

Earnings growth, increased margin and completion of Aleris acquisition

Fourth quarter October – December

- Net sales rose 6 per cent to SEK 1,550 million (1,464)
- Operating profit (EBIT) declined 9 per cent to SEK 64 million (70)
- EBITA fell 1 per cent to SEK 85 million (86), corresponding to a margin of 5.5 per cent (5.9)
- Adjusted EBITA, excluding items affecting comparability, increased 30 per cent to SEK 120 million (92). The adjusted EBITA margin was 7.7 per cent (6.3)
- During the quarter, items affecting comparability amounted to SEK -35 million (-6), attributable to transaction costs related to the acquisition of Aleris Care
- Net profit for the period totalled SEK 32 million (54)
- Earnings per share were SEK 0.48 (0.80) before and SEK 0.48 (0.79) after dilution
- Operating cash flow was SEK 166 million (204)
- Free cash flow totalled SEK 149 million (179)

Full year January – December

- Net sales rose 4 per cent to SEK 6,076 million (5,816)
- Operating profit (EBIT) rose 7 per cent to SEK 429 million (402)
- EBITA increased 10 per cent to SEK 508 million (461), corresponding to a margin of 8.4 per cent (7.9)
- In the preceding year, EBITA and adjusted EBITA were positively impacted by SEK 18 million attributable to a refund of previously paid pension premiums

- Adjusted EBITA, excluding items affecting comparability, increased to SEK 547 million (498). The adjusted EBITA margin increased to 9.0 per cent (8.6)
- Items affecting comparability amounted to SEK -39 million (-38), attributable to transaction costs of SEK -35 million related to the acquisition of Aleris Care and SEK -4 million related to the previously divested personal assistance operations
- Net profit for the period totalled SEK 295 million (226)
- Earnings per share were SEK 4.37 (3.37) before and after dilution
- Operating cash flow was SEK 600 million (459)
- Free cash flow totalled SEK 506 million (332)
- The Board of Directors proposes a dividend increase for 2018 to SEK 1.10 (1.00) per share

Significant events

- During the quarter, agreements were entered into to acquire all of Aleris' care operations in Sweden, Norway and Denmark. The transaction was completed after the end of the quarter
- Following the implementation of IFRS 16, the Board intends to review the financial targets of the group in 2019
- During the quarter, 50,677 shares were bought back within the framework of Ambea's matching share plan

Consolidated key figures

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Net sales	1,550	1,464	6	6,076	5,816	4
EBITA	85	86	-1	508	461	10
Operating margin, EBITA (%)	5.5	5.9		8.4	7.9	
Adjusted EBITA	120	92	30	547	498	10
Operating margin, adjusted EBITA (%)	7.7	6.3		9.0	8.6	
EBIT	64	70	-9	429	402	7
Operating margin, EBIT (%)	4.1	4.8		7.1	6.9	
Profit after tax	32	54	-41	295	226	31
Earnings per share before dilution, SEK	0.48	0.80	-40	4.37	3.37	30
Earnings per share after dilution, SEK	0.48	0.79	-39	4.37	3.37	30
Operating cash flow	166	204	-19	600	459	31
Free cash flow	149	179	-17	506	332	52

For definitions of key figures, see Note 9

Comments from Fredrik Gren, President and CEO

Earnings growth, increased margin and completion of Aleris Care acquisition

During the year, we achieved favourable growth and increased profitability through acquisitions and greenfield units. At the end of 2018, our pipeline of beds and placements was larger than it has ever been, paving the way for future organic growth. At the same time, the acquisition of Aleris' care operations is creating further growth opportunities, making Ambea the leading care provider in Sweden, Norway and Denmark.

Net sales rose in the fourth quarter to SEK 1,550 million (1,464). Own Management accounted for 70 per cent (66) during the quarter. Adjusted EBITA rose 30 per cent year-on-year to SEK 120 million (92).

Net sales increased SEK 86 million in the quarter, corresponding to 6 per cent, and were mainly driven by a favourable performance by previous acquisitions and start-up operations under own management. Adjusted for the divestment of personal assistance operations in 2017, total net sales rose 7 per cent. Own Management increased 11 per cent, while Contract Management had a negative impact on income growth as a result of previously announced contracts retaken to be run under municipal auspices. In Norway, Heimta's strong growth continued during the quarter, driven by acquisitions and start-up units. Sales for the staffing operations were in line with the preceding year and the transition to a business model based on subscription services continued.

Adjusted EBITA grew significantly year-on-year, mainly due to an increase in operations under own management combined with low start-up costs. Vardaga continued to display a high rate of occupancy and favourable cost control during the quarter. Nytida's operations continued along the same trend as in the preceding quarter, with a favourable rate of occupancy in LSS and HVB Adult and a lower rate of occupancy in the Children & Youth operations. Within Heimta, profit was burdened by one major contract for residential care facilities.

The adjustment of central costs that began in the second quarter of 2018 was completed. No restructuring costs were charged to the fourth quarter and the effect of previous measures amounted to SEK 5 million during the quarter. These measures are expected to achieve full effect in 2019.

During the quarter, we continued our efforts to strengthen our pipeline for future organic growth, and we ended 2018 with a record number of beds and placements signed or under construction. During the year, we opened 144 beds in Vardaga, 39 beds and 88 placements in Nytida and 22 beds in Norway. During the fourth quarter, Vardaga opened Villa Idun with 54 beds in Enköping and Nytida opened a short-term housing unit with seven beds in Stockholm. Future organic growth was further strengthened through additional pipeline projects following the acquisition of Aleris' care operations, resulting in an increase of 127 per cent in the total number of beds and placements in the pipeline compared with the preceding year, which amounted to 2,251 at year-end. This allowed us to strengthen



our leading position in Sweden, giving us the highest number of beds under construction.

During the quarter, the volume of calls for tenders remained high and we secured management contracts corresponding to annual revenue of SEK 149 million. This brought our net profit for the year to an annual volume of SEK 216 million, an improvement compared with the net loss SEK 53 million in the preceding year.

