RATOS
ANNUAL REPORT 2016


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The year in brief

2016 was an intensive year for Ratos. In total, five company acquisitions were made and agreements were signed for the full or partial divestment of four companies, while one IPO was carried out. In addition, our portfolio companies undertook several value-generating initiatives and Bisnode, airteam and TFS have made key add-on acquisitions. Some of our companies operate under challenging market conditions. Subsequently, impairments were made of the book values in six companies to better reflect the companies' market situation. In total, the impairments of investments in associates and goodwill attributable to the owners of the parent amounted to approximately SEK 1.9 billion.

2016 marked Ratos's 150th anniversary, evidence of a long history of operational development och community involvement.

In April, Jonas Wiström took over as new Chairman of the Board and in November, Magnus Agervald assumed the position of Ratos's new CEO. Read more about the eventful year on ▶ pages 4-5 and about the development of our company portfolio on ▶ pages 6-7.

18 companies with
SEK 38 billion in total sales,
SEK 2.3 billion in adjusted EBITA,
14,500 employees,
5[1] new acquisitions and
5[2] company divestments

[1] Includes the acquisition of Serena Properties (completed in 2016), airteam, Oase Outdoors, Gudrun Sjödén and Plantasjen.
[2] Includes the divestment of Euromaint, Mobile Climate Control and a large part of Biolin Scientific, as well as the IPO of Arcus (Ratos maintains a holding of approximately 24%). In 2016, an agreement was concluded for the sale of AH Industries.

Dividends*	Return (IRR)	Exit gains
SEK 2.00	15%	SEK 1,672 m
per Class A and B share	average per last 5 years	from companies

* Proposed dividend for 2016

Earnings trend	2016	2015	2014	2013	2012
Profit before tax	**-890**	892	1,367	1,083	767
of which, Profit/share of profits from companies	**295**	664	392	602	-29
of which, Exit gains portfolio companies	**1,672**	1,101	1,390	895	978
of which, Impairment portfolio companies *	**-1,895**	-565	-250	-308	-375
Earnings per share after dilution	**-1.79**	1.29	3.22	2.13	1.90
Equity (attributable to owners of the parent)	**11,283**	12,882	14,027	13,778	12,353

* Attributable to owners of the parent.

150 years of operational development and community involvement

This is Ratos

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

VISION

Ratos will be the best at developing companies in the Nordic region

INVESTMENT STRATEGY

Ratos invests mainly in unlisted medium-sized Nordic companies with clear development potential. The enterprises should have an established business model through which Ratos and the companies can together identify and then realise a potential. Ratos's investment interval spans from SEK 250m up to SEK 5 billion in equity.

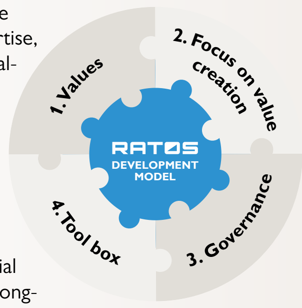
RATOS'S BUSINESS MODEL

ACQUISITIONS

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

DEVELOPMENT

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



DIVESTMENT

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

FINANCIAL TARGETS

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

RATOS'S VALUES

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

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

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

Ratos's portfolio

Ratos's portfolio consists of 18 medium-sized Nordic companies and the largest segments in terms of sales are Consumer goods/Commerce, Construction and Energy. A detailed description of each company is presented on ▶ pages 26-44.

SALES BREAKDOWN BY SEGMENT

34%

– CONSUMER GOODS/COMMERCE –	
Plantasjen	The Nordic region's leading chain for sales of plants and gardening accessories with more than 120 stores in Norway, Sweden and Finland and a primary focus on consumers.
Arcus	A leading supplier of wine and spirits in the Nordic region through its own brands and well-known agency brands.
Gudrun Sjödén Group	International design company with a unique, colourful style and clear sustainability profile.
Jøtul	One of Europe's largest manufacturers of stoves and fireplaces with global distribution through its own sales organisations and via distributors.
HL Display	An international supplier of products and solutions for in-store communication and merchandising.
Oase Outdoors	Designs, produces and sells high-quality camping and outdoor equipment.

25%

– CONSTRUCTION –	
HENT	A construction company that focuses on newbuild of public and commercial real estate in the Nordic countries.
airteam	Supplier of high-quality, effective ventilation solutions in Denmark.

14%

– ENERGY –	
Aibel	Norwegian supplier of maintenance and modification services as well as new construction projects in oil, gas and renewable energy.

12%

– TECHNOLOGY, MEDIA, TELECOM –	
Bisnode	A leading European data and analytics company. By transforming data into insight, Bisnode helps decision makers to make smart decisions.
KVD	Sweden's largest independent online marketplace offering broker services for second-hand vehicles and related services.
Nebula	A provider of cloud-based services, IT infrastructure and network services to small and medium-sized enterprises in Finland.

10%

– INDUSTRIALS –	
Diab	A global company that manufactures and develops core material for sandwich composite structures including blades for wind turbines.
Ledil	A leading global supplier of high-quality secondary optics for LED lighting.
GS-Hydro	Global supplier of non-welded piping solutions. The products are used in the marine and offshore industries, among others.

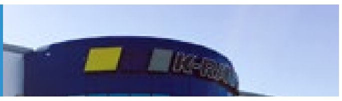
2%

– CORPORATE SERVICES –	
Speed Group	Supplier of logistics, staffing and production services, with complementary services in recruitment and training.

2%

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

1%



– REAL ESTATE –	
Serena Properties	A commercial retail properties in Finland with tenants in grocery and discount retail.

Adjusted for the size of Ratos's holding.

An eventful and transaction-intense anniversary year

2016 was an unusually eventful year for Ratos. The year marked the celebration of Ratos's 150th anniversary, and its long, noteworthy history of operational development and community involvement. In addition, a new chairman and new CEO joined Ratos. The Annual General Meeting elected Jonas Wiström Chairman and I, Magnus Agervald, assumed my position as CEO for Ratos in November.

The year was also one of the most transaction-intense ever in the company's history. Ratos concluded a total of five new acquisitions, signed agreements to divest four companies, in full or in part, and conducted an IPO of one company. Exciting growth companies with great potential for development rank among our newly acquired companies, which we warmly welcome to the Ratos family. In addition to our new acquisitions, we also continued our development projects during the year in our portfolio of companies and in our central organisation at Ratos.

Ratos – a tradition of development

Our 150-year history is proof of the capacity, will and skills of generations of the Söderberg family to constantly create something new and to keep on developing in step with an increasingly changing world. It is important for me to learn from the past in order to create the best conditions for the future. Ratos stands on a solid foundation and, as we move forward, we will do our best to create long-term shareholder value. A key part of value creation lies in ensuring that our companies steadily evolve and progress. I am personally driven by building companies; developing operations and people. Together with the management teams and boards, I look forward to supporting our companies in their journey towards long-term and sustainable operational development.

During the year, Ratos's organisation continued its work and I am impressed by the efforts of our employees. The continued development work of our portfolio of companies, and Ratos as a whole, has created a strong foundation and platform for tomorrow. I am convinced that changes are positive and necessary, and will contribute to increased value. During the year, we implemented streamlining measures within the central organisation, resulting in a reduction in staff and office space as well as lower operational management costs going forward.

Value-creating transactions

The transaction market remained strong during the year. Ratos acquired a number of entrepreneur-headed growth companies: airteam, Oase Outdoors and Gudrun Sjödén Group. During the year, an important add-on acquisition was conducted in airteam. In Oase Outdoors, we are now driving development with focus on growth initiatives and product development. In Gudrun Sjödén Group, we are mainly focusing on global expansion and development of e-commerce. At the start of the year, we also concluded the acquisition of Serena Properties and in November, the acquisition of Plantasjen. In the latter, work has just begun with the management and board.

We realised significant values during the year, in accordance with our strategy to invest in attractive companies, develop operations and then sell companies at the right time. An outstanding example of this is Arcus, where we completed an IPO in December after having owned it since 2005 and developing the company from a local Norwegian spirits producer into one of the Nordic region's leading suppliers of wines and spirits. Mobile Climate Control is also an excellent example of how Ratos works with operational development, where, during our time as owner, the company has doubled its sales, expanded internationally and carried out significant add-on acquisitions and new investments. Combined, the companies generated an exit gain of approximately SEK 1.7 billion and a cash-flow effect of SEK 2.5 billion, providing a healthy premise for new, exciting acquisitions.

We also divested Euromaint and signed an agreement for the divestment of AH Industries and most of Biolin Scientific, companies that have not developed according to plan but which, through the measures we have implemented, stand on stable ground.

Long-term and sustainable operational development

Bisnode, airteam and TFS have concluded add-on acquisitions during the year, an important part of value-creation in the companies. Several of our companies are making progress both operationally and strategically. Restructuring and layoffs to boost competitiveness have been in

focus for GS-Hydro and Aibel, both of which face a tough climate in the Norwegian offshore market. Bisnode is implementing an extensive change programme to exploit the growing demand in data and analysis. HENT has established a presence in the Swedish market and continues to show very strong sales growth. KVD is investing considerable amounts in upgrading its technical platform to be able to build out its customer offering.

As owner, Ratos wants to help companies to develop their sustainability agendas. We are certain that this contributes to long-term value creation. By integrating responsible entrepreneurship into every company's strategy, we can create credibility and opportunities for new, sustainable business.

In 2016, we refinanced two of our largest companies, Aibel and Bisnode. We also supported GS-Hydro and KVD by providing capital. During the year, we contributed a total of about SEK 700m, corresponding to our holding. Refinancing has strengthened the companies' capital structures, providing a long-term, stable platform for continued development.

Many companies are performing well, but performance was unsatisfactory for the portfolio as a whole. We are working diligently to address this together with the companies, their management teams and boards. For the year, the portfolio displayed positive sales growth of +13%, but a weak adjusted EBITA trend of -2% and a reported EBITA trend of -19%, adjusted for the size of Ratos's holding. The decline in earnings compared with the year-earlier period is primarily attributable to the weak offshore market trend that affects both Aibel and GS-Hydro.

To reflect the companies' market situation, we adjusted our book values during the year. We made considerable impairments of book values attributable to the portfolio companies of Aibel, AH Industries, Biolin Scientific, Euromaint, Jøtul and GS-Hydro. In total, the impairments of investments in associates and goodwill attributable to the owners of the parent amounted to SEK 1.9 billion.

Focus on continued development

In terms of the development of the company portfolio, we will continue our intensive efforts aimed at creating even better companies and in this way increase value for the employees, society and all our shareholders. In addition, we are also carrying out a review of Ratos's strategy.

I, together with all of our fantastic co-workers, look forward to further building on Ratos's strengths, while also taking on new challenges, all with a focus on providing the best foundation for the coming 150 years.

Magnus Agervald
CEO

2016 in 5 minutes

An active transaction year

The year 2016 was distinguished by a fierce pace and numerous value-creating activities. We not only completed a total of five acquisitions and several add-on acquisitions, we put into action our growth and improvement initiatives in the companies. Meanwhile, we divested two companies during the year, Euromaint and Mobile Climate Control, and signed an agreement to divest AH Industries and most of the operations in Biolin Scientific. We also completed a successful initial public offering for Arcus in December.

ACQUISITION OF AIRTEAM

In February, airteam – a leading supplier of ventilation solutions in Denmark – was acquired. The company focuses on project development, project management and procurement. To a large extent, the projects are carried out by a broad network of quality-assured subcontractors. The enterprise value for 100% of the company amounted to DKK 575m. Ratos provided DKK 272m and owns 70%.

HENT SIGNED TWO BREAKTHROUGH CONTRACTS IN SWEDEN

In July, HENT signed two breakthrough contracts in Sweden worth a total of approximately NOK 1.6 billion, representing an important establishment in both the private and public sector in Sweden. The contracts are for the construction of Axis Communication's new head office in Lund, and to expand the accident and emergency services building at the hospital Danderyds Sjukhus.

ACQUISITION OF GUDRUN SJÖDÉN GROUP

In September, the acquisition was completed of Gudrun Sjödén Group, an international design company with a unique, colourful style and a strong emphasis on sustainability. The enterprise value for 100% of the company amounted to SEK 725m. Ratos provided DKK 152m and owns 30%. Ratos also signed an agreement for an option to increase its holding a further 40% in 2018.

ACQUISITION OF OASE OUTDOORS

In September, the acquisition was completed of Oase Outdoors, a family-owned Danish company that supplies high-quality camping and outdoor equipment under three strong brands, Outwell®, Easy Camp® och Robens®. The enterprise value for 100% of the company amounted to DKK 380m. Ratos provided DKK 126m and owns 79%.

BISNODE STRENGTHENS OFFERING IN DENMARK THROUGH ACQUISITION

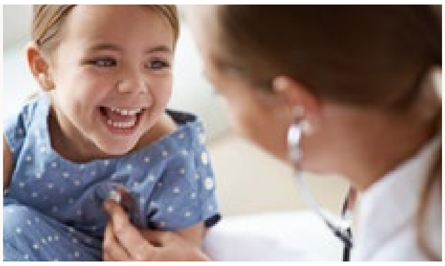
Bisnode is strengthening its market position in Denmark through the acquisition of NN Markedsdata, a supplier of credit and market information and data-driven consulting services, thereby strengthening Bisnode's leading position in data and analysis. The enterprise value amounted to approximately DKK 80m, of which Ratos provided DKK 56m for its holding.

AIRTEAM GROWS THROUGH ACQUISITIONS

During the year, airteam acquired Ventilation A/S, thereby strengthening its market position in Denmark. Ventek's offering comprises complete ventilation solutions from design to installation and commissioning of ventilation systems. Furthermore, Ventek Ventilation offers maintenance and service of its installed solutions, which is an excellent complement to airteam's core operations.

ACQUISITION OF PLANTASJEN
In November, the acquisition of Plantasjen, the Nordic region's leading retail chain for plants and gardening accessories, was completed. The purchase price (equity value) for 100% of the company amounts to approximately NOK 1.2 billion, corresponding to an enterprise value of about NOK 2.8 billion Ratos owns 99% of the company. Plantasjen has 124 stores in Norway, Sweden and Finland, and a primary focus on consumers. The market for plants and gardening accessories has stable growth and underlying positive trends in the form of increased interest in cultivation, gardening and interior design.

TFS MAKES STRATEGIC ADD-ON ACQUISITION
TFS has strengthened its market position in Germany through its acquisition of the German dermatology specialist SCIderm GmbH, an industry-leading company in scientific and medical advice and in the execution of dermatology trials. The acquisition of SCIderm, with which TFS has had a strategic partnership since 2014, increases TFS's potential to grow in dermatology research.



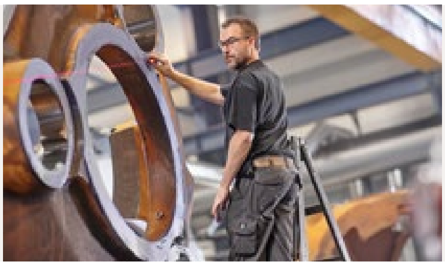
DIVESTMENT AV EUROMAINT
In October, Ratos signed an agreement to divest 100% of the shares in its subsidiary Euromaint, Sweden's leading independent maintenance company for the rail transport industry. The enterprise value amounted to approximately SEK 650m and generated no impact on earnings for Ratos. The investment has generated a negative annual average return (IRR).

DIVESTMENT OF MOBILE CLIMATE CONTROL
In November, an agreement was concluded for the sale of Mobile Climate Control, generating an exit gain of SEK 268m and an internal rate of return (IRR) of approximately 10% as well as a money multiple of 2.2x. Under Ratos's ownership, many value-creating strategic initiatives were implemented, including two significant add-on acquisitions in North America, investments in production plants in Poland and Canada as well as international expansion in China, South Africa and Brazil.

INITIAL PUBLIC OFFERING FOR ARCUS
On 1 December, Arcus was listed on the Oslo Stock Exchange. In 2005, when Ratos acquired Arcus, the company was predominantly a Norwegian spirits producer, which has developed under Ratos's majority ownership into the Nordic region's leading supplier of wines and spirits. Ratos's exit gain amounted to approximately SEK 1.4 billion, corresponding to an internal rate return (IRR) of 29% and a money multiple of 5.6x in SEK (6.1x in NOK). Ratos's holding after the IPO amounts to approximately 24%.

DIVESTMENT OF MOST OPERATIONS IN BIOLIN SCIENTIFIC
In December, Ratos subsidiary Biolin Scientific Holding AB divested Analytical Instruments, a subsidiary of the Biolin Group, to the listed company AddLife. The sale generated a small exit earnings effect for Ratos. In conjunction with the divestment of Analytical Instruments, Drug Discovery will instead be run as an independent company in Ratos under the name Sophion, and recognised as other net assets.

DIVESTMENT OF AH INDUSTRIES
In December, an agreement was signed to divest Ratos's subsidiary AH Industries. The enterprise value amounts to approximately DKK 240m for 100% of the company. The divestment resulted in an impairment of the company's total book value in the fourth quarter and therefore generated no considerable exit effect for Ratos. The investment has generated a negative annual average return (IRR).



Vision, business concept, investment strategy and targets

A Nordic business developer

Ratos is an investment company that acquires, develops and divests medium-sized unlisted enterprises in the Nordic countries. This is to support our vision to be the best at developing enterprises in the Nordic region.

Ratos's business model

ACQUISITIONS

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

DEVELOPMENT

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

Together with the companies' executive management, we cultivate conditions for more growth and better profitability. Many companies undergo a total transformation under our ownership. That the companies develop in terms of environmental, climate and social sustainability is a prerequisite for long-term economic value creation.

DIVESTMENT

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

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

Vision

Ratos is to be the best at developing enterprises in the Nordic region.

Business concept

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

Investment strategy

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

Holding and investment interval

Normally, Ratos is the largest owner in the companies, but we can also have a minority holding. However, our constant ambition is to be a committed owner that takes part in and can influence the companies' development. We gladly co-invest with entrepreneurs and other stakeholders, but have a minimum holding of 20%. We normally invest a minimum of SEK 250m and a maximum of SEK 5 billion in equity. Ratos does not invest in the early phases of companies' life cycles.

Geographic focus

Ratos invests in enterprises that are headquartered in the Nordic region. No geographic limits exist for add-on acquisitions to our companies.

Sector independent

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

Selection process

Ratos focuses on self-generated transactions. Our investment organisation identifies and analyses companies with potential for growth that suit Ratos's portfolio of companies. We also take part in processes driven by investment banks and other advisors.

Ownership horizon

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

Financial targets

Ratos has a company-specific return target (average annual return on invested capital, IRR) that amounts to a minimum 15%.

During the past five years, Ratos has sold 11 companies, with an average IRR of 15% per year.

Ratos as owner

Committed and active owner

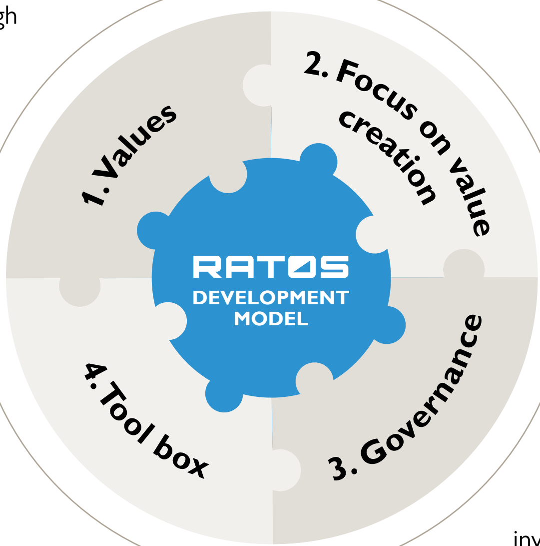
Ratos's goal is to develop successful companies. A committed and active owner, we invest in Nordic, primarily unlisted enterprises. Each investment situation is unique, and even if the companies operate strategically, operationally and financially independent of each other, there is a common denominator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

1. Values

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

2. Focus on value creation

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



4. Tool box

Ratos lends expertise, experience, contacts and capital to our companies. This is done in part via board work, in part through daily contacts between key people in the companies and Ratos's employees, as well as in forums organised by Ratos in which employees from different companies meet and exchange best practices. Ratos's organisation contains experience accumulated in strategy processes, business analysis, transactions, financing, accounting, sustainability and brand issues that contribute to the companies' development.

3. Governance

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

Acquisition opportunities

Ratos is always looking for attractive companies in which to invest. Ideas for potential acquisitions stem from several sources. Sometimes they come directly from other owners and entrepreneurs who are looking for a partner to realise their visions. Other times suggestions come from banks and our industrial contacts, but most of the ideas are self-generated. They originate in our own inquisitiveness and a genuine interest in operational development and Nordic business. Over the course of one year, Ratos analyses about 200 investment candidates, and systematically maps sectors and regions. We always have several companies under observation, sometimes for a long time.

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

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

In 2016, Ratos acquired the Finnish real estate company Serena Properties, the Danish ventilation company airteam, Danish Oase Outdoors, a supplier of camping and outdoor equipment, and Gudrun Sjödén Group, a global design company. Also acquired in the fourth quarter was Plantasjen, the Nordic region's leading retail chain for plants and gardening accessories, one of Ratos's largest acquisitions in recent years.

Plantasjen
– new growth strategy focusing on plants

PLANTASJEN.

In November, Ratos concluded the acquisition of 99% of the shares in Plantasjen, the Nordic region's leading retail chain for plants and gardening accessories. Since its founding in 1986 in Norway, Plantasjen has developed its operations, strengthened its brand and established itself broadly in the Nordic region. It now has a market-leading position with a total of 124 stores in Norway, Sweden and Finland, and a primary focus on consumers.

"For us, Plantasjen is a very exciting company with a strong brand and broad product range in a market that is growing. There is high potential for increased growth by a sharper focus on the range of plant products, to meet the increased interest in gardening and cultivation. Based on our experience in driving growth in consumer companies, combined with the company's strong management and ambitious business plan, we look forward to an interesting journey going forward," explains Magnus Agervald, CEO at Ratos and company executive for Plantasjen.

The market for plants and gardening accessories has stable growth and underlying positive trends in the form of increased interest in cultivation, gardening and interior design. Plantasjen has a leading market position today, but also a clear development plan for strengthening this position and further expansion through, among other measures, smaller, more centrally located stores.

"We have a clear growth strategy and a vision to make Plantasjen a leading brand for plans in all channels. Combined with Ratos's experience, competence and capital, the potential for realising this strategy is great," says Jon Abrahamsson Ring, President and CEO of Plantasjen.

Ratos's highest priority now is to support Plantasjen during its continued growth journey, both by identifying new, exciting add-on acquisitions and by growing organically by expanding in existing and new markets.

Value-creating operational development

In partnership with the companies, long-term values are created mainly through sales growth and profitability improvements. How this is done in practice differs from company to company. As an active owner, we can help recruit key people and supply the capital that enables the companies to invest in product development, improved customer offerings and inroads in new markets. We offer a far-reaching network that can share best practices and new ideas for long-term operational development. It may even entail making add-on acquisitions that provide revenue and cost synergies, or investments in new production technology to improve effectiveness and productivity.

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

Occasionally, initiatives that re-define entire sectors are taken. One good example is Arcus which, under Ratos's ownership, evolved from a predominantly Norwegian spirits producer to the Nordic region's leading supplier of wines and spirits – a journey that involved all types of value-creating activities. In 2016, a successful initial public offering for Arcus was carried out.

Our single greatest contribution to creating value is to establish the companies' strategies together with management and the board, and to be clear in our demands to ensure that they are implemented and produce the desired results.

This is how the investment idea behind the acquisition is realised and the company's potential for development is realised. Bisnode is a good example of how one company can change and develop in a very exciting sector (read more below).

Value growth measured in return

Our return target is company specific and at least 15% (IRR*), depending on company and market-specific factors. To assess our success requires an analysis of the holding we have divested to date. In the past five years, we have divested 11 companies (exits) that combined have generated approximately SEK 16 billion for Ratos's cash flow. The internal rate of return (IRR) amounts to 15%.

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

Bisnode – *driving a digital transformation*

Bisnode

Bisnode is now a European market-leading data and analytics company that helps companies to find, manage and develop its customers throughout the entire customer life cycle. This is done by offering data-based services and analyses to enable companies to make smarter decisions.

The campaign to form the Bisnode of today started back in 2005 when Ratos merged Infodata with what was then Bonnier Affärsinformation to form Bisnode. The business model used while building up Bisnode enabled rapid acquisition-driven growth. A high growth pace and a decentralised structure also made it difficult to secure full returns on the investments in product development and IT platforms as well as partially overlapping sales resources. The One Bisnode project was implemented in 2012. It was an extensive structure and integration project aimed at creating a more coordinated and focused Bisnode. A huge job has been done and Bisnode is on course toward become a more integrated company that can realise its full potential by capitalising on economies of scale and synergies.

The vast increase in volumes of data coupled with trends in digitalisation, globalisation and new technologies that facilitate faster and more cost-effective data processing produce new opportunities.

"We have owned Bisnode for just over ten years and during this time we have, together with the company's management, made major structural modifications. Among other changes, we have adopted an intense acquisition agenda and, most recently, devoted ourselves to integrating the acquisitions and creating a joint structure to facilitate joint platforms. Throughout this journey, Ratos has backed Bisnode with capital to enable the high acquisition-based growth. Under CEO Magnus Silverberg's leadership, we see vast opportunities to realise the company's underlying potential. There is a strategy plan with clear initiatives and activities that balance between growth and cost initiatives paired with a solution-oriented focus to resolve the historically fragmented structure. This means that the circumstances are good for Bisnode to become a new leading player with a foundation for continued organic growth in a world focusing on more digital processes," says Mikael Norlander, Investment Director at Ratos and company executive for Bisnode.

Bisnode has significant potential to continue to develop its business model based on the company's local expertise and global resources within a growing market segment. Going forward, the priority is to pursue the digital transformation and realise the synergies provided by the change and, through more strategic initiatives that include strengthening the organisation and developing the offering, to continue to take market shares.

Company divestments

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

Ratos strives to make responsible exits where we are to combine long-term, good survival with the highest possible return. In 2016, both successful divestments and strategically key divestments where investments did not deliver according to plan were carried out.

The divestment of maintenance company for the rail transport industry Euromaint, the analysis instrument company Biolin Scientific and AH Industries, supplier of metal components, were concluded without generating any significant exit gain. The divestment of Mobile Climate Control, a global supplier of complete climate control systems to the commercial automotive industry, and the successful IPO of the Nordic region's leading supplier of wine and spirits, Arcus, are two examples of exits that generated good returns and where several value-creating activities improved two successful leading players within their market segments. In total, the year's exits generated an exit gain of SEK 1.7 billion.

Arcus – *a new Nordic leader*

ArcusGruppen

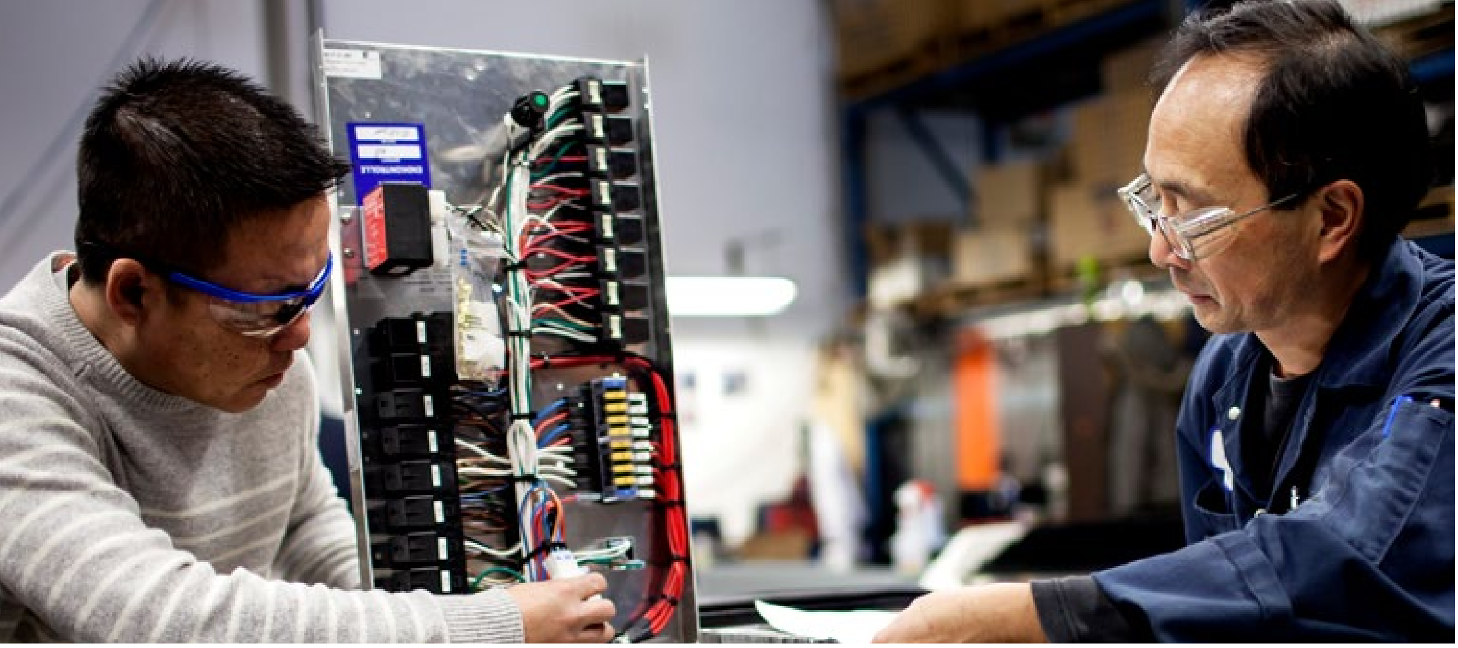
Arcus has evolved from a predominantly Norwegian spirits producer to a leading supplier of wine and spirits in the Nordic region through its own brands and leading agencies. In 2016, Arcus was listed on the Oslo Stock Exchange with a more diversified ownership and strong interest in the shares.

Since Ratos acquired the company in 2005, significant strategic initiatives were carried out including the divestment of non-core operations, focusing on growth through Nordic expansion and higher production efficiency. A major investment in a new production facility in the Norwegian town of Gjelleråsen was completed, a smaller production facility was wound up and several new brands were purchased.

"During our eleven years of ownership, numerous value-creating strategic initiatives were implemented with a focus on increasing growth, broadening the customer offering, increasing the numbers of brands and raising production efficiency. Arcus now has a stable platform with continued development potential. Given its strong, well-known brands, such as Aalborg Akvavit, Linie Aquavit, Gammel Dansk, several own wine brands and many famous wine and several wine merchants such as Masi and Francois Lurton, we feel that Arcus is a Nordic consumer goods company that is well-suited to a stock-exchange listing," says Mikael Norlander, Investment Director at Ratos and company executive for Arcus.

Sales, which amounted to approximately NOK 860m in 2005, have now climbed to approximately NOK 2.6 billion and operating EBITDA has increased from about NOK 30m in 2005 to approximately NOK 340m for the rolling 12 months at 30 September 2016. In total, the company has shown an average annual growth of approximately 11%. Ratos's exit gain amounted to approximately SEK 1.4 billion, corresponding to an internal rate return (IRR) of 29% and a money multiple of 5.6x in SEK (6.1x in NOK).

"Our entire Arcus organisation is set on profitable growth. We are already the biggest in a few markets and product categories. We use our experience to maintain our edge and boost sales there. In other categories and markets we have significant potential to grow. We have undertaken to become the best in the Nordic wine and spirits sector and, as a listed company, we have greater potential for larger exposure to our Nordic consumers," says Kenneth Hamnes, CEO of Arcus.



Mobile Climate Control
– *a new global niche player*

In November, Ratos divested the company Mobile Climate Control (MCC) which, under Ratos's ownership, evolved from an entrepreneur-led niche company to a global supplier of complete climate control systems to the commercial vehicle industry.

Since the acquisition in 2007, many value-creating strategic initiatives have been implemented, including two significant add-on acquisitions in North America, investments in production plants in Poland and Canada as well as international expansion in China, South Africa and Brazil. MCC has enjoyed annual growth in sales of approximately 8% since the acquisition in 2007, and sales amounted to approx. SEK 1,264m in 2015, with an adjusted EBITA of about SEK 152m.

"Together with the company's management, we have strengthened MCC's market position through add-on acquisitions, investments in product development and increased productivity. Having a strong focus on value-creation during the entire holding period, despite at times challenging market conditions, means that we are now divesting a company that is nearly twice its size – in terms of sales – with a good return," says Daniel Repfennig, Senior Investment Manager at Ratos.

MCC was sold to VBG Group AB (publ.), a listed industrial corporation. The enterprise value amounted to approximately SEK 1.8 billion, and Ratos received approximately SEK 1.4 billion (equity value) for 100% of the shares. The divestment generated an exit gain of approximately SEK 268m and an average annual return on invested capital (IRR) of approximately 10% as well as a money multiple of 2.2x.

Active ownership contributes to

Sustainable business development

As a responsible owner, Ratos creates value by establishing companies with a structured sustainability agenda. Ratos sees that a strategically anchored agenda involving significant sustainability issues is value generating. Moreover, sustainable development is a prerequisite for a better world, in line with the UN's 17 Sustainable Development Goals adopted in 2016 (Agenda 2030). As responsible investor and owner, Ratos conducts structured sustainability initiatives with demands and support to each individual company.

In 2013, Ratos became a signatory to the UN Global Compact's ten principles for responsible business operations as well as the UN Principles for Responsible Investment, PRI. These principles provide a basis for our sustainability efforts. This year's report adheres to the GRI Standards (see ▶ the reference index on pages 122-123).

Significant sustainability issues and our stakeholders

Ratos's most significant sustainability issues are identified through intelligence gathering, industry analysis and a process that weighs in the different stakeholders' priorities and highly relevant issues for the operations and value creation. In 2016, structured interviews with the stakeholders have been held to ensure the correct focus. Discussions have also been conducted in Ratos's management group. Priorities are set based on this mapping of relevant issues.

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

Ratos's sustainability issues have been prioritised based on stakeholder dialogues and materiality analysis

Stakeholders	Method of interaction
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 ■ Meeting forums at Ratos (CEO, CFO, HR, Sustainability, etc.)
The companies' management groups and board members	■ Interviews with representatives in connection with stakeholder dialogues ■ Clear and structured corporate governance and dialogue ■ Group-wide assessment of the work of the board
Owners and investors (see page 25 for Ratos's largest owners)	■ Interviews with representatives in connection with stakeholder dialogues ■ Active in surveys from or dialogues with organisations such as such as Hållbart Värdeskapande, RobecoSAM, Vigeo, Sustainalytics, CDP and Regi IR Nordic ■ General meetings ■ Dialogues and individual meetings
Other	■ No proactive dialogue, available for discussions as needed

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

(for a presentation of the materiality analysis, go to Ratos's website). For Ratos, sustainability means *sustainable development through active responsible ownership,* giving top priority to the following issues:

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

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

Ratos as responsible owner

Ratos's ambition as owner is that our companies will establish a good standard for sustainability, continuously improve their sustainable agenda and ensure a sustainable strategy. Sustainability is an integrated part of the exercise of our ownership role throughout the holding period – from decision processes ahead of an acquisition to a responsible exit. To govern these efforts, we have drafted a number of relevant policies and guidelines (see the Code of Conduct, the Policy for Sustainability and Responsible Investments and the Environmental Policy on Ratos's website).

Acquisitions

The assessment of a potential acquisition includes evaluating the company and the sector in relation to Ratos's exclusion criteria. The next phase includes evaluating the position, i.e. the company's exposure to long-term trends such as switching to renewable energy, recycled materials, sharing economy, etc. Simultaneously, the level of risks is mapped, meaning sustainability-related risks in the company's operations or value chain (in relation to human rights, labour conditions, other social issues, environmental issues and business ethics including corruption risks) and practices, i.e.

SUSTAINABILITY IS INTEGRATED INTO RATOS'S OPERATIONS

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

the company's policies, processes, activities and follow-up in relation to these risks. The company's values and culture are also assessed. A compiled due diligence is part of Ratos's final decision material ahead of the investment decision and constitutes a recommendation to the future ownership process.

Ratos's exclusion criteria:

Ratos does not invest in companies that

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

Ratos's policy:

The following policy guides Ratos in the assessment of new investments and in work with existing holdings.

- breaches of international conventions
- Ratos's exercising climate considerations

During the year, Ratos has used negative screening, i.e. assessed investment possibilities in relation to Ratos's exclusion criteria. In 2016, Ratos made five acquisitions, and in all acquisitions (100%), an assessment of the sustainability-related risks was performed as an integral part of the due diligence. The risk assessment resulted in a recommendation to proceed with each acquisition and recommendations for Ratos's ownership agenda.

Development

Ratos invests across several industries. Consequently, our companies are affected by many different issues. We therefore have both common requirements for the entire portfolio and company-specific efforts to ensure focus on sustainability issues relevant to each company. Demands emanate from relevant legislation and the Global Compact's principles. Since 2011, Ratos's demands and expectations on its companies are clarified in our Corporate Responsibility (CR) framework. It has a basic level that applies to all subsidiaries, and a few additional modules with requirements for specific companies based on their operations and market presence. Moreover, Ratos encourages own initiatives which strengthen the company's sustainability work and sustainable business development. The base for the companies' sustainability work should constitute identifying significant sustainability issues, a strategy and process for the work together with set targets, anchored in the company's board, including a plan for how the CR framework will be implemented and complied with in operations.

On the acquisition date, many of Ratos's companies have no established infrastructure for structured sustainability efforts. Subsequently, focus is initially on putting this in place and defining spheres of responsibility, mandate, resources, tools and processes. We have an ongoing dialogue with and provide concrete support to the company's management and sustainability manager to bolster each company's sustainability efforts during our ownership. Ratos's annual Sustainability Forum creates networks and opportunities to share best practices. Practical tools are provided to facilitate efforts, including Ratos's CR Handbook, the whistleblowing framework agreement and climate reporting systems. Of the 18 companies included in Ratos's portfolio at the start of 2016, Ratos has interacted with all companies (100%) on the matter of sustainability.

Divestment

Ratos is not a perpetual owner. When divesting a company, we want to ensure good survival for the company in question.

Responsibility, governance and follow-up

Ratos's active ownership necessitates a clear division of responsibility and follow-up. Ratos's CEO has the overall responsibility for Ratos's sustainability strategy and initiatives. Ratos's operational sustainability efforts are defined and coordinated by the Sustainability Committee and representation from both the investment organisation and business support. The Sustainability Committee defines and coordinates requirements, guidelines and follow-up of Ratos's and the companies' sustainability work. One of Ratos's Industrial Advisors assists the Sustainability Committee, Ratos's company team and, on request, the companies regarding strategic sustainability issues. In each company, the CEO and company management has the operational responsibility for its sustainability efforts and each board is ultimately responsible for ensuring that the company complies with current requirements, policies and guidelines. Each company has an established process that enables the board to regularly follow up sustainability efforts and as of 2014, all companies that Ratos has owned for more than one years present an annual sustainability report.

Key activities in 2016

- Structured stakeholder dialogues conducted to verify focus on material sustainability issues for Ratos AB
- Ratos's Sustainability Day for the companies' sustainability managers

- Launch of instructions for Ratos's companies governing sustainability, compliance and risk initiatives
- Launch of Ratos's policy governing tax
- Planning for implementation of GRI reporting among Ratos's companies to fulfil new laws regulating sustainability reporting.

Parent company's sustainability efforts

Responsible exercise of ownership requires that Ratos does business with good business ethics, ensures good corporate governance and develops and involves the employees. Furthermore, Ratos wants to be a good role model for the companies, for example in terms of environmental and climate efforts.

Do business with good business ethics and culture

Ratos's reputation and the opportunity to do sound business rests on good business ethics. Ratos works actively to ensure that the company's values and ethical rules permeate all operations and that all employees understand and comply with the Code of Conduct adopted by Ratos's Board of Directors. Ratos's internal ethics policies and process coupled with regulatory compliance guarantee high quality and long-term confidence from the market. Ratos's employees receive training in business ethics, our Code of Conduct and other related policies. In 2016, Ratos had zero incidents of violations of the Code of Conduct and zero whistleblowing reports. Ratos has not been fined or received any other sanctions due to violations of laws or regulations.

Ensure sound corporate governance and transparency

Sound corporate governance creates value and is a prerequisite for Ratos's ownership process. Ratos aims for high transparency in our operations. We continuously improve our corporate governance and communication to safeguard high quality and the market's long-term confidence. See ▶ pages 51-59 for more information about Ratos's corporate governance.

