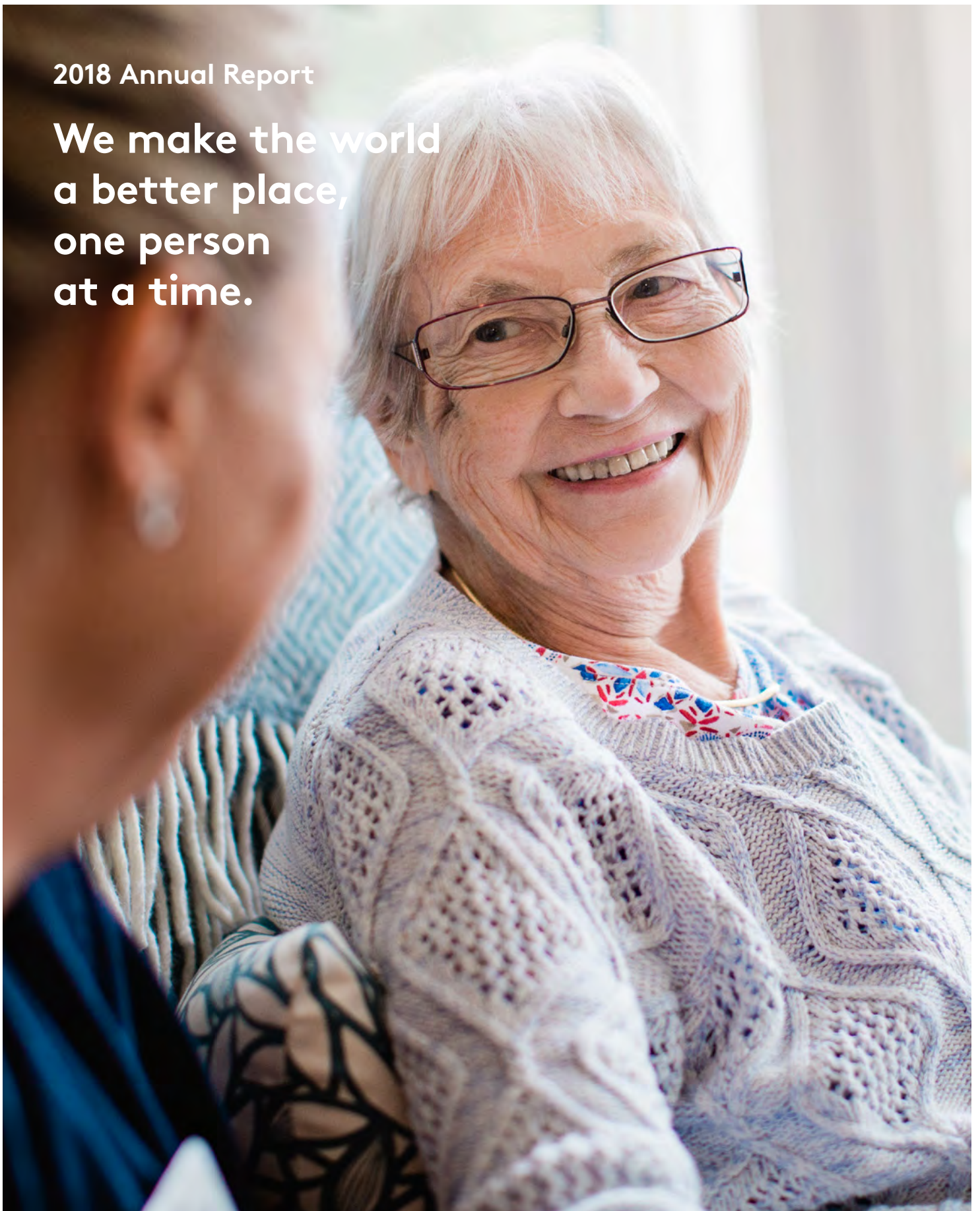


2018 Annual Report

**We make the world
a better place,
one person
at a time.**



ambea 

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The year in brief



Growth to meet the welfare challenge

Ambea wants to be part of the solution to society's welfare challenge – to provide effective social care to a growing number of people. We are therefore continuing to establish new operations for both elderly care and disability care. The operations are designed, staffed and run on the basis of Ambea's combined expertise, concept and procedures – and therefore have the best conditions for person-centred high-quality care.

During the year, Ambea increased its share of Own Management operations – through start-ups and acquisitions – from 65 to 69 per cent of sales. For example, three new nursing homes and eight disability care units were opened. More units are now under construction than ever before.

58

... new residential care facilities are under construction by Ambea at 31 December 2018¹. These will provide beds for more than 2,200 patients and open in 2019-2021.

New digital opportunities

Digital solutions are a key piece of tomorrow's care puzzle, with the potential to create satisfied care receivers and efficient employees. One of the digital initiatives launched by Ambea in 2018 is virtual reality (VR) in selected nursing homes. Using VR glasses, care receivers can return to places they have visited or enjoy a sunset on the beach, and – if they want to – with a physical umbrella drink in their hand. In that way we stimulate conversation and create pleasant moments for our elderly patients.

¹Including additional units from the acquisition of Aleris Care.

²Based on the National Board of Health and Welfare's 2018 Care Receiver Survey.

High quality creates satisfied care receivers

Ambea's operations continue to deliver effective care. This was confirmed by the National Board of Health and Welfare's Care Receiver and Unit Surveys, which measured care receivers' perceived quality of care, and quality on the basis of objective measures.

In the 2018 surveys, Ambea's Own Management operations received higher results than both municipal providers and other private operators. This confirms that our continuous quality improvements generate results.

Political trend towards freedom of choice

As expected last June, the Swedish parliament voted against the bill to cap profits in the tax-funded welfare sector, based on the conclusions of the Welfare Inquiry (the Reepalu inquiry). There is also strong support at municipal level for the freedom to make choices about social care: According to a summary by the Confederation of Swedish Enterprise, 225 of 290 municipalities in Sweden were positive to privately-provided welfare services after the general election in September 2018, compared with only 40 after the general election in 2014. Ambea therefore expects that Swedish municipalities will increasingly opt for private alternatives to meet the growing need for care. We will continue to deliver high-quality care and be a key partner for municipalities in their efforts to solve the welfare challenge.



Largest in Scandinavia

In October, following an agreement to acquire Aleris's care operations, Ambea became one of the largest care companies in the Nordic region, with operations in Sweden, Norway and Denmark. The acquisition increases Ambea's ability to grow organically and provides significant opportunities for synergies, such as coordinated purchasing. In addition, the organisations can learn from each other – and thereby lay the foundation for even higher quality and profitability.



Jobs in care promote integration

Ambea continues to promote integration by offering jobs and work placements. Since 2016, our operations have welcomed approximately 600 asylum-seekers, unaccompanied minors and newly arrived residents. At the end of 2018, about 300 of these people had been employed by us in some form. Ambea has also introduced a number of service assistants into our nursing homes. This is a new occupational group that has undergone a short course to fast track their entry into the care profession. They play a key role, mainly by helping nursing assistants with various practical chores.

The quarter in figures

83%

Pertains to Vardaga's nursing homes under own management. Percentage of positive responses to the question: *Overall, how satisfied or dissatisfied are you with your nursing home?*

87%

The average score for all questions related to Nytida's operations in the National Board of Health and Welfare's 2018 Care Receiver Survey.

Financial overview

	2018	2017
Net sales	6,076	5,816
Growth (%)	4	9
Adjusted EBITA	547	498
Operating margin, adjusted EBITA (%)	9.0	8.6
Profit for the year	295	226
Operating cash flow	600	459
Free cash flow	506	332
Earnings per share before and after dilution	4.37	3.37

About Ambea

Ambea is one of the leading care providers in the Nordic region. Our operations are mainly focused on residential care facilities under own management for the elderly and people with disabilities or in need of social support efforts. We aim to be the quality leader in all that we do, and our vision is to make the world a better place, one person at a time.

Ambea's business areas, Vardaga and Nytida, provide social care under both Own Management and Contract Management.

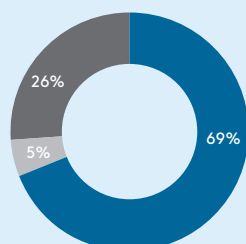
Own Management

Own Management operations are conducted on premises that are either leased or owned by Vardaga or Nytida. The leases usually run for many years, creating conditions for a long-term approach. The premises are customised, based on Ambea's combined knowledge of social care. Placements are offered to municipalities and city districts who purchase according to need under a general framework or subscription agreement, alternatively under the Act on System of Choice in the Public Sector (LOV). Vardaga or Nytida is responsible for the operations.

Contract Management

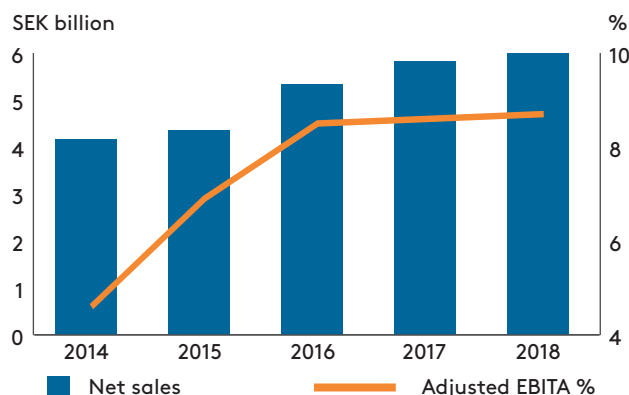
Contract Management refers to operations that Vardaga or Nytida manage on behalf of a municipality or city district. The contract continues for a specified period of time, at a predetermined price. The municipality is the body responsible for the operations. The property accommodating the operations is owned or leased by the municipality.

SALES PER CONTRACT MODEL



■ Own management
■ Contract management
■ Staffing

FINANCIAL TREND



In 2018, Ambea's net sales rose 4 per cent and the adjusted EBITA margin was 9 per cent.

vardaga



nytida



heimta



klara
vi kan kompetens



KEY FIGURES¹

5,772

Beds and placements
operated under own
management

~750

Operations

~26,000

Employees

EMPLOYEE BREAKDOWN²

NET SALES

OPERATING PROFIT (EBITA)

Elderly care

Vardaga is Ambea's brand for elderly care. The operations are conducted in approximately 70 nursing homes across Sweden. The care receivers live in their own apartments with access to communal areas and around-the-clock staffing. Vardaga also manages residential care facilities for younger people with dementia, and for geriatric psychiatry. Every residential care facility is focused on quality of life and security.



Disability Care and Individual and Family

Ambea provides care services for people with disabilities and psychosocial problems through Nytida. Care is provided in the form of residential care facilities, day services, support interventions for individuals and families, and schools. Nytida's employees work according to a well-established educational platform that aims to strengthen the individual's ability to live as independently as possible.



Care services in Norway

In Norway, Ambea is active in disability care and psychiatry. Services mainly take the form of residential care, but user-controlled personal assistance (BPA), rehabilitation, respite and assessment are also provided. As of March 2018, all operations have been conducted under the Heimta brand.



Staffing solutions

Ambea offers staffing operations under the Klara brand, which was launched in March 2018. Services offered by Klara include ambulatory care nursing and specialised support for school healthcare. Healthcare professionals, including doctors and nurses, are outsourced for limited periods to municipalities, county councils and private operators.



¹The number of operations and employees includes the acquisition of Aleris Care in January 2019.

²Based on full year 2018 figures. Managers include business area, sector, regional and senior managers.



FREDRIK GREN, CEO

Eventful year with continued positive growth

Ambea's priorities remain firm: We are growing because society has a major need for more care placements – and our mission is to make every day as good as possible for our care receivers.

How would you summarise 2018?

“It was an eventful year and Ambea continued to follow its strategy and plan. Our company is based on a stable demographic growth trend, which means that in the years ahead, society will need far more care placements for the elderly, and for people with disabilities or psychosocial problems. Ambea want to help solve this social challenge.”

“At the same time, our strategy is based on a clear vision: We make the world a better place, one person at a time. That means that every one of our employees – in every operation and every day – will do a good job for our care receivers. It also requires continuous development of our operations, and our improvement processes continued unabated in 2018.”

Was there any change in the care services market after the general election last autumn?

“Our assessment is that the next four years will be more favourable for privately provided welfare services than previous mandate periods. Partly because the Riksdag voted against the bill to cap profits in the welfare sector during the spring, but also because more Swedish municipalities have adopted a more positive view of privately provided welfare services: In the 2014 general election, about 40 municipalities had a predominantly positive view of private care – after the 2018 general election, that figure had grown to about 225.

That does not mean that the door is open for us, but we have a stronger position for discussion.”

“Ambea’s main customers are municipalities, where the political reality is miles away from the national scenario. In the municipalities, politicians are responsible for providing their residents with good service. If we can show that Ambea’s care operations maintain higher quality at a lower cost than municipal alternatives, more and more municipal decision-makers will eventually choose us – because it will benefit municipal residents.”

How do you feel about the acquisition of Aleris Care that was announced last autumn?

“It was a dream acquisition that we’ve been discussing for over five years. Aleris’s care operations already have a strong position and hold very high quality. We will forge an even stronger market position together as the largest care provider in Sweden, Norway and Denmark – three countries with a similar demographic trend that share the political ambition of jointly financed high-quality care. These countries also share a low rate of privatisation. We are looking forward to operating and growing in all three countries.”

What is your view of Ambea’s high growth target?

“Our growth ambitions are based on the sharply rising need for care in all of the countries in which we operate. Far more care placements are required, in modern premises with advanced procedures and tools. There will be a huge demand for high-quality and cost-efficient residential care to meet the challenges facing municipalities.”

“Ambea’s growth rests on three pillars: We enable investments in new residential care facilities and currently have a record number of beds contracted or under construction, due to the growing interest from municipalities in our operations. We are also expanding in the contract management market, where more and more municipalities are seeing the benefits of engaging private operators to manage their care operations. Finally, the care industry is continuing to consolidate, and Ambea is highly active in this respect. Many smaller care providers are poised for a generational change, while stricter regulation and the administrative burden are taking their toll. As soon as the integration of Aleris Care is complete, Ambea will resume its plan to acquire and integrate smaller companies.”

How much progress has been made with innovation and the digitisation of care?

“We have now tested and evaluated more than 20 different digitisation projects for the delivery of tomorrow’s care. The most promising innovations are night sensors, which make it easier for care workers to keep track of patients at night, and digital tools to help care staff with, for example, documentation and medication administration. We have also introduced new digital tools for recruitment and performance dialogue in Ambea.”

How has Ambea’s quality management progressed during the year?

“As always, it was a top priority. Once again, I would like to emphasise that high quality and high profitability go hand-in-hand. During the year, we had fewer units that needed to implement quality-improvement measures than ever before. This was also reflected in the year’s excellent financial performance.”

“We are also very happy with the results of the 2018 qual-

ity surveys conducted by the National Board of Health and Welfare. Ambea’s operations showed higher average scores than those managed by municipalities and other private providers. That applies to both elderly care and disability care under LSS (the Act Concerning Support and Service for Persons with Certain Functional Impairments).”

How does Ambea work to promote integration?

“Making an added contribution to a sustainable society is a key opportunity for us. Ambea has developed a programme comprising work experience, Swedish language classes and care know-how training – which has helped hundreds of newly arrived immigrants become care workers and find employment with Ambea. The project is open-ended and part of our ordinary recruitment process to secure staffing for Ambea’s new operations that will be started in the years ahead. We are happy and proud of the awards we have received during the year for our efforts in this area.”

“Our growth ambitions are based on the sharply growing need for care in all of the countries where we operate.”

How does Ambea attract and retain talented employees?

“I think the most important factor is strong leadership. While Ambea’s business managers and team managers play an incredibly important role in ensuring quality for our care receivers, they also ensure that our caregivers can develop and feel satisfied at work. To make their job easier, we have created a leadership programme in Ambea that all managers will soon have completed. The programme is specifically designed for social care managers and is provided by Lära, our educational platform.”

What are your expectations for 2019?

“I am looking forward to getting to know Aleris Care and its employees. We will learn from each other and develop across the entire company, so that Ambea can step up its rate of growth in Sweden, Norway and Denmark.”

“The start-up rate of new Ambea operations will also accelerate in 2019. The organisation’s focus on ensuring high quality from the start will increase, so that we can show more municipalities what a modern residential care facility should look like and how it should be run.”

Some final words?

“I would like to thank all of our employees for their commitment and valuable efforts during the year. Real quality in care is created by all of the daily interactions between care receivers and Ambea’s employees.”

Ambea is growing with the acquisition of Aleris Care

In October 2018, Ambea concluded an agreement to acquire Aleris' care operations. The acquisition was completed in January 2019 and has strengthened Ambea's position as one of the leading care companies in the Nordic region.

Following the acquisition of Aleris' care operations, Ambea became the leading private care provider in Sweden, Norway and Denmark, with more than 750 units and some 26,000 employees. Ambea was previously the second-largest operator in the private care market in Sweden and seventh-largest in Norway, while Aleris Care was the market leader in Norway and Denmark, and sixth-largest in Sweden.

Better platform for growth

A leading market position in three Nordic countries has increased Ambea's ability to grow its Own Management operations organically. The acquisition also led to a sharp increase in the number of care placements contracted or under construction and at the end of 2018, these amounted to 2,251, of which Aleris Care accounted for 933. The acquisition also means that Ambea will open more new nursing homes in various locations, including Karlstad, Malmö and Stockholm, between 2019-2021. The share of Ambea's Own Management operations rose from 67 per cent at mid-year 2018 to 71 per cent after the acquisition.

Sharing best practice to improve quality and profitability

The acquisition will enable the sharing of best practices in relation to business development and quality management. Ambea and Aleris' former care operations complement each other and have company cultures that work well together. By working together, there is significant potential for achieving even higher quality, which will eventually improve the profitability of our operations.

In addition, the acquisition has considerably increased opportunities for synergies, in the form of coordinated purchasing and operational efficiencies.

Ongoing process

In November 2018, the acquisition was approved by the competition authorities in Sweden, Norway and Denmark. The transaction was implemented on 21 January 2019.

In 2019, Aleris' care operations will be integrated into Ambea's existing organisational structure and both operations will gain access to Ambea's leading quality monitoring system.

AMBEA'S ORGANISATION AFTER THE ACQUISITION



AMBEA'S KEY FIGURES AFTER THE ACQUISITION OF ALERIS CARE

26,000

employees in three countries

2,251

beds and placements under construction

71%

of the operations are conducted under own management



Sharing valuable insights and knowledge, but also time to pat the therapy dog Primus when new Ambea colleagues meet.

STORY

Increased collaboration around start-ups

How do you build really good nursing homes? New Ambea colleagues from Denmark found valuable inspiration one day in January at Villa Basilika, Vardaga's residential care facility in Stockholm.

"This is Primus. He doesn't bite."

When Miriam Toft and Geir Læg Reid, CEO and Head of Growth, respectively, at Ambea's Danish subsidiary Altiden (formerly part of Aleris), are met by therapy dog Primus, it's impossible to not notice his therapeutic effect.

We are at Villa Basilika, a nursing home in Tyresö, and colleagues from Denmark have just arrived with Malin Appelgren, Head of Growth at Vardaga and Karl Wolff who is responsible for the company's start-ups. They have all devoted the entire day to visiting nursing homes and discussing how the Swedish and Danish operations can learn from each other when it comes to start-ups.

As one of Vardaga's newest residential care facilities under own management, Villa Basilika, is a good example of how Vardaga has been able to refine and create one of the most modern nursing homes in Sweden. With several years' experience of start-ups in the company, Karl Wolff can explain in detail why a certain wet room mat, panelling along the corridors or shade of colour on the walls has been chosen.

And the two Danish colleagues are impressed:

"You can really notice the level of detail. We've seen many good examples today of how we can find common solutions that can work across the entire organisation, and that everyone can benefit from," says Miriam Toft.

After the tour of Villa Basilika, where we also witnessed an exciting game of Bingo as well as meeting therapy dog Primus, Geir Læg Reid is enthusiastic. In Denmark, Altiden is about to open its first residential care facility under own management, and he gathered a lot of inspiration from the day.

"In Denmark, we are mainly experienced in running residential care facilities under contract management, and like Vardaga, we have very satisfied care receivers in our facilities. But we will have great use for Vardaga's residential concept and all of the finely detailed solutions we have seen today when we start opening more residential care facilities under our own management. Now we will be better able to adapt the facilities to our care receivers.

The enthusiasm for being able to collaborate across borders is mutual. Malin Appelgren believes that Vardaga has a lot to learn from Altiden's high levels of satisfaction for its residential facilities:

"I am particularly impressed by how our Danish colleagues have created such caring relationships between employees and care receivers. It is obvious that nursing homes in Denmark are considered 'homes' rather than institutions. That's an incredibly important factor for everyone's well-being," she says.

How we create value

Ambea is one of the leading care providers in the Nordic region. Our high-quality care services generate value for care receivers, municipalities, employees and owners.

COMPETITIVE FACTORS

THE WELFARE CHALLENGE

Major need for care services

Between 2017-2026, the number of people aged 80 and over is expected to increase by 40 per cent in Sweden. The same pattern is evident in the rest of the Nordics. Population growth and a higher prevalence of mental disorders are driving the demand for LSS and care for psychosocial problems.

Shortage of care workers

In Sweden, more than 140,000 new recruitments will be needed by 2026 to care for the elderly and people with disabilities. The group of newly arrived residents holds major potential, and with targeted training initiatives these people could play a key role in the social care industry.

Strained public purse

The declining proportion of gainfully employed is making the welfare sector more difficult to finance. By 2020, the dependency ratio* is expected to rise from the current figure of 0.74 to 0.8. At the same time, smart technologies and more effective ways of working offer major potential for getting more care out of every Swedish tax krona.

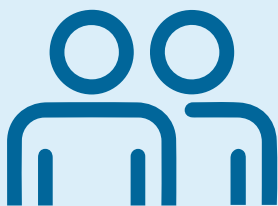
POSITIVE CLIMATE FOR PRIVATE ALTERNATIVES

Legislation and policies set the framework for our operations – and are driven over the long term by public opinion of entrepreneurship in social care.

FACTORS THAT INFLUENCE THE POSITION OF OUR COMPANY



Level of trust among care receivers and their relatives



Competent and motivated employees



Positive relationships and close dialogue with municipalities and society



Financial resources as a stable foundation

AMBEA'S CARE MODEL



COMMITTED EMPLOYEES

- A higher level of competence through Lära – our industry-leading educational platform.
- Skilled managers, working in the operations, are effective leaders.

BEST QUALITY FOR MONEY

- Systematic working methods supported by simple and effective quality tools. Qualimax is our industry-leading quality management system.
- Standardised indicators that follow up every unit.



* Calculated by adding the total number of people aged 0-19 years and number of people aged 65 and over, divided by the number of people aged 20-64 years.

LIVING VISION THAT GUIDES US



Our vision guides us in every interaction with our care receivers.

CONTINUOUS INNOVATION

Structural capital and methodologies that promote innovation.



GROWTH

Structured processes for start-ups, investments and day-to-day operations.

THE VALUE WE CREATE

CARE RECEIVERS AND RELATIVES

- Quality care on the receiver's own terms. Every individual in our operations is treated with respect and able to live the best life possible.
- Greater diversity and freedom of choice in care.

EMPLOYEES

- Meaningful employment – making a difference for other people every day.
- Continuous development through our comprehensive training programme.
- Career opportunities – we mainly recruit our managers internally.

MUNICIPALITIES AND SOCIETY

- Long-term, flexible and effective solutions that help to get more professional care out of every Swedish tax krona.
- Innovation in social care that helps to create more efficient processes.
- Job opportunities for groups that are less likely to find a job in the Swedish labour market.

SHAREHOLDERS

- Secure investment characterised by long-term profitability and non-cyclical sensitivity.
- Stable growth through start-ups under own management.

... AND THE FIGURES

83.0%

care receiver satisfaction for Vardaga's residential facilities under own management

86.8%

care receiver satisfaction for Nytida's operations

26,000

job opportunities²

5,000

internally trained employees through Lära

53%

of Ambea's senior executives are women³

600

work experience placements for newly arrived residents since 2016

4%

sales growth

9%

Adjusted EBITA margin, %

² After the acquisition of Aleris Care in January 2019.

³ Based on full year 2018 figures. Managers include business area, sector, regional and senior managers.

Targets and strategies

Ambea aims to offer the best-possible care for the elderly and people with disabilities or in need of social support efforts. Our strategy is leading us towards our target.

Attractive employee offering

Ambea offers services that require a high level of specialised competence. Attracting and retaining competent and committed employees is critical for our operations. As an employer, we differentiate ourselves by:

Values-based organisation: Our values-based leadership provides the foundation for an organisation in which decisions are taken in close proximity to the operations. Every employee is valuable and able to influence.

Continuous training: Ambea's industry-leading educational platform Lära – which also offers external courses – provides continuous training for our employees in their own field of work. This could be, for example, dementia or the low-arousal approach.

Career opportunities: Ambea offers many opportunities for development. Our target is that seven of ten managers will be recruited internally. All new managers undergo a comprehensive leadership programme.

Quality on the care receiver's terms

Quality management permeates every area of Ambea's organisation and is expressed in many different ways. Qualimax, our quality management system, helps to ensure compliance with both legislation and our values-based approach. But quality is also a subjective measurement, and we can never be better than the quality perceived by our care receivers. It is only natural, therefore, that we are always focused on person-centred care and continuously striving to achieve our vision – to make the world a better place, one person at a time.

There is a very close connection between Ambea's quality performance and our financial results. By raising the quality of our units, we can attract more care receivers, and recruit and retain more talented employees. At the same time, we are building trust in our operations among municipalities. This leads to higher rates of occupancy which, in turn, means that we can work more efficiently and increase profitability. A lower employee turnover and less absenteeism also contribute to cost efficiency.



We develop
the best
employees in
the industry

We provide
best quality
for money

We are creating new care placements

Ambea aims to continue growing, since we see a major need in the years ahead for new care placements – for both the elderly and for people with disabilities or in need of social support efforts.

We are creating growth by building new residential care facilities under own management, and by acquiring companies that increase our platform for further expansion. To succeed, we are leveraging our combined knowledge and structured processes for start-ups and the integration of newly acquired companies.

Our newly constructed units are purpose-built for the activities that will be conducted on their premises. For example, the interior design features of our nursing homes are distinctly Nordic and designed for ageing eyes and senses. Kitchens are based on the *Food Like Home* concept which means, more or less, that we prepare food from scratch in the departments. Our newly constructed premises should be built to last, and we collaborate with leading construction companies.

We invest in sustainable growth

Our strategies are part of Our World. Read more about our core values on page 22.

Financial targets

Ambea's management is responsible for managing the operations based on the Board's guidelines, which proceed from the following financial targets. The targets are concrete and clear, and simplify communication with financial markets.

Growth

An annual growth rate of 8-10 per cent, derived from both organic growth and acquisitions.

TARGET	OUTCOME 2018
8-10%	4%

Profitability

Adjusted EBITA margin in the medium-term.

TARGET	OUTCOME 2018
9.5%	9.0%

Net debt

The net debt to adjusted EBITDA ratio (excl. effects of IFRS 16) should not exceed 3.25. However, net debt may temporarily exceed 3.25 in connection with acquisitions, for example.

TARGET	OUTCOME 2018
<3.25x	3.3x

Dividend policy

30 per cent of profit for the year will be distributed. The proposed dividend should take Ambea's long-term growth opportunities, future earnings, financial position and general financial and operational circumstances into consideration.

TARGET	PROPOSED OUTCOME 2018
30%	25%

The share

Ambea's share is listed on Nasdaq Stockholm's Mid Cap segment. At 31 December 2018, the market capitalisation of Ambea was SEK 5.9 billion and the final price paid was SEK 86.90.

Trading

Ambea's share has been listed on Nasdaq Stockholm, Nordic Mid Cap segment, Health Care sector, since 31 March 2017. In 2018, the Ambea share rose 18 per cent (from SEK 73.75 to SEK 86.90), compared with OMX Stockholm PI as a whole, which declined about 8 per cent. The highest price for the Ambea share in 2018 was SEK 90.50, and the lowest SEK 59.40.

In 2018, a total of 17 million Ambea shares were traded, corresponding to about 25 per cent of the total number of shares outstanding.

Dividend policy

Ambea's objective is that 30 per cent of net profit for the year will be distributed. The proposed dividend should take Ambea's long-term growth opportunities, future earnings, financial position and general financial and operational circumstances into consideration.

Proposed dividend for 2018

For 2018, the Board proposes that the Annual General Meeting (AGM) adopt an ordinary dividend of SEK 1.10 per share, which is lower than the level stipulated in Ambea's dividend policy. The reason is Ambea's increased indebtedness due to

the acquisition of Aleris Care in January 2019. To repay some of the financing, the Board also proposes an issue of new shares with pre-emption rights totalling approximately SEK 1.2 billion.

Share capital

At the end of 2018, the number of shares outstanding was 67,616,556. There is only one class of share, whereby each share carries the same voting rights and equal rights to the company's assets and profits.

Ownership structure

At year-end, Ambea had 2,388 shareholders, of which the 100 largest owned 98.5 per cent of the capital and votes. About 79 per cent of the shares were registered in the name of Swedish owners, and 18 per cent in the name of foreign owners.

After the IPO in 2017, Triton and KKR remained Ambea's largest owners through the companies ACTR Holding AB and ACTOR SCA, which jointly own 50.14 per cent of the shares in Ambea. At year-end, the five largest shareholders also included the Swedish fund managers Didner & Gerge Fonder, Catella Fondförvaltning and RAM. Refer to the table below for more information.

Shareholding per country and region¹

Country	No. of shareholders	Capital/votes, %
Sweden	2,285	78.6
Rest of Europe	92	13.6
Rest of world	11	4.6
Anonymous ownership	-	3.2
Total	2,388	100.0

Breakdown of shares¹

No. of shares	No. of owners	Capital/votes, %
1-500	1,981	0.4
1-5,000	302	0.6
5,001-	105	95.8
Anonymous ownership	-	3.2
Total	2,388	100.0

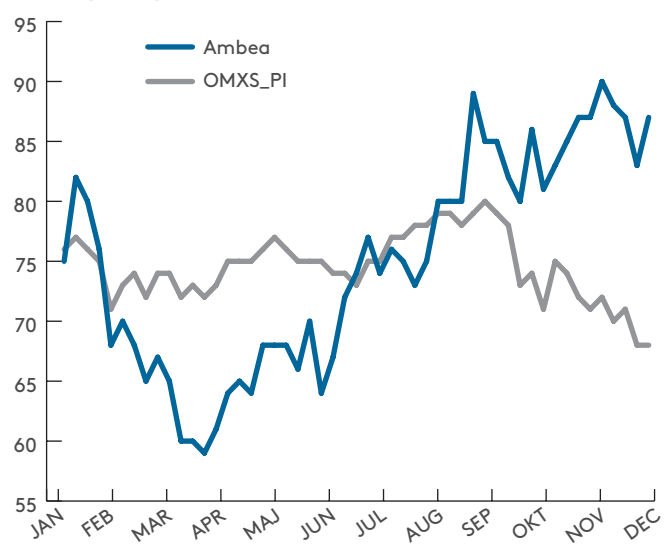
¹ Source: Modular finance

Largest shareholders¹

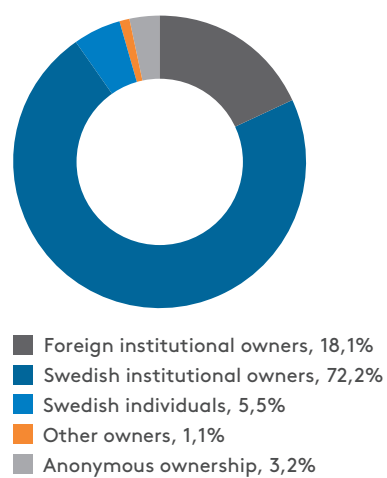
Owner	No. of shares	Capital/Votes, %
ACTR Holding AB	28,033,096	41.5
Didner & Gerge Fonder AB	5,999,049	8.9
Actor S.C.A.	5,872,479	8.7
Catella Fonder	3,763,334	5.6
RAM Rational Asset Management	2,936,249	4.3
Lannebo Fonder	2,297,618	3.4
Fidelity International (FIL)	2,254,537	3.3
Danske Invest Fonder	1,731,056	2.6
Janus Henderson Investors	1,016,709	1.5
Kammarkollegiet	787,648	1.2
Total, ten largest	54,691,775	81.0
Other	12,924,781	19.0
Total	67,616,556	100.0



Share price performance 2018



Breakdown of ownership per category¹





Our competitive environment

The populations of the Nordic countries are growing and the number of older people is increasing. That means an increased demand for care services – and a growing market for Ambea.

The major welfare challenge

Municipalities will face major challenges in the years ahead. The need for care will grow, while revenues fall due to the declining proportion of gainfully employed. There is also a major labour shortage in the care industry. Ambea wants to be part of the solution.

Increased need for care

The Swedish population will continue to grow and – in percentage terms – the proportion of the population aged 80 or over will grow most. According to Statistics Sweden, that group will be 40 per cent larger in 2026 than it was in 2017. That requires a considerable expansion of elderly care. An estimated 42,000 new placements will need to be created by 2030¹.

At the same time, the number of people with disabilities who are entitled to residential care under the LSS framework is also growing. Many new residential care facilities will be needed to meet this increase. According to the Swedish Health and Social Care Inspectorate (IVO), there is already a substantial deficit – approximately 1,700 children, young people and adults have not received the placement they are legally entitled to because of a placement shortage.

The trend for Individual and Family Care is similar. The prevalence of mental disorders is growing. The number of people with anxiety disorders is increasing, especially among young adults. In 2017, an estimated 11 per cent of young people aged 16-24 suffered from mental health problems.²

Fewer people will have to support more receivers

Municipal finance is limited by the fact that the working-age population (aged 20 to 64) is growing considerably slower than the number of older and younger people. It is the people who are gainfully employed who will have to pay for the increase in welfare costs.

One method used to describe this problem is the demographic dependency ratio, which is a measure of how many people each person of working age must support in addition to themselves. That ratio is now at its highest level since the 1930s and, according to Statistics Sweden, it will continue to increase from 0.74 to 0.8 by 2020 and to 0.9 by 2040.

To meet this challenge, society will have to get as much as possible out of every Swedish tax krona.

Major shortage of care workers

According to the latest recruitment report from the Swedish Association of Local Authorities and Regions (SKL), an additional 67,000 employees will be required to care for the elderly and people with disabilities by 2026. At the same time, nearly 79,000 employees will retire during the same period. All in all, there is a need for 146,000 new recruitments, provided that the industry needs as many employees in the future.

Similar situation across the Nordic region

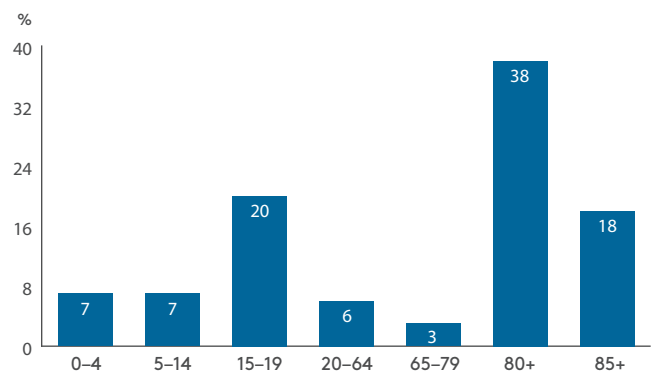
This demographic trend is not confined to Sweden. The populations of all Nordic countries are increasing and the number of people aged 80 and over is growing fastest (except for Iceland). In Norway, this group is expected to grow by 31 per cent between 2017-2026, while the working-age population (those aged 20 to 64) is expected to grow by 4 per cent. In Denmark, the corresponding figures are 46 per cent and 2 per cent, respectively.

Ambea – part of the answer

To maintain the current level of social care, a significant increase in the number of care placements as well as new working methods will be required. Ambea believes that operators in the care sector should collaborate to find the solutions that are needed to meet the challenges that society is facing.

Ambea contributes in many different ways, including innovative solutions to accelerate the digitisation of care, and the dissemination of effective and quality-assured working methods that can keep costs down. When we build new care facilities, we are making a direct contribution to relieving the municipal burden, partly by taking financial responsibility for the new construction. Ambea also helps to bring newly arrived residents into the care sector, which benefits integration and increases the potential labour force. We will explain more about this in the following chapter.

Development among different age groups between 2017-2026 in Sweden (population projection)



¹National Board of Health and Welfare, Statistics Sweden. Projections are based on a constant proportion of elderly in special housing and correct demographic projections.

²Statistics Sweden, Living Conditions Survey (ULF/SILC)

A market with structural growth

In 2017, the market for care services offered by Ambea in Sweden and Norway amounted to almost SEK 191 billion. Population growth, a shortage of special housing and increased privatisation suggest continued positive growth over the next ten years.

Elderly care

Ambea provides elderly care in the form of special housing for the elderly who cannot remain in their homes because of illness, disability or age-related weakness. The aim is to give these people the best and most independent life possible in a secure home-like environment. Under the Swedish Social Services Act (SoL), municipalities are responsible for ensuring that the elderly who are in need of care receive the assistance they require.

In Sweden, the market for nursing homes amounted to about SEK 76 billion in 2017 and has grown approximately 3 per cent annually over the past five years.

This market is expected to continue growing in the years ahead. One important reason is the demographic trend. Between 1934–1944, the number of births rose sharply in Sweden and by 2026, Statistics Sweden expects the number of people aged 80 and over to grow by 40 per cent, and the number of people aged 85 and over to grow by 20 per cent. The median age for people moving to nursing homes is 85 for men and 87 for women.

