0.6	–	–	–	0.6	–
Ulla Litzén, Board member	0.6	–	–	–	0.6	–
Jonas Wiström, CEO	8.0	7.9	0.1	2.4	18.4	–
Other senior executives[4]	14.0	9.8	0.1	3.0	26.9	–

1) Basic salary including vacation bonus pay of 0.8%. The Board fee pertains to the fee for the meeting year from May 2020 up to and including March 2021. Basic salary includes consulting fees received by Board members.
2) Variable remuneration refers to bonuses attributable to 2020. 50% to be paid in 2021 and 50% in 2022. However, up to 100% of the variable cash remuneration for 2020 may be paid to the CEO already in 2021, provided that the entire portion of the variable cash remuneration received that exceeds 50% is invested by the CEO in instruments in Ratos's long-term incentive programme 2021.
3) Mainly comprises company car benefits.
4) Refers to eight people who were members of the management group in 2020, four of whom for part of the year. As of 31 December 2020, the number is seven.

Remuneration to Ratos's Board and senior executives 2019

SEKm	Board fee/ basic salary[1]	Variable remuneration[2]	Other benefits[3]	Pension costs	Total	Pension commitments
Per-Olof Söderberg, Chairman of the Board	1.1	–	–	–	1.1	–
Eva Karlsson, Board member	0.6	–	–	–	0.6	–
Jan Söderberg, Board member	0.6	–	–	–	0.6	–
Karsten Slotte, Board member	0.6	–	–	–	0.6	–
Ulla Litzén, Board member	0.6	–	–	–	0.6	–
Jonas Wiström, CEO	7.6	5.0	0.5	2.3	15.4	–
Other senior executives[4]	12.5	7.8	1.4	3.6	25.3	–

1) Basic salary including vacation bonus pay of 0.8%. The Board fee pertains to the fee for the meeting year from May 2019 up to and including April 2020.
2) Variable remuneration refers to bonuses attributable to 2019. 50% to be paid in 2020 and 50% in 2021. Variable remuneration also includes subsidies on warrants.
3) Other benefits include benefits for warrants. The non-material value of company cars is included.
4) Refers to six people who were members of the management group in 2019, one of whom for part of the year. As of 31 December 2019, the number is five.

Note 7, cont.

Remuneration to the CEO

Variable remuneration

The size of variable remuneration is decided by the Board based on a proposal from the compensation committee and within the framework of the total variable remuneration component for senior executives and other key people. Acquisition of warrants is subsidised within the framework of the incentive programme for senior executives.

Pension terms

Pension premiums amount to 30% of basic salary. The pension is a defined contribution plan. There is no agreed retirement age.

Terms for severance pay

A six-month (six) notice period will apply if notice is given by the CEO or the company. There is no agreement regarding severance pay.

Other senior executives

Variable remuneration

For remuneration to the other senior executives, see the above table.

Pension terms

Pension benefits comprise a defined contribution pension solution. There is no agreed retirement age.

Terms for severance pay

In the event of notice being given by the company or by the senior executive, a period of notice of six months normally applies. There is no agreement regarding severance pay in any employment contract.

Call options issued in 2016–2017

	Issued 2016, Number		Issued 2017, Number		Benefit, SEKm	
Holding[1)]	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Chairman of the Board[2)]	–	–	–	–	–	–
Other Board members[2)]	127,500	127,500	–	–	–	–
Jonas Wiström, CEO[2) 3)]	260,000	260,000	–	–	–	–
Other senior executives	23,000	3,000	20,000	20,000	–	–

1) Relates to own and related parties' holdings, including any 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 issued in 2011–2017

	Proceeds received upon redemption		Benefit	
SEKm	**2020**	**2019**	**2020**	**2019**
Board of Directors	–	–	–	–
CEO and other senior executives	–	–	–	–

Warrants and call options issued by Ratos

	31 Dec 2020				31 Dec 2019			
	Warrants		Call options		Warrants		Call options	
	No. of options	**Corresponding no. of shares**	**No. of options**	**Corresponding no. of shares**	**No. of options**	**Corresponding no. of shares**	**No. of options**	**Corresponding no. of shares**
Outstanding at beginning of period	948,511	948,511	1,157,600	1,157,600	429,811	429,811	1,732,100	1,732,100
Issued	55,000	55,000			518,700	518,700		
Repurchased								
Expired[1)]			-462,100	-462,100			-574,500	-574,500
Outstanding at end of period	**1,003,511**	**1,003,511**	**695,500**	**695,500**	**948,511**	**948,511**	**1,157,600**	**1,157,600**
of which, redeemable	0				0			

1) The exercise price for the call options was SEK 51.2 per share (48.5). The share price when the options expired was SEK 17.6 (19.2).

Disclosures on warrants issued during the period

Each warrant carries entitlement to purchase one share.

	2020	**2019**
Maturity date	30 Apr 2025	14 Jun 2024
Taxable benefit including social security costs, SEKm	–	2.7
Total payments to Ratos if shares acquired, SEKm	1.5	16.9

Note 7, cont.

Option terms for outstanding call options

Maturity date	Option price, SEK per option	Exercise price, SEK per share	Right to purchase no. of shares	31 Dec 2020 No. of options	31 Dec 2020 Corresponding no. of shares	31 Dec 2019 No. of options	31 Dec 2019 Corresponding no. of shares
20 Mar 2020						462,100	462,100
19 Mar 2021	4.80	39.60	1	453,000	453,000	453,000	453,000
18 Mar 2022	4.50	41.70	1	242,500	242,500	242,500	242,500
				695,500	**695,500**	**1,157,600**	**1,157,600**
Maximum increase in number of shares in relation to outstanding shares at end of period					0.2%		0.4%

The cash amount that Ratos may receive on exercise of outstanding options amounts to SEK 28m (52).

Option terms for outstanding warrants

Maturity date	Option price, SEK per option	Exercise price, [3] SEK per share	Right to purchase no. of shares	31 Dec 2020 No. of options	31 Dec 2020 Corresponding no. of shares	31 Dec 2019 No. of options	31 Dec 2019 Corresponding no. of shares
8 Jun 2023	3.3 [1]	35.08	1	429,811	429,811	429,811	429,811
14 Jun 2024	3.93 [1]	32.61	1	518,700	518,700	518,700	518,700
30 April 2025	3.87 [2]	27.13	1	55,000	55,000		
				1,003,511	**1,003,511**	**948,511**	**948,511**
Maximum increase in number of shares in relation to outstanding shares at end of period					0.3%		0.3%

1) The warrants issued 2018–2019 are offered free of charge to participants, and the participants receive a benefit corresponding to the market value of the warrant at the date of allotment (option premium). The net expense for participants, after subsidies, will be approximately 50% of the taxable benefit.
2) Cash payment
3) Restated for dividends

Incentive programmes in Ratos's subsidiaries

Ratos makes active efforts to ensure that an incentive strategy is in place for boards and senior executives of the companies in which Ratos invests. There are a number of different incentive programmes which include shares, warrants, synthetic options and synthetic shares. Investments are made on market terms with some exceptions.

These exceptions did not have any material effect on the Ratos Group's income statement and balance sheet. In total, financial liabilities relating to synthetic options in the Ratos Group amounted to SEK 371m (241), of which MSEK 173 pertains to continuing operations. During the year, the Group's earnings were affected in an amount of SEK -172m (-77) relating to synthetic option liabilities, of which SEK -73m (-20) pertained to continuing operations.

Note 8 Fees and disbursements to auditors

SEKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Chief Auditor EY				
Audit assignment	21	18	3	3
Audit-related activities in addition to audit assignment	1	1	0	0
Tax advice	1	1		
Other services		0		
	22	**20**	**3**	**3**
Other auditors				
Audit assignment	2	1		
	25	**21**	**3**	**3**

Audit assignment refers to the statutory audit of the annual report and accounting records as well as the administration by the Board of Directors and the CEO.

Audit-related activities in addition to audit assignment refers to other audit procedures conducted in accordance with contracts or agreements, for example audit of liquidations, and advice pertaining to audits. This also includes other tasks which are in the business of the company's auditors, and advice or other assistance which is caused by observations on such examinations or implementation of other such work tasks.

Tax advice refers to preparation of tax returns, tax consultations, tax advice in conjunction with company acquisitions, setting of transfer price, requesting advance notification or other statements from tax authorities, and tax services related to personnel outside Sweden.

Other fees refers to all other services provided by the auditing firms and tax consultants, for example advice in transactions and in conjunction with acquisitions and divestments, valuation services, advice regarding accounting matters as well as advice regarding processes and internal controls.

Note 9 Financial income and expenses

Group

SEKm	Amortised cost 2020	Amortised cost 2019	Fair value through profit or loss 2020	Fair value through profit or loss 2019	Total 2020	Total 2019
Financial income						
Interest income	6	18			6	18
Result from sale			1	1	1	1
Change in value, synthetic options			17	10	17	10
Change in value, derivatives						
– not hedge accounted				2		2
Other financial income	2	2			2	2
Changes in exchange rates, net		15				15
	8	**35**	**18**	**13**	**26**	**48**
Financial expenses						
Interest expenses	-400	-434			-400	-434
Interest expenses, convertible debentures	-3	-2			-3	-2
Change in value, synthetic options			-90	-30	-90	-30
Change in value, derivatives						
– not hedge accounted			-8	0	-8	0
Other financial expenses	-24	-56		0	-24	-56
Changes in exchange rates, net	-83				-83	
Impairment		3		0		3
	-511	**-489**	**-98**	**-30**	**-609**	**-519**
Pensions, interest expenses					-1	-2
					-610	**-522**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 6m (18). Interest expenses attributable to financial liabilities not measured at fair value through profit or loss amounts to SEK 400m (434). Profit for the year includes SEK 0m (4) which relates to ineffectiveness in cash flow hedges. The Group has no fair value hedges.

Parent company

SEKm	Amortised cost 2020	Amortised cost 2019	Fair value through profit or loss 2020	Fair value through profit or loss 2019	Total 2020	Total 2019
Financial income						
Interest income	0	0			0	0
Result from sale			1	1	1	1
Change in value, synthetic options				4		4
Changes in exchange rates, net		1				1
	0	**1**	**1**	**6**	**1**	**7**
Financial expenses						
Interest expenses	0	0			0	0
Interest expenses, convertible debentures	-3	-2			-3	-2
Change in value, synthetic options			-4		-4	
Changes in exchange rates, net	-8				-8	
Other financial expenses	-3	-4			-3	-4
	-14	**-5**	**-4**		**-18**	**-5**

Interest income attributable to financial assets not measured at fair value through profit or loss amounts to SEK 0m (0). Interest expenses attributable to financial assets not measured at fair value through profit or loss amounts to SEK 0m (0).

Note 10 Taxes

Recognised in income statement

SEKm	2020	2019
Tax expense for the year	-178	-103
Adjustment of tax attributable to previous years	1	-4
Deferred tax	-81	-32
Total recognised tax expense in the Group	**-258**	**-139**

Reconciliation effective tax

SEKm	2020	2019
Profit before tax	873	718
Less profit from investments recognised according to the equity method	-44	-137
	828	**581**
Tax according to current tax rate, 21.4%	-177	-124
Effect of special taxation rules for investment companies	28	7
Effect of different tax rates in other countries	-9	-15
Non-deductible expenses	-62	-57
Non-taxable income	6	16
Increase in loss carry-forward without corresponding capitalisation of deferred tax	-76	-32
Impairment of previously capitalised loss carry-forward	-24	-53
Use of previously non-capitalised loss carry-forward	48	104
Capitalisation of previously non-capitalised loss carry-forward	3	28
Tax attributable to previous years	1	-6
Effect of changed tax rates/tax rules	0	-0
Other	6	-7
Reported effective tax	**-258**	**-139**

Non-deductible expenses in the table above include a remeasurement of synthetic options in an amount of SEK 17m and non-deducible interest expenses of SEK 16m.

Tax items recognised in other comprehensive income

SEKm	2020	2019
Deferred tax attributable to change in hedging reserve	2	2
Deferred tax attributable to remeasurement of defined benefit pension commitments	5	19
	7	**21**

Recognised deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
SEKm	2020	2019	2020	2019
Intangible assets	44	25	363	363
Property, plant and equipment	82	49	30	16
Right-of-use assets	68	6		
Financial assets	4	50	1	1
Inventories	29	20		
Trade receivables	5	5	1	1
Other receivables	4	5	1	0
Construction contracts			289	250
Interest-bearing liabilities	5	2	1	1
Provisions for pensions	110	111		
Other provisions	70	93		
Other liabilities	24	18	0	3
Loss carry-forward	203	300		
Untaxed reserves/appropriations	0	6	7	9
Tax assets/tax liabilities	**648**	**690**	**693**	**645**
Less deferred tax assets and liabilities held for sale	-213		-140	
Offsets	-279	-181	-279	-181
Tax assets/tax liabilities, net	**156**	**508**	**275**	**464**

Of deferred tax assets, SEK 4 (5) is expected to be used within one year and SEK 87 (89) has no fixed utilisation date. Of deferred tax liabilities, SEK 1m (42) is expected to be used within one year and SEK 173m (88) has no fixed utilisation date.

Total loss carry-forwards and similar items amounted to SEK 15,926m, of which SEK 56m is attributable to subsidiaries administered centrally by Ratos and SEK 13.9 billion is attributable to the parent company. Of these loss carry-forwards, SEK 204m matures within five years and SEK 15,331m has no fixed maturity date. The tax value of the loss carry-forwards is SEK 3,197m. Of the Group's total loss carry-forwards, a deferred asset has been recognised in an amount of SEK 203m (300), of which SEK 122m is attributable to continuing operations.

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

Usually there are no temporary differences between the accounting and tax value of Swedish-company holdings of Swedish subsidiaries at the time of dividend payment, as these dividends are not subject to taxation. Therefore, deferred tax is not recognised on distributable earnings of Swedish subsidiaries. Deferred tax is also not recognised in other cases where a dividend is subject to taxation. This is because the holding company can decide on the timing for the reversal of these temporary differences, and it is not expected that such taxable dividend payments will be made in the foreseeable future.

Parent company

The parent company is taxed according to the rules for investment companies. For a more detailed description of these rules, see Note 1 Accounting principles. These rules normally result in the parent company not paying any income tax. The parent company's tax expense for 2020 amounted to SEK 0m (0). Ratos AB has an accumulated loss carry-forward that at the close of 2020 amounted to SEK 13.9 billion (13.6).

Note 10, cont.