Develop and involve our employees

Ratos places great importance on strategic talent development and supply, better equal opportunities and diversity, and a sound occupational environment and health, including work-life balance. See ▶ pages 20-23 for more information about Ratos's employees and how Ratos addresses these issues.

Climate impact

To be able to make demands and influence our companies, Ratos strives to lead by example. Climate issues concern everyone and Ratos wants to contribute to a better environment and less climate impact. We do so by measuring and reducing/limiting our consumption of energy and consumables and by optimising business travel.

Ratos has an environmental policy and plan for its internal environmental work that aims to constantly reduce Ratos's environmental impact. Ratos's CEO is responsible for follow-up. Ratos's parent company is not subject to any specific environmental legislation.

In 2016, Ratos completed its third climate report (scope 1, scope 2 and parts of scope 3 according to the Greenhouse Gas Protocol). Ratos's greatest climate impact stems from business flights. Face-to-face meetings and networking are fundamental to our ability to do business, and Ratos will continue to prioritise critical business trips. Consequently, we make climate compensation for all air travel as of 2014. As of 2016, Ratos uses only electricity labelled good environmental choice. Ratos's total emissions from the parent company amounted to 46 tonnes CO_2e for 2016.

Total emissions, tonne CO_2e/yr	**2016**	**2015**	**2014**
Business trips	254	248	294
of which, air travel	230	207	274
Head office (the building)	20	27	210
of which, electricity consumption	3	3	187
Other	2	4	2
Total before climate compensation	**276**	**279**	**506**
Total after climate compensation	**46**	**72**	**232**

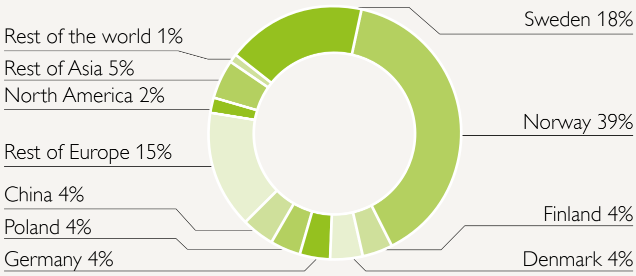
GENERAL TARGETS FOR RATOS'S RESPONSIBLE OWNERSHIP EFFORTS

General targets	**Status**	**Comments/focus 2016–2017**
Ratos and the companies are considered attractive employers in each target group ■ Dedicated, motivated employees ■ Safe workplace		Efforts to establish concrete goals and measurement methods continues in 2017.
Before acquisition, all new investments are subject to a sustainability or ESG screening.		This screening was performed for all five acquisitions completed in 2016.
All the companies we sell have an established sustainability plan (refers to companies that Ratos has owned > x years) ■ Sustainability agenda with top issues and activities (company > 1 year) ■ Short- and long-term sustainability goals established and followed-up (company > 2 years) ■ Sustainability agenda with top issues and activities (company > 1 year)		All companies (> 1 year) submitted a status report concerning sustainability 2016. The work of improving reporting is underway, with a greater focus in 2017 with reference to the new sustainability reporting law. In 2016, a programme was launched to clarify the companies' sustainability goals. This has taken longer than expected and will continue in 2017.
The board is ultimately responsible and involved: all company boards have defined the sustainability goals and follow-up initiatives at least once a year.		In 100% of the companies we owned > 1 year, the Board has presented and discussed the company's sustainability efforts during the year.
Reduce the climate impact and energy consumption per SEK of sales during the holding period for each company. Milestone: all companies (> 2 years) will implement systems or methods for CO_2measuring and reporting (scope 1, 2 and possibly parts of 3).		Implementation of climate reporting systems completed or ongoing in 7 of 14 concerned companies (> 2 years). It has not been possible to prioritise the programme in certain companies due to other major projects. Implementation will continue in 2017.

Employees, human rights and working conditions

Implementation of Ratos's development plans in each company cannot be done without talented, dedicated and healthy employees. Most (89%) of the Group's 14,500 employees work in the Nordic countries and the rest of Europe, and 8% work in Asia, China mainly. Several of the companies have operations that put employees at a greater risk of personal injury.

Group employees per geographic area 2016



A good, safe work environment, employee dedication and talent development are therefore top-priority issues. Respect for human rights, reasonable working conditions and freedom of association are other key aspects. Several of the companies have suppliers and partners in other countries where there is an elevated risk of violations of human rights or employee rights, which is why these issues have a prioritised position in the companies' supply chains.

As owner, Ratos makes it clear that international conventions, human rights, and employee rights and conditions must be respected, which is stipulated in Ratos's Code of Conduct. The companies are to implement a code of conduct in line with Ratos's Code. Based on a risk analysis, the same will also be implemented in the value chain in a suitable manner.

In the sustainability reports that the companies are asked to compile every year, morbidity and the share of women in senior positions is reported as the same standard.

Responsibility for environmental and climate impact

Our companies are the source of Ratos's greatest environmental impact. All companies will implement an environmental policy or an environmental plan based on an analysis that identifies the drivers of the company's greatest environmental impact. Each company has a delegated responsibility to comply with relevant environmental legislation/standards, ensure that environmental permits exist, and so on.

For Ratos, as for other investors, climate impact and a transition to a climate-neutral world is an important issue. As owner, we can support our companies to develop sustainable and "climate smart" products and services, and to advocate more focus on energy efficiency and reducing greenhouse gas emissions through sector and company-specific initiatives. We also have a responsibility to ensure that the companies develop sustainable strategies that embrace and support the transition that the business world will go through – such as companies that are exposed to oil and gas cultivating operations aimed at renewable energy – while simultaneously conducting traditional operations as responsibly and ecologically as possible.

The companies' sustainability reports contain a compilation of energy consumption (kWh) and relative energy consumption. For companies that have their own production, expectations are higher and involve among other things, waste management and water consumption. In 2016, Ratos introduced mandatory CO_2 footprint reporting in line with the GHG Protocol for all Ratos's companies. 54% of the companies that Ratos owned > 2 years had on 31 December implemented or were in the process of implementing a system.

Share of companies (>2 year) that have a CO_2-report:

54%

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

54%

Business ethics, anti-corruption and losses

For an investment company like Ratos, credibility, sound ethical values and regulatory compliance are essential for our ability to do business. Corruption is a widespread problem in the world, leading to ineffective markets and major costs for companies as well as significant losses for many countries in the form of limited progress.

An important aspect of Ratos's active ownership involves mapping corruption risks. A detailed corruption analysis was performed in 2014 for all companies and is reviewed on a regular basis. Of Ratos's companies, 10 are considered to have an elevated risk of corruption. The risk assessment was done using a tool devised for Ratos's investment organisation and the companies. The Code of Conduct that Ratos's companies implement contains written business ethics and anti-corruption instructions. All companies will perform corruption risk analyses as part of the comprehensive risk mapping and management, and have preventive routines and processes that are risk-specific, such as guidelines for employees and training programmes for people who have high-risk jobs.

Ratos's CR Handbook, which has guidelines, support and best practices for all companies, contains principles for the companies' anti-corruption initiatives and development of its anti-corruption programme. Companies that have an elevated risk of corruption or irregularities have more requirements regarding preventive efforts in their own operations and with business partners. As part of Ratos's preventive efforts, Ratos launched in 2016 instructions related to sustainability, compliance and risk in Ratos's subsidiaries aimed at providing guidelines and support to the Boards of Ratos's subsidiaries in their sustainability-related work and focusing on anticorruption. Ratos has also strengthened its follow-up processes concerning the companies' compliance to laws, including anticorruption efforts.

As of 2016, Ratos's general rule is that all companies will have implemented an externally run whistleblowing system to guarantee anonymity and full integrity. 38% of the companies that Ratos owned > 1 years had on 31 December implemented or were in the process of implementing such a system.

Aibel – *consistent group-wide safety programme*

Aibel, a leading Norwegian supplier of maintenance and modification services for oil and gas production platforms as well as field development within oil, gas and renewable energy, has operations along the entire Norwegian coast and in Asia. Aibel has a strong safety culture and focus on good working conditions.

For a long time, Aibel has given strong focus to health and safety, driven by laws and industry guidelines as well as a strong safety culture that takes all employees into account. The same focus and routines apply throughout Aibel's operations, including Aibel's yard in Laem Chabang, Thailand. In 2016, further investments were made at this yard with the construction of a state-of-the-art safety centre to enhance training in the field, a key step in efforts to realise Aibel's long-term goal of zero injuries and incidents. The safety centre, a premises measuring around 600 m² with seven discipline-specific classrooms, is designed for hands-on demonstrations, thereby offering a less theoretical and more interesting training programme than before. All yard employees receive regular training at the centre, which can accommodate up to 300 people weekly.

Diab – *lower customer weight means lower climate emissions*

Diab is a global provider of sandwich composite materials that contribute favourably to the transition to a climate-neutral world by facilitating growth in renewable energy, reducing weight and, consequently, users' fuel consumption and climate footprint.

Diab's materials promote advances in renewable energy. For instance, the low weight allows for larger wind turbine blades and thereby higher efficiency.

In the transport sector, the company's materials are used in traditional vehicles, i.e. driven with fossil-based fuels which helps to lower weight and reduce fuel consumption. Lightweight composites are a prerequisite for the transition to electric vehicles. Tests show that a ferry made of composite material reduces fuel consumption by some 40% compared with a ferry made of aluminium. Diab's material facilitate a transition to electricity-driven vehicles and vessels.

Stockholm City uses a commuter ferry in the Stockholm archipelago that combines a hull made of lightweight material from Diab, ultra-modern batteries and airbag technology. The boat has a speed three times higher than previous electric ferries. Because the ferry can replace boats that use traditional fuel, CO_2 emission levels are slashed to a fraction while the high speed makes it possible for more people to choose to commute on the water instead of the roads.

TFS – *safe and ethical clinical trials*

TFS performs clinical trials on behalf of pharmaceutical and medical device industries. The industry and the company have a strong focus on business ethics, manifested in high-quality, safe and ethically performed trials.

TFS gives priority to an ethical approach to clinical research, which is reflected in the company's core values. TFS's operations are strictly regulated by both national legislation and international regulations and directives where ICH E6 "Good Clinical Practice" and the Declaration of Helsinki developed by the World Medical Association serve as cornerstones. The latter underscores that the purpose and goals of medical research never takes precedence over the rights and interests of the patients. Clinical trials must always be performed in an ethical manner using methods and processes that guarantee high patient safety, high quality and correct handling of data and outcomes. All participation in research trials must be voluntary and requires the consent of the patient. Before a trial can begin, it must be approved by a research ethics committee.

All internal process that serve as guidelines for how TFS will perform clinical trials are based on applicable international laws. All staff, including management, receive regular training about these processes, guidelines and standards. Compliance is followed up and monitored by TFS's quality department. External reviews are performed by ethics committees and pharmaceutical committees in each country, which review and approve all trials.

We at Ratos

People make the difference

In all business operations, value is created by people. Attracting, developing and retaining skilled employees and talent is imperative to Ratos and our companies' ability to deliver and realise long-term success. Therefore, a major priority for us is that we and our companies are attractive employers. In 2016, we reinforced our organisation with a Strategic HR Manager to direct even more focus on these important issues.

The Ratos Group has about 14,500 employees worldwide who work for one of the 18 companies that make up Ratos's portfolio of companies or in Ratos's own organisation. In the parent company, 34 individuals were employed at the beginning of 2017, 19 of whom work in the investment organisation responsible for development of the companies and finding new investment opportunities. In addition, 16 Industrial Advisors are associated with the operations. Ratos's CEO and management group are responsible for the employees' work situation, talent development and initiatives related to equal opportunities and diversity.

In harmony with Ratos's changing circumstances and needs as a company, change initiatives began during the year that have generated organisational changes and streamlining of operations, resulting in fewer employees at Ratos.

Focus on the right skills

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

During the year, the investment organisation continued the project that started toward working in a more sector-oriented organisation. Among other things, the sector division will lead to a more structured approach in acquisition activities and comprises eight different sectors, namely consumer goods/commerce, construction, industrials, energy, technology/telecom/media, corporate services, healthcare and real estate.

The power of teamwork

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

Network with Nordic business experience

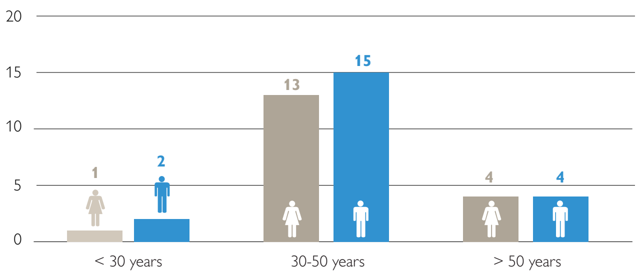
Our Industrial Advisors act as advisors in investment processes and during operational development of the companies, and are often board members in the companies as well as members of our Advisory Boards. Furthermore, we work with an extended network of qualified advisors who have long-standing business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

Strategic HR with value-creating activities

We at Ratos are convinced that business success comes from those individuals working at Ratos, in our portfolio companies and via our strong network of Industrial Advisors. Our aim is to work strategically to ensure that we have the right person with the right competence in the right place at the right time. This has received greater focus since we established a new role at Ratos that focuses on strategic HR.

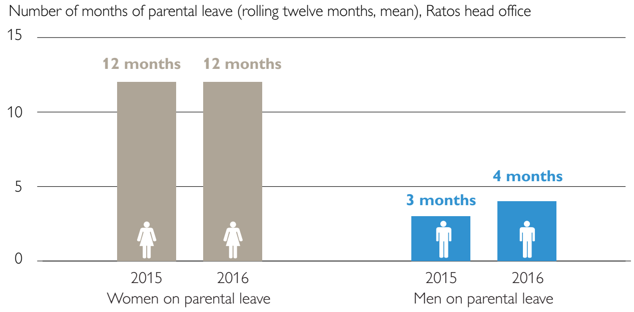
Age distribution 2016

Number of permanently employed per age category, Ratos head office



Average parental leave 2016

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



Ratos's values

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

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

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

Employees, type and function at Ratos's head office
Number and proportion based on the type of employment in relation to gender

	Women	%	Men	%	<30 years	30–50 years	>50 years
Permanent employment	18	*46*	21	*54*	3	28	8
Fixed-term contract	1	*50*	1	*50*	2	0	0
Management group	1	*20*	4	*80*	0	3	2
Investment organisation	7	*35*	13	*65*	2	17	1
Business support	10	*71*	4	*29*	1	8	5
Total*	**19**		**22**		**5**	**28**	**8**
Ratos's Board of Directors	3	*43*	4	*57*	0	0	7
Boards in the companies, excluding Ratos's investment organisation	23	*30*	53	*70*			
Employees who have resigned	10		3		0	8	5
New employees	4		2		2	4	0

* At the start of 2017, six more people resigned.

My role as Investment Director is multifaceted and varied. We work in teams, which affords me the opportunity to work together with highly knowledgeable colleagues to both develop the companies we already own, for which I am responsible for Arcus, Bisnode and TFS, and identify new acquisition opportunities. It is largely about interaction between people as those of us in the companies work actively through boards and management. Becoming a good active owner takes time and requires collecting good practices. Analysis, governance and leadership are parts of the interrelated whole. When I worked as management consultant before joining Ratos, I met different private equity actors and their portfolio companies and saw enormous differences. Most particularly in perspectives, values and processes, all factors that are important for me in terms of job satisfaction. I also came upon Ratos in these contexts and appreciated both the people I met and Ratos's perspective on ownership.

Mikael Norlander
Investment Director

Ratos is characterised by people with a genuine drive to do good things together. I work with consolidated financial statements and financial reporting, which lets me actively help to develop accounting and reporting processes. I'm also involved in many interesting Group-level issues. I like working in an inquisitive environment where new, exciting ideas are combined with long-term sustainability. I believe these are the best alternatives for the future.

Nina Grönberg
Group Accounting

As Industrial Advisor to Ratos, I employ my experience mainly in building relationships to find suitable acquisition candidates and assist Ratos's investment organisation in sorting out potential acquisition candidates. An important part of my role is to find the people who can help Ratos with its value-creating agenda during the acquisition process itself and the holding period. For me, Ratos is a company that stands and operates on sound values with a human image. It is a privilege for me to work with so many talented colleagues with whom I hope to be able to share my experience.

Peter Carrick
Industrial Advisor

The Ratos spirit

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

Attractive employer

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

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

Talent and leadership development programmes are regularly offered when a need is identified. In 2016, this included training in board work, compliance issues, diversity, management, lean processes and personal development. All employees (100%) have annual formal performance reviews.

Sick leave is generally low and in 2016 was: **1.5%**

Ratos endeavours to provide a good work-life balance. Most of Ratos's employees work full time, but other alternatives are available and are determined by employee preference. The option to structure working hours to achieve a work-family life balance does exist along with more possibilities to work from home. Ratos encourages parental leave for both men and women, and actively works to make the return to work after parental leave smooth and straightforward. As of 2015, statistics concerning to what extent parental leave is taken are compiled and monitored. In 2016, of those on parental leave, women were on leave for an average of 12 months and men for 4 months.

To gain access to and harness the skills of a deep pool of talent, Ratos advocates equal opportunities and diversity. Ratos is relatively equal when it comes to the total number of employees and, in the investment organisation which is traditionally a male-dominated sector, 35% were women.

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

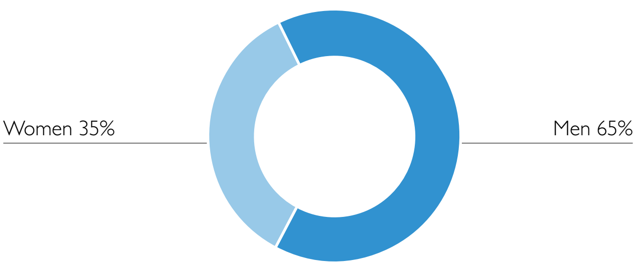
Sharing best practices

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

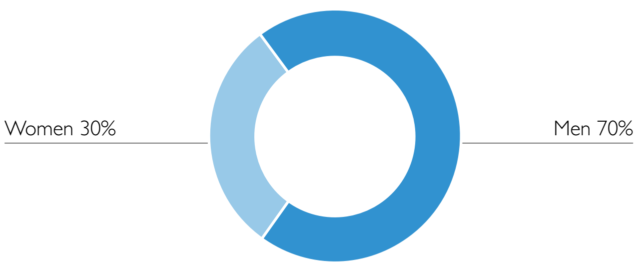
Involved in community development

Ratos's community involvement is founded in our 150-year history where long-term responsibility is a natural part of our operations. Ratos strives to contribute to a world where people have the opportunity to make a difference by changing and developing companies, sectors and society. By merging hearts and heads in our day-to-day work, our employees lend their time and expertise in operational development and entrepreneurship to contribute to various public activities and projects with which Ratos has an established collaboration. Two of the organisations that Ratos has collaborated with in 2016 are Inkludera Invest, which by backing social entrepreneurs takes social innovations to market and Mentor Sweden, which works to give young people a strong self-image and brighter outlook on the future by offering various mentorship programmes.

Distribution, Investment organisation 2016



Distribution, the company's boards 2016
(excluding Ratos employees and employee representatives)



Ratos Talent Award

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

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

The year's winners are:

Lise Gustavsen in the category Entrepreneurial

Project manager, HENT

Her creativity and innovative thinking have made Lise instrumental in leading and managing large complex construction projects. She repeatedly delivers the best financial results and has completed buildings that impress the customers. Lise is a true entrepreneur who takes greater responsibility than expected. Her courage and her curiosity urge Lise to always look for constant improvements that generate strong results for both the customers and HENT.

Tania Nadal in the category Committed

Executive Director Clinical Monitoring, TFS

With a combination of great customer focus, hard work and employee dedication, after 15 years at TFS Tania continues to amaze with her strong commitment. Her tireless work to shape the future of the function and the company does not only improve quality and deliverables but cultivates a high level of engagement in her team, which positively affects the business outcome for her business function and TFS as a whole.

Laura Lajmanovich & Jörgen Dahlström in the category Responsible

VP China & Project Manager/Group Process Engineer, Diab

With great integrity and dedication to following Diab's Code of Conduct and the UN's Global Compact initiative, Laura and Jörgen have been a driving force in implementing a new plant in China in a very impressive and resolute way. With the entire team, Laura and Jörgen have been pushing for improved safety and better environment. Without their big hearts and determination to stand up for our Nordic values in a location where authorities are fighting corruption, the project had not been as successfully implemented.

HENT – *an employee-focused company*

HENT

HENT, a Norwegian construction company, adopts a strategy to encourage as many employees as possible to identify new opportunities for growth within the organisation. This may involve employees developing within their present role, broadening their skills by changing departments or pursuing a career in their current field.

"If we are to achieve our business targets, it is imperative that we successful in this. We apply HENT's training initiative that includes leadership training. We offer courses in various subjects and on-the-job training in construction projects where experienced employees provide support. Another important initiative for the company is ensuring that besides a traditional career involving a management role, it is also possible to have a career as a specialist with comparable salary and good future opportunities in the company," says HENT's HR Director Terje Hugubakken.

The strategy is to, through the company's philosophy and culture, cultivate as many leaders and talents as possible, in an attempt to always fill vacancies at HENT internally. Performance reviews are used to collect and identify career plans and to ensure that the individual's career goals are identified.

"We feel that our systematic approach in this field is one of the most important initiatives we can take to develop and retain motivated employees within HENT. That we as employer promote and give prominence to the individual is clearly a prominent task for us as leaders," continued Terje.

Talent Management is an ongoing project, firmly rooted at management group level. CEO Jan Jahren is personally involved in the project through management meetings and weekly reports with the HR department where management supply and talent development are always on the agenda. In 2017, Jan will gather all the younger and future project managers at a meeting where the theme will be culture, innovation and career.

An employee satisfaction survey is performed annually and the results are presented per department and region within the organisation. The aim of the survey is to secure anonymous and concrete feedback from all employees regarding management, organisation, training, culture and work satisfaction in order to create a platform from which to drive improvements. HENT also wants the survey to serve as an extra channel for the individual to personally suggest concrete improvement measures.

"The employee satisfaction survey takes the temperature of the entire organisation and gives us valuable information and feedback that we can convert into concrete measures for every department and the company as a whole," said Terje in conclusion.

Ratos share data

Ratos shares decreased –12% with a total return (price development including reinvested dividends) of –6% compared with the SIX Return Index, which was +10%.

BRIEF FACTS 2016

Share listing	Nasdaq Stockholm
Total number of shares	324,970,896
Number of shares outstanding	319,722,042
Closing price, 30 Dec 2016	SEK 43.14 (Ratos Class B)
Highest/lowest quotation	SEK 52.6/35.9 (Ratos Class B)
Market capitalisation, 30 Dec 2016	SEK 16 billion

Share price performance

Performance for Ratos B shares was -12% compared with the OMXSPI which was +6% in the same period. The highest quotation during the year (SEK 52.6) occurred in March and the lowest (SEK 35.9) in November. The closing price on 30 December was SEK 43.14. The total return (price development including reinvested dividends) for Ratos Class B shares in 2016 amounted to –6% compared with the SIX Return Index, which was +10% during the same period.

The highest quotation for Ratos preference shares was SEK 1,950 in Maj, and the lowest was SEK 1,836 in December. The closing price on 30 December was SEK 1,850. Dividend yield on preference shares on the final trading day of the year was 5.4%.

Volatility of the share

A total of approximately 200 million Ratos shares (of which Class B shares accounted for almost 199 million) were traded via Nasdaq Stockholm in 2016 at a value of over SEK 11 billion. An average of approximately 790,000 shares, of which 785,000 Class B shares, were traded per day. The turnover rate was 93% for Ratos Class B shares (81% in 2015). Approximately 1,000 preference shares were traded per day.

Dividend

Dividends on ordinary shares will, over time, reflect the actual earnings trend in Ratos. The aim is to have an even dividend trend. Historically an average of over 50% of profit after tax has been distributed as a dividend.

Dividends on preference shares are regulated in the Articles of Association and currently amount to SEK 25 per quarter and share. The maximum dividend per share is SEK 100 per year. With effect from the first payment date after the 2017 Annual General Meeting and for the subsequent period the dividend shall increase to SEK 30 per quarter and share. Payments are made quarterly in February, May, August and November. For more information, see www.ratos.se.

The Board of Directors proposes an ordinary dividend for the 2016 financial year of SEK 2.00 per Class A and B share and a total dividend of SEK 638m. Dividend yield amounts to 4.6% based on the closing price at year-end.

Ownership structure

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

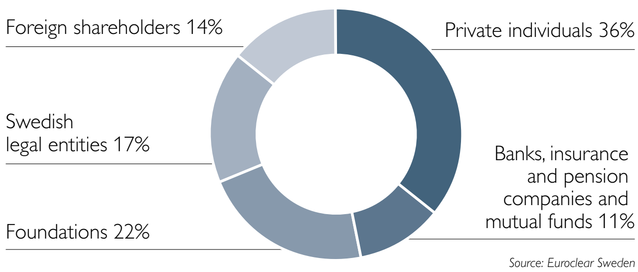
Shareholder statistics Number of shares	Number of shareholders	Share of capital, %
1-500	38,939	2.06
501-1,000	10,005	2.52
1,001-5,000	13,075	9.48
5,001-10,000	2,100	4.78
10,001-15,000	658	2.53
15,001-20,000	359	1.99
20,001	921	76.64
Total	**66,057**	**100**

Breakdown by class of share

Share classes	Number of shares	% of voting rights	% of capital
Class A	84,637,060	77.9	26.0
Class B	239,503,836	22.0	73.7
Class C (preference share)	830,000	0.1	0.3
Total	**324,970,896**	**100**	**100**

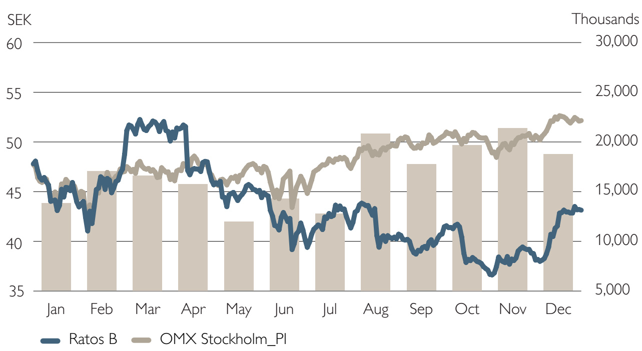
Source: Euroclear Sweden

Breakdown of Ratos's shareholders, % of capital



Source: Euroclear Sweden

Share price trend and trading 2016



Source: Infront

Employee ownership in Ratos

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

Purchase of treasury shares

The 2016 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. During 2016, 32,738 Class C preference shares were repurchased at an average price of SEK 1,886 per share. No Class B shares were repurchased. 1,344 repurchased Class B shares were transferred to administrative employees during the year. At year-end, Ratos owned 5,126,262 Class B shares (corresponding to 1.6% of the total number of shares) with an average purchase price of SEK 68 and 122,592 Class C shares.

Issue of Class B shares and preference shares

Since the 2009 Annual General Meeting there has been a decision that Ratos, in connection with acquisitions, may issue Class B shares in Ratos – through set-off, non-cash or for cash payment. This mandate was renewed at the 2016 Annual General Meeting and applies for a maximum of 35 million Class B shares. In addition, there is an authorisation from the Board to issue a maximum total of 1,250,000 preference shares of Class C and/or Class D in conjunction with agreements on acquisitions.

Analysts who monitor Ratos

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

Data per share*	2016	2015	2014	2013	2012
Earnings per share before dilution, SEK	-1.79	1.29	3.22	2.13	1.90
Dividend per Class A and B share, SEK	2.00 [1]	3.25	3.25	3.00	3.00
Dividend per Class C share (preference share), SEK	100 [1]	100	100	100	75
Dividend per Class A and B share as % of earnings	neg. [1]	252	101	141	158
Dividend per Class A and B shares as % of equity	6 [1]	9	8	8	8
Equity, SEK [2]	31	36	39	38	39
Closing market price, Class B share, SEK	43.14	48.83	47.07	58.15	62.50
Market price/equity, %	139	135	121	153	160
Dividend yield, Class B share, %	4.6 [1]	6.7	6.9	5.2	4.8
Total return, Class B share, %	-6	+9	-15	-2	-17
P/E ratio	neg.	37.9	14.6	27.3	32.9
Highest/lowest price paid, Class B share, SEK	52.6/35.9	65/44.40	67.45/43.21	70/50.75	93/53.75

Key figures*	2016	2015	2014	2013	2012
Market capitalisation, SEKm [3]	16,252	17,563	17,103	20,508	19,938
Number of shareholders	66,057	61,740	58,554	57,052	54,911
Average number of Class A and B shares outstanding before dilution	319,014,428	319,012,617	319,009,126	319,005,200	319,000,693
Number of outstanding Class A and B shares at year-end	319,014,634	319,013,290	319,009,789	319,006,019	319,001,359
Average number of traded Ratos shares/day, (Nasdaq Stockholm)	790,000	774,000	768,000	690,000	625,000
Dividend, SEKm [4]	638 [1]	1,111	1,120	1,040	1,019

* Applicable historical figures are recalculated taking the 2011 share split into account. Relates to Class B shares unless specified otherwise.
1) Proposed dividend.
2) Defined with effect from 2013 as equity attributable to owners of the parent with deduction for outstanding preference capital divided by the number of outstanding ordinary shares at the end of the period. Preference capital per preference share amounts to SEK 1,837.50, which corresponds to the redemption amount after the 2017 Annual General Meeting.
3) Refers to shares outstanding (including preference shares from 2013).
4) Dividend refers to ordinary shares and preference shares in 2012, 2013, 2014, 2015 and 2016.

Ratos shareholders*	Number			Share of	
30 Dec 2016	Class A shares	Class B shares	Preference shares	capital, %	votes, %
Söderberg family with companies	46,069,140	12,935,226	4,251	18.2	43.6
Ragnar Söderberg Foundation	17,235,241	13,706,552	0	9.5	17.1
Torsten Söderberg's Foundation	12,056,186	16,063,900	0	8.7	12.6
Avanza Pension	58,218	7,008,482	15,497	2.2	0.7
Spiltan funds	0	3,648,180	0	1.1	0.3
Nordnet Pensionsförsäkring	15 123	3 213 491	15 866	1.0	0.3
Uppsala University Foundation Admin.	0	3,154,000	0	1.0	0.3
CBNY-Norges Bank	0	2,838,082	28,004	0.9	0.3
Håkansson, Björn	2,660,000	0	715	0.8	2.5
Stenhammar with companies	71,956	2,555,404	0	0.8	0.3
Treasury shares	0	5,126,262	122,592	1.6	0.5
Others	6,471,196	169,254,257	643,075	54.3	21.6
Total	**84,637,060**	**239,503,836**	**830,000**	**100**	**100**

* Refers to shares registered with Euroclear Sweden at 30 December 2016. Pledged shares are not included in shareholder statistics.

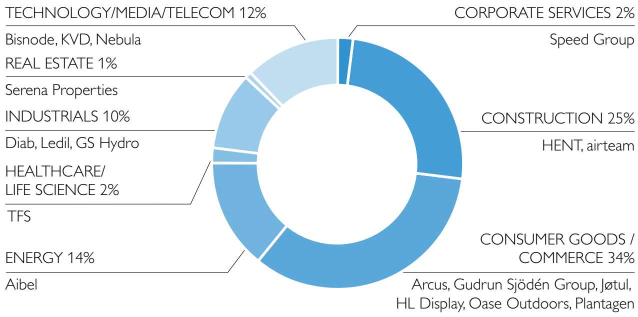
Source: Euroclear Sweden

Companies overview

Ratos's portfolio of companies is made up of 18 companies that together employ some 14,500 employees with combined sales of approximately SEK 38 billion and an adjusted EBITA of approximately SEK 2.3 billion on an annual basis. The companies are active in different sectors, and operate strategically, operationally and financially independent of each other. The common denominator for these companies is the existence of an apparent company-specific growth potential that is realised by focus on long-term value creation. Information about the companies' operations, market position, financial key figures and growth potential can be found on ▶ pages 28-44.

The Ratos Group's net sales for 2016 according to IFRS were SEK 25,228m (24,480), an increase of +3%, and operating loss was SEK -235m (1,411). To facilitate a comparison between periods and enable follow-up of the ongoing performance of Ratos's company portfolio, the companies overview includes certain financial information that is not defined in accordance with IFRS. For a reconciliation of the alternative performance measures used in this report with the most directly reconcilable IFRS measures, refer to www.ratos.se.

Sales breakdown by segment

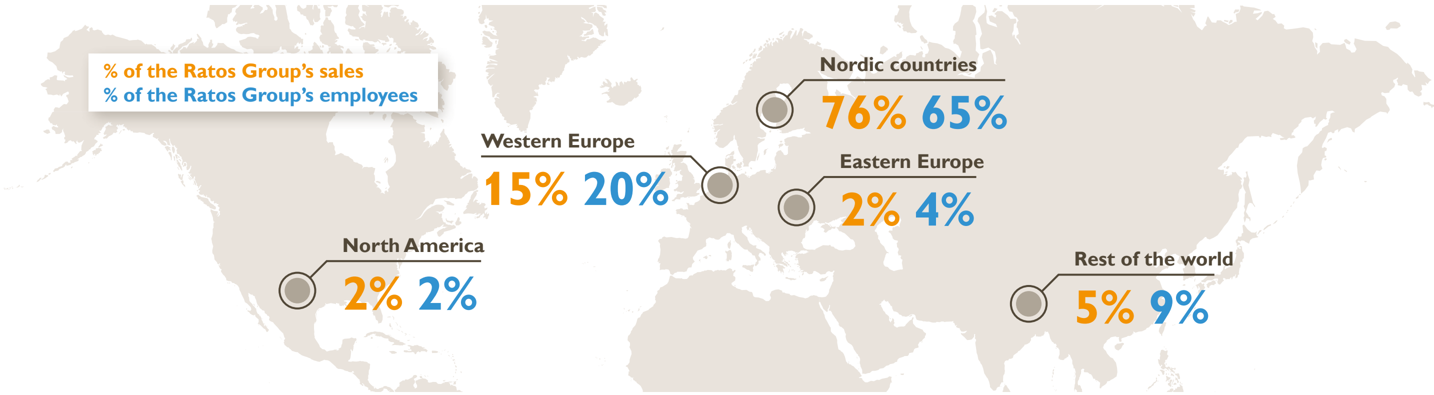


Summary of Ratos's companies

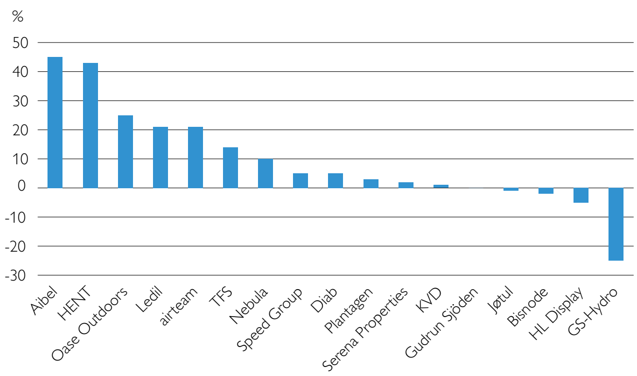
SEKm	Net sales in the portfolio		EBITA in the portfolio		Adjusted EBITA in the portfolio[6]		Interest-bearing net debt in the portfolio	Consolidated value	Ratos's holding
	2016	2015	2016	2015	2016	2015	2016-12-31	2016-12-31	2016-12-31
Aibel	10,892	7,728	46	279	314	480	2,585	587	32
airteam [1]	768	629	47	94	74	94	197	356	70
Bisnode	3,458	3,535	228	275	358	328	1,745	1,606	70
Diab	1,516	1,450	109	154	114	146	890	770	96
GS-Hydro	887	1,175	-149	12	-102	26	368	0	100
Gudrun Sjödén Group [2]	712	711	70	74	70	74	-6	166	30
HENT	7,991	5,716	239	189	239	190	-733	298	73
HL Display	1,417	1,488	67	8	85	66	569	840	99
Jøtul	898	930	0	0	7	6	534	4	93
KVD	321	317	37	29	48	38	143	356	100
Ledil	365	297	105	95	105	95	123	530	66
Nebula	332	299	101	87	107	90	440	283	73
Oase Outdoors [3]	422	333	46	37	72	40	284	137	79
Plantasjen [4]	3,696	3,681	233	258	299	242	2,384	1,303	99
Serena Properties [5]	171	167	129	133	129	133	1,094	398	56
Speed Group	562	536	34	25	41	42	-50	296	70
TFS	793	689	63	45	66	45	4	168	60
Total companies in their entirety	**35,200**	**29,679**	**1,406**	**1,795**	**2,027**	**2,136**	**10,571**		
Change	**19%**		**-22%**		**-5%**				
Total adjusted for Ratos's holding	**22,794**	**20,164**	**1,005**	**1,233**	**1,384**	**1,414**			
Change	**13%**		**-19%**		**-2%**				

All figures in the above table relate to 100% of each company, except consolidated values, which are based on Ratos's holding. In order to facilitate comparisons between years and provide a comparable structure, where appropriate some holdings are reported pro forma. Pro formas for 2016 are presented in the note on the right. As a listed company, Arcus is no longer included in the table above.

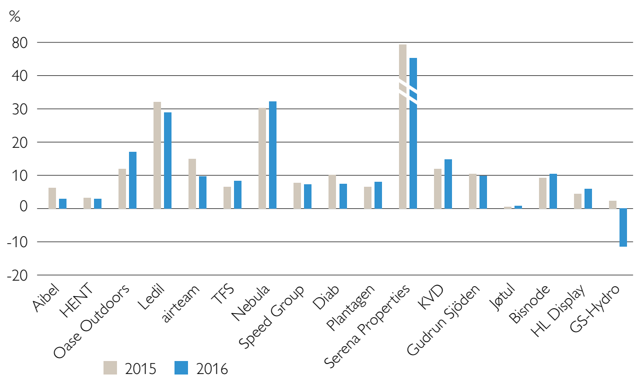
Sales breakdown and employees by geographic market



Net sales growth



Adjusted EBITA margin



Sustainability indicators[9)]

Average number of employees	Share of women on the Board[7)]	Share of production units with ISO 14001	CO_2-reporting	Code of conduct in line with Ratos's	External whistleblowing system
4,073	0%	100%	no	yes	yes
186	25%	nc	nc	nc	nc
2,209	33%	0%	yes	yes	yes
1,242	20%	57%	yes	yes	yes
596	25%	36%	yes	yes	yes
328	60%	nc	nc	nc	nc
773	33%	100%	yes[8)]	yes	no
982	33%	75%	yes[8)]	yes	yes
580	25%	0%	no	yes	no
162	25%	0%	yes	yes	no
95	20%	100%	no	yes	no
137	25%	0%	yes[8)]	yes	no
78	0%	nc	nc	nc	nc
1,168	33%	nc	nc	nc	nc
0	67%	0%	no	yes	no
752	20%	50%	no	yes[8)]	no
729	33%	0%	no	yes	no

1) airteam's earnings for 2016 and 2015 are pro forma in terms of Ratos's acquisition and for new financing and Group structure.
2) Gudrun Sjödén Group's earnings for 2016 and 2015 are pro forma taking into account Ratos's acquisition. The German operation was included in its entirety for the period in 2015.
3) Oase Outdoors' earnings for 2016 and 2015 are pro forma in terms of Ratos's acquisition and for new financing and Group structure.
4) Plantasjen's earnings for 2016 and 2015 are pro forma in terms of Ratos's acquisition and for new financing and Group structure.
5) Serena Properties' earnings for 2016 and 2015 are pro forma in terms of Ratos's acquisition and for new financing and Group structure.
6) EBITA, excluding items affecting comparability.
7) Of external board members
8) Under implementation
9) Companies acquired in 2016 are included as of 2017.

Aibel

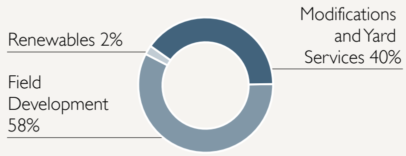
Sales growth driven by high activity level in the Johan Sverdrup project

Continued weak market trend and focus on efficiency measures

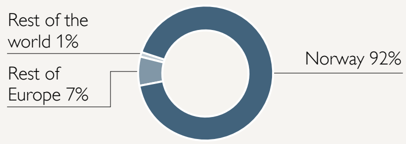
Impairment SEK -1.1 billion* of Ratos's book value

* Attributable to owners of the parent.