After the end of the quarter, we completed the acquisition of Aleris' care operations in Sweden, Norway and Denmark, which marked an important step in Ambea's future development. As a result of this acquisition, we are now a market leader in all Scandinavian markets. We are creating a stable platform for future organic growth and significant potential for both direct cost synergies and operational improvements.

Our proactive quality management efforts once again yielded positive results in the National Board of Health and Welfare's annual unit survey within LSS, in which Nytida achieved a higher score than in the preceding year, and we continued to achieve a higher average score than both municipal operations and other private providers. For Vardaga, this year's unit survey showed an improved average score compared with the preceding year and continued leadership in terms of quality.

2018 was characterised by favourable earnings growth and increased margins, and we were able to lay the foundation for greater organic growth through a record-breaking pipeline. We are now devoting considerable focus to the integration of Aleris' care operations as well as leveraging synergies and operational improvement opportunities.

A handwritten signature in blue ink, appearing to read 'Fredrik Gren'.

Fredrik Gren

Group

Fourth quarter

Net sales rose 6 per cent to SEK 1,550 million (1,464).

Net sales in Own Management amounted to SEK 1,081 million (973), up 11 per cent compared with the year-earlier period, due to acquisitions and start-up units. The personal assistance operations, which were divested in November 2017, contributed SEK 11 million in the year-on-year period. Adjusted for the subsequent decline, net sales growth in Own Management was 12 per cent.

Net sales in Contract Management amounted to SEK 386 million (412). The year-on-year decline in sales was attributable to contracts terminated in 2017 and 2018.

Net sales in staffing services increased 5 per cent to SEK 83 million (79).

Earnings

EBIT fell 9 per cent to SEK 64 million (70), corresponding to a margin of 4.1 per cent (4.8).

EBITA declined 1 per cent to SEK 85 million (86). The EBITA margin was 5.5 per cent (5.9). EBITA during the quarter was impacted by items affecting comparability of SEK -35 million (-6) pertaining to transaction costs related to the acquisition of Aleris' care operations. During the fourth quarter, a settlement was reached in a dispute with a supplier, which resulted in a positive non-recurring item of approximately SEK 4 million.

The adjustment of central costs that began in the second quarter and is estimated to generate SEK 30 million in cost savings with full effect from 2019 progressed as planned during the quarter. No restructuring costs were charged to the fourth quarter and the effect of previous adjustments amounted to SEK 5 million.

Adjusted EBITA for the quarter rose 30 per cent to SEK 120 million (92). The earnings improvement is attributable to a higher share of operations under own management, favourable cost control and lower central costs.

The adjusted EBITA margin was 7.7 per cent (6.3).

Net financial items

During the quarter, net financial items amounted to SEK -10 million (-11).

Income tax

Tax expense for the period was SEK 22 million (6), corresponding to a tax rate of 41 per cent (9).

Net profit for the period

Net profit for the period amounted to SEK 32 million (54), corresponding to earnings per share of SEK 0.48 (0.80) before dilution and SEK 0.48 (0.79) after dilution.

Financial targets

In connection with the disclosure of the acquisition of Aleris' care operations, Ambea's Board of Directors announced its decision to reaffirm the company's existing financial targets, taking into consideration both adjustments for the acquisition and the implementation of IFRS 16.

With respect to the company's margin target, the EBITA margin has been negatively impacted by the acquisition and the increased start-up costs expected in connection with the start-up of a higher number of beds in the pipeline. The implementation of IFRS 16 will offset the negative impact on the margin target. When it comes to the company's debt target, the Board decided to keep the existing basis of calculation and continue calculating its target fulfilment excluding the adjustment to IFRS 16.

Following the implementation of IFRS 16, the Board intends to review the financial targets of the group in 2019.

Distribution of net sales

Oct-Dec	Vardaga			Nytida			Heimta			Klara			Group		
	SEK million	2018	2017	Change %	2018	2017									
Own management	286	262	9	642	616	4	153	94	63	–	–	–	1,081	973	11
Contract Management	274	290	-6	112	121	-7	–	–	–	–	–	–	386	412	-6
Staffing	–	–	–	–	–	–	–	–	83	79	5	83	79	5	5
Total	560	553	1	754	737	2	153	94	63	83	79	5	1,550	1,464	6

Own Management – total in operation, including acquisitions

	OB Units	Beds/ Placements	Quarterly change		CB Units	Beds/ Placements
			Units	Beds/ Placements		
Vardaga	27	1,343	1	54	28	1,397
Nytida – beds	199	1,910 ¹	–	-3	199	1,907
Nytida – placements	76	2,278	–	–	76	2,278
Heimta	58	186	–	4	58	190
Total	360	5,717	1	55	361	5,772

Own Management – pipeline

	OB	Quarterly change			CB
		Opened during the quarter	New during the quarter ²	–	
Vardaga	880	54	296	–	1,122
Nytida – beds	121	7	58	–	172
Nytida – placements	21	–	–	–	21
Heimta	3	–	–	–	3
Total	1,025	61	354	–	1,318

Contract Management – pipeline

	Allocation decisions during the quarter ³			Started-up/terminated during the quarter Annual revenue ⁴
	Units	Beds	Annual revenue	
Won	13	249	149	38
Renewed confidence	–	–	–	20
Lost	–	–	–	14
Contracts retaken to be run under municipal auspices	–	–	–	29

¹ Opening balance has been adjusted due to the reclassification of acquired Stöd och Resurs beds before the beginning of the quarter.

² New refers to the total sum of signed contracts and units under construction. For more information about expected openings, refer to Own Management – Pipeline under ambea.com/investor-relations/

³ Allocation decisions during the quarter refer to decisions received by Ambea during the quarter regarding contracts that are to be handed back or started up. The period of time between allocation and handback/start-up ranges from a couple of months to one year. About 9-12 months for Vardaga, and 6-9 months for Nytida.

⁴ Shows the contracts started up or handed back during the quarter and their annual revenue.

Group

January – December

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), up 11 per cent compared with the year-earlier period, due 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 growth was 13 per cent.