According to the Swedish Board of Housing Building and Planning's housing report for 2018, there is a lack of special housing for the elderly in 116 of Sweden's 290 municipalities (40 per cent), partly attributable to the phase-out of placements due to the relatively small age groups between 1920–1934. The average waiting time for a placement in special housing increased from 50 days in 2013 to 57 days in 2017.

Although the short-term trend is difficult to predict, Ambea expects that the rising rate of privatisation in elderly care will continue. Important factors include the growing need for municipal cost-efficiencies and specialist care, stricter quality standards and demands for freedom of choice. In 2017, approximately 17 per cent of nursing homes were managed by private operators.

Disability care

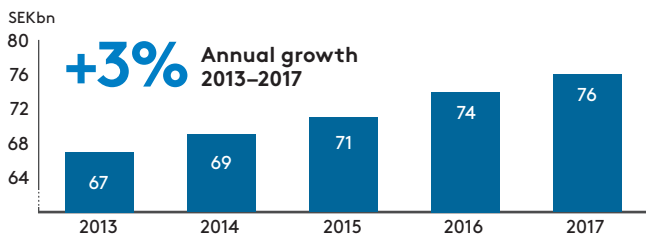
In the disability care under LSS segment, Ambea operates long and short-term residential facilities with special services for children and adults, as well as day services for adults. The target group is people entitled to care under the LSS framework, including the diagnoses of autism and intellectual disability. LSS aims to promote equal living conditions for those people covered by the Act, and the municipalities are responsible for ensuring compliance with the Act.

The market for Ambea's disability services under LSS was approximately SEK 39 billion in 2017 and has grown approximately 5 per cent annually over the past five years.

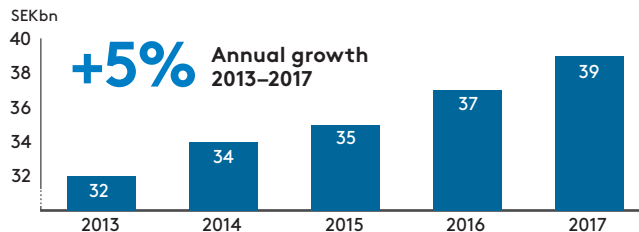
This growth is expected to continue, partly due to the increase in decisions granting eligibility for support under LSS and greater social acceptance of disability. In the 13–22 age group, 1.4 per cent of the population has been granted support under LSS, compared with 0.8 per cent of the population aged 23–64. Another important factor is Sweden's rising population. In the coming years, the large generations of children born 1998 and onwards will increase the need for residential care when they leave school and are ready to move into their own home with assisted living services.

According to the Swedish Board of Housing Building and Planning's 2018 Housing Market Survey, there is a shortage of housing with special services for people with disabilities in 169 (58 per cent) of Sweden's 290 municipalities. Sheltered housing accounts for the greatest shortage.

Market trend for elderly care



Market trend for disability care



Individual and family care

In the individual and family care segment, Ambea provides HVB homes (homes for care or residence), supported housing, family homes, outpatient care, special housing and institutional care. The target group is children, young people, adults and families in need of care due to psychosocial problems or mental disabilities, sometimes the result of depression and often in combination with substance abuse. There are many different kinds of problems and the need for personalised care is great.

In 2017, the market for Ambea's individual and family care services amounted to approximately SEK 30 billion and has grown about 6 per cent annually over the past five years.

Demand is expected to continue rising and is impacted by a range of factors, such as the higher prevalence of mental illness, especially among young people, and the growing number of individuals with a dual diagnosis. According to the National Board of Health and Welfare, there is a shortage of specialist care professionals in many areas of individual and family care, indicating a major need for private operators in the years ahead.

Care services in Norway

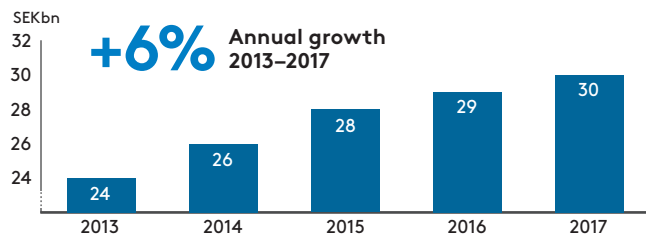
In Norway, Ambea provides disability services, individual and family care services and user-controlled personal assistance (BPA).

In 2017, the market amounted to approximately SEK 45 billion and has grown about 3 per cent over the past five years.

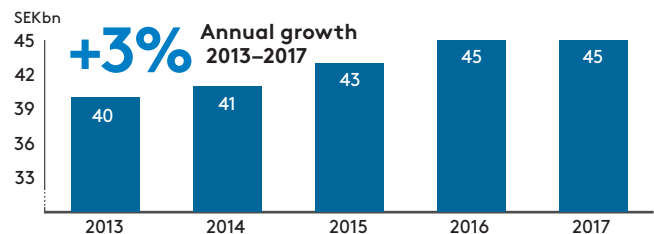
An ageing population is driving continued growth in Norway, and the increased demand for care services is expected to continue until 2030. The individual and family care market is also benefited by the fact that the number of decisions granting eligibility for residential care and foster homes for children and adolescents has increased historically.

In 2017, the rate of privatisation of disability services and individual and family care services in Norway was 23 per cent, compared with 29 per cent in Sweden. In general, the costs of delivering care in Norway are considerably higher than in Sweden. Growing demand and the cost savings potential for municipalities will probably mean that privatisation will continue in the Norwegian care market.

Market trend for individual and family care



Market trend for care services in Norway



Staffing services

Ambea offers temporary social care staffing by outsourcing qualified professionals, such as doctors and nurses. In 2017, county councils and regions paid approximately SEK 5.2 billion for temporary care staff. High demand for temporary doctors and nurses is expected to continue, due to the large number of retirements and growing need for care in the years ahead. However, a mitigating factor is

that sales of temporary care staff to municipalities, county councils and private social care companies will be subject to VAT from 1 July 2019. This will lead to higher costs, especially for private social care companies, which will probably have a negative effect on demand and create a need for new business models.



Ambea's care model

Our goal is to provide excellent care, with a focus on the needs of every care receiver. The key factors of our care model are described on the following pages.

Five key factors for our operations

Ambea's care model is based on five interacting parts that will help us achieve our mission: To provide care based on the individual terms of each receiver – and thereby create a better life for those in need of our care and our support.

Living vision that guides us

Ambea's mission is to provide quality person-centred care. That means making sure that every care receiver can live the best life possible based on their own personal choices, priorities and needs. This is a complex mission. It requires putting people at the centre of care, and an awareness that we are never better than any single interaction between care receiver and employee. We express our ambition in our vision: *We make the world a better place, one person at a time.* Read more on the next spread.

Quality – our highest priority

By ensuring effective aids and processes and strong leadership, Ambea makes it easier for employees to provide effective person-centred care. Important aids include our quality management system (Qualimax) and Ambea's monitoring system, which identifies units with a negative quality trend. Read more on pages 24–25.

Committed employees

Every year, our training organisation Lära provides thou-

sands of Ambea employees with new knowledge that can be used in their daily work with care receivers, and our managers undergo training in values-based leadership. Read more on pages 26–27.

Continuous innovation

Ambea is one of the leading care providers in the Nordic region. Our size gives us the strength to develop new solutions that simplify processes for employees, while generating value for care receivers. Read more on pages 28–29.

Growth for quality and efficiency

By building new residential facilities, Ambea can help municipalities ensure the supply of care placements. The more we build, and the more units we operate, the more experience we acquire. We will gradually be able to deliver even higher quality and efficiency, combined with cost control. Read more on pages 30–31.

The most important sustainability topics for Ambea

Quality management and sustainability are integral parts of Ambea's strategy and operations. Our most important sustainability topics – person-centred care, innovation in social care, and ethics and quality – have clear links to the UN Global Compact, and

to 5 of the 17 Sustainable Development Goals of the 2030 Agenda for Sustainable Development. Read more in Ambea's 2018 Quality and Sustainability Report, available at ambea.se.

	Person-centred care	Innovation in social care	Ethics and quality
Corresponds to the Sustainable Development Goals	Includes the right to good health, well-being and quality of life.   	Includes the right to quality education and lifelong learning.   	Includes the right to reduced inequalities and responsible consumption and production.   
Ambea's contribution (example)	We will ensure that our care receivers live a good life based on own personal choices and needs. Our occupational health and safety processes are employee-centred	We are developing the best employees in the industry and innovating for tomorrow's social care. We participate actively in public debate.	We work systematically with quality improvements, measurement and monitoring. Our jobs and work placements are helping Sweden's newly arrived residents.

Values-based organisation

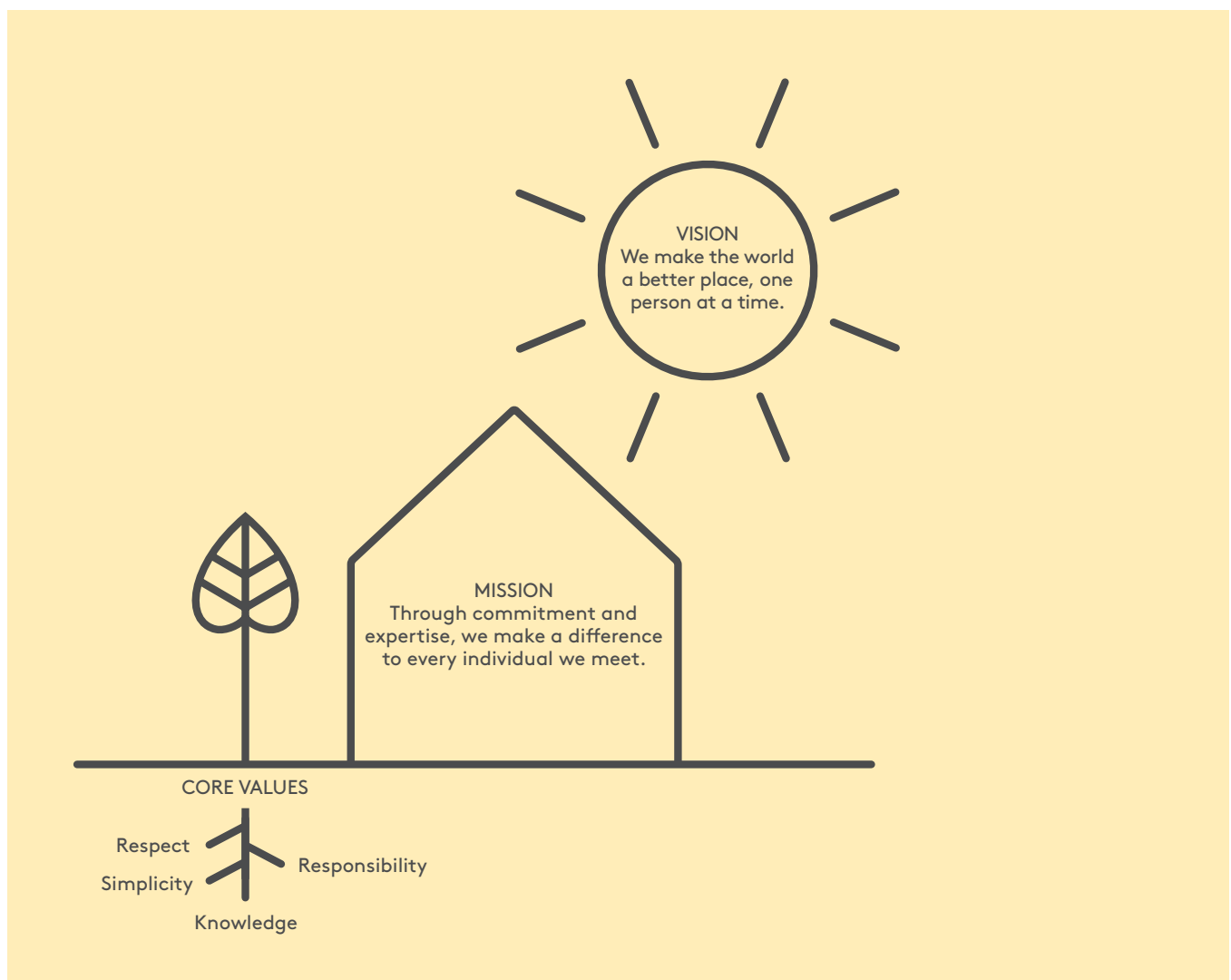
Ambea has a large and important mission: That every individual living in our units is treated with respect, and is able to live the best life possible based on their own personal choices. We use *Our World* to help us achieve our mission.

Ambea's *Our World* – comprising our vision, our mission and our values – provides a stable foundation for managers and employees. It reminds us of the essence of Ambea's operations – to create a better life for those in need of our care and our support – and to step in when processes, procedures and concept are not enough. Our values – respect, simplicity, responsibility and knowledge – guide and support employees in their day-to-day interactions, and create an approach that inspires security and quality at all levels.

But our vision *We make the world a better place, one person*

at a time goes even further, and also means that Ambea aims to see and appreciate every individual employee. Our vision also serves as guidance for how all of us who work at Ambea should treat each other.

A key component of Ambea's leadership programme is values-based leadership training for our managers. This is how we ensure that everyone in our organisation is moving in the same direction, with the goal of seeing and making a difference for every person we meet. In 2018, 120 of Ambea's managers underwent training in values-based leadership.





Nytida Skärholmen was one of four finalists for Ambea's 2018 quality award and received an honorary mention for its focus on values.

INTERVIEW

How Our World works in Skärholmen

What do Ambea's values – respect, responsibility, simplicity and knowledge – mean for individual care units? The Nytida day service unit in Skärholmen has found a way to keep the values alive.

Nytida Skärholmen, located in the Skärholmen shopping mall just south of Stockholm, is an adult day service unit with 40 placements under the LSS framework. Ambea's values are ever present for employees here. Four large, painted boards – one for each value: respect, responsibility, simplicity and knowledge – are hanging in the middle of the unit and serve as a constant reminder.

"Our values are important and relevant. On the boards, we have spelled out what they mean for us here in Skärholmen. Both care receivers and employees took part in the process," says Lotta Lindroos, care manager.

It all started with a theme day in autumn 2018. Working in small teams, the care receivers were asked to respond to statements that the employees had carefully prepared, such as: "I am always on time," "I speak up if something doesn't feel right" and "I say hello to everyone." What values do each of these statements represent? What do they really mean?

"In my team, we talked a lot about respect: 'We are all different, but equal.' It was lovely to hear the care receivers' views and the discussions were so interesting," says Lotta.

At the end of the session, the teams presented their results for each other, followed by team building activities in

Skärholmen swimming baths after lunch.

"We were so happy when we went home that day. Seeing how everybody was so committed and enthusiastic was wonderful," says Lotta.

But efforts to live by our values are far from over – it's a continuous and living process," says Lotta. "Our values are an ongoing agenda item at unit meetings – one at a time – and we show videos from the theme day to remind our care receivers."

"We also hold a coaching competition for employees, where we show each other good examples and then discuss them."

For Lotta personally, 'simplicity' is the most difficult value. It can refer to, for example, how you can make it easier for care receivers to know who they can turn to for help with various problems.

"But respect and responsibility are very easy to understand. Everything we do here is focused on the needs of our care receivers – there is no other way. You have to be curious, committed and determined to help them develop."

Skärholmen's focus on values was nominated for Nytida's 2018 quality award and the unit became one of four finalists.

Recipe for success: Continuous quality improvements

High-quality care is fundamental for Ambea. It is the basic premise for care receiver satisfaction, continued municipal trust, our employer attractiveness and strong financial results.

Quality management permeates every area of Ambea's organisation and is expressed in many different ways. For us, quality ultimately means that every person who lives in our units will experience quality from their own perspective and be able to live the best life possible. Together with committed and competent employees, that is Ambea's responsibility. Via the Quality and Sustainability Committee, Ambea's Board is able to maintain a focus on this area.

There is a logical link between high-quality operations and strong financial results: By raising the quality of our units, we can attract more care receivers, and recruit and retain more talented employees. At the same time, we are building trust in our operations among municipalities (our clients). That leads to higher rates of occupancy which, in turn, increases efficiency and improves profitability. A lower employee turnover and less absenteeism also contribute to cost efficiency.

We use a range of tools and systems to ensure high quality.

Qualimax – Ambea's quality management system

Our quality management system, Qualimax, contains Ambea's processes, governing documents and other instructions for the provision of social care. Employees can find clear descriptions of, and answers to, how they should act towards care receivers and each other in various situations. The purpose is to ensure that the Group's employees provide social care that complies with legal requirements and our own care concept, and that their interactions are aligned with our values.

The units document their continuous quality improvements according to Qualimax in the associated IT tool Qmaxit. Key elements of this documentation include events that deviate from planned procedures, the views of our care receivers or their relatives, requests for action from clients, authorities or internal quality inspections, for example, and employees' ideas for improvements and development opportunities. All of Ambea's social care workers contribute to this improvement process and continuously upload documentation to Qmaxit.

Information and key figures for monitoring the units are also downloaded regularly from Qmaxit.

Monthly monitoring of each unit

Ambea has about 400 care units across Sweden. Every month, an index number is calculated on a scale of 0–10 for each unit to monitor their quality and HR performance. The index numbers are compiled in a quality and HR report that gives a good overview of the unit and are an important tool for quickly identifying units in a negative trend, enabling supportive measures to maintain quality. Four overall areas are monitored in the quality and HR report:

- Customer satisfaction, based on the unit's results in the National Board of Health and Welfare's Annual Care Receiver Survey.
- Operational processes, which are a self-assessment of how well the unit is meeting Ambea's well-defined quality and routine requirements. The data consists of a self-assessment with about 200 questions in 20 areas that is implemented by each unit twice per year.
- Improvement processes, comprising a number of improvement areas that the unit is working actively with at the end of the month, and the number of deviations addressed during the month.
- HR processes including short-term absence, systematic OHS management and employee satisfaction.

The quality and HR report is submitted to the management and all line managers. For regional and business area managers, the report provides an important basis for decisions regarding units that require prioritisation and more closer monitoring. Ambea's Quality Department also uses the report when planning their inspections. The report also inspires the units to compare themselves with each other and continuously improve their quality.

Joint concepts

The Vardaga and Nytida business areas have created a concept for their care delivery, enabling high and even quality across all of Ambea's units.



Vardaga: The Good Day

At Vardaga's nursing homes, every care receiver should be able to live a dignified and meaningful life based on their own personal choices. To achieve this high quality of care – person-centred care – the unit applies *The Good Day* concept, based on the national values for care of the elderly in the Swedish Social Services Act and includes several concrete components including the concepts of Active Daily Living, Food Like Home, Pet Therapy and regular monitoring of well-being. Read more about *The Good Day* on page 34.

Nytida: Pedagogical framework

Nytida's goal is to offer the best-possible support for every person under its care. Since every care receiver has their own strengths, needs and weaknesses, their support must also be unique. To achieve this person-centred care, Nytida has created a *Pedagogical framework* based on Ambea's core values, evidence-based practice, a low-arousal approach and always focusing on the individual.

Briefly, this involves finding out what works best for the individual, together with the person concerned, and within quality-assured frameworks. The framework has five parts –

availability, response, motivation, cooperation and a holistic view – which are combined to suit the actual individual. The framework is not a method, but an approach based on knowledge-based reflection and consideration.

Ambea's training organisation, Lära, offers a range of training programmes that are aligned with each of the framework's elements. Read more on the next page.

Quality management in our Norwegian operations

Internal quality inspections play a key role in Ambea's Norwegian operation, Heimta. Every year, the Quality Department performs two scheduled inspections of the approximately 60 care operations, and unannounced inspections when required. These frequent visits give the Quality Department a good overview of quality, which is then reported to management, and best practices can be highlighted. New managers in Heimta also undergo practical training in the Quality Department, which gives them good insight into quality-assurance procedures. The Norwegian version of Qualimax provides support for continuous quality management.

Employees are trained by Lära

Lära is Ambea's training organisation and has two key purposes: to raise competence in care, and to support the continuous development of our employees in their professional roles.

In 2018, about 5,000 Ambea employees took part in some type of competence-raising programme through Lära. This in-house training is strategically important for ensuring high-quality care, and that Ambea is an attractive employer that continuously offers opportunities for further development.

Lära is focused on knowledge that makes a difference for employees in their day-to-day interactions and creates a behavioural change. All of Lära's instructors have long experience in the care industry and solid theoretic knowledge. Like all of Ambea's employees, they work towards the same vision: To make the world a better place, one person at a time.

Lära also offers courses to external customers, such as municipalities and private care providers, and is now one of the leading social care training organisations in Sweden. Courses for external customers are particularly important for the recognition of Ambea as a potential employer. Some examples of the most popular courses for Ambea employees in 2018:

Dementia certification for entire nursing homes

Although 160,000 people are now living with dementia in Sweden, there is a great lack of knowledge about the diagnosis, even amongst care workers. Lära's Dementia Academy provides knowledge and tools for the best way to care for people with this condition, to avoid unnecessary suffering and confrontational situations.

In 2018, the Dementia Academy began the certification of another four nursing homes in Vardaga. Briefly, the certification process comprises three days of training for all employees at the nursing home, followed by guidance at the workplace. Every department appoints a person responsible for dementia who receives extra training and is then responsible for keeping the knowledge up to date – through reflective discussion, for example. Alongside of this, relatives and residents of the facility are invited to take part in study circles and lectures.

Tools for personalised care

Always focusing on the needs and choices of the care receiver is a key starting point for all of Ambea's services. As practical guidance, Nytida has created the *Pedagogical framework* platform to help employees develop an understanding of every care receiver's individual needs, and to respond with the appropriate methods and tools.

Lära offers a range of courses that correspond to the various elements of the *Pedagogical framework*. Some examples:

- *The low-arousal approach* is a course that focuses on how to handle challenging behaviours, such as violent outbursts. The course provides examples of what employees



should think about in their daily work, and improves their self-confidence when handling difficult situations.

- *Motivational discussions* is based on the insight that to change behaviour, a person must have sufficient motivation. The course provides practical tools for strengthening and evoking the person's own motivation for change.
- *Studio 3* teaches participants how to create a calm and secure environment for people with aggressive behaviours, and practical methods to avoid being hit or stuck when a person becomes aggressive and violent – all based on low-arousal methods.

Ambea's leadership programme

All leaders in Ambea practice active and values-based leadership, with a starting point in "Our World." Since 2016, all new managers have undergone a training programme in Lära that conveys practical tools and methods for encouraging their employees to grow in Ambea. The course comprises six days of training in total, alternated with giving and receiving feedback via a training platform. Leaders from Vardaga and Nytida are combined in the training teams. Ambea's existing leaders have also undergone the programme. In 2018, about 400 of Ambea's managers participated in various parts of the in-house leadership programme.

INTERVIEW

"My strengths are delegating, allowing others to grow and following up"

Effective, close leadership is a critical success factor for Ambea. At Tappan, a nursing home in Trelleborg, care manager Ajsela Music has led her employees through an extensive quality improvement process.



Care manager Ajsela Music

Close to large green areas and garden allotments, the Tappan nursing home in Trelleborg offers 39 care placements for people with dementia. The unit received very high ratings in the National Board of Health and Welfare's 2018 Care Receiver Survey, and Vardaga's highest score in Ambea's latest internal quality assessment.

"The key is that all of our employees are actively involved," says Care Manager Ajsela Music.

She became manager of Tappan at the end of 2017 and since then, has led a comprehensive quality improvement process. The kick-off was a two-day conference for all employees, where everybody reviewed their role and position as well as the things that were positive, and what they wanted to improve. Based on this list of priorities, an action plan was created and everybody signed it.

"The document guided us throughout 2018. At every meeting, we asked: How far have we come? Are we moving in the right direction?" says Ajsela.

Large and small activities

To implement the action plan, a range of activities were set in motion – both large and small. Tappan was certified by Lära's Dementia Academy and employees underwent a long-awaited

course in ergonomics. A major focus was also placed on preventive measures to reduce the number of deviations and medications prescribed for the residents.

"During the year, falling accidents were reduced from 25–30 per month to 6–8. We are not satisfied by being able to say: 'Tom has fallen again, but that's normal for him.' We want to understand why and how we can do something about it," says Ajsela.

"Before letting doctors prescribe their routine medications, we ask ourselves: Has Tom been taken outdoors during the day? Has he been able to sit down calmly with one of our employees and have a cup of coffee? Otherwise, that's where we have to start. Spending time outdoors and physical activity are so important.

A minor change, but something that is highly appreciated by our residents, is that Tappan now has its own beauty salon. When the hairdresser and podiatrist come to visit, they use the barber's chair (which we bought very cheaply second-hand), but the salon is also used frequently for hand massage, for example, to the relaxing tones of flute music and glowing candlelight.

"You can really achieve a lot with very few means. In our salon, the residents feel cared for and seen. It is very popular with the ladies," says Ajsela.

Better division of roles

Another focus area at Tappan is a clearer division of roles and responsibilities between the employees. All employees now have their own area of responsibility, such as activities, documentation, fire prevention or mealtimes. Every department also has a clear checklist for the tasks that have to be carried out on each shift.

"Employees can go home with the feeling that they've had time to do everything they wanted. The sickness absence rate has fallen and the employees are more satisfied."

Ajsela spends a lot of time out in the departments – she discusses, coaches and is a very hands-on manager. She is a trained social worker with a Master's degree in social work and has been employed as a manager for 14 years – nine years with the City of Malmö and five years in private care.

"My strengths are delegating, allowing others to grow and following up. It is vital that feedback is given right here and now. And I encourage my employees to dare to try different approaches. I also use my coaching method to address negative events. I am a firm believer in strengthening employees by encouraging them to strengthen themselves."

Innovation for smarter working methods

Digitisation and innovation play a key role for Ambea. In various parts of our operations, we are working steadily to create new and smart solutions that will increase our efficiency and help us become even better.



Care Manager Kristina Abbott and nurse Catrin Bergman use their smartphones to keep track of medications and documentation.

A digital world offers endless possibilities, but new digital solutions do not add any value until they solve real problems or challenges, or fulfil a need in our operations. The prioritisation of our digital projects always proceeds from Ambea's strategy. A quarterly forum makes decisions about the initiatives that will be tested in pilot projects, and those that will be rolled out across the organisation. Inspiration for new ideas comes from both the care operations, which are encouraged to identify opportunities and submit proposals, and from the external monitoring of new technologies.

Care routines is one area where we believe that digital solutions could add substantial value. One example is Visam, Ambea's new digital decision support system for social care workers in Vardaga. The system is used to produce a preliminary diagnosis, which is subsequently confirmed by a doctor, and works by guiding employees through a series of questions about the care receiver's state of health. Our electronic medication administration system delivers alerts when its time for administration, which leads to fewer medication errors. The ability to use mobiles for documentation makes employees more efficient because they can record information when they are actually interacting with care receivers, rather than doing it later.

Digital solutions can also generate substantial value for our care receivers. To stimulate discussion and promote pleasurable experiences for residents, Vardaga began rolling out VR glasses to its nursing homes during the year. Together in a group, the elderly look at image-based virtual environments, giving them the experience of being somewhere they once visited, sur-

rounded by magnificent scenery or in a well-known location.

Recruitment is another area in which digitisation has major potential. Using Ambea's recruitment tool, we can effectively administrate the large number of recruitment processes taking place in our group of companies every year.

Innovation in recruitment

The need to recruit more care workers will multiply in the years ahead, due to the large number of retirements and the growing proportion of care receivers. One way of meeting this challenge is to introduce new categories of care occupations. During the year, Vardaga, in partnership with the Swedish Public Employment Service and vocational company Lernia, provided care assistant training for more than 30 newly arrived residents who are now employed in our nursing homes in Skåne. Their role is to help nursing assistants with lighter chores, such as washing, cleaning, feeding and other unqualified tasks. The service assistants have subsidised temporary employment and work full-time for one year with an option to continue studying Swedish with the same salary. The aim is that the service assistants will then become employed in one of Vardaga's new nursing homes that are currently under construction in Skåne. While service assistants do not replace any other type of employees at present, this occupational category could eventually reduce the major need for nursing assistants.

This service assistant training is completely in line with Ambea's ambition to ease the challenge of social integration. Providing employment and a livelihood for people who are less likely to find a job is one way to achieve our vision.



Virtual reality experiences stimulate discussion between residents at Villa Hovstallet in Uppsala.

STORY

Around the world in 40 minutes

VR technology allows the residents in Vardaga's units to move all over the world. This is an exciting activity that stimulates both laughter and discussion.

It's early afternoon in the Villa Hovstallet nursing home in Uppsala. Outside, the December weather is grey, but around the green sofa in the entrance, the atmosphere is jolly. A group of excited care receivers are about to test the virtual reality technology that has recently been launched in Vardaga's facilities.

Wahida Mohammad Anwar, nursing assistant and activities manager, is setting up the connection and helping anyone who needs assistance with their VR glasses. Everyone is ready.

"Now we're going to visit other worlds! Who wants to go underwater and watch the fish?" she asks.

Everyone agrees and they all dive virtually down into the warm, Caribbean water.

"Oh, look at that fish with the red fins," says Bernt, pointing.

Wahida suggests they might like to turn their heads, look up and down to see even more.

"Yes, look at that!" cries Harriet.

After a while, the group moves on in their virtual reality. There's a lot of talking and laughter as they all experience breathtaking waterfalls, the magnificent Resurrection Church in St Petersburg, vintage cars in London and cute elephants. After 40 minutes, it's time to return home to Uppsala

again for afternoon tea. The verdict on the virtual world tour is unanimously positive.

"It really was fun – it seems so real," says Eide.

"Yes, but you can get a bit giddy and need to take your glasses off sometimes," says Elsy, and Greta agrees.

Available at all of Vardaga's residential facilities

VR glasses have been circulating between all of Vardaga's nursing homes since November 2018. Every headset includes a content library with 2,500 still images to experience. Moving images have been removed, since a pilot project showed that the effect of these images could be too strong, especially for people with dementia.

"The aim of our VR glasses is to stimulate discussion among the care receivers and offer another exciting activity," says Gunilla Österlund, Business Development Manager at Vardaga.

"As we move forward, there will be no limits to how VR technology can be combined with physical impressions to create wonderful experiences," says Gunilla.

"Imagine being able to feel your hand in the sand while sitting on a virtual sandy beach, for example, or sipping a drink with a cocktail umbrella as the sun goes down."

Long-term growth

New residential care facilities under own management are accelerating Ambea's growth. This strategic focus offers major benefits: We are creating new care placements – which society is greatly in need of – and building new residential facilities with the best conditions for excellent care.



Ambea is working long-term to establish residential care facilities under own management, and normally signs 15-year rental contracts for the premises housing the care units. This relatively long period of time means that we can invest more in the units. In partnership with construction companies, we customise new premises to ensure they are purpose-built. For example, new nursing homes are designed to accommodate Vardaga's *The Good Day* and *Food Like Home* concepts. That means, for example, that every department must have a fully-equipped kitchen – a heating kitchen, which is usually the standard, is not good enough.

Need for care placements and political will

Several factors come into play when choosing a location for new units. Above all, there must be a major need for more care placements in the actual municipality, and a political will to use private operators. Ambea uses a demographic analysis tool with population statistics to predict future care needs per municipality. The results are compared with the number of existing residential facilities in the municipality and their status. Ambea can offer modern, attractive and purpose-built residential facilities, and thereby help municipalities offer the best-possible care for their inhabitants.

One challenge can be to identify a suitable site and construction company. To ensure high-quality, Ambea collaborates with well-established construction and property companies.

Before making any decisions about start-ups, Ambea also initiates a dialogue with leading politicians and officials in

the actual municipality to confirm that interest in private care providers exists.

Two years from turning the first sod until inauguration

The construction of a new residential facility usually takes about two years. During this time, Ambea maintains regular contact with the municipality so that the focus of the operation can be adapted to the municipality's needs. About six months before opening, the recruitment of employees begins, as well as efforts to ensure that IT, quality and furniture are in place.

The more units that Ambea establishes, starts up, opens and manages, the more experience we acquire about what works best for our care operations. We take this experience with us into our next start-up.

Ambea's construction of new beds and placements

Segment	Opened 2018	Occupation by 2021 ¹
Vardaga	144	1,970
Nytida – beds	39	172
Nytida – placements	88	30
Heimta	22	7
Denmark	–	72
Total	293	2,251

¹ Signed or under construction at 31 Dec 2018, including the acquisition of Aleris Care

STORY

Person-centred care in nursing homes of the future

Villa Idun – Enköping's latest nursing home – opened in December 2018. It was built and designed using Vardaga's residential concept, which was also awarded with the Swedish Design Prize.



“Villa Idun is a flexible facility. We adapt to everyone who lives with us and how they want to spend their day,” says Care Manager Niqlas Lundqvist.

The facility has a garden with numerous oases for body and soul: a pond, water art, a pergola, hammock, fruit grove, greenhouse and herb garden. The entrance and adjoining common room create the feeling of a lounge, with low-height furniture in seating areas.

“It should feel inviting to sit down and have a conversation. But the furniture should also be flexible, so that we can arrange family meetings, for example, or live music,” explains Niqlas.

The food at Villa Idun follows Vardaga's *Food Like Home* concept, which means that all food is made on site. The kitchen section of each department has everything you would expect in a modern kitchen, as well as two wine coolers – which is slightly unexpected in a nursing home. Serving wine or beer with food on weekends is a matter of course at all of Vardaga's nursing homes.

The residents' apartments are light and spacious with a height-adjustable bed, kitchenette and accessible bathroom. They are spread over three floors, with two nine-placement departments on each floor. The two upper floors have large glazed balconies.

Activities for the residents are an integral part of their

FOR AGEING EYES AND SENSES

Vardaga's residential concept has been specially designed for our care receivers. Flooring and carpets are in light colours because black carpets can be mistaken for holes in the floor. Patterns on textiles do not have any unpleasant elements – such as dots or climbing plants that can be mistaken for eyes or snakes. Clearly marked signs behind toilets and sinks make orientation easier. Mirrors can be placed so that nobody can mistake their own reflection for a stranger.

care. They only participate to the degree they want to and are able, of course. Niqlas emphasises that the activities should promote everyone's well-being.

“We try to offer a broad and flexible range of activities to satisfy as many personal choices as possible. We don't expect anyone to fit in with us, we are the ones that have to adapt!”

Villa Idun offers electric bike tours (where employees pedal and there is room for two people to sit comfortably at the front of the bike), yoga, various types of entertainment as well as pet therapy and visits by dogs with professional handlers. A day-care centre is also being built in the area that will hopefully provide opportunities for collaboration.



Our operations

Ambea is one of the leading care providers in the Nordic region with a focus on residential care. You can read more about our business areas – Vardaga, Nytida, Heimta and Klara – on the following pages.

Residential care is our focus

Ambea provides care services for the elderly, people with disabilities and individuals with psychosocial problems. Ambea also provides temporary staffing for social care.

Ambea provides care through approximately 500 units in Sweden and Norway whose core activity is residential care for people in need of advanced and specialised care.

Our customers are municipalities across Sweden and Norway that have elected to use Ambea's services for several reasons.

- Ambea offers cost control, since the price of the care is agreed upon in advance.
- Municipal residents have greater freedom of choice when municipal services are supplemented by private providers.
- Ambea has specialist expertise in high-quality care for specific care groups. Individual municipalities are unable to offer this type of expertise.
- Many municipalities are unable to meet the recruitment challenges of their care operations.

Two contract models

Ambea's services can be divided according to contractual form with contracting municipalities: *Own Management* means that Ambea provides care in units controlled by Ambea, while *Contract Management* means that Ambea takes over an existing unit, its employees and property and, in return for compensation, manages the unit on behalf of the municipality. In Sweden, operations are conducted under both Own Management and Contract Management, while in Norway, all of Ambea's operations are conducted under Own Management. Temporary doctors and nurses are generally supplied via framework agreements.

Own Management operations

Ambea's strategic focus is to increase the proportion of Own Management operations, since this contractual form offers greater flexibility and control. Units controlled by Ambea

allow greater use of the company's own care concepts, which improves quality and efficiency and helps to increase profitability. In 2018, 69 per cent of Ambea's net sales were attributable to Own Management operations.

In order for Ambea to fill its care placements in Own Management operations, the placements must have been procured by a municipality. This generally takes the form of framework agreements under the Swedish Public Procurement Act (LOU) and agreements under the Swedish Freedom of Choice Act (LOV). Both of these contractual forms cover a large number of individuals with similar care needs. Finally, individual-specific agreements can be customised and these usually run for a longer period of time.

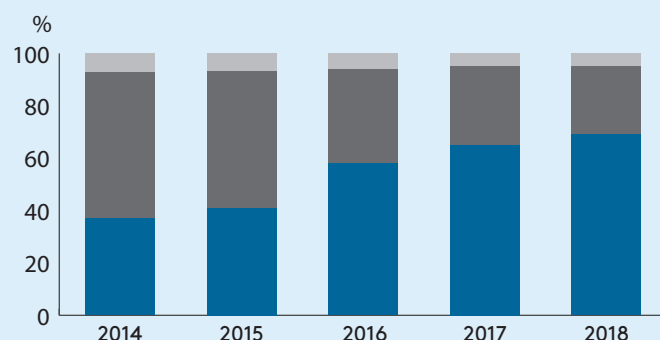
The vast majority of agreements for elderly care are either LOU or LOV agreements. Agreements for the care of people with disabilities and individual and family care tend to be individual-specific agreements, although LOU and LOV agreements also exist.

Contract Management

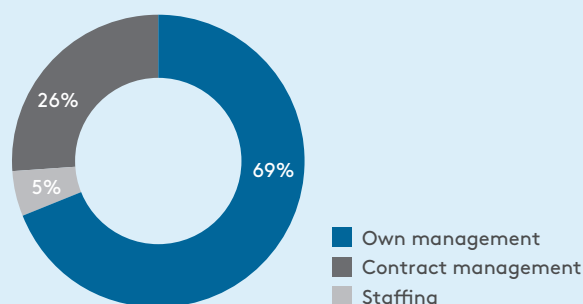
Contract Management operations are a key complement to Ambea's Own Management operations, and often help to build relationships with municipalities with whom Ambea has not had any previous contact.