SALES BY OPERATING AREA



SALES BY MARKET



Aibel is a leading Norwegian supplier of maintenance and modification services (Modification and Yards) for production platforms and onshore installations for oil and gas as well as new construction projects (Field Development) in oil and gas and renewable energy (Renewables).

Aibel has a strong market position based on the company's integrated business model which covers the entire value chain, a combination of Norwegian and Asian resources, and strong customer relationships. Customers are primarily major oil companies which operate on the Norwegian continental shelf.

Market

The market for maintenance and modification services for oil and gas production platforms has recently experienced a severe downturn, leading to low levels of activity and a need to restructure in the industry. Given the weak market trend, Aibel has devoted itself to strengthening its competitiveness.

Among Aibel's competitors are Aker Solutions, Kvaerner in Field Development as well as multinational companies and Asian yards.

Sustainability

Aibel's top sustainability issues are health, safety and environment (HSE) as well as anti-corruption. In 2016, the company continued to clarify its position, strategy and efforts regarding environmental and climate issues.

Better efficiency and competitiveness

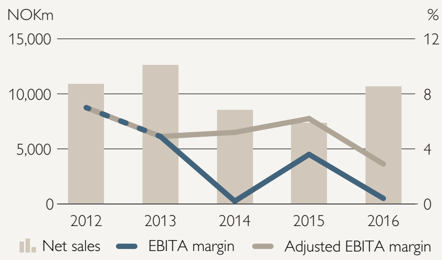
In future, focus will be to continue to improve Aibel's delivery model to enhance efficiency and competitiveness, ensure high quality in the deliveries of existing project portfolios and win new contracts in and beyond the oil and gas sectors. Aibel has a market-leading position, long-term customer relations and core expertise coupled with a strong business model in a market that has potential for growth.

FINANCIAL FACTS, NOKm	2016	2015	2014	2013	2012
Net sales	10,679	7,385	8,554	12,645	10,918
EBITA	46	267	20	619	767
Cash flow before acquisition and disposal of companies	608	359	-828	-	-
Interest-bearing net debt	2,453	4,060	4,553	3,589	-

SUSTAINABILITY INDICATORS	2016	2015
Sick leave	3.6%	3.4%
Number of serious incidents (per million working hours)	0.5	0.7
Number of integrity due diligences (IDD) conducted at suppliers	341	259

OTHER KEY FIGURES	2016
Ratos's holding	32%
Co-owners: Ferd 49%, Sixth AP Fund (represented by Ratos) 17%, Management and Board of Directors 2%	68%
Net invested amount	2,040
Average number of employees	4,073
Time of acquisition	2013

SALES AND EARNINGS



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

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

airteam

Acquisition of airteam completed in April 2016

Strong sales growth and continued favourable operating profitability

Add-on acquisition of Danish Ventek A/S, supplier of ventilation solutions

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

Market

The Danish construction market has structural growth potential based on increased demand for effective, high-quality ventilation solutions. There is an underlying need for large-scale renovation projects and newbuilds in which ventilation plays an increasingly important role. Intensified regulation and specific requirements for energy efficiency and better indoor climate are also expected to drive new business opportunities.

The Danish ventilation market is fragmented. airteam is one of the leading players in its niche and competes with companies such as Bravida, Caverion and Kemp & Lauritzen. While the market is cyclical, it has historically shown good structural growth and is expected to grow an average of 5–7% annually in the years ahead.

Sustainability

Under Ratos's ownership, airteam will continue to develop its agenda regarding relevant sustainability issues, focusing on such key areas as energy efficiency, working environment and safety.

Organic growth and international expansion

airteam is a fast-growing company with a strong, customer-oriented corporate culture that has dedicated employees, a leading market position and an attractive business model. Ratos views airteam's expertise in energy-effective ventilation solutions as a competitive advantage. There is vast potential to develop the business further through organic growth in current markets and through studying acquisition candidates and international expansion.

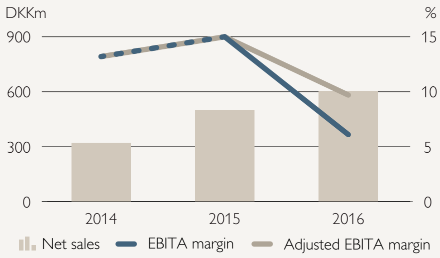
FINANCIAL FACTS, DKKm	**2016**	**2015**	**2014**
Net sales	604	501	322
EBITA	37	75	42
Cash flow before acquisition and disposal of companies	-	-	-
Interest-bearing net debt	153	-	-52.6

SUSTAINABILITY INDICATORS

Established in 2017

OTHER KEY FIGURES	**2016**
Ratos's holding	70%
Co-owners: Management and Board of Directors	30%
Net invested amount	308
Average number of employees	186
Time of acquisition	2016

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for airteam is available at www.ratos.se.

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

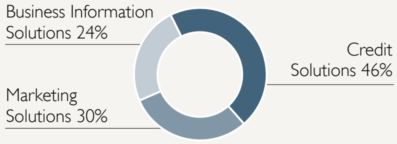
Bisnode

Extensive change initiatives to strengthen core operations

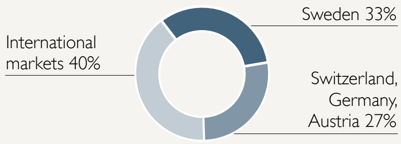
Improved adjusted EBITA despite slightly negative growth

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

SALES BY OPERATING AREA



SALES BY MARKET



Bisnode is a market-leading European data and analytics company that has operations in 18 countries. Bisnode offers data-based services and analyses that help companies to find and manage their customers throughout the entire customer life cycle. Through its strong local presence and collaboration with Dun&Bradstreet, the world's largest global business information supplier, Bisnode has unique access to large quantities of local and global data concerning enterprises and consumers.

Market

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

Sustainability

Business ethics and integrity protection are Bisnode's most important sustainability issues. Customers have gradually increased their focus on environmental and climate issues, prompting Bisnode to strive to limit its environmental impact. The company's services are primarily produced and distributed digitally, contributing to reduced consumption of paper and electricity.

Digital transformation and growth potential

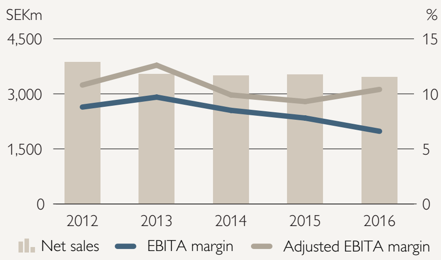
Bisnode has significant potential to continue to develop its business model based on the company's local expertise and global resources within a growing market segment. Going forward, the priority is to pursue the extensive digital transformation and the change initiative that has begun to realise the synergies that the change offers. Moreover, the company has strategic initiatives that strengthen the organisation, develop the offering and expand operations in order to boost competitiveness and gain market shares.

FINANCIAL FACTS, SEKm	2016	2015	2014	2013	2012
Net sales	3,458	3,535	3,502	3,540	3,869
EBITA	228	275	298	344	339
Cash flow before acquisition and disposal of companies	32	110	83	276	-
Interest-bearing net debt	1,745	1,896	1,983	1,862	-

SUSTAINABILITY INDICATORS	2016	2015
Share of women among employees	47%	45%
CO2 emissions, CO_2e 000 tonnes (GHG scope 1, 2, 3) (2015 Sweden only, scope 1, 2, business trips)	6.2	1.4

OTHER KEY FIGURES	2016
Ratos's holding	70%
Co-owners: Bonnier	30%
Net invested amount	590
Average number of employees	2,209
Time of acquisition	2004

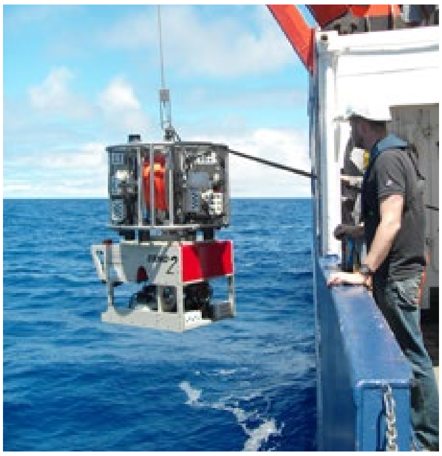
SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Bisnode is available at www.ratos.se.

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

Diab

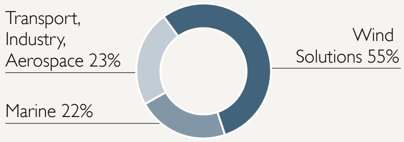


Growth primarily driven by increased demand in wind and TIA segment

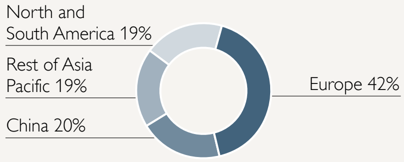
Growth initiatives to meet growing volumes have caused higher overheads

New facility for IPN foam production established in China

SALES BY OPERATING AREA



SALES BY MARKET



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

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

Market

The market for core material grows with the underlying customers' production volumes, such as the number of wind turbines and boats, and through the increased use of sandwich structures in existing and new applications. Growth is driven by efforts to achieve structures with greater strength and lower weight. 3A Composites and Gurit are among Diab's competitors.

Sustainability

Diab's key sustainability issue is to, through its products, contribute favourably to a climate-neutral world by facilitating growth in renewable energy (wind) and reducing fuel consumption and climate footprints as the result of lower weight (marine and transport) as well as reducing its own environmental footprint in production. Because the company operates in markets that have an elevated risk, preventative anti-corruption initiatives and export control are key issues for the company.

Growth potential and profitability improvements

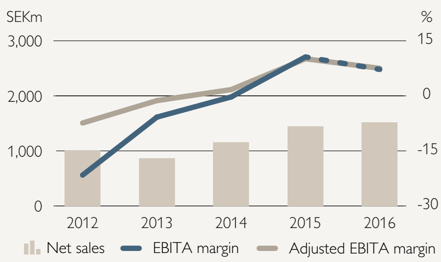
Diab has an attractive long-term growth profile driven by the need for strong and light structures, a sustainability perspective and good prospects for growth in applications. Consequently, there are good long-term opportunities for growth and improved profitability. The establishment of the new core material production plant in China contributes to lower overheads and meets the need for greater volumes.

FINANCIAL FACTS, SEKm	2016	2015	2014	2013	2012
Net sales	1,516	1,450	1,157	864	1,003
EBITA	109	154	-4	-50	-217
Cash flow before acquisition and disposal of companies	-45	-22	-55	-55	-36
Interest-bearing net debt	890	796	800	731	771

SUSTAINABILITY INDICATORS	2016	2015
Energy consumption per product (KWh/m³)	719	713
Total landfill costs per product (SEK/m³)	77	74

OTHER KEY FIGURES	2016
Ratos's holding	96%
Co-owners: Management and Board of Directors	4%
Net invested amount	884
Average number of employees	1,242
Time of acquisition	2001/2009

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Diab is available at www.ratos.se.

Company executive: Lene Sandvoll Stern **www.diabgroup.com**

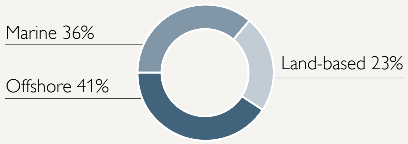
GS-Hydro

Very weak demand in both offshore and land-based segment

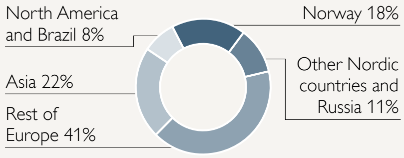
Earnings significantly affected by low volumes, price pressure and over capacity

Robust restructuring measures implemented globally

SALES BY OPERATING AREA



SALES BY MARKET



GS-Hydro is a global supplier of non-welded piping solutions. Piping systems are mainly used for hydraulic applications with high demands on fast installation, high cleanliness and minimal production shutdowns.

GS-Hydro's products and services are used within the marine and offshore industries, within land-based segments such as the paper and metals industries and in test equipment for the automotive industry. GS-Hydro has operations worldwide, its own employees in 15 countries and its head office in Espoo, Finland.

Market

GS-HYDRO operates in cyclical markets. The pressured price on oil and a very sluggish market trend in the offshore industry has prompted restructuring in the segment. Demand in the land-based segment has also declined, while developments in the marine segment were stable during the year.

Sustainability

GS-Hydro's key sustainability issues are preventative anti-corruption initiatives since the company operates in a number of high-risk markets, and reducing its environmental impact. The company has implemented a clear Code of Conduct, whistleblowing system, employee training programmes and follow-up processes.

Restructuring and efficiency improvements

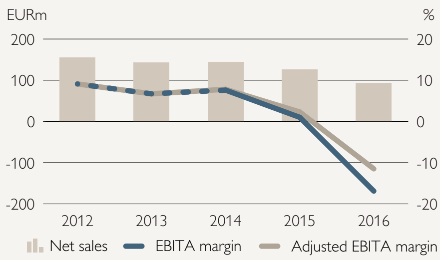
The severe slowdown in demand that the company experienced during the year resulted in an extensive global restructuring programme focusing on efficiency and cost savings. Among other aspects, this means heavy layoffs in most markets and streamlining logistics by centralising warehouses. However, non-welded technology is replacing traditional solutions and the company is developing its aftermarket offering, which means the GS-Hydro has long-term potential to grow.

FINANCIAL FACTS, EURm	2016	2015	2014	2013	2012
Net sales	93.7	125.6	144.6	143.0	155.3
EBITA	-15.8	1.3	11.0	9.6	14.1
Cash flow before acquisition and disposal of companies	-11.6	4.9	5.2	4.5	7.2
Interest-bearing net debt	38.5	38.4	42.5	48.4	52.3

SUSTAINABILITY INDICATORS	2016	2015
Share of women in local management groups	18%	25%
Incidence rate (number of industrial accidents with sick leave per million working hours)	21	
CO_2 emissions, CO_2e 000 ton (scope 1+2 and business trips)	25,880	

OTHER KEY FIGURES	2016
Ratos's holding	100%
Net invested amount	-166
Average number of employees	596
Time of acquisition	2001

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for GS-Hydro is available at www.ratos.se.

Company executive: Mårten Bernow **www.gshydro.com**

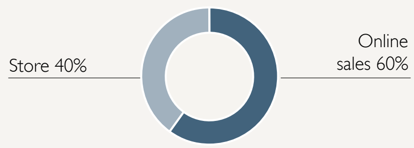
Gudrun Sjödén Group

Acquisition of Gudrun Sjödén Group completed in September 2016

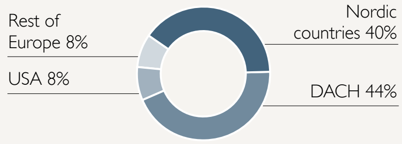
Stable sales trend and continued good profitability

Focus on global expansion and development of e-commerce

SALES BY OPERATING AREA



SALES BY REGION



Gudrun Sjödén Group is an international design company with a unique, colourful style and a strong emphasis on sustainability. The Gudrun Sjödén brand is sold and marketed globally through its own stores in seven countries, a global webshop and mail order service. Online sales represent the company's largest distribution channel and account for about 55% of sales. Customers are reached through the international online sales channels in more than 50 countries, and through its own stores. Germany, the Nordic countries and the US are the largest markets.

Market

The market for Gudrun Sjödén's designer apparel and homeware products is growing as demand for enduring models, high quality and sustainable materials increases. The company's customers are value-oriented, ageless and well-educated academics in social and artistic professions. The clothes have a unique design that women worldwide appreciate and that has few actual competitors.

Sustainability

Sustainability is an integrated part of the corporate culture at Gudrun Sjödén Group and this mindset is also evident in the company's slogan, *"Swedish design with a green soul"*. Supplier follow-up is one of the most important sustainability issues. The company also introduced a Code of Conduct in 2001 and has worked with the Business Social Compliance Initiative (BSCI) to conduct regular audits of its suppliers since 2007.

Focus on global expansion and growth

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

FINANCIAL FACTS, SEKm	**2016**	**2015***	**2014**	**2013**	**2012**
Net sales	712	711	391	324	286
EBITA	70	74	58	43	12
Cash flow before acquisition and disposal of companies	-	-	34	55	7
Interest-bearing net debt	-6	-	-108	-105	-70

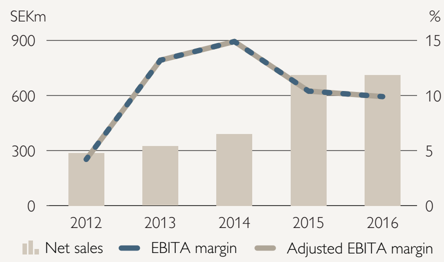
SUSTAINABILITY INDICATORS

Established in 2017

OTHER KEY FIGURES	**2016**
Ratos's holding	30%
Co-owners: Company founder Gudrun Sjödén (CEO)	70%
Net invested amount	160
Average number of employees	328
Time of acquisition	2016

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

SALES AND EARNINGS

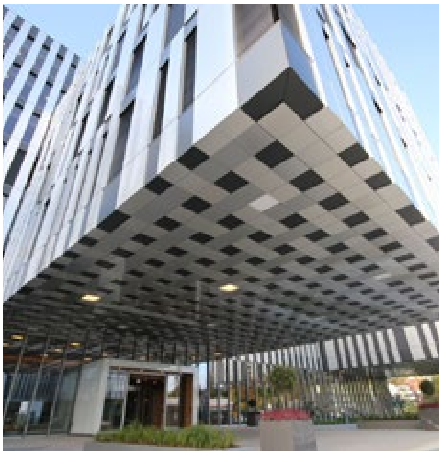


Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Gudrun Sjödén is available at www.ratos.se.

Company executive: Lene Sandvoll Stern **www.gudrunsjoden.com**

HENT

HENT

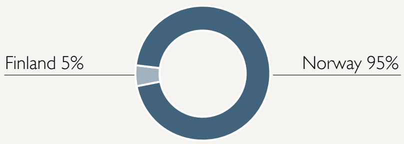


Excellent sales growth driven by a strong order book

Stable profitability driven by effective project deliveries

Establishment in Sweden and newly started property development operations

SALES BY REGION



HENT is a leading construction company that mainly focuses on new construction of public and commercial real estate. HENT focuses on project development, project management and purchasing. To a large extent, the projects are carried out by a broad network of quality assured subcontractors. HENT conducts projects throughout Norway and has recently expanded into Sweden. In 2016, HENT also established property-development operations that focus on housing projects in Norway.

Market

The total construction market in Norway amounts to approximately NOK 300 billion of which newbuild public and commercial real estate accounts for approximately NOK 50-60 billion. The newbuild market is cyclical, but has historically shown good structural growth. Since the start of the 2000s, annual Norwegian market growth has been approximately 5%. The Norwegian construction market is highly fragmented. HENT is one of the leading players and competes with Veidekke, Skanska, AF-Gruppen, NCC and Peab.

Sustainability

HENT's most important sustainability issues include labour law (focusing on conditions for subcontractors), health, work environment, safety and business ethics. All of these issues are related to HENT's strategy and managing them is central to the company's commercial success.

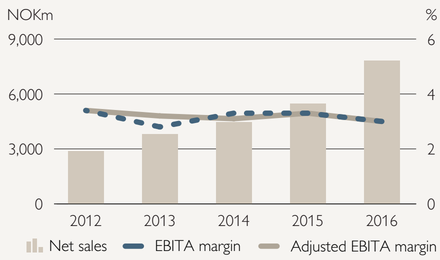
Long-term growth initiative

HENT delivers high project delivery quality and a flexible cost structure, which allows matching of costs to demand and managing fluctuations in the cyclical construction market. HENT has seen rapid expansion in recent years with stable profitability and has continuously strengthened its market position. In 2016, the company expanded into Sweden and started up property development operations. The aim is for these initiatives to strengthen HENT in the long term. Together with the company's management we aim to further develop the company and create opportunities for continued organic growth.

FINANCIAL FACTS, NOKm	2016	2015	2014	2013	2012
Net sales	7,834	5,462	4,466	3,797	2,886
EBITA	234	180	146	108	97
Cash flow before acquisition and disposal of companies	165	461	87	-	-
Interest-bearing net debt	-695	-504	-464	-397	-

SUSTAINABILITY INDICATORS	2016	2015
Incidence rate (H terms; industrial accidents with sick leave per one million working hours, including subcontractors)	3.8	5.1
Absence rates (A terms; days absent due to injuries per one million working hours, including subcontractors)	58	203
Sick leave, own employees	3.4%	3.3%
Waste, sorting level	79%	70%

SALES AND EARNINGS



OTHER KEY FIGURES	2016
Ratos's holding	73%
Co-owners: Management	27%
Net invested amount	50
Average number of employees	773
Time of acquisition	2013

Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for HENT is available at www.ratos.se.

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

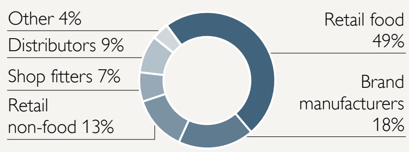
HL Display

Stable demand in all markets

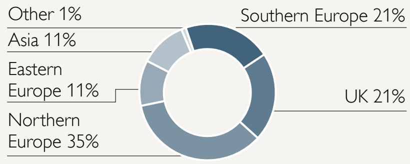
Positive profitability trend as an effect of implemented improvement initiatives

Focus on sales initiatives, production innovation and production improvement measures

SALES BY OPERATING AREA



SALES BY MARKET



HL Display is an international supplier of products and solutions for in-store communication and merchandising. The three key customer segments are retail food, brand manufacturers and retail non-food.

HL Display helps its customers to create an attractive store environment which increases sales and helps customers to reduce costs by increasing in-store efficiency. The company's products include datastrips, shelf management systems, printed in-store communication, merchandising stands, frames, bulk food dispensers, lighting systems and digital signage.

Market

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

Sustainability

Prioritised sustainability areas are business ethics and anti-corruption given its operations in several markets that have an elevated risk, as well as environmental issues that focus on resource efficiency, recycling and choice of raw materials. All production plants are certified according to ISO 14001.

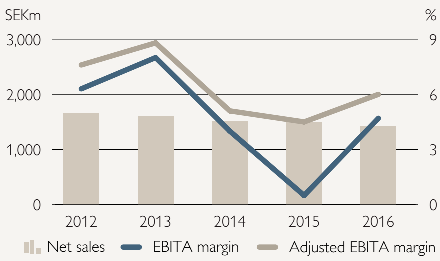
Further improve sales efforts

Since Ratos's acquisition, HL Display has reviewed its production structure, relocated production to low-cost countries and implemented a cost-cutting programme, which all combined improved the competitiveness of HL Display's product range. Over the past two years, the company has also worked actively to create its own market through concept sales, more structured activities for global customers and continued product innovation, which gave results in the form of growth in concept sales. The focus going forward is to continue to further improve sales efforts.

FINANCIAL FACTS, SEKm	**2016**	**2015**	**2014**	**2013**	**2012**
Net sales	1,417	1,488	1,509	1,596	1,657
EBITA	67	8	60	128	104
Cash flow before acquisition and disposal of companies	33	15	50	91	70
Interest-bearing net debt	569	627	635	296	396

SUSTAINABILITY INDICATORS	**2016**	**2015**
Number of industrial accidents with absence	26	20
Waste, sorting level	100%	94%
Energy consumption, MWh	25,558	25,476
Share of electricity labelled good environmental choice	57%	58%
Water consumption, m^3	367,653	347,120

SALES AND EARNINGS



OTHER KEY FIGURES	**2016**
Ratos's holding	99%
Co-owners: Management and Board of Directors	1%
Net invested amount	417
Average number of employees	982
Time of acquisition	2001/2010

Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for HL Display is available at www.ratos.se.

Company executive: Lene Sandvoll Stern **www.hl-display.com**

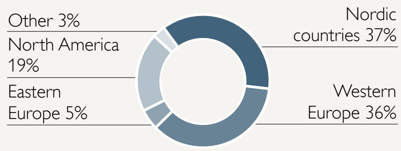
Jøtul

Weak sales trend, continued low demand in several markets

Improved profitability Continued high focus on improved cost efficiency

New acting CEO appointed in January 2017

SALES BY REGION



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

Market

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

Sustainability

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

Streamlining operations

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

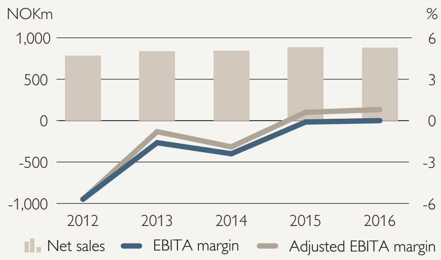
In addition to optimising purchasing, production, logistics and distribution, Jøtul will invest in product development to further strengthen its global market position.

FINANCIAL FACTS, NOKm	2016	2015	2014	2013	2012
Net sales	880	888	845	838	784
EBITA	0	0	-20	-13	-44
Cash flow before acquisition and disposal of companies	-8	-19	-48	-21	-70
Interest-bearing net debt	507	498	537	527	499

SUSTAINABILITY INDICATORS	2016	2015
Incidence rate (H terms; industrial accidents with sick leave per one million working hours)	5	8
Sick leave (Norway)	7.9%	7.9%
Waste, sorting level	4.4%	2.7%
Waste, share hazardous waste	0.0%	0.9%

OTHER KEY FIGURES	2016
Ratos's holding	93%
Co-owners: Management and Board of Directors	7%
Net invested amount	648
Average number of employees	580
Time of acquisition	2006

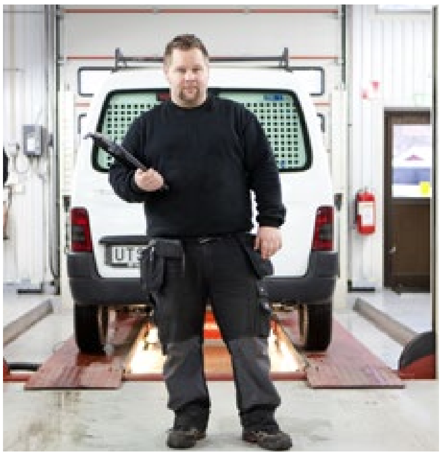
SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Jøtul is available at www.ratos.se.

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

KVD

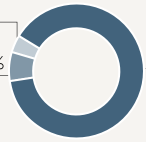


Sales growth primarily driven by Private Cars

Strengthened adjusted EBITA

Investments in IT and development of services

SALES BY SEGMENT



KVD is Sweden's largest independent online marketplace offering valuation and broker services for second-hand vehicles as well as sales of related products and services. The company has two business areas, Cars and Machines & Heavy Vehicles, and operates auction sites where cars, heavy vehicles and machines are traded weekly on online auctions. KVD handles the entire transaction from client order to end customer as well as guaranteeing the quality of the brokered item and is independent. Sweden's leading car valuation company, bilpriser.se, is also part of the KVD Group.

Market

The market for company cars is stable where car dealers comprise the largest competing channel for sales to end customers. KVD has a market share of approximately 10% in the segment for sales of second-hand company cars in Sweden and is therefore the market leader. KVD also brokers cars owned by private individuals and has thus more than doubled the potential market in Sweden. Competitors in brokerage of private cars are primarily traditional car dealers and private sales to another private individual via digital advertising. Within heavy vehicles, KVD's current market share is approximately 7%.

Sustainability

KVD's role is to transparently bring together serious buyers and sellers. KVD's service adds value in the form of testing, secure transactions, time savings and, not least, in helping both parties to make a good deal where second-hand vehicles are bought and sold at present-day market prices. KVD owns no vehicles, but instead brokers those owned by others, which requires handling other people's property respectfully and correctly. Subsequently, business ethics is a given top-priority sustainability issue for KVD.

Digital growth initiatives

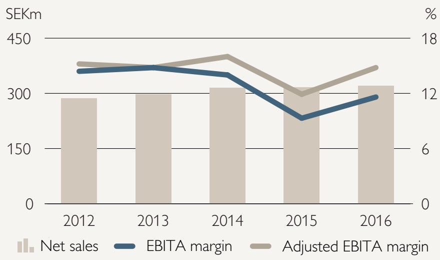
KVD has a highly competitive business model in which we foremost see vast potential for growth within privately owned cars because the market share is small and there is consumer demand for this service. Focus will also be on developing strategic partnerships, automating processes, designing a better IT platform and adding new add-on services.

FINANCIAL FACTS, SEKm	**2016**	**2015**	**2014**	**2013**	**2012**
Net sales	321	317	315	297	287
EBITA	37	29	44	44	41
Cash flow before acquisition and disposal of companies	17	18	32	18	49
Interest-bearing net debt	143	159	176	203	220

SUSTAINABILITY INDICATORS	**2016**	**2015**
Sick leave, own employees	3.9%	3.4%
Recommendation willingness,		
– buying customers (scale of -100 to +100)	35	
– selling customers (scale of -100 to +100)	13	
CO_2 emissions, CO_2tonnes (scope 1+2 and business trips)	180	315
CO_2 emissions, CO_2tonnes/employee (scope 1+2 and business trips)	1.2	2.0

OTHER KEY FIGURES	**2016**
Ratos's holding	100%
Net invested amount	225
Average number of employees	162
Time of acquisition	2010

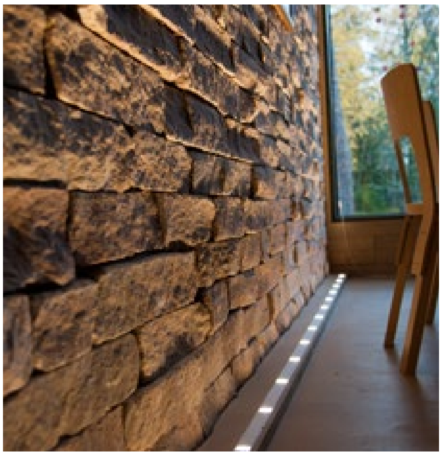
SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for KVD is available at www.ratos.se.

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

Ledil

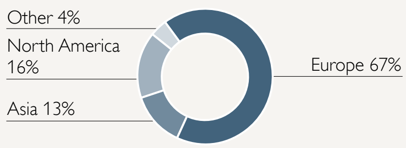


Strong sales growth driven by higher demand in all major markets

Healthy profitability due to higher volumes

Focus on price developments and establishment in new markets

SALES BY MARKET



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

Market

The global lighting market has annual sales of approximately SEK 850 billion, with LED market penetration amounting to approximately 20-25%. Underlying growth is driven by the rising population, urbanisation and an increased interest in lighting. LED technology has revolutionised the lighting market through light quality, design flexibility, lower energy consumption, environmental friendliness and superior operating life. The Taiwanese company LedLink is the largest competitor.

Sustainability

Ledil's products are instrumental in the conversion to more environmental lighting and thereby, to reduced climate impact. Prioritised sustainability issues are the company's climate impact in the value chain, as are human rights and working conditions among the subcontractors.

Global expansion and organic growth

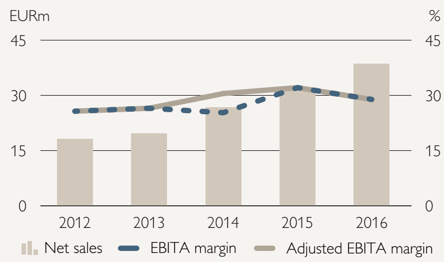
Ledil is a fast-growing, profitable and innovation-focused company that has built up a strong market position within its niche. The company's opportunities for continued organic growth within several product areas and markets, combined with the underlying rising demand for energy-efficient, environmentally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

FINANCIAL FACTS, EURm	**2016**	**2015**	**2014**	**2013**	**2012**
Net sales	38.6	31.7	26.8	19.7	18.2
EBITA	11.1	10.2	6.8	5.2	4.7
Cash flow before acquisition and disposal of companies	7.6	4.9	-	-	2.9
Interest-bearing net debt	12.8	19.9	19.9	-	-2.7

SUSTAINABILITY INDICATORS	**2016**
Share of employees who have attended anti-corruption courses	77%
Share of employees who have attended sustainability courses	93%
Share of subcontractors who have subscribed to the Code of Conduct	50%

OTHER KEY FIGURES	**2016**
Ratos's holding	66%
Co-owners: Company founder, management and Board of Directors	34%
Net invested amount	462
Average number of employees	95
Time of acquisition	2014

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for LEDiL is available at www.ratos.se.

Company executive: Daniel Repfennig **www.ledil.com**

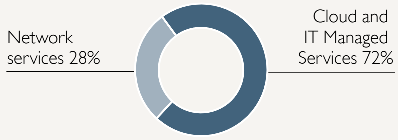
Nebula

Positive sales growth driven by higher demand and add-on acquisition

Positive profitability trend as an effect of implemented improvement initiatives

Continued initiatives for sales, customer loyalty and customer service

SALES BY SEGMENT



Nebula is market leading within cloud-based IT-capacity services, managed services and network services for small and medium-sized companies in the Finnish market. The company has its own data centres as well as its own leased fibre network between the largest cities in Finland.

Market

The total market for IT services in Finland is growing by an average of about 2% per year. Within Nebula's market niche, the underlying growth is stronger. Demand is driven by an increasing need to store, process and transmit data flexibly and securely, the customers' need to outsource IT management and by the fact that standardised and scalable cloud services are cheaper than traditional solutions.

Competitors are mainly local providers, but also international players such as Google and Amazon.

Sustainability

The most significant sustainability issues for Nebula are information security and business ethics, energy efficiency as well as dedicated and healthy employees. Since 2013, Nebula has had a basic framework for how sustainability efforts should be carried out line with Ratos's guidelines and the principles in the UN Global Compact.

Focus on growth and profitability

Nebula has a strong local presence and acknowledged technical expertise, which are vital when customers choose a service provider.

Ratos sees major potential to develop Nebula with continued growth and good profitability since the company, in addition to its strong market position, has an attractive and scalable business model with low margin costs for new customers, good customer relationships, high customer satisfaction, strong cash flows and a relatively non-cyclical range of services.

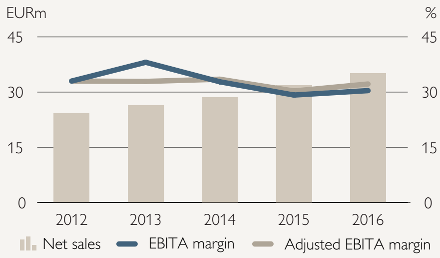
The current digitisation and trend for small and medium-sized enterprises to outsource their IT environment is expected to last and contribute to continued growth in the sector.

FINANCIAL FACTS, EURm	2016	2015	2014	2013	2012
Net sales	35.1	31.9	28.6	26.4	24.2
EBITA	10.7	9.3	9.4	10.0	8.0
Cash flow before acquisition and disposal of companies	7.8	7.2	5.0	-	-
Interest-bearing net debt	46.0	53.6	30.8	35.7	-

SUSTAINABILITY INDICATORS	2016	2015
Power Usage Effectiveness, PUE (Total facility energy / IT equipment energy)	1.17	1.16

OTHER KEY FIGURES	2016
Ratos's holding	73%
Co-owners: Rite Ventures 15%, management and key employees 12%	27%
Net invested amount	99
Average number of employees	137
Time of acquisition	2013

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Nebula is available at www.ratos.se.

Company executive: Johan Rydmark **www.nebula.fi**

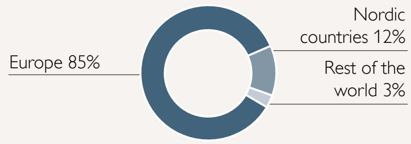
Oase Outdoors

Acquisition of Oase Outdoors completed in September 2016

Strong sales growth driven by higher volumes and price increases

Positive profitability development driven by sales and product development

SALES BY MARKET



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

Market

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

Sustainability

Business ethics and labour laws focusing on suppliers as well as adapting products to environmental demands are the company's most important sustainability issues. The company has its own office in Shanghai and, together with the purchasing department in Denmark, maintains a close dialogue with the company's suppliers on these matters.

Geographic expansion and continued product development

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

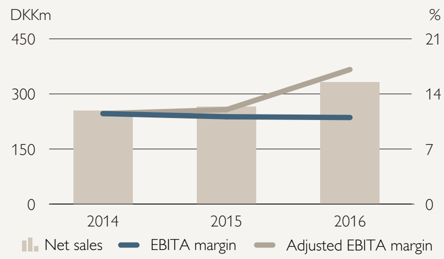
FINANCIAL FACTS, DKKm	2016	2015	2014
Net sales	332	265	255
EBITA	37	29	29
Cash flow before acquisition and disposal of companies	-	-	-
Interest-bearing net debt	220	-	44.5

SUSTAINABILITY INDICATORS

Established in 2017

OTHER KEY FIGURES	2016
Ratos's holding	79%
Co-owners: Company CEO Henrik Arens and a few key persons	21%
Net invested amount	162
Average number of employees	78
Time of acquisition	2016

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Oase Outdoors is available at www.ratos.se.

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

Plantasjen

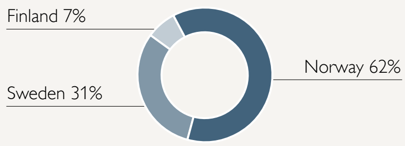
PLANTASJEN.

Acquisition of Plantasjen completed in November 2016

Positive sales growth driven by favourable trends in plants and accessories

Improved operating profitability driven by product mix

SALES BY MARKET



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

Market

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

Sustainability

Plantasjen's operations with plants and cultivation are closely linked to the environment and sustainability. The company's aim is to continue reduce the environmental impact of all aspects of its operations and to spread a social responsibility that improves living and working conditions for people. Plantasjen subscribes to the Business Social Compliance Initiative (BSCI) Code of Code of Conduct. Under Ratos's ownership the company will further advance and systematise its sustainability agenda.

Potential for increased sales

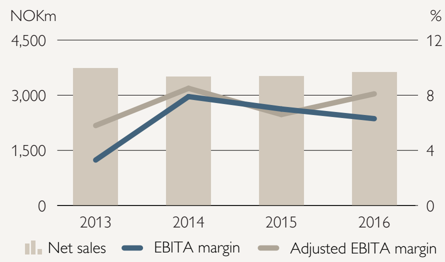
Plantasjen's leading market position, strong brand and industry-leading supply chain in a non-cyclical market with stable growth are highly attractive. Ratos anticipates continued high potential for increased sales in both current garden centres and the new investments in new channels such as smaller,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

FINANCIAL FACTS, NOKm	**2016**	**2015**	**2014**	**2013**
Net sales	3,624	3,517	3,503	3,740
EBITA	228	247	275	124
Cash flow before acquisition and disposal of companies	-	-	375	246
Interest-bearing net debt	2,262	-	2,560	5,724

SUSTAINABILITY INDICATORS
Established in 2017

OTHER KEY FIGURES	**2016**
Ratos's holding	99%
Co-owners: Management	1%
Net invested amount	1,386
Average number of employees	1,168
Time of acquisition	2016

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Plantasjen is available at www.ratos.se.

Company executive: Magnus Agervald **www.plantagen.com**

Serena Properties

Acquisition of Serena Properties completed in January 2016

Favourable trend in terms of rental income and profitability with several leases extended

Development and active management of the real estate portfolio

Serena Properties (Serena) is a newly formed real estate company with a portfolio of 21 commercial retail properties in 14 mid-sized towns in Finland. The company owns and manages properties located in established retail areas with tenants that are attractive and largely comprise grocery and discount retailers. The largest tenants are Kesko and S-group. Total leasable area is 149,000 square metres.

Market

The Finnish retail sector has experienced several tough years but is expected to report growth again in 2017. There is presently a great interest in investing in the type of real estate that is part of Serena. The return levels are still higher than in many other geographies and segments. Most of Serena's tenants are grocery and discount retail store chains that have performed relatively well even in a weak domestic economy in Finland.

There are a number of players who invest in retail properties in the Nordic countries, including Svenska Handelsfastigheter, Sveafastigheter Riks, Nordika funds and Vencom.

Sustainability

Serena Properties's sustainability agenda focuses on the company's environmental impact through its real estates' energy consumption and heating.

Value creation through development of retail areas

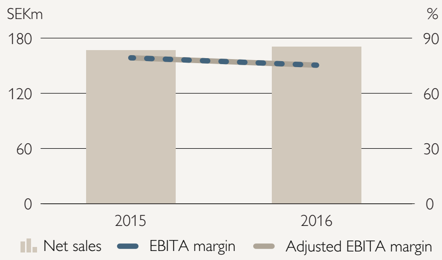
With the establishment of Serena Properties, Ratos sees an opportunity to streamline day-to-day operations and generate value by developing the retail areas through proactive management. There is potential for growth in value-generating investments to develop the properties, extending leases, and optimising the mix of retail area tenants. Serena has a well-diversified portfolio of retail properties in Finland, with long-term contracts with high-performance retail chains.