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

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

Earnings

EBIT rose 7 per cent to SEK 429 million (402), corresponding to 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' 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 in the third quarter had a positive impact of SEK 4 million on earnings for the period. During the fourth quarter, a settlement was reached in a supplier dispute, which 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 and the development of the operations in Children & Youth remained negative. Overheads were charged with restructuring costs of SEK 8 million for 2018.

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.

Income 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.

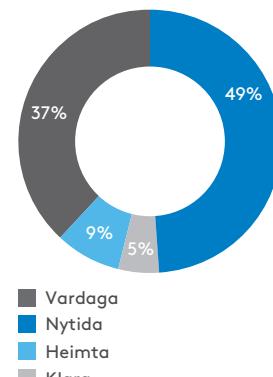
Net profit for the period

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

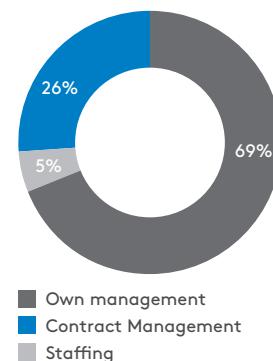
Distribution of net sales

Net sales by segment	2018 Jan-Dec	2017 Jan-Dec
Vardaga	37%	39%
Nytida	49%	49%
Heimta	9%	6%
Klara	5%	6%
Total	100%	100%

Net sales by segment January – December 2018



Net sales by contract model January – December 2018



Distribution of net sales

Jan-Dec SEK million	Vardaga			Nytida			Heimta			Klara			Group		
	2018	2017	Change %	2018	2017	Change %	2018	2017	Change %	2018	2017	Change %	2018	2017	Change %
Own Management	1,118	1,018	10	2,500	2,363	6	548	369	49	–	–	–	4,166	3,751	11
Contract Management	1,106	1,241	-11	483	501	-4	–	–	–	–	–	–	1,589	1,743	-9
Staffing	–	–	–	–	–	–	–	–	–	321	322	-1	321	322	-1
Total	2,224	2,260	-2	2,982	2,864	4	548	369	49	321	322	-1	6,076	5,816	4

Cash flow

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Cash flow from operating activities before changes in working capital	77	95	465	383
Cash flow from changes in working capital	88	64	74	-42
From operating activities	165	158	538	342
Cash flow from investing activities (excluding acquisitions and investments and divestments in financial assets)	-16	21	-32	-10
Free cash flow	149	179	506	332

Free cash flow for the quarter amounted to SEK 149 million (179). The lower free cash flow compared with the year-earlier period was mainly due to weaker cash flow as a result of increased investments and the fact that the year-earlier period was impacted positively by property sales. Increased operating receivables contributed SEK 5 million (4), and change in operating liabilities contributed SEK 83 million (59).

Free cash flow for the full year totalled SEK 506 million (332). The increase in free cash flow was mainly attributable to higher operating profit and lower working capital tied-up. Changes in operating receivables contributed SEK 36 million (-33), and changes in operating liabilities contributed SEK 37 million (-8).

Financial position

SEK million	31 Dec 2018	31 Dec 2017
Net interest-bearing debt	1,993	2,015
Equity/assets ratio (%)	46.7	44.5
Net debt/Rolling 12 months adjusted EBITDA	3.3	3.7

For definitions of key figures, see Note 9

At 31 December 2018, net debt amounted to SEK 1,993 million (2,015), or 3.3 times rolling 12 months' adjusted EBITDA.

At the balance-sheet date, equity amounted to SEK 2,707 million, compared with SEK 2,480 million on 31 December 2017.

Vardaga

Vardaga offers individual-focused healthcare and care services in special residential nursing homes for the elderly. Vardaga is one of Sweden's largest private providers of elderly care with approximately 70 nursing homes across the country, where 6,500 employees are focused on quality of life and security for every individual.

Quarter

Vardaga's net sales increased 1 per cent year-on-year to SEK 560 million (553).

Net sales in Own Management amounted to SEK 286 million (262), an increase of 9 per cent, mainly due to start-up units and a higher rate of occupancy in established units.

Net sales in Contract Management amounted to SEK 274 million (290). The decline was attributable to contracts terminated in 2017 and 2018. During the fourth quarter, Vardaga secured contracts corresponding to annual revenue of SEK 111 million. During the quarter, one new contract corresponding to annual revenue of SEK 38 million was started and contracts corresponding to annual revenue of SEK 20 million were retaken to be run under municipal auspices.

EBITA rose 17 per cent to SEK 34 million (29). The earnings improvement was mainly attributable to higher rates of occupancy in established units. The impact on Contract Management was negative compared with the year-earlier period.

The EBITA margin was 6.1 per cent (5.2).

January – December period

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), an increase of 10 per cent, mainly the result of higher occupancy rates 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.

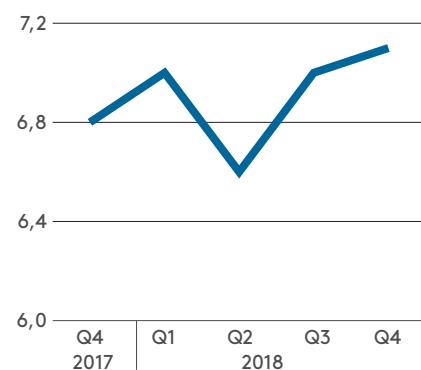
EBITA rose 3 per cent to SEK 159 million (154). In 2017, earnings were positively impacted by a refund of approximately SEK 18 million for pension premiums paid. Start-up units and changes in Contract Management's contract mix had a positive impact on earnings compared with the year-earlier period.

The EBITA margin was 7.1 per cent (6.8).