Contract Management procurement is governed by the Swedish Public Procurement Act (LOU), whereby the municipality issues an invitation to submit a tender for the management of a care operation, with specific criteria related to price or quality or a combination of both. The care provider that wins the contract signs a management contract and manages the unit based on a fixed price for a period normally ranging from four to eight years.

DEVELOPMENT OF SHARE OF NET SALES IN OWN MANAGEMENT



NET SALES BY CONTRACT MODEL 2018



Vardaga

Vardaga is one of Sweden's largest private operators in elderly care with approximately 70 nursing homes across Sweden.

Vardaga's residential facilities provide around-the-clock care and support for the elderly who cannot remain in their homes because of illness, disability or age-related weakness. The operations are staffed by approximately 7,000 employees (about 2,900 full-time positions).

Vardaga provides care placements for the elderly with both dementia and accompanying somatic (physical) illness. Vardaga also runs profile facilities with speciality placements in areas including geriatric psychiatry, and placements for people with young-onset dementia (under 65).

In addition to permanent residential placements, Vardaga provides short-term accommodation, relief care and respite care. Our residential facilities are located all over Sweden, with a certain concentration to the regions of Stockholm and the Mälaren Valley, Skåne and the west coast.

Vardaga's elderly care: The Good Day

At Vardaga's nursing homes, every care receiver should be able to live a dignified and meaningful life based on their own personal choices. To achieve this high quality of care – person-centred care – we apply *The Good Day* concept, which is based on our core values and consists of several promises in various aspects of care. Some of the distinctive features of Vardaga's operations are:

- **Active Daily Living:** Every day should be filled with meaningful content for each individual care receiver. All of our residential facilities have an activities manager employed for this purpose.
- **Food Like Home:** Food is one of life's highlights and central to quality of life. Most of Vardaga's units apply the Food Like Home concept, which means that all food is made on site.

- **Pet Therapy:** Many of our nursing homes receive regular visits from care, therapy and visiting dogs who spread a lot of joy and support training and medical treatment.
- **Young Care:** Young people with a special interest in the elderly visit many residential facilities on weekends and school holidays.

Development 2018

The year was characterised by stable occupancy rates in existing units, and effective cost control combined with a high rate of occupancy in start-up units. Own Management operations had a positive effect, while Contract Management operations declined due to contracts terminated.

In line with Ambea's strategy to grow by increasing the proportion of residential facilities under own management, Vardaga opened three new nursing homes in 2018 – Villa Basilika, Villa Botvid and Villa Idun – with approximately 150 care placements in total. During the year, the intention to construct another six nursing homes with more than 400 apartments in partnership with property owners was also announced. At year-end, Vardaga had a total of 17 new nursing homes either signed for, or under construction. Occupancy will take place from 2019-2021.

During the year, Vardaga entered into management contracts corresponding to SEK 38 million in annual income, while management contracts corresponding to SEK 15 million in annual income were terminated and contracts of SEK 72 million in annual volume were retaken by municipalities.

VARDAGA'S KEY FIGURES IN SUMMARY

	2018	2017
Net sales (SEK million)	2,224	2,260
Sales growth (%)	-2	4
EBITA (SEK million)	159	154
Operating margin, EBITA (%)	7.1	6.8
Share of Own Management operations (%)	50	45

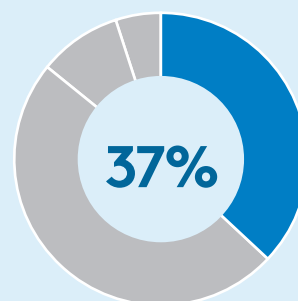
1,397

beds in Own Management

83%

of care receivers are satisfied⁷

SHARE OF CONSOLIDATED NET SALES



⁷ Pertains to Vardaga's residential facilities under own management. Percentage of positive responses to the question: Overall, how satisfied or dissatisfied are you with your nursing home in the National Board of Health and Welfare's 2018 Care Receiver Survey.

STORY

Secure and traditional Vardaga housing in central Gothenburg

Vardaga's nursing home, Agaten, located in central Gothenburg and gives a magnificent and charming impression. Meaningful activities – designed to suit the needs of every resident – are a key feature of care here.



Jamal, one of Agaten's service assistants, is tidying up the department's common room.

Agaten nursing home has 39 placements, divided between seven small and intimate departments on every floor. The home was previously for people suffering from dementia, but in August 2018, nine of the placements became available for people aged 65 and over with physical problems who are in need of care and assistance.

“Working in a partly new way is exciting and stimulating,” says Care Manager Lotta Adamsson.

“Many of Agaten's residents come from central Gothenburg. They feel safe and secure in a city environment and appreciate being able to stay in the middle of the city even when their needs for care increase.”

The home's courtyard is a real city gem, with pleasant seating areas, flowers and greenery. The atmosphere is calm and relaxing, with no noise from the city. A safe haven that is used extensively by the residents to enjoy a cup of coffee or eat their lunch when the Gothenburg sun is shining.

Meaningful activities

Activities are important at Agaten and something happens nearly every day, large or small, either in the departments or all together.

“With residents aged from 75 to 100 and older, we try to adapt the activities for every individual as much as we can. The ‘elderly’ are not a homogeneous group, where everybody thinks the same way. The employees know all of the residents well, know what they like and make sure that they are involved in the things that they enjoy,” says Lotta.

One popular activity is when therapy dog Moltas comes to visit, a clever and friendly standard poodle who likes to have his soft and curly coat patted. On Sundays, young people from Ung Omsorg (Young Care) come to visit and arrange activities, spend time with the residents and engage in intergenerational conversation. Every second Monday, the fantastic Gothenburg institution, the Bugg School, comes to Agaten and gets everyone onto the dance floor, with or without their wheelchair.

“We also collaborate with Vasa Church, which holds religious services here and invites the residents to an atmospheric Advent Service in the church, and arranges a bus excursion every summer. The parish arranges morning tea and is very committed to our residents,” says Lotta. The band Speldags also presents live music every month, through a cooperation with the City of Gothenburg's Culture Administration.

Service assistants offer help

Agaten works actively to promote the integration of newly arrived residents, and has also received an award for its efforts. Three service assistants are currently undergoing language and care training at the home. They are all from Syria. The service assistants are happy, eager and helpful men who pitch in where needed and help both the residents and employees. Some of their jobs include transport and serving food. Society has a major need for new care workers. The service assistants provide valuable relief for nursing assistants, while newly arrived residents receive an introduction to Swedish society.

Nytida

Nytida provides support and care for children, young people and adults with lifelong disabilities and psychosocial problems. The operations are conducted throughout Sweden.

Nytida's operations comprise about 375 units and 7,000 employees (about 3,400 full-time positions). The core of the offering is residential care facilities, supplemented by day services, schools, outpatient care, short-term housing, holiday camps for children and more. The operations are divided into three segments according to the law governing the intervention:

Disability care under the Support and Service for Persons with Certain Functional Impairments Act (LSS)

For children, young people and adults with disabilities, such as autism spectrum disorder, acquired brain damage or multiple diagnoses, the need for care and support is often lifelong. Nytida provides personalised services including group and service housing for adults, child care homes, short-term housing, day services and holiday camps for children, to cover the widest possible spectrum of care.

Individual and Family Care under the Swedish Social Services Act

The aim of individual and family care is to help individuals gradually develop skills for a better everyday life and eventually become independent. The care receivers suffer from a wide spectrum of problems, such as substance abuse, often in combination with mental or neuropsychiatric disabilities. Nytida provides individual-based services such as HVB homes (homes for care or residence), special housing, supported housing, family homes, sheltered housing, non-residential care and assessments of children, young people and adults.

Schools under the Education Act

All children and young people have a right to attend a school where they can develop according to their own ability, feel

secure and respect, and be able to succeed. Nytida runs day-care centres, elementary schools, special needs elementary and upper secondary schools under the Education Act, where education is based on the strengths and developmental skills of each individual.

A focus on the needs of every care receiver

Nytida provides support and care that often requires specialised knowledge and skills as well as proven working methods and considerable resources. The intervention is tailored to the strengths, abilities and personal choices of the care receiver. A key tool in these efforts to personalise support is Nytida's pedagogical framework, read more on page 25. The goal is to help care receivers become as independent as possible and improve their quality of life.

Development 2018

Nytida was positively impacted by a high rate of occupancy in disability care, while demand for several individual and family care services declined.

The operations continued to grow through acquisitions, including Stöd & Resurs, Arona Omsorger, Tillväxthemma and Kung Saga, which contributed a total of 207 new beds and placements. In 2018, Nytida also grew through eight start-up units and at year-end, had signed agreements with property owners for the construction of 25 residential facilities with 172 beds, and two units with 30 placements.

In Contract Management, Nytida commenced or retained contracts corresponding to annual income of SEK 50 million during the year. In 2018, management contracts corresponding to annual income of SEK 81 million were terminated, while contracts with an annual volume of SEK 9 million were retaken by municipalities.

NYTIDA'S KEY FIGURES IN SUMMARY

	2018	2017
Net sales (SEK million)	2,982	2,864
Sales growth (%)	4	5
EBITA (SEK million)	369	350
Operating margin, EBITA (%)	12.3	12.2
Share of Own Management operations (%)	84	83

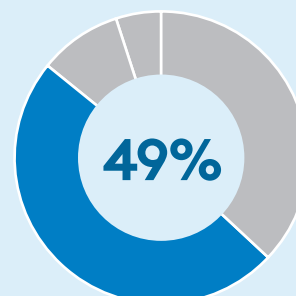
4,185

beds and placements under own management

87%

of care receivers are satisfied^a

SHARE OF CONSOLIDATED NET SALES



^a Pertains to the average outcome for all questions related to Nytida's operations in the National Board of Health and Welfare's 2018 Care Receiver Survey.

STORY

Good relationships, humour, support and security on the way to adulthood

Centrumboendet is an LSS residential facility for children and young people in Uddevalla. The facility provides accommodation for four young people aged 12–18 in a home-like environment, where every individual is seen and given a chance to make a fresh start.

Sunlight floods through the semi-circular windows of the attic that is now Centrumboendet. All of the young people living here have a neuropsychiatric diagnosis, complicated by family or school-related problems that make it impossible to live at home. Some of them have stayed at home instead of going to school. A new location, school and supportive housing are giving them a second chance.

“It’s obviously difficult for both the parents and the child when the family cannot stay together, but the opportunity to get away from home often helps the child build a new relationship with their parents,” says Care Manager Sara Snapp.

“The placement can save the relationship and lead to an adult relationship between the children and their parents. Not living at home can also provide an opportunity for spending time alone with mum or dad, without competition from younger siblings.”

“At best, the young people gain access to two places where they feel good,” she continues.

“When they go home, they experience love, ties with their family and maybe a pet they have been missing, but things can get complicated after a while. Then they need to come back here for structure, clearness and routines.”

Relationships are crucial

The relationships between the young people and the facility’s employees are crucial for effective care. The young people receive support to help them gain a better understanding of their disability and why some things are more difficult for them. Humour is often a good ice-breaker. Humour can help someone bounce back from an angry outburst, for example. But being able to apologise is also important.

“We adults also have to have the courage to say sorry when something has gone wrong,” says team manager Ida Andreasson.

The team working at Centrumboendet is very stable and secure. They work hard to build a strong team spirit by supporting and complementing each other. They are well-versed in neuropsychiatric disorders, apply a low-arousal approach and work with clear strategies.

“We are dealing with children who have a huge need for care. Even an 18-year old is a child sometimes,” says Sara.

A focus on the needs of every individual

Centrumboendet has clear rules for mealtimes, cleaning and turning out the lights at night time for example. The children



Sara Snapp and Ida Andreasson – two of Centrumboendet’s dedicated employees who are committed to supporting and developing young people as they transition into adulthood.

are responsible for food preparation and emptying the dishwasher. There is a joint workout session once a week.

“But we always proceed from the needs of the individual and have to the right balance to ensure they have enough energy to cope with school as well,” says Sara.

The young people need to relax and recharge their batteries when they get home. How they do that is very individual – some of them sleep, others play computer games.

“Even though they know they need time to recover, they can still see it as a failure. We help them see it from another perspective, to understand what they have actually achieved,” says Ida.

Heimta

Heimta is Ambea's operation in Norway. We provide support and residential facilities for disability care and psychiatry for adults, young people and children.

Heimta has about 450 employees and provides a wide range of services in disability care, psychiatry and user-controlled personal assistance for adults, young people and children across most of Norway.

At residential facilities in Østfold, Oslo, Stavanger and northern Norway, Heimta operates about 60 residential care facilities for people with disabilities and mental health problems.

User-controlled personal assistance is provided in 36 municipalities throughout Norway.

Heimta also provides residential care, respite, emergency placements, screening/assessment, psychiatric and disability rehabilitation as well as non-residential and high-security forensic care services.

The facility for children and young people is situated in Østlandet and comprises seven residential units for emergency placements, assessment, long-term accommodation and family homes.

Heimta has grown sharply through a total of six acquisitions in recent years.

High quality with a focus on the needs of every care receiver

Heimta applies a person-centred approach and strives to give every care receiver the best life possible based on their own personal conditions and needs. The goal is improved quality of life through greater freedom, independence, development and a better everyday life.

Employees are offered secure employment with good opportunities for further training through Heimta's own educational platform.

Dialogue with the client is also important for Heimta, to create safe and secure care that meets expectations. The Quality Department works closely with the operations to ensure high-quality care.

Development 2018

Growth continued in 2018, the result of both acquisitions and start-ups. Costs related to new-starts were mainly charged to earnings in the first six months of 2018.

At the end of 2017, the acquisitions of Målrettet Intervensjon and Tiltaksgruppa fokus were also completed. Målrettet Intervensjon is based in Oppland and provides residential care for children, young people and adults with psychosocial problems or disabilities. Tiltaksgruppa fokus is based in Østfold and provides residential care and respite services for children and young people.

In 2018, Heimta's new-starts included Bekkensten in central Oslo, a residential facility with 16 apartments for people with disabilities. Deichmansgate was also opened in Oslo, a psychiatric residential facility with eight apartments. At the end of 2018, Heimta had one three-bed unit under construction, scheduled to open in 2019.

HEIMTA'S KEY FIGURES IN SUMMARY

	2018	2017
Net sales (SEK million)	548	369
Sales growth (%)	49	194
EBITA (SEK million)	33	19
Operating margin, EBITA (%)	6.0	5.1

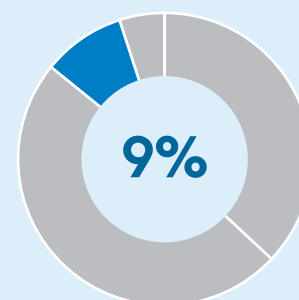
190

beds in Own Management

100%

Own Management operations

SHARE OF CONSOLIDATED NET SALES



Klara

Klara creates effective solutions by offering temporary social care teams, including ambulatory care nurses and staffing for student health services.

Klara creates effective solutions through Klara Team, which provides ambulatory care nurses with around-the-clock responsibility for nursing homes as well as LSS residential facilities. Services are offered on a subscription basis and aimed at care facilities, especially smaller units, because these are often unable to employ a sufficient pool of care workers. Klara Team also has rehabilitation teams with occupational therapists and physiotherapists who can work on a consultative basis if required.

The operations also include Elevhälsan, which acts as a partner to independent schools and offers to undertake care provider responsibility for the medical treatment offered by student health services. Elevhälsan also offers schools staffing solutions in all professional categories of student health, both long and short-term.

Klara is also a certified staffing company that offers temporary doctors, nurses, psychologists and speech pathologists to public and private clients. The services include both short-term solutions to meet urgent needs, and long-term solutions when there is a shortage of qualified employees.

The services are mainly aimed at external clients, such as municipalities, county councils and other private social care providers. A large pool of employees is crucial for finding the right person for each specific assignment, and Klara works actively to attract and retain medical employees in its extensive database. At the end of 2018, Klara had about 3,400 doctors, in multiple medical specialities, and about 1,700 nurses in its database.

Alongside of sales to external clients, Klara is a key complement to Ambea's core business. For the care units in Vardaga and Nytida, Klara offers cost-efficient emergency teams and rehabilitation staff who are required on a part-time basis for special needs. Klara also serves an important function for the recruitment of nurses and care managers to Vardaga and Nytida.

Development 2018

While Klara Team, particularly ambulatory care nurses, delivered a strong performance in 2018, sales of temporary doctors and nurses showed a weaker trend. The negative trend was mainly due to a decline in demand for this type of service.

At the beginning of the year, Klara expanded its offering by acquiring Elevhälsan, which is focused on staffing solutions for student health services in elementary and secondary schools.

At the end of the first quarter of 2018, the name of Ambea's staffing solutions was changed to Klara. These services were previously offered under the Rent a doctor, Rent a nurse, Rent a socionom och CareTeam brands.

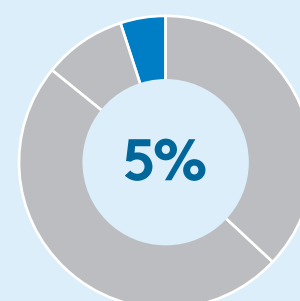
From 1 June 2019, the provision of temporary care staff to municipalities, county councils and private social care companies will be subject to VAT. This regulatory change will probably lead to lower sales and a somewhat negative impact on Klara's earnings.

VARDAGA'S KEY FIGURES IN SUMMARY

	2018	2017
Net sales (SEK million)	321	322
Sales growth (%)	0	3
EBITA (SEK million)	16	12
Operating margin, EBITA (%)	5.0	3.7

300,000
staffed hours in 2018

SHARE OF CONSOLIDATED NET SALES





Ambea's governance

Ambea has obligations and responsibilities to a number of stakeholders. To ensure effective delivery, corporate governance, internal control and risk management are essential. We describe the main processes and functions of this work on the following pages.

Corporate governance

The aim of good corporate governance is to ensure that Ambea is managed as sustainably, responsibly and efficiently as possible. The overall objective is to build and maintain trust in our relationships with care receivers, customers, employees, our owners and other stakeholders.

Principles of corporate governance

As a Swedish public limited company with shares listed on Nasdaq Stockholm, Ambea follows several regulatory frameworks. Important external governance instruments are the Swedish Companies Act, Swedish Annual Accounts Act, Nasdaq's Rule Book for Issuers and the Swedish Corporate Governance Code ("the Code"). Ambea applies the Comply-or-Explain approach of the Code, and has no deviations to explain for 2018.

Ambea also applies internal governing documents. These include the Articles of Association, the Board's rules of procedure, instructions for the CEO and Board committees, guidance on financial reporting and risk management, overall policies and the company's financial manual.

Corporate governance in Ambea includes various corporate bodies and functions, each with their own specific area of influence and responsibility, which are presented below.

1. Shareholders

Ambea is a Swedish public limited company, listed on Nasdaq Stockholm since 31 March 2017. At 31 December 2018, the company had 2,388 shareholders. The largest owners were Triton and KKR, which through the companies ACTR Holding AB and ACTOR SCA, owned 50.14 per cent of the shares. More information about the Ambea share and Ambea's shareholders is available on pages 14–15 of this Annual Report and on Ambea's website (www.ambea.com).

2. Annual General Meeting (AGM)

The AGM is Ambea's highest decision-making body, where all shareholders can exercise their influence over the company in proportion to their shareholding.

At the AGM, the shareholders resolve on key matters, including adoption of the income statement and balance sheet, dividends, the composition of the Board, discharge from liability for Board members and the Chief Executive Officer, the election of auditors and remuneration principles for the Board and auditors. The AGM can also authorise the Board to make decisions regarding new share issues or acquisitions of own shares. The AGM may also decide to adopt a new Articles of Association.

Notice of an AGM is given by advertising in Post- och Inrikes Tidningar (the Swedish Official Gazette) and by publishing the notice on Ambea's website. An announcement that notice had been issued is simultaneously published in Svenska Dagbladet.

2018 AGM

The 2018 AGM was held on 23 May 2018 at Näringslivets hus in Stockholm, Sweden. Decisions made by the AGM included a dividend of SEK 1.00 per share to shareholders. Lars

Gatenbeck and Mikael Stöhr were elected new members of the Board. The AGM also decided to adopt a long-term incentive programme for senior executives in the form of warrants, and a long-term incentive programme for certain employees in the form of a matching share plan. The Board was authorised to make decisions regarding a buyback of own shares corresponding to a maximum of 10 per cent of all shares in the company.

The minutes from the AGM and all related documents are available on Ambea's website.

2019 AGM

The 2019 AGM will be held on 16 May at Näringslivets Hus in Stockholm, Sweden.

3. Nomination Committee

The task of the Nomination Committee is to prepare proposals for the AGM for the election of Board members, Chairperson and auditor, and for Board remuneration.

The Nomination Committee shall consist of the company's Chairperson and one representative of each of the three largest shareholders, based on their shareholding in the company at 31 August in the year prior to the AGM. Should a change of ownership occur in the period ranging from 31 August of the year prior to the AGM until three months prior to the AGM, whereby a shareholder who was appointed a member of the Nomination Committee no longer belongs to one of the three largest shareholders, the member appointed by that owner shall vacate their position on the Committee.

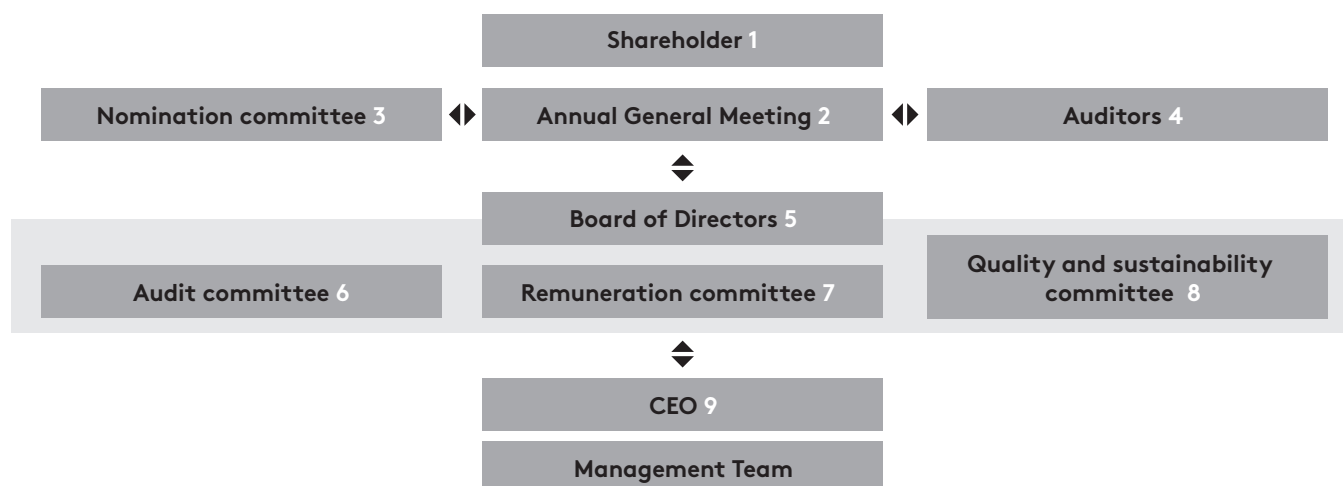
Nomination Committee prior to the 2019 AGM

Member	Representing	Other information
Roger Hagborg	Actor SCA	Chairperson of the Nomination Committee
Carl Gustafsson	Didner & Gerge Fonder AB	
Mats Qviberg	Investment AB Öresund	Left the Nomination Committee on 31 Oct 2018.
Martin Jonsson	Catella Fonder	Replaced Mats Qviberg.
Lena Hofberger	Chairperson of Ambea's Board	

Nomination Committee's work after the 2018 AGM

The Nomination Committee held four minuted meetings in 2018, as well as several reconciliation meetings and discussions. The Nomination Committee applies Rule 4.1 of the

Ambea's corporate governance structure



” In 2018, the Board's work was mainly focused on Ambea's growth strategy. Based on a proposal from the company's growth department, the Board approved construction start-ups for nine new nursing homes, which is the largest number to date. Ambea's acquisition of Aleris Care was the subject of in-depth analyses and discussions, including how the transaction would strengthen our platform for growth.

Lena Hofsbarger, Ambea's Chairperson

Code as its diversity policy. For Ambea, this means that the Board must have a well-balanced composition of skills suitable for guiding strategic work responsibly and in a long-term sustainable manner. Competence and experience in care, corporate governance, regulatory compliance and financial matters are all key areas, combined with previous Board experience. The objective is to achieve diversity and gender equality where no member is discriminated against. The Nomination Committee deems that the current Board reflects the desired composition.

The Nomination Committee intends to present a proposal for members of the Board to the 2019 AGM in connection with the notice, while also making it available at www.ambea.com.

4. Auditors

At the AGM on 23 May 2018, EY was re-elected as Ambea's auditor. Mikael Sjölander (born 1973) is the Auditor in Charge. Mikael Sjölander is an authorised public accountant and member of FAR (the institute for the accountancy profession in Sweden). EY has been Ambea's auditor since 2009.

In 2018, the Auditor in Charge presented his observations from the review of the accounts and internal control to the Board on one occasion, and during some of the presentation, no

members of management were present. In addition, the auditor participated in four meetings with the Audit Committee.

5. Board of Directors

The key purpose of the Board is to safeguard the interests of Ambea and its shareholders, to appoint the Chief Executive Officer and ensure that the company complies with applicable laws, the Articles of Association and the Swedish Corporate Governance Code.

The Board follows written rules of procedure that are revised and adopted by the statutory Board meeting every year. The rules of procedure regulate Board practices and functions, and the distribution of work between the Board members and Chief Executive Officer.

Board meetings are held in accordance with a fixed annual schedule. Extraordinary meetings may also be held and the Chairperson and the Chief Executive Officer maintain a continuous dialogue.

The Chairperson is responsible for annual evaluations of the Board's performance. In May 2018, all Board members completed a survey designed specifically for Ambea. The survey responses provided a basis for discussion amongst Board members regarding how their work can be improved.

” During the year, the Audit Committee focused on implementation of the new GDPR framework with regard to the processing of personal data, and analysing the effects and securing implementation of the new IFRS accounting standards in force for reporting periods beginning in 2019.



Gunilla Rudebjer, Chairperson
the Audit Committee

” The main focus of the Quality and Sustainability Committee in 2018 was monitoring Ambea's internal quality index as well as the National Board of Health and Welfare's quality surveys. Discussions revolved around further development of Ambea's internal processes for effective quality management.



Ingrid Jonasson Blank, Chairperson
the Quality and Sustainability Committee

Board work 2018

In 2018, Ambea's Board consisted of seven AGM-elected members with no deputies, three employee representatives and two deputy employee representatives. The Board members are presented on pages 48-49.

During the year, the Board held 19 meetings, of which eight were scheduled and 11 extra meetings. The extra Board meetings mainly addressed acquisitions and expansion. The diagram on the following page presents the main matters and decisions made at these meetings.

In 2018, preparatory work was carried out by three committees: the Audit Committee, the Remuneration Committee and the Quality and Sustainability Committee. The committees submitted regular reports to the Board, which served as decision support for the Board in its entirety.

6. Audit Committee

The task of the Audit Committee is to raise the quality of Ambea's financial statements and ensure effective internal control and risk management. The Audit Committee evaluates the work and independence of the auditors every year.

In addition to members of the Audit Committee, Ambea's Chief Executive Officer, CFO, Head of Group Accounting and Head of IR also attend the meetings. In 2018, the Audit Committee held five meetings.

Members: Gunilla Rudebjer, (Chairperson), Lena Hofsberger, Thomas Hofvenstam and Anders Borg.

7. Remuneration Committee

The Remuneration Committee is responsible for preparing proposals for remuneration principles, remuneration and other terms of employment for Ambea's Chief Executive Officer and senior executives. The Committee submits written

reports of its work to the Board. In 2018, the Remuneration Committee held five meetings.

Members: Lena Hofsberger (Chairperson), Thomas Hofvenstam and Anders Borg.

8. Quality and Sustainability Committee

Quality and sustainability are key factors for Ambea's development. The role of the Board's Quality and Sustainability Committee is to ensure that the Board meets its responsibilities in regard to these matters.

In 2018, the Quality and Sustainability Committee held four meetings. During the year, the Committee's work was focused on quality management, which took a major step forward when new HR-related variables were integrated with monitoring.

Members: Ingrid Jonasson Blank (Chairperson), Lena Hofsberger and Anders Borg.

9. Chief Executive Officer and Group management

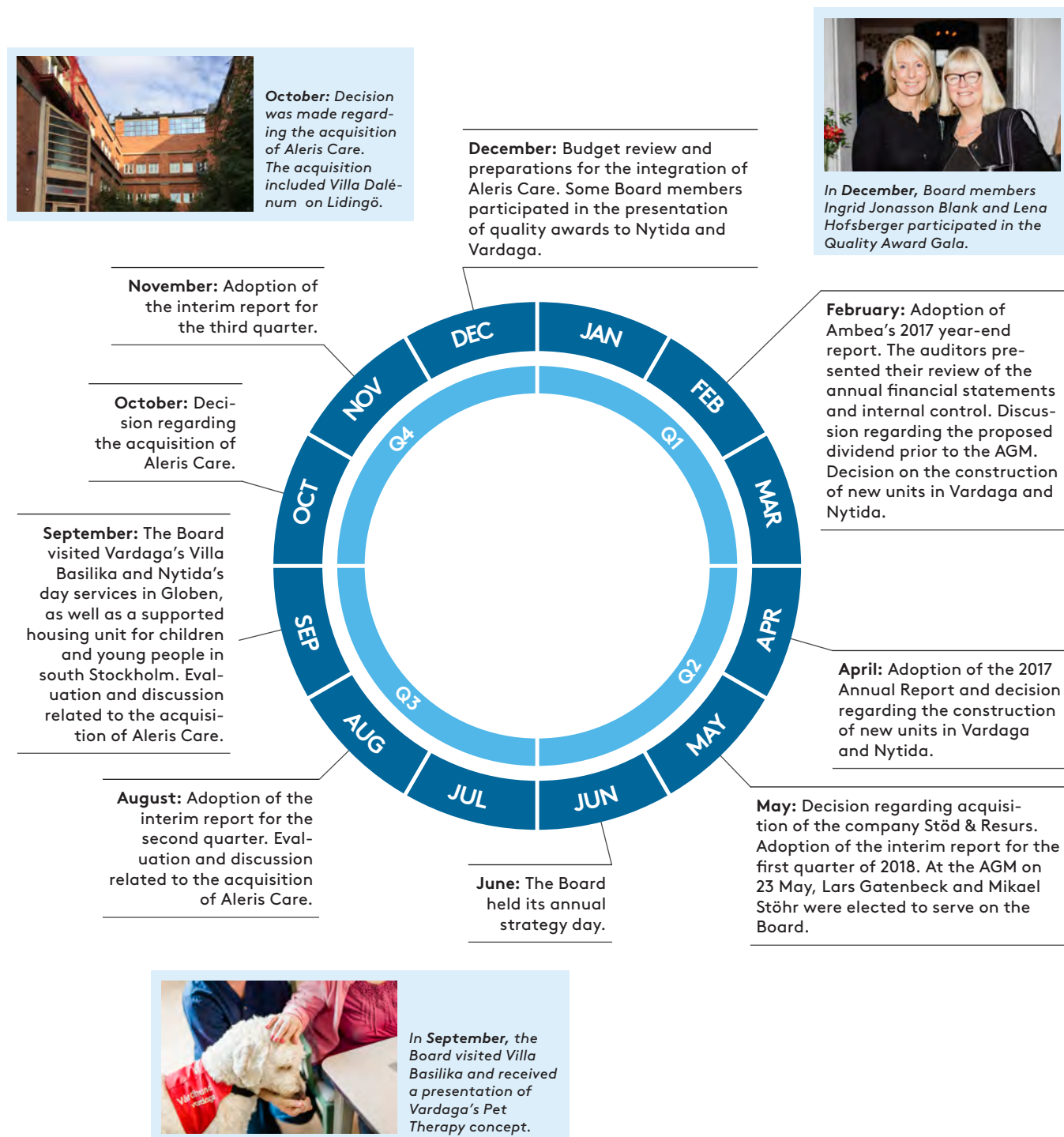
The Chief Executive Officer (CEO) is appointed by the Board and manages the operations in accordance with the instructions adopted by the Board. Fredrik Gren has been CEO of Ambea since 2012.

In 2018, all of Ambea's business segments and strategic staff functions were represented in Group management. The CEO and Group management are ultimately responsible for strategic issues, business development, major investment decisions, budget follow-ups and matters related to employees and communication. In the lead up to the acquisition of Aleris's care operations, Ambea introduced changes to Group management at the beginning of 2019. The members of Ambea's new Group management are presented on page 50.

More information about Ambea's corporate governance is available at ambea.com.

Board work 2018

During the year, the Board met on 19 occasions. Important decisions included the construction of new Own Management operations and the acquisition of Aleris Care. A brief summary of the matters addressed at Board meetings is presented in the following diagram.



Internal control

To ensure reliable and relevant financial information, Ambea has introduced a number of measures related to internal control and risk management.

Ambea's procedures for internal control, risk assessment, control activities and monitoring of financial reporting have been designed to ensure reliable and relevant reporting in accordance with IFRS, applicable laws and regulations and other requirements that apply to companies listed on Nasdaq Stockholm. Ambea bases its internal control on the five components of the international COSO Internal Control Framework: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities.

Control Environment

Ambea's Board is ultimately responsible for effective internal control and risk management. Every year, the Board adopts governing documents that provide the basis for, and promote, an effective control environment. These documents include the Board's rules of procedure, instructions for Board committees, guidance on financial reporting and risk management, overall policies and Ambea's financial manual.

The company's CEO is primarily responsible for the day-to-day operations. The company's CFO, through delegation from the CEO, holds operational responsibility for internal control over financial reporting and risk management. Ambea has an established structure, with business area controllers, a company-wide finance function and the Audit Committee, which ensures a continuous review of internal control and risk management. The control environment is strengthened by a strong company culture, and by transparent and relevant monitoring of the financial performance and KPIs at all levels.

Risk Assessment

Ambea performs regular evaluations of operational risk. The risk assessment is also central to the annual strategy process, where risks in relation to the company's ability to achieve its strategic ambitions are specifically evaluated.

The Audit Committee and management are responsible for ensuring that risk assessment and risk management are included in the financial reporting process. The Quality and Sustainability Committee, as well as management, are ultimately responsible for ensuring that risk assessment and risk management is included in the quality and sustainability management process.

Read more about Ambea's risks on pages 46–47.

Control and Monitoring Activities

Ambea's key processes for financial reporting are regularly evaluated by the CFO and other accounting organisations. The CFO reports the results of the evaluation to the Audit Committee.

The operations are regularly monitored against set targets and key figures are further developed with a focus on early warning signs. In addition to control activities at process level, a number of Group-wide controls are carried out.

Information and communication

Ambea's communication and information structure is aimed at disseminating relevant information quickly and accurately both externally and internally within the organisation.

External communication, including financial reporting, is regulated by the policy for stock market information, which sets out the guidelines for what should be communicated, by whom, and how. Financial statements, quality reports and other relevant information are available on Ambea's website: ambea.se

Ambea's overall internal governing documents, with policies and guidelines, are available on shared media. Ambea's communication policy and other governing documents clarify responsibilities and describe how and when internal information should be communicated.

Internal audit

Based on the Audit Committee's evaluation, the Board has decided not to establish a separate internal audit function. The decision is based on the assessment that the need for necessary control and monitoring is met by Ambea's quality management system with regard to the monitoring of operational quality, and by the monitoring activities of the finance function and Audit Committee with regard to internal control over financial reporting. The Board evaluates the need for a separate internal audit function every year.

Risks

Ambea is exposed to a variety of risks and attaches great importance to continuously analysing, minimising and managing these risks.

Policy risks and market risks

Opportunities for private operators to conduct care operations are dependent on policy decisions at both national and municipal level.

In 2018, the level of risk declined at national level in Sweden when the Riksdag voted against the bill to cap profits in the tax-funded welfare sector, based on the conclusions of the Welfare Inquiry (the Reepalu inquiry).

However, demand for Ambea's service remains dependent on the extent to which municipalities elect to engage private care providers. A positive change is that after the municipal election in September 2018, 225 of Sweden's 290 municipalities had a positive view of privately-provided welfare services.

Risks associated with permits

In order to provide care services in Sweden, Ambea requires a license from the Swedish Health and Social Care Inspectorate (IVO) for each of its licensable operations.

Ambea is exposed to the risk arising from protracted licensing procedures, since no operations can be conducted during this period. Protracted licensing procedures could also lead to delays in the start-up of new operations, changes in the operational focus or the replacement of care managers. The need to wait for a license and not therefore being able to fill units would lead to loss of income.

In Norway, no license similar to IVO's is required. The client can specify requirements, such as in relation to staffing.

Operational risks

Conducting social care operations imposes high demands on safety and quality. Ambea's operations are inspected and controlled by authorities and contractors, as well as care receivers and their relatives. Should Ambea not meet its obligations, such as documentation and staffing for care receivers, Ambea may be ordered to pay penalties. In the event of gross violations, Ambea could lose customer contracts and/or the permits required by the company to conduct its operations.

Ambea is also exposed to financial risks related to occupancy in the units. This risk is particularly high when starting up operations under own management.

Financial risks

Liquidity and borrowing risk: In order to expand, the Group must have liquidity and credit to cover Ambea's need for working capital and consideration for acquisitions.