FINANCIAL FACTS, SEKm	**2016**	**2015**
Net sales	171	167
EBITA	129	133
Cash flow before acquisition and disposal of companies	-1,700	-
Interest-bearing net debt	1,094	-

SUSTAINABILITY INDICATORS	**2016**	**2015**
Electricity (MWh/m²)	0.14	0.14
Heating (MWh/m²)	0.08	0.08
Water (m³/m²)	0.17	0.18

OTHER KEY FIGURES	**2016**
Ratos's holding	56%
Co-owners: Varma 43%, Redito 1%	44%
Net invested amount	348
Time of acquisition	2016

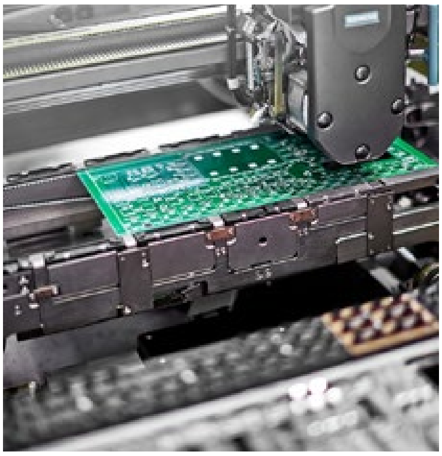
SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Serena Properties is available at www.ratos.se.

Company executive: Johan Rydmark **www.serena.se**

Speed Group

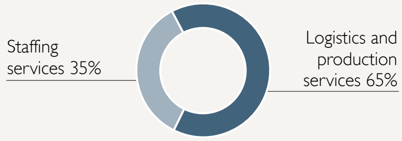


Higher demand in the logistics business, though receding towards the end of the year

Investments in internal processes to support future growth

Peter Nilsson appointed new CEO in 2016

SALES BY SEGMENT



Speed Group is a Swedish supplier of logistics, staffing and production services and complementary services in recruitment and training.

The Group has two primary business areas; staffing, and logistics and production services. Staffing service offers both blue and white collar personnel, as well as external recruitment of skilled professionals. Logistics and production services include full-scale warehouse management.

Market

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

Sustainability

Speed Group actively strives to reduce the company's environmental impact and work environment-related risks in warehousing and production. The company contributes to the local community through its continuous involvement in technology and schools, including through the Navet Science Center.

Organic growth and efficient production

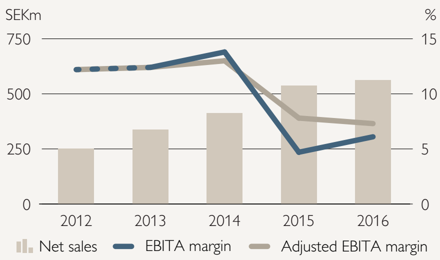
Speed Group's customer-oriented corporate culture and strong market position in the Gothenburg region mean a continued development potential to expand organically with existing customers and to increase the market share in south-western Sweden. The market for efficient logistics solutions and the need for flexible solutions is till robustly expanding. Focus is also on strengthening and investing in internal processes and efficiency improvements.

FINANCIAL FACTS, SEKm	2016	2015	2014	2013	2012
Net sales	562	536	413	337	251
EBITA	34	25	57	42	31
Cash flow before acquisition and disposal of companies	90	-	-	21	6
Interest-bearing net debt	-50	41	-	8	-11

SUSTAINABILITY INDICATORS	2016
Serious work-related accidents	2
Share of managers who are women	28%
Waste, share of incinerable of total waste (Speed Logistics)	6%

OTHER KEY FIGURES	2016
Ratos's holding	70%
Co-owners: Company founders Jarl Ternander, Daniel Johansson and Jesper Andersson	30%
Net invested amount	286
Average number of employees	752
Time of acquisition	2015

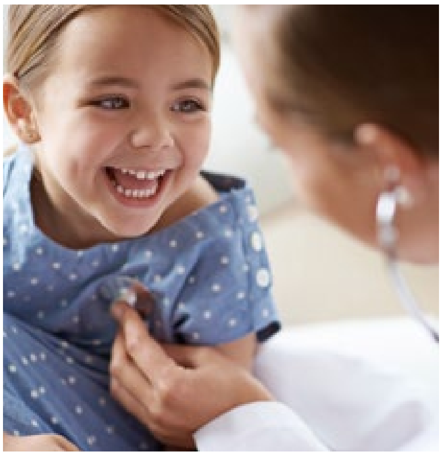
SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for Speed Group is available at www.ratos.se.

Company executive: Daniel Repfennig **www.speedgroup.se**

TFS

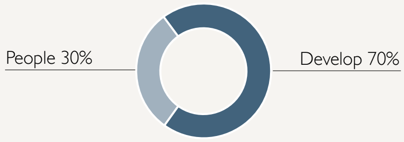


Strong sales growth driven by healthy order book and positive order intake

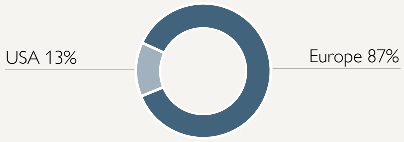
Strategically important add-on acquisition of German SCIderm

Investments in the service range, organisation and operational efficiency

SALES BY SEGMENT



SALES BY REGION



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

Market

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

Sustainability

TFS's key sustainability issues comprise following up respect for human rights and reasonable working conditions in the value chain, primarily pertaining to contracted suppliers, and ensuring good ethics, quality and patient safety during trials as well as preventive anti-corruption efforts.

Growth initiatives and geographic expansion

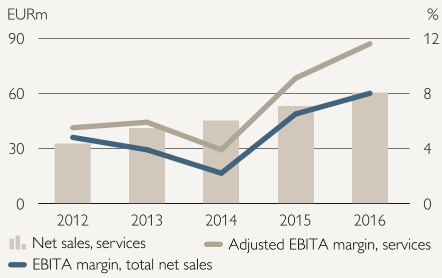
TFS has well-established and strong customer relations, and has developed a stable international platform in a market segment that is expanding as the demand for these service offerings increases. Consequently, the focus is on continuing to grow organically. Concurrently, we see a clear consolidation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

FINANCIAL FACTS, EURm	2016	2015	2014	2013	2012
Net sales	83.7	73.7	58.8	56.2	43.4
- Services	60.2	52.9	45.1	41.0	32.6
- Reimbursable expenditure	23.5	20.7	13.7	15.2	10.8
EBITA	6.7	4.8	1.3	2.2	2.1
Cash flow before acquisition and disposal of companies	-1.2	2.6	1.7	-1.5	0.4
Interest-bearing net debt	0.4	–	0.2	2.3	-0.2

SUSTAINABILITY INDICATORS	2016
Employee satisfaction, Index (1-100)	63
Employee turnover	20%
Share of women in senior management	65%

OTHER KEY FIGURES	2016
Ratos's holding	60%
Co-owners: Company CEO Daniel Spasic	40%
Net invested amount	180
Average number of employees	729
Time of acquisition	2015

SALES AND EARNINGS



Complete statement of historic pro forma effects, income statement, statement of financial position and statement of cash flows for TFS is available at www.ratos.se.

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

Financial statements

RATOS

Directors' report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585 hereby submit the 2016 Annual Report for the parent company and the Group. The registered office of the Board is in Stockholm, Sweden.

The company's activities

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

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

At the beginning of 2017, 34 people work at Ratos.

At 31 December 2016, Ratos owned 18 portfolio companies in the Nordic region.

Portfolio companies [1]	Ratos's holding 31 December 2016
Aibel	32%
airteam	70%
Arcus	24%
Bisnode	70%
Diab	96%
GS-Hydro	100%
Gudrun Sjödén Group	30%
HENT	73%
HL Display	99%
Jøtul	93%
KVD	100%
Ledil	66%
Nebula	73%
Oase Outdoors	79%
Plantasjen	99%
Serena Properties	56%
Speed Group	70%
TFS	60%

[1] AH Industries and Biolin Scientific are not included as portfolio companies. In December 2016, Ratos signed an agreement to divest 100% of the shares in AH Industries. The divestment is subject to approval by the relevant authorities and is expected to be completed in the first quarter of 2017. Biolin Scientific divested the business area Analytical instruments in December. Biolin's remaining business area will be run under the name Sophion and recognised as other net assets.

Investment strategy

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

Holding and investment interval

Normally, Ratos is the largest owner in the companies, but can also have a minority holding. However, our constant ambition is to be a committed owner that takes part in and can influence the companies' development. We gladly co-invest with entrepreneurs and other stakeholders, but have a minimum holding of 20%. We normally invest a minimum of SEK 250m and a maximum of SEK 5 billion in equity. Ratos does not invest in the early phases of companies' life cycles.

Geographic focus

Ratos invests in enterprises that are headquartered in the Nordic region. No geographic limits exist for add-on acquisitions to our companies.

Sector independent

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

Selection process

Ratos focuses on self-generated transactions. Our investment organisation identifies and analyses companies with potential for growth that suit Ratos's portfolio of companies. We also take part in processes driven by investment banks and other advisors.

Ownership horizon

Ratos does not have any limits to its holding period. The companies' return potential and Ratos's ability to contribute to their development is continuously assessed. Ratos can retain its holding as long as value is created in the company that exceeds the return target, which is often for a five-to-ten-year period.

Financial targets

Ratos has a company-specific return target (internal rate of return, IRR) that amounts to a minimum 15%. During the past five years, Ratos has sold 11 companies, with an average IRR of 15% per year.

Dividend policy Class A and B shares

- The dividend over time shall reflect the actual earnings trend in Ratos.
- Historically an average of over 50% of profit after tax has been distributed as a dividend.
- The aim is to have an even dividend development.

Dividend policy preference shares

- Dividends on preference shares are regulated in the Articles of Association and currently amount to SEK 25 per quarter and share. The maximum dividend per share and year is SEK 100.
- With effect from the first payment date after the 2017 Annual General Meeting and for the subsequent period the dividend shall increase to SEK 30 per quarter and share.
- Payments are made in February, May, August and November.

Events during the year

Acquisitions

In November, Ratos completed the acquisition of 99% of the shares in Plantasjen, the Nordic region's leading retail chain for plants and gardening accessories. The equity value for 100% amounts to approximately NOK 1.2 billion, corresponding to an enterprise value of about NOK 2.8 billion. Ratos provided SEK 1.4 billion.

In September, the acquisition of 30% of Gudrun Sjödén Group – an international design company with a unique, colourful style and a strong emphasis on sustainability – was completed The enterprise value for 100% of the company amounted to SEK 725m. Ratos provided SEK 152m. Ratos also signed an agreement for an option to increase its holding a further 40% in 2018.

In September, the acquisition of 79% of Oase Outdoors – a family-owned Danish company that supplies high-quality camping and outdoor equipment – was completed. The enterprise value for 100% of the company amounted to DKK 380m. Ratos provided DKK 126m.

In April, the acquisition of 70% of airteam – a leading supplier of ventilation solutions in Denmark – was completed. The enterprise value for 100% of the company amounted to DKK 575m, of which Ratos provided DKK 272m.

In January, the acquisition of Serena Properties – a newly formed real estate company with retail properties in Finland – was completed. The enterprise value for 100% of the company amounted to EUR 191.5m, of which Ratos paid EUR 39m and owns 56%.

Divestments

In December 2016, Ratos signed an agreement for the sale of all the shares in AH Industries at an enterprise value of DKK 240m for 100% of the company. Ratos's holding amounts to 70%. The sale resulted in an impairment of SEK 43m during the fourth quarter, corresponding to the company's total book value. Accordingly, no exit earnings effect is expected on completion of the transaction. The investment has generated a negative internal rate of return (IRR).

Biolin Scientific divested the Analytical Instruments business area in December. The sale generated a minor exit gain for Ratos. Biolin's remaining business area will be run under the name Sophion and recognised as other net assets.

On 1 December, Arcus was listed on the Oslo Stock Exchange at NOK 43 per share. In conjunction with the listing, Ratos sold shares for a total value of SEK 1,194m. Ratos's exit gain, which is based both on realised shares and an increase in value from remeasurement of shares retained, amounted to SEK 1,403. Since the acquisition in 2005, the average annual return (IRR) to date amounts to 29%, which implies that Ratos has gained a money multiple of 5.5x. Ratos's holding after the IPO amounts to 23.6%.

In November, Ratos sold all its shares in Mobile Climate Control. The selling price was SEK 1,373m and generated an exit gain of SEK 268m and an internal rate of return (IRR) of approximately 10% as well as a money multiple of 2.2x.

In November, Ratos sold 100% of the shares in Euromaint. The selling price amounted to approximately SEK 650m (enterprise value). The divestment generated no exit gain as the holding was impaired to the net realisable value during the third quarter. The investment has generated a negative annual internal rate of return (IRR).

Capital contribution/earn-out

Ratos has provided SEK 113m (EUR 12m) to GS-Hydro, SEK 319m (NOK 316m) to Aibel in conjunction with a new financing agreement, SEK 246m to Bisnode (of which SEK 71m in conjunction with add-on acquisition of NN Markedsdata), SEK 15m to KVD and SEK 120m to Euromaint.

An earn-out of EUR 4m was paid in connection with TFS.

Environmental impact

Operations that require a permit under the Environmental Protection Act are conducted within some subsidiaries. Permits relate to environmental impact in the form of emissions of solvents to air as well as dust, effluent and noise. Ratos's direct environmental and climate impact is limited. In its investing activities, Ratos exercises environmental and climate considerations by weighing in long-term sustainability in its investment decision, and by driving the development of "climate smart" products and services and advocating that the companies focus on energy efficiency.

Sustainability

Sustainability – accepting responsibility for the company's impact on its environment and stakeholders – is a key part of efforts to manage and develop the trust that Ratos has built up in the Nordic business community and society over a period of almost 150 years. As a responsible owner, Ratos generates value by driving the sustainability agenda in our companies. Sustainability is an integrated part of the exercise of our ownership role throughout the holding period – from the decision process ahead of an acquisition to a responsible divestment. Long-term sustainability, including climate impact, is an integrated part of our new investment assessments, and the investment organisation works actively with sustainability issues in every company based on both common requirements for all companies and company-specific efforts to ensure focus on sustainability issues relevant to each company. Ratos's CR framework clarifies expectations and demands on the companies related to governance and management of sustainability programmes as well as the companies' conduct regarding human rights, labour, business ethics and anti-corruption, and the environment. It contains the same key areas as the UN Global Compact's ten principles as well as aspects related to strategy and governance of sustainability. The CEO and management of each company have operational responsibility for the company's sustainability efforts. Each company board is ultimately responsible for ensuring the company complies with Ratos's and the company's policies and guidelines. Furthermore, each company's board ensures that the company meets Ratos's sustainability requirements and performs an annual review of work on these issues. In companies which are associates, Ratos has a different degree of influence, so demands and processes may be different. Ratos's sustainability efforts were addressed by Rato's Board in 2016.

Consolidated result

The Ratos Group's loss before tax (see Note 2) amounted to SEK -890m (892).

Profit/share of profits from companies excluding exit gains and impairment amounts to SEK 295m (664). The decline in earnings compared with the year-earlier period is primarily attributed to the weak offshore market trend that affects Aibel and GS-Hydro and the negative currency effects in Bisnode's net financial items.

The negative recognised earnings were impacted by impairments totalling SEK 2,504m, of which SEK 1,895m was attributable to owners of the parent. The impairments are attributable to the portfolio companies Aibel, AH Industries, Biolin Scientific, Euromaint, GS Hydro and Jøtul. These companies operate under tough market conditions and report a weak earnings trend. The book values were adjusted to reflect the companies' market conditions.

The impairment of Aibel amounted to SEK 1,692m, of which SEK 1,083m was attributable to the owners of the parent, and was caused by a lower level of activity combined with overcapacity in the industry and pressure on margins. Ratos does not assume a return to the market situation that prevailed before the drop in the price of oil.

The impairment of Biolin Scientific amounted to SEK 314m and was attributable to a change in customer buying patterns in the Drug Discovery business area, which negatively impacted instrument sales and meant that earlier forecasts were not realised.

Euromaint was impaired to the net realisable value, resulting in an impairment of SEK 122m. Consequently, the divestment generated no exit gain.

An impairment was recognised for GS-Hydro in the amount of SEK 160m. A quicker, more severe than expected decline in the offshore markets means that the outcome for 2016 deviates from earlier forecasts. The weaker market outlook in the offshore industry and reduced demand in the land-based segment are factors that impact Ratos's forecast.

The impairment of Jøtul amounted to SEK 81m and was mainly attributable to continued weak demand for cast-iron stoves and fireplaces and low sales volumes, which led to failure to achieve earlier forecasts.

Impairment of AH Industries in the amount of SEK 135m was recognised so that the carrying amount correspond to the expected exit value at the time of divestment of the company during the first quarter of 2017. Subsequently, the sale is not expected to generate a significant exit gain for Ratos at the conclusion of the transaction.

Financial position

Cash and cash equivalents in the Group amounted to SEK 4,389m (6,455) at year-end. The Group's interest-bearing net debt at year-end amounted to SEK 3,939m (2,177). Interest-bearing liabilities to credit institutions amounted to SEK 7,371m (7,889). Interest-bearing net debt for associates is not included. The Group's equity ratio amounted to 45% (47).

Cash and cash equivalents in the parent company totalled SEK 2,677m (4,677) at year-end. The parent company's liabilities mainly relate to centrally administered subsidiaries. The parent company has a three-year rolling credit facility of SEK 2.2 billion including a bank overdraft facility. The purpose of the credit facility is to be able to use it when bridge financing is required for acquisitions and to be able to finance dividends and day-to-day running costs in periods of few or no exits.

The parent company should normally be unleveraged. At the end of the period the credit facility was unutilised. In addition, there is a mandate from the 2016 Annual General Meeting to authorise the Board, in conjunction with company acquisitions, to make a decision on a new issue of a maximum of 35 million Ratos Class B shares as well as an authorisation to issue a maximum of 1,250,000 preference shares of Class C and/or Class D in conjunction with agreements on acquisitions. The mandate is unutilised and applies until the 2017 Annual General Meeting.

Parent company result

The parent company's loss before and after tax amounted to SEK -312m (587).

Operational management costs amounted to SEK -261m (-208). The operational management costs include such current expenses as personnel costs, listing and auditing costs, Board fees and costs relating to Ratos's Nordic operations. The higher cost is attributable to organisational changes carried out in 2016 to streamline operations at Ratos.

Operational management costs correspond to approximately 1.6% (1.3) of the market capitalisation at 31 December 2016. In the past five years, operational management costs have amounted to an average of SEK 210m per year.

Events after the reporting period

In February, Ratos's subsidiary Ledil was refinanced. Ratos will receive a dividend of approximately EUR 18m for its holding of 66%. The refinancing was facilitated by strong profitable growth and the business's favourable performance. Ratos's consolidated book value for Ledil will be adjusted downward by a corresponding amount.

Future outlook

In 2016, Ratos completed five acquisitions, signed agreements to divest four companies, wholly or partially, and listed one company. We feel that the portfolio of companies that we owned at the close of 2016 is highly diversified. During the year, streamlining measures within Ratos's central organisation were implemented, resulting in a reduction in staff and office space as well as lower operational management costs going forward. Ratos also continued its work to develop the companies in the portfolio. Altogether, the current portfolio, organisational changes and the development work we have conducted in the portfolio provide a stable foundation and platform for continued efforts in years to come.

Ratos had cash of SEK 2.7 billion at the close of 2016, which offers opportunities for future acquisitions.

Risks and uncertainties

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

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

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

The Group through its activities is exposed to various types of financial risks related to trade receivables, trade payables, loans and derivative instruments. The financial risks consist of financing risks, interest rate risks, credit risks and currency risks. Ratos's Board approves the financial strategy for the parent company while the subsidiaries' boards adopt financial strategies for each company. The parent company's financial policy, which provides guidelines for management of financial risks, is adopted annually by Ratos's Board. The Board evaluates and where necessary proposes changes to the financial policy. The Group has no central treasury management function, on the other hand the Group's Debt Manager assists the subsidiaries with overall financial matters. Subsidiaries' financial policies are adopted by each company's board. For further information, refer to Note 30 Financial risks and risk policy.

The work of the Board of Directors

The Corporate Governance Report includes a report on the work of the Board, see ▶ page 54 onwards.

The Board's proposal to the 2017 Annual General Meeting for decision on guidelines for remuneration to senior executives

The Board proposes that the Annual General Meeting resolves, for the period until the 2018 Annual General Meeting, to adopt the following guidelines for remuneration to senior executives. The proposed guidelines are essentially unchanged compared with the guidelines resolved at the 2016 Annual General Meeting.

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

The incentive system comprises a number of components – basic salary, variable cash salary, pension provisions, call options and synthetic options – and rests on five basic principles.

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

With regard to the costs for proposed option programmes, refer to the Board's proposal regarding call options and synthetic options.

As far as possible, pension benefits shall be defined-contribution pension solutions, but certain pension benefits that follow the ITP plan are defined benefit plans.

In the event of the CEO's employment being terminated by the company, the period of notice is 12 months and in the event of the CEO giving notice, the period of notice is six months.

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

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

Ratos share data

Total number of Class A shares at year-end	84,637,060
Total number of Class B shares at year-end	239,503,836
Total number of Class C shares (preference shares) at year-end	830,000
Total number of shares	324,970,896

Class A shares carry entitlement to one vote per share and Class B and C shares (preference shares) to 1/10 of a vote per share. Class A shares can be issued in a maximum number that corresponds to 27% of the share capital and Class B shares in a number that corresponds to 100%, Class C shares in a number that corresponds to 10% and Class D shares in a number that corresponds to 10%. The Söderberg family with companies owned at the turn of the year shares corresponding to 18.2% of the capital and 43.6% of the voting rights. The Ragnar Söderberg Foundation had 9.5% of the capital and 17.1% of the voting rights. The Torsten Söderberg Foundation has 8.6% of the capital and 12.6% of the voting rights.

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

Holdings of treasury shares

The 2016 Annual General Meeting renewed the mandate that the company may repurchase Class A, Class B, Class C preference shares and Class D preference shares that may be issued during the period until the next Annual General Meeting. Acquisition may take place on one or more occasions prior to the next Annual General Meeting. Acquisition shall take place on Nasdaq Stockholm at a price within the price band prevailing on Nasdaq Stockholm on each occasion. A maximum number of shares may be acquired so that the company's holding at any time does not exceed 7% of all the shares in the company.

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

No Class A or B shares were repurchased in 2016. 1,344 treasury shares were transferred during the year in accordance with a resolution at the 2015 Annual General Meeting to administrative employees. At year-end, the company held 5,126,262 treasury 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.

Ratos repurchased 32,738 Class C shares (preference shares) in 2016. A total of SEK 62m was paid for the shares.

Proposed distribution of profit

	SEK
Premium reserve	1,556,784,356
Fair value reserve	6,648,659
Retained earnings	6,670,927,673
Profit/loss for the year	-312,224,172
Total	7,922,136,516

The Board of Directors proposes the following distribution of profit:

Dividend to holders of Class A and B shares SEK 2.00 per share [1]	638,029,268
Dividend to holders of Class C preference shares issued 19 June 2013[2]	84,888,960
Dividend to holders of Class C preference shares of SEK 30 per quarter, although a maximum of SEK 120 per share, and SEK 25 per quarter per Class D preference share, although a maximum of SEK 100 per share, on maximum utilisation of the authorisation [3]	150,000,000
To be carried forward	7,049,218,288

1) Based on the number of shares outstanding on 16 February 2017. The number of treasury shares on that date was 5,126,262 and may change during the period until the record date for dividends.

2) Based on the number of shares outstanding on 16 February 2017. Dividends on preference shares are regulated in the Articles of Association following a general meeting resolution. With effect from the 2017 Annual General Meeting, the dividend amounts to SEK 30 per quarter, although a maximum of SEK 120 per preference share and year. Payments are made quarterly in February, May, August and November.

3) In accordance with the Board's proposal to the 2017 Annual General Meeting regarding possible new issue of preference shares.

Chairman's letter

Dear shareholders,
I was elected new Chairman of the Board for Ratos at the Annual General Meeting held 14 April 2016. My mandate was to deliver positive value growth for Ratos as soon as possible. For a time, Ratos had not delivered to shareholders the value that they have had reason to expect.

The Board's task is to create, through good corporate governance, the prerequisites for good growth and profitablity for the company, thereby creating value for the shareholders who are our customers. Sound value growth depends on many factors in which the Board plays an important role.

The partially new Board began its work by performing a situation analysis based on Ratos's strengths and market position that would form the basis for our strategic agenda moving forward. The outcome of this analysis was that Ratos was facing such significant changes that new energy would be needed in the CEO chair. In many respects, the former CEO had done a good job, but the Board deemed that the new challenges would require a new CEO with a different profile.

It has been an intensive year with several new company acquisitions and investments in existing portfolio companies that will, together, help to form a stable ground for the future.

The Board has reviewed the book values, prepared modifications to the incentive programme and decided to divest such portfolio companies that Ratos deems another owner is better equipped to develop. The Board has initiated a review of costs at central level.

Much of that which is described above has been carried out under the leadership of Lars Johansson who in an extremely commendable manner served as acting CEO between 1 July and 14 November. Magnus Agervald has now assumed the role of CEO and will present review of Ratos's strategy to the Board in the spring.

It is my firm conviction that it is Ratos's capacity to create – together with its portfolio companies, employees, management, and boards – growth and profitability during the holding period that is decisive for our success. Our overall ambition will be that our portfolio companies will develop better than comparable companies that operate in the same sector.

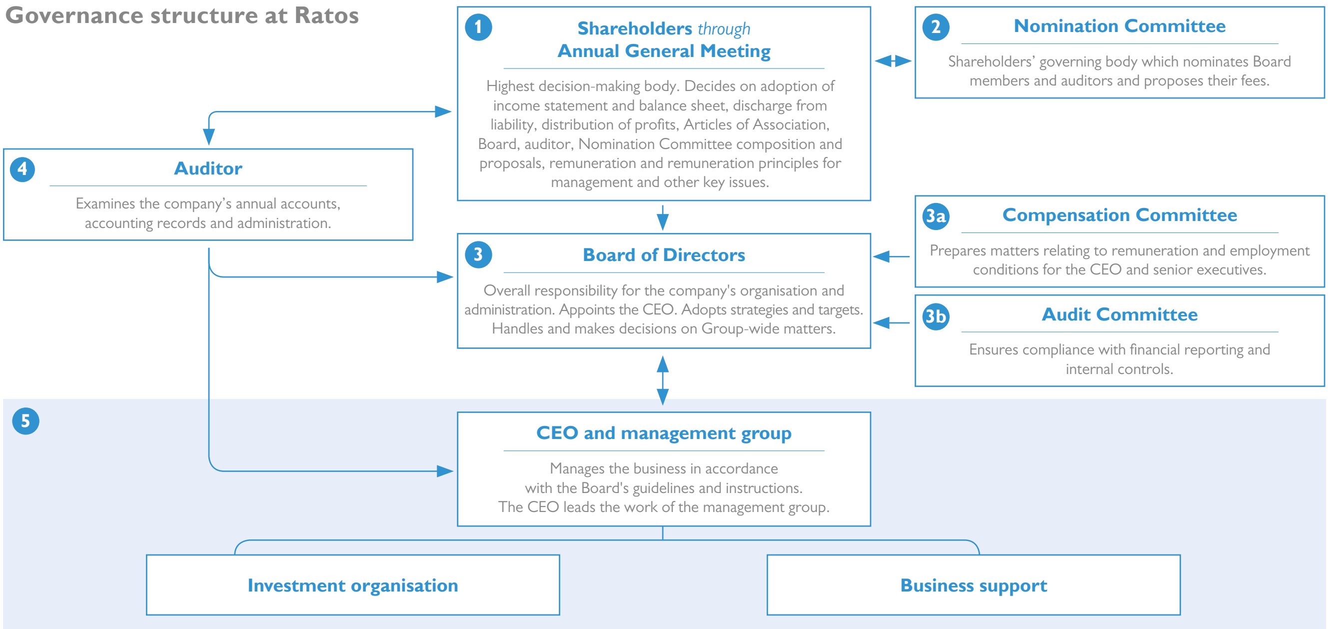
Ratos's strong brand, talented employees, values and strong owners coupled with our flexible investment horizon assures me that Ratos has the unique means to do precisely that.

We have everything we need at our fingertips to create shareholder value as we advance.

The long-term perspective is the Board's basis for our mutual efforts and I am certain that 2017 will be an interesting and important year on this journey.

Jonas Wiström
Chairman of the Board

Corporate governance report



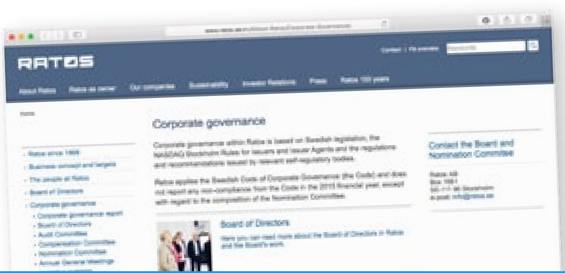
Corporate governance in Ratos

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

Ratos applies the Swedish Code of Corporate Governance (the Code) and does not report any non-compliance from the Code in the 2016 financial year, except with regard to the composition of the Nomination Committee (see Nomination Committee on ▶ pages 53).

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

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



Read more about Ratos's corporate governance

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

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

Key external rules

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

Key internal rules and documents

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

1 Shareholders and general meetings

Share capital and shareholders

Ratos has been listed on Nasdaq Stockholm since 1954. At year-end the share capital amounted to SEK 1,024m divided among a total of 324,970,896 shares, of which 84,637,060 Class A shares, 239,503,836 Class B shares and 830,000 Class C shares (preference shares). The company's A shares carry entitlement to one vote per share while B shares and preference shares carry entitlement to one-tenth of a vote per share. A and B shares carry the same right to a share of the company's assets and to the same amount of dividend. The dividend on preference shares is regulated by the Articles of Association and includes preferential right before A and B shares to the company's assets. The Annual General Meeting decides on dividends.

At year-end Ratos had a total of 66,057 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders accounted for 78.1% of the voting rights and 44.2% of the share capital. More information about Ratos's shares and shareholders is provided on ▶ pages 24-25.

General meetings

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

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

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

66,057

Ratos's shareholders

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

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

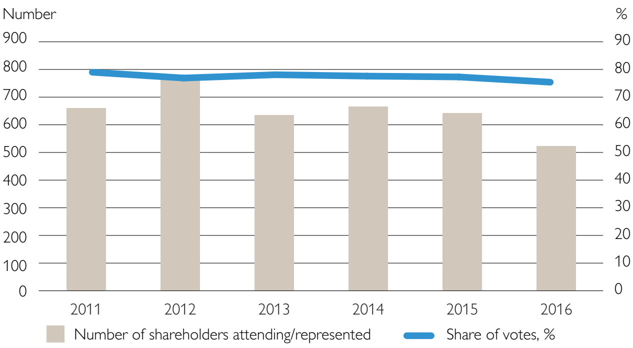
- adoption of the income statement and balance sheet
- discharge from liability for the Board and CEO
- disposition of the company's profit or loss
- determination of fees to be paid to the Board of Directors
- election of the Board of Directors and auditor
- guidelines for remuneration to senior executives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

Annual General Meeting 2016

The 2016 Annual General Meeting was held on 14 April at Stockholm Waterfront Congress Centre. The Meeting was attended by 523 shareholders, proxies and assistants, who together represented 75.4% of the voting rights and 46.9% of the capital.

Ratos's Board members, except for Annette Sadolin, who were elected at the Annual General Meeting, as well as Ratos's CEO and auditor, were present. Minutes and information about the 2016 Annual General Meeting, in both Swedish and English versions, well as the CEO's address to the Meeting are published on www.ratos.se

Attendance at Annual General Meetings



Decisions at the 2016 Annual General Meeting included the following:

- dividend of SEK 3.25 per Class A and B share, a total of SEK 1,037m. Dividend of Class C preference shares issued on 19 June 2013 of SEK 25/share per quarter, although a maximum of SEK 100/year, a total of SEK 74m
- fees of SEK 1,450,000 to the Chairman of the Board and SEK 485,000 to each member of the Board as well as fees to auditors
- re-election of Annette Sadolin, Charlotte Strömberg, Jan Söderberg, Karsten Slotte and Per-Olof Söderberg and election of Ulla Litzén and Jonas Wiström as new members of the Board. Election of Jonas Wiström as new chairman of the board
- re-election of audit firm PricewaterhouseCoopers (PwC)
- principles for how the Nomination Committee should be appointed, to apply until otherwise decided by the Meeting
- adoption of guidelines for remuneration to senior executives
- offer to key people in Ratos on acquisition of call options in Ratos and of synthetic options relating to investments in the companies
- amendments to the Articles of Association to enable a new issue of Class D preference shares
- authorisation for the Board to acquire Ratos shares up to 7% of all shares
- authorisation for the Board to decide on a new issue of a maximum of 35 million Class B shares to be used for acquisitions
- authorisation for the Board to decide on a new issue of a maximum total of 1,250,000 Class C and/or Class D preference shares to be used for acquisitions.

The Annual General Meeting thanked retiring members Arne Karlsson who, after four years as Chairman of the Board, and Staffan Bohman, who declined re-election.

Annual General Meeting 2017

Ratos's 2017 Annual General Meeting (AGM) will be held on 6 April 2:00 p.m. at Skandiascenen, Cirkus, in Stockholm, Sweden.

For matters related to the Nomination Committee and the Annual General Meeting, refer to Ratos's website. For further information about the Annual General Meeting see ▶ page 25.

2 Nomination Committee

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

The current composition of the Nomination Committee was announced on Ratos's website and disclosed through a press release on 6 October 2016.

The work of the Nomination Committee

The duties of the Nomination Committee include:

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

Nomination Committee's work ahead of the 2017 Annual General Meeting

Ahead of the 2017 Annual General Meeting, the Nomination Committee held four minuted meetings and has had contact in between. In its work, the Nomination Committee has taken note of the internal evaluation of the Board's work, taken note of the Chairman's account of the Board's work and the company's strategies, and interviewed individual Board members.

Ratos's operational direction means as investment company that invests in large and mid-sized companies primarily in the Nordic countries means, among other things, that strict requirements are placed on members of the Board to be able to evaluate acquisition and divestment opportunities of companies as well as having experience of operating and developing medium-sized and large companies within different sectors and phases of development. The Nomination Committee deems that the proposed members have broad and complementary experience in this regard.

The requirement for independence is also assessed as having been met

The Nomination Committee has continued to discuss requirements for diversity based on, among other instances, the Code's requirement for stipulating how the diversity policy has been applied. In this instance, as the diversity policy, the Nomination Committee 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. Furthermore, the company is to strive for equal gender distribution. In addition to what has already been stated regarding the Board members' background and experience, it is noted that the proposed Board comprises three women and four men. Subsequently, the gender distribution is 43%/57% which, according to the Nomination Committee, is in accordance with the requirement for an equal gender distribution.

Proposed fees to the members of the Board, as well as remuneration for committee work, have been prepared by the three 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 2017 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 also be presented at the 2017 Annual General Meeting.

Deviations/violations

Ratos deviates from the Code's rule 2.4, second paragraph, which states that if more than one Board member sits on the Nomination Committee, a maximum of one of them may be non-independent in relation to the company's major shareholders. Two of the shareholders who have appointed members of the Nomination Committee have appointed Board members Per-Olof Söderberg and Jan Söderberg, both of whom are regarded as non-independent in relation to the company's major shareholders. Against the background of these persons' in-depth knowledge of Ratos, their 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 Rules for Issuers or good practice in the stock market have occurred.

NOMINATION COMMITTEE AHEAD OF 2017 ANNUAL GENERAL MEETING

Name	Appointed by	Share of votes at 31 Aug 2016	Share of votes at 30 Dec 2016
Jan Andersson	Ratos's principal owner and a number of Swedish institutions, Chairman of the Nomination Committee	0.0%	0.0%
Ulf Fahlgren	Akademiinvest	0.3%	0.3%
Jan Söderberg	Ragnar Söderberg Foundation and own and related parties' holdings, member of the Board	30.5%	30.5%
Maria Söderberg	Torsten Söderberg Foundation	12.6%	12.6%
Per-Olof Söderberg	Own and related parties' holdings, member of the Board	15.3%	15.3%
Jonas Wiström	Chairman of Ratos's Board	0.0%	0.0%
Total, rounded off		**58.7%**	**58.7%**

3 Board of Directors

Composition of the Board

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

The 2016 Annual General Meeting resolved that the Board shall consist of seven members and no deputies. The Meeting reelected Annette Sadolin, Charlotte Strömberg, Karsten Slotte, Jan Söderberg and Per-Olof Söderberg. Jonas Wiström was elected new Chairman and Ulla Litzén was elected new member. The CEO is not a member of the Board but attends Board meetings. The composition of the Board and an assessment of each Board member's independence is presented in more detail on ▶ pages 60-61.

Responsibilities and duties of the Board

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

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

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

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

Work of the Board in 2016

During 2016, a total of twenty-two minuted Board meetings were held: seven ordinary meetings, including one statutory meeting, and fourteen extra board meetings. Board meetings have a recurrent structure with established key items. Information and documentation for decision ahead of Board meetings are usually sent out approximately one week before each meeting. An external secretary to the Board has taken the minutes of the Board.

Extra Board meetings normally examine acquisition and divestment issues as well as financing, and are held when such matters requiring a Board decision arise. 2016 was a year of great activity in the acquisition of new companies, investments in existing portfolio companies and divestments of companies, the partially new Board carried out a strategic situation analysis that will form the basis for the strategic efforts moving forward, and addressed issues pertaining to the change in CEO. This resulted in intensive Board work, with many board meetings during the year. Senior executives at Ratos attended board meetings to present specific issues.

Evaluation of the Board

The Board annually evaluates the work of the Board in a structured process where members are given an opportunity to express their opinions on working methods and efficiency, Board material, the performance of the members and the scope of the assignment in order to develop the Board's working methods. For financial year 2016, when some members of the Board were new, a new chairman and new CEO, 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 subsequent discussion on the Board. The results of the evaluation have been reported to the Nomination Committee. The evaluation indicates that the board work is deemed to function well.

COMPOSITION OF THE BOARD

					Attendance at meetings 2016		
Name	Elected year	Independent the company	Independent of major shareholders	Total fee [1], SEK 000s	Compensation Committee meetings	Audit Committee meetings	Board meetings
Jonas Wiström	2016	Yes	Yes	1 600	8/8	5/5	17/17[2]
Ulla Litzén	2016	Yes	Yes	585	–	5/5	16/17[2]
Annette Sadolin	2007	Yes	Yes	485	–	–	20/22
Karsten Slotte	2015	Yes	Yes	485	–	–	21/22
Charlotte Strömberg	2014	Yes	Yes	635	–	6/6	22/22
Jan Söderberg	2000	Yes	No	535	10/11	–	22/22
Per-Olof Söderberg	2000	Yes	No	535	10/11	–	22/22
Total				**4,860**			

[1] Relates to fees for the Annual General Meeting year 2016/2017.
[2] Elected at the 2016 AGM.
(Arne Karlsson and Staffan Bohman declined re-election at the 2016 AGM)

Committees

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

3a Work of the Compensation Committee

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

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

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

The Compensation Committee works in accordance with an adopted formal work plan. Normally, early in the autumn an examination is carried out to see whether there are any major remuneration-related issues of principle to prepare. If such issues exist they are processed ahead of a final proposal at the ordinary meeting in January. In 2016, the Compensation Committee made a thorough evaluation of Ratos's remuneration structures and incentive programme, which resulted in proposals from the committee to modify calculations and criteria for variable cash salary for 2016 and 2017, and to propose to the Annual General Meeting changes in the synthetic options programme but unchanged call options programme. Certain modifications in the remuneraiton guidelines are proposed ahead of the 2017 Annual General Meeting. The Compensation Committee also prepares and processes guidelines for the structure of general salary development for the years ahead and conducts an annual review of Ratos's long-term incentive systems, of which Ratos's Board of Directors then submit an account of no later than three weeks before the Annual General Meeting on the company's website (www.ratos.se).

During 2016, Arne Karlsson (until and through the 2016 Annual General Meeting), Jan Söderberg and Per-Olof Söderberg were members of the Compensation Committee. After the 2016 Annual General Meeting, Jonas Wiström (Chairman of the Board) took over the role of chairman of the Committee.