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Net sales	560	553	1	2,224	2,260	-2
EBITA	34	29	17	159	154	3
Operating margin, EBITA (%)	6.1	5.2		7.1	6.8	



Vardaga's operating margin (EBITA),
RTM %



Own Management – total in operation

	OB		Quarterly change		CB	
	Units	Beds	Units	Beds	Units	Beds
Beds	27	1,343	1	54	28	1,397

Own Management – pipeline

	Quarterly change				CB
	OB	Opened during the quarter	New during the quarter ⁵	CB	
Beds	880	54	296	1,122	

Contract Management – pipeline

	Allocation decisions during the quarter ⁶			Started-up/terminated during the quarter Annual revenue ⁷	
	Units	Beds	Annual revenue	Annual revenue	Annual revenue
Won	6	213	111		38
Renewed confidence	–	–	–		–
Lost	–	–	–		–
Contracts retaken to be run under municipal auspices	–	–	–		20

⁵ New refers to the total sum of signed contracts and units under construction. For more information about expected openings, refer to Own Management – Pipeline under ambea.com/investor-relations/

⁶ Allocation decisions during the quarter refer to decisions received by Ambea during the quarter regarding contracts that are to be handed back or started up. The period of time between allocation and handback/start-up varies. About 9–12 months for Vardaga, and 6–9 months for Nytida.

⁷ Shows the contracts started up or handed back during the quarter and their annual revenue.

Nytida

Nytida provides support and care for children, young people and adults with lifelong disabilities and psychosocial problems. Nytida offers residential facilities, day services and support for individuals, families and schools at approximately 375 units throughout Sweden. Based on proven models and in-depth knowledge, our 7,000 employees work to strengthen the individual's ability to live an independent life.

Quarter

Net sales rose 2 per cent to SEK 754 million (737).

Net sales in Own Management amounted to SEK 642 million (616), up 4 per cent. This growth was attributable to acquisitions and the opening of new units under own management. The operations in LSS and HVB homes for adults have had a favourable rate of occupancy, while a weaker trend for Children & Youth operations had a negative impact. The personal assistance operations divested in November contributed net sales of SEK 11 million in the fourth quarter of 2017. Adjusted for the divestment, net sales in Own Management rose 6 per cent.

Net sales in Contract Management amounted to SEK 112 million (121). The quarter was impacted by the fact that contracts corresponding to annual revenue of SEK 23 million were terminated and handed back to the municipality, while retained contracts contributed annual revenue of SEK 20 million. During the quarter, Nytida secured new contracts corresponding to an annual volume of SEK 38 million.

EBITA rose 4 per cent to SEK 84 million (81). Acquisitions, combined with LSS and HVB Adult operations, made a positive contribution during the quarter, while Children & Youth operations showed a weaker trend year-on-year.

The EBITA margin improved to 11.2 per cent (11.0).

January – December period

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), an increase of 6 per cent, mainly due to acquisitions. The personal assistance operations, which were divested in November 2017, contributed net sales of SEK 66 million in 2017. Adjusted for divestment, net sales growth 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).

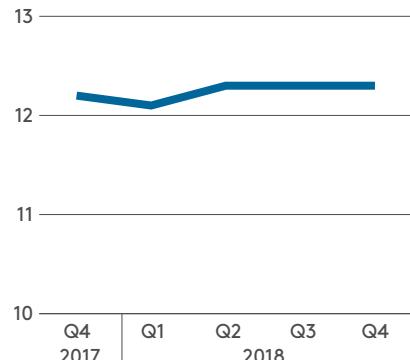
The EBITA margin was 12.3 per cent (12.2).

Stöd & Resurs was acquired in May 2018, comprising residential facilities, day services and short-term accommodation for children and adults with neuropsychiatric disabilities. For more information, see Note 5.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Net sales	754	737	2	2,982	2,864	4
EBITA	84	81	4	369	350	5
Operating margin, EBITA (%)	11.2	11.0		12.3	12.2	



Nytida's operating margin (EBITA),
RTM %



Nytida

Own Management – total in operation

	OB	Beds/ Placements	Quarterly change		CB	Beds/ Placements
	Units		Units	Beds/ Placements	Units	
Beds	199	1,910 ⁸	–	-3	199	1,907
Placements	76	2,278	–	–	76	2,278

Own Management – pipeline

	OB	Quarterly change			CB
		Opened during the quarter	New during the quarter ⁹	CB	
Beds	121	7	58	172	
Placements	21	–	–	21	

Contract Management – pipeline

	Allocation decisions during the quarter ¹⁰			Started-up/terminated during the quarter Annual revenue ¹¹
	Units	Beds	Annual revenue	
Won	7	36	38	–
Renewed confidence	–	–	–	20
Lost	–	–	–	14
Contracts retaken to be run under municipal auspices	–	–	–	9

⁸ Opening balance has been adjusted due to the reclassification of acquired Stöd & Resurs beds before the beginning of the quarter.

⁹ New refers to the total sum of signed contracts and units under construction. For more information about expected openings, refer to Own Management – Pipeline under ambea.com/investor-relations/

¹⁰ Allocation decisions during the quarter refer to decisions received by Ambea during the quarter regarding contracts that are to be handed back or started up. The period of time between allocation and handback/start-up varies. About 9–12 months for Vardaga, and 6–9 months for Nytida.

¹¹ Shows the contracts started up or handed back during the quarter and their annual revenue.

Heimta

Heimta provides support and residential facilities for disability and psychiatric care in Norway. The operations have about 750 employees and offer residential facilities, user-controlled personal assistance (BPA), rehabilitation services, temporary relief for relatives and testing in large parts of Norway.

Quarter

Net sales rose 63 per cent to SEK 153 million (94), mainly due to acquisitions as well as start-up units. Adjusted for currency effects (SEK -14 million), the year-on-year increase was 54 per cent.