Interest-rate risk: Interest-rate fluctuations could impact Ambea's cash flow and the fair value of liabilities and assets. This risk primarily pertains to the Group's interest-bearing liabilities, comprising revolving credit facilities used as overdraft facilities, and commercial papers mainly issued to finance acquisitions.

Currency risk: Ambea has a translation exposure that arises when translating the Norwegian subsidiary's earnings and net assets into SEK.

How the risk is managed

Ambea secures its competitiveness by regularly developing its offering on the basis of evidence-based practice.

When establishing Own Management operations, Ambea takes measures to ensure, as far as possible, that there is a political will to engage private operators in the relevant municipality.

How the risk is managed

Ambea has an established process for ensuring that the documentation for the required license is submitted to IVO on time, and is correct and complete.

How the risk is managed

Quality and safety are Ambea's most important priorities. The company works continuously and systematically to review and monitor all of the company's units, and to identify operations that do not comply with internal and external requirements at an early stage. Read more about this process on page 24.

Ambea works continuously to mitigate occupancy risk, using a structured monitoring and sales process to ensure that every available placement is filled. When starting up new Own Management units, every unit has a customised start-up plan that aims to reduce financial risk linked to occupancy.

How the risk is managed

Borrowing risk: Ambea has a three-year financing agreement, with an option to extend the term for an additional year. The arrangement expires in April 2021.

Interest-rate risk: Ambea uses interest-rate hedging instruments in the form of interest rate caps. At year-end, approximately 68 per cent of the Group's interest-bearing liabilities were hedged with interest rate caps. Assuming the same loan liabilities and interest rate caps as at the balance-sheet date, a change of 1 percentage point in the market rate would result in a change of approximately SEK 13 million in net interest income.

Currency risk: Since the currency exposure in NOK is substantial, Ambea raises financing in NOK. Net exposure at the balance-sheet date was SEK 2 million.

Occupancy risk

The placements in Ambea's own-managed residential facilities are offered to municipalities who purchase according to needs. When new residential facilities open, there is a risk that they are not fully occupied from the start, or that the rate of occupancy does not increase in line with Ambea's forecasts.

If Ambea operates more residential facilities than are needed in relation to demand, and cannot convert the operations of such unused facilities into another type of care service, this could have a material adverse effect on the operations, earnings or financial position.

In the short term, occupancy could also be adversely impacted by overcapacity, for example, if Ambea opened new residential facilities at the same time as other operators in the same area.

Staffing risk

It is essential that Ambea is able to employ and retain professional managers, doctors, nurses and other care workers. High demand for these occupational group, due to a growing need for care, could lead to recruitment difficulties and a higher cost level for Ambea, which would therefore affect the company's profitability. Personnel costs account for Ambea's largest expense item.

Lease-related risk

Within the framework of Own Management operations, Ambea enters into rental contracts with external property owners. Most of the rental contracts have terms longer than Ambea's customer contracts. Most rental contracts signed by Ambea also include provisions restricting Ambea's right to terminate the agreements in advance, or to renegotiate their terms. Ambea therefore faces a financial risk if demand and occupancy are not consistent with the company's assumptions when the contracts were concluded.

Risks may also arise from significant increases in rental expenses as a result of, for example, upward adjustments due to changes in the index.

Acquisition risk

Ambea's strategy includes strengthening and developing the operations through acquisitions and organic growth. This strategy could result in operational challenges and risks, such as an acquired operation not performing as expected, which could lead to an impairment loss in the Group due to a decline in the value of the acquisition compared with the purchase price on the transfer date. The number of attractive acquisitions could also decline, which would reduce the potential for growth.

Ambea's acquisition and performance-driven growth may also expose Ambea to other risks, including lower liquidity due to major investments and legal processes with counterparties in connection with acquisitions or divestments, in relation to earn-outs or other matters.

Pricing-related risk

Most of Ambea's customer contracts are designed so that Ambea's consideration is based on the number of care receiver placements in the company per day. The contracts do not guarantee a pre-determined number of care receivers. When estimating prices for tenders, Ambea is dependent on forecasts of future demand. If Ambea is unable to achieve the rate of occupancy forecast, the profitability of the relevant contract may be reduced.

In addition, a profitability risk arises if the price level of customer contracts is not linked to an index, such as the workforce index or consumer price index, which allow the company to adjust its compensation should cost levels increase.

How the risk is managed

Ambea works continuously to mitigate occupancy risk, using a structured monitoring and sales process to ensure that every available placement is filled. When starting up new Own Management units, every unit has a customised start-up plan that aims to reduce financial risk linked to occupancy.

How the risk is managed

Ambea attaches great importance to personnel planning. Local business managers have extensive responsibilities and powers in this area.

One of Ambea's overall strategies is to attract and develop the industry's best employees. Ambea has gathered its training initiatives in the Lära operational area to ensure that the company's employees match the competence required by a superior care provider. The educational activities also help to motivate employees.

How the risk is managed

Ambea makes thorough estimates of future demand and thus occupancy before signing new rental contracts. The estimates are based on demographic data per municipality, an inventory of existing residential facilities and a dialogue with the political leadership of the relevant municipality.

How the risk is managed

Ambea's growth strategy is supported by internal and external expertise, and the company has a structured acquisition process in place. Considerable experience has been gained from Ambea's successful implementation of 26 acquisitions over the past five years.

How the risk is managed

Ambea has developed a detailed process for participating in, and submitting tenders for, management contracting. The bidding conditions are analysed, specific problems are discussed with the customer and local visits are made.

In a significant proportion of customer contracts, the price level is linked to the workforce and/or consumer price index.

Board of Directors



Name	LENA HOFBSBERGER	INGRID JONASSON BLANK	GUNILLA RUDEBJER
Assignment and elected	Chairperson since 2013. Board member since 2012.	Board member since 2012.	Board member since 2016.
Other ongoing assignments	Chairperson of Leos Lekland and PharmaRelations. Board member of Doro and MAX Hamburgerrestauranger.	Board member of Fiskars, ZetaDisplay and Bilia.	Board member of Oriflame Holding, Opti-Group and NCAB Group.
Education	MBA, University of Gothenburg (1978), BA, University of Gothenburg (1976)	Bachelor's Degree in Economics from the University of Gothenburg.	Master of Economics from the Stockholm School of Economics.
Previous experience	Board member of Sabis, Anders Löfberg and Stockholm Care.	Board member of Telia Company, Travel Support & Services Nordic and Forex Bank Aktiebolag	CFO of Scandic Hotels, Cision, Parks & Resorts Scandinavia, Mandator and TUI Nordic (Fritidsresor).
Born	1954	1962	1959
Board meeting attendance:	19/19	18/19	17/19
Committees:	Chairperson of the Remuneration Committee. Member of the Audit Committee and Quality and Sustainability Committee.	Chairperson of the Quality and Sustainability Committee.	Chairperson of the Audit Committee.
Committee meeting attendance:	13/14	4/4	5/5
No. of shares:	301,365	131,272	13,333
Board and Committee fees:	905,667	400,000	400,000
Independent of the company:	Yes	Yes	Yes
Independent of majority shareholders:	Yes	Yes	Yes

Employee representatives



Name	PATRICIA BRICEÑO RODRIGUEZ	HARALAMPOS KALPAKAS	MAGNUS SÄLLSTRÖM
Assignment	Patricia Briceño Rodríguez is a Board member in the capacity of employee representative for Ambea and has been employed at Ambea as a nursing assistant since 2008. Patricia Briceño Rodríguez was elected by the Swedish Municipal Workers' Union. Patricia Briceño Rodríguez has been a Board member of the Solna section of the union.	Haralampos Kalpakas is a Board member in the capacity of employee representative for Ambea and has been employed at Ambea as a nurse since 2006. Haralampos Kalpakas was elected by the Swedish Association of Health Professionals.	Magnus Sällström is a Board member in the capacity of employee representative for Ambea and has been employed at Ambea as a workplace supervisor since 1999. Magnus Sällström was elected by the Swedish Vision Union.
Elected	2016	2016	2016
No. of shares:	–	–	–

**ANDERS BORG**

Board member since 2014.

Kohlberg Kravis Roberts (Head of Nordic Region)

Master of Science in Engineering Physics from Chalmers University of Technology and ETH Zurich. Studies in psychology and economics at University of Zurich and Griffith University, respectively.

Chairperson of Vålinge Group, Board member of Visma and Mehiläinen. Partner at TDR Capital and advisor to Bain & Co.

1976

16/19

Member of the Audit Committee, Remuneration Committee and Quality and Sustainability Committee.

11/14

–

365,000

Yes

No

**THOMAS HOFVENSTAM**

Board member since 2015.

Triton Advisers (Head of Triton Advisers Sweden). Board member of Flokk Holding AS.

Master of Economics from Uppsala University.

Investment Director at Ratios. Chairman of the Board of Inflight Service Europe.

1969

16/19

Member of the Audit Committee and Remuneration Committee

5/5

13,333

340,000

Yes

No

**LARS GATENBECK**

Board member since 2018.

Chairperson of Akademikliniken Group, Life Medical Sweden, Life Equity Group. Deputy chairperson of Industrifonden foundation. Board member of Christian Berger Tech Trade, Tunstall Healthcare Group, Silviahemmet foundation.

Registered doctor and medical doctorate from Karolinska Institutet.

Chairperson of Memira, CellaVision, Swecare, Board member of Aleris, Senior advisor at Econ Healthcare and Chief executive of Karolinska University Hospital.

1956

11/19¹

–

3,000

175,523

Yes

Yes

**MIKAEL STÖHR**

Board member since 2018.

President and CEO of Coor Service Management, Board member of SJ.

Lawyer and diploma in economics from Lund University.

CEO of Green Cargo, CEO of AxIndustries, Vice President of Axel Johnson International.

1970

12/19¹

–

–

175,523

Yes

Yes

**XENIA WENTZEL**

Xenia Wentzel is a deputy Board member in the capacity of deputy employee representative for Ambea and has been employed at Ambea as a residential care assistant and team manager within Nytida since 2004. Xenia Wentzel holds a Bachelor's Degree in Sociology from Uppsala University. Xenia Wentzel was elected by the Swedish Municipal Workers' Union.

2016

400

**KHASHA JEIHOUNI**

Khasha Jelhouni is a deputy Board member in the capacity of deputy employee representative for Ambea and was employed as an educator in Nytida at Ambea. Khasha Jelhouni was elected by the Swedish Vision Union.

2018

–

Footnote:¹ Elected as new member at Ambea's AGM on 23 May 2018.

Daniel Björklund and Hans Fredrik Årstad were members of Ambea's Board until the AGM on 23 May 2018.

Carolina Vargas Bjelk was a deputy Board member in the capacity of deputy employee representative for Ambea until May 2018.

Group management



Name	FREDRIK GREN	DANIEL WARNHOLTZ	ULLA TANSEN	MAGNUS ÅKERHIELM
Position	Chief Executive Officer since 2012.	Deputy CEO since 2019 and CFO since 2011.	Business Area Manager, Vardaga, since 2013.	Business area manager, Nytida, since 2018.
Other assignments	Chairperson of the Association of Private Care Providers (Almega). Board member of Almega and the Confederation of Swedish Enterprise.	Board member of Grenache AB.	–	–
Education	Master of Economics from the Stockholm School of Economics.	Master's Degree in Economics from Halmstad University. Bachelor's Degree in Business Administration from the University of Lincolnshire & Humberside, School of Economics. Studies in business valuation and financial risk management at Lund University. Chartered Global Management Accountant and Chartered Management Accountant. CIMA Advanced Diploma in Management Accounting.	Nursing Diploma and Bachelor's Degree in Paediatric Care. Bachelor's Degree in Psychology from the Open University. Executive Management Programme at the Stockholm School of Economics.	Economics degree from the Stockholm School of Economics, MBA from Darden School of Business, University of Virginia, Officer training in the Swedish Navy.
Previous experience	Chief Executive Officer of Menigo Foodservice, CFO of SVT, Partner at McKinsey & Co.	CFO of AstraZeneca Sweden and AstraZeneca Nordic, Finance Manager at Procter and Gamble.	Business area manager of Psychiatry at Carema, CEO of Rent-a-Doctor.	CEO of Keolis Sweden, CFO of ISS Facility Services, CFO of M2 Engineering, CFO of Spendrups Bryggeri.
Born	1968	1973	1959	1963
No. of shares:	710,583	447,637	370,754	1,000



Name	EVA DOMANDERS	MIRIAM TOFT	ERIK SANDØY
Position	Business area manager of Klara since 2016.	Business area manager of Altiden since 2019.	Business area manager of Stendi since 2019.
Other assignments	Board member of the Confederation of Swedish Enterprise and Almega, Chairperson of Kompetensföretagen.	–	–
Education	Nursing Diploma from Grantorpskolan. Studies at Företagsekonomiska institutet (FEI) and the Novare Leadership Academy.	Nursing Diploma from Hillerød Sygeplekeskole and studies in economy at Copenhagen Business School.	Bachelor's Degree in social work, qualified family therapist (PMTO), studies in economy at BI Oslo and IMD in Lausanne.
Previous experience	Chief Executive Officer and deputy Board member of Dedicare Doctor AB. Deputy Board member of Nurse 24 AB and Doctor 24 i Skandinavien AB.	CEO of Aleris Care in Denmark, Member of Københavns Professionshøjskole, HR Director of Aleris-Hamlet Hospitaler	CEO of Aleris Care in Norway, founder and CEO of Ungplan & BOI, Interim CEO of Aleris Care in Sweden.
Born	1966	1974	1955
No. of shares:	7,268	–	–

Footnote:

When Aleris Care was acquired on 21 January 2019, Ambea's new Group management was introduced and is presented on this page. In 2018, Group management consisted of: Fredrik Gren (CEO), Daniel Warnholtz (CFO), Ulla Tansen (Vardaga), Magnus Åkerhielm (Nytida), Truls Navestad (Heimta), Eva Domanders (Klara), Nanna Wedar (Marketing), Yvonne Carpenter Elveljung (Administration), Louise Tjeder (IR and Strategy), Erik Sörensson (Business development), Malin Appelgren (Growth), Philip Bergquist (IT/OPEX and project office), Maria Green Gadelius (Quality), Lena Freiholtz (Quality), Agneta Lindgren (Nytida), Sara Wilhelmsson (Tender) and Anders Westerholm (HR).

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Ambea AB (publ), corporate identity number 556468-4354

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 on pages 41-50 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard 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.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 8 April 2019

Ernst & Young AB

Mikael Sjölander
Authorised Public Accountant

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Directors' report

The Board of Directors and Chief Executive Officer of Ambea AB (publ), corporate registration number 556468-4354, with registered office in Stockholm hereby present the Annual Report and consolidated financial statements for the financial year of 1 January-31 December 2018.

Operations

Ambea is a leading provider of care services in Sweden and Norway, with a focus on residential care for people with disabilities and elderly care under own management. In Sweden, the company provides care services for people with disabilities, and individual and family care, under the Nytida brand. The company conducts elderly care in Sweden under the Vardaga brand. Ambea is also active in disability care in Norway. Ambea also offers staffing services in Sweden, and works with the temporary supply and recruitment of doctors and nurses as well as more long-term staffing solutions, both internally and on behalf of external customers.

Ambea's profitability and growth rate continued to show a favourable trend in 2018. The growth strategy is based on growing under own management through new construction and acquisitions, winning contracts and by increasing and securing the number of placements in existing operations. In October 2018, Ambea announced that agreements had been signed to acquire Aleris's care operations in Sweden, Norway and Denmark. The acquisition was completed on 21 January 2019.

Forms of care operations

All of Ambea's business segments conduct operations in publicly financed markets in Sweden and Norway.

The Swedish care market in which Ambea operates can be divided into three main segments: disability care under the Support and Services for Persons with Certain Functional Impairments Act (LSS), individual and family care, and elderly care. Care market operations are conducted both publicly and privately. Municipalities and county councils are mainly responsible for providing care services for individuals, and these entities can choose to either provide the care themselves or procure services from private operators. Private operators can also take over the operations of an existing business by entering into a management contract, or a framework agreement to conduct the operations under own management.

Operating segments

The Chief Executive Officer manages the operations through the business segments of Vardaga, Nytida, Heimta and Klara. Vardaga comprises elderly care, Nytida comprises disability care, Heimta comprises psychiatric support in residential and non-residential facilities, as well as residential care for people with lifelong disabilities in Norway, and Klara offers temporary staffing including doctors, nurses and other care workers.

Market

The segments in which Ambea operates benefit from the structural drivers that have historically contributed to growth. The disability care market under LSS is driven by the growing number of people receiving diagnoses, greater so-

cial acceptance for disabilities and a favourable demographic trend for the company (larger age groups), which in combination are leading to higher demand for such care services. The company expects that a larger addressable customer base, higher demand for residential facilities and a lack of residential care will lead to higher demand for new residential facilities. In the individual and family care segment, growth is linked to the growing prevalence of mental illness and substance abuse, and leading to a larger potential customer base.

In addition, authorities have tightened demands on care providers in terms of accounting for the unique needs and circumstances of each individual, making the provision of care services more complex. These demands are positive for companies like Ambea that are focused on the provision of advanced and specialised care. Demand for elderly care is expected to grow as the number of elderly people increases, while nursing homes are currently in short supply. The company expects that the underlying growth trends combined with greater consumer awareness of quality and demands for freedom of choice will benefit operators like Ambea that offer high-quality care.

Lack of public resources and the potential for cost savings are driving privatisation. Private care providers have become increasingly important for meeting the growing need for care services. Although the private sector's share of the Swedish care market varies considerably between forms of care and municipalities, the private market has grown faster than the total market over the past decade.

The increased rate of privatisation is due to several factors, including:

- growing demand from customers, and increased public sector support for private operators in healthcare and social services,
- the inability of public operators to fulfil complex care needs,
- municipal resources are strained, which limits the possibility of raising taxes to cover cost increases, and there is not enough capital to meet the major investment needs
- private care providers offer competitive quality and efficiency, often better than the public sector, at the same or a lower cost.

Ambea in figures

All amounts are in millions of Swedish kronor (SEK million) unless otherwise indicated

The financial year in summary for the Group

- Net sales amounted to SEK 6,076 million (5,816)
- Operating profit totalled SEK 429 million (402)
- Profit for the year after tax attributable to shareholders of the Parent Company was SEK 295 million (226)

Multi-year review

SEK million	2018	2017	2016	2015
Group				
Net sales	6,076	5,816	5,334	4,347
EBITDA	564	512	403	330
Operating margin, EBITDA (%)	9.3	8.8	7.6	7.6
Adjusted EBITDA	603	550	501	330
Operating margin, Adjusted EBITDA (%)	9.9	9.5	9.4	7.6
EBITA	508	461	359	301
Operating margin, EBITA (%)	8.4	7.9	6.7	6.9
Adjusted EBITA	547	498	457	301
Operating margin, adjusted EBITA (%)	9.0	8.6	8.6	6.9
Operating profit, EBIT	429	402	301	251
Operating margin, EBIT (%)	7.1	6.9	5.6	5.8
Profit before tax	391	288	171	227
Profit after tax	295	226	128	169
Earnings per share, SEK	4.37	3.37	1.97	n/a
Return on equity (%)	11.4	9.9	6.4	9.2
Equity/assets ratio (%)	46.7	44.5	38.1	55.8
Operating cash flow after changes in working capital	600	459	305	341
Cash conversion	108.0	90.8	79.7	103.1
Average no. of employees ¹	7,435	7,244	7,897	6,885
Parent Company				
Net sales	29	25	0	0
Profit before tax	-1	-1	0	0
Equity/assets ratio (%)	48.8	51.2	99.9	99.8

Net sales

Net sales rose 4 per cent to SEK 6,076 million (5,816).

Net sales in Own Management amounted to SEK 4,166 million (3,751), growth of 11 per cent that was attributable to acquisitions and start-up units. The personal assistance operations, which were divested in November 2017, contributed net sales of SEK 66 million in the preceding year.

Adjusted for the subsequent decline, net sales in Own Management rose 13 per cent.

Net sales in Contract Management amounted to SEK 1,589 million (1,743). The year-on-year decline in sales was due to contracts terminated in 2017 and 2018.

Net sales in Staffing amounted to SEK 321 million (322).

¹As of the interim report for the second quarter of 2018, an improved methodology is now used to calculate the average number of employees. To facilitate comparability with earlier periods, these figures have been restated, where applicable, using the same methodology.

Operating profit

EBIT rose 7 per cent to SEK 429 million (402), representing a margin of 7.1 per cent (6.9). EBITA rose 10 per cent to SEK 508 million (461). The EBITA margin was 8.4 per cent (7.9). EBITA for the period was impacted by items affecting comparability of SEK -39 million (-38), of which SEK -35 million was attributable to transaction costs related to the acquisition of Aleris's care operations and SEK -4 million to the divestment of the personal assistance operations in the fourth quarter of 2017.

The reversal of an earn-out provision had a positive impact of SEK 4 million on profit for the period. The settlement of a supplier dispute resulted in a positive non-recurring effect of SEK 4 million. In May 2017, an amount of SEK 18 million was refunded for previously paid pension premiums, which had a positive effect on the comparative period.

Adjusted EBITA for the period was SEK 547 million (498). Acquisitions, start-up units and favourable cost control had a positive impact on earnings. The earnings trend in Contract Management was negatively impacted by retaken contracts. The trend for Children & Youth remained negative, with an adverse impact on earnings. In 2018, restructuring costs of SEK 16 million, related to the adaptation of central functions, were charged to earnings.

The adjusted EBITA margin was 9.0 per cent (8.6).

Net financial items

Net financial items amounted to SEK -38 million (-114) for the period. The change was due to more attractive financing terms obtained in 2017 and the new commercial paper programme issued in December 2017. When the new financing arrangement was introduced in 2017, SEK 49 million was expensed in relation to previous financing arrangements.

Tax

Tax expense for the period was SEK 96 million (62), corresponding to a tax rate of 25 per cent (21). Following the Riksdag's decision to cut corporate tax rates, deferred tax assets and liabilities were adjusted and generated a positive net impact of SEK 4 million.

Profit for the period

Profit for the period totalled SEK 295 million (226), representing earnings per share of SEK 4.37 (3.37) before and after dilution.

Intangible assets

Intangible assets include goodwill of SEK 4,058 million (3,774) and other intangible assets of SEK 468 million (485), most of which comprise customer contracts and customer relationships identified in connection with acquisitions. No impairment of intangible fixed assets occurred during the current financial year, refer to Note G13, Intangible assets.

Tangible assets

The carrying amount was SEK 211 million (201). Depreciation and impairment losses for the year amounted to SEK -56 million (-52).

Working capital

Working capital amounted to SEK -54 million (25), corresponding to -0.9 per cent (0.4) of net sales.

Cash flow

Cash flow from operating activities was SEK 538 million (342), of which changes in working capital amounted to SEK 73 million (-42). Net investment amounted to SEK -400 million (-447), of which acquisitions and divestments of subsidiaries amounted to a net outflow of SEK -368 million (-438). Cash flow from financing activities was SEK -164 million (-130). Cash flow for the period was SEK -25 million (-235).

Financial position

During the year, total equity rose SEK 227 million (413) to SEK 2,707 million (2,480). Return on equity was 11.4 per cent (9.9). The equity/assets ratio was 46.7 per cent (44.5). The Board proposes a dividend of SEK 1.10 per share corresponding to 25 per cent of net profit for the year.

In 2018, net debt declined SEK 22 million to SEK 1,993 million (2,015). At year-end, cash and cash equivalents amounted to SEK 62 million (87). At December 31, SEK 1,025 million (487) of the credit facilities and commercial papers was undrawn.

The net debt to adjusted EBITDA ratio was 3.3 (3.7).

Cash flow	2018	2017
Cash flow from operating activities before changes in working capital	465	383
Cash flow from changes in working capital	73	-42
From operating activities	538	342
Cash flow from investing activities (excluding acquisitions/divestments and investments in financial assets)	-32	-10
Free cash flow	506	332

Financial position	2018	2017
Net debt, Net debt/Adjusted EBITDA, RTM		
Non-current interest-bearing liabilities	614	710
Current interest-bearing liabilities	1,441	1,392
Less cash and cash equivalents	-62	-87
Net debt	1,993	2,015
Adjusted EBITDA	603	550
Net debt/Adjusted EBITDA (ratio)	3.3	3.7

Segments

Vardaga

Vardaga's net sales declined 2 per cent to SEK 2,224 million (2,260).

Net sales in Own Management amounted to SEK 1,118 million (1,018), up 10 per cent, mainly due to higher rates of occupancy

in start-up units.

Net sales in Contract Management amounted to SEK 1,106 million (1,241). The 11-per cent decline was due to contracts won not fully offsetting contracts terminated. EBITA rose 3 per cent to SEK 159 million (154). In 2017, earnings were positively impacted by a refund of approximately SEK 18 million for pension premiums paid. Start-up units and changes in Contract Management's contract mix had a positive impact on earnings compared with the year-earlier period.

The EBITA margin was 7.1 per cent (6.8).

Nytida

Net sales rose 4 per cent to SEK 2,982 million (2,864). Net sales in Own Management amounted to SEK 2,500 million (2,363), up 6 per cent, mainly due to acquisitions. In 2017, the personal assistance operations, which were divested in November 2017, contributed net sales of SEK 66 million. Adjusted for the divestment, net sales growth in Own Management was 9 per cent.

Net sales in Contract Management amounted to SEK 483 million (501). The 4-per cent decline was due to contracts won not fully offsetting contracts terminated. EBITA rose 5 per cent to SEK 369 million (350). The EBITA margin was 12.3 per cent (12.1).

Stöd & Resurs was acquired in May 2018, comprising residential care facilities, day services and short-term accommodation for children and adults with neuropsychiatric disabilities.

Heimta

Net sales rose 49 per cent to SEK 548 million (369), attributable to acquisitions and start-up units. Adjusted for currency effects (SEK -18 million), year-on-year growth was 43 per cent. EBITA was SEK 33 million (19), representing a margin of 6.0 per cent (5.1). Adjusted for currency effects (SEK -1 million), EBITA was SEK 33 million.

Start-up costs attributable to new Own Management units were charged to earnings in the first half of 2018, while

acquisitions made a positive contribution. During the year, changes to the composition of the contract portfolio had a negative impact on earnings.

As of March 2018, all operations in Norway have been conducted under the Heimta brand.

Klara

Net sales declined marginally to SEK 321 million (322). A weaker trend for temporary doctors and nurses was offset by the positive performance of previous acquisitions and increased demand for ambulatory care nurses.

EBITA was SEK 16 million (12), representing a margin of 5.0 per cent (3.7). Acquisitions and a positive trend for Klara Team made a positive contribution. Efficiency enhancements with respect to administration resulted in lower overheads during the quarter. Temporary doctor staffing had a negative impact.

On 2 January 2018, Ambea acquired Elevhälsan, which is specialised in staffing solutions for student health services in elementary and secondary schools.

In June 2018, the Supreme Administrative Court issued a decision regarding VAT liability for staffing agencies supplying temporary care staff. For Klara, these new guidelines from the Swedish Tax Agency entail that the supply of temporary care staff to municipalities, counties and private social care companies will be subject to VAT from 1 July 2019. Ambea assesses that this regulatory change will lead to a need for new business models and probably result in lower sales, but also have a limited effect on Klara's earnings. Some of its previously announced administrative cost-reduction programme specifically addressed the need to adapt the cost mass in the staffing operations.

As of March 2018, Ambea's temporary staffing and ambulatory services have been conducted under the Klara brand.

Significant events during the financial year

Incentive programmes

The Annual General Meeting on 23 March 2018 resolved to introduce two long-term incentive programmes: (i) a warrants programme for Group management and members of extended management and (ii) a matching share plan for certain other managers in the Ambea Group.

For more information about the programmes, refer to information from the AGM at www.ambea.com/investor-relations/corporate-governance/shareholders-meeting/.

Extended credit facility

The company extended its revolving credit facility by SEK 500 million to a total of SEK 3,000 million, with no change to the covenants. For more information about the credit facility, refer to the 2017 Annual Report, page 54.

Tax audit

During the year, Ambea received a reassessment notice from the Swedish Tax Agency regarding VAT of SEK 12 million, including tax surcharges, for prior years in Ambea AB (publ).

The reassessment was mainly related to VAT on IPO costs in 2017.

The company has appealed the Swedish Tax Agency's preliminary decision and is awaiting further assessment, which is why no provision has been made for the cost.

VAT on the supply of temporary care staff

On 25 October, the Swedish Tax Agency announced its position on VAT treatment for the supply of temporary care staff. Under the new rule, the supply of temporary care staff to municipalities, counties and private social care companies will be subject to VAT. This rule is based on a decision handed down by the Supreme Administrative Court in June 2018. The Swedish Tax Agency will apply the new rule from 1 July 2019.

For Klara, this means that the supply of temporary care staff to external private social care companies, municipalities and counties will be subject to VAT. Although this regulatory change is expected to lead to lower sales in the staffing operations, the negative impact on the Group's earnings is expected to be limited.

Acquisitions

- On 2 January, Ambea's Klara business area acquired PR Vård AB (Elevehälsan). The business area is specialised in staffing solutions for student health services in elementary and secondary schools. The company conducts operations throughout Sweden, with a strong position in Stockholm, Uppsala and Östergötland.
- On 28 February, Ambea's Nytida business area acquired Arona Omsorger, comprising two legal entities, Trollglim och Vittergull AB and R.A.L. Fastighetsförvaltning AB. Arona Omsorger consists of one group home with a total of seven beds and one day services unit for 12 people with a focus on caring for animals, and the operations are located close to Trosa and Vagnhärad in Sweden.
- On 4 April, Ambea's Vardaga business area acquired Strukturrutan AB. The company manages the Myran nursing home in Östersund on behalf of the municipality.
- On 7 May, Ambea's Nytida business area acquired Curation Holding AB (Stöd & Resurs). The acquisition complements and strengthens Nytida's existing operations in residential care, day services and short-term accommodation for children and adults with neuropsychiatric disabilities.
- On 1 June, Ambea's Nytida business area acquired Tillväxthemma AB. Tillväxthemma's operations are focused on socially vulnerable children and young adults, have 13 beds and are based in Gävleborg County.
- On 28 September, Ambea's Nytida business area acquired Kung Saga AB. Kung Saga operates a special needs upper secondary school with an aesthetic focus and related after-school activities in Stockholm. The company has 45 school placements and 30 after-school placements.

- On 15 October, Ambea entered into an agreement to acquire all of Aleris's care operations in Norway, Sweden and Denmark for a purchase price of SEK 2,600 million on a debt-free cash-free basis (enterprise valuation). The acquisition will make Ambea the largest care company in the Nordic region, with operations in Sweden, Norway and Denmark. The transaction was completed on 21 January 2019 for a purchase price of approximately SEK 3 billion adjusted for net cash in Aleris's care operations on the transfer date.

For more information about the acquisitions, refer to Note G30, Business combinations.

Quality and sustainability

Ambea maintains a strong focus on quality and sustainability. For Ambea, sustainability means always providing person-centred care, respecting human rights and driving innovation in social care. We do this by maintaining an ethical approach, combined with structured sustainability management.

These efforts are based on the 2030 Agenda for Sustainable Development and GRI standards (GRI 102: General Disclosures).

A new holistic quality index for all units is under development, which incorporates the Qualimax Index from our own quality assurance system, a leadership index, customer satisfaction and a systematic improvement process.

Detailed reporting on quality and sustainability management has been compiled in Ambea's 2018 Quality and Sustainability Report.

Ambea has prepared a sustainability report in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 10. The report is available on Ambea's website ambea.se/kvalitet-hallbarhet/bokslut-och-redovisningar/ and covers all of the Group's companies.

Research and development

In 2016, Lära was launched to support Ambea's subsidiaries in their efforts to attract, retain and develop employees by creating conditions for high-quality internal training programmes and competence development in each service area. Lära also conducts and develops external training programmes and can be found throughout Sweden, with customers in both municipalities and county councils as well as the private sector.

Lära contributes to various projects in research, innovation and development with the aim of developing training programmes, services, the organisation and employees in social care. Projects focused on special education, competence and digitisation are also conducted. Lära also collaborates with Karolinska Institutet and Malmö University.

Corporate governance

Ambea has elected to prepare a Corporate Governance Report that is separate from the Annual Report, according to Chapter 6, Section 8 of the Swedish Annual Accounts Act.

The Corporate Governance Report can be found on pages 40-50 and on ambea.se.

Ownership structure

Ambea has been listed on Nasdaq Stockholm since 31 March 2017. The company's largest owners are ACTR Holding AB

and ACTOR SCA, representing a partnership between funds advised by Triton and KKR, respectively, which jointly owned 33,905,575 shares, corresponding to 50.14 per cent of the total number of shares in Ambea. At 31 December 2018, no other owners owned 10 per cent or more of the total number of shares.

For more information about Ambea's share, see pages 14-15.

The Group's risks and uncertainties

Ambea is exposed to a variety of risks and attaches great importance to continuously monitoring, analysing and acting to mitigate potential risks.

The most significant risks are described on pages 46-47.

Seasonal variations

Ambea's operating profit is affected by seasonal variations, weekends and public holidays.

Weekends and public holidays reduce Ambea's profitability due to higher personnel costs for inconvenient working hours. The first or second quarter is affected by Easter, depending on which quarter the Easter holiday falls, while the first and fourth quarter are affected by Christmas and New Year holidays.

The company's personnel costs are affected in a similar manner when employees take out their holidays. For example, the company is most profitable in the third quarter, as employees typically take their holidays during July and August and therefore receive holiday pay that is accrued continuously throughout the year. Costs also tend to be lower in the summer months due to a reduced schedule for central activities, such as mandatory training programmes and central initiatives, during this period.

Managers and employees

Employees are our most valuable asset. They provide the daily support, care and attention in every interaction with our customers and care-service users. Performing their tasks requires functional approaches and methods, and not least effective leadership. This is also necessary in terms of being able to attract and retain talented employees amid the growing competition for social care workers.

On 31 December 2018, Ambea had approximately 7,435 full-time employees and the company considers its employees the most valuable asset for being able to offer high-quality care, and for the future development of the company. The company has elected to position itself in care segments that require a high degree of care which, in turn, requires highly competent and knowledgeable employees.

Lära develops training programmes for both internal and external participants and drives and supports development projects, with the aim of clarifying the company's position as a leading provider of services in disability care, individual and family care and elderly care.

Ambea's leadership programme plays a key role in Ambea's fundamental strategy to develop industry-leading employees. The programme contributes to Ambea's objective of being the most attractive employer by offering employees the opportunity to develop professionally in a unique programme with certified training courses.

Remuneration principles for senior executives

The company offers market-aligned salary and remuneration based on one fixed and one variable component. Remuneration of the CEO and other senior executives comprises basic salary, variable remuneration and pension.

Senior executives are those persons who, together with the CEO, make up Group management.

Fixed and variable remuneration

The distribution between basic salary and variable remuneration is proportional to the executive's responsibility and authority. The variable remuneration is based on a combination of financial and qualitative targets.

The CEO's annual variable remuneration is capped at SEK 3.5 million. Other senior executives can receive annual variable remuneration capped at an amount corresponding to three to eight fixed monthly salaries.

From time to time, the Board proposes share-based long-term incentive programmes, which are then discussed by the General Meeting in a special order.

In relevant cases, senior executives receive other customary benefits, such as a company car, occupational health services, etc.

Pension obligations

Senior executives are entitled to pension benefits in accordance with defined-contribution plans, with premiums of 20-30 per cent of the executive's salary, or in accordance with the applicable occupational pension plan. Some senior executives have an alternative ITP within the ITP 2 plan, which means that higher pension premiums are paid in.

Agreements concerning pensions shall, where possible, be based on fixed premiums and formulated in accordance with the levels, practice, individual agreements and collective agreements applicable to the Group.

Severance pay

Senior executives are entitled to a notice period of six months if the employment is terminated by the employer, and six months if the employment is terminated by the employee. Upon termination by the company, certain senior executives, in addition to their fixed monthly salaries during the notice period, are entitled to severance pay in an amount ranging from three to twelve fixed monthly salaries.

Deviation from remuneration principles

The Board should be entitled to deviate from these guidelines should special reasons exist.

Proposal for the 2019 AGM

The Board proposes that the above, unchanged, remuneration principles for the Chief Executive Officer and Group management be adopted by the 2019 AGM.

Events after the end of the period

On 21 January 2019, Ambea acquired Aleris's care operations in Sweden, Norway and Denmark. Aleris's care operations are focused on elderly care, and on residential facilities and support for children and adults with functional disabilities or psychosocial problems. Aleris's care operations comprise approximately 250 operations under both Own Management and Contract Management. The purchase price, which was financed with existing credit facilities and new secured bank loans, amounted to SEK 2.6 billion on a debt-free cash-free basis. Ambea financed the transaction with existing credit facilities and new secured bank loans. To repay some of this financing and reduce Ambea's indebtedness in order to achieve the company's long-term financial targets, Ambea intends to propose that the AGM resolve on a new issue of

shares to existing shareholders in the first half of 2019, to raise approximately SEK 1.2 billion.

The acquisition will be consolidated in Ambea's accounts as of 21 January 2019.

Parent Company earnings and financial position

Ambea AB (publ) is the Parent Company of the Ambea Group. The company's operations consist of management services for the subsidiaries and the management of shares in subsidiaries.

The Parent Company's net sales amounted to SEK 29 million (25). Loss before tax totalled SEK -1 million (-1). Cash and cash equivalents amounted to SEK 0 million (9). Equi-

ty in the Parent Company amounted to SEK 2,053 million (2,125). The number of shares in the company was 67,616,556 (67,616,556).