Change in deferred tax 2020

SEKm	Opening balance, 2020	Recognised in income statement	Recognised in other comprehensive income/ equity	Translation difference	Reclassifications	Less assets held for sale and related liabilities	Closing balance, 2020
Intangible assets	-338	-3		23	-2	124	-196
Property, plant and equipment	33	10		-4	14	-7	45
Right-of-use assets	6	1			62		68
Financial assets	49	1		-4	-43		4
Inventories	20	11		-2			29
Trade receivables	5	0				-2	3
Other receivables	-5	0	1	6			3
Construction contracts	-250	-63		24			-289
Interest-bearing liabilities	1	6	-3				4
Provisions for pensions	111	-3	5	-3		-96	14
Other provisions and liabilities	107	4	4	-10	-12	-11	81
Loss carry-forward	300	-71		-8	-17	-82	122
Untaxed reserves / Tax allocation reserves	-4	-3					-6
Tax assets / tax liabilities, net	**44**	**-112**	**7**	**14**	**0**	**-73**	**-118**
Less discontinued operations		30					
Total		**-81**					

Change in deferred tax 2019

SEKm	Opening balance, 2019	Recognised in income statement	Recognised in other comprehensive income	Translation difference	Reclassifications	Acquired and divested business combinations/ subsidiaries	Closing balance, 2019
Intangible assets	-342	12		-9	3		-338
Property, plant and equipment and right-of-use assets	2	38	2	-2	-1	-4	38
Financial assets	49	-2	2	2			49
Inventories	13	6		1			20
Trade receivables	5	0		1			5
Other receivables	-173	0		-5	183		-5
Construction contracts		-68			-183		-250
Interest-bearing liabilities	-1	1	0				1
Provisions for pensions	84	2	19	2	3		111
Other provisions and liabilities	147	-42		6	-6		107
Loss carry-forward	273	30		-3			300
Untaxed reserves / Tax allocation reserves	0	-6		-1			-4
Tax assets / tax liabilities, net	**58**	**-29**	**21**	**-8**	**-1**		**44**
Less discontinued operations		-3					
Total		**-32**					

Note 11 Intangible assets

Group

SEKm	Goodwill	Acquired intangible assets				Internally generated intangible assets				Total
		Trade-marks	Customer relations	Data-bases	Other assets	Data-bases	Business systems	Other assets	Projects in progress	
Accumulated cost										
Opening balance 1 January 2019	12,987	968	504	202	227	753	538	225	183	16,587
Business combinations	176									176
Investments						5	96		188	289
Company disposals	–7		–16							–23
Divestments / disposals			–23			–1	–33	–10		–67
Reclassifications					–2	176	2	–3	–173	0
Exchange differences for the year	190	26	4	3	2	3	7	4	0	238
Closing balance 31 December 2019	**13,346**	**994**	**469**	**205**	**227**	**936**	**610**	**215**	**197**	**17,200**
Opening balance 1 January 2020	13,346	994	469	205	227	936	610	215	197	17,200
Cost of assets held for sale	–4,635	–60	–418	–205		–936	–208	–180	–195	–6,838
Investments							79		10	88
Divestments / disposals							–65	–1		–67
Reclassifications							7	6	–6	7
Exchange differences for the year	–410	–77	–0		–5		–21	1		–513
Closing balance 31 December 2020	**8,302**	**857**	**50**	**0**	**223**	**0**	**401**	**40**	**6**	**9,879**
Accumulated amortisation and impairment										
Opening balance 1 January 2019	–1,713	–44	–372	–201	–182	–528	–307	–205		–3,553
Amortisation for the year		–3	–23	–1	–21	–84	–64	–7		–204
Impairment for the year						–1	–3	–1		–5
Accumulated amortisation and impairment in company disposals			11				–16			–5
Divestments / disposals			23			0	34	10		67
Reclassifications					2	–22	5	16		0
Exchange differences for the year	–22	–1	–2	–3	–2	–1	–4	–3		–38
Closing balance 31 December 2019	**–1,735**	**–48**	**–362**	**–205**	**–204**	**–637**	**–355**	**–191**		**–3,736**
Opening balance 1 January 2020	–1,735	–48	–362	–205	–204	–637	–355	–191		–3,736
Accumulated amortisation and impairment of assets held for sale	332	42	341	205		637	173	164		1,893
Amortisation for the year			–4		–8		–56	–4		–72
Impairment for the year							–11			–11
Divestments / disposals							61	1		63
Reclassifications							–1	–3		–4
Exchange differences for the year	61	1	0		5		6	–1		71
Closing balance 31 December 2020	**–1,343**	**–6**	**–24**	**0**	**–207**	**0**	**–183**	**–34**		**–1,798**
Carrying amount according to statement of financial position:										
At 31 December 2020	**6,958**	**852**	**26**	**0**	**16**	**0**	**218**	**6**	**6**	**8,082**
At 31 December 2019	**11,610**	**946**	**107**	**1**	**23**	**299**	**255**	**24**	**197**	**13,463**

Note 11, cont.

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

Goodwill and other intangible assets with indeterminable useful lives at 31 December 2020 amounted to a book value of SEK 7,810m (12,538). Below is a breakdown of the amount in cash-generating units, which comprise the respective company.

	Goodwill		Intangible assets[1]	
SEKm	2020	2019	2020	2019
Bisnode	4,206	4,303		
Plantasjen	1,517	1,672	636	704
LEDiL	959	997		
airteam	939	965	16	17
HENT	831	921		
HL Display	718	735		
Diab	573	573		
	9,742	**10,166**	**652**	**721**
Companies without separate significant value	1,422	1,445	200	207
Total	**11,164**	**11,610**	**852**	**928**
Less assets held for sale	-4,206			
Group total, continuing operations	**6,958**			

1) Intangible assets relates to trademarks with indeterminable useful lives and which are therefore not amortised. Trademarks with indeterminable useful lives are key assets for the subsidiaries that have measured these assets. Work on improving and developing trademarks is ongoing. Net cash flows generated by trademarks are not expected to cease in the foreseeable future. Trademarks are therefore regarded as having indeterminable useful lives.

Ratos continuously assesses whether there is any indication that any company has declined in value. In the event that such an indication exists, the recoverable amount of the company is calculated. Goodwill and other intangible assets with indeterminable useful lives are also tested annually, regardless of whether there is any indication of a decline in value. Testing of carrying amounts is done by calculating each company's recoverable amount. The recoverable amount, which comprises the higher of value in use and fair value less selling costs, is compared with the carrying amount. If the recoverable amount is lower than the carrying amount, an impairment is recognised. Primarily goodwill is impaired.

Impairment of goodwill

Impairment of goodwill in 2020

No impairment.

Impairment of goodwill in 2019

No impairment.

Impairment testing in companies with significant goodwill items

The impairment testing and key assumptions used to calculate the recoverable amounts of companies in which goodwill was deemed to be significant in size are described below. Goodwill attributable to other companies is not significant in each one separately in relation to the Ratos Group's total goodwill.

Bisnode

Impairment testing for Bisnode is based on fair value less selling costs. The fair value is based on the contractual transaction price for Ratos's divestment of Bisnode to Bisnode's partner Dun & Bradstreet. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Plantasjen

Impairment testing for Plantasjen is based on a value-in-use calculation. This value uses future cash flow calculations based on the most recent earnings forecast. The rate of growth after the forecast period amounts to 2% (2). The estimated cash flows have been calculated at present value using a discount rate of 8% (8) after tax and 10% (11) before tax. An improved customer offering and rising interest in plants and flowers in the wake of the Covid-19 pandemic generated customer growth and higher sales per customer in 2020. The forecast for next year includes continued initiatives to improve the customer offering, enhance productivity in stores and reduce costs. These initiatives are expected to stabilise profitability during the forecast period. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Note 11, cont.

LEDiL
Impairment testing for LEDiL is based on a value-in-use calculation. This value uses future cash flow calculations based on the most recent earnings forecast. The rate of growth after the forecast period amounts to 2% (2). The estimated cash flows have been calculated at present value using a discount rate of 8% (8) after tax and 10% (10) before tax. The market for LED lighting saw a downturn during the Covid-19 pandemic. The market is expected to recover and LEDiL forecasts sales growth over the next few years, based on increased market shares and the launch of new products. Profitability is expected to be stable over the next few years, driven by sales growth, sound cost control and continued investments in R&D. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

airteam
Impairment testing for airteam is based on fair value less selling costs. The fair value is included in level 3 and is based on inputs in a measurement model. airteam posted positive development in 2020 in both the Danish and Swedish operations. The company's order intake was healthy in 2020 and included several major ventilation contracts extending over the coming years, which is expected to drive sales growth. airteam has a strong profitability focus and the EBITA margin is expected to remain stable, driven by efficient project completion. The Danish and Swedish construction market have structural growth potential based on increased demand for effective, high-quality ventilation solutions. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

HENT
Impairment testing for HENT is based on fair value less selling costs. The fair value is included in level 3 and is based on inputs in a measurement model. HENT had stable growth in 2020 despite lower project activity due to Covid-19. While net sales were on a par with the preceding year, the EBITA margin improved thanks to the implementation of measures that entailed changes to the company's processes and organisation, which helped to stabilise the project portfolio. The forecast for next year is based on the current order book, of which approximately 70% pertains to public sector projects. Activity within tenders has been better adapted to the organisation's capacity and to the greater selection available. A focus on stability and profitability is expected to result in improved profitability in the coming year. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

HL Display
Impairment testing for HL Display is based on fair value less selling costs. The fair value is included in level 3 and is based on inputs in a measurement model. The forecast for the coming year is based on the company being a market leader in Europe and having a good strategic position with diversified customer exposure. Sales growth and profitability are expected to remain stable over the next few years. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Diab
Impairment testing for Diab is based on fair value less selling costs. The fair value is included in level 3 and is based on inputs in a measurement model. Diab displayed a favourable performance in 2020, partly driven by a strong wind market. Continued demand in the wind segment is expected to drive sales growth over the next few years. Diab has signed multi-year supplier contracts for core materials and is investing in new product lines to meet the market's increased demand for material. An increase in capacity utilisation and greater production efficiency are expected to result in improved EBITA margins during the forecast period. Calculations show that the recoverable amount exceeds the book value and there is thus no need for impairment.

Note 11, cont.

Material assumptions used to calculate value in use

Value in use for a company is based on Ratos's share of the present value of the company's future estimated cash flow. The calculation of value-in-use has been adjusted for the impact of IFRS 16 Leases.

Value-in-use calculations are primarily sensitive to deviations from the following assumptions:

- Earnings forecast
- Discount rate
- Growth rate

Other key assumptions for the calculation of the value in use include sales growth as well as gross and EBITA margins. The assumptions used are modified for each company since each company in itself is an independent unit with unique circumstances. Key assumptions are described on page 86–87 under the heading "Impairment testing in companies with significant goodwill items".

Earnings forecast

Assessment of the earnings forecast is based on the budgets and forecasts most recently adopted by management as well as reasonable and verifiable assumptions that comprise Ratos's best estimation of the economic conditions that are expected to prevail during the forecast period. The basis for estimating the value of these is in accordance with previous experience as well as external sources. The earnings forecast encompasses a maximum of five years.

Discount rate

Future cash flows are present-value calculated using a discount rate. Ratos has used a discount factor after tax where estimated future cash flows also include tax. On the basis of the return requirement after tax (WACC) actually applied, Ratos has carried out a translation to an estimate corresponding to a return requirement before tax by dividing by one minus tax rate.

The discount factor reflects market assessments of monetary values over time and specific risks inherent in the asset.

Growth rate

A final value is assessed after the forecast period. This is done using an assumption of stable growth in nominal terms for each company that matches the assumed long-term growth rate for relevant products, industries, countries and markets. In the impairment tests for 2020, this growth rate was 2% (2–2.5).

Material assumptions used to calculate fair value

Fair value was determined in accordance with level 3 of the valuation hierarchy. Fair-value calculations are primarily sensitive to deviations from the following assumptions:

- Profit multiple
- EBITA forecast

Profit multiple

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

EBITA forecast

See the section above regarding earnings forecast.

Sensitivity analysis

A sensitivity analysis of the value-in-use calculations has been carried out for one assumption at a time, where long-term growth rate has been reduced by 1 percentage point, the discount rate has been raised by 1 percentage point and the forecast cash flow has been reduced by 10%. A sensitivity analysis of the fair-value calculations has been carried out for one assumption at a time, where the profit multiple was adjusted downward by 1% and the EBITA forecast was adjusted downward by 10%.

For all of the companies, the assessment is that no reasonable changes in key assumptions will result in the estimated recoverable amount falling below the carrying amount.

Note 12 Property, plant and equipment

Group

SEKm	Land and buildings	Equipment	Construction in progress	Total
Accumulated cost				
Opening balance 1 January 2019	1,548	3,115	31	4,695
Investments	39	141	205	385
Divestments/disposals	-82	-84		-166
Assets in acquired companies		8		8
Assets in divested companies		-7		-7
Transferred from construction in progress	1	23	-23	0
Reclassifications	-743[1)]	-36	-19	-798
Expensed			-1	-1
Exchange differences for the year	48	45		93
Closing balance 31 December 2019	**810**	**3,205**	**193**	**4,209**
Opening balance 1 January 2020	810	3,205	193	4,209
Cost of assets held for sale	0	-371	-1	-372
Investments	28	118	242	388
Divestments/disposals	-45	-365		-409
Transferred from construction in progress	28	111	-140	0
Reclassifications	42	-34	-12	-5
Exchange differences for the year	-57	-117	-11	-185
Closing balance 31 December 2020	**806**	**2,548**	**271**	**3,626**
Accumulated depreciation and impairment				
Opening balance 1 January 2019	-693	-2,415		-3,108
Depreciation for the year	-34	-209		-242
Impairment for the year		-2		-2
Accumulated depreciation in divested companies		4		4
Divestments/disposals	28	73		101
Reclassifications	246[1)]	19		266
Exchange differences for the year	-17	-36		-53
Closing balance 31 December 2019	**-470**	**-2,566**		**-3,036**
Opening balance 1 January 2020	-470	-2,566		-3,036
Accumulated depreciation of assets held for sale	0	316		316
Depreciation for the year	-41	-166		-208
Impairment for the year	-7	-21		-29
Reversed impairment		1		1
Divestments/disposals	39	365		404
Reclassifications	-24	28		4
Exchange differences for the year	31	89		120
Closing balance 31 December 2020	**-473**	**-1,955**		**-2,428**
Carrying amount according to statement of financial position				
At 31 December 2020	**333**	**593**	**271**	**1,198**
At 31 December 2019	**340**	**639**	**193**	**1,173**

1) Reclassifications for 2019 pertain mainly to finance leases, refer to Note 13.

Note 12, cont.