EBITA was SEK 4 million (0), representing a margin of 2.6 per cent (0). Adjusted for currency effects (SEK -1 million), EBITA was SEK 3 million. During the quarter, the composition of the contract portfolio was changed, which along with the start-up of a new contract for residential care facilities had a negative impact on earnings. This contract has been terminated and is expected to be concluded in April 2019.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Net sales	153	94	63	548	369	49
EBITA	4	0	-	33	19	74
Operating margin, EBITA (%)	2.6	0		6.0	5.1	

Own Management – total in operation

	Units	OB Beds	Quarterly change Units	Quarterly change Beds	Units	CB Beds
Total in operation	58	186	-	4	58	190

Own Management – pipeline

	Quarterly change			
	OB	Opened during the quarter	New during the quarter ¹²	CB
Beds	3	-	-	3

¹² New refers to the total sum of signed contracts and units under construction. For more information about expected openings, refer to Own Management – Pipeline under ambea.com/investor-relations/

Klara

Klara is one of Sweden's leading providers of staffing for health and social care. Klara is an authorised staffing company and is ISO certified. Based on personalised service and long-standing experience of the industry, Klara provides the best staffing solutions for both public and private clients. Klara mediates thousands of assignments every year and conducts operations throughout Sweden.

Quarter

Net sales rose 5 per cent to SEK 83 million (79). This positive trend was mainly attributable to acquisitions, but was impacted negatively by lower sales from temporary doctors and nurses.

EBITA was SEK 4 million (2), representing a margin of 4.8 per cent (2.5). The acquisition of Elevhälsan made a contribution to EBITA, and Klara Team, which offers qualified on-call services on a subscription basis, delivered a positive performance. Lower demand for temporary doctors had a negative impact.

January – December period

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

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 doctors had a negative impact.

On 2 January 2018, Ambea acquired Elevhälsan, which is specialised in staffing solutions for student healthcare services in comprehensive 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. As part of its previously announced administrative cost-reduction programme, the company specifically addressed the need to adapt the cost structure within the staffing operations.

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

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Net sales	83	79	5	321	322	0
EBITA	4	2	100	16	12	33
Operating margin, EBITA (%)	4.8	2.5		5.0	3.7	

Other events

Acquisition of Aleris' care operations

On 15 October 2018, Ambea entered into an agreement to acquire all of Aleris' care operations for a purchase price of SEK 2.6 billion on a debt-free cash-free basis (enterprise valuation). The acquisition will make Ambea the leading care company in Sweden, Norway and Denmark¹³.

The transaction was completed on 21 January 2019 for a purchase price of approximately SEK 3 billion adjusted for the net cash in Aleris' care operations on the acquisition date.

Ambea financed the transaction with existing credit facilities and new secured bank loans. To repay some of this financing and reduce Ambea's debt in line with the company's long-term financial targets, Ambea intends to propose that a general meeting resolve on a new issue of shares to existing shareholders, to raise approximately SEK 1.2 billion. Ambea's major shareholders – ACTR Holding AB and ACTOR SCA, which are jointly controlled by KKR and Triton, and in combination represent approximately 50.1 per cent of the shares and voting rights in Ambea – have announced their intention to vote in favour of a rights issue at a general meeting and to subscribe for their respective pro rata shares. In December 2018, the Board decided to recommend that the AGM resolve to carry out a rights issue in the first half of 2019. Danske Bank and DNB have been retained as the company's financial advisors, Joint Global Coordinators and Joint Bookrunners, and Nordea has been retained as the company's financial advisor and Joint Bookrunner in connection with the rights issue.

The acquisition is expected to generate both direct cost synergies and opportunities for operational improvements. The expected direct cost synergies amount to SEK 90 million annually, of which half are expected to be realised in 2019 and the remainder in 2020. Identified operational improvements amount to SEK 30 million, which are expected to be achieved in 2020. Integration costs related to the acquisition are expected to total SEK 100 million, most of which are expected to be recognised in 2019. Transaction costs amounted to SEK 35 million and were charged to the fourth quarter. Costs associated with the rights issue are expected to be recognised in the first quarter of 2019 and are estimated at SEK 25 million, most of which is expected to be charged to equity.

For the 12-month period of 1 July 2017 – 30 June 2018, the new Group's sales amounted to approximately SEK 10,602 million¹⁴, of which Ambea accounted for SEK 5,937 million and Aleris' care operations for approximately SEK 4,665 million¹⁵. In the corresponding period, adjusted EBITA for the new Group was approximately SEK 644 million¹⁶, of which adjusted EBITA amounted to SEK 498 million for Ambea and approximately SEK 146 million for Aleris' care operations¹⁵ (reported SEK 96 million).

¹³ Based on financial statements for 2017, adjusted for significant acquisitions and divestments. Attendo adjusted for the divestment of the Finnish healthcare operations and the acquisition of Mikeva. Estimated market in Denmark, excluding personal assistance.

¹⁴ Proforma based on summation of Ambea's net sales and Aleris' net sales, adjusted for discontinued units, units being phased out and items affecting comparability. For a reconciliation table, refer to <https://www.ambea.se/wp-content/uploads/2018/10/announcement-presentation-2018-10-16.pdf>

¹⁵ Adjusted for discontinued units, units being phased out and items affecting comparability

¹⁶ Proforma based on summation of Ambea's adjusted EBITA and Aleris' EBITA, adjusted for discontinued units, units being phased out and items affecting comparability.

Tax audit

During the quarter, Ambea received a reassessment notice from the Swedish Tax Agency regarding VAT for prior years in Ambea AB (publ) amounting to SEK 12 million, including tax surcharges. These were mainly related to VAT expenses in connection with IPO fees in 2017. The company has appealed the Swedish tax Agency's proposed decision and is awaiting further assessment, which is why no provision has been made for the cost.

VAT for the supply of temporary care staff

On 25 October 2018, 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.

Incentive programmes

The Annual General Meeting on 23 May 2018 resolved to introduce two new long-term incentive programmes: (i) a warrant programme for Group management and (ii) a matching share plan for certain employees in the Ambea Group.

