

CEO comments on performance in the fourth quarter of 2018

Fourth quarter characterised by impairments and restructuring costs

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

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

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

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

Earnings trend*

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

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

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

Events in portfolio companies

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

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

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Measures taken

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

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

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



Jonas Wiström, Chief Executive Officer