Parent company

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Opening balance 1 January 2019	82	16	99
Divestments / disposals	–82	–11	–94
Closing balance 31 December 2019	**0**	**5**	**5**
Opening balance 1 January 2020		5	5
Closing balance 31 December 2020		**5**	**5**
Accumulated depreciation			
Opening balance 1 January 2019	–26	–14	–40
Depreciation for the year	–1	–1	–2
Divestments / disposals	28	11	38
Closing balance 31 December 2019	**0**	**–4**	**–4**
Opening balance 1 January 2020		–4	–4
Depreciation for the year		–0	–0
Closing balance 31 December 2020		**–4**	**–4**
Carrying amount according to statement of financial position			
At 31 December 2020	**0**	**1**	**1**
At 31 December 2019	**0**	**2**	**2**

Note 13 Right-of-use assets

Group

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Transition effect upon application of IFRS 16	4,008	0	4,008
Additional contracts during the year	347	72	419
Divestments and premature contract terminations	-53	-28	-81
New contracts upon acquisitions	4	4	8
Contracts in divested companies	-2	-2	-4
Changes in existing contracts	194	-9	185
Reclassifications[1)]	631	194	826
Other changes	5	0	5
Exchange differences for the year	-101	0	-102
Closing balance 31 December 2019	**5,034**	**231**	**5,265**
Opening balance 1 January 2020	5,034	231	5,265
Cost of assets held for sale	-387	-52	-439
Additional contracts during the year	545	99	644
Divestments and premature contract terminations	-10	-39	-49
Changes in existing contracts	672	-5	667
Reclassifications	-19	-1	-20
Other changes	48	-1	47
Exchange differences for the year	-232	-10	-242
Closing balance 31 December 2020	**5,650**	**223**	**5,873**
Accumulated depreciation and impairment			
Divestments and premature contract terminations	17	9	25
Accumulated depreciation on new contracts upon acquisitions	-1	-2	-4
Accumulated depreciation in divested companies	1	1	2
Reclassifications[1)]	-110	-44	-155
Depreciation for the year	-665	-75	-741
Other changes	2	25	27
Exchange differences for the year	3	1	4
Closing balance 31 December 2019	**-755**	**-86**	**-841**
Opening balance 1 January 2020	-755	-86	-841
Accumulated depreciation of assets held for sale	145	17	161
Divestments and premature contract terminations	9	24	33
Reclassifications	12	1	12
Depreciation for the year	-578	-60	-637
Impairment for the year	-9	0	-9
Other changes	30	8	38
Exchange differences for the year	43	4	47
Closing balance 31 December 2020	**-1,103**	**-93**	**-1,196**
Carrying amount according to statement of financial position			
At 31 December 2020	**4,547**	**130**	**4,677**
At 31 December 2019	**4,279**	**144**	**4,423**

1) SEK 496m pertains to leases classified as finance lease assets as of 31 December 2018 in accordance with IAS 17 and has been reclassified from property, plant and equipment. SEK 13m pertains to prepaid leasing costs and has been reclassified from prepaid expenses and accrued income.

Note 14 Investments recognised according to the equity method

Change in carrying amounts
Group

SEKm	2020	2019
Carrying amount, 1 January	1,121	1,092
Investments		2
Divestments		-118
Share of profit from investments recognised according to the equity method	52	170
Share of tax from investments recognised according to the equity method	-9	-33
Dividend		-13
Share of other comprehensive income from investments recognised according to the equity method	-7	-9
Exchange differences	-154	30
Carrying amount at year-end	**1,003**	**1,121**

Impairment testing Aibel
At 31 December 2020, the consolidated value for Aibel totalled SEK 634m. "Consolidated value" refers to the Group's share of equity and any consolidated surplus and deficit values, taking non-controlling interests into account (32%). The carrying amount is the consolidated value included in the consolidated statement of financial position (49%). Completed impairment testing for 2020, based on a value-in-use calculation, indicates no impairment requirement. Aibel comprises a cash-generating unit. Aibel's own impairment testing is carried out across several cash-generating units. This means that the outcome of the impairment testing may differ between Ratos and Aibel. As with the value-in-use calculation for 2019, sales growth and assumptions on EBITA margin in the forecast cash flows have been modified for the current market conditions. The forecast business volumes and profit levels are based on existing contracts and order books as well as adopted forward-looking transactions, with profitability assumptions based on contracts signed and historical experience. The discount rate after tax amounted to 10% (9) and the discount rate before tax amounted to 13% (12). 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.

Investments recognised according to the equity method breakdown between significant and individually insignificant investments

	2020			2019		
SEKm	Aibel[1)]	Individually insignificant investments	Total	Aibel[1)]	Individually insignificant investments	Total
Investments recognised according to the equity method						
Included in the Group as follows:						
Share of profit before tax	52	0	52	168	2	170
Income tax	-9	0	-9	-33	0	-33
Share of other comprehensive income	-52		-52	-10		-9
Share of comprehensive income	**-9**	**0**	**-9**	**125**	**2**	**128**
Carrying amount	**991**	**12**	**1,003**	**1,108**	**13**	**1,121**
100%						
Net sales	12,022			12,562		
Profit for the year	87			270		
Other comprehensive income	-104			-20		
Total comprehensive income	**-17**			**250**		
Non-current assets	6,941			8,052		
Current assets	2,803			3,248		
Non-current liabilities	-3,772			-5,019		
Current liabilities	-3,990			-4,064		
Net assets	**1,983**			**2,217**		

1) Aibel Holding I AS is 49% owned by NCS Invest. More information about the Group structure is provided in Note 29 Participations in Group companies. Ratos owns 64% of NCS Invest through NCS Intressenter.

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

	Aibel 100%	
SEKm	2020	2019
Opening balance net assets	**2,217**	**1,910**
Profit for the year before tax	104	336
Income tax	-17	-66
Other comprehensive income	-104	-20
Translation differences	-216	57
Closing balance net assets	**1,983**	**2,217**

	Aibel 49%[1)]	
SEKm	2020	2019
Share in net assets	991	1,108
Carrying amount	**991**	**1,108**

1) Consolidated value, adjusted for the share subject to non-controlling holding, amounts to SEK 634m (704).

Note 15 Receivables from Group companies

Parent company

SEKm	Non-current receivables Group companies 2020	2019
Accumulated cost at 1 January	**2**	**5**
Subsequent expenditure	3	200
Counterparty exchange	11	
Reclassifications		-4
Settlements	-15	-200
Closing balance	**0**	**2**

SEKm	Current receivables Group companies 2020	2019
Accumulated cost at 1 January	**8**	**5**
Subsequent expenditure	304	241
Reclassifications		1
Settlements	-305	-238
Closing balance	**7**	**8**

Note 16 Financial instruments

Group

31 December

	Amortised cost		Fair value through profit or loss		Derivatives used for hedging		Total according to statement of financial position	
SEKm	2020	2019	2020	2019	2020	2019	2020	2019
Financial assets								
Shares and participations	0	0	7	8			7	8
Other receivables[1)]	39	40	1	5			40	45
Derivative instruments			0		1	2	1	2
Trade receivables	2,140	2,918					2,140	2,918
Cash and cash equivalents	2,826	3,219					2,826	3,219
	5,005	**6,177**	**9**	**13**	**1**	**2**	**5,015**	**6,192**
Surplus in pension plans, asset							1	
							5,016	**6,192**
Financial liabilities								
Interest-bearing liabilities								
– Liabilities to credit institutions	2,813	5,144					2,813	5,144
– Financial lease liabilities	5,155	4,871					5,155	4,871
– Convertible debentures	54	35					54	35
– Other interest-bearing liabilities	113	125	193	269			306	395
Other non-current liabilities			240	244			240	244
Trade payables	1,843	2,813					1,843	2,813
Derivative instruments			12		21	5	33	5
	9,978	**12,988**	**445**	**513**	**21**	**5**	**10,444**	**13,506**
Provisions for pensions							86	642
							10,530	**14,148**

1) Other receivables include SEK 40m (45) which is interest-bearing.

Note 16, cont.

Fair value

Forward contracts are measured at fair value taking interest rates and prices on the closing date into account. Fair value of receivables with floating interest corresponds to their carrying amount. Since most of the interest-bearing liabilities carry floating interest, and often a margin based on leverage, fair value at the end of the reporting period corresponds to carrying amount.

The tables below provide disclosures of how fair value is determined for the financial instruments measured at fair value in the statement of financial position. Classification of how fair value is determined is based on the following levels.

Level 1: Financial instruments measured according to listed prices in an active market.
Level 2: Financial instruments measured according to directly or indirectly observable market data not included in level 1.
Level 3: Financial instruments measured on the basis of inputs that are not based on observable market data.

Fair value hierarchy

Assets	**Level 2**		**Level 3**	
SEKm	**2020**	**2019**	**2020**	**2019**
Derivatives				
– Forward contracts	1	2		
Contingent considerations			1	5
	1	**2**	**1**	**5**

Change, level 3

Assets	**Contingent considerations**	
SEKm	**2020**	**2019**
Opening balance	5	2
Less assets held for sale	–1	
Recognised in operating profit or loss	–2	
Subsequent expenditure		4
Settlements	0	0
Closing balance	**1**	**5**

Fair value hierarchy

Liabilities	**Level 2**		**Level 3**	
SEKm	**2020**	**2019**	**2020**	**2019**
Synthetic options			173	241
Derivatives				
– Forward contracts	33	5		
Put options to non-controlling interests			240	244
Contingent considerations			20	28
	33	**5**	**433**	**513**

Change, level 3

Liabilities	**Synthetic options**		**Put options**		**Contingent considerations**	
SEKm	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Opening balance	241	183	244	285	28	9
Less liabilities attributable to assets held for sale	–100				–7	
Recognised in net financial items	73	77				
Recognised in operating profit or loss						–8
Recognised against non-controlling interests			5	–67		
Newly issued / subsequent expenditure	3	6		141		41
Settlements	–39	–27		–121		–14
Translation difference	–5	2	–8	5	–1	0
Closing balance	**173**	**241**	**240**	**244**	**20**	**28**

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 73m (69).

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.

Note 16, cont.

Parent company

31 December

SEKm	Amortised cost 2020	Amortised cost 2019	Fair value through profit or loss 2020	Fair value through profit or loss 2019	Total according to statement of financial position 2020	Total according to statement of financial position 2019
Financial assets						
Receivables from Group companies	7	10			7	10
Cash and cash equivalents	1,166	1,607			1,166	1,607
	1,173	**1,617**			**1,173**	**1,617**
Financial liabilities						
Interest-bearing liabilities, Group companies	391	449			391	449
Non-interest bearing liabilities, Group companies		225				225
Other interest-bearing liabilities	1	1	48	44	48	44
Convertible debentures	54	35			54	35
Trade payables	4	5			4	5
	450	**715**	**48**	**44**	**498**	**759**

Fair value hierarchy

Liabilities SEKm	Level 3 2020	Level 3 2019
Synthetic options	48	44
	48	**44**

Change, level 3

Liabilities SEKm	Synthetic options 2020	Synthetic options 2019
Opening balance	44	48
Recognised in net financial items	4	-4
Closing balance	**48**	**44**

Remeasurements of synthetic options are included in profit or loss for the year, with SEK -4m (4), relating to liabilities in the closing balance.

Note 17 Inventories

Group

SEKm	2020	2019
Raw materials and consumables	106	76
Products in progress	242	170
Finished products and goods for resale	672	826
Advances to suppliers	55	
	1,075	**1,072**

The cost of inventories recognised and included in the cost of goods sold amounts to SEK 4,712m (4,022). Write-down of inventories recognised as expenses during the year amounts to SEK 45m (45) and is included in the cost of goods sold. The part of inventories measured at net realisable value totals SEK 193m (26).

Note 18 Equity

Share capital

Number	Ordinary Class A 2020	Ordinary Class A 2019	Ordinary Class B 2020	Ordinary Class B 2019
Shares in the company at 1 January	84,637,060	84,637,060	239,503,836	239,503,836
Shares in the company at 31 December	**84,637,060**	**84,637,060**	**239,503,836**	**239,503,836**

	Total number of shares	Quota value	SEKm
Shares in the company at 1 January 2020	324,140,896	3.15	1,021
Shares in the company at 31 December 2020	**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 2020, 0 Class A shares (0) were converted into Class B shares.

Group

Other capital provided

Relates to equity provided by the owners. This includes share premium reserves paid in conjunction with new issues.

Reserves

Includes all exchange rate differences that arise on translation of financial reports from foreign operations in a currency other than SEK. Reserves also include the effects of cash flow hedges and hedging of net investments.

Retained earnings including profit/loss for the year

Retained earnings includes earned profits/losses and remeasurement of defined benefit pension plans recognised in other comprehensive income for the parent company and its subsidiaries and associates. Previous provisions to the statutory reserve are also included in this item.

Parent company

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Statutory reserve

The purpose of the statutory reserve has been to save part of net profits not used to cover a loss carried forward. The statutory reserve also includes amounts transferred to the share premium reserve prior to 1 January 2006.

Unrestricted equity

The following funds together with profit for the year comprise unrestricted equity, meaning the amount that is available for dividends to shareholders.

Share premium reserve

When shares are issued at a premium, i.e. more is paid for the shares than their quota value, an amount corresponding to the amount received in excess of the quota value of the shares is transferred to the share premium reserve. After 1 January 2006, an allocation to a share premium reserve comprises unrestricted equity.

Retained earnings

Retained earnings comprise the previous year's retained earnings and profit after deduction for profit distribution provided during the year. Costs for purchases of treasury shares, call option premiums received and any additional transaction costs are recognised directly in retained earnings.

Equity management

The Group's target is to have a good financial position that contributes towards maintaining the confidence of investors, creditors and the market, and provides a basis for continued development of business operations, and that the long-term return generated to shareholders is satisfactory.

Ratos's overall target is to increase shareholder value while ensuring Ratos's growth. Ratos's financial targets focus on the earnings trend in the company portfolio and the total return on the share. Ratos's financial targets are: (1) Increased earnings in Ratos's companies every year, and (2) A total return greater than SIX Return Index. Increased earnings are defined as reported EBITA for the relevant business group and period. For 2020, this amounted to SEK 1,913m, compared with SEK 1,196m for 2019. The total return on Ratos's Class B shares in 2020 amounted to 17%, compared with the performance for the SIX Return Index, which was 15%.

The Board has established a dividend policy. The Ratos share is to deliver steadily increasing dividends over time based on growing earnings and a stable financial position. According to the Board's assessment, a dividend payout ratio of 30–50% of profit after tax attributable to owners of the parent will fulfil these conditions.

The Board of Directors proposes an ordinary dividend for the 2020 financial year of SEK 0.95 per Class A and B share, corresponding to a total divided of SEK 303m. The dividend yield amounts to 2.5% based on the closing price at year-end.

The 2020 Annual General Meeting renewed the mandate entitling Ratos, in connection with acquisitions, to issue Class B shares in Ratos through set-off, non-cash or for cash payment. This applies for a maximum of 35 million Class B shares.