For more information about the programmes, refer to the Interim Report for the second quarter or information from the 2018 AGM at ambea.com/investor-relations/corporate-governance/shareholders-meeting/annual-general-meeting/

New Group management

After the end of the quarter and in connection with the completion of the acquisition of Aleris' care operations, Ambea made the following changes to its Group management. Daniel Warnholtz, CFO of Ambea since 2011, was also appointed as Deputy CEO, and Erik Sandøy and Miriam Toft became new members of Group management, with responsibility for the Norway business area, under the Stendi brand, and the new Denmark business area, operated under the Altiden brand. Following these changes, Group management now comprises: Fredrik Gren, President and CEO; Daniel Warnholtz, Deputy CEO and CFO; Ulla Tansen, Head of Vardaga; Magnus Åkerhielm, Head of Nytida; Erik Sandøy, Head of Stendi; Miriam Toft, Head of Altiden; and Eva Domanders, Head of Klara.

Related-party transactions

During the quarter, financial advisory services pertaining to the raising of external financing were purchased for approximately SEK 0.5 million from a company related to Triton Advisers.

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 during the summer months are also generally lower due to a reduced schedule for central activities, such as mandatory training programmes and central initiatives, during this period.

Employees

The average number of employees (FTEs) during the year was 7,435 (7,244). This report uses an improved methodology to calculate the average number of employees during the year and for the comparative year, see Note 1.

Parent Company

The Parent Company's earnings pertain to Group-wide costs. During the quarter, Parent Company net sales amounted to SEK 9 million (6). The quarterly results totalled SEK 10 million (46), a change attributable to a lower Group contribution than in the preceding year of SEK 15 million (57).

Risks and uncertainties

Ambea's operations and performance are impacted by demographic, economic and political factors, as well as the general trend for the care services market. Changes in these factors may lead to lower demand for Ambea's care services, which could have a negative impact on the company. Ambea works continuously to monitor, assess and take action to mitigate risk. Risk management is based on sophisticated systems, delegation of responsibilities and procedures that are firmly secured in the organisation.

Demand for Ambea's care services is largely impacted by legislation and policy decisions, since municipalities are both customers and purchasers. Ambea's development therefore depends on the focus of each municipality on social care. Risks associated with freedom of choice may mean that Ambea is unable to perform the specific service at the set price, or that not enough care recipients choose the company's residential facilities or placements. There is also a risk that in public procurements, the company will not win new contracts or have its existing contracts renewed.

Limitations on the ability to conduct private care services for profit, and stricter licensing and supervision rules could lead to restrictions of Ambea's business model. Ambea is thus affected by, and must observe, changes and interpretations of new and current legislation, ordinances, regulations and practices. Violations or failure to comply with these could result in the company being subject to fees, fines, penalties or other sanctions. Such factors could also lead to restructuring measures and costs.

The quality of our operations is Ambea's principal priority. In addition to rigorous and systematic internal quality control, comprehensive monitoring and quality checks are carried out by the authorities, and permits are required for conducting operations. Should the company be unable to meet contractual and quality requirements, it could become liable to pay fines, damages, contractual penalties, or ultimately lose the customer contracts and/or permits required to conduct its business. Since Ambea's operations are also dependent on permits, the loss of, or delays in receiving, permits could have a material adverse effect on Ambea's operations, earnings and financial position.

Ambea is also exposed to financial risks, whereby changes in the credit and capital market could affect Ambea's financial position.

Risks associated with the provision of care services are managed by the management of each company at different levels, taking into account the procedures and governance principles applied by the Group. The operations are monitored in co-operation with clients and customers, and by conducting internal quality checks. The design of contracts has a material impact on the risks associated with individual assignments. Financial risks are managed by the finance department.

Other information

The company's auditors have not reviewed this report.

The Board of Directors' assurance

The Board of Directors and President hereby provide their assurance that this year-end report provides a true and fair overview of the operations, position and earnings of the Parent Company and the Group, and describes the material risks and uncertainties facing the Parent Company and the companies in the Group.

Stockholm, 12 February 2019

Lena Hofsberger
Chair of the Board

Anders Borg

Lars Gatenbeck

Thomas Hofvenstam

Ingrid Jonasson Blank

Gunilla Rudebjer

Mikael Stöhr

Patricia Briceño
Employee representative

Charalampos Kalpakas
Employee representative

Magnus Sällström
Employee representative

Fredrik Gren
President and CEO

Presentation of year-end report 2018

Ambea will hold a presentation for the financial market, with the possibility to participate by teleconference, at 10:00 a.m. CET on Wednesday, 13 February 2019. The presentation will be held in English, and be available as a webcast at www.ambea.se.

Call-up information

To make sure that the hook-up to the conference call works, please call at least five minutes before the conference call starts to register.

Phone numbers:

Sweden: +46 (0)8 506 921 80
UK: +44 (0)844 571 88 92
US: +1 631 510 74 95

Contact

Jacob Persson, Head of Investor Relations, telephone +46 (0)708 64 07 52

Annual General Meeting 16 May

The 2019 Annual General Meeting (AGM) will be held at 10:00 a.m. in Näringslivets Hus, Wallenbergaren, Storgatan 19, Stockholm, Sweden.

Shareholders who wish to have a matter addressed by the AGM must submit a written request to:

arsstamma@ambea.se

or by post to:

Ambea AB
Att: Jacob Persson
Box 1565
SE-171 29 Solna
Sweden

The request must have reached the Board of Directors no later than 28 March 2019.

Forthcoming report occasions

Q4 interim report and year-end report for 2018	13 February 2019
Annual Report	10 April 2019
Q1 interim report	8 May 2019
Annual General Meeting	16 May 2019
Q2 interim report	20 August 2019
Q3 interim report	8 November 2019

Consolidated income statement in summary

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
OPERATING INCOME				
Net sales	1,550	1,464	6,076	5,816
Other operating income	25	40	70	83
Total operating income	1,575	1,504	6,146	5,899
OPERATING EXPENSES				
Consumables	-49	-46	-184	-182
Other external costs	-354	-297	-1,251	-1,139
Personnel costs	-1,074	-1,028	-4,142	-4,033
Depreciation, amortisation and impairment of tangible and intangible assets	-33	-32	-135	-110
Profit/loss from participations in Group companies	-	-23	-4	-23
Other operating expenses	-1	-8	-1	-10
Operating expenses	-1,511	-1,434	-5,717	-5,497
OPERATING PROFIT	64	70	429	402
Financial income	-	3	2	7
Financial expenses	-10	-13	-40	-121
Net financial items	-10	-11	-38	-114
PROFIT AFTER NET FINANCIAL ITEMS	54	59	391	288
PROFIT BEFORE TAX	54	59	391	288
Tax on net profit for the period	-22	-6	-96	-62
NET PROFIT FOR THE PERIOD	32	54	295	226
Net profit for the period attributable to shareholders of the Parent Company	32	54	295	226
Earnings per share before dilution (SEK)	0.48	0.80	4.37	3.37
Earnings per share after dilution (SEK)	0.48	0.79	4.37	3.37