The Compensation Committee held eleven minuted meetings in 2016 and in between has been in regular contact. The Committee's minutes have been kept by the Board's secretary, attorney Ingrid Westin Wallinder, from June 2016 and previously by former CEO Susanna Campbell. The Compensation Committee provides continuous oral reports to the Board and submits proposals on issues that require a Board decision. Minutes are made available to all members of the Board. The CEO participates in the Committee's meetings as rapporteur concerning certain issues.

3b Work of the Audit Committee

The Audit Committee included Arne Karlsson, Staffan Bohman (until and through the 2016 Annual General Meeting) and Charlotte Strömberg. After the 2016 Annual General Meeting Charlotte Strömberg (chairman), Jonas Wiström and Ulla Litzén are members of the Committee. Bolagets revisor har deltagit vid fyra revisionsutskottsmöten under 2016. The Audit Committee held six minuted meetings. The Committee's minutes have been kept by the Board's secretary, attorney Ingrid Westin Wallinder.

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

Annually the Audit Committee adopts an annual cycle for its working duties and areas for which the Audit Committee is responsible. In 2016, the fiscal cycle together with the Audit Committee's work plan were reviewed due to new regulations such as the EU's audit reforms and amendments in the Swedish Companies Act that came into force in 2016. 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, sustainability, financial policy, investment decisions, insurance, disputes and strategic accounting issues as well as compliance with rules and regulations. In 2016, the Audit Committee also evaluated and modified its work which more closely follows Ratos's interim reporting and restructured its work on valuation issues and impairment testing, which resulted in a plan with five regular meeting every year and the auditor will hereafter participate in all Committee meetings. Issues particularly addressed in 2016 included valuation and impairment issues. The CEO and senior executives normally participate in the meetings of the committee as rapporteur.

The main duties of the Audit Committee are as follows:

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

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

Evaluation of the need for an internal audit

Ratos is an investment company that acquires, develops and divests Nordic companies. At the close of the year Ratos had 18 companies that operate in different industries with various risks. Ratos's company portfolio and its composition show significant differences over time.

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

Ratos's annual review of risks and assurance mapping being implemented are tools that also entail a certain internal audit function.

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

In addition, the audit measures carried out my 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.

The parent company Ratos AB with approximately 34 employees at the beginning of 2017 is a relatively small company which lacks complex functions that are difficult to analyse. The need to introduce an internal audit function for the parent company Ratos AB must therefore be regarded as negligible. Against this background, the Audit Committee has decided as in previous years, not to introduce an internal audit function at Group level or for the parent company Ratos AB.

Compensation to the Board of Directors

The 2016 Annual General Meeting resolved that compensation to the ordinary members of the Board should be paid of SEK 485,000 per member and year. Compensation to the Chairman of the Board should amount to SEK 1,450,000 per year. It was decided to pay an additional SEK 150,000 per year to the chairman of the Audit Committee and SEK 100,000 per year to other members of the committee. It was decided to pay SEK 50,000 per year to the chairman of the Compensation Committee and SEK 50,000 per year to other members of the committee.

4 Auditor

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

At the 2016 Annual General Meeting, the audit firm PricewaterhouseCoopers was elected as auditor until the next Annual General Meeting. PwC has appointed Peter Clemedtson as Senior Auditor. In addition to his assignment in Ratos, Peter Clemedtson is senior auditor for, among others, Nordea, SKF and Volvo.

Auditor's fees

Compensation 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 10. The Board has established guidelines for the relation between auditing fees and consulting fees. These guidelines are continuously monitored by the Audit Committee which also evaluates the content of both auditing and consulting services.

5 Governance in Ratos

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

Ratos is an investment company whose business comprises the acquisition, development and divestment of preferably unlisted Nordic enterprises. Over time, Ratos is to generate the highest possible return

RECOMMENDED RISK MANAGEMENT PROCESS FOR RATOS'S SUBSIDIARIES

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

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

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

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

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

by actively exercising its ownership to realise the potential of a number of selected companies and investment situations. Ratos's Owner Policy includes specific strategic foundations that provide a basis for how we choose to act as 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 owner Ratos shall add and create value but value creation and governance are therefore not identical in all situations. Having a clear division of responsibility between owner, board and CEO is important for governance of Ratos's companies as well as for the parent company Ratos AB and is therefore a key part of the business model and for Ratos's success as an owner. Read more about Ratos's exercise of its ownership role on ▶ pages 10-14.

Investment decisions and evaluation of existing companies

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

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 they receive information on which to base well considered decisions.

Since 14 November 2016, Magnus Agervald is the newly appointed CEO of Ratos.

The management group at Ratos consisted at the beginning of 2016 of the CEO, two deputy CEOs, Head of Corporate Communications and two Investment Directors. In conjunction with changes in the organisation, the management group at the beginning of 2017 consisted of the CEO, two Investment Directors and the CFO. The role of the management group is to prepare and implement strategies, manage corporate governance and organisational issues and monitor Ratos's financial development and Ratos's sustainability programme.

Development of events in the companies as well as updating of ongoing investment processes are dealt with at weekly meetings in a broader group comprising primarily the CEO and the Investment organisation.

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

Remuneration to senior executives

Guidelines for remuneration to senior executives was approved at the 2016 Annual General Meeting. More information about basic and variable salary is in Note 9 on ▶ pages 86-90.

Internal control

The Board has overarching responsibility for ensuring that Ratos internally has an effective and adequate process for risk management and internal control. The purpose is to provide reasonable assurance that operations are conducted in an appropriate and effective manner, that external reporting is reliable and that laws as well as internal rules are complied with. This work is conducted through structured board work as well as by tasks being delegated to management, the Audit Committee and other employees. In addition, a dialogue with the Group's auditors is maintained about their regular observations and the annual audit of internal control. Responsibility and authority are defined in instructions for powers of authorisation, policies and manuals which provide guidelines and guidance for the Group's operations and employees.

Furthermore, the board of each subsidiary is responsible for ensuring that the company in question complies with laws and regulations as well as for compliance with internal policies and guidelines. During the year, a routine was gradually implemented to strengthen follow-up of these matters.

RATOS'S INTERNAL RISK PROCESS

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

Q1 JAN–MAR
- Collection of risk reports from subsidiaries established and approved by each subsidiary's board, confirmed by the chairman of the board to Ratos's CEO
- Each company team presents and discusses subsidiaries' risk analysis

Q2 APR–JUN
- An overall Group risk report is aggregated and compiled
- Discussion and adoption of final risk report in Ratos's management group
- Risk report is presented and then discussed in Ratos's Audit Committee

Q3 JUL–SEP
- Discussion and adoption of risk report by Ratos's Board
- Follow-up of items from Board discussion
- Relevant items are included where necessary in Ratos's as well as the subsidiaries' strategy discussions
- Review of risk process based on feedback from Board and Audit Committee

Q4 OCT–DEC
- Short update to the Audit Committee regarding the Group's greatest risks
- Focus on major changes in the risk map and status update action plan for Group-wide risks

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.

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

Ratos continuously works to strengthen the internal and subsidiaries' risk processes. In 2015-2016, Ratos expanded the risk management process with an assurance mapping, i.e. a clarification of responsibilities and validation of internal processes and identified risks. Ratos's greatest risks are summarised in the Directors' report on ▶ pages 46-49.

Ratos supports the subsidiaries with structure, models, etc., for work with risk management, see illustration below.

Internal control of financial reporting

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

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

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

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

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

Accounts relating to acquisitions and investments, as well as major transactions and accounting issues, are discussed and regularly reconciled with Ratos's auditor. In parallel with the annual evaluation, which is described on page ▶ 57, impairment testing is performed for each company.

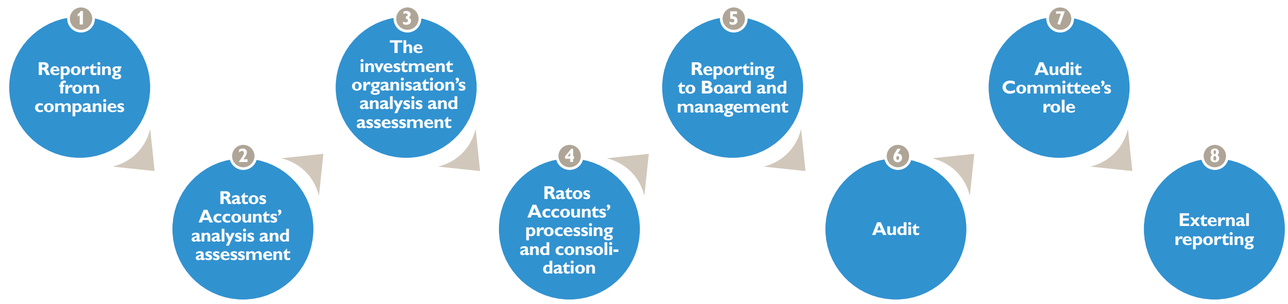
Quality assurance for financial reporting

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

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

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

PROCESS FOR FINANCIAL REPORTING



1 REPORTING FROM COMPANIES

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

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

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

2 RATOS ACCOUNTS' ANALYSIS AND ASSESSMENT

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

3 THE INVESTMENT ORGANISATION'S ANALYSIS AND ASSESSMENT

The investment organisation acts as business controllers in analysis and assessment of each company's reporting.

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

4 RATOS ACCOUNTS' PROCESSING AND CONSOLIDATION

Ratos Accounts prepares both a legal consolidated financial statement according to IFRS and various analyses of Ratos's companies combined, such as the table of companies found on ▶ pages 26-27.

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

5 REPORTING TO BOARD AND MANAGEMENT

Ratos Accounts prepares every month a report to management regarding the development in Ratos's companies combined, focusing on the development of sales, EBITA, adjusted EBITA and EBITA margins.

The Board and management receive at every quarterly closing extensive in-depth material about both the Group and the companies combined and individually. Ratos Accounts reports a formal result for the Ratos Group every month in accordance with IFRS to Ratos's management.

6 AUDIT

A review is performed of subsidiaries' closing accounts as per September (hard close) and as per December. A hard close is carried out in order to prepare and facilitate the audit of the complete report for the full year. In these periods the material reported in stage 1 is audited and approved by the auditor of each company. The audit of consolidated financial statements takes place in parallel. A review is performed of associates. In the third quarter a review is performed. In 2017, the interim report for the second quarter will be reviewed.

7 AUDIT COMMITTEE'S ROLE

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

8 EXTERNAL REPORTING

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

Board of Directors and CEO

Board's and CEO's holdings at 31 December 2016

Jonas Wiström, Chairman

Independent Chairman of the Board since 2016.

MSc Eng. Born 1960, Swedish.

President and CEO of ÅF. Deputy Chairman of the Board in Teknikföretagen and IVA Business Executives Council. Board member in Business Sweden and ICC.

Shares in Ratos: 40,000 B shares

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

Ulla Litzén

Independent Board member since 2016.

MSc Econ and MBA. Born 1956, Swedish.

Board member in Alfa Laval, Boliden, Electrolux, Husqvarna, NCC and Ferd.

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

Shares in Ratos: 20 000 B shares

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

Annette Sadolin

Independent Board member since 2007.

LL.B. Born 1947, Danish.

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

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

Shares in Ratos: 8,264 B shares

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

Karsten Slotte

Independent Board member since 2015.

MSc Econ. Born 1953, Finnish.

Board member of Onvest, Royal Unibrew and Scandi Standard.

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

Shares in Ratos: 8,600 B shares

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

SECRETARY TO THE BOARD

Lawyer Ingrid Westin Wallinder, Ramberg Advokater KB.

Charlotte Strömberg

Independent Board member since 2014.

MSc Econ. Born 1959, Swedish.

Chairman of Castellum. Board member of Bonnier Holding, Skanska and Rezidor Hotel Group. Member of the Swedish Securities Council.

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

Shareholding in Ratos (own and related parties): 11,500 Class B shares, 280 preference shares

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

Jan Söderberg

Dependent (on major shareholders) Board member since 2000.

MSc Econ. Born 1956, Swedish.

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

Shareholding in Ratos (own and related parties): 14,975,580 Class A shares, 1,397,800 Class B shares, 6,600 preference shares

Per-Olof Söderberg

Dependent (on major shareholders) Board member since 2000.

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

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

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

Magnus Agervald, CEO

Not a member of the Board.

CEO of Ratos since November 2016.

MSc Econ and MSc Eng. Born 1975, Swedish.

No significant assignments outside Ratos.

Byggmax 2006-2016.

Formerly consultant at McKinsey & Company, investment manager at IDI AB and founder of Icomera.

Shares in Ratos: 0

Options in Ratos: 100,000 call options/2016

AUDITOR

At the 2016 Annual General Meeting the auditing firm PricewaterhouseCoopers AB with authorised public accountant Peter Clemedtson as Senior Auditor, was elected for the period until the 2017 Annual General Meeting has been held.

Financial statements

Consolidated income statement

SEKm	Note 2, 3, 5	2016	2015
Net sales	4	25,228	24,480
Other operating income	6	88	120
Change in inventories of products in progress, finished goods and work in progress		7	0
Work performed by the company for its own use and capitalised		90	88
Raw materials and consumables		-13,695	-12,395
Employee benefit costs	9, 26	-6,807	-6,824
Depreciation and impairment of property, plant and equipment and intangible assets	13, 14	-1,441	-1,345
Other costs	10, 31	-3,539	-3,890
Capital gain from sale of group companies	7	1,678	901
Impairment and capital gains for investments recognised according to the equity method		-1,692	290
Share of profits from investments recognised according to the equity method [1]	8, 15	-152	-14
Operating profit		**-235**	**1,411**
Financial income	11	96	88
Financial expenses	11	-751	-606
Net financial items		**-655**	**-518**
Profit before tax		**-890**	**892**
Tax	12	-198	-252
Share of tax from investments recognised according to the equity method [1]	12	18	36
Profit/loss for the year		**-1,071**	**676**
Attributable to:			
Owners of the parent		-500	496
Non-controlling interests		-570	180
Earnings per share, SEK	25		
– before dilution		-1.79	1.29
– after dilution		-1.79	1.29

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

Consolidated statement of comprehensive income

SEKm	Note	2016	2015
Profit/loss for the year		**-1,071**	**676**
Other comprehensive income			
Items that will not be reclassified to profit or loss	26		
Revaluation of defined benefit pension obligations, net		-70	86
Tax attributable to items that will not be reclassified to profit or loss	12	18	-22
		-51	**64**
Items that may be reclassified subsequently to profit or loss	23		
Translation differences for the year		312	-546
Change in hedging reserve for the year		-54	1
Tax attributable to items that may be reclassified subsequently to profit or loss	12	9	0
		268	**-545**
Other comprehensive income for the year		**216**	**-482**
Total comprehensive income for the year		**-854**	**194**
Total comprehensive income for the year attributable to:			
Owners of the parent		-388	152
Non-controlling interests		-466	41

Consolidated statement of financial position

SEKm	Note 5	2016-12-31	2015-12-31
ASSETS			
Non-current assets			
Goodwill	13	12,990	12,671
Other intangible assets	13	1,844	1,623
Property, plant and equipment	14	1,970	1,789
Investments recognised according to the equity method	15	1,964	2,357
Shares and participations	18	11	41
Financial receivables	18	340	48
Other receivables		57	76
Deferred tax assets	12	594	490
Total non-current assets		**19,771**	**19,094**
Current assets			
Inventories	20	1,389	1,890
Tax assets		70	97
Trade receivables	18, 30	2,757	3,771
Prepaid expenses and accrued income		267	388
Financial receivables	18	27	9
Other receivables	38	650	611
Cash and cash equivalents	18, 35	4,389	6,455
Assets held for sale	36	485	308
Total current assets		**10,034**	**13,529**
Total assets		**29,805**	**32,623**
EQUITY AND LIABILITIES			
Share capital	22.23	1,024	1,024
Other capital provided		1,842	1,842
Reserves		-364	-523
Retained earnings including profit for the year		8,780	10,539
Equity attributable to owners of the parent		**11,283**	**12,882**
Non-controlling interests	24	2,003	2,419
Total equity		**13,286**	**15,302**
Liabilities			
Non-current interest-bearing liabilities	18, 30	6,953	5,886
Other non-current liabilities		216	34
Financial liabilities	18	366	417
Provisions for pensions	26	487	454
Other provisions	27	99	112
Deferred tax liabilities	12	501	392
Total non-current liabilities		**8,623**	**7,294**
Current interest-bearing liabilities	18, 30	1,228	2,346
Financial liabilities	18	189	153
Trade payables	18	2,300	2,631
Tax liabilities		201	160
Other liabilities	28, 38	1,431	2,123
Accrued expenses and deferred income		1,508	1,729
Provisions	27	553	595
Liabilities attributable to assets held for sale	36	485	291
Total current liabilities		**7,896**	**10,028**
Total liabilities		**16,519**	**17,322**
Total equity and liabilities		**29,805**	**32,623**

For information about the Group's pledged assets and contingent liabilities, see Note 32.

Consolidated statement of changes in equity

SEKm	Note 22, 23, 24	Equity attributable to owners of the parent: Share capital	Other capital provided	Reserves	Retained earnings incl. profit for the year	Total	Non-controlling interests	Total equity provided
Opening equity, 1 January 2015		**1,024**	**1,842**	**-137**	**11,298**	**14,027**	**2,982**	**17,009**
Adjustment [1]				4	-4			
Adjusted equity		1,024	1,842	-133	11,294	14,027	2,982	17,009
Profit/loss for the year					496	496	180	676
Other comprehensive income for the year				-390	46	-344	-139	-482
Total comprehensive income for the year				**-390**	**542**	**152**	**41**	**194**
Dividend					-1,120	-1,120	-210	-1,330
Non-controlling interests' share of capital contribution							20	20
Purchase of treasury shares					-166	-166		-166
Option premiums					3	3		3
Put options, future acquisitions from non-controlling interests							-139	-139
Acquisition of shares in subsidiaries from non-controlling interests					-15	-15	-2	-18
Disposal of shares in subsidiaries to non-controlling interests					2	2	3	5
Non-controlling interests at acquisition							274	274
Non-controlling interests in disposals							-551	-551
Closing equity, 31 December 2015		**1,024**	**1,842**	**-523**	**10,539**	**12,882**	**2,419**	**15,302**
Opening equity, 1 January 2016		**1,024**	**1,842**	**-523**	**10,540**	**12,882**	**2,419**	**15,302**
Adjustment [2]				9	-44	-35	-10	-46
Adjusted equity		1,024	1,842	-514	10,495	12,847	2,409	15,256
Profit/loss for the year					-500	-500	-570	-1,071
Other comprehensive income for the year				151	-38	113	104	216
Total comprehensive income for the year				**151**	**-538**	**-388**	**-466**	**-854**
Dividend					-1,108	-1,108	-22	-1,131
Non-controlling interests' share of capital contribution and new issue							494	494
Net effect, purchase of treasury shares					-61	-61		-61
Option premiums					2	2		2
Put options, future acquisitions from non-controlling interests					-4	-4	-38	-42
Acquisition of shares in subsidiaries from non-controlling interests					-6	-6	-55	-60
Disposal of shares in subsidiaries to non-controlling interests							0	0
Non-controlling interests at acquisition							8	8
Non-controlling interests in disposals							-63	-63
Adjustment, non-controlling interests							-264	-264
Closing equity, 31 December 2016		**1,024**	**1,842**	**-364**	**8,780**	**11,283**	**2,003**	**13,286**

1) Adjustment opening equity for HL Display.

2) Refers to adjustment of acquisition analysis from 2013 in ARCUS (SEK 31m) and adjustment of accrued costs in Bisnode (SEK 13m).

Consolidated statement of cash flows

SEKm	Note 35	2016	2015
Operating activities			
Consolidated profit before tax		-890	892
Adjustment for non-cash items		2,168	203
		1,278	1,096
Income tax paid		-232	-288
Cash flow from operating activities before change in working capital		**1,046**	**807**
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories		-47	83
Increase (-)/Decrease (+) in operating receivables		-118	-293
Increase (+)/Decrease (-) in operating liabilities		299	655
Cash flow from operating activities		**1,180**	**1,252**
Investing activities			
Acquisitions, group companies		-2,242	-587
Divestment, group companies		1,757	1,532
Acquisitions, investments recognised according to the equity method		-585	
Disposals, investments recognised according to the equity method			1,599
Dividends paid from investments recognised according to the equity method			12
Acquisitions, other intangible assets/property, plant and equipment		-548	-697
Disposals, other intangible assets/property, plant and equipment		19	44
Investments, financial assets		-261	-1
Disposals, financial assets		4	42
Cash flow from investing activities		**-1,857**	**1,943**
Financing activities			
Non-controlling interests' share of issue/capital contribution		298	20
Purchase of treasury shares		-62	-168
Exercise of options		-11	-41
Option premiums		66	18
Acquisition of shares in subsidiaries from non-controlling interests		-96	-77
Dividend paid		-1,109	-1,120
Dividends paid, non-controlling interests		-28	-204
Borrowings		3,376	1,192
Amortisation of loans		-3,944	-1,583
Cash flow from financing activities		**-1,510**	**-1,961**
Cash flow for the year		**-2,187**	**1,234**
Cash and cash equivalents at the beginning of the year		6,455	5,320
Exchange differences in cash and cash equivalents		138	-100
Cash and cash equivalents classified as assets held for sale		-17	2
Cash and cash equivalents at the end of the year		4,389	6,455

Parent company income statement

SEKm	Note	2016	2015
Other operating income	6	2	3
Other external costs	10	-81	-110
Personnel costs	9, 26	-184	-141
Depreciation of property, plant and equipment	14	-4	-3
Operating profit		**-266**	**-252**
Profits from investments in group companies	7	-8	-42
Profit from investments in associates	7		932
Result from other securities and receivables accounted for as non-current assets	11	0	6
Other interest income and similar profit/loss items	11	14	5
Interest expenses and similar profit/loss items	11	-52	-61
Profit/loss after financial items		**-312**	**587**
Tax	12		
Profit/loss for the year		**-312**	**587**

Parent company statement of comprehensive income

SEKm	Note 23	2016	2015
Profit/loss for the year		**-312**	**587**
Total comprehensive income for the year		**-312**	**587**

Parent company balance sheet

SEKm	Note	2016-12-31	2015-12-31
ASSETS			
Non-current assets			
Property, plant and equipment	14	64	67
Financial assets			
Participations in group companies	34	9,068	8,897
Investments in associates	16	3	
Receivables from group companies	17, 18		17
Other securities held as non-current assets	18, 19	0	27
Financial receivables	18	4	20
Total non-current assets		**9,139**	**9,028**
Current assets			
Current assets			
Receivables from group companies	17.18	1	70
Other receivables		47	9
Financial receivables			5
Prepaid expenses and accrued income	21	3	3
Cash and bank balances	18, 35	2,677	4,677
Total current assets		**2,728**	**4,764**
Total assets		**11,867**	**13,792**
EQUITY AND LIABILITIES			
Equity	22, 23		
Restricted equity			
Share capital (number of A shares 84,637,060, number of B shares 239,503,836, number of C shares 830,000)		1,024	1,024
Statutory reserve		286	286
Unrestricted equity			
Share premium reserve		1,556	1,556
Fair value reserve		7	7
Retained earnings		6,671	7,251
Profit/loss for the year		-312	587
Total equity		**9,232**	**10,711**
Non-current provisions			
Other provisions	27	11	23
Total non-current provisions		**11**	**23**
Non-current liabilities			
Interest-bearing liabilities			
Liabilities to group companies	18	2,254	879
Non-interest bearing liabilities			
Financial liabilities	18	39	16
Other liabilities	28	34	34
Total non-current liabilities		**2,327**	**929**
Current provisions			
Other provisions	27	117	309
Current liabilities			
Interest-bearing liabilities			
Liabilities to group companies	18	16	1,714
Non-interest bearing liabilities			
Trade payables	18	11	10
Other liabilities		42	23
Accrued expenses and deferred income	29	112	73
Total current liabilities		**181**	**1,820**
Total equity and liabilities		**11,867**	**13,792**

For information about pledged assets and contingent liabilities, see Note 32.

Parent company statement of changes in equity

SEKm	Note 22, 23	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted equity: Share premium reserve	Unrestricted equity: Fair value reserve	Unrestricted equity: Retained earnings	Unrestricted equity: Profit/loss for the year	Total equity provided
Opening equity, 1 January 2015		**1,024**	**286**	**1,556**	**7**	**7,240**	**1,293**	**11,406**
Other disposition of earnings						1,293	-1,293	
Profit/loss for the year							587	587
Other comprehensive income for the year								
Total comprehensive income for the year							**587**	**587**
Dividend						-1,120		-1,120
Purchase of Class C shares (preference shares)						-166		-166
Option premiums						3		3
Closing equity, 31 December 2015		**1,024**	**286**	**1,556**	**7**	**7,251**	**587**	**10,711**
Opening equity, 1 January 2016		**1,024**	**286**	**1,556**	**7**	**7,251**	**587**	**10,711**
Other disposition of earnings						587	-587	
Profit/loss for the year							-312	-312
Other comprehensive income for the year								
Total comprehensive income for the year							**-312**	**-312**
Dividend						-1,108		-1,108
Purchase of Class C shares (preference shares)						-61		-61
Option premiums						2		2
Closing equity, 31 December 2016		**1,024**	**286**	**1,556**	**7**	**6,671**	**-312**	**9,232**

Parent company cash flow statement

SEKm	Note 35	2016	2015
Operating activities			
Profit before tax		-312	587
Adjustment for non-cash items		143	-354
		-169	233
Income tax paid		-	-
Cash flow from operating activities before change in working capital		**-169**	**233**
Cash flow from change in working capital			
Increase (-)/Decrease (+) in operating receivables		-4	-72
Increase (+)/Decrease (-) in operating liabilities		-28	-63
Cash flow from operating activities		**-201**	**98**
Investing activities			
Aquisitions, shares in subsidiaries		-3,198	-749
Divestments, shares in subsidiaries		1,196	107
Liabilities to group companies [1]		1,364	1,668
Disposals, shares in associates			1,595
Acquisition, property, plant and equipment		-1	
Investments, financial assets		-4	
Disposals, financial assets			22
Cash flow from investing activities		**-643**	**2,643**
Financing activities			
Purchase of treasury shares		-62	-168
Option premiums paid		6	4
Redemption of options			-31
Dividend paid		-1,109	-1,120
Cash flow from financing activities		**-1,165**	**-1,314**
Cash flow for the year		**-2,009**	**1,426**
Cash and cash equivalents at the beginning of the year		4,677	3,251
Exchange differences in cash and cash equivalents		9	
Cash and cash equivalents at the end of the year		2,677	4,677

1) Liability to centrally administered group companies that arose in conjunction with divestments of group companies.

Index to the notes

RATOS

Notes to the financial statements

Note 1 Accounting principles

Compliance with standards and laws

Ratos's consolidated financial statements are prepared in accordance with the Swedish Annual Accounts Act (1995:1554), RFR 1 Complementary Accounting rules for groups, International Financial Reporting Standards (IFRS) and interpretations of the standards (IFRIC) as endorsed by the EU. The parent company applies the same accounting principles as the Group except in cases specified in the section Parent company's accounting principles on page 78.

Changed accounting principles due to new or amended IFRS

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

New IFRS that have not yet come into force

Several new standards, amendments and improvements in existing standards and interpretations have yet to come into force for the 2016 financial year and have thus not been applied in preparation of this financial report. New standards expected to have an impact on Ratos's financial reports when they come into force are presented below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will be applied from 2018 and sets out the requirements for recognising revenue that apply to all contracts with customers and the sale of certain non-financial assets. It replaces IAS 11 Construction Contracts and IAS 18 Transfers of Assets from Customers and the related interpretations. During the year, Ratos's companies have reviewed their types of revenue and analysed whether the amended regulatory framework in IFRS 15 will influence recognition of revenue when it takes effect. Because Ratos's subsidiaries operate in a variety of sectors, they will be affected to different degrees by the new rules. However, the analyses did not identify any significant future effects on the Ratos Group's financial results and position.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial instruments: Recognition and measurement. The standard is effective from 2018. The amended standard concerns the Ratos Group primarily in terms of recognition of bad debts. Because the Group's bad debts have been, and are expected to be very small, the potential effect is not expected to be significant, see Note 11 Financial income and expenses. New rules for hedge accounting are not expected to have a significant effect either, see also Note 18 Financial instruments and Note 30 Financial risks and risk policy for a description of the hedges within the Ratos Group.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease and related rules. The standard is effective from 2019. Under the new standard, the lessee is required to recognise all contracts that meet the definition in the standard of a lease (except leases of 12 months or less and leases of low-value assets) as assets and liabilities in the balance sheet, with recognition of depreciations and interest expenses in the income statement. Leases that are current operating leases will subsequently be capitalised in the balance sheet. The Group has not yet assessed the effects of implementing the standard.

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 reports are presented in Swedish kronor. Amounts are presented in SEK million 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. The following assets and liabilities are measured in another manner:

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

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

Estimations and assessments

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

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

When applying IFRS, assessments which have a material effect on the financial statements, such as estimations made that may result in substantial adjustments to the following year's financial statements are described in greater detail in Note 37.

Classification

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

Non-current liabilities essential 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 liabliy 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 applying the acquisition method. Associates and joint ventures are consolidated applying the equity method.

Note 1, cont.

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

Acquisition method

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

Acquisition-related costs, with the exception of costs attributable to the issue of an equity instrument or debt instrument, are recognised directly in profit or loss. 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 negative 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 acquisition date. If the contingent consideration is classified as a financial liability, this is remeasured at fair value on each reporting date. The change in value is recognised in profit or loss for the year. If the contingent consideration, on the other hand, is classified as an equity instrument no remeasurement is performed and adjustment is made within equity.

Acquisitions and divestments in subsidiaries where the controlling interest is unchanged

Acquisitions and divestments of interets in subsidiaries where Ratos has a uninfluential control of in the transaction are recognised as a transaction within equity, i.e. 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 recognise in the first instance non-controlling interests in equity and if this is insufficient in equity attributable to owners of the parent. The liability is adjusted to the strike price applicable on the date when the option can first be exercised. If the option is not exercised by maturity, the liability is derecognised and a corresponding adjustment of equity made.

Disposal of subsidiaries

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

Associates and joint ventures – equity method

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

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

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

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

When the Group's share of recognised losses in the associate exceeds the carrying amount of the interests in the Group, the value of these interests is reduced to zero. Future losses are thus not recognised unless the Group has provided guarantees to cover losses arising in the associate. The equity method is applied until the date a 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 holding 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 reported at historical costs are translated at the exchange rate on the transaction date. Non-monetary assets reported at fair values are translated to the functional currency at the rate that prevails on the date of fair value measurement.

Financial statements of foreign operations

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

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

Net investment in foreign operations

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

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

Revenue recognition

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

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

Construction contracts

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

Operating leases

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

Financial income and expenses

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

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

Exchange gains and exchange losses are recognised net.

Intangible assets

Goodwill

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

Research and development

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

Other intangible assets

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

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

Note 1, cont.

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

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

Number of years	Group
Trademarks	4-20
Databases	5-10
Customer relations	2-20
Business systems	2-20
Other intangible assets	3-20

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

The carrying amount of property, plant and equipment is derecognised from the Statement of financial position at disposal or sale or when no future economic benefits are expected from use. Gains or losses that arise from 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. Gains and losses are reported as other operating income/expense.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification and measurement

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

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

A division of financial assets and liabilities is made into one of the categories listed below. A combination of the purpose of the holding at the original acquisition date and type of financial asset or liability is decisive for the division. Category classification is not specified in the Statement of financial position but is specified, on the other hand, in Note 18.

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

– Financial assets at fair value through profit or loss

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

– Loans and receivables

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

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

– Available-for-sale financial assets

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

– Client money

Client money, which is recognised as assets and liabilities in the Statement of financial position, includes payment received for a specific receivable on behalf of a client and to be paid to the client within a specific period. Client money is cash and cash equivalents with a limited right of disposition, so that the same amount is recognised as liablities.

–Financial liabilities at fair value through profit or loss

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

– Other financial liabilities

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

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

Derivative instruments and hedge accounting

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

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

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

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

Receivables and liabilities in foreign currency

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

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

Cash flow hedges

Hedges of forecast purchases/sales in foreign currency

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

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

Hedging of future interest flows

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

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

Impairment

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

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

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

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

An impairment is charged to operating profit or loss and recognised when the carrying amount exceeds the coverable amount. Impairment attributable 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 13.

Impairment of financial assets

On each reporting date the Group evaluates whether there are objective indications that a financial asset or group of financial assets is impaired. Objective indications comprise both noticeable circumstances that have occurred and which have a negative impact on the possibility to recover cost, as well as significant or lengthy reductions in the fair value of an investment in a financial investment classified as an Available-for-sale financial asset, see Note 18.

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

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

Reversal of impairment

Goodwill impairment is not reversed.

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

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

Inventories

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

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

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

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

Assets held for sale

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

Equity

Purchase of treasury shares

Acquisition of treasury shares is reported as a reduction of equity.

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

Preference shares

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

Dividends

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

Note 1, cont.

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 as they are earned.

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

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

Defined benefit plans

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

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

Other long-term benefits

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

Compensation in the event of termination of employment

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

Short-term benefits

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

Incentive programmes

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

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

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

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

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

Earnings per share

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

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

Provisions

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

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

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

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

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

Note 1, cont.

Restructuring

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

Tax

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

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

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

Contingent liabilities

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

Parent company's accounting principles

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

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

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

Classification and presentation

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

Financial instruments

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

Anticipated dividends

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

Associates and subsidiaries

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

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

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

Group contributions and shareholder contributions

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

The parent company can neither give or receive a group contribution due to its tax status, see under 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 holding (voting rights) is less than 10%. Dividends received and interest incomes are reported as taxable income. Interest expenses and overheads are tax deductible as are dividends paid. These rules normally result in the parent company not paying any income tax. Ratos's consolidated tax expense therefore almost exclusively comprises tax in associates and subsidiaries.

Note 2 Consolidated income statement

SEKm	2016	2015
Profit/share of profits before tax 1)		
AH Industries (70%)	19	-15
Aibel (32%)	-198	-75
Arcus (83% / 24 %) 2)	4	106
Biolin Scientific (100%)	-28	3
Bisnode (70%)	47	201
Diab (96%)	84	105
GS-Hydro (100%)	-149	11
HENT (73%)	191	194
HL Display (99%)	43	-28
Jøtul (93%)	-10	-42
KVD (100%)	31	21
Ledil (66%)	91	65
Nebula (73%)	71	71
Total companies in the portfolio all periods presented	**196**	**618**
airteam (70%) 3)	14	
Gudrun Sjödén Group (30%) 4)	8	
Oase Outdoors (79%) 5)	-44	
Plantasjen (99%) 6)	-37	
Serena Properties (56%) 7)	56	
Speed Group (70%) 8)	11	10
TFS (60%) 9)	6	-2
Total companies acquired during periods presented	**13**	**8**
Euromaint (100%) 10)	9	-224
Hafa Bathroom Group (100%) 11)		3
Inwido (31%) 12)		42
Mobile Climate Control (100%) 13)	77	108
Nordic Cinema Group (58%) 14)		108
Total companies divested during periods presented	**86**	**38**
Total profit/share of profits	**295**	**664**
Exit Arcus	1,403	
Exit Euromaint	0	
Exit Mobile Climate Control	268	
Exit Hafa Bathroom Group		-93
Exit Inwido		290
Exit Nordic Cinema Group		905
Total exit result	**1,672**	**1,101**
Impairment AH Industries	-135	-85
Impairment Aibel	-1,692	
Impairment Biolin Scientific	-314	
Impairment EuroMaint	-122	-480
Impairment G GS-Hydro	-160	
Impairment Jøtul	-81	
Profit/loss from companies	**-538**	**1,200**
Operational management costs	-261	-208
Other costs, including transaction costs	-56	-47
Costs that will be charged to the portfolio companies	-9	3
Financial items	-27	-56
Profit/loss before tax	**-890**	**892**
Tax	-180	-216
Profit/loss for the year	**-1,071**	**676**
Attributable to		
Owners of the parent	-500	496
Non-controlling interests	-570	180

Ratos's business comprises the acquisition, development and divestment of enterprises. The way in which we monitor the business is not fully reflected in the financial statements prepared in accordance with IFRS. Ratos has therefore opted to present its own version of the consolidated income statement.

This table on the left shows which companies contribute to consolidated profit before tax and by how much. Subsidiaries are 100% included and investments recognised according to the equity method included with pre-tax holding percentage. Profit before tax is the same as in the Consolidated income statement.

Ratos's results

Loss before tax for the full year 2016 amounted to SEK -890m (892). The negative recognised earnings were impacted by impairments totalling SEK 2,504m, of which SEK 1,895m was attributable to owners of the parent.

This includes profit/share of profits from the companies in the amount of SEK 295m (664). The decline in earnings compared with the year-earlier period is primarily attributed to the weak offshore market trend that affects Aibel and GS-Hydro and the negative currency effects in Bisnode's net financial items.

The relatively high tax expense for the period is attributable to impairments carried out, which are not tax deductible, and tax-related losses in Ratos's parent company and in certain portfolio companies, which were not capitalised.

Income and expenses in the parent company and central companies

Ratos's operational management costs amounted to SEK -261m (-208). The operational management costs include such current expenses as personnel costs, listing and auditing costs, Board fees and costs relating to Ratos's Nordic operations. The higher cost is attributable to organisational changes carried out in 2016 to streamline operations at Ratos.

1) Subsidiaries' profits included with 100% and investments recognised according to the equity method included with pre-tax holding percentage.
2) Arcus is included through November 2016 as a subsidiary and subsequently as an associate with a holding of 24%.
3) airteam is included as a subsidiary with effect from April 2016.
4) Gudrun Sjödén Group is included as an associate with a holding of 30% with effect from September 2016.
5) Oase Outdoors is included as a subsidiary with effect from September 2016.
6) Plantasjen is included as a subsidiary with effect from December 2016.
7) Serena Properties is included as a joint venture with a holding of 56% with effect from January 2016.
8) Speed Group is included as a subsidiary with effect from September 2015.
9) TFS is included as a subsidiary with effect from October 2015.
10) Euromaint is included as a subsidiary until November 2016.
11) Hafa Bathroom Group is included as a subsidiary until October 2015.
12) Inwido is included in as an associate with a holding of 31% until April and 10% until October 2015.
13) Mobile Climate Control is included as a subsidiary through November 2016.
14) Nordic Cinema Group is included in as a subsidiary through June 2015.

Note 3 Operating segments

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

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

2016, SEKm	Net sales	Depreciation [1]	Share of profits of investments recognised according to the equity method	Interest income	Interest [2] expenses	EBT [4]	Interest-bearing [3] net receivable (+) net debt (-)
Companies							
AH Industries	1,059	-35			-20	19	
Aibel			-198			-198	
airteam [5]	601	-26		0	-5	14	-197
Arcus [6]	2,294	-48	3	7	-71	4	
Biolin Scientific	186	-15		0	-5	-28	-56
Bisnode	3,458	-148		1	-86	47	-1,745
Diab	1,516	-65		0	-36	84	-890
EuroMaint [7]	1,061	-20		0	-16	9	
GS-Hydro	886	-24		1	-19	-149	-368
Gudrun Sjödén [8]			8			8	
HENT	7,991	-7		3	-9	191	733
HL Display	1,417	-36		0	-30	43	-569
Jøtul	898	-49		1	-23	-10	-534
KVD	321	-6		0	-5	31	-143
Ledil	365	-1		0	-10	91	-123
Mobile Climate Control [9]	1,194	-13		0	-16	77	
Nebula	332	-27		0	-19	71	-440
Oase Outdoors [10]	14	-2		0	-3	-44	-284
Plantasjen [11]	280	-7		-1	-7	-37	-2,384
Serena Properties [12]			36			56	
Speed Group	562	-31		0	-2	11	50
TFS	793	-30		1	-2	6	-3
Total	**25,228**	**-591**	**-151**	**15**	**-384**	**295**	**-6,954**
Exit Arcus						1,403	
Exit Euromaint						0	
Exit Mobile Climate Control						268	
Exit gains						**1,672**	
Impairment AH Industries						-135	
Impairment Aibel						-1,692	
Impairment Biolin						-314	
Impairment Biolin						-122	
Impairment EuroMaint						-160	
Impairment Jøtul						-81	
Total companies	**25,228**	**-591**	**-151**	**15**	**-384**	**-538**	**-6,954**
Attributable to the parent company and central companies	0	-4	-1	32	0	-353	3,015
Other/eliminations				-10	10		
Group total	**25,228**	**-594**	**-152**	**36**	**-374**	**-890**	**-3,939**

1) Depreciation of intangible assets and property, plant and equipment.
2) Including interest on shareholder loans.
3) Excluding shareholder loans.
4) Subsidiaries' profits included with 100% and investments recognised according to the equity method included with pre-tax holding percentage.
5) airteam is included as a subsidiary with effect from April 2016.
6) Arcus is included through November 2016 as a subsidiary and thereafter as an associate with a holding of 24%.
7) Euromaint is included as a subsidiary through November 2016.
8) Gudrun Sjödén Group is included as an associate with a holding of 30% with effect from September 2016.
9) Mobile Climate Control is included as a subsidiary through November 2016.
10) Oase Outdoors is included as a subsidiary with effect from September 2016.
11) Plantasjen is included as a subsidiary with effect from December 2016.
12) Serena Properties is included as a joint venture with a holding of 56% with effect from January 2016.