Capital is defined as total equity including non-controlling interests. Neither the parent company nor any of the subsidiaries is subject to external capital requirements, such as under the supervision of an authority. For a description of loan agreements linked to financing and their terms, see Note 25 Financial risks and risk policy.

Treasury shares included in the equity item retained earnings including profit for the year

	2020	2019
Number of shares		
Opening treasury shares	5,126,262	5,126,262
Closing treasury shares	**5,126,262**	**5,126,262**
Number of shares outstanding		
Total number of shares	324,140,896	324,140,896
Treasury shares	–5,126,262	–5,126,262
	319,014,634	**319,014,634**

Note 18, cont.

Options

Call options 2016–2017

The 2016–2017 Annual General Meetings decided to issue call options on treasury shares. Terms for call options outstanding at 31 December 2020 are described in Note 7. According to the outstanding option programme, 695,500 treasury shares are reserved for transfer. In total, the number of repurchased Class B shares amounts to 5,126,262.

Warrants 2018–2020

The 2018–2020 Annual General Meetings resolved on the issue of warrants to personnel. Terms for warrants outstanding are described in Note 7.

Conversion option for convertible debentures 2018–2020

The 2018–2020 Annual General Meetings resolved on the issue of convertible debentures to personnel. The convertible debentures are divided up into an interest-bearing debt, as stated in Note 16, and a conversion option. The conversion option is recognised in equity. A more detailed description is available in Note 7.

Dividend

After the reporting period, the Board proposed the following dividend:

	SEKm
Dividend to holders of Class A and B shares, SEK 0.95 per share[1)]	303
To be carried forward	6,607

[1)] Based on the number of shares outstanding on 20 January 2021. The number of treasury shares on that date was 5,126,262 and may change during the period until the record date for dividends.

Ratos's Board of Directors resolved on 30 March to withdraw the revised dividend proposal of SEK 0.30 per share and instead propose no dividend for the 2019 financial year. The original dividend proposal was for SEK 0.65 per share. The 2020 Annual General Meeting resolved that no dividend would be paid for the 2019 financial year. It was instead noted that the Board of Directors intended to invite the shareholders to an extraordinary general meeting later in the year to resolve on a dividend. Ratos held an extraordinary general meeting on 22 October 2020, during which a dividend of SEK 0.65 per share was approved for the 2019 financial year. The proposed dividend for 2020 will be presented for approval at the Annual General Meeting on 10 March 2021.

Note 19 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 1 January 2019	**-173**	**-50**	**-223**	**-84**	**-308**
Adjustment[1)]	-44	41	-3	0	-3
Adjusted opening carrying amount	-217	-9	-226	-84	-311
Translation differences for the year	119		119	33	152
Translation differences attributable to divested companies	15		15	-13	1
Cash flow hedges					
– recognised in other comprehensive income		0	0	-2	-2
– tax attributable to change for the year		0	0	0	1
Closing carrying amount 31 December 2019	**-84**	**-9**	**-94**	**-66**	**-160**
Opening carrying amount 1 January 2020	**-84**	**-9**	**-94**	**-66**	**-160**
Translation differences for the year	-372		-372	-114	-485
Cash flow hedges					
– recognised in other comprehensive income		-31	-31	-3	-34
– tax attributable to change for the year		7	7	1	7
Closing carrying amount 31 December 2020	**-456**	**-34**	**-490**	**-181**	**-672**

[1)] SEK 41m pertains to a correction between the translation reserve and hedging reserve.

Translation reserve

The translation reserve includes all exchange rate differences that arise on translation of financial reports from foreign operations that have prepared their financial reports in another currency than the currency in which the Group's financial reports are presented. Hedging of net investments in foreign currencies is also included. The parent company and Group present their financial reports in Swedish kronor.

Hedging reserve

The hedging reserve comprises the effective portion of cumulative net change in fair value of the cash flow hedging instruments attributable to cash flows that have not yet occurred.

Note 20 Non-controlling interests

2020 SEKm	NCS Invest	Bisnode	LEDiL	HENT	Individually insignificant non-controlling interests	Total
In their entirety, 100%						
Non-current assets	991	5,387	1,019	1,081		
Current assets	0	1,072	114	2,236		
Non-current liabilities		-848	-64	-267		
Current liabilities		-2,653	-234	-2,404		
Net assets	**991**	**2,958**	**835**	**647**		
Carrying amount of non-controlling interests	**357**	**891**	**278**	**179**	**211**	**1,915**
Net sales		3,673	389	8,644		
Profit for the year	43	269	53	84		
Other comprehensive income	-160	-139	-33	-37		
Total comprehensive income	**-117**	**131**	**20**	**47**		
Cash flow from operating activities		655	117	231		
Cash flow from investing activities		-224	-34	-4		
Cash flow from financing activities		-192	-82	-72		
Cash flow for the year		**238**	**1**	**154**		
Profit for the year attributable to non-controlling interests	15	81	18	23	53	191
Other comprehensive income attributable to non-controlling interests	-58	-42	-11	-7	-4	-122
Dividends paid to non-controlling interests		-75				-75
Non-controlling interests, share	**36%**	**30%**	**34%**	**27%**		

2019 SEKm	NCS Invest	Bisnode	LEDiL	HENT	Individually insignificant non-controlling interests	Total
In their entirety, 100%						
Non-current assets	1,108	5,546	1,053	1,192		
Current assets	0	1,117	130	2,275		
Non-current liabilities	0	-2,126	-241	-237		
Current liabilities	-6	-1,459	-127	-2,630		
Net assets	**1,102**	**3,077**	**815**	**600**		
Carrying amount of non-controlling interests	**397**	**927**	**273**	**163**	**160**	**1,920**
Net sales		3,776	433	9,504		
Profit for the year	135	248	57	15		
Other comprehensive income	20	-6	10	23		
Total comprehensive income	**155**	**242**	**67**	**38**		
Cash flow from operating activities	0	616	95	-82		
Cash flow from investing activities	-2	-203	-24	3		
Cash flow from financing activities	2	-244	-59	-172		
Cash flow for the year	**0**	**169**	**13**	**-251**		
Profit for the year attributable to non-controlling interests	48	75	19	4	7	153
Other comprehensive income attributable to non-controlling interests	7	-2	4	6	-18	-2
Dividends paid to non-controlling interests		-75			0	-75
Non-controlling interests, share	**36%**	**30%**	**34%**	**27%**		

Note 21 Earnings per share

Calculation of earnings per share is carried out as follows:

SEKm	2020	2019
Profit for the year attributable to owners of the parent	693	673
Used in calculating earnings per share before dilution	**693**	**673**
Interest expense for convertible debentures, net	3	2
Used in calculating earnings per share after dilution	**696**	**675**
Weighted average number of shares		
Total number of ordinary shares	324,140,896	324,140,896
Effect of holding of treasury shares	–5,126,468	–5,126,468
Weighted average number before dilution	**319,014,634**	**319,014,634**
Warrants	5,369	
Convertible debentures	2,017,081	1,151,778
Weighted average number after dilution	**321,037,084**	**320,166,412**
Basic earnings per share, SEK	2.17	2.11
Diluted earnings per share, SEK	2.17	2.11

Call options
At the close of 2020, Ratos AB had two outstanding call option programmes for which the exercise price was SEK 39.60 and SEK 41.70, respectively, which exceed the average price for ordinary shares during the year. These options have no dilution effect and were excluded from the calculation of diluted earnings per share. If the average price for ordinary shares in future rises to a level above the exercise price for the options, these options will lead to dilution. For further information, refer to Note 7.

Warrants
At the end of 2020, Ratos AB had three outstanding warrant programmes. The exercise prices for these programmes are SEK 35.08, SEK 32.61 and SEK 27.13, respectively. Warrants with an exercise price of SEK 27.13 had a dilution effect, since the exercise price of the warrants exceeded the average price for ordinary shares during the year, though weighted since they were not outstanding for the entire year. The warrants are included in earnings per share after dilution when the exercise price of the warrants exceeds the average price for ordinary shares for the year. For further information, refer to Note 7.

Convertible debentures
Convertible debentures issued during the financial year were included when calculating diluted earnings per share from the date of issue by increasing the number of shares by the total number of shares to which the convertibles correspond and increasing earnings by the recognised interest expense after tax. The convertibles are not included when calculating basic earnings per share. For further information, refer to Note 7.

Note 22 Pensions

In the Group there are both defined benefit and defined contribution pension plans. The Ratos Group does not have any Group-wide policy relating to pensions, it is therefore up to the board of each company to decide on pension solutions for the company.

Defined contribution pensions
Pension plans mainly comprise retirement pensions. Pension premiums are salary-related and expensed on a current basis.

Defined benefit pensions
Pension plans mainly comprise retirement pensions. Earned pension is based on the number of years within the pension plan and salary at retirement. Pension obligations are either financed through pension foundations or similar or by the company. The defined benefit plans are not the main solution for the subsidiaries and only constitute a complement to the defined contribution pension plans. Of Ratos's current subsidiaries, five have defined benefit pension plans. Bisnode has the largest defined benefit pension obligation in the Group in terms of amount. This obligation totals SEK 542m (545) and is divided among plans in five different countries. Diab has a pension obligation of SEK 77m (87). Together, Bisnode and Diab account for 99% (98) of the Group's defined benefit pension liability.

Pension obligations for salaried employees in Sweden (ITP) are partially secured through insurance with Alecta. The pension plan secured through Alecta is reported as a defined contribution plan, since there is insufficient data for Ratos to be able to report its share of the pension plan as defined benefit. Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2020, Alecta's surplus in the form of the collective funding ratio amounted to a preliminary 148% (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. SEK 79m (85) was paid to Alecta in premiums for the year.

Group

Pension cost

SEKm	2020	2019
Cost regarding current service period	28	18
Past service cost	–21	0
Net interest	8	10
Effects of curtailments and settlements	0	0
Pension costs for defined benefit pensions	**15**	**28**
Pension costs for defined contribution pensions, Alecta	79	85
Pension costs for defined contribution pensions, other	122	122
Pension costs for the year	**216**	**235**

Pension costs are included in the income statement on the line Employee benefit costs with the exception of net interest which is included in net financial items in the income statement. SEK 64m is expected to be paid in premiums to Alecta for 2021.

Note 22, cont.

Defined benefit pension plans

SEKm	2020	2019
Present value of funded obligations	109	499
Fair value of plan assets	-27	-291
	82	**208**
Present value of unfunded obligations	3	436
Effect of limitation rule for net assets		-3
Net liability in the statement of financial position	**85**	**642**
Amount recognised in the balance sheet		
Provisions for pensions	86	642
Surplus in defined benefit plans recognised as non-current financial receivables	1	
Net liability in the statement of financial position	**85**	**642**

Changes in defined benefit pension obligations

SEKm	2020	2019
Opening balance	926	791
Pensions earned during the period	3	22
Interest expenses	2	11
Benefits paid	-3	-10
Pension obligations in acquired / divested companies	-0	-0
Actuarial gains / losses:		
Financial assumptions	6	93
Demographic assumptions		-0
Assumptions based on experience	-2	1
Reclassified to liabilities attributable to assets held for sale	-801	
Other	-16	0
Exchange rate differences	-1	17
Defined benefit obligations, year-end	**113**	**926**

Changes in plan assets

SEKm	2020	2019
Opening balance	291	274
Interest income	0	0
Contribution from employer	1	3
Contribution from employees	0	0
Benefits paid	0	0
Return on plan assets excl. the above interest income	-0	2
Reclassified to assets held for sale	-256	
Other	-8	2
Exchange rate differences	-0	10
Plan assets, year-end	**27**	**291**

Plan assets comprise the following:

SEKm	2020	2019
Assets held by insurance companies	27	291
	27	**291**

Of the plan assets, SEK 11m (16) pertains to listed assets and SEK 15m (274) to unlisted assets.

Key actuarial assumptions used at the end of the reporting period

	Bisnode		Diab	
	2020	2019	2020	2019
Net liability in the statement of financial position	542	545	77	87
Discount rate, %:				
First-class bonds, Sweden	1.3	1.6	1.2	2.0
First-class bonds, Germany	0.9	1.0		
Government bonds, Switzerland	0.2	-0.2		
First-class bonds, Italy			-0.03	0.3
First-class bonds, other	0.6	0.6		
Inflation, %	1.5	1.6	1.8	2.0
Anticipated rate of salary increase, %	2.2	2.3	3.0	3.0
Annual increase in pensions and paid-up policies, %	1.7	1.8	2.0	3.0

Parent company

The parent company's pension costs for defined contribution pensions amounted to SEK 9m (8), of which SEK 0m (0) pertains to Alecta.

Note 23 Provisions

Group

Provisions, non-current

SEKm	2020	2019
Guarantee commitments		
At the beginning of the year	6	6
Provisions for the year	0	0
Unutilised reversed provisions	-0	-1
Translation difference	-0	0
At the end of the year	**6**	**6**
Other		
At the beginning of the year	16	15
Provisions for the year	4	2
Utilised provisions	-0	-1
Reclassified to liabilities attributable to assets held for sale	-7	
Reclassifications	10	
Translation difference	-1	0
At the end of the year	**22**	**16**
Total non-current provisions	**28**	**21**

Provisions that are current liabilities

Provisions, current

SEKm	2020	2019
Guarantee commitments		
At the beginning of the year	419	551
Provisions for the year	165	174
Utilised provisions	-61	-70
Unutilised reversed provisions	-64	-259
Provisions in acquired companies		3
Translation difference	-35	20
At the end of the year	**424**	**419**
Other		
At the beginning of the year	29	155
Provisions for the year	35	35
Utilised provisions	-28	-35
Unutilised reversed provisions	-1	-133
Reclassified to liabilities attributable to assets held for sale	-11	
Reclassifications	0	8
Translation difference	-0	0
At the end of the year	**23**	**29**
Total current provisions	**447**	**448**

Note 23, cont.

Nature and maturity structure of provisions

Guarantee commitments

Provisions relate to guarantee commitments for work carried out. Provision for guarantees start to be estimated when a service is completed or an item is transferred to a customer. In order to estimate amounts, historical data relating to repairs and exchanges in mainly used. The guarantee periods extend over two to ten years for non-current provisions and over one year for current provisions.

Other provisions

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

Parent company

Provisions, current

SEKm	2020	2019
Other		
At the beginning of the year	328	140
Provisions for the year	18	333
Utilised provisions	-306	-28
Unutilised reversed provisions		-132
Exchange effect	-30	-2
Reclassifications		18
At the end of the year	**10**	**328**

None of the parent company's provisions relate to provisions for subsidiaries and associates, while in 2019 these provisions amounted to SEK 317m.