Proposed distribution of profits

The Board proposes that a dividend of SEK 1.10 per share be paid to the shareholders registered on the record date and that the remaining non-restricted equity be retained by the Parent Company. No dividends are paid on the Parent Company's holding of own shares. For more information, refer to Ambea's dividend policy.

The Board proposes that profits be distributed as follows:

	SEK
Retained earnings	2,052,313,816
Profit for the year	-1,452,982
Total	2,050,860,834

The Board of Directors proposes that

A dividend of SEK 1.10 per share be paid to the shareholders, based on 67,503,602 shares outstanding at the end of 2018	74,253,962
To be carried forward	1,976,606,872
Total	2,050,860,834

For more information about the company's earnings and financial position, refer to the following income statements and balance sheets and the accompanying notes to the accounts.

Consolidated income statement

SEK million	Note	2018	2017
OPERATING INCOME	2.3		
Net sales		6,076	5,816
Other operating income		70	83
		6,146	5,899
OPERATING EXPENSES			
Consumables		-184	-182
Other external costs	4,5,6	-1,251	-1,139
Personnel costs	7	-4,142	-4,033
Depreciation, amortisation and impairment of tangible and intangible assets	8	-135	-110
Profit/loss from participations in Group companies	9	-4	-23
Other operating expenses		-1	-10
Operating profit		429	402
Financial income		2	7
Financial expenses		-40	-121
Net financial items	10	-38	-114
Profit after net financial items		391	288
Profit before tax		391	288
Tax on profit for the year	11	-96	-62
PROFIT FOR THE YEAR		295	226
Profit for the year attributable to:			
Shareholders of the Parent Company		295	226
Non-controlling interests		-	-
		295	226
Earnings per share before and after dilution, SEK	12	4.37	3.37

Consolidated statement of comprehensive income

SEK million	2018	2017
PROFIT FOR THE YEAR	295	226
OTHER COMPREHENSIVE INCOME, ITEMS NOT TRANSFERABLE TO PROFIT OR LOSS		
Remeasurement of defined-benefit pension plans	-	-2
Tax related to remeasurement of defined-benefit pension plans	-	0
Total items not transferable to profit or loss	-	-2
OTHER COMPREHENSIVE INCOME, ITEMS TRANSFERABLE TO PROFIT OR LOSS		
Translation differences	7	-12
Hedging of net investments in foreign operations	-7	12
Tax related to net investments in foreign operations	1	-3
Other	-	-
Total items transferable to profit or loss	1	-3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	296	221
Comprehensive income for the year attributable to:		
Shareholders of the Parent Company	296	221
Non-controlling interests	-	-
	296	221

Consolidated balance sheet

SEK million	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Fixed assets			
Goodwill	13	4,058	3,774
Customer contracts and customer relationships	13	446	466
Other intangible assets	13	22	19
Tangible assets	14	211	201
Derivative instruments		0	0
Deferred tax assets	23	35	76
Non-current receivables	25,15,26	27	26
Total fixed assets		4,799	4,562
Current assets			
Inventories		0	0
Accounts receivable	25.26	622	624
Other receivables	15	68	94
Prepaid expenses and accrued income	16	167	157
Cash and cash equivalents	25,26,27	62	87
		919	962
Assets held for sale	14	74	43
Total current assets		993	1,005
TOTAL ASSETS		5,792	5,567
EQUITY AND LIABILITIES			
Equity			
Share capital	17	2	2
Other capital contributions		4,965	4,965
Reserves		1	0
Retained earnings including profit for the year		-2,261	-2,487
Total equity attributable to shareholders of the Parent Company		2,707	2,480
Non-controlling interests		–	–
Total equity		2,707	2,480
Non-current liabilities			
Non-current interest-bearing liabilities	18.25	614	710
Other non-interest-bearing liabilities	20.25	0	4
Pension provisions	21	4	6
Other provisions	22	0	0
Deferred tax liabilities	23	114	124
Total non-current liabilities		732	844
Current liabilities			
Current interest-bearing liabilities	18,19,25	37	43
Commercial papers	18.25	1,404	1,349
Accounts payable	25	198	194
Tax liabilities		93	73
Other non-interest-bearing liabilities	20	74	96
Accrued expenses and deferred income	24	547	488
Total current liabilities		2,353	2,243
TOTAL EQUITY AND LIABILITIES		5,792	5,567

Consolidated statement of changes in equity

	Share capital	Other capital contributions	Reserves (Note G17)	Retained earnings, including profit for the year	Total	Non-controlling interests	Total equity
Opening balance, 1 Jan 2017	1	4,772	3	-2,709	2,067	-	2,067
Total comprehensive income							
Profit for the year	-	-	-	226	226	-	226
Other comprehensive income for the year	-	-	-3	-2	-5	-	-5
Total comprehensive income	-	-	-3	224	221	-	221
Transactions with shareholders							
Bonus issue	1	-	-	-1	-	-	-
New share issue	0	200	-	-	200	-	200
Issue expenses	-	-7	-	-	-7	-	-7
Warrants issued	-	-	-	2	2	-	2
Share buybacks	-	-	-	-5	-5	-	-5
Closing balance, 31 Dec 2017	2	4,965	0	-2,487	2,480	-	2,480
Opening balance, 1 Jan 2018	2	4,965	0	-2,487	2,480	-	2,480
Total comprehensive income							
Profit for the year	-	-	-	295	295	-	295
Other comprehensive income for the year	-	-	1	-	1	-	1
Total comprehensive income	-	-	1	295	296	-	296
Transactions with shareholders							
Bonus issue	-	-	-	-	-	-	-
New share issue	0	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-
Warrants issued	-	-	-	3	3	-	3
Share buybacks	0	-	-	-4	-4	-	-4
Dividend ¹	-	-	-	-68	-68	-	-68
Closing balance, 31 Dec 2018	2	4,965	1	-2,261	2,707	-	2,707

¹ Dividends for the 2017 financial year totalled SEK 68 million.

Consolidated cash flow statement

SEK million	Note	2018	2017
Operating activities			
Profit before tax		391	288
Adjustment for non-cash items	29	134	145
		525	433
Tax paid		-60	-50
Cash flow from operating activities before changes in working capital		465	383
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		0	0
Increase (-)/Decrease (+) in operating receivables		36	-33
Increase (+)/Decrease (-) in operating liabilities		37	8
Cash flow from operating activities		538	342
Investing activities			
Acquisition of subsidiaries	30	-368	-452
Divestment of subsidiaries		0	14
Investment in intangible assets	13	-9	-4
Investment in tangible assets	14	-38	-66
Divestment of tangible assets	14	15	60
Investment in financial assets		0	0
Divestment of financial assets		0	1
Cash flow from investing activities		-400	-447
Financing activities			
New loans/Loans raised		1,399	3,636
Repayment of loan liabilities		-1,405	-3,957
Change in revolving credit facility		-89	-
New share issue		1	196
Share buybacks		-4	-5
Premiums for warrants		2	-
Dividends paid		-68	-
Cash flow from financing activities		-164	-130
Cash flow for the year		-25	-235
Cash and cash equivalents at beginning of the year		87	318
Exchange rate differences in cash and cash equivalents		0	3
Cash and cash equivalents at year-end	29	62	87

Notes for the Group

All amounts are in millions of Swedish kronor (SEK million) unless otherwise indicated.

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NOTE G1 Accounting policies

This is the Annual Report and consolidated financial statements for the Swedish Parent Company Ambea AB (publ) (Ambea), corporate registration number 556468-4354 and its subsidiaries. The Group conducts operations in Sweden and Norway in elderly care, disability care and staffing.

The Parent Company is a Swedish limited liability company domiciled in Stockholm. The address of the head office is Evenemangsgatan 21, SE-171 29 Solna, Sweden.

This Annual Report and the consolidated financial statements were approved by the Board on 3 April 2019, and will be presented to the Annual General Meeting for adoption on 16 May 2019.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). In addition, the Swedish Annual Accounts Act and RFR 1, issued by the Swedish Financial Reporting Board and containing supplementary accounting regulations for Groups, have been applied. The accounting policies set out below for the Group have been consistently applied unless otherwise stated below, in the consolidation of the Parent Company and subsidiaries. The accounting policies applied are consistent with those applied in the preceding year with the exceptions set out below. The company has elected to only comment on the standards, amendments and interpretations deemed relevant for the Group.

Basis of accounting in the preparation of the consolidated financial statements

Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value comprise derivative instruments (interest rate caps).

Currency

The functional currency is the currency of the principal economic environments in which the companies operate. The Parent Company's functional currency is the Swedish kronor (SEK), which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise indicated, are rounded off to the nearest million (SEK million).

Judgements and estimates applied in the financial statements

The preparation of financial statements in compliance with IFRS requires management to make judgements and estimates. Judgements and estimates are based on historical experience and a number of other factors considered reasonable in the prevailing circumstances. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that would otherwise not be readily apparent from other sources. The actual outcome may differ from these estimates and judgements. The estimates and assumptions are reviewed on a regular basis. For a

more detailed description, see Note G32 Key judgements and estimates.

New and revised IFRS applied from 1 January 2018

In 2018, the Group applied IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers for the first time. The effects of applying these new accounting standards are presented below. None of the new or revised standards or interpretations had any material impact on the financial statements of the Group or the Parent Company.

No new or revised IFRSs were applied in advance.

IFRS 9 Financial instruments

For reporting periods commencing on or after 1 January 2018, IFRS 9 Financial instruments superseded IAS 39 Financial instruments: Recognition and Measurement. The Group has applied IFRS 9 since 1 January 2018 and comparative information has not been restated.

As with IAS 39, financial assets and liabilities are classified into different categories, of which some are measured at amortised cost and others at fair value. IFRS 9 introduced other categories than those in IAS 39. Under IFRS 9, classification decisions are based on the contractual cash flow characteristics of the instrument and the company's business model.

The new standard also contains rules for the impairment of financial assets. Under the previous standard, impairment was based on incurred credit losses, while impairment in the new model is based on expected credit losses. The impairment rules in IFRS 9 are based on a three-stage model, where the recognition of impairment is determined by changes in the credit risk of the financial assets. In other words, a loss event no longer has to occur before an impairment is recognised. However, the standard contains a simplified approach for the impairment of accounts receivable, for example. This means that a provision for credit losses can be recognised directly and that no assessment of changes to the credit risk is required.

For financial liabilities, IFRS 9 is largely consistent with IAS 39. However, for liabilities measured at fair value, some of the change in fair value attributable to own credit risk is recognised in other comprehensive income instead of profit or loss, unless this leads to inconsistent financial reporting.

Transition to IFRS 9 did not have any material impact on the Group's financial position.

a) Classification and measurement

For the Group, the introduction of IFRS 9 has meant that the Group's financial assets and liabilities have now been classified into new categories. The financial assets classified as loans and receivables under IAS 39 are classified as financial assets measured at amortised cost under IFRS 9. The Group's financial liabilities that were previously classified as other financial liabilities under IFRS 9 are now classified as financial liabilities measured at amortised cost. The Group's derivative instruments that are not used for hedge accounting are still classified as financial assets measured at fair value through profit or loss.

b) Impairment

The Group applies the simplified approach for the recognition of expected credit losses related to accounts receivable. The initial application of expected credit losses had no significant impact on the Group. For this reason, no additional provisions were made in the transition, which is why the carrying amounts of assets measured at amortised cost are not affected.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 became effective for reporting periods beginning on or after 1 January 2018. Ambea has therefore applied the standard since 1 January 2018 and in the transition to IFRS 15 elected to apply the modified retrospective approach, which is why no comparative figures have been restated.

IFRS 15 has introduced new requirements for revenue recognition and supersedes earlier revenue standards (IAS 18 Revenue and IAS 11 Construction Contracts) and related interpretations. The standard is based on the principle that revenue is recognised when the company satisfies a performance obligation by transferring a promised good or service to a customer, in other words, that the customer obtains control of that good or service. This can take place over time or at a point in time.

Based on the five-step model described in the standard, the Group's revenue streams were analysed with the result that the Group and the Parent Company do not anticipate any material impact from the implementation of IFRS 15. However, an accrual effect was identified in relation to school vouchers, which means that these will not be expensed during school summer holidays as of 2018. This accrual effect does not have any effect on revenue on an annual basis. Other than this effect, Ambea does not anticipate that the standard will entail any changes to the Group's revenue recognition. However, the disclosure requirements have been expanded, see Note G2.

New and revised IFRSs not yet applied

IFRS 16 Leases will become effective on 1 January 2019. The company has not applied this standard in advance. IFRS 16 will impact the consolidated financial statements as described below. In addition to IFRS 16, no other standards adopted by IASB at 31 December 2018 are expected to have any impact on the consolidated financial statements.

IFRS 16 As of 1 January 2019, IFRS 16 Leases will replace existing IFRSs related to the recognition of leases, including IAS 17 Leases and IFRIC 4. Ambea will apply IFRS 16 as of 2019. IFRS 16 mainly affects lessees and the principal effect is that a lease agreement currently classified as an operating lease will be accounted for in a manner similar to how finance leases are currently treated. This means that assets and liabilities will also have to be recognised for operating leases, with associated recognition of the depreciation and interest expense — unlike today, when no recognition of a leased asset and associated liability is required, and where leasing charges are accrued on a straight-line basis as a lease expense.

Choice of approach

Ambea has chosen to apply the simplified transitional approach, which requires a restatement on the transition date by adjusting the opening balance at 1 January 2019. Informa-

mation about the transition effects, including any effect on equity, will thus be presented in the balance sheet at 1 January 2019. In the transition to IFRS 16, it is possible to apply certain transition relief, which excludes some leases such as short-term leases and leases of low-value items with a value of USD 5,000 or less. Ambea has elected to apply this relief.

Properties/premises

Ambea has identified two main classes of assets: properties/premises and vehicles. Rental contracts for properties and premises (previously classified as operating leases) with a term of more than 12 months from 1 January 2019 have been identified and recognised. A number of agreements for small storage areas, parking spaces and small offices have been excluded. Leases pertaining to long-term contracts for rental apartments with a short notice period have been excluded. At 31 December, the total number of rental contracts was 330. These are distributed as follows: approximately 270 in the Nytida segment and about 30 each in the Vardaga and Heimta segments.

Discounting

For contracts with terms of up to 3 years, the marginal lending rate is 1.75 per cent. For contracts with terms of 3 years or more, Ambea has assumed a risk-free interest rate corresponding to STIBOR (range of 0.77–1.94 per cent from 4-10 years and later) and the equivalent for Norway (1.97-2.44 per cent from 4-10 years and later), and added a margin of 1.75 per cent.

Extension option and indexation

Ambea makes case-by-case assessments of extensions for every lease impacted by IFRS 16, with the general assessment that elderly care leases will be extended. In the Nytida segment, LSS leases are expected to be extended. Regarding leases in the Individual and Family operational area of the Nytida segment, a more comprehensive assessment is made of whether the option to extend should be exercised, given the diverse needs of the operations. The date on which knowledge of extension can be confirmed with certainty is the termination date of the lease, generally 9-12 months before the lease expires. Some long-term leases have 24 months.

Regarding indexation, the starting date of the contract has been stipulated as the base date with one year after the starting date as the first indexation date.

Other classes of assets

In addition to lease agreements, finance leases for vehicles are also a material class of assets for Ambea. At 31 December, the number of vehicles with finance leases was approximately 500. Computers deemed to have insignificant value per lease have been excluded. For photocopiers, the total value is not deemed material.

Refer to Note G6 for more information about transition effects and the impact on key figures.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM is the function that is responsible

for the allocation of resources and the assessment of the operating segments' results. In the Ambea Group, this function has been identified as the Chief Executive Officer.

The Chief Executive Officer manages the operations through the business segments of Vardaga, Nytida, Heimta and Klara. Vardaga comprises elderly care, Nytida provides disability care, Klara offers temporary doctors, nurses and other care workers. Heimta comprises psychiatric support in residential and non-residential facilities, as well as residential facilities for people with life-long disabilities in Norway. The results of the operating segments are assessed and analysed using the financial measure EBITA (Operating profit before amortisation and impairment of intangible assets).

Classification

Fixed assets and non-current liabilities in the Parent Company and the Group comprise in all material respects only the amounts that are expected to be recovered or paid after more than twelve months from the balance-sheet date. Current assets and current liabilities in the Parent Company and the Group in all material respects comprise only the amounts that are expected to be recovered or paid within twelve months of the balance-sheet date.

Consolidation principles

Subsidiaries

Subsidiaries are all companies (including entities for specific purposes) that stand under Ambea's controlling influence. An investor has a controlling influence over a company when the investor is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its influence over the company. The existence and effect of potential voting rights that may currently be utilised or converted is taken into account in the assessment of whether the Group exercises a controlling influence in another company. Subsidiaries are included in the consolidated financial statements as of the day controlling influence is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

The purchase method of accounting is used for recognising the Group's business combinations. The purchase price for the acquisition of a subsidiary consists of the fair value of the transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities resulting from a contingent consideration agreement.

Contingent considerations are recognised at their fair value at the date of acquisition. Where the contingent consideration is classified as an equity instrument, no remeasurement is done, and the matter is settled within equity. Other contingent considerations are remeasured at each reporting date and the change is recognised in profit or loss.

Acquisition-related costs are recognised when incurred. Identifiable assets and liabilities acquired in a business combination are initially measured at fair value at the acquisition date. For each acquisition, the Group decides whether all holdings with a non-controlling interest in the acquired company will be measured at fair value or as the holding's proportional share of the acquired company's net assets.

The amount by which the consideration, any non-controlling interests and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's

share of identifiable acquired net assets is recognised as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets – a bargain purchase – the difference is recognised directly in the statement of comprehensive income. Intra-Group transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group companies, are eliminated.

The accounting policies for subsidiaries have been changed where necessary to guarantee the consistent application of the Group's principles.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interest as transactions with the Group's shareholders. In the case of acquisitions from non-controlling interests, the difference between the consideration paid and the actual acquired share of the carrying amount of the net assets of the subsidiary is recognised in equity. Gains and losses on sales to non-controlling interest are also recognised in equity.

When the Group no longer has a controlling or significant influence, each remaining holding is remeasured at fair value and the change in value is recognised in profit or loss. The fair value is used as the initial recognised value and provides the basis for future recognition of the remaining shareholding as an associated company, joint venture or financial asset. All amounts related to the divested unit previously recognised under other comprehensive income are recognised as if the Group had sold the associated assets or liabilities. This could result in amounts previously recognised in other comprehensive income being reclassified to profit or loss. If the ownership of an associated company is reduced but a significant influence still remains and where applicable, only a proportional share of the amounts previously recognised under other comprehensive income are reclassified to profit or loss.

Transactions eliminated on consolidation

Intra-Group receivables and payables, income and expenses and unrealised gains or losses arising from transactions between Group companies are eliminated in their entirety in the preparation of the consolidated financial statements. Unrealised gains from transactions with associated companies are eliminated to an extent corresponding to the Group's ownership of the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there are no indications of impairment.

Transactions in foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing on the day of the transaction. The functional currency is the currency of the principal economic environments in which the companies operate. Monetary assets and liabilities are translated at the exchange rate prevailing at the balance-sheet date. Exchange-rate differences that arise during translation are recognised in profit or loss. The exception is when the transactions constitute hedges that satisfy the conditions for hedge accounting of cash flows or net investments, in which case gains/losses are recognised in other comprehensive income. Operating exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are recognised at historical cost are translated using the exchange rate prevailing on the transaction date. The functional currency for Ambea is Swedish kronor (SEK).

Translation of financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated using the closing rate. Income and expenses are translated at the average rate. Translation differences arising in connection with the translation of a foreign net investment and the accompanying effects of hedges of net investments are recognised directly in the translation reserve in other comprehensive income. When foreign operations are divested, accumulated translation differences attributable to the operation are recognised, less any currency hedging, in consolidated profit or loss. Accumulated translation differences are presented as a separate category of capital containing the translation differences accumulated from the Group's inception.

Revenue recognition

In order to recognise revenue from contracts with customers, the Group analyses every customer contract according to the five-step model below:

Step 1: Identify a contract between at least two parties where there is a right and an obligation.

Step 2: Identify all of the individual performance obligations.

Step 3: Determine the transaction price, meaning the consideration that the company is expected to be entitled to in exchange for transferring the promised goods or services. The transaction price is adjusted for variable consideration, such as any discounts.

Step 4: Allocate the transaction price to each specific performance obligation.

Step 5: Recognise the revenue when the company satisfies the performance obligation, meaning when control has been transferred to the customer. Revenue can be recognised at a point in time, or over time, if the criteria specified in the standard are met.

The Group's revenues comprise sales of care services, which are performed according to the contracts signed by the operation. Contracts comprise agreements with a fixed volume, agreements without a fixed volume, and agreements both with and without fixed volumes. For agreements without a fixed volume, a customer contract is not deemed to exist until a call-off order, subject to the contractual terms, is placed, since no enforceable rights and obligations arise for the Group or the customer until this date.

Performance obligations

The Group's performance obligations – care services – are provided under own management, with responsibility for occupancy and the leasing of premises, under contract management, meaning multi-year operating agreements with municipalities as the client, and through staffing operations, which perform healthcare services. Every care service constitutes a specific performance obligation.

Transaction price and allocation

The transaction price constitutes consideration for the care service performed regardless of mode of operation, and is linked to the number of care days, residential placements or similar. Determination of the transaction price or consideration is mainly based on the need for social care interventions that has been agreed and includes all of the contractual obli-

gations. The transaction price in each agreement is normally a fixed amount only. Where health and social care services are provided under multi-year operating agreements with monthly billing, index clauses are used to provide annual compensation for increases in both personnel costs and other expenses. In a small number of agreements, the price is fixed for a period of two years or more.

When revenue is recognised

Revenue is recognised when the performance obligations in agreements have been satisfied. Revenues are recognised when the customer obtains control of the services. Ambea has concluded that the Group's performance obligations satisfy the criteria for fulfilment over time, whereby the attributable revenue is also recognised over time. Most of the Group's agreements are satisfied evenly throughout the term of the agreement, but for agreements comprising training and after-school activities with support within the framework of school activities, control is transferred and revenue is recognised over the period of time in which the training takes place. Payment terms, regardless of type of care service, are mainly 30 days net. A description of obligations with regard to returns, refunds and similar, or types of guarantees and related obligations, is limited in the agreements. A provision is made for credit losses if the total expenses over the life of the contract, excluding indirect expenses, are expected to exceed the total revenues including indexations, and Ambea is unable to withdraw from the contract.

Costs of fulfilling a contract

The costs of obtaining a customer contract are capitalised if the company expects to recover these expenses. The cost is not capitalised if the amortisation period is less than one year. Costs that arise, regardless of whether or not a contract is obtained, are recognised as an expense when they arise, provided they do not meet the criteria for being capitalised as costs to fulfil a contract. If the costs to fulfil a contract do not fall within the scope of any other guidance, they are capitalised if they meet all of the following criteria:

- a) The cost relates directly to an existing contract or a specific anticipated contract,
- b) The cost generates or enhances resources that will be used to fulfil performance obligations, and
- c) The company expects to recover the cost.

If the cost falls within the scope of other guidance, that guidance applies.

Government grants

Like other employers, Ambea is entitled to various government and municipal employee-related grants and assistance. This assistance may include training, employments or reduced working hours. All grants and assistance are recognised in profit or loss as cost reductions in the same period as the corresponding underlying cost.

Leases

Leases are classified as either finance or operating leases. A finance lease exists if the financial risks and benefits associated with ownership are substantially transferred to the lessee. Assets leased under finance leases are recognised as assets in the consolidated balance sheet and depreciated according to plan. Obligations to pay future lease payments are recognised

as non-current and current liabilities. Other leases are recognised as operating leases.

Recognition of finance leases

The minimum lease payments are allocated between interest expense and repayment of the outstanding liability. The interest expense is allocated over the term of the lease so that each accounting period is charged with an amount corresponding to a fixed rate of interest for the liability recognised during each period. Variable charges are expensed in the periods in which they arise. A finance lease gives rise to both depreciation/amortisation and interest expense that are recognised in the statement of comprehensive income in the respective period. The leased asset is amortised/depreciated in accordance with the rules for depreciable/amortisable assets and the amount is allocated to each accounting period during the expected useful life.

Recognition of operating leases

Expenses relating to operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Benefits received in connection with signing a lease are recognised in profit or loss as a reduction of the lease payments on a straight line basis over the term of the lease. Variable charges are expensed in the periods in which they arise.

Sale and leaseback transactions

A sale and leaseback means that an asset is sold and then leased back under a lease. A sale and leaseback transaction is recognised differently depending on how the lease transaction is classified. If the transaction gives rise to a finance lease, the difference between the selling price and the carrying amount of the asset is not to be directly recognised as revenue in the Group. Instead, the gain is accrued over the lease term. This is because the financial implication of a finance lease for the combined transaction is equivalent to the lessor giving the lessee a loan with the lease object as security. If the transaction gives rise to an operating lease (and if the transaction has been based on fair value) the sale is to be recognised in the period in which the sale occurs.

Financial income and expenses

Financial income and expenses consist of interest income on bank balances, receivables and interest-bearing securities, interest expense on loans, dividend revenue, exchange rate differences (net after the deduction of matching exchange rate differences on onward lending to Group companies), unrealised and realised gains and losses on financial investments, and derivative instruments used in financial activities.

Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. Effective interest is the rate that results in the present value of all estimated future receipts and disbursements during the anticipated fixed interest term matching the carrying amount of the receivable or liability.

Interest expense includes the accrued amount of share issue expenses and similar direct transaction expenses for raising loans.

Dividend income is recognised when the right to receive payment has been determined.

The Group only capitalises interest on the cost of assets when the Group or Parent Company holds qualified assets, which is not currently the case.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss except when underlying transactions are recognised directly against equity, or in other comprehensive income, whereby the associated tax effect is recognised in equity, or other comprehensive income, respectively. Current tax is tax payable or received in respect of the current year, applying the tax rates enacted or substantively enacted at the balance-sheet date, including adjustments of current tax attributable to earlier periods. Deferred tax is calculated in accordance with the balance sheet method with a starting point in the temporary differences between the carrying amount and tax-based amount for assets and liabilities. Deferred tax assets on deductible temporary differences and those arising from loss carry-forwards are recognised to the extent that it is probable that they will entail lower tax payments in the future. Deferred tax is calculated by applying the tax rates and regulations enacted or substantively enacted at the balance-sheet date.

Earnings per share

The calculation of earnings per share before dilution is based on consolidated profit for the year attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the year.

Earnings per share after dilution are calculated by dividing profit for the year attributable to the Parent Company's shareholders, adjusted if applicable, by the weighted average number of shares and potential shares that could give rise to a dilution effect. A dilution effect from potential shares is only recognised if conversion to shares were to result in a reduction in earnings per share after dilution. The potential shares and warrants that could give rise to dilution pertain to allotment under the current incentive programme.

Recalculation of average number of shares

Earnings per share have been recalculated retroactively because the company implemented a four-for-one share split, a share conversion and a bonus issue in the first quarter of 2017. The average number of shares in earlier periods has been recalculated to reflect the split, conversion and bonus issue. Due to the share conversion, all preference shares were converted to ordinary shares and the debt to former holders of preference shares was paid off in connection with the bonus issue implemented on 31 March 2017.

Financial instruments

Financial instruments are any form of agreement that gives rise to a financial asset in one company and a financial liability or equity instrument in another. Financial instruments are classified on initial recognition, based on the purpose for which the instrument was acquired and is managed. This classification determines the value of the instruments.

Recognition and derecognition

A financial asset or liability is recognised in the balance sheet when the company becomes a party under the contractual provisions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent and the company's right to consideration is unconditional. Liabilities are recognised once the counterparty has performed and a contractual obligation to pay arises, even if the invoice has not yet been received. Accounts payable are recognised when the invoice has been received.

A financial asset and financial liability are offset and recognised in a net amount in the balance sheet only when there is a legally enforceable right to offset the amounts, and when there is an intention to settle the items with a net amount or at the same time to realise the asset and settle the liability. A financial asset is derecognised from the balance sheet when the rights in the contract are realised or expire, or the company loses control over them. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or otherwise extinguished. The same applies to a part of a financial asset or liability.

Gains and losses arising from derecognition from the balance sheet and modification are recognised in profit or loss to the extent that hedge accounting is not applied.

Classification and measurement of financial assets

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The instruments are classified at:

- Amortised cost,
- Fair value through profit or loss, or
- Fair value through other comprehensive income

Financial assets classified at amortised cost are initially measured at fair value plus transaction costs. After initial recognition, the assets are measured at amortised cost less a provision for expected credit losses. Assets classified at amortised cost are held according to the business model to collect contractual cash flows that are only payments of principal amounts and interest on the outstanding principal amount.

Fair value through other comprehensive income are assets that are held according to the business model to both sell and collect contractual cash flows that are only payments of principal amount and interest on the outstanding principal amount. Financial instruments in this category are initially measured at fair value. Changes in fair value are recognised in other comprehensive income until the asset is derecognised from the balance sheet, when the amounts in other comprehensive income are reclassified to profit or loss. The assets are covered by a provision for expected credit losses.

Fair value through profit or loss applies to all other debt instruments that are not measured at amortised cost or fair value through other comprehensive income. Financial instruments in this category are initially measured at fair value. Changes in fair value are recognised in profit or loss.

The Group's financial assets comprise non-current receivables, accounts receivable, other current receivables and cash and cash equivalents. All are classified at amortised cost, except for derivative instruments classified at fair value through profit or loss, unless they are classified as hedging instrument and the effective portion of the hedge is recognised in other comprehensive income.

Classification and measurement of financial liabilities

Financial liabilities are classified at amortised cost except for derivatives and contingent consideration. Financial liabilities recognised at amortised cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method.

Most of the Group's financial liabilities (long-term and current interest-bearing liabilities and accounts payable) are classified at amortised cost. Derivatives are classified at fair value through profit or loss unless they are classified as hedging instrument and the effective portion of the hedge is recognised in other comprehensive income. Contingent consideration is classified at fair value through profit or loss.

Impairment of financial assets

The Group's financial assets, except those classified at fair value through profit or loss, are subject to impairment for expected credit losses. The Group's impairment model is based on expected credit losses, and takes forward-looking information into account. A loss allowance is made for any credit risk exposures, normally on initial recognition for an asset or receivable. Under the simplified approach, a loss allowance is recognised for the expected remaining life of the asset or receivable. The simplified approach is applied for accounts receivable and contract assets.

For other items covered by expected credit losses, a three-stage impairment model is applied. Initially, and on every balance-sheet date, a loss allowance is recognised for the next 12 months, alternatively for a shorter period of time depending on the remaining term to maturity (stage 1). If the credit risk has not increased significantly since initial recognition, a loss allowance is recognised for the asset's remaining time to maturity (stage 2). For assets considered credit-impaired, loss allowances are required for expected credit losses for their remaining maturity (stage 3). For credit impaired assets and receivables, the calculation of interest income is based on the asset's carrying amount, net of loss allowance, as opposed to the gross amount in preceding stages. The Group's assets are considered to be in stage 1, meaning there has not been any significant increase in credit risk.

The measurement of expected credit losses is based on, and impaired according to, a ratings-based approach using an external credit rating. Expected credit losses are measured as the product of probability of default, loss given default and exposure at default. Credit-impaired assets and receivables are individually assessed, taking historical, current and forward-looking information into account. The measurement of expected credit losses accounts for any collateral or other credit enhancements in the form of guarantees.

The financial assets are recognised at amortised cost in the balance sheet (that is, the gross carrying amount net of loss allowance). Changes in the loss allowance are recognised in profit or loss.

Comparative year according to IAS 39

Financial instruments were recognised according to IAS 39 in the comparative year of 2017.

Although IAS 39 had other classification categories than IFRS 9, the corresponding classification categories under IAS 39 included measurement at amortised cost, except for derivative instruments measured at fair value in profit or loss, which is consistent with their treatment in IFRS 9.

IAS 39 had another approach for credit loss provisions, whereby allowances were triggered by loss events, in contrast to IFRS 9 where provisions are made for expected credit losses. Otherwise, there are no other differences between the standards for the Group. No material effects arose in the transition from IAS 39 to IFRS 9.

Derivatives and hedge accounting

Derivatives are measured at fair value, both initially and in subsequent remeasurements at the end of each reporting period, and recognised in the balance sheet on the contract date. The method for recognising the gain or loss arising from the remeasurement depends on whether the derivative has been designated a hedging instrument, and if so, the nature of the item hedged. The Group's derivative instruments have been acquired to hedge the Group's interest rate and exchange rate risk exposure. An embedded derivative is measured separately unless it is closely related to the host contract. Derivatives are initially measured at fair value, which means that transaction costs are charged to profit for the period. After initial recognition, derivative instruments are measured at fair value, and changes in value are recognised as described below.

Hedging of the Group's fixed rates – derivatives

Interest rate caps have been purchased by the Group for hedging the risk associated with future interest rate flows in respect of loans with floating interest rates. Interest rate caps are measured at fair value in the balance sheet and changes in value are recognised in profit or loss under net financial items. Hedge accounting is not applied.

Hedging of the Group's net investment in a foreign operation – loans in foreign currency

The Group has raised loans in foreign currency for the acquisition of foreign operations. Hedge accounting in accordance with IAS 39 is applied for these loans in foreign currency related to the Group's net investment in a foreign operation. Hedge accounting means that gains or losses on loans arising from exchange rate fluctuations are recognised in the translation reserve in other comprehensive income, to the extent that the hedging is deemed effective. Any ineffective portion of the hedging relationship is recognised in profit or loss as net financial income/expense. Accumulated gains or losses recognized in other comprehensive income are recognised as a separate item in equity and are not reclassified from equity to profit or loss as a reclassification adjustment until disposal or partial disposal of the foreign operation.

Parent Company

Due to the relationship between accounting and taxation, the requirements for financial instruments under IFRS 9 are not applied in the Parent Company as a legal entity. The Parent Company applies the cost method in accordance with the Swedish Annual Accounts Act. In the Parent Company, fixed assets are thereby measured at cost and current assets at the lower of cost or market, with application of impairment allowances for expected credit losses according to IFRS 9 in relation to assets that are debt instruments. For all other financial assets, impairment allowances are based on market value. Derivative instruments with negative fair values are liabilities and recognised at fair value, with fair value changes in profit or loss.

The Parent Company applies the exception of not measuring financial guarantee contracts for the benefit of subsidiaries, associates and joint ventures in accordance with IFRS 9, and instead applies the measurement bases described in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Tangible assets

Tangible assets are recognised as assets in the balance sheet

if it is probable that future economic benefits will flow to the company and the cost of the asset can be measured reliably. Tangible assets, owned and leased, are recognised in the consolidated accounts at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly attributable to the asset.

Subsequent costs are only added to the carrying amount if it is probable that the future economic benefits associated with the asset will flow to the company and the cost can be measured reliably. All other subsequent costs are recognised as an expense in the period in which they arise.

Depreciation principles

Depreciation is applied using the straight-line method over the estimated useful life of the asset. Depreciation according to plan is based on the original cost less the calculated residual value. The depreciation is based on the estimated useful life of the components. An impairment loss arises when the recoverable amount is less than the carrying amount. The estimated useful lives are:

Leasehold improvements (the shorter of the lease term and economic life)	5-20 years
Equipment	5-15 years

Intangible assets**Goodwill**

Goodwill represents the difference between the consideration transferred for the business combination and the fair value of the acquired identifiable net assets, assumed liabilities and contingent liabilities. Goodwill is measured as cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units, which are expected to benefit from the synergies arising, and is not amortised but is impairment tested annually. Goodwill arising from acquisitions of associated companies is included in the carrying amount of shares in associated companies. In the case of business combinations where the cost is less than the net value of acquired identifiable assets and assumed liabilities and contingent liabilities, the difference is recognised directly in profit or loss.

Other intangible assets

Other intangible assets comprise measured customer contracts and customer relationships as well as brands acquired in connection with business combinations, purchased software, licenses, etc., and consulting services in connection with the introduction of new data systems.

Amortisation principles

For measured customer contracts and related customer relationships, amortisation is recognised in pace with the anticipated consumption of the economic benefits flowing from these assets. Amortisation in respect of customer contracts for Vardaga and Nytida is higher at the beginning of the contract period and decreases thereafter, while for other customer contracts, straight-line amortisation is applied. Goodwill and brands with an indefinite useful life are not amortised continuously but are impairment tested annually and also as soon as indications arise that the asset in question has decreased in value. Intangible assets with a finite useful life are amortised from the date they become available for use. The estimated useful lives are:

Customer contracts and customer relationships	5-20 years
Other intangible assets	5 years
Goodwill, brands	indefinite

Inventories

Inventories are measured at the lower of cost and net realisable value. The risk of obsolescence is reflected in fair value. Cost is calculated by applying the first-in first-out (FIFO) method.

Cash and cash equivalents

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

Impairment

The carrying amounts of the Group's assets are tested on every balance-sheet date to assess whether there is any indication of impairment. Exceptions are made for inventories, financial assets, plan assets used to finance employee benefits and deferred tax assets. For these asset categories, the balance sheet value is measured pursuant to each applicable accounting standard.

Impairment testing for tangible and intangible assets and participations in subsidiaries and associated companies

If there is an indication of an impairment, the recoverable amount of the asset is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use, the recoverable amount is calculated annually regardless of whether or not any signs of a reduction in value have been noted. If it is not possible to determine essentially independent cash flows for an individual asset, the assets are to be grouped for impairment testing at the lowest level at which it is possible to identify essentially independent cash flows – referred to as cash generating units.

An impairment loss is recognised when an asset's or a cash-generating unit's carrying amount exceeds its recoverable amount. An impairment loss is charged to profit or loss. Impairments of assets attributable to a cash-generating unit are allocated to goodwill in the first instance. Thereafter, a proportional impairment of other assets included in the unit is performed. The recoverable amount is the highest of the fair value less selling expenses and value in use. When calculating the value in use, future cash flows are discounted using a discount factor that accounts for risk-free interest and the risk associated with the specific asset.