Note 3, cont.

2015, SEKm	Net sales	Depreciation [1]	Share of profits of investments recognised according to the equity method	Interest income	Interest [2] expenses	EBT [4]	Interest-bearing [3] net receivable (+) net debt (-)
Companies							
AH Industries	1,013	-35		9	-26	-15	-288
Aibel			-75	0	0	-75	
Arcus Gruppen	2,586	-54	5	10	-81	106	-1,009
Biolin Scientific	227	-15		0	-6	3	-135
Bisnode	3,535	-155		2	-87	201	-1,896
Diab	1,450	-62		1	-43	105	-796
Euromaint	2,273	-35		0	-24	-224	-503
GS-Hydro	1,175	-24		1	-14	11	-351
Hafa Bathroom Group [5]	149	-1		0	-1	3	
HENT	5,716	-6		6	-8	194	482
HL Display	1,488	-39		1	-41	-28	-627
Inwido [6]			42	0	0	42	
Jøtul	930	-52		1	-21	-42	-476
KVD	317	-5		0	-6	21	-159
Ledil	297	-1		0	-10	65	-182
Mobile Climate Control	1,264	-15		0	-26	108	-421
Nebula	299	-22		0	-13	71	-490
Nordic Cinema Group [7]	1,356	-80	14	0	-55	108	
Speed Group [8]	203	-3		1	-1	10	-41
TFS [9]	203	-1		0	0	-2	17
Total	**24,480**	**-604**	**-14**	**34**	**-464**	**664**	**-6,875**
Exit Nordic Cinema Group						905	
Exit Inwido						290	
Exit Hafa Bathroom Group						-93	
Exit gains						**1,101**	
Impairment AH Industries						-85	
Impairment EuroMaint						-480	
Total companies	**24,480**	**-604**	**-14**	**34**	**-464**	**1,200**	**-6,875**
Attributable to the parent company and central companies		-3	0	15	-9	-308	4,698
Other/eliminations				-12	12		
Group total	**24,480**	**-607**	**-14**	**36**	**-460**	**892**	**-2,177**

1) Depreciation of intangible assets and property, plant and equipment.
2) Including interest on shareholder loans.
3) Excluding shareholder loans.
4) Subsidiaries' profits included 100% and investments recognised according to the equity method included with pre-tax holding percentage.
5) Hafa Bathroom Group is included as a subsidiary through October 2015.
6) Inwido is included in as an associate with a holding of 31% through April and 10% through October 2015.
7) Nordic Cinema Group is included in as a subsidiary through June 2015.
8) Speed Group is included as a subsidiary with effect from September 2015.
9) TFS is included as a subsidiary with effect from October 2015.

The Ratos Group has its main focus on the Nordic market which is reflected in share of net sales in the Nordic countries amounting to approximately 68% (64). The rest of Europe is the second-largest market and amounts to approximately 19% (22) with the remainder evenly divided between North America and the rest of the world.

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

Note 4 Revenue breakdown

Group

SEKm	2016	2015
Breakdown of net sales		
Sale of goods	11,504	14,429
Service contracts	4,624	3,904
Construction contracts	8,877	6,079
Reimbursable expenditure	223	67
	25,228	**24,480**

Note 5 Acquired and divested businesses

Acquisitions 2016

Acquisitions of subsidiaries

Plantasjen

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

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

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

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

Oase Outdoors

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

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

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

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

airteam

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

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

The total consideration transferred for the acquisition of the shares in airteam amounted to SEK 740m. A contingent consideration may

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

Note 5, cont.

be paid in a maximum amount of SEK 37m, which corresponds with book value, dependent on the outcome of customer guarantees in the acquired company. Goodwill in the preliminary acquisition analysis amounts to SEK 664m and is primarily attributable to the company's growth and business model as well as an organisation with a strong culture. airteam has been included in the Group from the acquisition date, with net sales of SEK 601m and profit before tax of SEK 14m, after amortisation of acquisition-related intangible assets of SEK 25m. For the January to December period, net sales amounted to SEK 769 and profit before tax to SEK 14m. Acquisition-related transaction costs amounted to SEK 7m.

Investments recognised according to the equity method

Serena Properties

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

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

Gudrun Sjödén Group

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

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

Acquisitions within subsidiaries

During the year TFS strengthened its market position in Germany through the acquisition of dermatology specialist SCIderm GmbH. Bisnode acquired the Danish company NN Markedsdata ApS, Belgian Swan Insights NV and three companies to strengthen its position in Central Europe. airteam has acquired Ventek Ventilation A/S.

The acquired companies are subsidiaries in their respective groups.

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

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

Approval of Purchase price allocation, Speed Group and TFS

In 2016, the earlier provisional acquisition analysis for the acquisition of Speed Group in September 2015 and of TFS in October 2015 was approved and intangible assets in the form of trademarks and customer contracts were valued. Consequently, previously recognised goodwill has decreased. The complete final acquisition analysis at the date of acquisition is presented below. Identified customer contracts are amortised from the date of acquisition and over the maturity of the contract. Amortisation of customer contracts in Speed Group were charged to earnings for the period in an amount of SEK 17m, net of the effect of deferred tax. Amortisation of customer contracts in TFS were charged to earnings for the period in an amount of SEK 21m, net of the effect of deferred tax.

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

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

Note 5, cont.

Divestments 2016

Cash flow effect from divested companies is provided in Note 35.

Euromaint

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

Mobile Climate Control

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

Initial public offering for Arcus

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

Divestment of Analytical Instruments, a part of Biolin Scientific

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

Agreement signed for the divestment of AH Industries

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

Disposals within subsidiaries

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

Acquisitions 2015

Acquisitions of subsidiaries

TFS

In September, Ratos signedan agreement to acquire 60% of the shares in TFS Trial Form Support International AB (TFS). The purchase price (enterprise value) for 100% of the company amounted to approximately EUR 47m, of which Ratos provided equity of approximately EUR 27m, including a maximum additional purchase price. The acquisition was finalised on 1 October 2015.

The transaction was carried out via one of Ratos's wholly owned, newly formed holding company, Medcro Intressenter AB. Medcro Intressenter acquired 60% of the shares in TFS. The acquisition analysis is presented below.

TFS is an international service supplier, so-called Contract Research Organisation (CRO), which performs clinical trials in the human phase on behalf of pharmaceutical, biotechnology and medical device industries, as well as associated industries. TFS offers broad medical competency and niche expertise, thus providing global trials to its customers in a regulated and safe manner.

Preliminary purchase price allocations (PPA)

TFS	SEKm
Property, plant and equipment	7
Financial assets	3
Current assets	177
Cash and cash equivalents	36
Non-controlling interests	-150
Non-current liabilities and provisions	-1
Current liabilities	-216
Net identifiable assets and liabilities	**-145**
Goodwill	370
Consideration transferred [1]	**225**
[1] Cash	136
Contingent consideration	89

The total consideration transferred for the acquisition amounted to SEK 225m. In the preliminary purchase price allocations, goodwill amounted to SEK 370m. The goodwill recognised for the acquisition reflects that the company is active in a growing market and is well-positioned to grow in line with, or faster than the market, and the possibility of good cash flows given that the business model requires relatively low operational investments.

The acquired company is included in consolidated sales for the holding period with SEK 203m and in profit before tax with SEK -2m, including acquisition costs of SEK 8m. For the period January to December 2015, sales amounted to SEK 689m and profit before tax was SEK 43m.

Ratos has chosen to measure non-controlling interests at fair value based on the price that Ratos paid for its holding. The PPA is preliminary, meaning that fair value has not been established for all items. The Group will finally identify and measure the acquired assets. The above acquisition analysis may therefore be updated if information or circumstances arise that cause a change in the items. Fair value of the contingent consideration has been estimated by calculating the present value of the expected cash flow. The expected cash flow is estimated based on the terms of the purchase agreement and falls due if certain performance levels are achieved.

Speed Group

In June 2015, Ratos signed an agreement to acquire approximately 70% of the shares in Speed Group. The purchase price (enterprise value) for 100% of the company amounted to approximately SEK 450m, of which Ratos provided equity of approximately SEK 285m. The transaction was finalised on 1 September 2015.

The acquisition was conducted through a newly formed holding company, Speed Group Holding AB, in which Ratos acquired newly issued shares corresponding to approximately 70%. Speed Group Holding then acquired 100% of the shares in Speed Group, and the PPA is presented below.

Speed Group is a supplier of logistics services that extend from staffing to full-scale inventory management and certain supplementary services in production, recruitment and education. Speed Group currently has about 700 employees with operations located in south-west Sweden and its head office in Borås.

The total consideration transferred for the acquisition amounted to SEK 299m. In the PPA, goodwill amounted to SEK 342m. The goodwill recognised for the acquisition mainly reflects the company's growth potential, business model and an organisation with a strong culture.

The acquired company is included in consolidated sales for the holding period with SEK 203m and in profit before tax with SEK 10m. For the period January to December 2015, sales amounted to SEK 536m and profit before tax was SEK 25m. Acquisition-related costs amounted to SEK 5m.

Note 5, cont.

Preliminary purchase price allocations (PPA) Speed Group	SEKm
Property, plant and equipment	20
Current assets	201
Cash and cash equivalents	25
Deferred tax liabilities	-1
Current liabilities	-289
Net identifiable assets and liabilities	**-44**
Goodwill	342
Consideration transferred 1)	**299**
1) Cash	207
Promissory note	92

The PPA is preliminary, meaning that fair value has not been established for all items. The Group will finally identify and measure the acquired assets. The above acquisition analysis may therefore be updated if information or circumstances arise that cause a change in the items.

Acquisitions within subsidiaries

In October, GS-Hydro acquired the UK company First Hose, which offers hoses and hose-related components for the oil and gas industry in the UK continental shelf, which will strengthen GS-Hydro's position as a supplier of day-to-day hose maintenance systems. The purchase price comprises and initial payment of approximately GBP 4.5m (enterprise value) and a maximum additional purchase price of approximately GBP 1.5m, of which Ratos provided GBP 4.5m (about SEK 59m) to finance the acquisition.

In October, Ratos's subsidiary Bisnode acquired the operations of AIS Nordic. Through this acquisition, Bisnode increases its offering in vehicle information services. The purchase price amounted to SEK 65m. Ratos made a contribution of SEK 46m.

In August, Nebula acquired part of the operations of the Finnish company Telecity Group Finland Oy. The acquisition strengthens Nebula's position in the Finnish market.

In the third quarter, Bisnode acquired SN4 International Oy in Finland, a leading provider of customer experience management and marketing automation services to companies in various industries.

In the second quarter, Arcus-Gruppen acquired 90% of the shares in Social Wines (formerly Modern Fluids). The acquisition is in line with Arcus-Gruppen's strategy to increase market share in Finland.

In the first quarter of 2015, Bisnode acquired Octopus System in the Czech Republic. The intention is to strengthen Bisnode in the Czech market. In the same quarter, Nordic Cinema Group, via a subsidiary, acquired all the shares in Ski Kinosenter AS. The acquisition is in line with SF Kino AS's strategy to establish itself in the Oslo market.

The subsidiaries that are part of the Ratos Group at year-end and the acquisition of which has had the greatest impact on Ratos's financial statements are presented above. The PPA for acquisitions within Arcus-Gruppen and GS-Hydro are preliminary, while the PPA for acquisitions within Bisnode are settled.

Acquisition analysis SEKm	Within Arcus-Gruppen	Within Bisnode	Within GS-Hydro
Intangible assets	4	36	
Property, plant and equipment	0	0	3
Financial assets		1	
Current assets	47	8	31
Cash and cash equivalents	2	4	
Non-controlling interests	-2		
Deferred tax liabilities		-8	-0
Non-current liabilities and provisions	-3		
Current liabilities	-34	-6	-11
Net identifiable assets and liabilities	**14**	**35**	**22**
Goodwill	22	88	47
Consideration transferred 1)	36	123	69
1) Cash	34	114	58
Promissory note	2		
Contingent consideration		9	11

Adoption of preliminary purchase price allocations (PPAs)

A PPA is preliminary until adopted which must take place within 12 months from the acquisition. The PPA for LEDiL has been adopted in accordance with the preliminary PPA presented in Ratos's Annual Report for 2014.

The PPA for Bisnode's acquisition of Grufman Reje has been adopted in accordance with the preliminary PPA presented in Ratos's Annual Report for 2014. The PPA for Bisnode's acquisition of Debitor Registret presented in Ratos's Annaul Report for 2014 has been adopted, resulting in a SEK 5m reduction of the goodwill that arose on acquisition.

Disposals 2015

Disposal of subsidiaries

Nordic Cinema Group

Ratos signed an agreement on the sale of its subsidiary Nordic Cinema Group in April. The sale was completed in July. Ratos received SEK 1,667m, which generated an exit gain of SEK 905m.

Inwido

In April, Ratos sold 20.9% of the total number of shares in Inwido AB (publ). The sale was made at a price of SEK 91 per share, a total of SEK 1,103m, and provides an exit gain of SEK 236m. Following the sale, Ratos owns 10.4% of the shares in Inwido Ratos's assessment is that even after the partial divestment, the Group has a significant influence over Inwido despite the Group then owning less than 20% of the shares. This is due to an assessed unchanged influence and continued representation on the Board. Inwido will therefore continue to be classified as an associate. In October, Ratos sold its remaining holding of 10.4% in Inwido AB (publ). The sale was made at a price of SEK 83 per share, totalling SEK 498m. The sale generated an exit gain of approximately SEK 54m. Following the sale, Ratos owns no shares in Inwido.

Hafa Bathroom Group

In November, Ratos sold its holding in Hafa Bathroom Group. The selling price amounted to approximately SEK 50m (enterprise value) and resulted in an exit loss of SEK 93m, including SEK 84m in impairment.

Note 6 Other operating income

Group

SEKm	2016	2015
Rental income	2	3
Gain from the sale of non-current assets	4	28
Re-invoiced costs		8
Other	83	81
	88	**120**

Parent company

SEKm	2016	2015
Rental income	1	1
Other	1	2
	2	**3**

Note 7 Capital gain from sale of group companies and investments recognised according to the equity method

Group

Capital gain from sale of group companies

SEKm	2016	2015
Arcus	1,403	
Euromaint	0	
Hafa Bathroom Group		-9
Mobile Climate Control	268	
Nordic Cinema Group		905
Companies within the Biolin group	9	-1
Companies within the Bisnode group	11	
Companies within the Euromaint group	-13	6
	1,678	**901**

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

SEKm	2016	2015
Inwido		290

Parent company

Profits from investments in group companies

SEKm	2016	2015
Dividend		983
Gain from the sale of shares	2,459	8
Impairment	-2,467	-1,033
	-8	**-42**

Profit from investments in associates

SEKm	2016	2015
Dividend		12
Gain from the sale of shares		920
	0	**932**

Note 8 Share of profits of investments recognised according to the equity method

Group

SEKm	2016	2015
Share of profits		
Aibel	-198	-75
Gudrun Sjödén Group	8	
Inwido		42
Serena Properties	36	
Share of profits from investments recognised according to the equity method, owned by group companies	2	19
	-152	**-14**
Share of tax from investments recognised according to the equity method	18	36
	-134	**22**

Note 9 Employees, personnel costs and remuneration to senior executives and boards

Average number of employees

	2016		2015	
	Total	Of whom, women, %	Total	Of whom, women, %
Parent company	47	53	44	54
Group companies	11,189	31	12,913	31
Group total	**11,236**		**12,957**	
Of whom in:				
Sweden	3,233	29	4,029	30
Norway	1,783	21	1,751	22
Finland	511	30	746	39
Denmark	701	23	478	23
Australia	10	30	10	30
Belgium	176	33	195	34
Bosnia-Herzegovina	1	100	1	100
Brazil	0		1	0
Ecuador	114	8	132	7
Estonia	47	94	149	77
France	145	44	137	45
United Arab Emirates	7	29	8	25
India	11	36	9	22
Indonesia	8	50	7	57
Italy	233	18	232	18
Japan	4	43	3	33
Canada	334	11	316	9
China	729	30	635	31
Croatia	37	61	33	64
Latvia	17	12	85	49
Lithuania	173	28	259	37
Malaysia	0		1	0
Netherlands	62	47	70	40
Poland	694	52	648	51
Rumania	10	42	10	60
Russia	23	43	24	42
Switzerland	103	36	113	35
Serbia	26	85	24	58
Singapore	14	21	17	24
Slovakia	38	21	49	22
Slovenia	97	58	94	54
Spain	419	65	409	65
UK	280	28	285	25
South Korea	76	18	79	19
Thailand	14	64	14	64
Czech Republic	119	44	127	42
Germany	428	44	1,239	19
Hungary	88	57	84	58
USA	379	28	360	25
Austria	84	49	85	49
Other countries	10	20	9	22
	11,236		**12,957**	

Note 9, cont.

Gender distribution, boards and senior executives

	2016-12-31 Share of women	2015-12-31 Share of women
Board of Directors		
Parent company	43%	29%
Group total	21%	17%
Management		
Parent company	0%	40%
Group total	20%	21%

Group - Salaries and other remuneration

SEKm	Boards and senior executives	Other employees	Total
2016			
Group, total	376	4,694	5,070
(of which, bonus)	(54)		(54)
Of which in Sweden	131	1,433	1,564
(of which, bonus)	(26)		(26)
Of which in other countries	245	3,261	3,506
(of which, bonus)	(28)		(28)
Number of people	302		
2015			
Group, total	400	4,693	5,093
(of which, bonus)	(56)		(56)
Of which in Sweden	161	1,447	1,608
(of which, bonus)	(31)		(31)
Of which in other countries	239	3,246	3,486
(of which, bonus)	(24)		(24)
Number of people	482		

Social security costs

SEKm	2016	2015
Social security costs	1,452	1,479
(of which pension costs)	(415)	(396)

Of the Group's pension costs SEK 36m (39) refers to the boards and senior executives in the Group's companies. The company's outstanding pension commitments to these amount to SEK 10m (2).

Parent company – Salaries and other remuneration

SEKm	2016	2015
Senior executives, CEO and Deputy CEO		
Number of people [1]	5	5
Salaries and other remuneration [2]	40	30
(of which, bonus)	(12)	(14)
Salary and other remuneration, other employees	80	59
Total	**120**	**89**

[1] At 31 December 2016, the number was 4 people.
[2] Excluding vacation pay.

Social security costs

SEKm	2016	2015
Social security costs	58	46
(of which pension costs)	(19)	(13)

Of the parent company's pension costs, SEK 4.4m (3) refers to the CEO and Deputy CEO.

Remuneration to Board and senior executives

Guidelines and principles for remuneration to senior executives

The guidelines for remuneration and incentive systems for key people as set out below were approved by the 2016 Annual General Meeting. The following guidelines were applied throughout 2016.

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

The incentive system comprises a number of components – basic salary, variable salary, pension provisions, call options and synthetic options – and rests on five basic principles.

- Ratos's employees shall be offered competitive terms of employment in an industry where competition for qualified employees is intense and at the same time be encouraged to remain with Ratos.
- Both individual efforts and the Group's performance must be linked to clear targets set by the Board.
- Variable salary paid shall be linked to the results development that benefits shareholders. Variable salary to senior executives does not fall due until certain conditions have been met with regard to return on the company's equity and is paid over a multi-year period. The cost of each year's variable salary, however, is booked in its entirety in the year the compensation is earned.
- Each year the Board sets a limit for the total variable salary, which shall amount to a maximum of approximately one per cent of the company's equity at the start of the financial year.
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through reasonably balanced option programmes where employees can share in price rises or realised increases in value, but also take a personal risk by paying a market premium for the options.

Pension benefits are generally paid in accordance with the ITP Plan. For pension benefits that deviate from the ITP Plan, defined contribution pension benefits apply. The Board shall be entitled to deviate from these guidelines if special circumstances should prevail in an individual case.

Variable cash salary for senior executives

The variable cash salary is related to the annual shared and individual established targets. The targets are both quantitative and qualitative and aimed at meeting Ratos's long-term strategy. During 2016, the criteria for and the calculation of the outcome of variable cash salary were modified. Examples of targets were the increase of EBITA in portfolio companies and the divestment of certain defined portfolio companies.

Variable cash salary is disbursed over a three-year period and is divided into 50% for the first year and 25% each for the remaining two years. However, the expense for each year's variable salary is expensed in its entirety in the year the remuneration is earned. A ceiling has been established in relation to each senior executive's fixed salary and for 2016 could amount to a maximum of 130% of fixed salary.

Follow-up and evaluation of variable cash salary is conducted at the end of each year. Target fulfilment by the CEO and company management is followed up and evaluated by the Compensation Committee and then approved by the Board of Directors following proposal by the Compensation Committee.

Note 9, cont.

Call option programmes

Annual general meetings from 2001 onwards have decided on call option programmes directed to senior executives and other key people within Ratos. Employees have paid a market premium for the call options in all programmes. Acquisition of call options is subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the remuneration is divided into equal parts for five years. Payment of remuneration is conditional upon continued employment. Call options are issued on treasury shares and have a maturity of 4 years.

Synthetic options

The 2016 Annual General Meeting, like all Annual General Meetings since 2007, resolved on a cash-based option programme related to the 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 10%. The total value of the issued options at the closing date will be a maximum of 3% of the difference between the actual realised value for Ratos's investment at the closing date and the cost increased by 10% per year. Acquisition of synthetic options is subsidised by the purchaser receiving extra remuneration corresponding to a maximum of 50% of the option premium after deduction for 55% standard tax, whereby the remuneration is divided into equal parts for five years. Payment of remuneration is conditional upon continued employment.

Remuneration to Ratos's Board and senior executives

2016 SEKm	Board fee/ Basic salary [1]	Variable remuneration [2]	Other benefits [3]	Pension costs	Total	Pension commitments
Jonas Wiström, Chairman of the Board [5]	1.2	-	-	-	1.2	-
Arne Karlsson, Chairman of the Board [6]	0.3	-	-	-	0.3	-
Annette Sadolin, Board member	0.5	-	-	-	0.5	-
Jan Söderberg, Board member	0.5	-	-	-	0.5	-
Per-Olof Söderberg, Board member	0.5	-	-	-	0.5	-
Karsten Slotte, Board member	0.5	-	-	-	0.5	-
Charlotte Strömberg, Board member [4]	0.6	-	-	-	0.6	-
Ulla Litzén, Board member [4) 5)]	0.5	-	-	-	0.5	-
Staffan Bohman, Board member [4) 6)]	0.2	-	-	-	0.2	-
Susanna Campbell, CEO [8]	16.4	0.1	0.1	2.0	18.5	-
Magnus Agervald, CEO [9]	0.9	1.3	-	0.3	2.5	-
Bo Jungner, Deputy CEO	3.3	4.1	-	0.6	8.0	-
Henrik Blomé, Deputy CEO [7]	1.5	0.1	0.1	0.2	1.8	-
Lars Johansson, Deputy CEO [10]	3.7	3.8	-	0.8	8.3	-
Other senior executives [11]	2.7	2.6	0.1	0.5	5.8	-

1) Basic salary excluding vacation pay. 2) Including subsidies on call options and synthetic options. 3) Company car.
4) Invoiced fee taking social security costs into account. 5) With effect from the 2016 AGM. 6) With effect through the 2016 AGM.
7) Henrik Blomé was a member of the management team through 30 June 2016, and thereafter was no longer one of the senior executives. Bonus pertains to synthetic option subsidies allocated during the period as Deputy CEO.
8) Susanna Campbell stepped down as Ratos's CEO on 1 July 2016. Basic salary includes remuneration for a six-month notice period and severance pay corresponding to one and a half annual salary. The severance pay will be paid during 2017 and 2018 and be set off against any received remuneration from a third party.
9) CEO from 14 November 2016. 10) Lars Johansson was a member of the management group all of 2016. Acting CEO during the period 1 July – 13 November 2016.
11) Other 2 people who were members of the management group in 2016, but during different periods.

2015 SEKm	Board fee/ Basic salary [1]	Variable remuneration [2]	Other benefits [3]	Pension costs	Total	Pension commitments
Arne Karlsson, Chairman of the Board	1.2	-	-	-	1.2	-
Lars Berg, Board member [6]	0.1	-	-	-	0.1	-
Staffan Bohman, Board member [4]	0.6	-	-	-	0.6	-
Annette Sadolin, Board member	0.5	-	-	-	0.5	-
Jan Söderberg, Board member	0.5	-	-	-	0.5	-
Per-Olof Söderberg, Board member	0.5	-	-	-	0.5	-
Karsten Slotte, Board member [5]	0.4	-	-	-	0.4	-
Charlotte Strömberg, Board member [4]	0.6	-	-	--	0.6	-
Susanna Campbell, CEO	6.3	5.6	0.1	1.9	13.9	-
Bo Jungner, Deputy CEO	3.0	1.8	-	0.7	5.5	-
Henrik Blomé, Deputy CEO [7]	2.4	3.3	0.1	0.4	6.2	-
Other senior executives (2 people)	4.0	2.9	0.1	1.0	8.0	-

1) Basic salary excluding vacation pay 2) Including call option subsidy 3) Company car 4) Invoiced fee taking social security costs into account
5) With effect from the AGM 6) With effect until the AGM 7) Henrik Blomé Deputy CEO from 19 February 2015

Note 9, cont.

Remuneration to the CEO

Variable remuneration

The size of variable remuneration is decided on a discretionary basis by the Board based on a proposal from the Compensation Committee and within the framework of the total variable remuneration component for senior executives and other key people. Acquisition of call options and synthetic options is subsidised within the framework of the option programme for senior executives.

Pension terms

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

Terms for severance pay

A twelve-month (12) notice period will apply if notice is given by the Company. A six-month (6) notice period will apply if notice is given by the CEO. There is no agreement regarding severance pay.

Other senior executives

Variable remuneration

Remuneration to other senior executives including Deputy CEOs, see table on the previous page.

Pension terms

Pension benefits are paid in accordance with the ITP Plan, where pensionable salary is the maximum ITP limit (30 income base amounts) for ITP2, for ITP1 there is no ceiling. 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 (6) to 12 (twelve) months applies. There is no agreement regarding severance pay.

Call options

Holding 31 Dec 2016 [1]	2012 Number	2013 Number	2014 Number	2015 Number	2016 Number	Benefit
Chairman of the Board [2]	-	-	-	-	260,000	-
Other Board members [2]	-	-	-	-	255,000	-
Magnus Agervald, CEO	-	-	-	-	100,000	
Bo Jungner, Deputy CEO	117,300	90,000	50,000	46,500	50,000	-
Other senior executives	39,000	22,500	80,000	37,500	70,000	-

Holding 31 Dec 2015 [1]	2011 Number	2012 Number	2013 Number	2014 Number	2015 Number	Benefit
Chairman of the Board	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
Susanna Campbell, CEO	-	150,000	90,000	100,000	93,000	-
Bo Jungner, Deputy CEO	-	117,300	90,000	50,000	46,500	-
Henrik Blomé, Deputy CEO	20,000	58,500	30,000	35,000	46,500	-
Other senior executives	-	-	-	60,000	37,000	-

1) Relates to own and related parties' holdings, incl. over allotment.

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 to 19 March 2021. Utilisation of call options to buy shares in Ratos can be done during the period 1 October 2019 – 19 March 2021. Each call option entitles to the purchase of one Class B share in Ratos by the issuers. The exercise price shall correspond to 125 per cent of the average of the for each trading day during the period 12-16 September 2016 calculated average volume-weighted price paid for Ratos B shares on Nasdaq OMX Stockholm. The programme was prepared by the principal owners together with external advisors.

Synthetic options

SEKm	2016 Paid-in premium	2016 Benefit	2015 Paid-in premium	2015 Benefit
Board of Directors	-	-	-	-
CEO and other senior executives	0.8	-	0.7	-

Call options issued by Ratos

	2016-12-31 Number of options	2016-12-31 Corresponding number of shares	2015-12-31 Number of options	2015-12-31 Corresponding number of shares
Outstanding at beginning of period	3,411,700	3,442,392	3,479,100	4,037,285
Issued	453,000	453,000	462,100	462,100
Recalculated due to dividends		22,984		17,892
Expired [1]	-640,000	-659,200	-529,500	-1,074,885
Outstanding at end of period	**3,224,700**	**3,259,176**	**3,411,700**	**3,442,392**

1) Exercise price SEK 154.6 per share (124.2), share price when the options expired was SEK 51.55 (57.65).

Note 9, cont.

Disclosures on call options issued during the period
Each option carries entitlement to purchase one share.

	2016	2015
Maturity date	2021-03-19	2020-03-20
Exercise price per share on issuance, SEK	48.70	64.60
Total option premium payments, SEKm	2.2	3.0
Total payments to Ratos if shares acquired, SEKm	22.1	29.9

Option terms for outstanding call options

				2016-12-31		2015-12-31	
Maturity date	Option premiums SEK per option	Exercise price SEK/share	Right to purchase number of shares	Number of options	Corresponding number of shares	Number of options	Corresponding number of shares
2016-03-18	11.80	154.60	1.03			640,000	659,200
2017-03-20	4.70	72.00	1.03	1,149,200	1,183,676	1,149,200	1,160,692
2018-03-20	11.50	63.50	1.00	585,900	585,900	585,900	585,900
2019-03-20	7.30	55.20	1.00	574,500	574,500	574,500	574,500
2020-03-20	6.50	57.10	1.00	462,100	462,100	462,100	462,100
2021-03-19	4.80	48.70	1.00	453,000	453,000		
				3,224,700	**3,259,176**	**3,411,700**	**3,442,392**
Maximum increase in number of shares in relation to outstanding shares at end of period					1.0%		1.1%

Cash amount that the company may receive on exercise of outstanding options amounts to SEK 203m (291).

Incentive programmes in Ratos's subsidiaries

Ratos makes active efforts to ensure that an incentive strategy is in place for boards and senior executives of the companies in which Ratos invests. There are a number of different incentive programmes which include shares, shareholder loans, subscription warrants, synthetic options and synthetic shares. Investments are made on market terms with some exceptions. These exceptions did not have any material effect on the Ratos Group's income statement and statement of financial position.

In total, financial liabilities relating to synthetic option programmes in the Ratos Group amounted to SEK 158m (108). During the year the Group's earnings were affected by SEK -173m (-17) relating to synthetic option liabilities.

Note 10 Fees and disbursements to auditors

	2016		2015	
SEKm	Group	Parent company	Group	Parent company
Senior auditor PwC				
Audit assignment	18	2	17	2
Audit-related activities in addition to audit assignment	1		1	
Tax advice	1		2	
Other services	2	1	9	4
Other auditors				
Audit assignment	13		15	
Audit-related activities in addition to audit assignment	1		3	
Tax advice	1		2	
Other services	2		4	
	38	**3**	**53**	**7**

Audit assignment refers to examination of the annual accounts and accounting records as well as the administration by the Board of Directors and the CEO, other tasks which are the business of the company's auditors, and advice or other assistance which is caused by observations on such examination or implementation of other such work tasks. Everything else relates to other assignments.

Note 11 Financial income and expenses

Group Financial income SEKm	Fair value through profit or loss – Held for trading		Loans and receivables		Available-for-sale financial assets		Other financial liabilities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Interest income			36	36					36	36
Dividend					26				26	
Result from sale					1	5			1	5
Change in value, synthetic options	14	19							14	19
Change in value, put options		12								12
Change in value, contingent considerations	10								10	
Change in value, derivatives										
– not hedge accounted	8	11							8	11
Other financial income			1						1	
Changes in exchange rates, net								5		5
	32	**42**	**38**	**36**	**27**	**5**		**5**	**96**	**88**
Financial expenses										
Interest expenses							-374	-460	-374	-460
Change in value, synthetic options	-187	-35							-187	-35
Change in value, put options		-4								-4
Change in value, contingent considerations	-43	-15							-43	-15
Change in value, derivatives										
– hedge accounted	-1								-1	
– not hedge accounted	-4								-4	
Other financial expenses							-78	-81	-78	-81
Changes in exchange rates, net							-23		-23	
Impairment					-32				-32	
	-234	**-54**			**-32**		**-475**	**-541**	**-741**	**-595**
Pensions, interest expenses									-9	-11
									-751	**-606**

Interest income attributable to financial assets not at fair value through profit or loss amounts to SEK 36m (36). Interest expenses attributable to financial liabilities not at fair value through profit or loss amount to SEK 374m (460). Profit for the year includes SEK 0m (0) which relates to ineffectiveness in cash flow hedges. The Group has no fair value hedges.

Impairment of financial assets

SEKm	2016	2015
Trade receivables	40	35
Financial assets	32	
Total impairment	**72**	**35**

Impairment is recognised in trade receivables taking into account customers' ability to pay.

Parent company Financial income SEKm	Fair value through profit or loss – Held for trading		Loans and receivables		Available-for-sale financial assets		Other financial liabilities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Interest income			1	1					1	1
Result from sale						6				6
Change in value, synthetic options	2	3							2	3
Change in value, contingent considerations	1								1	
Changes in exchange rates, net			10						10	
	3	**3**	**11**	**1**		**6**			**14**	**10**
Financial expenses										
Interest expenses								-8		-8
Change in value, synthetic options	-33	-37							-33	-37
Change in value, contingent considerations	-11								-11	
Other financial expenses							-8	-10	-8	-10
Changes in exchange rates, net		-1		-5						-6
	-44	**-38**		**-5**			**-8**	**-18**	**-52**	**-61**

Interest income attributable to financial assets not at fair value through profit or loss amounts to SEK 1m (1).
Interest expenses attributable to financial liabilities not at fair value through profit or loss amount to SEK 0m (8).

Note 12 Taxes

Recognised in profit or loss

SEKm	2016	2015
Tax expense for the period	-324	-255
Adjustment of tax attributable to previous years	7	9
Deferred tax relating to temporary differences	90	-75
Deferred tax expense due to changed tax rates	0	-2
Deferred tax income in capitalised tax value in loss carry-forward during the year	92	106
Deferred tax expense due to utilisation of earlier capitalised tax value in loss carry-forward	-63	-34
	-198	**-252**
Share of associates' tax	18	36
Total recognised tax expense in the Group	**-180**	**-216**

Reconciliation effective tax, Group

SEKm	2016	2015
Profit before tax	-890	892
Less profit from investments recognised according to the equity method	152	14
	-738	**906**
Tax according to current tax rate, 22%	162	-199
Effect of special taxation rules for investment companies	156	8
Effect of different tax rates in other countries	-30	-24
Non-deductible expenses	-706	-264
Non-taxable income	446	350
Increase in loss carry-forward without corresponding capitalisation of deferred tax	-245	-137
Impairment of previously capitalised loss carry-forward	-14	-24
Use of previously non-capitalised tax loss carry-forward	5	13
Capitalisation of previously non-capitalised loss carry-forward	15	1
Tax attributable to previous years	7	9
Effect of changed tax rates and tax rules	1	7
Other	6	7
Reported effective tax	**-198**	**-252**

Tax items recognised in other comprehensive income

SEKm	2016	2015
Deferred tax attributable to hedging reserve	9	0
Deferred tax attributable to remeasurement of defined benefit pension commitments	18	-22
	27	**-22**

Recognised deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
SEKm	**2016**	**2015**	**2016**	**2015**
Intangible assets	10	14	331	325
Property, plant and equipment	22	17	80	85
Financial assets	47		5	6
Inventories	25	37	4	11
Trade receivables	8	10	0	0
Interest-bearing liabilities	13	13	1	1
Provisions for pensions	75	58	2	3
Other provisions	131	98		1
Other	69	30	255	179
Loss carry-forward	367	417		
Tax allocation reserves	15	25	11	10
Tax assets/ tax liabilities	**782**	**719**	**689**	**620**
Offsets	-188	-229	-188	-229
Tax assets/tax liabilities, net	**594**	**490**	**501**	**392**

Of recognised deferred tax assets, SEK 42m (36) falls due within one year and SEK 523m (407) has no due date. Of deferred tax liabilities, SEK 66m (13) falls due within one year and SEK 406m (311) has no due date.

Unrecognised temporary differences

SEKm	2016	2015
Deductible temporary differences	48	687
Loss carry-forward	15,011	14,391
	15,059	**15,078**

Approximately SEK 82m (94) of the unrecognised loss carry-forwards are attributable to subsidiaries administered centrally by Ratos. SEK 491m (172) of the tax deficits fall due during the next ten years. The remainder of the tax deficit does not have set due dates. The above unrecognised deductible temporary differences and tax deficit correspond to a tax value amounting to SEK 3,419 (3,427). Since it is improbable that unrecognised tax assets will lead to lower tax payments in the future, these have not been assigned any value.

Parent company

The parent company is taxed according to the rules for investment companies [1]. These rules normally result in the parent company not paying any income tax. The parent company's tax expense for 2016 amounted to SEK 0m (0). Ratos AB has an accumulated deficit that at the close of 2016 amounted to approximately SEK 14 billion.

1) For a more detailed description of these rules, see Note 1, Accounting principles.

Note 13 Intangible assets

Group		Non-current assets acquired					Generated internally intangible assets				
SEKm	**Goodwill**	**Trade-marks**	**Customer relations**	**Data-bases**	**Business systems**	**Other assets**	**Data-bases**	**Business systems**	**Other assets**	**Projects in progress**	**Total**
Accumulated cost											
Opening balance 1 January 2015	16,770	979	357	274	260	505	244	101	114	192	19,796
Business combinations	948		29			18					995
Investments		4		13	36	22	16	40	14	97	243
Company disposals	-2,702			-16	-8	0		-42			-2,768
Disposals			-2	-1	-2	-13	-13	-1	-2	-2	-36
Reclassification to Assets held for sale	-51					-11					-61
Reclassifications	-5			-2	129	18	25	5	109	-165	114
Exchange differences for the period	-417	-59	-17	-10	-12	-15	-6	0	-1	-4	-541
Closing balance 31 Dec 2015	**14,543**	**925**	**367**	**258**	**404**	**524**	**266**	**103**	**234**	**117**	**17,741**
Opening balance 1 January 2016	14,543	925	367	258	404	524	266	103	234	117	17,741
Business combinations	3,394	806	80		15	113			3		4,411
Investments		33		8	49	30	12	1	5	116	253
Company disposals	-2,938	-779			-212	-90			-56	-12	-4,088
Disposals		-2			-3	-9	-4	0	-1	0	-20
Reclassification to Assets held for sale					-3						-3
Reclassifications	-995	26	3	118	-95	107	14	5	36	-69	-850
Exchange differences for the period	520	80	18	13	25	28	7	0	5	2	696
Closing balance 31 Dec 2016	**14,522**	**1,087**	**469**	**396**	**179**	**703**	**294**	**109**	**226**	**154**	**18,139**
Accumulated amortisation and impairment											
Opening balance 1 January 2015	-1,427	-73	-276	-230	-160	-423	-185	-42	-63		-2,879
Depreciation for the year		-9	-11	-25	-47	-32	-28	-11	-23		-185
Impairment for the year	-700				-2	-1	-4		-27		-734
Accumulated amortisation and impairment	136			11	4	0					152
Disposals				1	2	12	14	1	3		34
Reclassification to Assets held for sale	51					11					62
Reclassifications				1	-17	0					-16
Exchange differences for the period	67	4	12	8	9	12	5	0	0		118
Closing balance 31 Dec 2015	**-1,872**	**-77**	**-275**	**-232**	**-211**	**-421**	**-198**	**-52**	**-108**		**-3,447**
Opening balance 1 January 2016	-1,872	-77	-275	-232	-211	-421	-198	-52	-108		-3,447
Business combinations		-2			-9	-50			-1		-63
Depreciation for the year		-8	-13	-32	-37	-107	-26	-12	-29		-266
Impairment for the year	-812			-6	-6	-2	-13		-7		-847
Accumulated amortisation and impairment	602	50			106	82			33		873
Disposals		2			2	8	5		1		18
Reclassification to Assets held for sale					3						3
Reclassifications	631		0	-62	57	8	-4		-52		579
Exchange differences for the period	-81	-6	-14	-11	-17	-21	-6	0	-1		-156
Closing balance 31 Dec 2016	**-1,533**	**-41**	**-302**	**-343**	**-111**	**-505**	**-243**	**-64**	**-165**		**-3,306**
Carrying amount according to Statement of financial position:											
At 31 December 2016	**12,990**	**1,046**	**167**	**53**	**68**	**198**	**51**	**45**	**61**	**154**	**14,833**
At 31 December 2015	**12,671**	**848**	**92**	**25**	**193**	**103**	**67**	**51**	**126**	**117**	**14,294**

Note 13, cont.