Note 24 Accrued expenses

Group

SEKm	2020	2019
Personnel costs	626	801
Customer bonus	17	15
Sales commission	8	13
Other	172	246
	823	**1,076**

Parent company

SEKm	2020	2019
Personnel costs	41	29
Other	6	15
	46	**44**

Note 25 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:

- liquidity 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

Although the Group has no central treasury management function, Ratos's head office assists the subsidiaries with overall financial matters. The board of each subsidiary adopts its financial policy.

The Group endeavours 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 for the shareholders is satisfactory.

Liquidity risks

Definition

The risk that a company may experience difficulties in meeting obligations associated with financial liabilities settled using cash or another financial asset.

Current liquidity risks

The parent company is normally unleveraged but must have a binding loan commitment from a bank. Pledging shares or other assets as collateral for own commitments or for commitments of the holding's or a third party may be performed following a Board decision. The parent company may not issue guarantees with any lender for the commitments of the holding or a third party. Guarantees relating to provision of equity capital may be provided following a Board decision.

The parent company has a credit facility of SEK 1 billion including a bank overdraft facility. The purpose of the facility is to be able use it as needed for bridge financing. In addition, the parent company has an authorisation from the Annual General Meeting to issue shares in conjunction with agreements on acquisitions; see also Note 18 Equity management.

Every subsidiary manages its own financing. At 31 December 2020, the Group's interest-bearing liabilities to credit institutions amounted to SEK 2,813m (5,144). Total unutilised credit facilities amounted to SEK 2,820m (2,352).

Loan agreements in subsidiaries normally contain financial key figures known as covenants. 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 12 months, the liability is classified as current.

Note 25, cont.

Maturity structure for financial liabilities
The following anticipated maturity structure is shown for the Group's financial liabilities at 31 December 2020, 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 (closing day rate). The maturity analysis does not include liabilities relating to synthetic options. Synthetic options have established maturity dates, but depending on terms or conditions, such as the divestment of companies, the date of maturity may vary. At 31 December 2020, the Group's liabilities for synthetic options amounted to SEK 173m (241).

Maturity structure for financial liabilities

31 Dec 2020

SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	1,058	178	842	930	5	3,013
Financial lease liabilities	817	726	668	597	4,077	6,885
Other interest-bearing liabilities	5	4	119		4	131
Trade payables	1,843					1,843
Put options					463	463
Contingent considerations	10	10	1			20
Forward contracts						
– outflow	801					801
– inflow	-768					-768
Total	**3,765**	**917**	**1,630**	**1,527**	**4,549**	**12,388**

31 Dec 2019

SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	1,452	765	1,223	928	1,159	5,526
Financial lease liabilities	883	757	686	605	3,177	6,108
Other interest-bearing liabilities	17	1	1	123	8	150
Trade payables	2,818					2,818
Put options					500	500
Contingent considerations	7	7	13	1		28
Forward contracts						
– outflow	219					219
– inflow	-214					-214
Total	**5,182**	**1,530**	**1,924**	**1,656**	**4,844**	**15,136**

Note 25, cont.

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 contract assets, and relates to customers failing to meet their payment commitments.

Current financial credit risks

In order to reduce the parent company's financial credit risk and provide the parent company with a high level of preparedness for investments, cash and cash equivalents are invested in banks or fixed-income securities with low interest rate risk, low credit risk and high liquidity. In addition to placing cash and cash equivalents in bank accounts or deposit accounts with 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 independent valuation institutes. The duration of investments of securities may not exceed six months except for securities issued by the Kingdom of Sweden where treasury bills may have a maximum duration of 12 months and government bonds a maximum of 24 months. At 31 December 2020, cash and cash equivalents in the parent company amounted to SEK 1,166m (1,607).

At 31 December 2020, cash and cash equivalents in the Group amounted to SEK 2,826m (3,219). During 2020, there were no credit losses from investments of cash and cash equivalents.

Current commercial credit risks

The parent company does not have any trade receivables or contract assets. The Group has trade receivables and contract assets that are within the scope of the model for expected credit losses. Cash and cash equivalents are also within the scope of impairment in accordance with IFRS 9, but the impairment in question is not considered material.

The carrying amount of the Group's trade receivables and contract assets, in the statement of financial position, reflects maximum exposure to credit risk. 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.

Due to its industry spread, combined with its global operations, the Group has no significant concentration on individual customers. The Group applies the simplified approach for calculating expected credit losses. The method means expected losses over the entire lifetime of the receivable are used as a basis for trade receivables and contract assets.

To calculate expected credit losses, each subsidiary applies its own impairment model for trade receivables and contract assets based on assumptions and historical information. This includes a customer's payment history, loss history and current and forward-looking information on macroeconomic factors that may influence the customer's ability to pay. The historical level of losses is adjusted on the basis of anticipated changes to these factors.

Trade receivables and contract assets are grouped on the basis of credit risk characteristics and the number of days delay. Contract assets relate to not yet invoiced work and in all material respects have the same risk characteristics as already invoiced work for the same type of contract. The Group is therefore of the opinion that loss levels for trade receivables offer a reasonable estimate of loss levels for contract assets.

Based on this, loss provisions for trade receivables and contract assets are based on the following:

31 Dec 2020

SEKm	Not overdue	Overdue 0–60 days	Overdue 61–180 days	Overdue 181–365 days	Overdue more than one year	Total
Recognised trade receivables – gross	1,159	280	400	122	204	2,165
Expected loss level, %	0%	0%	2%	5%	6%	1%
Provisions for credit losses	**0**	**-1**	**-7**	**-6**	**-11**	**-25**
Recognised contract assets – gross	429					
Expected loss level, %	0%					
Provisions for credit losses	**0**					

31 Dec 2019

SEKm	Not overdue	Overdue 0–60 days	Overdue 61–180 days	Overdue 181–365 days	Overdue more than one year	Total
Recognised trade receivables – gross	1,923	623	257	47	114	2,964
Expected loss level, %	0%	1%	4%	17%	14%	2%
Provisions for credit losses	**-6**	**-7**	**-10**	**-8**	**-16**	**-46**
Recognised contract assets – gross	548					
Expected loss level, %	0%					
Provisions for credit losses	**0**					

Note 25, cont.

Changes to loss provisions during the year are specified below:

	Contract assets		Trade receivables	
SEKm	2020	2019	2020	2019
Opening balance, 1 January	**0**	**0**	**-46**	**-54**
Less assets held for sale			17	
Changes to loss provisions recognised in profit or loss			-3	-6
Receivables written off during the year			-1	3
Reversal of unutilised amount			9	12
Exchange differences			-2	0
At 31 December	**0**	**0**	**-25**	**-46**

Each subsidiary determines when a receivable has an increased credit risk based on late payment or if other factors indicate a diminished ability to pay. Impairment is recognised on trade receivables and contract assets taking into account customers' ability to pay when there is no longer an expectation that payment will be received and active efforts to receive payment have been terminated. The impairment of trade receivables recognised in profit or loss amounted to SEK 1m (8).

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 and risk management strategy. In the event that the fixed-interest period has changed, interest rate swaps are used.

At 31 December 2020, the Group had no interest rate swaps.

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 28m (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 may typically only be made in Swedish currency. Normally, currency hedging is not applied to shares, shareholder loans or similar balance sheet items in the parent company. Transaction exposure ahead of an acquisition or disposal of a foreign company can be currency hedged.

The Group manages its currency risks in accordance with the financial policy and risk management strategy 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 32m (3) at 31 December 2020. Of this amount, SEK 1m (2) is recognised in the statement of financial position as assets and SEK 33m (5) as liabilities. The amount recognised on forward contracts that are hedge accounted amounted to SEK 19m (3), of which SEK 1m (2) is recognised as an asset and SEK 21m (5) as a liability. In the Group, hedges are used for net investments in foreign operations.

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

	EUR		NOK		DKK		GBP		USD		SEK	
SEKm	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Trade receivables	256	293	54	47	17	16	66	46	257	447	51	53
Other receivables	106	239	1		14	30	118	134	246	353	10	15
Liabilities to credit institutions	-589	-692	-90	-98	1	0	-190	-426	-262	-419	-360	-804
Trade payables	-203	-210	-20	-24	-37	-59	-71	-36	-195	-372	-50	-80
Currency exposure financial assets and liabilities	**-430**	**-370**	**-55**	**-75**	**-6**	**-13**	**-77**	**-281**	**46**	**10**	**-349**	**-816**
Forward contracts	-355	-14	62		-54	-2	108	110	-304	-168		
Exposure, net	**-785**	**-384**	**8**	**-75**	**-60**	**-14**	**30**	**-172**	**-258**	**-159**	**-349**	**-816**

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 106m (80). The greatest impact on profit, after net financial items, arises when liabilities to credit institutions are translated.

Note 26 Leases

Group

Leases

Of the total lease assets (right-of-use assets) of SEK 4,677m, 97% comprises land and buildings. Accordingly, only the terms and conditions of this type of lease asset is described. The Group's leases consist primarily of commercial premises, warehouse facilities and offices.

A property lease also normally includes one or several extension options. An extension option is included in the calculation if it is deemed likely that it will be exercised. Variable expenses, including value-added tax and property expenses, such as maintenance costs, electricity, heat and water, etc., are excluded from lease liability calculations to the extent they can be separated from the cost of rent. To calculate the lease liability (present value of future lease payments) pertaining to property, the rate implicit in the lease/incremental borrowing rate is used. The majority of leases include some form of indexing, normally the consumer price index. The companies have applied the exemption rule and thus not included low-value assets, meaning leases with a value under SEK 50,000 or USD 5,000 or the individual company's materiality level. The initial cost for right-of-use assets corresponds to the initial value of the lease liability less direct expenditure and obligations.

The leases have terms that vary between five and 20 years, but the majority have terms of ten to 15 years. Most of the leases give the companies a unilateral right to extend the lease term. Other leases give the companies an indirect right of tenure. The right to extend the lease can only be exercised by the companies and not by the lessor. The leases cannot be terminated prematurely. The leases may be extended multiple times after the end of the lease term and do not have a definitive end date, given that there are no obstacles to repeatedly extending the lease term. The companies expect that the leases for a small number of premises will be terminated prematurely and that the lease liability/asset will be adjusted since agreements have been reached to vacate the premises early. For 2020, the adjustment amounts were not material. The leases for other premises and land are not expected to be extended. Extension options are not included in most leasing liabilities/assets. The companies evaluate on a yearly basis whether or not it is reasonably certain that an extension option will be exercised.

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

Group

Income statement

SEKm	2020	2019	Included in the following line
Income from sub-leasing	33	33	Other operating income
Depreciation/amortisation and impairment for the year	-638	-648	Depreciation/amortisation and impairment of property, plant and equipment, intangibleassets and right-of-use assets
Costs pertaining to short-term leases	-15	-28	Other external costs
Costs pertaining to low-value leases	-1	-1	Other external costs
Costs pertaining to variable lease payments	-0	-0	Other external costs
Interest expenses	-255	-242	Financial expenses
Total impact on earnings, leases	**-876**	**-886**	

Statement of cash flows

SEKm	2020	2019	Included in the following line
Short-term leases, low-value leases and variable lease payments[1)]	-81	-113	Operating activities
Amortisation of financial lease liabilities	-673	-665	Financing activities
Interest paid on financial lease liabilities	-262	-251	Financing activities
Total impact on cash flow, leases[1)]	**-1,017**	**-1,029**	

1) Excluding the impact from sub-leasing

Note 26, cont.

Statement of financial position

SEKm	31 Dec 2020	31 Dec 2019
Non-current lease liability, interest-bearing	4,744	4,189
Current lease liability, interest-bearing	618	682
Total	**5,362**	**4,871**
Less liabilities attributable to assets held for sale	-208	
Reported according to statement of financial position	**5,155**	**4,871**

See Note 25 Financial risks and risk policy for the anticipated maturity date of the undiscounted financial lease liability value.

See Note 13 Right-of-use assets for right-of-use assets recognised in the statement of financial position.

Leases entered into with occupancy in 2021 or later

Speed Group signed leases for two properties. Occupancy in the properties will commence in the second quarter of 2021 and the term is 15 years with the right to terminate the lease after ten years. A preliminary forecast of the value in use is estimated at SEK 25m.

Sales and leasebacks

In 2019, Ratos AB sold its property, Lejonet 4, to the National Property Board of Sweden and entered into an agreement to lease back the office until 31 December 2021. The property is used as an office for Ratos. The sale and leaseback transaction provided Ratos with increased cash and cash equivalents in the form of the consideration received, while still retaining use of the office premises. The earnings from the transaction of SEK 8m are included in other operating income as a reduction in the capital gain. The capital gain totalled SEK 487m.

Note 27 Pledged assets and contingent liabilities

Group

Pledged assets

SEKm	2020	2019
Real estate mortgages	42	24
Chattel mortgages	163	179
Shares in Group companies	7,167	7,043
Other pledged assets	3,080	3,402
	10,453	**10,648**
Contingent liabilities	2,368	3,000

Of other pledged assets amounting to SEK 3,080m, HENT accounts for SEK 3,007m. This amount pertains to assets that HENT has pledged to the bank in the form of collateral in inventories, trade receivables and other operating assets.

Contingent liabilities arise as part of the Group's normal business activities, including in connection with the fulfilment of various contractual obligations. At year-end, there was no indication that any of the contingent liabilities would give rise to any payments. Of contingent liabilities amounting to SEK 2,368m, HENT accounts for SEK 1,799m and airteam for SEK 329m. HENT's contingent liabilities pertain to parent company guarantees that the company has made available to customers/suppliers as assurance that HENT's subsidiaries will meet their contractual obligations. airteam's contingent liabilities arose at the start of the project contract when the company issues guarantees in connection with contract documentation.

Parent company

The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 554m (609).

Note 28 Related party disclosures

Transactions with related parties are made on market terms.

Parent company

The parent company has a related party relationship with its Group companies. For more information, refer to Note 29. The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 554m (609), of which SEK 122m (135) pertains to associates.

The parent company's transactions with 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	Financial income	Other income	Capital contribution	Dividend
2020		5	288	175
2019	0	6	535	175

SEKm	Receivable	Provision	Liability	Contingent liability
31 Dec 2020	7		391	554
31 Dec 2019	10	317	674	609

During the year, Ratos provided a contribution of SEK 288m to Plantasjen. This amount was used to amortise existing loans.

Transactions with key persons in leading positions

Remuneration to senior executives and Board members is specified in Note 7.

Note 29 Participations in Group companies

Parent company

SEKm	2020	2019
Accumulated cost opening balance at 1 January	12,359	11,936
Investments	15	843
Wound up	–571	–420
At the end of the year	**11,803**	**12,359**
Accumulated impairment opening balance at 1 January	–4,589	–5,005
Wound up	388	416
At the end of the year	**–4,201**	**–4,589**
Value according to balance sheet	**7,602**	**7,770**

Based on the impairment tests that Ratos does annually, see Note 11, the possible indication of impairment of the recognised carrying amount of participations in Group companies is evaluated. No impairment took place in 2019 or 2020.