Reversal of impairment losses

An impairment loss is reversed if there is an indication that the need for impairment no longer exists, and there has been a change in the assumptions that formed the basis for the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only performed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less any depreciation/amortisation where relevant, if no impairment loss had been recognised. Impairments of loans and receivables recognised at amortised cost are

reversed if a subsequent increase in the recoverable amount can objectively be attributed to an event that occurred after the impairment was carried out.

Dividends

Dividends paid are recognised as a liability when the AGM has approved the dividend.

Employee benefits

The Group has both defined-contribution and defined-benefit pension plans.

Defined-contribution plans

Defined-contribution plans are retirement benefit plans under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay further contributions.

Obligations concerning contributions to defined-contribution plans are expensed in profit or loss for the period in which the employee performed services for the company.

Defined-benefit plans

Defined-benefit plans are pension plans that are not defined-contribution plans. Characteristics of defined-benefit plans are that they specify an amount for the pension benefit that an employee will receive on retirement, usually based on one or more factors such as age, length of service and salary.

The present value of the defined-benefit pension obligations is calculated using the projected unit credit method. The calculation of pension obligations is based on a number of assumptions such as life expectancy, salary increase, staff turnover, inflation and discount rate. The discount rate assumption is based on housing bonds with a term equivalent to the term of the commitments. The fair value of pension plan assets is deducted from the present value of the pension obligations, and a net debt is recognised in the balance sheet. Remeasurement and experience-based adjustments are recognised in other comprehensive income during the period in which they arise. Pension costs relating to service in the current and any earlier periods are recognised in profit or loss as a personnel cost. Net interest income is recognised in net financial items.

Obligations for retirement pensions and family pensions for salaried employees in Sweden under the ITP 2 plan are mainly secured through insurance in Alecta, which is a multi-employer defined-benefit plan. For the 2018 financial year, the company did not have access to information that would have made it possible to recognise these plans as defined-benefit, whereby they are recognised as defined-contribution plans.

Termination benefits

An expense for benefits in connection with the termination of employment is only recognised if the company is demonstrably obligated, without any realistic possibility of withdrawal, by virtue of a formal detailed plan to prematurely terminate an employment contract. When benefits are paid as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term employee benefits

Short-term employee benefits are calculated without discounting and recognised as an expense when the related ser-

VICES are provided. A provision is recognised for the anticipated cost of profit-sharing and bonus payments when the Group has a current legal or constructive obligation to make such payments as a result of the services provided by employees and the obligation can be estimated reliably.

Provisions

A provision is recognised in the balance sheet when the Group has a current legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Since the effect of the timing of the payment is important, provisions are calculated by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability. Examples are restructuring reserves and loss provisions for care contracts.

Restructuring

A provision for restructuring is recognised when the Group has adopted a detailed and formal restructuring plan. The restructuring must also have either started or been publicly announced.

Loss provisions for care contracts

A provision for onerous contracts is recognised when the benefits that the Group is expected to receive from a care contract are lower in value than the unavoidable costs of meeting the contractual obligations.

Contingent liabilities

A contingent liability is recognised when there is a potential obligation that arises from past events, the existence of which is substantiated only by uncertain future events. Contingent liabilities are also recognised when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required or because it cannot be reliably calculated.

NOTE G2 Revenue from Contracts with Customers

2018 financial year						
Segments	Vardaga	Nytida	Heimta	Klara	Group-wide and eliminations	Total
Type of service delivery						
Own Management	1,118	2,500	548	0		4,166
Contract Management	1,106	483		0		1,589
Staffing	0	0		321		321
Total revenue from contracts with customers	2,224	2,893	548	321	0	6,076
2018 financial year						
Segment	Vardaga	Nytida	Heimta	Klara		
Revenue						
External customers			2,224	2,983	548	321
Revenue between the segments			0	0	0	36
Adjustments and eliminations related to inter-segment sales			0	0	0	-36
Total revenue from contracts with customers			2,224	2,983	548	321
Contract balances					31 Dec 2018	1 Jan 2018
Accounts receivable					622	624
Contract liabilities					56	69

Revenue recognised during the year**31 Dec 2018**

Recovered in the contract liability at 1 January	69
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Performance obligations

The Group's sales of services are invoiced, usually with payment terms of 30 days. For more information about the Group's performance obligations, refer to Note G1 Accounting policies.

Transaction price allocated to unfulfilled (or partly unfulfilled) performance obligations at the end of the reporting period are distributed as follows:

	31 Dec 2018
Within 1 year	56
Later than 1 year	0
Net sales:	2017
Care services	5,494
Temporary doctors and nurses	322
Total net sales	5,816
Other operating income:	
Sales to other Group companies	–
Gains on sale of fixed assets	9
Rental income	5
Employment support	4
Insurance claims receivable	3
Impairment of contingent earn-out	–
Compensation for damages	17
Other	45
Total other operating income	83
Total revenue	5,899

NOTE G3 Segment information

Ambea's operations are reported in four segments. These are:

- Vardaga: Comprises elderly care
- Nytida: Comprises disability care
- Heimta: Mainly comprises psychiatric support in residential and non-residential facilities, and residential facilities for people with life-long disabilities in Norway.
- Klara: Comprises staffing such as temporary doctors, nurses and other care workers.

The reversal of fees and car lease depreciation are recognised in each segment. To improve comparability between years, the comparative year has been restated and costs have been allocated to each segment based on the segment's share of costs in 2018.

This adjustment affects Other external costs and Depreciation and impairment of tangible assets.

2018	Vardaga	Nytida	Heimta	Klara	Unallo- cated	Group adjust- ments	Total
Net sales	2,224	2,982	548	321	1	–	6,076
Other operating income ¹	22	15	13	36	20	-36	70
Internal transactions	–	–	–	-36	–	36	–
Total income from external customers	2,246	2,997	561	321	21	–	6,146
Operating expenses							
Consumables	-88	-82	-9	-1	-4	–	-184
Other external costs	-453	-611	-185	-104	102	–	-1,251
Personnel costs	-1,530	-1,904	-329	-199	-179	–	-4,142
Profit/loss from participations in Group companies	–	–	–	–	-4	–	-4
Other operating expenses	–	–	–	–	–	–	-1
Depreciation and impairment of tangible assets	-16	-31	-4	-1	-5	–	-56
EBITA	159	369	33	16	-69	–	508
EBITA margin %	7.1	12.3	6.0	5.0	–	–	8.4
Items affecting comparability	–	–	–	–	39	–	39
Adjusted EBITA	159	369	33	16	-30	–	547
Adjusted EBITA margin %	7.1	12.3	6.0	5.0			9.0
Amortisation of intangible assets							-79
Operating profit (EBIT)							429
Financial income							2
Financial expenses							-40

¹ Other operating income mainly includes rental income and other operating income

2018	Vardaga	Nytida	Heimta	Klara	Unallo- cated	Group adjust- ments	Total
Net financial items							-38
Profit after net financial items							391
Profit before tax							391
Tax on profit for the year							-96
NET PROFIT FOR THE PERIOD							295
Assets	1,374	3,626	511	177	104	–	5,792
Adjustments							
Reversal of restructuring and acquisition-related costs ¹	–	–	–	–	35	–	35
Reversal of costs for discontinuation of an entire business segment ²	–	–	–	–	4	–	4
Total	–	–	–	–	39	–	39
2017	Vardaga	Nytida	Heimta	Klara	Unallo- cated	Group adjust- ments	Total
Net sales	2,260	2,864	369	322	1	–	5,816
Other operating income	29	17	1	34	35	-34	83
Internal transactions	0	1	0	-34	–	34	–
Total income from external customers	2,288	2,882	370	322	36	–	5,899
Operating expenses							
Consumables	-92	-79	-6	0	-5	–	-182
Other external costs	-431	-526	-160	-108	85	–	-1,139
Personnel costs	-1,595	-1,898	-183	-201	-156	–	-4,033
Profit/loss from participations in Group companies	–	–	–	–	-23	–	-23
Other operating expenses	-1	-1	0	–	-8	–	-10
Depreciation and impairment of tangible assets	-16	-28	-3	-1	-4	2	-52
EBITA	154	350	19	12	-75	2	461
EBITA margin %	6.8	12.1	5.1	3.7			7.9
Items affecting comparability	–	–	–	–	38	–	38
Adjusted EBITA	154	350	19	12	-37	2	498
Adjusted EBITA margin %	6.8	12.1	5.1	3.7			8.6
Amortisation of intangible assets							-59
Operating profit (EBIT)							402
Financial income							7
Financial expenses							-121
Net financial items							-114
Profit after net financial items							288
Profit before tax							288
Tax on profit for the year							-62
NET PROFIT FOR THE PERIOD							226
Assets	1,359	3,363	496	189	160	–	5,567

¹ The adjustment is included in the following profit or loss rows: 34, other external costs, 1, personnel costs.

² The adjustment is included in the following profit or loss rows: 4, profit/loss from participations in Group companies

Adjustments

	Vardaga	Nytida	Heimta	Klara	Unallo- cated	Group adjust- ments	Total
Reversal of restructuring and acquisition-related costs ¹	–	–	–		1	–	1
Reversal of IPO costs ²	–	–	–		32	–	32
Reversal of costs for discontinuation of an entire business segment ³	–	–	–		22	–	22
Compensation received from Vitale's previous owner ⁴	–	–	–		-17	–	-17
Total	–	–	–		38	–	38

¹ The adjustment is included on the following profit or loss rows: SEK 1 million, Other external costs.

² The adjustment is included on the following profit or loss rows: SEK 32 million, Other external costs.

No segment has a single customer that accounts for 10 per cent or more of sales. Income from Swedish customers accounts for 91 per cent (94) of consolidated net sales. The remaining portion relates to income from customers in Norway.

Of fixed assets (that are not financial instruments or deferred tax assets), 91 per cent (91) is allocated to Sweden. The remaining portion relates to fixed assets in Norway.

Where applicable, the internal price between the Group's segments is set on an arm's-length basis, that is, between parties that are

³ The adjustment is included on the following profit or loss rows: SEK -66 million, Income; SEK 63 million, Personnel costs; SEK 1 million, Other external costs and SEK 23 million, Profit from participations in Group companies

⁴ The adjustment is included on the following profit or loss rows: SEK -17 million, Income

independent of each other, well-informed and with an interest in the transaction being effected. Directly attributable items and items that can be allocated to the segment on a reasonable and reliable basis have been included in each segment's earnings and assets. Unallocated items largely consists of expenses for Group offices and financial income and expenses. Assets and liabilities that have not been allocated to a segment are deferred tax assets and deferred tax liabilities, tax liabilities and interest-bearing assets and liabilities.

NOTE G4 Other external costs

	2018	2017
Temporary care workers and medical consultants	-299	-291
Rent	-622	-511
Operating leases, rental charges	-49	-46
Advertising/PR	-13	-17
Telephony and office supplies	-37	-33
Car expenses	-26	-23
External administrative services	-139	-162
Other	-66	-56
Total	-1,251	-1,139

NOTE G5 Audit fees and expenses

Auditor fees	2018	2017
Ernst & Young AB		
Audit engagement	-7	-6
Audit activity in addition to the audit engagement	-0	-0
Tax consultancy	–	–
Other services ¹	-0	-1
Total	-7	-7
Other auditors		
Audit engagement	-0	-0
Tax consultancy	–	–
Total	-0	-0
Group total	-7	-7

NOTE G6 Lease payments for operating leases

	2018	2017
Lease payments paid during the financial year	-554	-469
Agreed future lease payments	-3,872	-3,771

Rental and lease agreements

Operating leases refer mainly to lease agreements for premises. Remaining rental expenses for current rental contracts is allocated as follows:

	2018	2017
Within 1 year	528	487
From 1 to 4 years	1,266	1,150
Longer than 5 years	2,078	2,134
Total	3,872	3,771

Balance sheet, income statement and key figures for Ambea at 31 December 2018 and pro forma, including the effects of IFRS 16**Transition effects, IFRS 16**

Given that the transition to IFRS 16 will have a material impact on the financial statements, Ambea has elected to recognise a reconciliation between its commitments for operating leases at the end of 2018 and its lease liability at the start of 2019. The new standard will have a material impact on a number of Ambea's key figures, including profitability and capital structure. Key figures for profitability are affected by the recognition of interest expense as a financial item. The adjusted EBITDA margin for January-December 2018

would thus amount to 17.9 per cent and the adjusted EBITA margin to 9.9 per cent, including the effects of IFRS 16 (excluding the effects of IFRS 16, the adjusted EBITDA margin was 9.9 per cent and the adjusted EBITA margin was 9.0 per cent). The key figure for capital structure will change significantly, since net debt will increase in an amount corresponding to future rental expenses. Net debt will thus increase from 3.3 to 4.7 adjusted EBITDA taking the effects of IFRS into account.

Reconciliation of operating lease capitalisation	2018
Obligations for operating leases excl. extension options at 31 December	3,730
Extension options	142
Liabilities for finance leases at 31 December 2018	39
Discounting with the Group's weighted average marginal lending rate ¹	-671
Short-term rents	-36
Right-of use assets recognised at 31 December 2018	3,204

SEK million	Note to footnote	1 Jan 2018-31 Dec 2018	Change due to IFRS 16	Pro forma 1/1-31/1 2018
Operating income		6,146	0	6,146
Other external costs	2	-1,251	485	-766
Depreciation, amortisation and impairment of tangible and intangible assets	3	-135	-428	-563
Other operating expenses		-4,331		-4,331
Operating profit		429	57	486
Financial income		2		2
Financial expenses	4	-40	-99	-139
Profit after net financial items		391	-42	349
Tax on profit for the year	5	-96	8	-88
PROFIT FOR THE YEAR		295	-34	261

¹ For contracts with terms of up to 3 years, the marginal lending rate is 1.75 per cent. For contracts with terms of 3 years or more, Ambea has assumed a risk-free interest rate corresponding to STIBOR (range of 0.77-1.94 per cent from 4-10 years and later) and the equivalent for Norway (1.97-2.44 per cent from 4-10 years and later), and added a margin of 1.75 per cent.

¹ Operating lease payments

² Depreciation/amortisation finance leases

³ Interest expense finance leases

⁴ Deferred tax finance leases

SEK million	Note to footnote	1 Jan 2018-31 Dec 2018	Change due to IFRS 16	Pro forma 1/1-31/1 2018
Assets				
Goodwill and intangible assets		4,526		4,526
Tangible assets	5	211	-80	131
Right-of-use assets	6		3,204	3,204
Deferred tax assets	7	35	8	43
Non-current receivables		27		27
Total fixed assets		4,799	3,132	7,931
Total current assets		993	0	993
Total assets		5,792	3,132	8,924
Total equity	8	2,707	-34	2,673
Non-current interest-bearing liabilities	9	614	-43	571
Lease liability	10		2,761	2,761
Other non-current liabilities		118		118
Total non-current liabilities		732	2,718	3,450
Current interest-bearing liabilities	11	37	-37	0
Lease liability	12		485	485
Current liabilities/Accrued expenses and deferred income		2,316		2,316
Total current liabilities		2,353	448	2,801
Total equity and liabilities		5,792	3,132	8,924
Effect on key figures				
EBITDA	13	564	485	1,049
Adjusted EBITDA		603	485	1,088
Operating margin, adjusted EBITDA (%)		9.9	8.0	17.9
EBITA		508	57	565
Adjusted EBITA		547	57	604
Operating margin, adjusted EBITA (%)		9.0	0.9	9.9
EBIT		429	57	486
Adjusted EBIT		468	57	525
Operating margin, adjusted EBIT (%)		7.7	0.9	8.6
Non-current interest-bearing liabilities	14	614	2,718	3,332
Current interest-bearing liabilities		1,441	448	1,889
Less cash and cash equivalents		-62		-62
Net debt	15	1,993	3,166	5,159
Adjusted EBITDA		603	485	1,088
Net debt/Adjusted EBITDA (ratio)		3.3		4.7

⁵ Transfer vehicles finance leases⁶ Additional row finance leases⁷ Deferred tax assets finance leases⁸ Profit for the year finance leases⁹ Transfer non-current interest-bearing liability¹⁰ Additional row finance leases¹¹ Transfer current interest-bearing liability¹² Additional row finance leases¹³ Improved EBITDA due to rental expenses transferred to balance sheet¹⁴ Non-current liabilities finance leases¹⁵ Significant increase in leverage due to increase in interest-bearing loans with future rental expenses

NOTE G7 Employees, personnel costs and remuneration of senior executives

	2018		2017	
	Salaries and other remuneration	Social security costs (of which pension costs)	Salaries and other remuneration	Social security costs (of which pension costs)
Parent Company				
Senior executives	17	8	9	5
of which pensions		(3)		(2)
Other employees	–	–	–	–
Subsidiaries				
Senior executives	18	9	19	10
of which pensions		(3)		(4)
Other employees	2,941	1,130	2,864	1,083
of which pensions		(203)		(166)
Total	2,976	1,147	2,892	1,098

Senior executives, excluding the Board, consist of the Chief Executive Officer and other senior executives.

Average number of employees	2018			2017		
	No. of employees	Of whom women	Of whom men	No. of employees	Of whom women	Of whom men
Parent Company	4	1	3	2	0	2
Subsidiaries in Sweden	6,660	73%	27%	6,838	73%	27%
Subsidiaries in Norway	771	54%	46%	404	56%	44%
Total Group	7,435¹	71%	29%	7,244	73%	27%

Gender breakdown of senior executives

Group total, percentage of women	31 Dec 2018	31 Dec 2017
Board of Directors	43%	40%
CEO and other senior executives	45%	60%

¹ As of the second quarter of 2018, an improved methodology has been used to calculate the average number of employees. To facilitate comparability with earlier periods, these figures have sometimes been restated using the same methodology.

Remuneration and benefits to senior executives

2018 (SEK)	Basic salary, Board fees	Variable remuneration	Other remuneration	Pension cost	Total
Chairman of the Board					
Lena Andersson Hofsberger ^{1 2}	905,667	–	–	–	905,667
Board members					
Daniel Björklund ^{2 3}	133,205	–	–	–	133,205
Anders Borg ²	365,000	–	–	–	365,000
Thomas Hofvenstam ²	340,000	–	–	–	340,000
Ingrid Jonasson Blank ^{1 2}	400,000	–	–	–	400,000
Gunilla Rudebjer ^{1 2}	400,000	–	–	–	400,000
Hans Fredrik Årstad ³	113,616	–	–	–	113,616
Lars Gatenbeck ⁴	175,523	–	–	–	175,523
Mikael Stöhr ⁴	175,523	–	–	–	175,523
Chief Executive Officer					
Fredrik Gren	4,280,461	3,500,000	79,064	1,281,732	9,141,257
<i>Of which from subsidiaries</i>	–	–	–	–	–
Other senior executives (15 persons)	19,104,104	5,668,180	2,196,651	4,692,566	31,661,501
<i>Of which from subsidiaries</i>	13,613,712	3,065,543	1,278,736	3,415,135	21,373,126
Total	26,393,099	9,168,180	2,275,715	5,974,298	43,811,292

Remuneration and benefits to senior executives

2017 (SEK)	Basic salary, Board fees	Variable remuneration	Other remuneration	Pension cost	Total
Chairman of the Board					
Lena Andersson Hofsberger ^{1 2}	898,125	–	–	–	898,125
Board members					
Daniel Björklund ²	340,313	–	–	–	340,313
Anders Borg ²	377,813	–	–	–	377,813
Thomas Hofvenstam ²	340,313	–	–	–	340,313
Ingrid Jonasson Blank ^{1 2}	385,310	–	–	–	385,310
Gunilla Rudebjer ^{1 2}	387,166	–	–	–	387,166
Hans Fredrik Årstad	302,813	–	–	–	302,813
Chief Executive Officer					
Fredrik Gren	4,227,614	–	61,537	1,145,832	5,434,983
<i>Of which from subsidiaries</i>	704,602	–	10,250	99,151	814,003
Other senior executives (14 people)	20,809,120	–	362,755	5,164,815	26,336,690
<i>Of which from subsidiaries</i>	18,052,436	–	306,587	4,284,756	22,643,779
Total	28,068,587	–	424,292	6,310,647	34,803,526

¹ Payment was made to member's company² Including remuneration for committee work³ Board member until AGM on 23 May 2018⁴ Elected to the Board at AGM on 23 May 2018

Remuneration of others senior executives refers to the period during which a person was a member of the circle of senior executives.

In 2018, other senior executives consisted of the CFO, Business Area Managers (4 people), HR Director, Head of Business Development, Quality Director, Communication and Marketing Director, Head of IR & Strategy, Head of IT/Opex & Project Office, Head of Growth, Head of Tendering. During the year, two new people joined Group management and are included in the amount recognised from the 1 May 2018 period. In addition, three people left Group management from 1 May 2018, for whom severance pay of SEK 1.57 million is included in the recognised amount. In addition to severance pay, other remuneration refers to other types of benefits such as company cars, etc.

Variable remuneration programme

Ambea has a variable remuneration programme for management and a few key people at Group level, totalling 13 people. Variable remuneration is paid based on the individual's achievement of quality and development criteria. Based on individual objectives, the individuals share a remuneration pool. The size of the total variable remuneration (the pool) is determined by whether Ambea achieves the targets set by the Board.

In the Rent a Doctor AB subsidiary in liquidation, the company's CEO had a variable sales-related bonus in 2018. There was no variable remuneration programme for Ambea's other employees in 2018.

Within the framework of the variable remuneration programme, a total of SEK 9.2 million (0) was paid out to senior executives.

Principles

The Chairman of the Board and Board members are paid a fee in accordance with the AGM's decision. Remuneration paid to the Chief Executive Officer for the financial year consisted of basic salary, variable remuneration and other benefits. For the CEO, the variable portion was capped at SEK 3.5 million. Variable remuneration is based on the outcome in relation to individually set targets. Other senior executives refers to those persons who, together with the Chief Executive Officer, constituted Group Management at the end of the financial year. In addition to Group management, a few key people are also entitled to variable remuneration. The distribution between basic salary and variable remuneration shall be proportional to the employee's responsibility and authority.

Pensions

The Occupational Pension Policy is followed for Ambea's employees. Employees from the age of 18 are covered by the Ambea AB basic plan, which includes compensation in the event of illness, dependent coverage, occupational group life insurance (TGL) and personal protection insurance (TFA). Employees in subsidiaries acquired by the Group in which the pension conditions differ from the Occupational Pension Policy at the acquisition date are excluded from the Occupational Pension Policy.

Occupational pension policy for salaried employees in the Group's Swedish companies

Occupational pension entitlements are vested from 25 years of age and the normal retirement age is 65 years unless otherwise specified.

1. Defined-contribution occupational pension is vested on all salary increments, and there is potential to receive a reinforced old-age pension, such as salary exchanges, bonus placement. Defined-contribution occupational pension is defined as the type of occupational pension plans that for accounting purposes are classified as defined-contribution pension plans (such as ITP1) and defined-benefit pension plans that for accounting purposes are treated as defined-contribution plans (such as ITP 2 insured in Alecta).
2. Compensation for illness with the option of supplementary health insurance (Voluntary Group Insurance)
3. Dependent coverage, such as occupational group life insurance (TGL), option of enhanced dependent coverage (Repayment coverage or family coverage in retirement pension, Voluntary Group Insurance)
4. Work-injury insurance (TFA)

Severance pay

A period of mutual notice of six months applies between Ambea AB and the Chief Executive Officer. Severance pay of twelve monthly salaries is payable upon termination by Ambea. For other senior executives, a mutual notice period of six months applies. Upon termination by the company, 6-12 monthly salaries are payable as severance pay. All senior executives and the Chief Executive Officer are subject to a competition clause ranging from 12-24 months.

Incentive programmes

The company has two long-term incentive programmes in the form of (i) a matching share plan for employees in the Ambea Council (and who are not invited to participate in the warrants programme for senior executives), and (ii) a warrants programme for the Group's senior executives. Decisions regarding the incentive programmes are made at the AGM. Refer also to the prospectus for the IPO on pages 164-165 and the 2018 AGM minutes, sections 18 and 19 at ambea.se/investerare/bolagsstyrning/bolagsstamma/arsstamma-2018 (Swedish only).

Warrants programmes

At the 2018 AGM, the Board resolved to issue a maximum of 429,000 warrants to the company's subsidiaries for subsequent transfer within the scope of a long-term incentive programme for senior executives. A total of 311,000 warrants were subscribed for in the programme. The incentive programme entails that senior executives who have entered into a pre-emption agreement with the company are entitled to purchase warrants at market value, calculated by using the Black-Scholes formula. Each warrant entitles the holder to subscribe for one ordinary share in Ambea. The company has two warrants programmes, one for 2017 and one for 2018.

The 2017 programme has a subscription price corresponding to 120 per cent of the offering price of the IPO (SEK 75) and can be exercised during two periods: during two weeks from the day following the publication of the interim report for the first quarter of 2020, and during two weeks from the day following the publication of the interim report for the third quarter of 2020. The maximum profit on the exercise of warrants is limited to SEK 60 per warrant.

For the 2018 programme, the subscription price is 115 per cent of the volume weighted average of the company's closing price ten trading days after the 2018 AGM, but not less than SEK 75 per share. When subscribing for shares, if the closing price on the trading day immediately preceding the new subscription exceeds 200 per cent of the subscription price, the

subscription price will be increased by an amount corresponding to the amount of that share price that exceeds 200 per cent of the subscription price. Each warrant entitles the holder to subscribe for one new ordinary share in Ambea during two periods: during two weeks from the date of publication of the interim report for the period of 1 January-31 March 2021, and for two weeks from the date of publication of the interim report for the period 1 January-31 September 2021. However, subscription may not take place after 30 November 2021. The maximum profit on the exercise of warrants is limited to SEK 63.75 per warrant.

Matching share plan

At the 2018 AGM, the Board decided to adopt a long-term incentive programme in the form of a matching share plan. The matching share plan comprises a maximum of 72 employees in the Ambea Group. The maximum allotment in the programme was 96,048 share rights. A total of 30,363 matching shares were subscribed for. Participants in the matching share plan must have invested in the Group by purchasing shares in Ambea AB (publ) (Matching Shares). These Matching Shares may consist of shares already held in the company (directly or indirectly). The company has two matching share plans, one for 2017 and one for 2018. For both programmes, Share Rights entitle the participant to Performance Shares on the condition that Ambea's combined quality indices show

a positive trend during the vesting period, and the number of Performance Shares carried by each Matching Share is determined by Ambea's annual operating profit growth. If the highest level is achieved, each participant will receive two Performance Shares per Share Right. If the lowest level is achieved, the participants will not receive any Performance Shares. If the company's annual operating profit growth lies between the highest and lowest levels, a proportionate number of Performance Shares will be distributed to the participants.

Matching share plan	2018	2017
Maximum allotment	172,048	76,000
Subscribed	64,769	34,406
Forfeited	-8,092	-8,292
At 31 December	56,677	26,114
Warrants programme	2018	2017
Maximum allotment	875,000	446,000
Subscribed	703,480	392,480
Repurchased	-82,510	-82,510
At 31 December	620,970	309,970

NOTE G8 Depreciation, amortisation and impairment of tangible and intangible assets

	2018	2017
<i>Depreciation/amortisation:</i>		
Customer contracts and customer relationships	-73	-54
Other intangible assets	-5	-5
Buildings	0	-2
Leasehold improvements	-14	-11
Equipment, tools, fixtures and fittings	-20	-19
Equipment held under a finance lease	-23	-19
Total	-135	-110

NOTE G9 Profit/loss from participations in Group companies

	2018	2017
Loss from disposals of subsidiaries	-4	-23
Total	-4	-23

NOTE G10 Net financial items

	2018	2017
Assets and liabilities measured at amortised cost		
Interest income from accounts receivable	0	0
Interest income, other financial assets	2	7
Total interest income according to effective interest method	2	7
Interest expense, liabilities to credit institutions	-18	-53
Interest expense, other financial liabilities	0	0
Total interest expense according to effective interest method	-18	-53
Fee income and expense	-22	-68
Total	-22	-68
Total recognised in net financial items	-38	-114

Interest expense mainly relates to liabilities to credit institutions and finance lease liabilities, see Note G18 Interest-bearing liabilities. The decrease in interest expense is due to the more favourable terms in the new financing arranged in 2017. The decrease in other financial expenses is mainly due to a decrease in capitalised financing costs.

NOTE G11 Tax

	2018	2017
Current tax expense		
Tax expense for the period	-80	-64
	-80	-64
Deferred tax expense		
Deferred tax concerning temporary differences	25	22
Dissolution/capitalisation of tax loss carry-forwards	-41	-20
Total deferred tax expense	-16	2
Total recognised tax expense/income	-96	-62

Reconciliation of effective tax rate	2018		2017	
	%	Amount	%	Amount
Profit before tax		391		288
Tax according to applicable tax rate	22	-86	22	-63
Non-deductible expenses	3	-13	3	-8
Expenses in connection with acquisitions	0	0	0	-1
Tax in respect of previous periods	0	0	0	0
Tax exempt income	0	2	-4	12
Tax on temporary differences	0	-2	0	-1
Effect of changed tax rate	-1	4	-	-
Other	0	0	0	-1
Recognised effective tax	25	-96	21	-62

NOTE G12 Earnings per share

	2018	2017
Profit for the period attributable to shareholders of the Parent Company, SEK million	295	226
<i>Weighted average number of common shares</i>		
Average number of shares before dilution, thousands	67,549	66,930
Warrants programme	33	13
Earnings per share before dilution, SEK	4.37	3.37
Average number of shares after dilution, thousands	67,582	66,943
Earnings per share before dilution, SEK	4.37	3.37
Earnings per share after dilution, SEK	4.37	3.37

Recalculation of average number of shares

Earnings per share have been recalculated retroactively because the company implemented a four-for-one share split, a share conversion and a bonus issue in the first quarter of 2017. The average number of shares in earlier periods has been recalculated to reflect the split, conversion and bonus issue. Due to the share conversion, all

preference shares were converted to ordinary shares and the debt to former holders of preference shares was paid off in connection with the bonus issue implemented on 31 March 2017.

For disclosures regarding changes in the number of shares outstanding, see Note 17 Equity.

NOTE G13 Intangible assets

	Goodwill		Customer contracts and customer relationships		Other intangible assets		Total	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Accumulated cost								
Opening balance	3,774	3,517	1,276	1,213	54	46	5,104	4,776
Business combinations	278	340	53	86	–	6	331	432
Other acquisitions	–	–	–	–	9	4	9	4
Sales and disposals	–	–36	–	–21	–3	–2	–3	–59
Reclassifications	–	–	–	–	–	–	–	–
Adjustment of acquisition analysis	–	–40	–	–	–	–	–	–40
Exchange-rate differences for the year	6	–6	1	–2	–	–	7	–8
Closing balance	4,058	3,774	1,329	1,276	61	54	5,446	5,105
Accumulated amortisation and impairment								
Opening balance	0	0	–811	–778	–36	–32	–847	–810
Business combinations	–	–	–	–	–	0	–	0
Sales and disposals	–	–	–	21	3	1	4	22
Reclassifications	–	–	–	–	–	–	–	–
Amortisation for the year	–	–	–73	–54	–5	–5	–79	–59
Exchange rate differences for the year	–	–	0	0	–	–	0	0
Closing balance	0	0	–884	–811	–39	–36	–921	–847
Closing balance	4,058	3,774	446	466	22	19	4,526	4,258

Goodwill impairment testing

Impairment testing assesses whether a unit's recoverable amount exceeds its carrying amount. The recoverable amount is calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows without regard to potential future expansions of operations and restructuring.

If there are indications that the value of an intangible asset with a definite useful life has decreased, it is tested for impairment. If the carrying amount of the asset exceeds its recoverable amount, an impairment is recognised in profit or loss for the year. When the assets are put up for sale, a clear indication if the recoverable amount is obtained, which can trigger an impairment loss. Goodwill and intangible assets with indefinite economic lives are not amortised. Instead, these assets are tested both annually and whenever there is an indication of impairment.

When testing the need to impair goodwill and other intangible assets, Vardaga, Nytida, Heimta and Klara have been identified as the cash generating units. The present value is based on projected cash flows, less projected investments and changes in working capital during the same period. The key assumptions that drive the expected cash flows over the next five years are sales growth, operating margin and investments.

The first year of the forecast period is based on budget, which is prepared bottom-up; the next four years are based on business plans per area of operations. The same methods are used for all cash-generating units. Forecasts of sales growth are based on management's prior experience, with some account for information from available external sources regarding industry trends. The operating margin has been forecast on the basis of historical outcomes and expectations of future margins based on past experience. Investment needs are based on historical outcomes and expectations. Assumptions do not include any future business expansions or restructuring. The discount rate used is the weighted average pre-tax cost of capital (WACC), which is 7.2-9.3 per cent (7.8-13.2) for the individual cash generating units. The long-term growth rate assumed from year 5 is 2.0 per cent (2.0). Terminal value is taken into account when testing for impairment. The tests show no indication of impairment, and management believes that no reasonably possible changes in any of the key assumptions would result in the recoverable amount being less than the carrying amount.

The following table shows the long-term growth rate and discount rate before tax used to calculate value-in-use:

2018, Parameters, %	Vardaga	Nytida	Heimta	Klara
Weighted average cost of capital (WAAC)	7.3%	7.3%	7.2%	9.3%
Long-term growth rate from year 5	2.0%	2.0%	2.0%	2.0%

2017, Parameters, %	Vardaga	Nytida	Heimta	Klara
Weighted average cost of capital (WAAC)	9.2%	8.1%	7.8%	13.2%
Long-term growth rate from year 5	2.0%	2.0%	2.0%	2.0%

At 31 December, goodwill was allocated to the following cash-generating units:	31 Dec 2018	31 Dec 2017
Vardaga	978	978
Nytida	2,638	2,367
Heimta	314	307
Klara	128	121
Total	4,058	3,774

NOTE G14 Tangible assets

	Buildings and land		Leasehold improvements		Equipment, tools, fixtures and fittings ¹		Total	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Accumulated cost								
Opening balance	-1	-1	131	101	342	312	471	412
Business combinations	42	34	-	4	-	5	42	43
Other acquisitions	-	-	16	26	56	31	72	56
Sales and disposals	-	-	-	-2	-25	-12	-25	-14
Divestment of operations	-	-	-	-	-	-	-	-
Reclassifications	-42	-34	-	3	-1	6	-43	-25
Exchange rate differences for the year	-	-	-0	0	-	0	0	-1
Closing balance	-1	-1	147	131	372	342	518	471
Accumulated depreciation and impairment								
Opening balance	1	1	-60	-49	-212	-197	-271	-245
Business combinations	-	-	-	-	-1	-	-1	-
Sales and disposals	-	-	-	-	20	7	20	7
Divestment of operations	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	1	16	1	14
Depreciation for the year	-	-	-15	-12	-41	-38	-56	-46
Exchange rate differences for the year	-	-	-	0	0	0	0	0
Closing balance	1	1	-75	-60	-233	-212	-307	-271
Closing balance	0	0	72	71	139	130	211	201

Tax assessment values

The tax assessment value for buildings and land is zero. The properties are tax-exempt because they house care facilities.

¹ Equipment held under a finance lease is included in the following amounts	31 Dec 2018	31 Dec 2017
Cost	118	102
Accumulated depreciation	-38	-28
Total	80	74

Tangible assets held for sale

	31 Dec 2018	31 Dec 2017
Accumulated cost		
Opening balance	44	83
Business combinations	0	0
Other acquisitions	0	1
Sales and disposals	-12	-72
Reclassifications	42	34
Exchange rate differences for the year	1	-2
Closing balance	75	44

	31 Dec 2018	31 Dec 2017
Accumulated depreciation		
Opening balance	-1	-1
Business combinations	0	0
Sales and disposals	0	0
Reclassifications	0	0
Depreciation for the year	0	0
Closing balance	-1	-1
Closing balance	74	43

Relates to properties held for sale. There was no indication of impairment in either the initial or subsequent recognition of assets held for sale due to fair value less selling expenses falling below the carrying amount.

Fixed assets held for sale are attributable to the segments Nytida, Vardaga and Norway.

In 2018, five (eight) properties were divested for a total of SEK 15 million (91).

NOTE G15 Non-current receivables and other receivables

	31 Dec 2018	31 Dec 2017
Deposits	0	0
Receivables on owner companies	0	–
Investments in housing cooperative associations	27	26
Total	27	26
<i>Other receivables classified as current assets</i>		
Employee advances	4	3
Tax account	13	9
VAT and payroll tax payable	11	5
Promissory notes due for divested subsidiaries ¹	0	54
Other receivables	40	23
Total	68	94

¹All promissory notes due were settled in the first quarter of 2018

NOTE G16 Prepaid expenses and accrued income

	31 Dec 2018	31 Dec 2017
Prepaid rents	117	108
Accrued income	32	25
Prepaid lease payments	4	1
Prepaid personnel costs	5	5
Prepaid financial expenses	0	0
Other prepaid expenses	10	17
Total	167	157

NOTE G17 Equity

Share capital and other contributed capital

Share capital

At 31 December 2018, the registered share capital amounted to 67,616,556 shares. All shares are fully paid up and no shares are reserved for transfer of ownership. Each share carries one vote. The quotient value is SEK 0.0 (0.0).

Following a resolution by the Extraordinary General Meeting on 16 March 2017, a number of transactions related to the share capital, attributable to the IPO, took place.