Consolidated statement of comprehensive income in summary

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
NET PROFIT FOR THE PERIOD AFTER TAX	32	54	295	226
OTHER COMPREHENSIVE INCOME, ITEMS NOT TRANSFERABLE TO PROFIT OR LOSS				
Remeasurement of defined-benefit pension plans	-	-2	-	-2
Tax related to remeasurement of defined-benefit pension plans	-	0	-	0
Total items not transferable to profit or loss	-	-2	-	-2
OTHER COMPREHENSIVE INCOME, ITEMS TRANSFERABLE TO PROFIT OR LOSS				
Translation differences	-15	-6	5	-12
Hedging of net investments in foreign operations	13	6	-5	12
Tax related to net investments in foreign operations	-3	-2	1	-3
Total items transferable to profit or loss	-5	0	1	-1
Total other comprehensive income	-5	-2	1	-3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	27	50	296	221
Comprehensive income for the period attributable to shareholders of the Parent Company	27	50	296	221

Earnings per share

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.

For more information, see Note K12 in the company's 2017 Annual Report.

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Profit for the period attributable to shareholders of the Parent Company, SEK million	32	54	295	226
Earnings per share before dilution				
Average number of shares, thousands	67,532	67,587	67,549	66,930
Earnings per share before dilution, SEK	0.48	0.80	4.37	3.37
Earnings per share after dilution				
Average number of shares, thousands	67,581	67,605	67,582	66,943
Earnings per share after dilution, SEK	0.48	0.79	4.37	3.37

Consolidated balance sheet in summary

SEK million	31 Dec 2018	31 Dec 2017
ASSETS		
Fixed assets		
Goodwill	4,058	3,774
Customer contracts and customer relations	446	466
Other intangible assets	22	19
Tangible assets	211	201
Derivative instruments	0	0
Deferred tax assets	35	76
Non-current receivables	27	26
Total fixed assets	4,799	4,562
Current assets		
Inventories	0	0
Accounts receivable	622	624
Other receivables	68	94
Prepaid expenses and accrued income	167	157
Cash and cash equivalents	62	87
	919	962
Assets held for sale	74	43
Total current assets	993	1,005
TOTAL ASSETS	5,792	5,567

Consolidated balance sheet in summary – continuation

SEK million	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES		
Equity		
Share capital	2	2
Other capital contributions	4,965	4,965
Reserves	4	0
Retained earnings including profit for the year	-2,264	-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	614	710
Other non-interest-bearing liabilities	0	4
Pension provisions	4	6
Other provisions	0	0
Deferred tax liabilities	114	124
Total non-current liabilities	732	844
Current liabilities		
Current interest-bearing liabilities	37	43
Commercial papers	1,404	1,349
Accounts payable	198	194
Tax liabilities	93	73
Other non-interest-bearing liabilities	74	96
Accrued expenses and deferred income	547	488
Total current liabilities	2,353	2,243
TOTAL EQUITY AND LIABILITIES	5,792	5,567

Consolidated statement of changes in equity in summary

SEK million	2018 Jan-Dec	2017 Jan-Dec
Opening balance	2,480	2,067
Total comprehensive income	296	221
Transactions with shareholders		
New share issue	–	200
Issue expenses	–	-7
Warrants issued	3	2
Share buybacks	-4	-5
Dividend	-68	–
Closing balance	2,707	2,480

Consolidated cash flow statement in summary

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
OPERATING ACTIVITIES				
Profit before tax	55	59	391	288
Adjustment for non-cash items	31	47	134	145
	86	106	525	433
Tax paid	-9	-11	-60	-50
Cash flow from operating activities before changes in working capital	77	95	465	383
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Change in operating receivables	5	4	36	-33
Change in operating liabilities	83	59	37	-8
Cash flow from operating activities	165	158	538	342
INVESTING ACTIVITIES				
Investment in intangible assets	1	-2	-1	-4
Investment in tangible assets	-18	-10	-38	-66
Divestment of tangible assets	1	33	7	60
Free cash flow	149	179	506	332
Business combinations	0	-145	-368	-438
Other financial assets	0	0	0	1
Cash flow from investing activities	-16	-124	-400	-447
Cash flow after investing activities	149	34	139	-105
FINANCING ACTIVITIES				
New loans/Loans raised	1,020	1,311	1,399	3,636
Repayment of loan liabilities	-1,369	-1,728	-1,405	-3,957
Change in revolving credit facility	176	-	-89	-
New share issue	1	-	1	196
Premiums for warrants	-	-	2	-
Share buybacks	-4	-5	-4	-5
Dividends paid	-	-	-68	-
Cash flow from financing activities	-176	-422	-164	-130
CASH FLOW DURING THE PERIOD				
Cash and cash equivalents on the opening date	80	471	87	318
Exchange rate differences in cash and cash equivalents	9	4	0	3
Cash and cash equivalents on the closing date	62	87	62	87

Parent Company income statement in summary

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
INCOME				
Net sales	9	6	29	25
	9	6	29	25
OPERATING EXPENSES				
Other external costs	-8	-2	-22	-40
Personnel costs	-6	-5	-25	-12
Amortisation of intangible assets	-	-	0	-
Operating expenses	-14	-7	-47	-52
OPERATING PROFIT	-5	-1	-18	-27
Financial items	0	-10	2	-31
LOSS AFTER FINANCIAL ITEMS	-5	-11	-16	-58
Appropriations	15	57	15	57
PROFIT/LOSS BEFORE TAX	10	46	-1	-1
Tax on net profit/loss for the period	-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD	10	46	-1	-1