Subsidiary, Corp. Reg. No., registered office SEKm	**Number of shares**	**Owned share, %**	**31 Dec 2020**	**31 Dec 2019**	**Company**	**Owned share, %**
Directly owned companies						
Bisnode Business Information Group AB, 556681-5725, Stockholm [5)]	84,263,330	70	1,897	1,897		
Owner companies of holdings						
Blomster Intressenter AB, 559077-8675, Stockholm	50,000	100	1,084	1,103	Plantasjen[4)]	98
HL Intressenter AB, 556809-4402, Stockholm	50,000	100	566	566	HL Display[4)]	98
Kelly Intressenter 1 AB, 556826-5705, Stockholm	50,000	100	345	345	Kvdbil	100
Kompositkärnan Förvaltning AB, 556777-2271, Stockholm	100,000	100	933	910	Diab	96
Medcro Holding AB, 559026-2019, Stockholm	50,000	100	423	423	TFS[3)]	100
Miehdnort AB, 556801-4731, Stockholm	100,000	100	314	314	HENT	73
NCS Intressenter AB, 556801-8435, Stockholm	100,000	100	699	693	Aibel[1)]	32
Noiro Holding AB, 556993-7104, Stockholm	50,000	100	492	491	LEDiL	66
Outdoor Intressenter AB, 559067-2456, Stockholm	50,000	100	195	195	Oase Outdoors[4)]	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	339	335	airteam	70
Other companies						
EMaint AB, 556731-5378, Stockholm	100,000	100	23	23		
GS Intressenter AB, 559067-2415, Stockholm[2)]				160		
Quartzin Intressenter AB, 556835-3824, Stockholm[2)]				23		
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6	6		
			7,602	**7,770**		

1) NCS Intressenter AB owns 64% of the shares in NCS Invest AB where the remaining 36% of the shares are owned by the Sixth AP Fund. NCS Invest in turn owns 49% of the shares in Aibel Holding I AS, Corp. Reg. No. 992241883, Sandnes, Norway. Ratos's direct holding in Aibel therefore amounts to 32%.
2) Wound up during the year.
3) Medcro Holding AB owns 100% of the shares in Medcro Interessenter AB which in turn owns 100% of the shares in TFS.
4) Owned share refers to ordinary shares.
5) The company was divested in early 2021.

Note 30 Cash flow statement

SEKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Dividends received	1	14	176	176
Interest received	6	13	0	0
Interest paid	-439	-465	-3	-4

Adjustment for non-cash items

SEKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Share of profit from investments recognised according to the equity method	-44	-137		
Capital gains/losses	-3	-488	-134	-506
Depreciation/amortisation and impairment of assets	1,242	1,194	0	2
Unrealised exchange differences	-8	5	7	-1
Provisions, etc.	144	-28	30	36
Adjustment for non-cash items	**1,332**	**547**	**-96**	**-470**

Cash and cash equivalents

SEKm	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Cash and bank balances – attributable to continuing operations	2,826	3,219	1,166	1,607
Cash and bank balances – attributable to discontinued operations	356			
Cash and cash equivalents	**3,182**	**3,219**	**1,166**	**1,607**

Unutilised credit facilities

Unutilised credit facilities amount to SEK 2,820m (2,352) for the Group and SEK 1,000m (1,000) for the parent company.

Divested companies – Group

SEKm	2020	2019
Intangible assets		28
Property, plant and equipment		3
Financial assets		3
Deferred tax assets	0	
Inventories		5
Current receivables	1	57
Cash and cash equivalents	1	-1
Total assets	**2**	**94**
Non-controlling interests	0	
Current liabilities and provisions	2	48
Total liabilities	**2**	**48**
Consideration transferred	3	114
Less:		
Purchase promissory note		-18
Contingent consideration	0	-4
Cash and cash equivalents in the divested company	-1	1
Effect on Group's cash and cash equivalents	**2**	**94**

Acquired companies – Group

SEKm	2020	2019
Intangible assets	66	73
Property, plant and equipment		8
Current receivables	0	33
Cash and cash equivalents		4
Total assets	**66**	**117**
Non-current liabilities and provisions		6
Deferred tax liabilities		4
Current liabilities and provisions	13	88
Total liabilities	**13**	**98**
Net identifiable assets and liabilities	53	19
Goodwill		104
Consideration transferred	53	123
Less:		
Provision contingent consideration	-15	-41
Cash and cash equivalents in the acquired operations		-4
Paid contingent consideration		14
Effect on Group's cash and cash equivalents	**38**	**93**

Note 30, cont.

Changes in liabilities attributable to financing activities – Group

SEKm	Opening balance 1 January 2020	Cash flow: Borrowings	Cash flow: Amortisation	Cash flow: Option premiums paid	Cash flow: Repurchase/ final settlement options	Non-cash effect changes: Reclassifications	Non-cash effect changes: Change in exchange rates	Non-cash effect changes: Other changes	Non-cash effect changes: Less liabilities attributable to assets held for sale	Closing-balance 31 December 2020
Liabilities to credit institutions, non-current	3,803	11	-96			-1,770	-151	11		1,808
Liabilities to credit institutions, current	1,341	700	-1,667			1,770	-46	-16	-1,078	1,005
Financial lease liabilities	4,871		-673				-224	1,388	-208	5,155
Convertible debentures	35	20				-2		1		54
Other interest-bearing liabilities[1]	371	64	-68	3	-39		-12	205	-206	317
Total liabilities from financing activities	**10,422**	**795**	**-2,504**	**3**	**-39**	**-2**	**-432**	**1,590**	**-1,492**	**8,340**

SEKm	Opening balance 1 January 2019	Cash flow: Borrowings	Cash flow: Amortisation	Cash flow: Option premiums paid	Cash flow: Repurchase/ final settlement options	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 31 December 2019
Liabilities to credit institutions, non-current	4,009	104	-299			66	-198	77	45	3,803
Liabilities to credit institutions, current	1,528	1,087	-1,500				198	22	5	1,341
Financial lease liabilities	683		-665					-79	4,932	4,871
Convertible debentures	16	20					-2		1	35
Other interest-bearing liabilities[1]	285	103	-80	6	-27			4	81	371
Total liabilities from financing activities	**6,520**	**1,314**	**-2,544**	**6**	**-27**	**66**	**-2**	**24**	**5,064**	**10,422**

[1] In addition to the above, contingent considerations of SEK 20m (28) are also included in other interest-bearing liabilities, which amount to a total of SEK 338m (399).

Note 31 Key estimations and assessments

Ratos's financial statements are prepared in accordance with IFRS. This requires management to make assessments, estimations and assumptions that affect the application of accounting principles and the recognised amounts of assets, liabilities, income and expenses. Estimations and assessments are based on historical experience, external information and assumptions which management regards as reasonable under prevailing circumstances. Changed assumptions can result in adjustments to 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.

Key sources of uncertainty in estimations are shown below.

Key sources of uncertainty in estimations

Testing of subsidiaries and associates, including goodwill

The value of subsidiaries and associates, including goodwill, is tested annually by calculating a recoverable amount, meaning the higher of value in use or fair value with deduction for selling costs for each company. Calculation of these values requires a number of assumptions on future conditions and estimations of parameters such as profit multiples and future profitability levels. A description of this procedure is provided in Note 11. Future events and new information can change these assessments and estimations.

Percentage of completion of projects

With respect to construction contracts, Ratos recognises revenue over time, applying the percentage of completion method. A basic condition for assessing the percentage of completion is that project revenue and project costs can be reliably determined. Reliability requires that the companies' project management systems are followed and their project management has the necessary qualities. The assessment of project revenue and project costs is based on a number of estimations and assessments that are dependent on the project management team's experience and knowledge regarding project management, education and previous project management experience. Due to the use of assessments, the final results may differ from the gradually accrued earnings.

Note 32 Contract assets and contract liabilities

SEKm	2020	2019
Contract assets		
Construction contracts	359	475
Other assets	69	73
Total current contract assets	**429**	**548**
Contract liabilities		
Other contract liabilities	3	15
Total non-current contract liabilities	**3**	**15**
Construction contracts	646	363
Other contract liabilities	212	867
Total current contract liabilities	**859**	**1,230**
Date for recognition of non-current contract liabilities		
Other contract liabilities		
Within 1–3 years	3	15
Total non-current contract liabilities	**3**	**15**
Contract liabilities included in the opening balance, recognised as income during the year		
Construction contracts	259	201
Other contract liabilities	656	631
Total contract liabilities recognised as income	**914**	**832**

Backlog of orders

Of Ratos's four largest subsidiaries in terms of sales, HENT had a backlog of orders amounting to NOK 15.6 billion at 31 December 2020 (NOK 15 billion at 31 December 2019). Approximately 45% of the backlog of orders is expected to be recognised in income in 2021 and the rest in 2022–2025. Diab had a backlog of orders of SEK 0.3 billion at 31 December 2020 (SEK 0.4 billion at 31 December 2019), which is expected to be fully recognised in income in 2021.

The backlog of orders relating to the other two subsidiaries (HL Display and Plantasjen) does not exceed 12 months.

Significant changes to contract assets and contract liabilities

The change in current contract assets and contract liabilities attributable to construction contracts pertains to HENT. Given the nature of HENT's operations, which comprise construction contracts, a certain degree of variation in these items is expected between the periods, since the items are dependent on the progress and invoicing in projects in progress. The decrease in other current contract liabilities is primarily due to the fact that Bisnode's liabilities are not included in this item for 2020 since they are classified as liabilities attributable to assets held for sale.

Loss provision for contract assets

Contract assets are within the scope of the model for expected credit losses. See the section on credit risk in Note 25 for a description and calculation of the loss provision.

Construction contracts

Construction contracts are recognised as revenue according to the stage of completion of the project in accordance with IFRS 15. Refer to Note 1 Accounting principles and Note 3 Revenue recognition.

Income statement

SEKm	2020	2019
Contract revenue	9,975	10,614
Net profit	926	854

Statement of financial position

Receivables from customers for assignments under a construction contract

SEKm	2020	2019
Contract revenue	13,638	15,118
Billing	-13,279	-14,643
Total receivables from customers	**359**	**475**
Of which, current contract receivables	359	475

Liabilities to customers for assignments under a construction contract

SEKm	2020	2019
Billing	-11,109	-15,893
Contract revenue	10,017	14,972
Total liabilities to customers	**-1,092**	**-921**
Of which, current contract liabilities	-646	-363

Note 33 Discontinued operations and assets held for sale

Bisnode

In October, Ratos signed an agreement to divest its 70% holding in Bisnode, excluding its operations in Belgium, to Bisnode's partner Dun & Bradstreet. The transaction was completed in early 2021.

The holding in Bisnode is therefore classified as held for sale and as a discontinued operation for the 2020 financial year, and the 2019 financial year has been restated. Bisnode is presented as a separate amount in the consolidated income statement but is included in full in the consolidated statement of cash flows. In the consolidated statement of financial position, Bisnode is classified as held for sale and related assets and liabilities are therefore presented on two separate rows in the consolidated balance sheet for the 2020 financial year while the 2019 financial year is unchanged.

Income statement

SEKm	2020	2019
Net sales	3,673	3,776
Expenses and other operating income, net	-3,200	-3,311
Operating profit	**473**	**465**
Financial items, net	-72	-121
Profit after financial items	**401**	**344**
Taxes	-131	-95
Net profit from discontinued operations	**269**	**247**
Attributable to		
Owners of the parent	189	173
Non-controlling interests	81	75
Profit for the year	**269**	**247**
Earnings per share, SEK		
– Basic earnings per share	0.59	0.54
– Diluted earnings per share	0.59	0.54

Statement of financial position

SEKm	31 Dec 2020
ASSETS	
Non-current assets	
Goodwill	4,206
Other intangible assets	721
Property, plant and equipment	36
Right-of-use assets	187
Financial assets	24
Deferred tax assets	213
Total non-current assets	**5,387**
Current assets	
Current receivables	715
Cash and cash equivalents	356
Total current assets	**1,072**
Assets held for sale	**6,458**
LIABILITIES	
Interest-bearing	689
Non-interest bearing	158
Total non-current liabilities	**848**
Interest-bearing	1,358
Non-interest bearing	1,295
Total current liabilities	**2,653**
Liabilities attributable to assets held for sale	**3,500**

Statement of cash flows

SEKm	2020
Cash flow from operating activities	655
Cash flow from investing activities	-224
Cash flow from financing activities	-192
Change in cash and cash equivalents	**238**

Note 34 Events after the reporting period

Divestment of Bisnode

In January 2021, Ratos completed the divestment of its 70% holding in Bisnode, excluding its operations in Belgium, to Bisnode's partner Dun & Bradstreet. The equity value for Ratos's holding of 70%, as communicated earlier, was SEK 3,900m, yielding a consolidated capital gain of approximately SEK 1,900m. 25% of the consideration was invested in shares in Dun & Bradstreet, which is listed on the New York Stock Exchange, corresponding to approximately 1% of shares outstanding.

New financial targets

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

Ratos decided on the following financial targets:

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

Net leverage
Target: Net debt in relation to EBITDA should normally range from 1.5 to 2.5x, excluding financial lease liabilities. The target includes the cash balances of Ratos's parent company.

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

No other significant events have occurred since the end of the financial year that are expected to have a material impact on the consolidated financial statements.

Note 35 Exchange rates

Average rates

SEK	2020	2019
Danish kronor, DKK	1.407	1.418
Euro, EUR	10.487	10.589
Norwegian kronor, NOK	0.979	1.075

Closing day rates

SEK	31 Dec 2020	31 Dec 2019
Danish kronor, DKK	1.349	1.397
Euro, EUR	10.038	10.434
Norwegian kronor, NOK	0.955	1.058

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 2020 comprise the parent company and its Group companies. The Group also includes the owned shares in investments recognised according to the equity method.

The Board of Directors' and CEO's certification

The consolidated financial statements and annual accounts have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of international financial reporting standards and generally accepted auditing standards, and give a true and fair view of the parent company's and Group's financial position and results of operations. The statutory 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, 17 February 2021

Per-Olof Söderberg
Chairman

Ulla Litzén
Board member

Eva Karlsson
Board member

Karsten Slotte
Board member

Jan Söderberg
Board member

Jonas Wiström
Board member,
CEO

The annual accounts and the consolidated financial statements were approved for publication by the Board on 17 February 2021. 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 10 March 2021.

Our audit opinion was submitted the date as evidenced by our digital signature

Ernst & Young AB

Erik Sandström
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ratos AB (publ) except for the corporate governance statement on pages 45–51 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 40–113 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 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 2020 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 45-51. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and the statement of financial position for the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements..