- On 17 March 2017, a one-for-four share split was implemented.
- On 31 March 2017, all of the company's preference shares outstanding were converted to ordinary shares, by re-stamping each preference share as an ordinary share. Following the conversion, all of the shares in the company comprise ordinary shares, each carrying one vote and equal rights to the company's assets and profit.
- On 31 March 2017, a bonus issue to certain existing shareholders was also implemented to reflect ownership of the company among existing shareholders, which was based on the financial value represented by the preference shares.
- On 21 March 2017, an issue of warrants was registered. 327,810 warrants were acquired by members of management as well as extended management, which led to an increase of SEK 1,937,357.10 in other contributed capital. If the maximum number of warrants is exercised, this corresponds to dilution of approximately 0.48 per cent of the company's total number of shares and votes after implementation of the offer.
- On 4 April 2017, a new issue of 2,666,667 shares was implemented. The new issue contributed SEK 200 million to Ambea before transaction expenses and increased the share capital by SEK 66,581.46, resulting in dilution of 3.9 per cent.

The Board of Directors decided to implement a share buy-back programme comprising a total of 62,277 shares, which was completed in November 2017. Repurchased shares will be saved for the delivery of shares under Ambea's matching share plan.

The Board of Directors decided to implement a share buy-back programme comprising a total of 50,677 shares, which was implemented during November 2018.

The total number of shares repurchased in 2017 and 2018 was 112,954.

The share capital amounts to SEK 1,688,253.10 and the number of shares to 67,616,556.

Other capital contributions

Other capital contributions comprise capital contributed by the company's owners, e.g. share premiums and shareholder contributions.

Reserves

Translation reserve

The translation reserve comprises all exchange rate differences arising from translation of the financial statements of foreign operations that prepared their financial statements in a currency that differed from the currency used for presenting the consolidated financial statements. The Group presents its financial statements in SEK.

Hedging reserve

Ambea does not apply hedge accounting for the Group's purchased interest rate caps. Value changes are recognised through profit or loss in net financial items.

Specification of equity item, reserves

<i>Translation reserve, Group</i>	31 Dec 2018	31 Dec 2017
Opening translation reserve	-12	0
Translation reserve for the year	7	-12
Closing translation reserve	-5	-12
<i>Hedging reserve, Group</i>	31 Dec 2018	31 Dec 2017
Opening hedging reserve	12	3
Change in value	-7	9
Closing hedging reserve	5	12
Total closing reserves, Group	-	-

Retained earnings including profit for the year

Retained earnings, including profit for the year, include profits earned in the Parent Company and its subsidiaries and associated companies.

Dividend

The Board proposes a dividend of 25 per cent of net profit for the year, corresponding to SEK 1.10 per share.

NOTE G18 Interest-bearing liabilities

The Note contains information about the company's contractual terms in relation to interest-bearing liabilities. For more information about the company's interest risk exposure and the risk of exchange rate fluctuations, see Note G26 Financial risks and financial policies.

	31 Dec 2018	31 Dec 2017
Non-current liabilities		
Liabilities to credit institutions	571	670
Finance lease liabilities	43	37
Other non-current liabilities	–	2
Total	614	710
Current liabilities		
Current portion of liabilities to credit institutions	0	6
Commercial papers	1,404	1,349
Current portion of finance lease liabilities	37	37
Total	1,441	1,392
Total interest-bearing liabilities	2,055	2,102

Terms and payback periods can be found in Note G26 Financial risks and financial policies. No collateral for bank loans in the company's participations in subsidiaries was issued in 2017 or 2018. Leased assets of SEK 80 million (74) were provided as collateral for the finance lease liabilities.

Finance lease liabilities, etc.

Finance leases refer to future lease payments attributable to finance lease agreements.

Future payments fall due as follows:

Finance leases

	31 Dec 2018	31 Dec 2017
Within 1 year	37	37
Between 1 and 5 years	43	37
Later than 5 years	–	–
Total	80	74

NOTE G19 Overdraft facility

	31 Dec 2018	31 Dec 2017
Overdraft facility utilised	571	664
Overdraft facility granted	3,000	2,500

NOTE G20 Other non-interest-bearing liabilities

<i>Other non-current liabilities</i>	31 Dec 2018	31 Dec 2017
Contingent consideration	–	4
Total	–	4

<i>Other current liabilities</i>	31 Dec 2018	31 Dec 2017
Withholding tax	66	59
VAT liability	1	3
Contingent consideration	–	25
Other liabilities	8	9
Total	74	96

NOTE G21 Pensions

The Group's pension plans

The Group has defined-contribution and defined-benefit pension plans.

Defined-contribution plans

Defined-contribution pension plans exist in both Sweden and Norway. The Group pays fixed contributions into a separate entity (a fund or insurance company) and does not have any further obligations. The charges are usually defined as a percentage of salary.

Defined-benefit pension plans

Defined-benefit pension plans in Sweden consist essentially of the ITP plan section 2 and pension obligations within municipal pension plans, in all material aspects, in respect of previous employees. Defined-benefit pension obligations for the municipal pension plans are secured through our own pension foundation.

The ITP 2 plan, which covers retirement pensions and family pensions for salaried employees in Sweden, is secured through insurance in Alecta. In accordance with UFR 10, a statement issued by the Swedish Financial Reporting Council, this is a multi-employer defined-benefit plan. For the 2018 financial year, the company did not have access to information that would make it possible to recognise this plan as a

defined-benefit plan. Pension obligations under ITP 2 are secured through insurance in Alecta, and therefore recognised as a defined-contribution plan. At the end of December 2018, Alecta's surplus in the form of its collective consolidation ratio was 142 per cent (154). The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of its insurance commitments calculated in accordance with Alecta's actuarial assumptions, which are not consistent with IAS 19. If Alecta's collective consolidation ratio falls below 125 per cent or exceeds 155 per cent, measures must be taken to create the conditions for the consolidation ratio to return to the normal range. At low consolidation, one measure could be to raise the agreed price for new subscriptions and extend existing benefits. Alecta's surplus can be distributed to policy holders and/or the insured. At high consolidation, one measure could be to introduce premium reductions. The Group's share of the total number of plan members is 0.0 per cent (0).

In Norway, there is a defined-benefit KLP pension plan. Pension obligations are secured through pension insurance in KLP (municipal national pension fund mutual insurance company).

The defined-benefit pensions expose the Group to various risks, including risks attributable to life expectancy and salary level, which affect the company's pension obligations. Any change in the assumptions applied will affect the carrying amount of the pension obligations.

Information in respect of defined-benefit pension plans in Sweden and Norway follows.

Net pension costs	2018	2017
Service cost during the period	0	0
Net interest income	0	0
Pension cost in defined-benefit pensions in profit for the year	0	0
Pension cost in defined-benefit pensions in profit for the year ¹	-208	-172
Pension cost in profit for the year	-208	-172
Remeasurement of defined-benefit pensions recognised in other comprehensive income	–	-2
Pension cost in comprehensive income for the period	-208	-174

¹ Costs for defined-contribution plans include amounts regarding defined-contribution plans plus a number of multi-employer defined-benefit plans and, according to IAS 19, these are recognised as defined-contribution plans.

Defined-benefit net pension liability	31 Dec 2018	31 Dec 2017
<i>Sweden</i>		
Present value of pension liability	53	56
Fair value of plan assets	-49	-49
Net pension liability (+) / asset (-)	4	7
<i>Norway</i>		
Present value of pension liability	3	3
Fair value of plan assets	-3	-3
Net pension liability (+) / asset (-)	0	0
Net pension liability (+) / asset (-) in the balance sheet	4	6

Net pension liabilities	31 Dec 2018	31 Dec 2017
Opening balance, pension liability	57	55
Effect of acquisitions	–	–
Service cost during the period	0	0
Interest expense	1	1
Remeasurement of pensions		
– financial obligations	–	2
Pension payments	-3	-2
Payroll tax paid	0	0
Exchange rate differences	0	0
Closing balance, pension debt	56	57

Change in fair value of plan assets ¹	31 Dec 2018	31 Dec 2017
Opening balance, plan assets	49	48
Effect of acquisitions	–	–
Interest income	0	1
Return exceeding interest income	0	0
Payments from employer	–	0
Exchange rate differences	–	0
Closing balance, plan assets	49	49

Plan assets in Sweden consist of fund units pertaining to interest-bearing assets, 58 per cent (56), alternative investments, 20 per cent (20), foreign shares, 11 per cent (12) and Swedish shares, 11 per cent (12), as well as cash and cash equivalents, 0 per cent (0). The fund units have quoted prices at which buybacks can be effected via the fund manager. The fund units in Norway solely comprise insurance in KLP (municipal national pension fund mutual insurance company). The present value of pension obligations is dependent on a number of factors determined by a number of assumptions.

Significant actuarial assumptions	Sweden		Norway	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Discount rate	2.2%	2.2%	2.6%	2.4%
Expected return on pension capital	2.2%	2.2%	2.6%	2.4%
Salary increases	2.5%	2.5%	2.8%	2.5%
Annual increase in income base amounts	2.5%	2.5%	2.5%	2.3%
Inflation	1.8%	1.8%	1.7%	1.6%
Employee turnover	5.0%	–	–	–
Special payroll tax/employer contributions	24.3%	24.3%	14.1%	14.1%
Average life expectancy	FI's regulations, FFFS 2007:31	FI's regulations, FFFS 2007:31	K2013	K2013

¹ pertains to Sweden

The weighted average maturity (duration) of the defined-benefit pension liability is about 12 years in Sweden.

Expected pension payments into the Swedish defined-benefit plan amount to SEK 2 million (2). Expected contributions to the Norwegian defined-benefit plan are SEK 0 million (0).

Sensitivity analysis of pension liability	Change in assumption		Liability change, SEK million	
Discount rate	0.25% (0.25%)	-0.25% (-0.25%)	-2 (-2)	2 (2)

The sensitivity analysis has been performed by changing one actuarial assumption, while the other assumptions remain unchanged. The method shows the sensitivity of the liability to an individual assumption. This is a simplified approach, since the actuarial assumptions are usually correlated.

NOTE G22 Other provisions

The cost of provisions has been recognised under other external costs in the consolidated statement of comprehensive income.

	31 Dec 2018	31 Dec 2017
Opening provisions for credit risk and winding up and closure	0	24
The year's reversal of provision for credit risk and winding up and closure	0	-14
Utilised during the year	0	-10
Closing provisions for credit risk and winding up and closure	0	0

NOTE G23 Deferred tax assets and liabilities

Change in deferred tax in temporary differences and loss carry-forwards

	Amount at 1 January	Recognised in profit or loss	Recognised in equity	Business acquisitions/divestments	Translation	Amount at 31 December
Deferred tax assets						
31 Dec 2018						
Loss carry-forwards	67	-41	-	-	-	26
Pensions	6	-1	0	-	-	6
Machinery and equipment	1	0	-	-	-	2
Leasehold improvements	1	0	-	0	0	1
Total	75	-41	0	0	0	35
31 Dec 2017						
Loss carry-forwards	87	-20	-	-	-	67
Pensions	6	0	0	-	-	6
Machinery and equipment	1	0	-	-	-	1
Leasehold improvements	-	0	-	1	0	1
Total	94	-20	0	1	0	76
Deferred tax liabilities						
31 Dec 2018						
Intangible assets	-105	22 ¹	-	-12	0	-95
Machinery and equipment	0	0	0	-	-	0
Hedging reserve	-3	-	1	-	-	-2
Tax allocation reserve	-13	3	-	0	-	-10
Properties	-3	0	-	-4	-	-7
Total	-124	25	1	-15	0	-114
31 Dec 2017						
Intangible assets	-99	12	-	-19	0	-105
Machinery and equipment	0	0	0	-	-	0
Hedging reserve	-	-	-3	-	-	-3
Tax allocation reserve	-10	2	-	-5	-	-13
Properties	-	8	-	-11	-	-3
Total	-108	22	-3	-35	0	-124

¹ Effect of changed tax rate was SEK 4 million

Unrecognised deferred tax assets

Deductible loss carry-forwards for which deferred tax assets have not been recognised in the statement of financial position amount to SEK 22 million (22).

The loss carry-forwards have been temporarily blocked due to

ownership changes in the Group. Deferred tax assets have not been recognised for these items because it is not likely that the Group will use them to offset future taxable profits in the foreseeable future (i.e. within three years). According to current tax regulations, the deductible temporary differences do not expire.

NOTE G24 Accrued expenses and deferred income

	31 Dec 2018	31 Dec 2017
Holiday pay, including social security fees	182	164
Accrued personnel costs	249	206
Care charges invoiced in advance	56	69
Accrued interest expense	1	0
Accrued consulting and audit costs	18	15
Other items	42	34
Total	547	488

NOTE G25 Fair value measurement of financial assets and liabilities

The following table presents the Group's financial assets and liabilities, measured at carrying amount and fair value respectively, classified into categories under IFRS 9. The Group's financial assets and liabilities for the comparative year of 2017 are presented in classification categories

under IAS 39. The carrying amounts of current receivables and liabilities are considered a reasonable estimate of their fair value, which is why these amounts are consistent in the table below.

Financial assets	Financial assets at fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total carrying amount	Total fair value
31 Dec 2018						
Derivative instruments	–	–	–	–	–	–
Non-current receivables	–	27	–	–	27	27
Accounts receivable	–	622	–	–	622	622
Cash and cash equivalents	–	62	–	–	62	62
Total	–	712	–	–	712	712
Non-current interest-bearing liabilities	–	–	–	571	571	571
Finance lease, non-current	–	–	–	43	43	43
Non-current contingent consideration	–	–	–	–	–	–
Other non-current liabilities	–	–	–	10	10	10
Current interest-bearing liabilities	–	–	–	1,404	1,404	1,404
Accounts payable	–	–	–	198	198	198
Finance lease, current	–	–	–	37	37	37
Current contingent consideration	–	–	–	–	–	–
Total	–	–	–	2,263	2,263	2,263

Financial assets	Financial assets at fair value through profit and loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
31 Dec 2017						
Derivative instruments	–	–	–	–	–	–
Non-current receivables	–	26	–	–	26	26
Accounts receivable	–	624	–	–	624	624
Cash and cash equivalents	–	87	–	–	87	87
Total	–	738	–	–	738	738
Non-current interest-bearing liabilities	–	–	–	672	672	672
Finance lease, non-current	–	–	–	37	37	37
Non-current contingent consideration	–	–	4	–	4	4
Other non-current liabilities	–	–	–	0	0	0
Current interest-bearing liabilities	–	–	–	1,355	1,355	1,355
Accounts payable	–	–	–	194	194	194
Finance lease, current	–	–	–	37	37	37
Current contingent consideration	–	–	25	–	25	25
Total	–	–	29	2,295	2,324	2,324

Fair value measurement

The table below shows financial instruments measured at fair value on the basis of their classification in the fair value hierarchy. The different levels are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for items identical to the asset or liability. This level includes eligible treasury bills, bonds and other interest-bearing securities. Remeasurement is recognised under Financial items.

Level 2 – Observable data for assets or liabilities other than quoted prices included in Level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations). This level includes derivative instruments that are recognised under Other current assets or Other current liabilities.

Level 3 – Data for assets or liabilities not based on observable market data.

31 Dec 2018

Financial assets	Level 1	Level 2	Level 3	Total
Interest-rate derivatives	–	–	–	–
Total	–	–	–	–
Financial liabilities				
Contingent consideration	–	–	–	–
Total	–	–	–	–

31 Dec 2017

Financial assets	Level 1	Level 2	Level 3	Total
Interest-rate derivatives	–	–	–	–
Total	–	–	–	–
Financial liabilities	Level 1	Level 2	Level 3	Total
Contingent consideration	–	–	29	29
Total	–	–	29	29

Calculation of fair value

Currency derivatives

For foreign exchange contracts, the fair value is determined by reference to the listed exchange rates if such are available. If such are not available, the fair value is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted at the balance-sheet date for the remaining period of the contract. Discounting is at the risk-free interest rate based on government bonds.

Interest-rate derivatives

The fair value of interest rate caps is based on the measurement of the credit intermediary, the fairness of which is tested by discounting estimated future cash flows according to the terms and maturities of the contract, and on the basis of the market interest rate for similar instruments at the balance-sheet date.

Interest-bearing liabilities

The fair value of financial liabilities that are not derivative

instruments is calculated by discounting future cash flows of capital amounts and interest at the current market rate at the balance-sheet date. The loans carry floating interest and an assessment has been made that the credit margin is the same as when the loan was entered into, which is why the market value is assessed to be equal to the carrying amount.

Contingent consideration

Contingent considerations are included in the item Other non-interest bearing liabilities and measured at fair value by discounting expected cash flows with a risk-adjusted discount rate. Expected cash flows are determined on the basis of budgeted future sales and corresponding amounts payable on a specific outcome.

Contingent earn-outs are found at level 3 in the measurement hierarchy. Significant unobservable inputs are forecast sales and a risk-adjusted discount rate. In stress tests, it has been estimated that a one-percentage-point change in the discount interest rate would result in an increase of SEK 0 million in the liability. Changes affecting the contingent consideration in Level 3 are presented below. Of SEK 29 million, SEK 4 million went through profit or loss.

Contingent consideration	31 Dec 2018	31 Dec 2017
Opening balance	29	87
Acquisitions	–	9
Paid	-25	-18
Change in value in profit or loss	-4	–
Adjustment of acquisition analysis	–	-45
Currency translation	–	-4
Closing balance	0	29

Accounts receivable and accounts payable

For accounts receivable and accounts payable within six months, the carrying amount is deemed to reflect the fair value. Accounts receivable and accounts payable later than six months are discounted when their fair value is determined.

NOTE G26 Financial risks and financial policies

Financial assets in Ambea mainly comprise accounts receivable arising from the delivery of social care services, and cash and cash equivalents. The Group's financial liabilities consist largely of loans raised, mainly to finance acquisitions and, to a lesser extent, to finance the Group's net working capital.

The financial liabilities give rise to interest rate risks. Of the Group's total bank loans, 68 per cent (66) is hedged through interest-rate derivatives.

In connection with the company's listing on Nasdaq Stockholm (31 March 2017), the company entered into a refinancing arrangement, whereby previous loans were repaid and a new credit facility of SEK 2,500 million was raised in the form of a multi-currency revolving credit facility. In 2018, the credit was expanded by SEK 500 million and at 31 December 2018, amounted to SEK 3,000 million.

Ambea has a commercial paper programme with a total credit line of SEK 2,000 million. As part of the programme, the company can issue commercial papers with terms of up to one year. The programme did not give rise to any increase in the company's liabilities, since the issued volume will always be available under the company's revolving credit facility.

The central finance function in the Parent Company, under the management of the Group's CFO, is responsible for managing financial risks in the Parent Company and the Group. Policies are formulated by the finance function and adopted by the board.

Credit risk in financial operations

Financial activities in the Group entail exposure to credit risk. This primarily comprises counterparty risks in connection with claims on banks that arise from investments of cash and cash equivalents and purchases of derivative instruments.

Credit risk in accounts receivable

The risk that the company's customers do not fulfil their obligations, that is that payment is not received for accounts receivable, is a customer credit risk. Ambea's credit risks are very small. A large part of Group sales is to municipalities, for which the credit risk is deemed very small. Nor are there any major concentrations of credit risk.

Age analysis, accounts receivable				31 Dec 2017 ¹			
Group	31 Dec 2018			31 Dec 2017 ¹			Loss percentage
	Gross	Impairment	Loss percentage	Gross	Impairment	Loss percentage	
Not due accounts receivable	517	–	0%	513	–	0%	
Past due accounts receivable 0-30 days	92	–	0%	97	–	0%	
Past due accounts receivable 31-90 days	7	–	0%	8	–	0%	
Past due accounts receivable 91-360 days	8	-3	-37.0%	8	-3	-37.0%	
Past due accounts receivable >360 days	1	–	0%	2	–	0%	
Total	625	-3	-0.5%	628	-3	0.5%	

¹ 2017 is recognised according to previous accounting policies.

Recognised amounts, per currency, for the Group's accounts receivable are as follows:

	31 Dec 2018	31 Dec 2017
SEK	559	564
NOK	63	60
Total	622	624

Expected loss provisioning – financial instruments covered by simplified approach

Receivables are mainly accounts receivable for which the Group applies the simplified approach for the recognition of expected credit losses. This means that expected credit losses are reserved for their remaining maturity, which is expected to be less than one year for all receivables. The Group applies a ratings-based approach to estimate expected credit losses based on probability of default, loss given default and exposure at default. The Group has defined default as when payment of the receivable is 90 days or more overdue, or when other factors indicate that a payment suspension exists. The Group's counterparties essentially comprise municipalities with very low credit risk. Most of the Group's counterparties have an AAA credit rating at present, which means that the risk of credit losses is considered insignificant. Some municipalities have a credit rating equivalent to AA, which the Group also considers a very low credit risk, with account for the municipal equalisation system which distributes funds be-

tween Swedish municipalities and county councils. The Group has not therefore made any provisions for expected credit losses in relation to municipalities. For private customers, a provision has been made for defaults of more than 90 days.

Expected loss provisioning – financial instruments covered by general approach

The financial assets covered by the general approach to expected loss provisioning are non-current receivables and cash and cash equivalents. Ambea applies a ratings-based approach combined with other known information and forward-looking factors for the assessment of expected credit losses. The Group has defined default as when payment of the receivable is 90 days or more overdue, or when other factors indicate that a payment suspension exists. If the amounts are not deemed insignificant, a provision for expected credit losses is also recognised for these financial instruments. At present, the Group assesses that no credit loss exists for these financial instruments.

Gross credit risk exposure

Swedish municipalities account for most of Ambea's sales, which means that the credit risk is very low. The high creditworthiness of municipalities emanates from their statutory right to tax municipal residents, which essentially means that they cannot go bankrupt. From a credit perspective, their rating is therefore the highest possible. A minor share of Ambea's sales, 2-3 per cent, comprises apartment rent from residents (private individuals) living in Ambea's Own Management operations. Residents of units under own management are charged monthly rent and are eligible to apply for housing allowance, which also reduces Ambea's credit risk for this category of customers.

The Group has not received any pledged collateral for these net financial assets. The quality of receivables that are not overdue or impaired is considered high.

Liquidity/borrowing risk

Liquidity risk is the risk of the Group encountering difficulties in fulfilling its obligations in respect of financial liabilities. Ambea's liquidity risk primarily refers to the risk of being unable to obtain financing at all, or only at a significantly higher cost. In order for Ambea to expand, credit to cover working capital needs and the consideration for acquisitions is essential. Ambea's liquidity reserve comprises committed credit facilities totalling SEK 3,000 million (2,500). At year-end, a total of SEK 571 million (664) had been used. During the year, Ambea issued commercial papers with an outstanding value of SEK 1,404 million (1,349) at the balance-sheet date, which means that SEK 1,025 million (487) is unutilised. To reduce the borrowing risk, Ambea backs up the certificate programme with undrawn funds in the committed credit facilities to 100 per cent.

The Group has 12-month rolling liquidity planning for all Group units. Short-term liquidity planning takes the form of weekly liquidity forecasts for the coming four weeks. Any investments are to be in interest-bearing securities with low risk and high liquidity.

Interest-rate risk

Interest rate risk is the risk that market interest rates will affect cash flow or the fair value of financial assets and liabilities. For assets and liabilities with floating interest rates, a change in market rates would have a direct impact on cash flow, while for assets and liabilities at fixed interest rates the fair value would be affected instead. The Group's accounts receivable are not interest-bearing. Interest-bearing assets exist in the form of cash and cash equivalents and investment assets within the framework of defined-benefit pension plans. Interest-bearing liabilities consist of utilised overdraft facilities and issued commercial paper, to a large extent intended to finance acquisitions and to a lesser extent to finance the business.

Assuming the same loan liabilities and interest rate cap as at year-end, a change of +/- 100 basis points (1 percentage point) in the market rate would change net interest income by +/- SEK 13 million (15).

Currency risk

Ambea differentiates between two types of exposure: transaction exposure and translation exposure.

Ambea has virtually no transaction exposure since almost all income and expenses are denominated in the local currency of each country.

Transaction exposure

Ambea has virtually no transaction exposure since almost all income and expenses are denominated in the local currency of each country.

Contractual terms

Ambea's borrowing from banks is regulated by credit-facility-related covenants. Ambea's borrowing comprises the utilisation of committed overdraft facilities, a revolving credit facility, minor loans raised by companies acquired during the year and commercial papers issued. At the balance-sheet date, committed credit facilities in the Group and Parent Company amounted to SEK 3,000 million (2,518), of which SEK 1,983 million (2,030) was unutilised. The bank loans are floating-rate loans. The company's loan contracts have a financial covenant that the company must meet on a quarterly basis. The covenant is net debt in relation to adjusted EBITDA. During the year, the company complied with all the conditions laid down in the financing agreement.

Maturity analysis of financial liabilities

The table below shows the effective interest rate at the balance-sheet date and the net outflow of financial liabilities. In calculations, the interest rate and exchange rate at the balance-sheet date have been used.

Hedging of net investment in a foreign operation

The Group has a translation exposure arising from the translation of foreign subsidiaries' earnings and net assets into SEK. This translation exposure is to NOK, where the net asset exposure was SEK 221 million (223) at the balance-sheet date. Translation exposure has been currency hedged by loans of NOK 215 million (215). The loans are valued using the closing rate. A 10 per cent stronger SEK in relation to the NOK would have a negative impact of about SEK 0.2 million (1) on equity. Exchange-rate gains or losses on the loan are recognised in other comprehensive income and accumulated in equity. The hedge ratio is 1:1 for hedging. The Group did not recognise any ineffectiveness during the period.

The amounts in the maturity structure pertain to undiscounted cash flows for future interest payments and payments to final maturity.

Effects of hedge accounting on financial position and earnings

	Hedging instruments identified in hedge relationships at 31 December 2018			The period – change in fair value, for measuring ineffectiveness	
	Nominal amount	Carrying amount	Balance sheet item	Hedging instrument	Hedged item
Liability in foreign currency. MNOK	215	221	Non-current interest-bearing liabilities	-5	5

Hedging instrument – hedge accounting applied	Maturity			Total nominal amount
	Within 3 months	3 months-1 year	1-3 years	
Liability in foreign currency – currency hedging of net investment in a foreign operation				
MNOK liability, nominal amount ¹	0	0	221	221

31 Dec 2018

Financial liabilities, SEK	Carrying amounts	Nominal amounts	Within 1 year	2 years	3 years	4 years	5 years –
Revolving credit facility ²	571	600	10	10	580	0	0
Commercial papers	1,404	1,406	1,406	–	–	–	–
Other loans	10	0	0	0	0	0	0
Finance lease liability	80	80	37	26	16	1	0
Accounts payable	198	198	198	–	–	–	–
Total	2,263	2,284	1,651	36	596	1	0

31 Dec 2017

Financial liabilities, SEK	Carrying amounts	Nominal amounts	Within 1 year	2 years	3 years	4 years	5 years –
Revolving credit facility ²	664	726	28	698	–	–	–
Commercial papers	1,349	1,350	1,350	–	–	–	–
Other loans	17	21	1	1	1	1	18
Finance lease liability	74	76	39	22	15	1	0
Accounts payable	194	194	194	–	–	–	–
Total	2,296	2,339	1,584	721	16	2	18

¹ Translated using the closing rate² In connection with the maturity of commercial papers outstanding, we have assumed that these will be replaced by financing under the revolving credit facility. The calculation of interest for year 2 pertains to full financing under the revolving credit facility.

Cash and cash equivalents

The Group's cash and cash equivalents consist predominantly of deposits in bank accounts. Cash and cash equivalents are held in SEK and amounted to SEK 62 million (87).

Capital structure

The Group's aim with respect to its capital structure is to maintain over time an optimal asset and capital structure that is well suited to the Group's activities. Capital is defined as consolidated equity, which amounted to SEK 2,707 million (2,480).

The Group's capital structure target is that net debt in relation to adjusted EBITDA should not exceed 3.25. However, net debt may temporarily exceed this figure, for example in connection with acquisitions. At the balance-sheet date on 31 December 2018, indebtedness was 3.3 (3.7).

NOTE G27 Pledged assets and contingent liabilities

Pledged assets		
For liabilities to credit institutions	31 Dec 2018	31 Dec 2017
Leased assets	80	74
Chattel mortgages	10	13
Real estate mortgages	9	23
Factoring	2	2
Total	101	112

Contingent liabilities

The Group is sometimes involved in lawsuits and legal proceedings that are related to day-to-day business activities. The claims relate to, but are not limited to, the Group's business practices, personnel-related matters and tax issues. With respect to matters

that do not require any provisions, the Group, based on information that is currently available, is of the opinion that these will not result in any significantly negative effects on the Group's financial results.

NOTE G28 Related parties

For information about the remuneration of senior executives, refer to Note G7 Employees, personnel costs and remuneration of senior executives.

Through the acquisition of Solhagagruppen AB, Ambea has a Joint

Pension Foundation, which has a plan for post-service remuneration for the benefit of employees of certain companies within the Ambea Group. The Foundation is thereby regarded a related party. There were no transactions with the Foundation during the year.

Transactions with Group companies	2018	2017
Purchases from companies related to Triton Advisers	0.5	–

NOTE G29 Additional cash flow statement disclosures

	2018	2017
Cash and cash equivalents		
The following components are included in cash and cash equivalents:		
Cash and bank balances	62	87
	62	87
Interest paid/received		
Interest received	2	7
Interest paid	-30	-108
Adjustment for non-cash items, etc.		
Profit/loss from participations in Group companies	4	23
Depreciation, amortisation and impairment of assets	135	110
Capital gain/loss on disposal of fixed assets	-2	0
Unrealised exchange rate differences	0	-
Changes in provisions	-3	-24
Unpaid interest expense	-0	-13
Accrual of financing cost	0	50
Other non-cash items	0	0
	134	145

	31 Dec 2017	New loans	Repay-ments	Acquisi-tions	Exchange-rate differences	Changes in fair value	Other changes	31 Dec 2018
Non-current loans	670	-	-112	-	1	5	7	571
Current loans	1,355	1,399	-1,360	10	+/-	-	-	1,404
Lease liabilities	74	-	-22	-	+/-	-	28	80
Total liabilities from financing activities	2,101	1,399	-1,494	10	1	5	35	2,055

	31 Dec 2016	New loans	Repay-ments	Acquisi-tions	Exchange-rate differences	Changes in fair value	Other changes	31 Dec 2017
Non-current loans	2,114	2,287	-3,887	29	-1	-12	141	670
Current loans	143	1,349	-50	6	+/-	-	-93	1,355
Lease liabilities	64	0	-19	-	+/-	-	29	74
Total liabilities from financing activities	2,321	3,636	-3,956	35	-1	-12	77	2,101

NOTE G30 Business combinations

Effect of acquisitions, 2018

In 2018, Ambea completed the following acquisitions, where 100 per cent of the shares in each company was acquired:

- Curation Holding AB
- PR Vård AB
- Arona Omsorger AB
- Strukturrutan AB
- TillVäxthemma AB
- Kung Saga AB

After the end of the year, the acquisition of Aleris's care operations was completed.

Aleris's care operations

On 21 January 2019, Ambea acquired Aleris's care operations in Sweden, Norway and Denmark. Aleris's care operations are focused on elderly care, and on residential facilities and support for children and adults with functional disabilities or psychosocial problems. Aleris's care operations comprise approximately 250 operations under both Own Management and Contract Management.

The purchase price, which was financed with existing credit facilities and new secured bank loans, amounted to SEK 2.6 billion on a debt-free cash-free basis.

The acquisition will be consolidated in Ambea's accounts as of 21 January 2019.

Curation Holding AB

On 7 May, Ambea's Nytida business area acquired Curation Holding AB (Stöd & Resurs). The acquisition complements and strengthens Nytida's existing operations in residential care, day services and short-term accommodation for children and adults with neuropsychiatric disabilities. Stöd & Resurs's operations comprise a total of 16 units under own management with 89 beds and 40 placements in Stockholm and Västra Götaland.

At the acquisition date, the purchase price amounted to SEK 302 million and was financed in cash. The acquisition gave rise to goodwill of SEK 236 million. The goodwill relates mainly to synergies from reduced central costs. The goodwill is not expected to be tax deductible.

The acquisition was consolidated in Ambea's accounts as of 7 May 2018, and has contributed SEK 83 million in net sales and SEK 24 million in EBITA during the year. If the acquisition had taken place on 1 January 2018, management estimates that Stöd & Resurs's net sales would have amounted to approximately SEK 128 million and EBITA to about SEK 38 million.

Other acquisitions

The consideration (purchase price) transferred for the acquisitions comprised cash in the amount of SEK 70 million. The acquisitions gave rise to goodwill of SEK 43 million in the form of a difference between the consideration transferred and the fair value of the net assets acquired. The goodwill mainly relates to synergies in the form of coordination gains within administration. The goodwill is not expected to be tax

deductible.

In the period up to 31 December 2018, the other acquired companies contributed SEK 49 million to the Group's net sales and SEK 7 million to the Group's EBITA. If the acquisitions had occurred on 1 January 2018, Ambea estimates that the companies' net sales would have amounted to SEK 74 million and EBITA to SEK 11 million.

A brief summary of other acquisitions is presented below:

PR Vård AB

On 2 January, Ambea's Klara business area acquired PR Vård AB (Elevhälsan), name now changed to Klara E AB. The business area is specialised in staffing solutions for student health services in elementary and secondary schools. The company conducts operations throughout Sweden, with a strong position in Stockholm, Uppsala and Östergötland. In 2017, sales amounted to approximately SEK 25 million.

Arona Omsorger AB

On 28 February, Ambea's Nytida business area acquired Arona Omsorger AB, name now changed to Nytida Andesit AB, comprising two legal entities – Trollglim och Vittergull AB and R.A.L. Fastighetsförvaltning AB. Nytida Andesit AB consists of one group home with a total of seven beds and one day services unit for 12 people with a focus on caring for animals, and the operations are located close to Trosa and Vagnhärad in Sweden. In 2017, sales amounted to approximately SEK 12 million.

Strukturrutan AB

On 4 April, Ambea's Vardaga business area acquired Strukturrutan AB, name now changed to Vardaga Fjällmyran AB. The company manages the Myran nursing home in Östersund on behalf of the municipality. In 2017, sales amounted to approximately SEK 10 million.

TillVäxthemma AB

On 1 June, Ambea's Nytida business area acquired Tillväxthemma AB, name now changed to Nytida Tillväxthemma AB. Tillväxthemma's operations are focused on socially vulnerable children and young adults, have 13 beds and are based in Gävleborg County. In 2016/2017, sales amounted to approximately SEK 12 million.

Kung Saga AB

On 28 September, Ambea's Nytida business area acquired Kung Saga AB, name now changed to Nytida Kung Saga AB. Kung Saga operates a special needs upper secondary school with an aesthetic focus and related after-school activities in Stockholm. The company has 45 school placements and 30 after-school placements. In 2017, sales amounted to approximately SEK 20 million.

2018

Net assets of the acquired companies at the acquisition date:

SEK million	Curation Holding AB	Other acquisitions	Fair value recognised in the Group
Tangible assets	17	12	45
Intangible assets	0	–	54
Financial assets	0	–	–
Inventories	0	0	0
Accounts receivable and other receivables	21	8	29
Cash and cash equivalents	14	17	31
Non-current interest-bearing liabilities	-8	-4	-12
Deferred tax liability	0	0	-16
Provisions	0	0	0
Accounts payable and other liabilities	-22	-13	-36
Net identifiable assets and liabilities	22	20	95
Group goodwill	236	43	278
Total consideration			373
Cash (acquired)			-31
Estimated earn-out			0
Net cash outflow			342
Earn-out paid in respect of previous years' acquisitions			25
Total acquisitions			368

Effect of acquisitions, 2017

In 2017, the following companies were acquired: Re-sursteamet i Stockholm AB, HVB Partner i Norr AB, Varphaugen AS and Varphaugen Ungdomshjem AS, Brostugegården, BoA Mellanvård AB, Målrettet Intervensjon AS and Tiltaksgruppa Fokus AS.

The consideration (purchase price) transferred comprised cash and an estimated earn-out in the amount of SEK 434 million.

The acquisitions gave rise to goodwill of SEK 339 million in the form of a difference between the consideration transferred and the fair value of the net assets acquired. The goodwill mainly relates to synergies in the form of coordination gains within administration. The goodwill is not expected to be tax deductible.

2017**Net assets of the acquired companies at the acquisition date:**

SEK million	Resursteamet i Stockholm AB	Other acquisitions	Fair value recognised in the Group
Tangible assets	11	25	82
Intangible assets	8	0	91
Financial assets	0	6	6
Inventories	0	0	0
Accounts receivable and other receivables	22	24	46
Cash and cash equivalents	19	40	59
Non-current interest-bearing liabilities	-16	-22	-38
Deferred tax liability	-5	0	-34
Provisions	0	0	-
Accounts payable and other liabilities	-15	-36	-52
Net identifiable assets and liabilities	24	36	160
Group goodwill	149	190	339
Total consideration	173	226	499
Cash (acquired)			-59
Estimated earn-out			-6
Net cash outflow			434
Earn-out paid in respect of previous years' acquisitions			18
Total acquisitions			452

The contracted contingent earn-outs for the acquired companies are attributable to the growth in earnings in the acquired companies over the coming year. At the acquisition date, the contingent liability was SEK 29 million.

NOTE G31 Events after the balance-sheet date

On 15 October 2018, Ambea entered into an agreement to acquire all of Aleris's care operations for a purchase price of SEK 2.6 billion on a debt-free cash-free basis (enterprise valuation). The acquisition has made Ambea the leading care company in Sweden, Norway and Denmark. The transaction was completed on 21 January 2019 for a purchase price of approximately SEK 3 billion adjusted for net cash in Aleris's

care operations on the transfer date. Ambea financed the transaction with existing credit facilities and new secured bank loans. To repay some of this financing and reduce Ambea's indebtedness in order to achieve the company's long-term financial targets, it is proposed that the AGM resolves on a new issue of shares totalling approximately SEK 1.2 billion to existing shareholders.