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

Goodwill and intangible assets with indeterminable useful lives amounted at 31 December 2016 to a book value of SEK 14,009m (13,454). Below is a breakdown of the amount in cash-generating units, which comprise the respective portfolio companies.

	2016		2015	
SEKm	**Goodwill**	**Intangible assets [1]**	**Goodwill**	**Intangible assets [1]**
Bisnode	4,071		3,843	
Plantasjen	2,350	612		
HL Display	1,068		1,085	
HENT	917		832	
Ledil	912		871	
Nebula	802		766	
Diab	773		773	
airteam	700	15		
Arcus Gruppen			1,026	601
Mobile Climate Control			1,147	
	11,594	**628**	**10,343**	**601**
Portfolio companies within separate significant value	1,396	391	2,328	182
	12,990	**1,019**	**12,671**	**783**

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

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

Calculating value in use

Value in use for a portfolio company is based on Ratos's share of the present value of the portfolio company's future estimated cash flow, which is based on an earnings forecast that covers a maximum of five years. Assessment of the earnings forecast is based on adopted budgets and forecasts as well as reasonable and verifiable assumptions that comprise Ratos's best estimation of the economic conditions that are expected to prevail during the forecast period. The basis for estimating the value of these is in accordance with previous experience as well as external sources.

After the forecast period a final value is assessed for the portfolio company based on a multiple valuation. The multiple is estimated by considering and analysing comparable listed companies and by assessing the attractiveness of the company given the set earnings forecast. Key assumptions in the value in use include the discount rate, sales growth, gross and EBITA margins as well as for assessment of final value: profit multiple and profit forecast. The assumptions used are modified for each portfolio company since each company in itself is an independent unit with unique circumstances. Key assumptions are described below under the headings Discount rate and Impairment testing in portfolio companies with significant goodwill items.

Discount rate

Future cash flows, including assessed final value, are present-value calculated using a discount rate. Ratos has chosen to use a discount factor after tax where estimated future cash flows also include tax. On the basis of the actual applied required rate of return after tax (WACC) Ratos has made a translation to an estimate corresponding to a required rate of return before tax by dividing with one minus tax rate.

The discount factor reflects market assessments of monetary values over time and specific risks inherent in the asset. Below are the discount rates that are used to calculate the value in use in portfolio companies with significant goodwill items and companies in which impairment has been applied in 2016.

	Discount rate after tax		Discount rate before tax	
%	**2016**	**2015**	**2016**	**2015**
AH Industries	8	8	10	10
airteam	7		9	
Bisnode	10	8	12	11
Diab	8		10	
HL Display	6	7	8	9

Calculation of fair value

Calculation of fair value is based on three levels. In level one fair value minus selling costs is calculated based on the price in a binding agreement between independent parties. In level two fair value can, in the absence of binding agreements, be determined by market price provided the asset is sold in an active market. The immediately preceding transaction can also provide a basis from which the value can be determined when current purchase rates are not available. If this too is not available, fair value minus selling costs comprises in level three the price that is expected to be obtained in the event of a sale of the asset between parties who are independent of each other, well informed and have an interest in the transaction. When the amount is determined the result of disposals of other companies made recently within the same sector are taken into account. The estimated value is not based on a forced sale.

Impairment of goodwill in 2016

Based on impairment tests adopted by the Board of Ratos AB, impairment of goodwill attributable to the portfolio companies AH Industries, Biolin Scientific, Euromaint, GS-Hydro and Jøtul were implemented in the third and fourth quarter. These companies operate under tough market conditions and report a weak earnings trend. The book values were adjusted to reflect the companies' market conditions.

In total, the impairments impact Ratos's operating profit in an amount of SEK 812m (700).

Impairment

SEKm	**2016**	**2015**
AH Industries	135	85
Biolin Scientific	314	
Euromaint	122	531
GS-Hydro	160	
Hafa Bathroom Group		84
Jøtul	81	
	812	**700**

Note 13, cont.

AH Industries
Impairment of SEK 92m in the third quarter was attributable to a continued weak economic situation in the cement and mineral industry which, together with high competition in the wind energy segment resulted in a company performance that did not correspond with Ratos's previous forecast. In December 2016, Ratos signed an agreement to divest 100% of the shares in AH Industries. Based on expected exit value, the company's total remaining book value of SEK 43m was recognised as an impairment during the fourth quarter. Subsequently, the sale is not expected to generate a significant exit gain for Ratos at the conclusion of the transaction.

Biolin Scientific
The impairment of SEK 314m was attributable to a change in customer buying patterns in the Drug Discovery business area, which negatively impacted instrument sales and meant that earlier forecasts were not realised. The recovery value of SEK 31m, determined at 30 September 2016 by calculating fair value after deduction of sales costs, exceeds the book value on the closing date. Due to a negative result in the company during the fourth quarter, the book value at 31 December 2016 amounted to SEK 6m. Fair value was determined in accordance with level three of the valuation hierarchy. Key assumptions for the valuation are profit multiple at exit and profit forecast. Profit multiple is on a level with listed comparable companies.

Euromaint
In November, Ratos divested 100% of the shares in subsidiary Euromaint in accordance with the agreement signed in October 2016. Due to the signed agreement, the portfolio company was impaired to the expected exit value in the third quarter. The divestment of Euromaint, completed in November 2016, thus generated no exit gain.

GS-Hydro
An impairment was recognised for GS-Hydro in the amount of SEK 160m. A quicker, more severe than expected decline in the offshore markets means that the outcome for 2016 deviates from earlier forecasts. The weaker market outlook in the offshore industry and reduced demand in the land-based segment are factors that impacted future Ratos's forecast. After impairment, the book value of GS-Hydro amounted to SEK 0, corresponding to the recovery value established by calculating fair value after deduction of sales costs.

Jøtul
The impairment of SEK 81m was mainly attributable to continued weak demand for cast-iron stoves and fireplaces and low sales volumes, which led to failure to achieve earlier forecasts. The book value at 30 September amounted after impairment to SEK 0, in accordance with the recovery value determined the same date by calculating fair value after deduction of sales costs. At 31 December 2016, the carrying amount for Jøtul was SEK 4m attributable to positive translation effects.

Impairment of goodwill in 2015
Based on the impairment tests adopted by the Board of Directors of Ratos AB, impairment of goodwill amounting to a total of SEK 700m attributable to portfolio companies Euromaint, AH Industries och Hafa Bathroom Group was made in 2015. Hafa Bathroom Group was subsequently divested the same year, and Euromaint was divested in November 2016.

Impairment of goodwill in AH Industries was brought about by a lower outcome in 2015, due to postponed order, for example, and that the positive effects of the implemented action programmes are expected to be realised later than earlier estimated.

Impairment testing in portfolio companies with significant goodwill items
The impairment testing and key assumptions used to calculate recovery value for the portfolio companies where goodwill at the close of 2016 is deemed to be significant in size is described below. Goodwill attributable to other portfolio companies is not significant in each one separately in relation to the Ratos Group's total goodwill.

Plantasjen
Plantasjen was acquired in November 2016 and there has been no indication that the company has declined in value has during the final month of the year. Subsequently, no recovery value has been estimated for Plantasjen.

Recovery value determined through calculating value in use
Recovery value was determined through calculating value in use for portfolio companies Bisnode, HL Display, Diab and airteam. For all these companies, the calculations show that the recovery value exceeds book value and there is no need for impairment. Key assumptions in addition to discount rate (see separate table on page 94), are sales growth and adjusted EBITA margin as well as profit multiple. Estimate profit multiple has been determined based on data from comparable companies.

Bisnode
Forecast cash flow for Bisnode includes a gradual sales increase during the next few years based on market growth in credit, product rationalisation, new product launches and growth from the acquisition of NN Marketdata. The EBITA margin is also expected to increase over the next few years as a function of increased sales and realisation of cost-rationalising measures that are part of the company's strategy plan. No reasonable changes in key assumptions will result in the estimated value in use for Bisnode falling below the carrying amount.

HL Display
The forecast cash flows for HL Display are based on the company being market leader in Europe and having a good strategic position with diversified customer exposure. Sales growth is assumed to remain on a stable level the next few years with sales growth in a number of defined areas. The EBITA margin, a key assumption for HL Display, is expected to show some increase due to economies of scale and cost efficiency programmes. Reasonable possible changes in the EBITA margin and sales growth would indicate addition impairment need, where a 2-percentage point decline in sales growth and 2-percentage point decline in the EBITA margin indicate an impairment need of SEK 296m and SEK 202m, respectively.

Diab
For Diab, forecasted cash flow includes sales growth primarily in the business areas Wind Energy and Transport, Industry and Aerospace (TIA). Given operational leverage, growth in sales is expected to lead to margin improvements. No reasonable changes in key assumptions will result in the estimated value in use for Bisnode falling below the carrying amount.

airteam
airteam was acquired in April 2016 and the company has largely developed in line with expectations, displaying strong sales growth and continued favourable operating profitability. Forecasted cash flows have taken into account a certain slowdown in the historic growth rate. The long-term EBITA margin has been expected to be relatively stable based on historic levels. No reasonable changes in key assumptions will result in the estimated value in use falling below the carrying amount.

Note 13, cont.

Recovery value determined through calculating fair value
For portfolio companies HENT, Ledil and Nebula, the recovery value was determined through calculating fair value less sales costs. Fair value was determined in accordance with level three of the valuation hierarchy. For all these companies, the calculations show that the recovery value exceeds book value and there is no need for impairment. Key assumptions for the valuation are profit multiple at exit. The profit multiple used is on a level with listed comparable companies.

HENT
HENT has had a very strong sales growth for several years, driven by strong order intake and good project development. The strong sales growth has been combined with stable margin driven by effective project completion. Order intake remained good in 2016. No reasonable changes in key assumptions will result in the estimated recovery value falling below the carrying amount.

Ledil
The company has been dominated by strong sales growth, driven by higher demand in all major markets, Europe, North America and Asia, which has also increased EBITA. No reasonable possible changes in key assumptions will result in the estimated recovery value falling below the carrying amount.

Nebula
Increased demand in all service areas have driven sales growth and improved profitability i Nebula in 2016. No reasonable possible changes in key assumptions will result in the estimated recovery value falling below the carrying amount.

Note 14 Property, plant and equipment

Group

SEKm	Land and buildings	Equipment	Construction in progress	Total
Accumulated cost				
Opening balance 1 January 2015	1,386	6,219	139	7,744
Investments	24	236	202	463
Disposals	-41	-302	-3	-346
Assets in acquired companies		93		93
Assets in disposed companies	-609	-1,446	-59	-2,113
Transferred from construction in progress	5	14	-19	
Reclassification to Assets held for sale	-29	-86		-115
Reclassifications	-70	53	-97	-114
Exchange differences for the period	-21	-174	-6	-201
Closing balance 31 Dec 2015	**646**	**4,607**	**157**	**5,410**
Opening balance 1 January 2016	646	4,607	157	5,410
Investments	8	182	128	318
Disposals	-5	-155	-1	-161
Assets in acquired companies	1,012	842		1,854
Assets in disposed companies	-69	-1,336	-21	-1,427
Transferred from construction in progress	2	93	-100	-5
Reclassification to Assets held for sale	-78	-427		-505
Reclassifications	2	12	-22	-8
Exchange differences for the period	-2	218	6	222
Closing balance 31 Dec 2016	**1,517**	**4,034**	**148**	**5,699**
Accumulated amortisation and impairment				
Opening balance 1 January 2015	-628	-4,372		-5,000
Depreciation for the year	-39	-382		-421
Impairment for the year	-3	-1		-3
Accumulated depreciation in acquired companies		-61		-61
Accumulated depreciation in disposed companies	284	1,050		1,334
Disposals	34	291		325
Reclassification to Assets held for sale	12	56		68
Reclassifications	49	-33		16
Exchange differences for the period	12	108		120
Closing balance 31 Dec 2015	**-278**	**-3,343**		**-3,621**

Note 14, cont.

Group

SEKm	Land and buildings	Equipment	Construction in progress	Total
Opening balance 1 January 2016	-278	-3,343		-3,621
Depreciation for the year	-25	-303		-329
Accumulated depreciation in acquired companies	-337	-663		-1,000
Accumulated depreciation in disposed companies	16	850		866
Disposals	3	140		143
Reclassification to Assets held for sale	52	299		351
Reclassifications		0		0
Exchange differences for the period	-3	-136		-139
Closing balance 31 Dec 2016	**-573**	**-3,157**		**-3,729**
Carrying amount according to Statement of financial position:				
At 31 December 2016	**944**	**878**	**148**	**1,970**
Of which finance leases	37	38		75
At 31 December 2015	**368**	**1,264**	**157**	**1,789**
Of which finance leases	38	231		269

Paid leasing charges during the year amounted to SEK 54m (100). Charges to pay in future years are shown in a table in Note 30.

Parent company

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Opening balance 1 January 2015	82	26	108
Investments			
Scrapping / disposals			
Closing balance 31 Dec 2015	**82**	**26**	**108**
Opening balance 1 January 2016	82	26	108
Investments		1	1
Scrapping / disposals		-7	-7
Closing balance 31 Dec 2016	**82**	**20**	**102**
Accumulated depreciation			
Opening balance 1 January 2015	-17	-22	-38
Depreciation for the year	-3	-1	-3
Closing balance 31 Dec 2015	**-19**	**-23**	**-42**
Opening balance 1 January 2016	-19	-23	-42
Depreciation for the year	-2	-1	-4
Scrapping / disposals		7	7
Closing balance 31 Dec 2016	**-21**	**-17**	**-39**
Value according to balance sheet			
At 31 December 2016	**61**	**3**	**64**
At 31 December 2015	**64**	**3**	**67**

Note 15 Investments recognised according to the equity method

Change in carrying amounts

Group

SEKm	2016	2015
Carrying amount, 1 January	2,357	3,895
Investments	555	157
Disposals		-1,297
Group companies reclassified as investments reported according to the equity method	754	
Impairment	-1,692	
Dividends	-3	-24
Share of profits of investments recognised according to the equity method	-152	-14
Share of tax from investments recognised according to the equity method	18	36
Share of other comprehensive income from investments recognised according to the equity method	-28	54
Other changes in equity		-16
Investments recognised according to the equity method in disposed companies	-55	-218
Exchange differences	210	-216
Carrying amount at year-end	**1,964**	**2,357**

Impairment Aibel

During the year, Ratos' impairment of the equity share for Aibel was SEK 1,692m, of which SEK 1,083m is attributable to owners of the parent. The impairment was caused by a lower level of activity combined with overcapacity in the industry and pressure on margins. Ratos does not assume a return to the market situation that prevailed before the drop in the price of oil. After the carrying amount for Aibel totalled SEK 587m at 31 December 2016. The recovery value, determined 30 September 2016 through calculating value in use amounted to SEK 690m and there were no indications that the company declined further during the final quarter of the year. Completed calculations of value in use have modified sales growth and assumptions on EBITA margin in the forecast cash flows according to the current market conditions. The discount rate after tax amounted to 7% (7% at 31 December 2015) and the discount rate before tax amounted to 9% (9% at 31 December 2015). In addition to other key assumptions about sales growth and the adjusted EBITA margin, Ratos includes a value in use calculation that assumes future profit multiples on exit. For a description of the methods for impairment testing, see Note 13. The impairment carried out resulted in a reduction in the item Investments recognised according to the equity method in the Consolidated statement of financial position.

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

	2016						2015			
SEKm	Aibel[1]	Arcus[4]	Gudrun Sjödén Group[2]	Serena Properties[3]	Individually insignificant investments	Total	Aibel	Inwido	Individually insignificant investments	Total
Investments recognised according to the equity method	**49%**	**24%**	**30%**	**56%**			**49%**			
Included in the Group as follows:										
Share of profit before tax	-198		8	36	2	-152	-75	42	19	-14
Tax	32		-2	-12		18	45	-9	0	36
Share of other comprehensive income	-31			3		-28	65	-11		54
Share of comprehensive income	-197		5	28	2	-162	35	22	19	76
Consolidated value	**918**	**729**	**166**	**134**	**17**	**1,964**	**2,287**		**71**	**2,357**
100%										
Net sales	10,892		262	159			7,728	3,750		
Profit/loss for the year	-372		18	43			-63	296		
Other comprehensive income	-62		3	6			132	-24		
Total comprehensive income	-434		21	49			69	272		
Non-current assets	7,156	2,415	252	1,862			9,611			
Current assets	2,969	2,323	202	108			2,128			
Non-current liabilities	-4,602	-1,147	-239	-1,677			-4,274			
Current liabilities	-3,680	-2,001	-86	-60			-3,253			
Net assets	1,843	1,590	129	232			4,212			

[1] Aibel is owned to 49% by NCS Invest AB. More information about group structure is provided in Note 34 Participations in group companies.
[2] Gudrun Sjödén Group is owned to 30% by GS Intressenter AB.
[3] Serena Properties is owned to 56% by Aneres Properties AB. Consolidated value för Serena Properties including shareholder loan amounted to SEK 398m.
[4] Arcus is owned to 24% as of 30 November 2016. Capital share recognised in the Ratos Group with three months' delay.

Note 15, cont.

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

	Aibel 100%		Arcus 100%	Gudrun Sjödén Group 100%	Serena Properties 100%
SEKm	**2016**	**2015**	**2016**	**2016**	**2016**
Opening balance net assets	**4,212**	**4,566**			
Investments			3,194	533	0
New issue	996				183
Impairment	-3,395				
Profit for the year before tax	-436	-153		25	71
Tax	64	90		-7	-24
Other comprehensive income	-62	132		0	6
Translation differences	463	-423	-107		
Divestments					
Closing balance net assets	**1,843**	**4,212**	**3,087**	**552**	**235**

	Aibel 49% [1]		Arcus 24%	Gudrun Sjödén Group 30%	Serena Properties 100%
SEKm	**2016**	**2015**	**2016**	**2016**	**2016**
Share in net assets	918	2,077	375	38	130
Goodwill			354	119	
Other		210		9	4
Carrying amount	**918**	**2,287**	**729**	**166**	**134**

[1] Consolidated value, adjusted for the share subject to non-controlling holding, amounts to SEK 587m (1,539), see also Note 37.

Note 16 Specification of parent company's investments in associates

Change in carrying amounts

Parent company

SEKm	2016	2015
Accumulated cost opening balance at 1 January		660
Subsidiary reclassified as associate	3	
Disposals		-660
Value according to balance sheet	**3**	**0**

Associate, reg. no., registered office	Number of participations	Owned share, %	Book value 2016	Book value 2015
Inwido AB, 556633-3828, Malmö				0
Arcus AS, 987 470 569, Oslo, Norway	16,077,244	24	3	
Total			**3**	**0**

Note 17 Receivables from group companies

Parent company

	Non-current receivables Group companies	
SEKm	**2016**	**2015**
Accumulated cost at 1 January	**17**	**1**
Investments		
Transferred receivable		17
Settlements	-17	-1
Closing balance	**0**	**17**

	Current receivables Group companies	
SEKm	**2016**	**2015**
Accumulated cost at 1 January	**70**	**0**
Investments	2,475	397
Reclassifications	2	-1
Settlements	-2,546	-326
Closing balance	**1**	**70**

Note 18 Financial instruments

Group

31 December SEKm	Fair value through profit or loss – Held for trading 2016	Fair value through profit or loss – Held for trading 2015	Derivatives used for hedging 2016	Derivatives used for hedging 2015	Loans and receivables 2016	Loans and receivables 2015	Available-for-sale financial assets 2016	Available-for-sale financial assets 2015	Other financial liabilities 2016	Other financial liabilities 2015	Total according to statement of financial position 2016	Total according to statement of financial position 2015
Financial assets												
Shares and participations							11	41			11	41
Financial receivables [1]	7	3	20		338	34		11			365	48
Trade receivables					2,757	3,771					2,757	3,771
Cash and cash equivalents					4,389	6,455					4,389	6,455
	7	**3**	**20**		**7,484**	**10,260**	**11**	**52**			**7,522**	**10,315**
Surplus in pension plans, asset											3	8
											7,525	**10,323**
Financial liabilities												
Interest-bearing liabilities												
– Liabilities to credit institutions									7,371	7,889		
– Finance leases									736	334		
– Other interest-bearing liabilities									75	9	8,181	8,232
Financial liabilities	516	540	39	30							555	570
Trade payables									2,300	2,631	2,300	2,631
	516	**540**	**39**	**30**					**10,482**	**10,863**	**11,036**	**11,433**
Provisions for pensions											487	454
											11,523	**11,887**

[1] Financial receivables include SEK 340m (45) which is interest-bearing.

Fair value

Forward contracts are measured at fair value taking interest rates and prices on the closing date into account. Fair value of interest rate swaps is based on a discount of estimated future cash flows according to the maturity dates and terms of the contract and taking into account market interest rate for similar instruments at the end of the reporting period. Fair value of receivables with floating interest corresponds to their carrying amount. Since most of the interest-bearing liabilities carry floating interest, and often a margin based on debt/equity ratio, fair value at the end of the reporting period corresponds to carrying amount.

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

Level 1: Financial instruments measured according to listed prices in an active market.

Level 2: Financial instruments measured according to directly or indirectly observable market data not included in level 1.

Level 3: Financial instruments measures on the basis of inputs that are not based on observable market data.

Fair value hierarchy

Assets SEKm	Level 2 2016	Level 2 2015	Level 3 2016	Level 3 2015
Derivatives				
– Forward contracts	24	3		
Contingent considerations			3	11
	24	**3**	**3**	**11**

Change, level 3 SEKm	Contingent considerations 2016	Contingent considerations 2015
Opening balance	11	
Recognised in financial items	-11	
Subsequent expenditure	3	11
Closing balance	**3**	**11**

Liabilities SEKm	Level 2 2016	Level 2 2015	Level 3 2016	Level 3 2015
Synthetic options			158	108
Derivatives				
– Interest rate swaps	23	51		
– Forward contracts	19	4		
Put options to non-controlling interests			166	207
Contingent considerations			189	200
	42	**55**	**513**	**515**

Note 18, cont.

Change, level 3	Synthetic options		Put options		Contingent considerations	
SEKm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Opening balance	108	133	207	152	200	95
Recognised in financial items	173	17		-8	20	15
Recognised in operating profit or loss			3		-12	3
Recognised against non-controlling interests			42			
Newly issued/subsequent	60	15		139	4	125
Disposals, group companies	-178	-11	-58			
Acquisitions, group companies					44	
Settlements	-11	-41			-75	-35
Expired agreements			-40	-65		
Translation difference	6		12		9	-3
Reclassifications		-5		-11		
Closing balance	**158**	**108**	**166**	**207**	**189**	**200**

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 -83m (-9).

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 programme. Possible covariance has more to do with macroeconomic factors.

Put options to non-controlling interests are measured starting from the terms of the purchase agreement and shareholder agreement, discounted to the balance sheet date. The key parameter in the valuation is the value development of the shares which is based on results until the estimated maturity date.

Measurement of contingent considerations takes into account the present value of expected payments, discounted with a risk-adjusted interest rate. Different possible scenarios for forecast results are taken into account to assess the size of the expected payments and the probability of these.

Parent company

31 December	Fair value through profit or loss – Held for trading		Loans and receivables		Available-for-sale financial assets		Other financial liabilities		Total according to statement of financial position	
SEKm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial assets										
Other securities held as non-current assets					0	27			0	27
Financial receivables		9	4	5		11			4	25
Receivables from group companies			1	87					1	87
Cash and cash equivalents			2,677	4,677					2,677	4,677
		9	**2,682**	**4,769**	**0**	**38**			**2,682**	**4,816**
Financial liabilities										
Interest-bearing liabilities, group companies							2,270	2,593	2,270	2,593
Financial liabilities	39	16							39	16
Trade payables							11	10	11	10
	39	**16**					**2,281**	**2,603**	**2,321**	**2,619**

Fair value hierarchy
Parent company

Assets	Level 3	
SEKm	**2016**	**2015**
Synthetic options		9
Contingent consideration		11
		20

Change, level 3	Synthetic options		Contingent consideration	
SEKm	**2016**	**2015**	**2016**	**2015**
Opening balance	9	19	11	0
Recognised in financial items	-9	-9	-11	
Subsequent expenditure				11
Translation difference		-1		
Closing balance	**0**	**9**	**0**	**11**

Liabilities	Level 3	
SEKm	**2016**	**2015**
Synthetic options	39	16
	39	**16**

Change, level 3	Synthetic options	
SEKm	**2016**	**2015**
Opening balance	16	20
Recognised in financial items	21	25
Newly issued	2	2
Settlements		-31
Closing balance	**39**	**16**

Remeasurements of synthetic options are included in profit or loss for the year, with SEK -21m (-14), relating to assets and liabilities in the closing balance.

Note 19 Other securities held as non-current assets

Parent company

SEKm	2016	2015
Accumulated cost		
At the beginning of the year	27	43
Impairment	-27	
Disposals		-16
	0	**27**

Note 20 Inventories

Group

SEKm	2016	2015
Raw materials and consumables	213	722
Products in progress	173	346
Finished products and goods for resale	1,003	822
	1,389	**1,890**

Note 21 Prepaid expenses and accrued income

Parent company

Refers to current prepaid expenses.

Note 22 Equity

Share capital

	Ordinary Class A		Ordinary Class B		Preference Class C	
Number	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Shares in the company at 1 January	84,637,060	84,637,060	239,503,836	239,503,836	830,000	830,000
Shares in the company at 31 December	**84,637,060**	**84,637,060**	**239,503,836**	**239,503,836**	**830,000**	**830,000**

	Total number of shares	Quota value	SEKm
Shares in the company at 1 January 2016	324,970,896	3.15	1,024
Shares in the company at 31 December 2016	**324,970,896**		**1,024**

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 2016, 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.

Retained earnings including profit for the year

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

Parent company

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Statutory reserve

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

Unrestricted equity

The following funds together with profit for the year comprise unrestricted equity, i.e. 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.

Fair value reserve

The parent company applies the Swedish Annual Accounts Act's rules relating to measurement of financial instruments at fair value according to Chapter 4, § 14 a-e. Recognition takes place directly in the fair value reserve when the change in value relates to a price change on a monetary item that comprises part of the company's net investment in a foreign operation. Accounting treatment is shown in Note 23.

Retained earnings

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

Note 22, cont.

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 he long-term return generated to shareholders is satisfactory.

Ratos's company-specific return target (annual average internal rate of return, IRR) amounts to a minimum 15%.

Over the past five years, Ratos has sold 11 companies, with an average IRR of 15% per year. Returns will always vary over time and between investments. Euromaint and Mobile Climate Control were divested in 2016. The investment in Euromaint has generated a negative internal rate of return. The sale of Mobile Climate Control generated an internal rate of return of approximately 10%. Arcus was listed on the stock exchange in 2016 and, in conjunction with the listing, Ratos sold shares for a total value of SEK 1,194m. Ratos's holding subsequently amounts to 23.6%. Since the acquisition in 2005, the annual internal rate of return (IRR) has amounted to 29% to date.

Dividends on ordinary shares will, over time, reflect the actual earnings trend in Ratos. The aim is to have an even dividend trend. Historically an average of over 50% of profit after tax has been distributed as a dividend. The Board of Directors proposes an ordinary dividend for the 2016 financial year of SEK 2.00 per Class A and B share, which corresponds to a total dividend of SEK 638m. Dividend yield amounts to 4.6% based on the closing price at year-end. Dividends on preference shares are regulated in the Articles of Association and for Class C shares until the 2017 AGM amount to SEK 25 per quarter and share, and a maximum dividend of SEK 100 per share and year. With effect from the first payment date after the 2017 Annual General Meeting and for the subsequent period the dividend shall increase to SEK 30 per quarter and Class C share.

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 2016 Annual General Meeting and applies for a maximum of 35 million Class B shares. In addition, there is an authorisation to the Board to issue a maximum total of 1,250,000 preference shares of Class C and/or Class D in the company in conjunction with agreements on acquisitions.

Neither the parent company nor any of the subsidiaries is subject to external capital requirements.

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

Number of shares	**2016**	**2015**
Opening treasury shares	5,217,460	5,131,107
Acquisitions for the year	32,738	89,854
Divestments for the year (to employees)	-1,344	-3,501
Closing treasury shares	**5,248,854**	**5,217,460**
Number of shares outstanding		
Total number of shares	324,970,896	324,970,896
Treasury shares	-5,248,854	-5,217,460
	319,722,042	**319,753,436**

Call options 2010–2016

The 2010–2016 Annual General Meetings decided to issue call options on treasury shares.

Terms for call options outstanding at 31 December 2016 are described in Note 9 (page 90). According to the outstanding option programme 3,259,176 treasury shares are reserved for transfer. In total the number of repurchased Class B shares amount to 5,126,262.

Dividend

After the reporting period the Board proposed the following dividend:

	SEKm
Dividend to holders of Class A and B shares, SEK 2.00 per share [1]	638
Dividend to holders of Class C preference shares issued 19 June 2013[2]	85
Dividend to holders of Class C preference shares of SEK 30 per quarter, although a maximum of SEK 120 per share, and SEK 25 per quarter per Class D preference share, although a maximum of SEK 100 per share, on maximum utilisation of authorisation [3]	150
To be carried forward	7,049

1) Based on the number of shares outstanding on 16 February 2017. The number of treasury shares on that date was 5,126,262 and may change during the period until the record date for dividends.

2) Based on the number of shares outstanding on 16 February 2017. Dividends on preference shares are regulated in the Articles of Association following a general meeting resolution. With effect from the 2017 Annual General Meeting, the dividend amounts to SEK 30 per quarter, although a maximum of SEK 120 per preference share and year. Payments are made quarterly in February, May, August and November.

3) In accordance with the Board's proposal to the 2017 Annual General Meeting regarding possible new issue of preference shares.

The proposed dividend for 2015 was approved at the Annual General Meeting on 14 April 2016. The proposed dividend for 2016 will be presented for approval at the Annual General Meeting on 6 April 2017.

Note 23 Disclosure of other comprehensive income and change in reserves and non-controlling interests

SEKm	Majority's share of reserves Translation reserve	Hedging reserve	Total	Non-controlling interests	Total
Opening carrying amount 1 January 2015	**-129**	**-8**	**-137**	**-93**	**-230**
Adjustment	4		4	0	4
Adjusted opening carrying amount	-125	-8	-133	-93	-226
Translation differences for the year	-375		-375	-152	-527
Translation differences attributable to discontinued operations	-16		-16	-4	-19
Cash flow hedges					
– recognised in other comprehensive income		1	1	0	1
– tax attributable to change for the year		0	0	0	0
Closing carrying amount 31 December 2015	**-516**	**-8**	**-523**	**-249**	**-772**
Opening carrying amount 1 January 2016	**-516**	**-8**	**-523**	**-249**	**-772**
Adjustment	9		9		9
Adjusted opening carrying amount	-507	-8	-514	-249	-763
Translation differences for the year	393		393	170	563
Translation differences attributable to discontinued operations	-207		-207	-44	-251
Cash flow hedges					
– recognised in other comprehensive income		-42	-42	-12	-54
– tax attributable to change for the year		7	7	3	9
Closing carrying amount 31 December 2016	**-321**	**-43**	**-364**	**-132**	**-495**

Translation reserve

The translation reserve includes all exchange rate differences that arise on translation of financial reports from foreign operations that have prepared their financial reports in another currency than the currency in which the Group's financial reports are presented. The parent company and Group present their financial reports in Swedish kronor.

Hedging reserve

The hedging reserve comprises the effective portion of cumulative net change in fair value of the cash flow hedging instruments attributable to cash flows that have not yet occurred.

Parent company

Specification of equity item reserves

SEKm	2016	2015
Fair value reserve		
Opening balance	7	7
Remeasurement recognised in other comprehensive income		
Closing balance	**7**	**7**

Note 24 Non-controlling interests

2016 SEKm	NCS Invest	Bisnode	Ledil	Individually insignificant non-controlling interests	Total
Non-controlling interests, share in %	**36%**	**30%**	**34%**		
Non-current assets	918	5,195	915		
Current assets		899	76		
Non-current liabilities		-1,877	-98		
Current liabilities		-1,500	-95		
Net assets	**918**	**2,717**	**797**		
Carrying amount of non-controlling interests	**330**	**819**	**268**	**586**	**2,003**
Net sales		3,458	365		
Profit/loss for the year	-1,858	60	70		
Other comprehensive income	200	100	0		
Total comprehensive income	**-1,658**	**161**	**70**		
Profit/loss for the year attributable to non-controlling interests	-669	18	24	57	-570
Other comprehensive income attri-butable to non-controlling interests	72	30	11	-10	104
Cash flow from operating activities		197	75		
Cash flow from investing activities		-305	-3		
Cash flow from financing activities		13	-120		
Cash flow for the year		**-96**	**-48**		

2015 SEKm	NCS Invest	Nordic Cinema Group	AH Industries	Bisnode	Ledil	Individually insignificant non-controlling interests	Total
Non-controlling interests, share in %	**36%**	**42%**	**31%**	**30%**	**34%**		
Non-current assets	2,077		1,005	4,834	872		
Current assets			299	1,062	105		
Non-current liabilities			-207	-1,988	-214		
Current liabilities			-274	-1,689	-70		
Net assets	**2,077**		**823**	**2,218**	**694**		
Carrying amount of non-controlling interests	**748**		**249**	**668**	**233**	**522**	**2,419**
Net sales		1,356	1,013	3,535	297		
Profit/loss for the year	-31	86	-16	147	56		
Other comprehensive income	-144	-26	2	-116	0		
Total comprehensive income	**-175**	**60**	**-14**	**31**	**56**		
Profit/loss for the year attributable to non-controlling interests	-11	36	-5	44	19	97	180
Other comprehensive income attri-butable to non-controlling interests	-52	-11	1	-35	0	-41	-139
Cash flow from operating activities		75	39	284	46		
Cash flow from investing activities		-146	-15	-269	-9		
Cash flow from financing activities		-89	-28	-12	-42		
Cash flow for the year		**-160**	**-4**	**3**	**-4**		

Note 25 Earnings per share

Calculation of earnings per share is carried out as follows:

SEKm	2016	2015
Profit for the year attributable to owners of the parent	-500	496
Less – dividend on preference shares	-72	-83
	-572	**413**
Weighted average number of shares		
Total number of ordinary shares 1 January	324,140,896	324,140,896
Effect of holding of treasury shares	-5,126,468	-5,128,279
Weighted average number before dilution	**319,014,428**	**319,012,617**
Effect of call options		
Weighted average number after dilution	**319,014,428**	**319,012,617**
Earnings per share before dilution	-1.79	1.29
Earnings per share after dilution	-1.79	1.29

Instruments that can lead to potential dilution effects

At the close of 2016, Ratos AB had five outstanding call option programmes for which the exercise price, SEK 72, SEK 63.50, SEK 55.20, SEK 57.10 and SEK 48.70 respectively, exceeded the average price for ordinary shares. These options are therefore regarded as having no dilution effect and were excluded from the calculation of earnings per share after dilution. If the future market price rises to a level above the exercise price, these options will lead to dilution.

Note 26 Pensions

In the Group there are both defined benefit and defined contribution pension plans. The Ratos Group does not have any group-wide policy relating to pensions so it is up to the board of each company to decide on pension solutions for the company. Of Ratos's current subsidiaries, six have defined benefit pension plans. The defined benefit plans are not the main solution for the subsidiaries but only constitute a complement to defined contribution pension plans.

Bisnode has the largest pension obligation in the Group in terms of size and this amounts to SEK 418m and is divided among plans in five different countries.

Defined benefit pensions

Pension plans mainly comprise retirement pensions. Earned pension is based on the number of years within the pension plan and salary at retirement.

Pension obligations are either financed through pension foundations or similar or by the company.

Defined contribution pensions

Pension plans mainly comprise retirement pensions. Pension premiums are salary-related and expensed on a current basis.

Note 26, cont.

Group

Pension cost

SEKm	2016	2015
Cost regarding current service period	23	26
Net interest	9	11
Effects of curtailments and settlements	-2	0
Pension costs for defined benefit pensions	**31**	**37**
Pension costs for defined contribution pensions, Alecta	78	90
Pension costs for defined contribution pensions, other	123	144
Pension costs for the year	**231**	**270**

Pension costs are included in the income statement on the line Employee benefits with the exception of net interest which is included in net financial items.

Defined benefit pension plans

SEKm	2016	2015
Present value of funded obligations	409	413
Fair value of plan assets	-236	-281
	174	**133**
Present value of unfunded obligations	312	310
Effect of limitation rule for net assets	-1	3
Net liability in the Statement of financial position	**485**	**445**
Amount recognised in the balance sheet		
Provisions for pensions	487	454
Surplus in defined benefit plans recognised as non-current financial receivables	-3	-8
Net liability in the Statement of financial position	**485**	**445**

Actuarial gains and losses

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

Specification of changes in the net liability recognised in the Statement of financial position

SEKm	2016	2015
Net liability at 1 January	445	563
Net cost recognised in profit or loss	31	37
Remeasurement of pension obligation recognised in other comprehensive income [1]	46	-29
Premiums and pensions paid	-20	-22
Exchange differences on foreign plans	18	-7
Net pension obligations transferred through sale of companies	-35	-99
Net pension obligations assumed through business combinations		3
Net liability at 31 December	**485**	**445**

[1] In the Group's Other comprehensive income, remeasurement of pension obligations for investments that in the Group are recognised according to the equity method are also recognised.

Note 26, cont.

Plan assets comprise the following:

SEKm	2016	2015
Equity instruments	1	11
Financial fixed-income assets	2	2
Properties	2	2
Other assets	231	266
	236	**281**

Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2016, Alecta's surplus in the form of the collective funding ratio amounted to 148% (153). The collective funding ratio comprises the market value of Alecta's assets expressed as a percentage of insurance obligations calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

Key actuarial assumptions used at the end of the reporting period

	2016	2015
Discount rate, %	0.2-3.0	1,0-4,0
Inflation, %	0,5-2,0	0,5-2,0
Anticipated rate of salary increase, %	1,5-3,0	1,5-3,0
Annual increase in pensions and paid-up policies, %	0,8-2,0	0,9-2,0

The discount rate is based on first-class corporate bonds in all countries in the eurozone. For Swedish pension plans, the discount rate is based on mortgage bonds.

Parent company

The parent company's pension costs for defined contribution pensions amounted to SEK 14m (12) of which SEK 7m (6) pertains to Alecta.

Note 27 Provisions

Group

Provisions, non-current

SEKm	2016	2015
Guarantee commitments		
At the beginning of the year	23	27
Provisions for the year	2	10
Utilised provisions	-4	-10
Unutilised reversed provisions	-	-1
Provisions in disposed company	-19	-6
Provisions in acquired companies	3	
Reclassifications liabilities held for sale		-4
Reclassifications		8
At the end of the year	**6**	**23**
Other		
At the beginning of the year	88	113
Provisions for the year	26	169
Utilised provisions	-12	-25
Unutilised reversed provisions	0	-1
Provisions in disposed company	-1	-1
Provisions in acquired companies	1	
Change in discounted value	1	-1
Reclassifications liabilities held for sale		-151
Reclassifications	-15	-10
Translation difference	5	-4
At the end of the year	**93**	**88**
Total non-current provisions	**99**	**112**

Note 27, cont.

Provisions that are non-current liabilities and maturity structure

Guarantee commitments

Provisions relate to guarantee commitments for work carried out. Provision for guarantees start to be estimated when a service is completed or an item is transferred to a customer. In order to estimate amounts historical data relating to repairs and exchanges in mainly used. Guarantee periods extend over 2-10 years.

Other provisions

Other non-current provisions include provisions relating to sale and leaseback transactions and legal requirements. Of other provisions, SEK 47m has a maturity structure of up to 12 years. The remainder is expected to be settled within 2-5 years.

Provisions that are current liabilities

Prepaid service contracts

Provision för prepaid service contracts refer to compensation for as yet not completed services.