Valuation of Goodwill and shares in subsidiaries

Description	How our audit addressed this key audit matter
Goodwill amounts to 7.0 billion SEK in the consolidated statement of financial position and shares in subsidiaries amounts to 7.6 billion SEK in the parent company's balance sheet at year end. As disclosed in Note 11, the goodwill value is tested annually, or as soon as indicators of impairment are identified, by calculating the recoverable amount and comparing it to the carrying value. Shares in subsidiaries are assessed for impairment indicators regularly and if indicators are identified the assets recoverable amount is calculated. The impairment tests for 2020 did not result in any impairment. As stated in Note 11, the recoverable amount is determined as the value in use or the fair value less cost to sell. Significant estimates in the calculation of value in use are, amongst others, expected future earnings, growth and discount rate. Also valuation to fair value requires estimates on profit multiple and EBITA forecast. Due to the estimates and judgments required to prepare the impairment test and due to the size of the carrying amounts we have assessed the valuation of goodwill in the Group, and shares in subsidiaries in the parent company, to be a key audit matter.	In our 2020 audit we have evaluated the Group's, and the parent company's, process to prepare impairment tests and to identify cash generating units. We have audited the significant estimates used in the impairment test by, among other procedures, comparing them to historical outcome, forecasts and to peer companies. We have also performed sensitivity analyses for changes in key estimates. We have involved internal valuations specialists in performing our audit procedures and to evaluate the valuations models that have been used. Finally, we have assessed the appropriateness of the disclosures in the annual report.

Revenues from construction contracts recognized over time

Description	How our audit addressed this key audit matter
In 2020 revenues from construction contracts recognized over time amounted to 10.0 billion SEK. Revenues from construction contracts are recognized based on percentage of completion, which is calculated as the cost incurred compared to total estimated cost for each project. The accounting principles are disclosed in Note 3. Revenue recognition over time requires estimates and judgments in order to determine the total project cost and the value of the ongoing construction contracts. Key estimations and assessments are disclosed in Note 31. Due to the estimates and judgments required in order to calculate the percentage of completion and the fact that revenues from construction contracts recognized over time is a significant part of the company's revenues, we have assessed that this constitutes a key audit matter..	In our 2020 audit we have evaluated the company's revenue recognition process for construction contracts. We have audited significant contracts and the revenue recognized based on the criteria in IFRS 15. In addition, we have for a sample of projects, and for significant projects, tested the company's estimate of each project's total cost, percentage of completion and revenue recognition. Finally, we have assessed the appropriateness of the disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–39 and 119–128. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

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 2020 and the proposed appropriations of the company's profit or loss.

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

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

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

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

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

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 45–51 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´ s auditing standard RevR 16 The auditor´ s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Ratos AB by the general meeting of the shareholders on the 1st of April 2020 and has been the company's auditor since the 8th of May 2019.

Stockholm, date as evidenced by our digital signature

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Additional information

Contents

Detailed information on sustainability

This section contains detailed information that complements the description of Ratos's sustainability efforts on pages 12–21. Ratos's materiality analysis and additional information about Ratos's sustainability efforts in the parent company are presented in this section. Finally, this section also includes a report on Ratos's investment process in the acquisition of new companies and a follow-up of the sustainability efforts of Ratos's companies.

Significant sustainability aspects and our stakeholders

Stakeholder dialogues

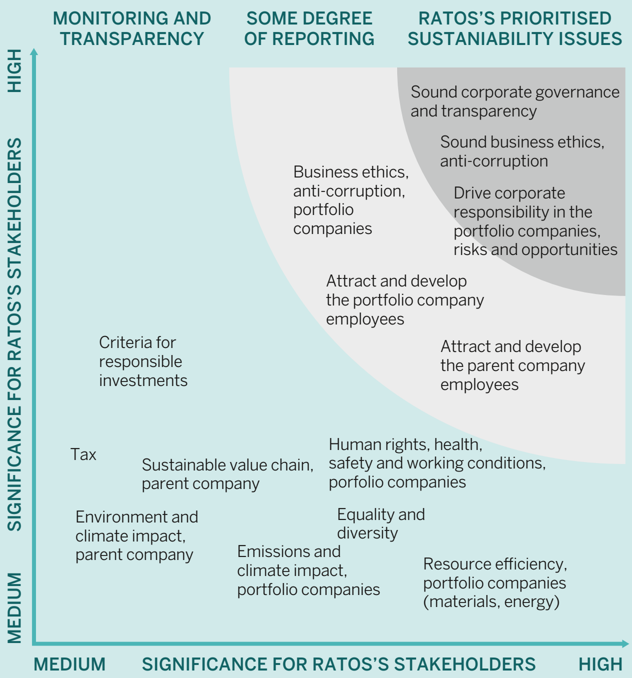
Ratos's most significant sustainability issues are identified through intelligence gathering, industry analysis, risk mapping and stakeholder dialogues. Combined, these analyses and dialogues form Ratos's materiality analysis. Based on the most significant aspects, Ratos defines goals and action plans to drive and develop the sustainability agenda and strengthen long-term value creation. Ratos's latest materiality analysis was carried out in 2016 and was discussed among Ratos's management group in 2018. Since 2018, we have defined climate and equal opportunities as material issues.

Stakeholder dialogues

STAKEHOLDERS	METHOD OF INTERACTION [1]
Employees at Ratos	• Interviews with representatives in connection with stakeholder dialogues • Staff meetings, performance reviews • Structured discussion groups focusing on Ratos's values, corporate culture, processes and future development
Employees of Ratos's companies	• Interviews with representatives in connection with stakeholder dialogues • Meetings within Ratos's annual functional forum (CEO, CFO, HR, Sustainability, etc.)
The companies' management groups and board members	• Interviews with representatives in connection with stakeholder dialogues • Group-wide assessment of the work of the boards
Owners and investors	• Interviews with representatives in connection with stakeholder dialogues • Participation in surveys from/or dialogues with organisations such as CDP, RobecoSAM, Vigeo and Sustainalytics • General meetings • Dialogues and individual meetings
Experts	• Interviews in connection with stakeholder dialogues • Discussions as needed

[1] A total of 17 individuals were interviewed during stakeholder dialogues in 2016.

Materiality analysis (2016)



About Ratos's sustainability report

Ratos reports in accordance with the Global Reporting Initiative (GRI), and this year's report follows the GRI Standards: Core option (see pages 122–123 for GRI Index). The company's statutory sustainability report in accordance with the Swedish Annual Accounts Act is presented on pages 10–21, 26–37 and 119–123. As of 2015, Ratos submits its sustainability report to the Global Compact as its Communication on Progress (COP).

Ratos's parent company

Employees

As a parent company, Ratos endeavours to promote a good work-life balance. For example, the option exists to adapt working hours to the requirements of the individual or to work from home. Ratos also invests in its employees' health by offering medical and health insurance, preventive health exams and fitness subsidies. Parental leave is encouraged, and provisions are in place to give those on parental leave a smooth transition when returning to work.

Ratos organises a number of activities each year in order to strengthen the sharing of experience and expertise in the Ratos Group. Talent development is addressed at annual performance reviews in Ratos's parent company. In 2020, performance reviews were held with all of the employees in the parent company.

Work environment in the parent company

Ratos's efforts to create a good work environment are based on the Group's Work Environment Policy. This extends to all physical and social conditions of significance in the work environment. Ratos's CEO has the ultimate responsibility for the work environment and the day-to-day work is carried out by the work environment team. Discussing the work environment is a standing item on the agenda of Ratos's monthly management group meetings. Issues concerning the psychosocial work environment of the employees (of the parent company) as well as discrimination and harassment are included in Ratos's annual employee satisfaction survey. In 2020, the employee survey was expanded to include questions about work environment related to the Covid-19 pandemic and whether it has impacted workloads and well-being.

Sick leave is generally low and was under 0.24% (0.18) during the year.

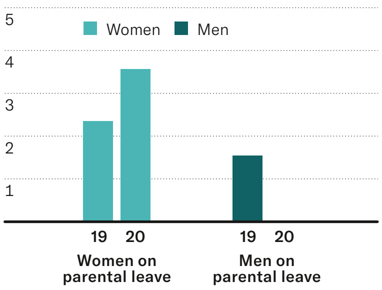
Employees, type and function at Ratos's head office as of 31 December 2020

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]	9	43	12	57	3	9	9
Management group	1	14	6	86		4	3
Organisation	8	57	6	43	3	5	6
Total [2]	**9**		**12**				
Ratos's Board of Directors	2	33	4	67			6
Employees who have resigned			2			1	1
New employees			1				1

[1] All full-time employees but one. During the year, Ratos had one intern with a fixed-term contract of around six months.
[2] Refers to the number of employees who receive remuneration from Ratos AB and centrally administered companies.

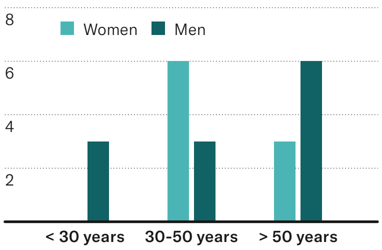
Average parental leave 2020

Number of months of parental leave, Ratos's head office



Age distribution 2020

Number of permanent employees per age category, Ratos's head office



Ratos's investment process

Sustainability is a part of Ratos's thorough due diligence when acquiring companies. The due diligence process looks at the sustainability-related risks, opportunities, maturity and work of the company in question. The assessment forms part of Ratos's documentation ahead of the investment decision and provides a recommendation for continued corporate governance.

Ratos does not invest in companies that operate in the arms industry, contribute to environmental damage, produce or actively supply pornography, or manufacture tobacco products. When new investments are assessed, Ratos takes a stand against breaches of international conventions. The guiding principle at Ratos is to avoid investing in companies that systematically contribute to violating human rights, the fundamental rights of employees or corruption.

A follow-up of the companies' sustainability efforts

Ratos's requirements and expectations in terms of the companies' sustainability efforts are based on international conventions, relevant legislation as well as Ratos's Policy for Sustainability and Responsible Investments, the Environmental Policy and the Code of Conduct.

How Ratos's companies live up to Ratos's requirements and expectations is presented in the table below.

	Code of Conduct	Environmental Policy	External whistleblowing system	CO_2 reporting	Sustainability reporting in accordance with GRI[1)]
Aibel	Yes	Yes	Yes	Yes	Yes
airteam	Yes	Yes	Yes	No	Yes
Bisnode	Yes	Yes	Yes	Yes	Yes
Diab	Yes	Yes	Yes	Yes	Yes
HENT	Yes	Yes	Yes	Yes	Yes
HL Display	Yes	Yes	Yes	Yes	Yes
Kvdbil	Yes	Yes	Yes	Yes	No
LEDiL	Yes	Yes	Yes	Yes	No
Oase Outdoors	Yes	Yes	Yes	No	Yes
Plantasjen	Yes	Yes	Yes	Yes	Yes
Speed Group	Yes	Yes	Yes	Yes	Yes
TFS	Yes	Yes	Yes	Yes	Yes

1) All companies issue a sustainability report, ten companies in accordance with the GRI Standards: Core option.

GRI Index

Ratos's sustainability reporting refers to the 2020 calendar year. The figures presented are from 1 January 2020 until 31 December 2020 unless otherwise specified. This report has been prepared in accordance with the GRI Standards: Core option. This is Ratos's sixth sustainability report according to GRI and Ratos intends to report annually.

In line with Ratos's signing of the UN Global Compact (UNGC), Ratos submits a Communication on Progress (COP) every year that presents its work with UNGC's ten principles. COP information can be found in Ratos's 2020 Annual Report. The reporting of Ratos's significant aspects and topic-specific disclosures are largely limited to Ratos's parent company. The guidance on the aspects and indicators 205-1 and FS10 encompass both the parent company and holdings.

All calculations of energy and carbon emissions are comparisons between the financial years 2017 and 2020, with 2016 as the base year for environmental data. Information is obtained from third-party suppliers, unless specified otherwise. All calculations regarding the environment are based on the GHG Protocol.

GRI Index

Compliance: ● Full ● Partial

Standard & Title		Page	Comments	UNGC principles	Compliance
GRI 102: GENERAL DISCLOSURES 2016					
Organisational profile					
102-1	Name of the organisation	3, 128			● Full
102-2	Activities, brands, products and services	3			● Full
102-3	Location of headquarters	128			● Full
102-4	Location of operations	1, 26–37, 128			● Full
102-5	Ownership and legal form	22–23			● Full
102-6	Markets served	1, 3, 26–37			● Full
102-7	Scale of the organisation	2, 3, 12			● Full
102-8	Information on employees and other workers	12.18, 120	Only encompasses Ratos's headquarters.		● Full
102-9	Supply chain	3, 24			● Full
102-10	Significant changes to the organisation and its supply chain	3, 24			● Full
102-11	Precautionary Principle or approach	122–123	We apply the precautionary principle by focusing on climate reporting and environmental policy in the companies.	7	● Full
102-12	External initiatives	12–13			● Full
102-13	Membership of organisations	122	The Confederation of Swedish Enterprise, Swedish Investors for Sustainable Development (SISD).		● Full
Strategy					
102-14	Statement from senior decision-maker	6–8			● Full
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	10–11, 15			● Full
Governance					
102-18	Governance structure	6–8, 9, 14, 45–51			● Full
Stakeholder engagement					
102-40	List of stakeholder groups	119			● Full
102-41	Collective bargaining agreements	122	Ratos has not entered into any collective agreements.	3	● Full
102-42	Identifying and selecting stakeholders	119			● Full
102-43	Approach to stakeholder engagement	119			● Full
102-44	Key topics and concerns raised	119	Omissions: Not possible to report results divided into each stakeholder group due to inadequate data collection by third-party provider.		● Partial

GRI Index

Compliance: 🟢 Full 🟡 Partial

Standard & Title		Page	Comments	UNGC principles	Compliance
Reporting practice					
102-45	Entities included in the consolidated financial statements	3, 4, 40, 107			🟢
102-46	Defining report content and topic Boundaries	119			🟢
102-47	List of material topics	119			🟢
102-48	Restatements of information	124	No changes.		🟢
102-49	Changes in reporting	124	No changes.		🟢
102-50	Reporting period	124	2020.		🟢
102-51	Date of most recent report	123	2 April 2019.		🟢
102-52	Reporting cycle	123	Yearly.		🟢
102-53	Contact point for questions regarding the report	123	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	119, 123	Core option.		🟢
102-55	GRI content Index	122–123			🟢
102-56	External assurance	124			

Material topics, guidance and topic-specific disclosures

Compliance: 🟢 Full 🟡 Partial

Standard	Title	Page	Comments	UNGC principles	Compliance
GRI 200: ECONOMIC STANDARD SERIES					
GRI 103: Management Approach 2016	103-1 – 103-3 Management Approach	15		10	🟢
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	15		10	🟢
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	15		10	🟢
GRI 300: ENVIRONMENTAL STANDARD SERIES					
GRI 103: Management Approach 2016	103-1 – 103-3 Management Approach	16		8-9	🟢
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	16		8	🟢
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	16		8	🟢
GRI 400: SOCIAL STANDARD SERIES					
GRI 103: Management Approach 2016	103-1 – 103-3 Management Approach	15, 18, 120		1-6	🟢
GRI 401: Employment 2016	401-3 Parental leave	120	Omissions: Retention rates not reported due to limitations in the current system.	6	🟡
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programmes	120		6	🟢
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	120		6	🟢
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	18, 120		6	🟢
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	15		6	🟢
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	15		1-6, 10	🟢
GRI G4: SECTOR DISCLOSURES					
GRI Financial Services	FS6 Percentage of portfolio divided into region, size and sector	3, 24-25		1-9	🟢
GRI Financial Services	FS10 Share of the companies that the organisation has interacted with on environmental or social issues	15-16, 121		1-9	🟢

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 2020 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 model for company development (pages 10–11), 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 12–21. A brief account of each company's sustainability agenda is included in the company descriptions (pages 26–37). The sustainability indicators reported for the companies constitute a selection of the most important indexes concerning each company's significant sustainability issues. Additional information on the parent company's sustainability work can be found on pages 119–121.