NOTE G32 Key judgements and estimates

The critical assessments and estimates for accounting purposes addressed in this section are those that management and the Board consider most important for an understanding of Ambea's financial statements taking into account the degree of significant assessments and uncertainty. These assessments are based on historical experience and the various assumptions that management and the Board deem reasonable under the prevailing circumstances. The conclusions thus drawn form the basis for decisions concerning the carrying amounts of assets and liabilities, where these cannot be immediately determined based on information from other sources. Actual outcomes may differ from these assessments if other assumptions are made or other conditions are in place. For more information, refer also to Note G1 Accounting

policies, which describes the accounting policies that Ambea has chosen to apply.

a) Impairment testing of intangible assets

Intangible assets in the Group essentially pertain to goodwill arising in connection with business combinations, measured customer contracts and customer relationships and, to a lesser extent, other intangible assets. The carrying amount of intangible assets is mainly comprised of assets arising in connection with the former owners Triton and KKR acquiring Ambea in 2010. For measured customer contracts and related customer relationships, amortisation is recognised in pace with the anticipated consumption of the economic benefits flowing from these assets. For other intangible assets,

amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the asset. Goodwill is impairment tested annually, or as soon as indications arise that the asset in question has decreased in value. In addition to the demographic trend affecting operations in all countries where Ambea is active, the trend in Sweden is considered highly dependent on state and municipal decisions, such as the assumption of increased competition for publicly financed health care and social care. These decisions are affected by the financial position of the state, county councils and municipalities. The general economy has an impact on the cost situation of the business. Ambea's intangible assets amounted to SEK 4,526 million (4,259), of which goodwill accounted for SEK 4,058 million (3,774).

When assessing the recoverable amount in the context of an impairment test, estimated future cash flows based on a five-year business plan produced by the management for

Ambea are used. For the period after the forecast period, the growth assumption was 2.0 per cent (2.0) with an unchanged margin. When discounting the future cash flow to present value, the average pre-tax weighted cost of capital is 7.2-9.3 per cent (7.8-13.2). Even if management believes that the estimated future cash flows are reasonable, other assumptions regarding cash flows may affect the valuations.

b) Acquisition analyses

When subsidiaries are acquired, an acquisition analysis is carried out whereby the fair value at the acquisition dates of the acquired identifiable assets and assumed liabilities and contingent liabilities is recognized. Acquisition analyses are based on key judgements and estimates of future events. Actual values may subsequently differ from those used in the acquisition analysis.

NOTE G33 Reconciliation to IFRS

Growth/Acquired growth		
SEK million	2018	2017
Net sales growth	4%	9%
Of which acquired growth	5%	10%
Of which organic growth	-1%	0%
Operating margin, EBIT		
SEK million	2018	2017
Net sales	6,076	5,816
Operating profit	429	402
Operating margin, EBIT	7.1%	6.9%
EBITA and adjusted EBITA		
SEK million	2018	2017
Operating profit (EBIT)	429	402
Amortisation and impairment of intangible assets	79	59
EBITA	508	461
Compensation received from Vitale's previous owner	0	-17
Restructuring and acquisition-related costs	35	1
IPO costs	0	32
Costs for discontinuation of an entire segment	4	22
Adjusted EBITA	547	498
Net sales	6,076	5,816
EBITA margin, %	8.4	7.9
Adjusted EBITA margin, %	9.0	8.6

EBITDA and adjusted EBITDA		
SEK million	2018	2017
Operating profit (EBIT)	429	402
Depreciation, amortisation and impairment of tangible and intangible assets	135	110
EBITDA	564	512
Compensation received from Vitale's previous owner	0	-17
Restructuring and acquisition-related costs	35	1
IPO costs	0	32
Costs for discontinuation of an entire segment	4	22
Adjusted EBITDA	603	550
Net sales	6,076	5,816
EBITDA margin, %	9.3	8.8
Adjusted EBITDA margin, %	9.9	9.5
Return on equity		
SEK million	2018	2017
Opening equity attributable to shareholders of the Parent Company	2,480	2,067
Closing equity attributable to shareholders of the Parent Company	2,707	2,480
Average equity attributable to shareholders of the Parent Company	2,594	2,273
Profit for the year	295	226
Return on equity (%)	11.4	9.9
Equity/assets ratio		
SEK million	31 Dec 2018	31 Dec 2017
Total equity	2,707	2,480
Total assets	5,792	5,567
Equity/assets ratio, %	46.7	44.5
Working capital		
SEK million	31 Dec 2018	31 Dec 2017
Inventories	0	0
Accounts receivable	622	624
Current receivables from Group companies	-	-
Other receivables	68	94
Prepaid expenses and accrued income	167	157
Less accounts payable	-198	-194
Less tax liabilities	-93	-73
Less other non-interest bearing liabilities	-74	-96
Less accrued expenses and deferred income	-547	-488
Total working capital	-54	25
Net sales	6,076	5,816
Working capital in relation to net sales, %	-0.9	0.4

Operating cash flow

SEK million	2018	2017
Operating profit (EBIT)	429	402
Depreciation, amortisation and impairment of tangible and intangible assets	135	110
Adjustment for non-cash items	-5	-2
Cash flow from investing activities excl. acquisitions and sales of subsidiaries	-32	-10
Operating cash flow before changes in working capital	527	500
Changes in working capital	73	-41
Operating cash flow after changes in working capital	600	459

Cash conversion

SEK million	2018	2017
Operating cash flow after changes in working capital	600	459
Adjustment for cash flow from investing activities related to increased capacity/growth	9	7
Operating cash flow excluding cash flow from investments in increased capacity/growth	609	465
EBITDA	564	512
Cash conversion (%)	108.0	90.8

Parent Company income statement

SEK million	Note	2018	2017
OPERATING INCOME			
Net sales		29	25
Total net sales		29	25
OPERATING EXPENSES			
Other external costs	2	-22	-40
Personnel costs	3	-25	-12
Operating loss		-18	-27
Net financial items	4	-2	-31
Loss after financial items		-16	-58
Appropriations	5	15	57
Loss before tax		-1	-1
Tax on loss for the year	6	-	-
Loss for the year		-1	-1

Parent Company statement of comprehensive income

SEK million	Note	2018	2017
Profit for the year		-1	-1
Other comprehensive income for the year		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-1	-1

Parent Company balance sheet

SEK million	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Software		1	–
<i>Financial assets</i>			
Participations in Group companies	7, 11	4,129	4,127
Deferred tax assets		2	2
Other financial assets		32	–
Total fixed assets		4,164	4,129
Current assets			
Receivables from Group companies		23	9
Other receivables		16	2
Prepaid expenses and accrued income		4	3
Cash and bank balances		0	9
Total current assets		43	23
TOTAL ASSETS		4,207	4,152
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		2	2
Statutory reserve		0	0
Total restricted equity		2	2
Non-restricted equity			
Share premium reserve		200	199
Retained earnings		1,852	1,925
Profit for the year		–1	–1
Total non-restricted equity		2,051	2,123
Total equity		2,053	2,125
Non-current liabilities			
Liabilities to credit institutions	10	713	659
Current liabilities			
Commercial papers	10	1,404	1,349
Accounts payable		7	9
Other liabilities		1	2
Accrued expenses	9	29	8
Total current liabilities		1,441	1,368
TOTAL EQUITY AND LIABILITIES		4,207	4,152

Parent Company statement of changes in equity

	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening equity, 1 Jan 2017	1	0	6	1,929	0	1,936
Appropriation of profits	–	–	–	0	0	–
Profit for the year	–	–	–	–	-1	-1
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	-1	-1
Transactions with shareholders						
Bonus issue	1	–	–	-1	–	–
New share issue	0	–	200	–	–	200
Issue expenses	–	–	-7	–	–	-7
Warrants issued	–	–	–	2	–	2
Share buybacks	–	–	–	-5	–	-5
Closing equity, 31 Dec 2017	2	0	199	1,925	-1	2,125
Opening equity, 1 Jan 2018	2	0	199	1,925	-1	2,125
Appropriation of profits	–	–	–	–	–	–
Profit for the year	–	–	–	–	-1	-1
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	-1
Transactions with shareholders						
Bonus issue	–	–	–	–	–	–
New share issue	–	–	–	–	–	–
Issue expenses	–	–	–	–	–	–
Warrants issued	–	–	–	1	–	1
Share buybacks	–	–	–	-4	–	-4
Dividend	–	–	–	-68	–	-68
Closing equity, 31 Dec 2018	2	0	200	1,852	-1	2,053

Parent Company cash flow statement

SEK million	Note	2018	2017
Operating activities			
Loss before tax		-1	-1
Adjustment for non-cash items	13	4	3
		3	2
Tax paid		-	-2
Cash flow from operating activities before changes in working capital		3	0
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-31	-12
Increase (+)/Decrease (-) in operating liabilities		-42	18
Cash flow from operating activities		-70	5
Investing activities			
Premiums for warrants		-2	0
Investment in shares in subsidiaries		0	-2,192
Investment in other financial assets		-32	0
Cash flow from investing activities		-34	-2,192
Financing activities			
New share issue		0	193
Net change in overdraft facility		55	0
Share buybacks		-4	-5
New loans		1,399	2,007
Group contributions received		57	0
Repayment of debt		-1,344	0
Dividend		-68	0
Cash flow from financing activities		95	2,195
Cash flow for the year		-9	9
Cash and cash equivalents at the beginning of the year		9	0
Cash and cash equivalents at year-end	13	0	9

Notes for the Parent Company

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NOTE PC1 Accounting policies

Parent Company's accounting policies

The Parent Company prepares its Annual Report in accordance with the Swedish Annual Accounts Act and additional information in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, which means that the Parent Company, in the annual accounts for the legal entity, is required to apply all EU-endorsed IFRS and statements, insofar as this is possible, within the framework of the Swedish Annual Accounts Act and taking into account the connection between accounting and taxation. The recommendation specifies the exceptions and supplements that should be applied in relation to IFRS.

Differences between the accounting policies applied by the Group and the Parent Company

The most significant differences between the accounting policies applied by the Group and the Parent Company are presented below. The accounting policies stated below for the Parent Company have been applied consistently for all presented periods in the Parent Company's financial statements.

Classification and presentation formats

The Parent Company income statement and balance sheet are prepared in accordance with the Annual Accounts Act.

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognised in the Parent Company according to the cost method. Dividends received are recognised as income. Impairment testing of carrying amounts is performed after the dividend has been received.

Financial guarantees

Financial guarantees entail that the company has an obligation to indemnify the holder of a debt instrument for losses he/she incurs due to a specified debtor not making payment when contractual amounts fall due. When recognising financial guarantee contracts, the Parent Company applies RFR 2,

which entails relaxation compared with the IAS 39 rules in respect of financial agreement contracts issued for the benefit of subsidiaries, associated companies and joint ventures. The Parent Company recognises financial agreement contracts as a provision in the balance sheet when the company has an obligation for which payment will probably be required to settle the obligation.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases when the Parent Company has a sole right to determine the amount of the dividend and the Parent Company had made a decision concerning the amount of the dividend prior to publication of the financial statements.

Tangible assets

Tangible assets in the Parent Company are recognised at cost less accumulated depreciation and any impairment losses in the same way as for the Group but with the addition of any write-ups.

Leased assets

In the Parent Company, all leases are recognised according to the rules for operating leases.

Tax

In the Parent Company, untaxed reserves are recognised including deferred tax liabilities. In the consolidated financial statements, however, untaxed reserves are divided into deferred tax liabilities and equity.

Group and shareholder contributions

Group contributions received and granted are both recognised as appropriations in accordance with the alternative rule. Shareholder contributions are recognised directly against equity for the recipient and in participations in Group companies for the donor, insofar as there is no need for impairment.

NOTE PC2 Other external costs

	2018	2017
External services*	-19	-30
Advertising/PR	-1	-4
Other	-2	-6
Total	-22	-40

*the Parent Company's audit costs amounted to SEK 1 million in 2017 and SEK 1 million in 2018.

NOTE PC3 Employees, personnel costs and remuneration of senior executives

For salaries and remuneration of employees and senior executives, and information about the number of employees, refer

to Note G7 Employees, personnel costs and remuneration of senior executives.

NOTE PC4 Net financial items

	2018	2017
<i>Assets and liabilities measured at amortised cost</i>		
Interest income from customers	0	0
Interest income, other financial assets	39	0
Total interest income according to effective interest method	39	0
Interest expense, liabilities to credit institutions	-15	-21
Interest expense, other financial liabilities	0	0
Total interest expense according to effective interest method	-15	-21
Fee income and expense	-22	-10
Total	-22	-10
Total recognised in net financial items	2	-31

Interest expense liabilities to credit institutions mainly relates to liabilities to credit institutions and finance lease liabilities, see Note G18 Interest-bearing liabilities. The decrease in interest expense liabilities to credit institutions is due to the more favourable terms in the new financing arranged in 2017.

NOTE PC5 Appropriations

	2018	2017
Group contributions received	15	57
Total	15	57

NOTE PC6 Tax

	2018		2017	
	%	Amount	%	Amount
Reconciliation of effective tax rate				
Profit before tax		-1		-1
Tax according to applicable tax rate	22	0	22	0
Non-deductible expenses	-	-	-	-
Tax exempt income	-22	0	-22	0
Recognised effective tax		-		-

NOTE PC7 Participations in Group companies

	31 Dec 2018	31 Dec 2017
Accumulated cost		
Opening balance	4,127	1,935
Shareholder contributions received	2	2,192
Closing balance	4,129	4,127

Material holdings in subsidiaries of the Group, as well as a specification of the Parent Company's direct holdings in Group companies:

Subsidiary/Corp. Reg. No./Registered office	No. of shares	Shares, %	Carrying amount
Ambea Group AB, 556801-0788, Stockholm	406,705,508	100	4,129
Ambea Vård och Omsorg AB, 556677-0896, Stockholm	492,207,640	100	-
Vardaga och Nytida AB, 556531-6071, Stockholm	13,363,313	100	-
Ambea Sverige AB, 556542-9908, Stockholm	1,000	100	-
Rent-A-Doctor AB (in liquidation) 556582-3480, Stockholm	1,057,520	100	-
Klara D AB, 556578-0847, Stockholm	1,000	100	-
Klara T AB, 556583-7324, Stockholm	1,000	100	-
Vardaga AB, 556469-9105, Solna	100,000	100	-
Vardaga Medihem AB, 556205-3628, Solna	40,000	100	-
Vardaga Äldreomsorg AB, 556573-6450, Solna	10,000	100	-
Grannskaps Serviceboende och Service i Östergötland AB, 556441-1717, Solna	1,200	100	-
Nytida Mogården AB, 556542-9940, Solna	100	100	-
Nya Nåshemmet AB, 556608-6715, Vansbro	5,010	100	-
Vardaga Opalen AB, 556455-5208, Solna	3,000	100	-
Vardaga Graniten AB, 556492-9148, Solna	1,000	100	-
Vardaga Skåneborg AB, 556319-5949, Solna	1,000	100	-
Vardaga Äldreomsorg 1 AB, 556466-3218, Sollentuna	160,000	100	-
Nytida AB, 556470-1901, Solna	55,000	100	-
Nytida VIP AB, 556496-9367, Sollentuna	100	100	-
Nytida Dallotsen AB, 556661-2718, Gagnef	1,000	100	-
Nytida Sandstenen AB, 556537-7180, Solna	1,000	100	-
Nytida Bergskristallen AB, 556468-9270, Solna	10,000	100	-
Nytida Tasava AB, 556558-6871, Solna	2,000	100	-
Nytida Månstenen AB, 556334-8407, Solna	1,000	100	-
Nytida Eken Care AB, 556529-1803, Solna	15,000	100	-
Nytida Bärnstenen AB, 556118-6403, Solna	100	100	-
Nytida Annebergs AB, 556568-5020, Solna	1,000	100	-

Subsidiary/Corp. Reg. No./Registered office	No. of shares	Shares, %	Carrying amount
Nytida ASP Center AB, 556580-4712, Solna	150	100	–
Nytida Provita AB, 556600-1029, Solna	5,550	100	–
Nytida Topasen AB, 556501-7810, Solna	1,020	100	–
Vardaga Agaten AB, 556562-7337, Solna	2,000	100	–
Vardaga Silverhemmen AB, 556791-3321, Stockholm	10,000	100	–
Nytida Kängurun AB, 556571-8193, Solna	5,000	100	–
Vardaga Gästhemmet Edsby Slott AB, 556568-4908, Solna	50	100	–
Ambea Fastighets Holding AB, 556619-7959, Stockholm	1,000	100	–
Ormsta i Vallentuna Fastighets AB, 556919-2734, Solna	50,000	100	–
Nytida Akida Omsorg AB, 556863-3282, Solna	34,444	100	–
Nytida Hopplunda AB, 556521-1355, Solna	1,000	100	–
Nytida Höga Kusten AB, 556758-5004, Solna	100	100	–
Nytida Korsaröd AB, 556582-2961, Solna	1,000	100	–
Nytida Davsjö AB, 556651-0532, Solna	116,550	100	–
Nytida Davsjö Väst AB, 556759-6910, Solna	1,000	100	–
Nytida Davsjö Utveckling AB, 556686-2644, Solna	1,000	100	–
Nytida Ungstöd Sverige AB, 556857-7950, Solna	5,880	100	–
Nytida Ungstöd i Mälardalen AB, 556735-1696, Stockholm	1,000	100	–
Nytida Ungstöd I Stockholm AB, 556703-9531, Solna	1000	100	–
Nytida Solhagagruppen Holding AB, 556802-2189, Solna	7,865,188	100	–
Nytida Solhagagruppen AB, 556729-1686, Solna	1,870,000	100	–
Nytida Malakiten AB, 556164-1332, Solna	2,000	100	–
Nytida Autismkonsult AB, 556609-0261, Kil	1,000	100	–
Nytida Bergshyddan AB, 556551-0392, Solna	1,050	100	–
Nytida Enigma AB, 556487-0771, Solna	4,800	100	–
Nytida Jag Kan AB, 556383-7334, Solna	1,000	100	–
Nytida Kasper Kollo AB, 556739-7830, Solna	1,000	100	–
Nytida Solhaga by AB, 556439-6868, Solna	5,000	100	–
Nytida Solängen AB, 556668-4345, Solna	1,000	100	–
Nytida Solhaga Sverige AB, 556561-3154, Solna	4,000	100	–
Nytida Tamburinen AB, 556488-6488, Solna	1,000	100	–
Nytida Törngårdens Ek.förening, 769600-0368, Stockholm	–	100	–
Nytida Öjebo AB, 556605-9332, Ljusdal	1,000	100	–
Nytida Bellstasund AB, 556545-8626, Solna	2,000	100	–
Nytida Nyängen AB, 556528-3776, Solna	2,000	100	–
Nytida Bostadsrätter 516 AB, 556774-0849, Simrishamn	100,000	100	–
Nytida Markområde AB, 556774-0856, Solna	100,000	100	–
Nytida Rapsängen AB, 556774-0831, Solna	100,000	100	–
Nytida Kalkstenen AB, 556639-9357, Göteborg	100	100	–
Blichergruppen AB, 556693-0417, Svalöv	1,000	100	–
Nytida Ekbacka AB, 556477-0807, Tingsryd	1,000	100	–
Nytida Resursteamet AB, 556827-2693, Stockholm	10,000	100	–
RT Assistans AB, 556952-0025, Stockholm	1,000	100	–
RT Jobb AB, 556744-1026, Stockholm	100	100	–
Nytida HVB Partner i Norr AB, 556968-2080, Stockholm	500	100	–
Nytida Brostugegården AB, 556445-7579, Uppsala	1,000	100	–
BoA Mellanvård AB, 556585-8908, Stockholm	1020	100	–
Ambea Norge AS, 916722052, Oslo		100	–
Heimta AS, 913462564, Rygge	30,000	100	–
Vitalegruppen AS, 990546762, Oslo	800	100	–

Subsidiary/Corp. Reg. No./Registered office	No. of shares	Shares, %	Carrying amount
Bolig og Bistand AB, 995198592, Oslo	1,000	100	–
TBO Helse AS, 995 829 142, Lenvik	200	100	–
Varphaugen AS, 985 841 144, Oslo	100	100	–
Varphaugen Ungdomshjem AS, 918 912 940, Oslo	30,000	100	–
Målrettet Intervensjon AS, 994 511 548, Lillehammer	100	100	–
Tiltaksgruppa Fokus AS, 994 597 760, Skjeberg	100	100	–
Curation Holding AB, Lundagatan 5, 171 63 Solna	9,000	100	–
Klara E AB Mejerivägen 4, 113 47 Stockholm	1,001	100	–
Nytida Andesit AB 556630-1585, Solna	1,020	100	–
Vardaga Fjällmyran AB, 556721-3045, Östersund	1,000	100	–
Nytida Tillväxthemma AB, 556933-2314, Söderhamn	500	100	–
Nytida Kung Saga AB, Telefonvägen 20, 126 37 Hägersten	50	100	–
Nytida Pavus AB, 556753-2238, Solna	1,000	100	–
Nytida Stöd & Resurs AB, 556437-5691, Solna	1,000	100	–
Nytida Hela Vägen AB, 559095-7956, Solna	50,000	100	–
Grätam Fastighetsprojekt AB, 559141-2019, Solna	500	100	–
CUS Fastighets & Service AB, 559079-6558, Solna	500	100	–
Fastighetsbolaget Vårdinge AB, 556633-4825, Solna	1,000	100	–
MVUL Fastigheter i Sverige AB, 556834-3668, Solna	50,000	100	–
RAL Fastighetsförvaltning AB, 556701-4591, Solna	100,000	100	–
Total			4,129

NOTE PC8 Equity

The share capital consists of 67,616,556 (67,616,556) shares with a quotient value of SEK 0.0 (0.0). Refer also to Note G17 Equity and Note G12 Earnings per share for information about restatement in the comparative year.

Retained earnings comprise earnings brought forward from prior years after any dividends have been paid, and shareholder contributions.

NOTE PC9 Accrued expenses and deferred income

The Parent Company's accrued expenses totalled SEK 29 million (8).

	31 Dec 2018	31 Dec 2017
Holiday pay, including social security fees	0	0
Accrued personnel costs	9	1
Accrued interest expense	0	0
Accrued consulting and audit costs	2	2
Other items	18	4
Total	29	8

NOTE PC10 Fair value measurement of financial assets and liabilities

The Parent Company's financial assets and liabilities are presented in the following table, classified according to cost. The carrying amounts of current receivables and liabilities are considered a reasonable estimate of their fair value, which is why these amounts are consistent in the table below.

Financial assets	Financial assets measured at cost	Financial assets measured at cost	Total carrying amount	Total fair value
31 Dec 2018				
Cash and cash equivalents	0	–	0	0
Receivables from Group companies	23	–	23	23
Total	23	–	23	23
Liabilities to credit institutions	–	713	713	713
Commercial papers	–	1,404	1,404	1,404
Accounts payable	–	7	7	7
Total	–	2,214	2,124	2,124

Financial assets	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
31 Dec 2017				
Cash and cash equivalents	9	0	9	9
Receivables from Group companies	9	–	9	9
Total	17	0	17	17
Liabilities to credit institutions	–	659	659	659
Commercial papers	–	1,349	1,349	1,349
Accounts payable	–	9	9	9
Total	0	2,017	2,017	2,017

Expected loss provisioning

The Parent Company applies a ratings-based approach to estimate expected credit losses on intra-Group receivables based on probability of default, loss given default and exposure at default. The Parent Company has defined default as when payment of the receivable is 90 days or more overdue, or when other factors indicate that a payment suspension exists. A significant increase in credit risk was not deemed to exist at the balance-sheet date. Such an assessment is based on whether payment is 30 days or more overdue,

or if the credit quality has deteriorated significantly, resulting in a rating below investment grade. The Parent Company applies the general approach to the intra-Group receivables. The Parent Company's expected loss at default accounts for the average loan-to-value ratio of the subsidiaries. Based on the Parent Company's assessments using the approach described above, with consideration for other known information and forward-looking factors, expected credit losses are not deemed significant and no provision has therefore been recognised.

NOTE PC11 Pledged assets and contingent liabilities

The Parent Company has no pledged shares or contingent liabilities.

NOTE PC12 Related parties

Transactions with Group companies		
	2018	2017
Group contributions received	15	57
Central costs invoiced to subsidiaries	28	25
	31 Dec 2018	31 Dec 2017
Non-current receivables	23	9

NOTE PC13 Additional cash flow statement disclosures

	31 Dec 2018	31 Dec 2017
Cash and cash equivalents		
The following components are included in cash and cash equivalents:		
Cash and bank balances	0	9
Adjustment for non-cash items, etc.		
Accrual of financing cost	4	3

NOTE PC14 Events after the balance-sheet date

On 21 January, Aleris's care operations in Sweden, Norway and Denmark were acquired. Aleris's care operations comprise approximately 250 operations in both Own Management and Contract Management.

NOTE PC15 Proposed distribution of profits

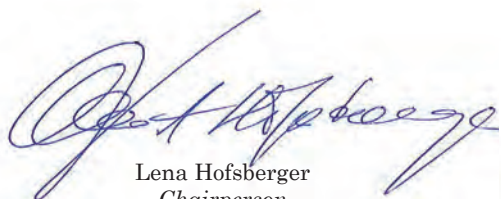
The following non-restricted equity is at the disposal of the Annual General Meeting:		
SEK	2018	2017
Retained earnings	2,052,313,816	2,123,688,793
Profit for the year	-1,452,982	-909,115
Total	2,050,860,834	2,122,779,678
The Board of Directors proposes that		
A dividend of SEK 1.10 per share be paid to the shareholders, based on 67,503,602 shares outstanding at the end of 2018	74,253,962	67,616,556
To be carried forward	1,976,606,872	2,055,163,122
Total	2,050,860,834	2,122,779,678

The Board of Directors' assurance

The Board of Directors and CEO hereby certify that the annual accounts for the Group and the Parent Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting principles, respectively, and provide a true and fair view of the Group's and

the Parent Company's financial position and results, and that the Directors' Report provides a true and fair overview of the development of the Group's and the Parent Company's operations, position and results and describes significant risks and uncertainties faced by the companies included in the Group.

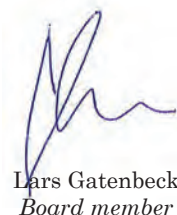
Stockholm, 3 April 2019



Lena Hofberger
Chairperson



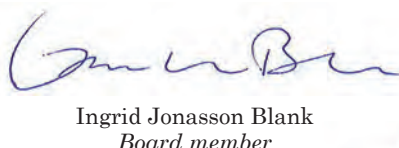
Anders Borg
Board member



Lars Gatenbeck
Board member



Thomas Hofvenstam
Board member



Ingrid Jonasson Blank
Board member



Gunilla Rudebjer
Board member



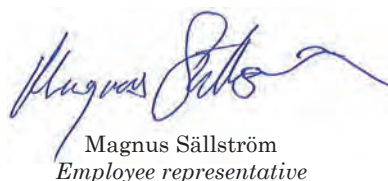
Mikael Stöhr
Board member



Patricia Briceño
Employee representative



Charalampos Kalpakas
Employee representative



Magnus Sällström
Employee representative



Fredrik Gren
Chief Executive Officer

Our audit report was submitted on 8 April 2019
Ernst & Young AB



Mikael Sjölander
Authorised Public Accountant

The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be presented to the Annual General Meeting for adoption.

Auditor's report

To the general meeting of the shareholders of Ambea AB (publ),
corporate identity number 556468-4354

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Ambea AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 53-120 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 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 2018 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. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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 1-52. 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 presen-

Goodwill	
<i>Description</i>	<i>How our audit addressed this key audit matter</i>
Goodwill amounts to SEK 4 058 million for the year ended December 31, 2018, equal to 70 percentage of total assets for the company. The company prepares an impairment test yearly and if any indication of impairment, that the book value not exceeds the estimated recoverable amount. The recoverable amount is calculated for each cash generating unit based on discounted future cash flows. Future cash flows are based on management's budget and forecasts. A change in assumptions can lead to a significant impact of the recoverable amount and therefore the assumptions used have significant impact on the assessment of impairment. Therefore, we have assessed valuation of goodwill to be a key audit matter. The impairment test procedures performed by the company is presented in note G13 and section "Key estimates and assessments" in note G32.	In our audit, we have assessed and tested the company's impairment test, including comparisons with historical results and the accuracy in previous forecasts and assumptions. We have also made comparisons with other companies to assess the reasonableness of estimated cash flow and growth rates, and by using EY valuation experts we have tested used discount rate and growth rates. We have also tested the company's impairment model and method to prepare the impairment test and sensitivity analysis. We have also audited the accuracy of the related disclosures.
Business combinations	
<i>Description</i>	<i>How our audit addressed this key audit matter</i>
The Company has during 2018 acquired companies for a total purchase price of SEK 373 million. As stated in Note G30 and G32, the Company establish a purchase price allocation for each acquisition. The purchase price is allocated on identifiable assets and liabilities which are recognized initially at their fair values in the purchase price allocation. In a business combination, management's assessments include identification, valuation and allocation of surplus values to different types of assets. An incorrect identification, valuation and allocation of surplus values in the purchase price allocation can have a significant impact on the financial statements. The fair value determinations and the identification and allocation of surplus values related to business combinations involves a high degree of management judgment as it is based on the Company's own assumptions and consequently a key audit matter in our audit. The fair value determinations and surplus values of the Company's acquisitions are disclosed in Note G30.	We have reviewed purchase agreements regarding the acquisitions made during the year. We have reviewed management's purchase price allocation process and management's identification, valuation and allocation of identifiable assets and assumed liabilities. We have in our review involved valuation specialists. They have assist us in our review of the reasonableness of allocations and valuation of acquired surplus values. We have reconciled purchase price allocation documentation to the accounting records. We also assessed whether the information disclosed is appropriate.

tation 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 responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our 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 Ambea AB (publ) for the year 2018 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 man-

age the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Ambea AB (publ) by the general meeting of the shareholders on the 23 May 2018 and has been the company's auditor since 2008.

Stockholm 8 April, 2019

Ernst & Young AB



Mikael Sjölander
Authorized Public Accountant
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Definitions

KEY FINANCIAL FIGURES	DEFINITION & CALCULATION	PURPOSE
Growth (%)	Growth consists of the increase in sales in relation to the period of comparison The period's increase in net sales/Net sales in the period of comparison	The key figure used to monitor the company's sales growth
Acquired growth (%)	The period's net sales growth from acquisitions/the comparative period's net sales	The key figure used to monitor the proportion of the company's sales growth generated through acquisitions
Organic growth (%)	The period's increase in net sales excluding acquisitions/Net sales in the comparative period	This key figure is used when analysing underlying sales growth driven by comparable units between different periods
Operating profit (EBIT)	Profit for the period before financial items and tax Total operating income – Operating expenses	The key figure used to monitor the company's profit generated by operating activities. The figure enables comparisons of profitability between companies/industries
EBITA	Operating profit before amortisation and impairment of intangible assets Operating profit (EBIT) + Amortisation and impairment of intangible assets	This key figure is used to follow up the company's profit generated by operating activities. This key figure enables comparisons of profitability between companies/industries
Items affecting comparability	Items related to events in the company's operations that impact comparability with profit during other periods. This item includes transaction expenses attributable to major acquisitions, major reorganisations, IPO costs and major damages.	The key figure Adjustments of items affecting comparability is used to achieve a fair comparison of the underlying development of business operations
Adjusted EBITA	Operating profit before amortisation and impairment of intangible assets adjusted for items from events in the company's operations that affect comparisons with profit during other periods EBITA + Adjustments	The key figure is used to follow up the company's profit generated by operating activities in order to obtain a fair comparison of the underlying development of business operations. This key figure enables comparisons of profitability between companies/industries
EBITDA	Operating profit before depreciation, amortisation and impairment of intangible and tangible assets Operating profit (EBIT) + Depreciation, amortisation and impairment of intangible and tangible assets	The key figure used to follow up the company's profit generated by operating activities. This key figure enables comparisons of profitability between companies/industries
Adjusted EBITDA	Operating profit before depreciation, amortisation and impairment of intangible and tangible assets adjusted for items from events in the company's operations that affect comparisons with profit from other periods EBITDA + Adjustments	This key figure used to follow up the company's profit generated by operating activities with a fair comparison of the underlying development of the business operations. This key figure enables comparisons of profitability between companies/industries
Operating margin (%)	Operating profit as a percentage of net sales Operating profit (EBIT)/Net sales	This key figure is used to follow up the percentage of net sales from operations that remains to cover interest payments and tax and to generate a profit after the company's costs have been paid
Operating cash flow	Total cash flow from operating activities excluding tax, net financial items and cash flow from investing activities excluding acquisitions and divestments of operations EBITDA + Changes in working capital + Cash flow from investing activities excl. acquisitions and divestments of subsidiaries + non-cash items	This key figure shows how cash flow from the company's operations, excluding business combinations, company divestments, financing and tax, is used to follow up whether the company is able to generate a sufficiently positive cash flow to maintain and expand its operations

KEY FINANCIAL FIGURES	DEFINITION & CALCULATION	PURPOSE
Free cash flow	Total cash flow from operating activities and cash flow from investing activities excluding acquisitions and divestments of operations Cash flow from operating activities + Cash flow from investing activities excluding acquisitions and sales of subsidiaries	This key figure shows cash flow from operating activities including cash flow from investing activities excluding acquisitions and divestments of operations and is used because it is a relevant measure for investors to be able to understand the Group's cash flow from operating activities
Cash conversion (%)	Cash conversion as a percentage is defined as operating cash flow adjusted for cash flow from investing activities related to increased capacity/growth divided by EBITDA Operating cash flow adjusted for cash flow from investing activities related to increased capacity/EBITDA	The key figure used as an efficiency measure of the proportion of a company's profit that is converted to cash
Net debt	The Group's interest-bearing liabilities excluding pension provisions adjusted for cash and cash equivalents Interest-bearing liabilities – cash and cash equivalents	This key figure is a measure of the company's debt/equity ratio and is used by the company to assess its capacity to meet its financial commitments
Net debt/Adjusted EBITDA	Net debt/Adjusted EBITDA is a measure of the debt/equity ratio defined as the closing balance for net debt in relation to adjusted EBITDA. Net debt/adjusted EBITDA	The key figure used to monitor the level of the company's indebtedness to ensure that financial covenants are met
Debt/equity ratio	The debt/equity ratio shows a company's financial capacity Interest-bearing liabilities/Shareholders' equity	This key figure is used to monitor the proportion of equity and debt that is used to finance various parts of a company's operations
Equity/assets ratio (%)	The equity/assets ratio is used to show the proportion of assets that is financed by equity Equity/Total assets	This key figure shows the percentage of total assets financed with equity and enables an analysis of the company's long-term financial strength and ability to withstand losses
Return on equity (%)	The return on equity shows the company's return on the capital provided by its owners Profit for the period/Equity (average equity at the beginning and end of the period)	This key figure is used to show the returns generated on the capital that shareholders have invested in the company
Pro forma	Pro forma financial statements are an alternative presentation of the company's financial position	Pro forma financial statements are prepared when needed, and the purpose is to present an alternative financial position, with account for a number of additional factors that generate future alternative report outcomes
Exchange rates		
For the restatement of items in foreign currency, the following exchange rates have been used:		
1 Jan 2018-31 Dec 2018		
Balance sheet	NOK/SEK 1.02447	
Income statement	NOK/SEK 1.06871	
1 Jan 2017-31 Dec 2017		
Balance sheet	NOK/SEK 1.0011	
Income statement	NOK/SEK 1.0330	

Annual General Meeting (AGM)

Ambea's Annual General Meeting will be held on Thursday, 16 May 2019 at 10:00 a.m. in Näringslivets Hus, Walenbergaren room, Storgatan 19, Stockholm. Registration starts at 9:15 a.m.

Participation

Shareholders who wish to attend the AGM must be registered in the share register maintained by Euroclear Sweden AB on Friday 10 May 2019, and must also notify the company of their intention to attend the meeting by 10 May 2019.

The notification must be made in writing to:

Computershare AB,
"Ambea AB's Annual General Meeting",
Box 610, SE-182 16 Danderyd, Sweden
or by calling: +46 (0)771-24 64 00
on weekdays between 9:00 a.m.–4:00 p.m.

Shareholders who are physical persons may also submit their notification via the company's website: ambea.com/investor-relations/ The notification must state the shareholder's name, personal identity number/registration number, shareholding, address, day time telephone number and information about the attendance of any assistants (maximum two) and, if applicable, information about any proxies.

Proxies

Shareholders represented by proxy must submit a dated power of attorney. If the power of attorney is executed by a legal person a certified copy of the certificate of registration or equivalent should be attached. The power of attorney and the certificate of registration may not be older than one year, however, the power of attorney may be older provided that the power of attorney according to its wording is valid for a longer period, however, not more than five years. The original power of attorney and the certificate of registration should be sent to the company

at the above-mentioned address well in advance of the shareholders' meeting. A proxy form is available on the company's website: www.ambea.se/investerare/ and will also be sent to shareholders who so request and state their postal address.

Nominee-registered shares

Shareholders whose shares are registered in the name of a nominee through a bank or a securities institution must re-register their shares in their own names in order to be entitled to attend the AGM. Such registration, which may be temporary, must be duly effected in the share register maintained by Euroclear Sweden AB on Friday 10 May 2019, and the shareholders must therefore advise their nominees well in advance of this date.

Financial calendar

8 May	Q1 interim report
16 May	Annual General Meeting
20 August	Q2 interim report
8 November	Q3 interim report

Contact

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+46 (0)708 64 07 52.



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