Provisions, current

SEKm	2016	2015
Guarantee commitments		
At the beginning of the year	348	272
Provisions for the year	156	141
Unutilised reversed provisions	-9	-4
Utilised provisions	-38	-41
Provisions in acquired companies	4	
Provisions in disposed company	-17	
Reclassifications		14
Translation difference	37	-33
At the end of the year	**480**	**348**
Prepaid service contracts		
At the beginning of the year	12	
Provisions for the year	2	12
At the end of the year	**13**	**12**
Other		
At the beginning of the year	235	116
Provisions for the year	183	223
Utilised provisions	-380	-85
Unutilised reversed provisions	6	-8
Change in discounted value	0	
Reclassifications	15	-11
At the end of the year	**59**	**235**
Total current provisions	**553**	**595**

Parent company

Provisions, non-current

SEKm	2016	2015
Other		
At the beginning of the year	23	0
Provisions for the year	0	13
Reclassifications	-13	11
Change in discounted value	1	-1
At the end of the year	**11**	**23**

Note 27, cont.

Provisions, current

SEKm	2016	2015
Other		
At the beginning of the year	309	189
Provisions for the year	133	181
Utilised provisions	-338	-50
Reclassifications	13	-11
At the end of the year	**117**	**309**

Of the parent company's provisions SEK 90m (309) relates to provisions for subsidiaries and associates.

Note 28 Other liabilities

Group

Other current liabilities include liability for construction contracts of SEK 421m (437) and advances from customers of SEK 101m (134).

Parent company

Other non-current liabilities mainly comprise personnel costs.

Note 29 Accrued expenses and deferred income

Parent company

SEKm	2016	2015
Personnel costs	63	65
Other	49	8
	112	**73**

Note 30 Financial risks and risk policy

Principles for funding and financial risk management

The Group is through its activities exposed to various types of financial risks related to trade receivables, trade payables, loans and derivative instruments. Ratos's financial risks consist of:

- financing risks
- credit risks
- interest rate risks
- currency risks

Ratos's Board approves the financial strategy for the parent company while the subsidiaries' boards adopt financial strategies for each company.

Parent company

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

Group companies

The Group has no central treasury management function, on the other hand the Group's Debt Manager assists the subsidiaries with overall financial matters. The board of each subsidiary adopts its financial policy.

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

Ratos seeks to ensure that the companies have an optimal financial structure based on prevailing conditions.

Financing risk

Definition

Financing risk is the risk that costs will be higher when raising new loans and that refinancing of maturing loans will be more difficult.

Current financing risk

The parent company is normally unleveraged and does not pledge shares or other assets as collateral for own commitments or for commitments of the companies or a third party. Nor shall the parent company issue guarantees with any lender for the commitments of the companies or a third party. Guarantees relating to provision of equity capital may be provided following a Board decision. Access to capital and flexibility are ensure by the parent company having a rolling three-year loan facility, which amounts to SEK 2.2 billion, including a bank overdraft facility. This credit facility can also be used to finance dividends and day-to-day running expenses during a period of few or no exits. In addition, the parent company has an authorisation from the Annual General Meeting to issue shares in conjunction with agreements on acquisitions, see also Note 22 Equity management.

Every subsidiary manages its own financing. At 31 December 2016 the Group's interest-bearing debt to credit institutions amounted to SEK 7,371m (7,879). Total unutilised credit facilities amounted to SEK 3,769m (3,535).

Loan agreements in subsidiaries normally contain financial key figures. The key figure levels are unique for each subsidiary. The most usual key figures are interest-bearing net debt in relation to profit before depreciation and net interest, interest coverage and cash flow.

If a subsidiary does not fulfil the terms of a long-term loan agreement by or before the end of the reporting period with effect that the company does not have an unconditional right to postpone payment of the debt for a minimum twelve months, the liability is classified as current.

Maturity structure for financial liabilities

The following anticipated maturity structure is shown for the Group's financial liabilities at 31 December 2016, comprising undiscounted cash flows relating to amortisation and estimated interest payments based on forward contracts, or 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.

Note 30, cont.

The maturity analysis does not include liabilities relating to synthetic options. At 31 December 2016 the Group's liabilities for synthetic options amounted to SEK 158m (108).

Maturity structure for financial liabilities

2016-12-31 SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	1,113	1,042	2,607	592	2,949	8,304
Finance leases	81	86	86	86	985	1,324
Other interest-bearing liabilities	4	1	1	1	91	99
Trade payables	2,300					2,300
Put options					240	240
Contingent consideration	170	3	1	1	2	176
Interest rate swaps	11	9	3			23
Forward contracts						
– outflow	541					541
– inflow	-522					-522
Total	**3,698**	**1,142**	**2,698**	**680**	**4,268**	**12,485**

2015-12-31 SEKm	Within 1 year	Within 2 years	Within 3 years	Within 4 years	5 years or more	Total
Liabilities to credit institutions	2,421	1,678	1,378	828	2,236	8,542
Finance leases	40	34	33	30	198	335
Other interest-bearing liabilities	2				6	8
Trade payables	2,631					2,631
Put options	49	18		2	229	298
Contingent consideration	73	133	6			212
Interest rate swaps	24	21	12	5	1	62
Forward contracts						0
– outflow	99					99
– inflow	-101					-101
Total	**5,237**	**1,884**	**1,429**	**865**	**2,670**	**12,085**

Credit risks

Definition

Credit risks comprise risks in financial and in commercial transactions. In its financial activities the Group is exposed to counterparty credit risk in conjunction with investment of surplus liquidity in bank accounts, fixed-income securities and in conjunction with the purchase of derivative instruments. Commercial exposure mainly comprises the credit risk in the Group's trade receivables, and mainly relates to customers failing to meet their payment commitments.

Current financial credit risks

In order to reduce the parent company's financial credit risk and provide the parent company with a high level of preparedness for investments, cash and cash equivalents are invested in banks or fixed-income securities with low 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 Standard & Poor's or a corresponding rating from Moody's. The duration of investments of securities may not exceed six months except for securities issued by the Kingdom of Sweden where treasury bills may have a maximum duration of 12 months and government bonds a maximum of 24 months. At 31 December 2016, cash and cash equivalents in the parent company amounted to SEK 2,677m (4,677).

At 31 December 2016, cash and cash equivalents in the Group amounted to SEK 4,389m (6,455). During 2016 there were no credit losses from investment of cash and cash equivalents or from trading with counterparties in financial transactions.

Current commercial credit risks

The parent company does not have any trade receivables.

The carrying amount of the Group's trade receivables, in the Statement of financial position, reflects maximum exposure to credit risk. The Group's subsidiaries operate within a number of different sectors and in a large number of geographic markets, which provides a good risk spread.

Through its industry spread combined with global operations the Group has no significant concentration on individual customers. Trade receivables are analysed continuously by each subsidiary to determine whether any impairment exists. Assessments take the form of individual assessments as well as on the basis of historical data on suspended payments.

Age analysis, trade receivables

Group

31 Dec 2016 SEKm	Nominal	Accumulated depreciation	Book value
Not overdue	1,695	-3	1,692
Past due 0 – 60 days	784	-8	776
Past due 60 – 180 days	205	-9	196
Past due 181 – 365 days	96	-14	81
Past due more than one year	38	-26	12
Total	**2,819**	**-62**	**2,757**

31 Dec 2015 SEKm	Nominal	Accumulated depreciation	Book value
Not overdue	2,899	-5	2,894
Past due 0 – 60 days	676	-10	666
Past due 60 – 180 days	199	-7	192
Past due 181 – 365 days	31	-10	21
Past due more than one year	41	-43	-2
Total	**3,846**	**-75**	**3,771**

Information on impairment of trade receivables is provided in Note 11.

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. Interest rate swaps are used to change fixed-interest periods.

Interest rate swaps correspond to 15% (34) of the Group's liabilities to credit institutions at 31 December 2016. The fair value of interest rate swaps amounted to SEK 23m (51) and are recognised as a liability. Of the Group's outstanding interest rate swaps, 100% (91) mature within 36 months.

Note 30, cont.

Sensitivity analysis
If interest rates change by one 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 51m (53). 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.
The Group manages its currency risks in accordance with the financial policy adopted by the board of each subsidiary. Currency exposure net and related sensitivity analysis refers to the position at the closing date and includes trade receivables, trade payables, liabilities to credit institutions and internal financial receivables and liabilities.

The net fair value of forward contracts amounted to SEK 5m (1) at 31 December 2016. Of this amount, SEK 24m (3) is recognised in the Statement of financial position as assets and SEK 19m (4) as liabilities.

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

Sensitivity analysis
The sensitivity analysis is calculated based on monetary financial receivables and liabilities in foreign currency. 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 the Swedish krona 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 179m (235). The greatest impact on profit, after net financial items, arises when liabilities to credit institutions are translated.

	EUR		NOK		DKK		GBP		USD		SEK	
SEKm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Trade receivables	245	479	20	20	5	41	20	21	460	477	69	53
Financial receivables	248	133	186	169	93	50	105	5	302	200	0	
Liabilities to credit institutions	-967	-1,055	-462	-917	-63	-1	-189	-356	-512	-604	-388	-16
Trade payables	-284	-562	-15	-6	-25	-18	-5	-7	-414	-347	-136	-56
Currency exposure financial assets and liabilities	-758	-1,006	-271	-734	9	72	-68	-336	-163	-274	-455	-19
Forward contracts	-354	37	0		-106		174		-241	-79	271	
Exposure, net	**-1,111**	**-969**	**-271**	**-734**	**-96**	**72**	**106**	**-336**	**-404**	**-353**	**-185**	**-19**

Note 31 Operating leases

Group

Leases where the company is the lessee

Leasing payments made during the financial year relating to operating leases amount to:

SEKm	2016	2015
Minimum lease payments	965	691
Variable payments	16	7
Total leasing costs	**981**	**698**

Future payments for leases entered into amount to:

SEKm	2016	2015
Payments within 1 year	820	632
Between 1-5 years	2,592	1,425
>5 years	2,428	2,003
	5,840	**4,061**

Note 32 Pledged assets and contingent liabilities

Group

Pledged assets

SEKm	2016	2015
Real estate mortgages	28	410
Chattel mortgages	1,269	1,503
Shares in group companies	8,994	7,364
Other pledged assets	3,823	7,732
	14,113	**17,009**
Contingent liabilities	1,576	1,313

The above refer to pledged assets in group companies as well as contingent liabilities attributable to group companies and associates.

Parent company

The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 533m (400). In addition, the parent company guarantees that Medcro Intressenter AB and Aneres Properties AB fulfil their obligations in conjunction with the acquisition of TFS and the acquisition of Serena Properties respectively.

Note 33 Related party disclosures

Transactions with related parties are made on market terms.

Parent company

The parent company has a related party relationship with its group companies, see Note 34. The parent company has no pledged assets. The parent company has contingent liabilities to subsidiaries and associates amounting to SEK 533m (400). In addition, the parent company guarantees that Medcro Intressenter AB and Aneres Properties AB fulfil their obligations in conjunction with the acquisition of TFS and the acquisition of Serena Properties respectively.

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

SEKm	Interest expenses	Interest income	Dividend
2016		0	
2015	-8	0	995

SEKm	Receivable	Provision	Liability	Capital contributions	Contingent liability
2016-12-31	1	90	2,269	814	533
2015-12-31	88	309	2,594	270	400

Transactions with key persons in leading positions

Remuneration to senior executives and Board members is specified in Note 9.

Note 34 Participations in group companies

Parent company

SEKm	2016	2015
Accumulated cost opening balance at 1 January	12,126	11,094
Investments	3,053	1,136
Repaid shareholder contribution	-42	-87
Subsidiary reclassified as associate	-4	
Reclassifications	-812	
Wound up	-366	
Disposals	-4	-17
At the end of the year	**13,952**	**12,126**
Accumulated impairment opening balance	-3,229	-2,196
Reclassifications	812	
Impairment for the year	-2,467	-1,033
At the end of the year	**-4,885**	**-3,229**
Value according to balance sheet	**9,068**	**8,897**

Based on the impairment tests that Ratos does annually, see Note 13, the possible indication of impairment of the recognised the carrying amount of participations in group companies is evaluated. In 2016, the parent company recognised an impairment of the carrying amount for seven companies: AH Intressenter AB SEK 123m (104), EMaint AB SEK 99m (765), GS Hydro Holding Oy SEK 405m (79), Kamin Intressenter AB SEK 133m, NCS Intressenter AB SEK 1,359m, Quartzin Intressenter AB SEK 345m, and Spin International AB SEK 2m.

Associate, reg. no., registered office

SEKm	Number of shares	Owned share, %	2016-12-31	2015-12-31	Companies	Owned share, %
Directly owned companies						
Arcus AS, 987,470,569, Oslo, Norway [5]				9		
Bisnode Business Information Group AB, 556681-5725, Stockholm	84,263,330	70	1,843	1,597		
GS Hydro Holding OY, 2268968-9 Finland	28,301,900	100	19	291		
Owner companies to portfolio companies						
AHI Intressenter AB, 556726-7744, Stockholm	100,000	100	0	162	AH Industries	70
Alube Network AB, 556925-9376, Stockholm	50,000	100	285	285	Nebula [6]	70
Aneres Properties AB, 559030-0967, Stockholm	50,000	100	359	0	Serena Properties	56
Blomster Intressenter AB, 559077-8675, Stockholm	50,000	100	1,386		Plantasjen [6]	96
GS Intressenter AB, 559067-2415, Stockholm	50,000	100	160		Gudrun Sjödén Group	30
HL Intressenter AB, 556809-4402, Stockholm	50,000	100	833	831	HL Display [6]	96
Kamin Intressenter AB, 556801-8427, Stockholm	100,000	100	9	136	Jøtul [6]	93
Kelly Intressenter 1 AB, 556826-5705, Stockholm	50,000	100	244	241	KVD	100
Kompositkärnan Förvaltning AB, 556777-2271, Stockholm	100,000	100	678	677	Diab	96
Medcro Holding AB, 559026-2019, Stockholm	50,000	100	180	144	TFS [4]	60
Miehdnort AB, 556801-4731, Stockholm	100,000	100	313	312	HENT	73
NCS Intressenter AB, 556801-8435, Stockholm	100,000	100	690	1,941	Aibel [2]	32
Noiro Holding AB, 556993-7104, Stockholm	50,000	100	462	479	Ledil	66
Outdoor Intressenter AB, 559067-2456, Stockholm	50,000	100	162		Oase Outdoors	79
Quartzin Intressenter AB, 556835-3824, Stockholm	50,000	100	31	355	Biolin Scientific	100
Speed Group Intressenter AB, 556801-8419, Stockholm	100,000	100	286	285	Speed Group	70
Vento Intressenter AB, 559052-2057, Stockholm	50,000	100	308		airteam	70
Directly owned other subsidiaries						
Aalborg Fastigheter Intressenter ApS, 32318746, Aalborg, Denmark	867,668	87	24	24		
EMaint AB, 556731-5378, Stockholm	100,000	100	68	14	Euromaint [1]	
Myggvärmare AB, 556723-5667, Stockholm	1,000	100	475	494	Mobile Climate Control [1]	
Nordic and Baltic Cinema Holdco AB, 556849-6177, Stockholm [3]				366		
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6	6		
Spin International AB, 556721-4969, Stockholm	1,000,000	100	246	248		
			9,068	**8,897**		

1) Divested in 2016
2) NCS Intressenter AB owns 64% of the shares in NCS Invest AB where the remaining 36% of the shares are owned by the Sixth AP Fund. NCS Invest in its turn owns 49% of the shares in Aibel. Ratos's direct holding in Aibel therefore amounts to 32%.
3) Wound up during the year
4) Medcro Holding AB owns 100% of the shares in Medcro Interessenter AB which in turn owns 60% of the shares in TFS
5) Arcus AS listed in December 2016, and subsequently reclassified as investments in associates.
6) Owner share refers to ordinary shares.

Note 35 Cash-flow statement

	Group		Parent company	
SEKm	2016	2015	2016	2015
Dividends received	13	25	26	461
Interest received	13	22	0	1
Interest paid	-284	-334		

Adjustment for non-cash items	Group		Parent company	
SEKm	2016	2015	2016	2015
Share of profits of investments recognised according to the equity method	152	14		
Dividend	3			-534
Capital gains/losses	-1,690	-1,215	-2,459	-933
Depreciation and impairment of assets	3,174	1,345	2,497	1,037
Capitalised interest	39	18		8
Unrealised exchange differences	-28	17	-9	6
Income realised from deferred income		300		
Provisions, etc.	519	-273	115	63
Adjustment for non-cash items	**2,168**	**203**	**143**	**-354**

Cash and cash equivalents at the end of the year	Group		Parent company	
SEKm	2016	2015	2016	2015
Cash and bank balances	4,389	6,455	2,677	4,677
Cash and cash equivalents	**4,389**	**6,455**	**2,677**	**4,677**

Unutilised credit facilities

Unutilised credit facilities amount to SEK 3,769m (3,535) for the Group and SEK 2,200m (2,200) for the parent company.

Company disposals – Group

SEKm	2016	2015
Intangible assets	3,215	2,616
Property, plant and equipment	561	779
Financial assets	70	272
Deferred tax assets	246	52
Inventories	1,006	78
Current assets	1,766	308
Cash and cash equivalents	930	212
Assets held for sale	300	
Total assets	**8,094**	**4,317**
Non-controlling interests	4	555
Non-current liabilities and provisions	2,430	436
Current liabilities and provisions	2,613	2,458
Liabilities attributable to Assets held for sale	291	
Total liabilities	**5,337**	**3,448**
Consideration transferred	2,760	1,733
Minus:		
Purchase promissory note	-73	
Contingent consideration		11
Cash and cash equivalents in the disposed operations	-930	-212
Effect on Group's cash and cash equivalents	**1,757**	**1,532**

Acquisition of group companies – Group

SEKm	2016	2015
Intangible assets	4,382	995
Property, plant and equipment	854	32
Financial assets	25	4
Deferred tax assets	230	0
Inventories	456	58
Current assets	350	411
Cash and cash equivalents	260	71
Total assets	**6,556**	**1,571**
Non-controlling interests	11	12
Non-current liabilities and provisions	3,081	147
Deferred tax liabilities	196	13
Current liabilities and provisions	698	560
Total liabilities	**3,986**	**732**
Net identifiable assets and liabilities	2,570	839
Consideration transferred	2,570	839
Minus:		
Promissory note	-64	-90
Provision contingent consideration	-68	-90
Equity issue	-10	
Cash and cash equivalents in the acquired operations	-260	-71
Paid contingent consideration	74	
Effect on Group's cash and cash equivalents	**2,242**	**587**

Note 36 Assets held for sale

Assets held for sale

SEKm	2016-12-31	2015-12-31
Intangible assets		0
Property, plant and equipment	154	47
Financial assets	4	
Deferred tax assets	12	7
Inventories	140	113
Current assets	144	126
Cash and cash equivalents	32	15
Total assets reclassified	**485**	**308**

Liabilities attributable to Assets held for sale

SEKm	2016-12-31	2015-12-31
Interest-bearing liabilities	306	
Non-interest bearing liabilities	172	127
Provisions		155
Deferred tax liabilities	7	9
Total liabilities reclassified	**485**	**291**

Assets held for sale attributable to subsidiary AH Industries. In December 2016 Ratos signed an agreement with Aurelius Equity Opportunities SE & Co for the divestment of the entire Danish company and its subsidiary. The transaction is expected to be concluded duringt he first quarter of 2017.

Assets and liabilities recognised in 2015 as assets and liabilities held for sale referred mainly to the German operations in Euromaint and were divested during the first quarter of 2016.

Note 37 Key estimations and assessments

Ratos's financial statements are prepared in accordance with IFRS. This requires management to make assessments, estimations and assumptions that affect the application of accounting principles and the recognised amounts of assets, liabilities, income and expenses. Estimations and assessments are based on historical experience, external information and assumptions which management regards as reasonable under prevailing circumstances. Changed assumptions can result in adjustments to recognised figures and the actual outcome can differ from estimations and assessments made.

Within the framework of IFRS, a choice can be made in certain cases between different principles. The choice of principle requires in some cases management to make assessments as to which principle provides the most true and fair picture of Ratos's operations.

Development within accounting and the choice of principles are discussed also with Ratos's Audit Committee.

The most important areas where critical assessments were made in application of the Group's accounting principles and key sources of uncertainty in estimations are shown below.

Assessments at application of accounting principles

Acquisition and disposal of subsidiaries and associates

Ratos's operations as investment company means that companies are both acquired and divested; add-on acquisitions and partial disposals are also part of operations. Accounting for acquisitions and divestments of subsidiaries and associates is therefore of significance for Ratos as regards, among other things, date, degree of influence and valuation. At each individual business combination in 2016, a decision has been made regarding proportionate or full goodwill.

Key sources of uncertainty in estimations

The value of subsidiaries and associates, including goodwill, is tested annually by calculating a recoverable amount, i.e. the higher of value in use or fair value with deduction for selling costs for each subsidiary. 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 13. Future events and new information can change these assessments and estimations.

Note 38 Construction contracts

Construction contracts are recognised as revenue according to the stage of completion of the project. See Note 1, Accounting principles.

Income statement

SEKm	2016	2015
Contract revenue	8,877	6,079
Net profit	953	584

Statement of financial position
Receivables from customers for assignments under a construction contract

SEKm	2016	2015
Contract revenue	6,098	4,068
Billing	-5,834	-3,946
	264	**122**
Of which current receivables	264	122

Liabilities to customers for assignments under a construction contract

SEKm	2016	2015
Billing	-19,390	-13,454
Contract revenue	18,482	12,449
	-908	**-1,005**

Note 39 Events after the reporting period

In February, Ratos's subsidiary Ledil was refinanced. Ratos will receive a dividend of approximately EUR 18m for its holding of 66%. The refinancing was facilitated by strong profitable growth and the business's favourable performance. Ratos's consolidated book value for Ledil will be adjusted downward by a corresponding amount.

Note 40 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 2016 comprise the parent company and its group companies. The Group also includes the owned shares in investments recognised according to the equity method.

The Board of Directors' and CEO's certification

The Board of Directors confirms that the consolidated financial statements and annual accounts have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of international financial reporting standards and generally accepted accounting 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, 16 February 2017

Jonas Wiström
Chairman

Ulla Litzén
Board Member

Annette Sadolin
Board Member

Karsten Slotte
Board Member

Charlotte Strömberg
Board Member

Jan Söderberg
Board Member

Per-Olof Söderberg
Board Member

Magnus Agervald
CEO

The annual accounts and the consolidated financial statements were approved for publication by the Board on 16 February 2017. 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 6 April 2017.

Our audit report was submitted 16 February 2017
PricewaterhouseCoopers AB

Peter Clemedtson
Public Authorised Accountant
Auditor in Charge

Helena Kaiser de Carolis
Public Authorised Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ratos AB (publ) for the year 2016 except for the corporate governance statement on pages 51-61. The annual accounts and consolidated accounts of the company are included on pages 46-115 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 51-61. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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.

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

Our audit approach

Audit scope

Ratos is an investment company acquiring, developing and selling Nordic companies. At the end of the year, Ratos had 20 holdings operating within a variety of industries with a variety of risks. The contribution of the different holdings to the group's equity varies between approximately 1-18%. These factors contribute to a risk spread which reduces the risk of material misstatements in the consolidated accounts.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The audit risks were determined in the consolidated accounts based on a group perspective. In our audit, we focused on the operations in the parent company, including impairment testing, and on the most significant holdings in the group. In addition, other holdings have been the subject of certain audit procedures.

As a part of our work, we have also issued audit instructions and have obtained written reporting from the auditors of Ratos' various investments. We have also had conversations and visited selected auditors and companies in order to conclude as to whether sufficient and appropriate audit evidence has been obtained.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Valuation of goodwill, respectively holdings reported according to the equity method

Ratos' holdings at the end of the year were comprised of 16 subsidiaries, three associated companies and one joint venture, where each and every holding comprises a cash generating unit. Goodwill of SEK 12,990 million has been allocated to the subsidiaries, and the share of equity in associates amounted to SEK 1,964 million at the end of the year. Goodwill and shares reported according to the equity method comprise a significant portion of the group's total assets, which amounts to SEK 29,805 million.

The value of goodwill and shares reported according to the equity method is tested annually for impairment. This testing and the resultant reported values are dependent on the Board of Director's and management's judgments and assumptions regarding, amongst other things, growth, future profitability, the discount rate and profit multiples. Future events and new information can change these judgments and estimates and it is, therefore, particularly important that management undertake an assessment, on an ongoing basis, to determine if the value of the reported goodwill and shares reported according to the equity method can be motivated with consideration of the applied assumptions.

Considering the above and the fact that certain holdings operates in challenging market conditions, we deem that the valuation of goodwill and shares reported according to the equity method comprised the most significant area in our audit.

How our audit addressed the Key audit matter

In our audit we have focused the audit on the holdings where the difference between the book value and recoverable value is limited.

With the assistance of valuation specialists, we have executed a number of audit procedures to verify that the impairment testing undertaken by Ratos is based on generally accepted valuation methods, is mathematically correct and is based on reasonable assumptions as regards future cash flows, growth and discount rates.

Our audit procedures have included the examination of the company's forecasts where we assess the reasonableness of those forecasts based on historical outcome and market prospects. We have also discussed the valuation with the individuals responsible within Ratos for the various investments and have challenged their assumptions and assessments in this context.

We have evaluated the sensitivity analyses for important assumptions, such as growth and profit margin assumptions and have assessed the appropriateness of the peer group used in the multiple valuation and have compared this against independent sources.

We have also evaluated the disclosures provided in the Notes in relation to the requirements found in IAS 36 and IAS 1.

Refer to the annual report Note 13 – Intangible assets and Note 15 Shares reported according to the equity method.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-44 and 120-124. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ratos AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance statement

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 51-61 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm February 16 2017
PricewaterhouseCoopers AB

*Signature on original auditors' report in Swedish**	*Signature on original auditors' report in Swedish**
Peter Clemedtson	Helena Kaiser de Carolis
Authorized Public Accountant	*Authorized Public Accountant*
Auditor-in-charge	

** This is a translation of the original auditors' report in Swedish. In the event of any differences between the translation and the original statement in Swedish, the Swedish version shall prevail.*

Additional information

RATOS

Five-year summary, Group

	2016	2015	2014	2013	2012
Key figures [1]					
Earnings per share before dilution, SEK.	-1.79	1.29	3.22	2.13	1.90
Dividend per Class A and B share, SEK	2.00[2]	3.25	3.25	3.00	3.00
Dividend per C share (preference share), SEK	120	100	100	100	75
Dividend yield, %	4.6[2]	6.7	6.9	5.2	4.8
Total return, %	-6	9	-15	-2	-17
Market price, year end, SEK	43.14	48.83	47.07	58.15	62.50
Equity per share, 31 December, SEK [3]	31	36	39	38	39
Equity, SEKm [4]	11,283	12,882	14,027	13,778	12,353
Return on equity, %	-4	4	8	6	5
Equity ratio, %	45	47	46	41	39
Average number of shares before dilution	319,014,428	319,012,617	319,009,126	319,005,200	319,000,693
Number A, B and C shares outstanding	319,722,042	319,753,436	319,839,789	319,836,019	319,001,359
Income statement, SEKm					
Profit/share of profits from companies	295	664	392	602	-29
Exit gain from the sale of companies	1,672	1,101	1,390	895	978
Impairment, company	2,504	-565	-250	-308	-375
Profit/loss from companies	**-538**	**1,200**	**1,532**	**1,189**	**574**
Income and expenses in the parent company and central companies	-353	-308	-165	-106	193
Consolidated profit before tax	**-890**	**892**	**1,367**	**1,083**	**767**
Tax	-180	-216	-238	-281	-224
Consolidated profit after tax	**-1,071**	**676**	**1,129**	**802**	**543**
Profit attributable to owners of the parent	-500	496	1,109	742	606
Statement of financial position, SEKm					
Intangible assets	14,834	14,293	16,917	20,445	16,794
Property, plant and equipment	1,970	1,789	2,744	3,581	3,461
Financial assets	2,372	2,522	4,133	2,970	225
Deferred tax assets	594	490	559	550	557
Current assets	10,034	13,529	12,353	11,620	12,550
Assets	**29,805**	**32,623**	**36,706**	**39,166**	**33,587**
Equity	13,286	15,302	17,009	16,133	13,141
Provisions	1,139	1,160	1,091	929	687
Deferred tax liabilities	501	392	434	478	396
Interest-bearing liabilities	8,181	8,232	10,263	12,517	10,426
Non-interest bearing liabilities	6,696	7,538	7,909	9,109	8,937
Equity and liabilities	**29,805**	**32,623**	**36,706**	**39,166**	**33,587**

1) Relates to Class B shares unless specified otherwise.
2) Proposed ordinary dividend.
3) Defined with effect from 2013 as equity attributable to owners of the parent with deduction for outstanding preference capital divided by the number of outstanding ordinary shares at the end of the period. Preference capital per preference share amounts to SEK 1,837.50, which corresponds to the redemption amount after the 2017 Annual General Meeting.
4) Attributable to owners of the parent.

Definitions*

Adjusted EBITA
EBITA minus items affecting comparability.

Adjusted EBITA margin
Adjusted EBITA expressed as a percentage of net sales.

Capital employed
Total assets minus non-interest bearing liabilities.

Cash flow before acquisition and disposal of companies
Refers to cash flow from operating activities including interest paid as well as investments and sales of non-current assets but before acquisition and disposal of companies.

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.

Debt/equity ratio (multiple)
Interest-bearing liabilities in relation to equity.

Dividend yield
Dividend on ordinary shares expressed as a percentage of the Class B share's market price.

Earnings per share
Profit for the period attributable to owners of the parent minus dividend for the period on preference shares divided by the average number of outstanding ordinary shares.

EBIT
(Earnings Before Interest and Tax). Profit before net financial items and tax.

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).

EBITA margin
EBITA expressed as a percentage of net sales.

EBITDA
(Earnings Before Interest, Tax, Depreciation and Amortisation). Profit before depreciation and impairment.

EBT
(Earnings Before Tax) Profit before tax.

EBT margin
EBT as a percentage of net sales.

Enterprise value
Market value of the shares plus interest-bearing net debt.

Equity per share
Equity attributable to owners of the parent minus preference capital outstanding divided by the number of outstanding ordinary shares at the end of the period.

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

Exit gains
Exit gain/loss is the capital gain or loss which arises when a company is sold.

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

IRR
(Internal Rate of Return) Annual average return on the invested amount calculated from the original investment, final selling amount and other capital flows, taking into account when in time all these payments were made to or from Ratos.

P/E-ratio
Market share price for B share in relation to earnings per share.

Portfolio performance measures
The following performance measures are presented for Ratos's company portfolio – both for the companies in their entirety (100% of the holdings in the companies) regardless of Ratos's holding and adjusted for the size of Ratos's holding in each company.

- *Net sales in the portfolio* - Net sales for the entire current period and comparative periods in the companies included in the portfolio at the end of the reporting period.
- *EBITA in the portfolio* - Operating profit for the entire current period and comparative periods in the companies included in the portfolio at the end of the reporting period before impairment of goodwill as well as amortisation and impairment of other intangible assets arising in conjunction with company acquisitions and equivalent transactions.
- *Adjusted EBITA in the portfolio* - EBITA in the portfolio according to the above definition, adjusted for items affecting comparability.
- *Adjusted EBITA margin in the portfolio* - Adjusted EBITA margin in the portfolio expressed as a percentage of net sales in the portfolio.
- *Items affecting comparability* - Income items that have a material impact on earnings in the company and, if it is not highlighted, would lead to difficulty in understanding the company's underlying operational development and/or valuation.

Preference capital
Preference capital amounts to SEK 1,360m (SEK 1,837.50 per preference share), which corresponds to the redemption amount after the 2017 Annual General Meeting.

Return on capital employed
Profit before interest expenses and tax expressed as a percentage of average capital employed.

Return on equity
Profit for the year attributable to owners of the parent divided by average equity attributable to owners of the parent.

Total return
Price development of B shares including reinvested dividends on ordinary shares.

Turnover rate
Number of B shares trading during a year in relation to the total number of B shares outstanding.

** Relates to B shares unless otherwise specified.*

GRI Index

Ratos's sustainability reporting refers to calendar year 2016. This report has been prepared in accordance with the GRI Standards: Core option. Ratos has used relevant sections of GRI Sector Disclosures, Financial Services. This is Ratos's second sustainability reporting according to GRI and Ratos intends to report annually.

In line with the Global Compact (GC) commitment, Ratos submits a Communication on Progress (COP), that presents the task of implementing GC's principles. This index describes where the GRI and COP information can be found in Ratos's Annual Report 2016.

The sustainability report is prepared based on GRI's principles in order to determine content and ensure quality. The report covers Ratos as an investment company, i.e. the parent company Ratos. Ratos has a significant ownership in the portfolio of companies. However, a key principle in Ratos's owner model (described in Ratos's Owner Policy)

GRI STANDARDS INDEX CORE LEVEL WITH FINANCIAL SERVICES SECTOR DISCLOSURE

Indicator/disclosure		Page	Comments	UNGC principles
102: GENERAL STANDARD DISCLOSURES 2016				
Organisation profile				
102-1	Name of the organisation	46		
102-2	Operations, brands, products and services	2, 3, 8, 9		
102-3	Location of headquarters	46, back side		
102-4	Countries served by the organisation	18, 27		
102-5	Natue of ownership and legal form	24-25, 112		
102-6	Markets served by the organisation	3, 18, 27		
102-7	Organisation scale	20-21, 26-27		
102-8	Information on employees and other workers	20-22	Employee data has been collected from Ratos's HR system.	
102-9	Supply chain		Ratos's purchases include services and products to office operations in Stockholm and consultancy in the acquisition and sales processes as well as development procedures. Suppliers operate primarily in the Nordic countries.	
102-10	Significant changes to the organisation and its supply chain		No significant changes during the year.	
102-11	Precautionary Principle	15-16	The precautionary principle is followed and refers to assessment and management of sustainability risks in connection with investments.	
102-12	External initiatives	15		
102-13	Membership of organisations		The Confederation of Swedish Enterprise, the Swedish Venture Capital Association and Swedish Leadership for Sustainable Development	
Strategy				
102-14	Statement from senior decision-maker	4-5		
Ethics and integrity				
102-16	Values, principles and ethical guidelines	2, 10, 15-16, 18, 21		10
Governance				
102-18	Governance	16, 54, 56-57		
Stakeholder engagement				
102-40	List of stakeholder groups	15		
102-41	Collective bargaining agreements		All employees, regardless of form of employment, in the parent company are covered by collective bargaining agreements.	3
102-42	Identification and selection of stakeholders	15		
102-43	Approach to stakeholder engagement	15		
102-44	Key topics raised through stakeholders	15		
Reporting				
102-45	Entities included in the consolidated financial statements	105, 112		
102-46	Process for defining report content and topic boundaries	15, 122-123		
102-47	List of material topics/sustainability issues	122-123 www.ratos.se/hallbarhet		
102-48	Restatements of information		This is Ratos's second sustainability report according to the GRI Standards. No significant changes have been made related to the information provided in earlier reports.	
102-49	Changes in reporting		See above.	
102-50	Reporting period	122		
102-51	Date of most recent report		2016-03-10	
102-52	Reporting cycle	122		
102-53	Contact person for the report		Magnus Agervald, CEO +46 8 700 17 00 Helene Gustafsson, Head of IR and PR +46 8 700 17 00	
102-54	Claims of reporting in accordance with the GRI Standards	122-123		
102-55	GRI content index	122-123		
102-56	External assurance		The sustainability report is not subject to external review.	

is that each company acts strategically, operationally and financially independent of each other. Furthermore, Ratos is not perpetual owner to its companies, but instead has an active exit strategy, which means that the composition of the portfolios changes every year. An active sustainability programme for Ratos's parent company is a prerequisite for Ratos's ability to develop companies and their sustainability performance during the period of ownership.

Stakeholder dialogues and materiality analysis are the basis for Ratos's sustainability issues. Ratos's direct impact is considered very slight in relation to the portfolio companies' impact, which is why reporting Ratos' work as responsible investor and owner has top priority. "Within the organisation" refers to the parent company Ratos, "outside the organisation" refers to Ratos's companies and their operations as well as other parts of the value chain. See also index per aspect.

SIGNIFICANT ISSUES, GOVERNANCE AND TOPIC-SPECIFIC DISCLOSURES

Indicator/disclosure		Page	Comments	UNGC principles
404: TRAINING AND EDUCATION 2016 – BOUNDARY RATOS'S PARENT COMPANY				
103-1 - 103-3	Sustainability governance	10, 15, 18, 20-22, 123		3-6
404-3	Percentage of employees receiving regular performance and career development reviews	22		3-6
405: DIVERSITY AND EQUAL OPPORTUNITY 2016 – BOUNDARY RATOS'S PARENT COMPANY				
103-1 - 103-3	Sustainability governance	10, 15, 18, 20-22, 123		3-6
405-1	Diversity of board of directors, governance bodies and employees	21, 54		3-6
205: ANTI-CORRUPTION 2016 – BOUNDARIES RATOS'S PARENT COMPANY, HOLDINGS AND OUTSIDE THE ORGANISATION; BUSINESS PARTNERS				
103-1 - 103-3	Sustainability governance	15, 17.18, 56-58, 123		10
205-1	Business units analysed for risks related to corruption.	18		10
419: SOCIOECONOMIC COMPLIANCE 2016 – BOUNDARY RATOS'S PARENT COMPANY				
103-1 - 103-3	Sustainability governance	15, 17.18, 56-58, 123		10
419-1	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and rules in the social and economic area.		During the year Ratos has not been issued material fines or received any other sanctions due to violations of laws or regulations.	10

RATOS'S OWN SUSTAINABILITY ISSUES – BOUNDARY RATOS'S PARENT COMPANY				
Product portfolio				
103-1 - 103-3	Sustainability governance	10-12, 15-18, 56-58, 123		1-10
FS6	Percentage of the portfolio based on the investment portfolio – region, scope, sector	26-27		1-10
Active ownership				
103-1 - 103-3	Sustainability governance	10-12, 15-18, 56-58, 123	Voting is used as an integrated part of governance of the portfolio of companies, where environmental and social issues are included.	1-10
FS10	Share of the companies that the organisation has interacted with on environmental or social issues	16		1-10

Shareholder information

Annual General Meeting 6 April 2017

The Annual General Meeting of Ratos AB (publ) will be held at 2:00 p.m. CET on Thursday, 6 April 2017 at Skandiascenen at Cirkus, Djurgårdsslätten 43-45, Stockholm.

Participation

To be entitled to participate in the business of the Meeting, shareholders must

- be recorded in the register of shareholders maintained by Euroclear Sweden AB on Friday, 31 March 2017,
- notify the company of their intention to attend no later than 31 March 2017.

Notification

Out of consideration for the environment and to become more efficient through the use of digital services, Ratos has this year chosen to not issue invitations to the Annual General Meeting by mail.
Notification of participation may be made via

- via www.ratos.se
- via phone +46 8 518 015 50 weekdays between 9.00-16.30
- in writing to the following address: Computershare AB, "Ratosstämman 2017", Box 610, 182 16 Danderyd.

When notifying participation please state name, personal/company registration number, postal address, e-mail address and daytime telephone number.

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 by Friday, 31 March 2017. Shareholders are requested to inform their nominees in good time prior to this date.

Dividend and record date

The Board proposes an ordinary dividend for the 2016 financial year of SEK 2.00 (3.25) per Class A and Class B share. The record date for the right to receive dividends is proposed as 10 April 2017 and dividends are expected to be paid from Euroclear Sweden on 13 April 2017.

The Board proposes that a dividend on outstanding Class C preference shares until the 2018 Meeting, in accordance with the Articles of Association, shall be paid quarterly in an amount of SEK 30 per Class C preference share, although a maximum amount of SEK 120.

The record dates, prior to the next annual general meeting, for quarterly dividends on outstanding Class C preference shares are proposed as 15 May 2017, 15 August 2017, 15 November 2017 and 15 February 2018. Payments from Euroclear Sweden AB are expected to be made on 18 May 2017, 18 August 2017, 20 November 2017 and 20 February 2018.

Calendar

6 April	2017 Annual General Meeting
8 May	Interim Report, January-March 2017
17 Aug	Interim Report, January-June 2017
14 Nov	Interim Report, January-September 2017

Reports can be accessed on Ratos's website directly after publication and are issued in Swedish and English. The annual report is sent by post to shareholders who have so requested.

Publications can be ordered at www.ratos.se or by

post:	Ratos AB Box 1661 SE-111 96 Stockholm
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Ratos AB (publ) reg. no 556008-3585
This annual report is also available in Swedish.


RATOS

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