In addition to Ratos's sustainability report, large majority-owned companies (meaning companies that independently qualify for sustainability reporting in accordance with the EU directive as adopted in national legislation or the equivalent) have prepared their own sustainability reports in accordance with GRI Standards and the auditor of each company has verified that the report complies with relevant legislation. Large companies include Bisnode, Diab, HENT, HL Display, Plantasjen, Speed Group and TFS. The Ratos associate Aibel also prepared its own sustainability report in accordance with legislation. airteam, Kvdbil, LEDiL and Oase Outdoors also prepare their own sustainability reports. The companies' individual sustainability reports will be published on Ratos's website during the second quarter of 2021.

Auditor's report on the statutory sustainability statement

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

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 on pages 10–21, 26–37 and 119–123 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability 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.

Opinions

A statutory sustainability statement has been prepared.

Stockholm, date as evidenced by our digital signature

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Five-year summary, Group

	2020	2019	2018	2017	2016
Key figures [1]					
Basic earnings per share, SEK	2.17	2.11	–1.40	0.72	–1.79
Dividend per Class A and B share, SEK	0.95[2]	0.65	0.50	2.00	2.00
Dividend per Class C share (preference share), SEK					120
Dividend yield, %	2.5[2]	1.9	2.1	5.6	4.6
Total return, %	17	46	–30	–13	–6
Market price, year-end, SEK	38.48	33.42	23.28	35.84	43.14
Equity per share, SEK [3]	29	29	27	30	31
Equity, SEKm [4]	9,366	9,298	8,701	9,660	11,283
Return on equity, %	7	7	–5	3	–4
Equity ratio, %	39	38	43	46	45
Average number of shares before dilution	319,014,634	319,014,634	319,014,634	319,014,634	319,014,428
Number of Class A, B and C shares outstanding [5]	319,014,634	319,014,634	319,014,634	319,014,634	319,722,042
Income statement, SEKm					
Profit/share of profit from companies	1,038	310[6]	566	679	295
Capital gain from sale of Group companies		31	62	596	1,672
Impairment, companies and loss from bankruptcy			–600	–482	–2,504
Profit/loss from companies	**1,038**	**341**	**28**	**792**	**–538**
Income and expenses in the parent company and central companies	–170	383	–135	–134	–353
Other/eliminations	3	–7			
Consolidated profit/loss before tax, continuing operations	**873**	**718**	**–107**	**658**	**–890**
Tax	–258	–139	–155	–251	–180
Profit/loss for the year, continuing operations	**614**	**579**	**–262**	**407**	**–1,071**
Profit/loss for the year from discontinued operations	269	247[6]			
Profit for the year	**883**	**827**	**–262**	**407**	**–1,071**
Profit/loss attributable to owners of the parent	693	673	–448	268	–500
Statement of financial position, SEKm					
Intangible assets	8,082	13,463	13,035	13,424	14,834
Property, plant and equipment	1,198	1,173	1,586	1,827	1,970
Right-of-use assets	4,677	4,423			
Financial assets	1,072	1,213	1,213	1,323	2,372
Deferred tax assets	156	508	486	478	594
Current assets	6,995	8,625	8,483	8,270	10,034
Assets held for sale	6,458				
Assets	**28,638**	**29,405**	**24,803**	**25,323**	**29,805**
Equity	11,281	11,218	10,630	11,546	13,286
Provisions	561	1,111	1,250	1,204	1,139
Deferred tax liabilities	275	464	429	500	501
Lease liabilities	5,155	4,871	683	698	736
Other interest-bearing liabilities	3,206	5,579	5,846	6,140	7,445
Non-interest bearing liabilities	4,660	6,163	5,965	5,235	6,696
Liabilities attributable to assets held for sale	3,501				
Equity and liabilities	**28,638**	**29,405**	**24,803**	**25,323**	**29,805**

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. 2016 has 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 C shares were redeemed at the close of 2017.
6) Includes the effects of IFRS 16, which were reported on a separate row in the 2019 Annual Report.

Reconciliations of alternative performance measures (APMs)

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

The following reconciliations and accounts pertain to sub-components included in the material APMs used in the Annual Report. Reconciliation is made against the most reconcilable item, subtotal or total provided in the financial statements for the corresponding period. Definitions are available at www.ratos.com and on page 127.

Net sales

SEKm	2020	2019
Ratos business group, Net sales	**24,071**	**24,499**
Net sales in subsidiaries, holding not owned by Ratos.	4,401	4,607
Investments recognised according to the equity method	–3,846	–4,019
Eliminations	–12	–26
Net sales from discontinued operations	–3,673	–3,776
Ratos Group, Net sales	**20,941**	**21,286**

Organic growth, Ratos's holding

SEKm	2020	2019
Ratos business group, Growth Net sales, %	**–1.7%**	**13.7%**
Ratos business group, Net sales	**24,071**	**24,499**
Acquired net sales	40	150
Effects of change in currency	–1,228	359
Ratos business group, adjusted Net sales	**25,259**	**23,990**
Divested net sales in the comparative period	232	113
Ratos business group, adjusted Net sales in the comparative period	**24,267**	**21,440**
Ratos business group, Organic growth	**992**	**2,550**
Ratos business group, Organic growth, %	**4.0%**	**11.9%**

EBITA and Group operating profit

SEKm	2020	2019
Ratos business group, EBITA	**1,913**	**1,198**
Ratos business group, EBITA margin	**7.9%**	**4.9%**
EBITA in subsidiaries, holding not owned by Ratos	306	217
Capital gain from divestment of companies		31
Investments recognised according to the equity method	–100	–102
Income and expenses attributable to the parent company and central companies	–151	366
Other	3	–7
EBITA from discontinued operations	–504	–484
Ratos Group, EBITA	**1,468**	**1,219**
Amortisation and impairment of intangible assets in connection with company acquisitions	–42	–48
Amortisation and impairment of intangible assets in connection with company acquisitions in discontinued operations	31	20
Ratos Group, Operating profit	**1,457**	**1,192**

Cash flow from operations

SEKm	2020	2019
Ratos business group, Cash flow from operations	**1,770**	**949**
Cash flow from operations in subsidiaries, holding not owned by Ratos	326	158
Investments recognised according to the equity method	–140	–428
Investments and disposals, intangible assets/property, plant and equipment[1)]	664	670
Lease payments	932	914
Income tax paid	–223	–230
Attributable to the parent company and central companies	51	43
Eliminations	–180	–167
Ratos Group, Cash flow from operating activities	**3,201**	**1,909**

1) Cash flow from the sale of the Lejonet 4 property, a total of SEK 550m for 2019, is not included in this item.

Interest-bearing net debt

SEKm	31 Dec 2020	31 Dec 2019
Ratos business group, Interest-bearing net debt	**8,168**	**9,405**
Interest-bearing net debt in subsidiaries, holding not owned by Ratos.	758	830
Investments recognised according to the equity method	–620	–910
Attributable to the parent company and central companies	–1,061	–1,521
Other	23	22
Ratos Group, Interest-bearing net debt	**7,269**	**7,826**

	31 Dec 2020	31 Dec 2019
Interest-bearing liabilities, other	4,503	5,579
Interest-bearing liabilities, leases	5,362	4,871
Provisions for pensions	629	642
Interest-bearing assets	–43	–47
Cash and cash equivalents	–3,182	–3,219
Ratos Group, Interest-bearing net debt	**7,269**	**7,826**

Definitions

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

Certain of the following performance measures are presented for Ratos's business group – both for the companies in their entirety (100%) regardless of Ratos's holding and also presented adjusted for the size of Ratos's holding in each company. When performance measures are presented adjusted for Ratos's holdings the performance measure is multiplied by the percentage of the holding. For example: Ratos's holding amounts to 70% and the company's EBITA is SEK 100m for the period, EBITA adjusted for Ratos's holdings then amounts to SEK 70m (70% x SEK 100m). Key figures for Ratos's business areas, adjusted for Ratos's holdings, only include companies owned at the end of the reporting period. If the holdings change, comparative periods are adjusted to show the owned share at the end of the relevant reporting period.

Growth measures

Organic growth

Net sales growth in comparable units. The effects of acquisitions, divestments and exchange rate changes are excluded.
This measure displays underlying sales growth driven by changes to volume, price and product mix for comparable units between different periods.

Return measures

Return on equity

Profit for the year attributable to owners of the parent divided by average equity attributable to owners of the parent.
This measure is used to display total profitability in relation to equity invested by the parent company's shareholders.

Dividend yield

Proposed dividend on ordinary shares expressed as a percentage of the Class B share's closing price at the period's last trading day.
This measure displays the size of the percentage of shareholders' investments that are regained annually in the form of a dividend.

EBITDA

EBITA with depreciation, amortisation and impairment reversed (Earnings Before Interest, Tax, Depreciation and Amortisation).
This measure displays the operating result and the ability to generate revenue from operations without taking the capital structure, investments in non-current assets or the tax situation into consideration.

EBITDA margin

EBITDA expressed as a percentage of net sales.

EBITA

Operating profit before impairment of goodwill as well as amortisation and impairment of other intangible assets that arose in conjunction with company acquisitions and similar transactions (Earnings Before Interest, Tax and Amortisation).
This measure is central for management's earnings follow-up since it displays the underlying profitability generated from operating activities.

EBITA margin

EBITA expressed as a percentage of net sales.

Total return

Price development of Class B shares including reinvested dividends (this year's paid dividend) on ordinary shares.
This measure displays the total return on shares from an owner perspective.

Capital measures

Interest-bearing net debt

Interest-bearing liabilities and pension provisions minus interest-bearing assets and cash and cash equivalents.
This measure is used to define financing via financial liabilities taking financial assets into consideration, and used as a component of the assessment of financial risk.

Leverage

Interest-bearing net debt in relation to EBITDA for the last 12 months.
This measure displays financial risk and the ability to pay off debt. It is used by management for following up on and monitoring the debt level.

Equity ratio

Reported equity expressed as a percentage of total assets. Non-controlling interests are included in equity.
This measure displays financial risk expressed as the percentage of total assets that are financed by the owners.

Share-related measures

Equity per share

Equity attributable to owners of the parent divided by the number of outstanding ordinary shares at the end of the period.
This measure provides an indication of the amount of capital per share that is attributable to the parent company's owners.

P/E-ratio

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

Basic earnings per share

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

Diluted earnings per share

When calculating diluted earnings per share, earnings and the average number of shares are adjusted to take into account the effects of potential ordinary shares, which, for the reported periods, pertain to convertible debt instruments and warrants issued to employees. Dilution resulting from convertible debt instruments is calculated by increasing the number of shares by the total number of shares to which the convertibles correspond and increasing earnings by the recognised interest expense after tax. Potential ordinary shares are considered to have a dilutive effect only during periods when they result in lower earnings or a higher loss per share.

Other measures

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.

Average number of employees

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

Cash flow from operations

Cash flow from operating activities, excluding paid tax, but including cash flow from investments and divestments of intangible assets and property, plant and equipment, as well as amortisation of lease liabilities and interest paid on leasing.
This measure displays the cash flow that the operations generate and that could potentially be used to repay creditors, pay interest, for dividends to owners and for other strategic initiatives.

Shareholder information

Annual General Meeting 10 March 2021

The Annual General Meeting of Ratos AB (publ) will be held on Wednesday, 10 March 2021. The Annual General Meeting will be conducted by postal vote.

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 Tuesday, 2 March 2021
- Notify the company of their intention to participate by postal vote no later than Tuesday, 9 March 2021

Postal vote

Postal voting will be carried out from Monday, 8 February 2021 until Tuesday, 9 March 2021. Shareholders can vote in advance by any of the following methods:

1. Website voting: Voting may be carried out electronically by signing with a BankID (requires Swedish BankID) on the company's website, www.ratos.com/en.
2. E-mail voting: Voting may be carried out by completing the advance voting form available on the company's website, www.ratos.com/en, and e-mailing the form to info@computershare.se, together with any power of attorney and/or other authorisation documents.
3. Regular postal voting: Voting may be carried out by completing the advance voting form available on the company's website, www.ratos.com/en, and sending the form to Computershare AB, "Ratos Annual General Meeting 2021", Box 5267, SE-102 46 Stockholm, Sweden, together with any power of attorney and/or other authorisation documents.

Shareholders may not give any instructions other than selecting one of the options specified for each item on the advanced voting form. A vote (meaning the entire postal vote) will be considered invalid if the shareholder has modified the form to provide specific instructions or conditions or if pre-printed text is amended or supplemented.

The advanced voting form, together with any enclosed power of attorney and other authorisation documentation, must be received by Ratos no later than Tuesday, 9 March 2021. If received later, the vote will be disregarded.

For any questions regarding advance voting, please contact Computershare AB, tel: +46 8 518 01 550, between 9:00 a.m. and 4:00 p.m. (CET) weekdays.

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, 4 March 2021. Shareholders are requested to inform their nominees in good time prior to this date.

Dividend and record date

The Board proposes a dividend for the 2020 financial year of SEK 0.95 (0.65) per Class A and Class B share. The record date for the right to receive dividends is proposed as 12 March 2021 and dividends are expected to be paid from Euroclear Sweden on 17 March 2021.

Calendar

10 March	2021 Annual General Meeting
30 April	Interim Report, January–March 2021
16 July	Interim Report, January–June 2021
22 October	Interim Report, January–September 2021

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.com or by

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Ratos AB (publ) Corp. Reg. No. 556008-3585
This annual report is also available in Swedish.

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