Parent Company balance sheet in summary

SEK million	31 Dec 2018	31 Dec 2017
ASSETS		
Intangible assets		
Software	1	0
Financial assets		
Participations in Group companies	4,129	4,127
Other financial assets	32	0
Total fixed assets	4,162	4,127
Current assets		
Receivables from Group companies	23	9
Other receivables	16	2
Tax assets	2	2
Prepaid expenses and accrued income	4	3
Cash and bank balances	0	9
Total current assets	45	25
TOTAL ASSETS	4,207	4,152
EQUITY AND LIABILITIES		
Share capital	2	2
Statutory reserve	0	0
Total restricted equity	2	2
Share premium reserve	200	199
Retained earnings	1,852	1,925
Loss for the period	-1	-1
Total non-restricted equity	2,051	2,123
TOTAL EQUITY	2,053	2,125
Non-current liabilities		
Liabilities to credit institutions	713	659
Current liabilities		
Commercial papers	1,404	1,349
Accounts payable	7	9
Other liabilities	2	2
Accrued expenses	28	8
Total current liabilities	1,441	1,368
TOTAL EQUITY AND LIABILITIES	4,207	4,152

Key financial figures

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Net sales	1,550	1,464	6	6,076	5,816	4
Growth in net sales (%)	6	4		4	9	
EBITDA	97	102	-5	564	512	10
Operating margin, EBITDA (%)	6.3	7.0		9.3	8.8	
Adjusted EBITDA	132	108	22	603	550	10
Operating margin, adjusted EBITDA (%)	8.5	7.4		9.9	9.5	
EBITA	85	86	-1	508	461	10
Operating margin, EBITA (%)	5.5	5.9		8.4	7.9	
Adjusted EBITA	120	92	30	547	498	10
Operating margin, adjusted EBITA (%)	7.7	6.3		9.0	8.6	
EBIT	64	70	-9	429	402	7
Operating margin, EBIT (%)	4.1	4.8		7.1	6.9	
Profit before tax	54	59	-8	391	288	36
Profit after tax	32	54	-41	295	226	31
Earnings per share before dilution, SEK	0.48	0.80	-40	4.37	3.37	30
Earnings per share after dilution, SEK	0.48	0.79	-39	4.37	3.37	30
Return on equity (%)	1.6	2.2		11.4	9.9	
Operating cash flow	166	204	-19	600	459	31
Free cash flow	149	179	-17	506	332	52
Cash conversion (%)	172.2	202.0		108.0	90.8	
				31 Dec 2018	31 Dec 2017	
Net debt/Rolling adjusted EBITDA (ratio)				3.3	3.7	

Note 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's recommendations RFR 1, Supplementary Accounting Rules for Groups, and RFR 2 Accounting for Legal Entities. The accounting policies applied are consistent with those applied in the preparation of the most recent annual report, with the exception of the following.

IFRS 9 Financial Instruments, which entered into force on 1 January 2018, has no impact on Ambea's accounting.

IFRS 15 Revenue from Contracts with Customers entered into force on 1 January 2018 and replaces the previous IFRS related to revenue recognition. IFRS 15 is based on revenue being recognised when control of the good or service is transferred to the customer and entails new methods of determining how revenue is recognised.

The new standard will not result in a material difference in relation to the former standard. An accrual effect was identified in relation to school vouchers, and these are not recognised during school summer holidays as of 2018. IFRS 15 contains expanded disclosure requirements for revenue, see Note 4, page 29.

New and amended IFRS standards not yet applied

IFRS 16 Leases is to be applied from 2019 and replaces existing IFRSs related to the recognition of leases, including IAS 17 Leases and IFRIC 4. IFRS 16 mainly affects the lessee and the principal effect is that leases that are currently recognised as operating leases are to be recognised in a manner similar to the current recognition of finance leases. This means that assets and liabilities are also to be recognised for operating leases, with associated recognition of the costs of depreciation and interest payments – unlike today when no recognition of leased assets and related debts is required, and where lease payments are accrued straight line as a lease expense. It should also be noted that the transition to IFRS 16 will not impact the Group's cash flow.

Choice of approach

Ambea has chosen to apply the simplified transition approach, which entails a recalculation on the transition date through an adjustment of the opening balance as of 1 January 2019. Information concerning transition effects, including any effect on equity, will thus be presented in the balance sheet as of 1 January 2019. Certain exemptions may be applied in the transition to IFRS 16. Ambea has chosen to apply these exemptions.

Properties/premises

Ambea has identified two main classes of assets: properties/premises and vehicles. Leases for properties and premises with a term of more than 12 months from 1 January 2019 have been identified and recognised. A number of leases concerning small storage areas, parking spaces and small offices have been excluded. Leases concerning permanent leases on rental

apartments with a short notice period have been excluded. The total number of leases amounted to approximately 330 as of 31 December. These leases are distributed as follows: approximately 270 in the Nytida segment and about 30 each in the Vardaga and Heimta segments.

The discount rate for the capitalisation of the operating leases comprises the weighted average incremental borrowing rate for Ambea together with a riskfree rate corresponding to STIBOR or NIBOR.

Extension option and indexation

Ambea is conducting individual assessments concerning extension for each individual lease impacted by IFRS 16, but its general assessment is that elderly care leases will be extended. In the Nytida segment, LSS leases are expected to be extended. With respect to leases in the Individual and Family operational area in the Nytida segment, a more thorough analysis is made regarding an extension given the shifting needs of the business.

A definite decision concerning extension can be made on the termination date of the lease, generally 9–12 months, although some leases have a term of 24 months.

With respect to indexation, the starting date of the lease has been stipulated as the base date and one year after the starting date as the first indexation date.

Other classes of assets

In addition to leases, finance leases for vehicles also constitute a material class of assets for Ambea that will be impacted by IFRS 16. The number of vehicles with finance leases amounted to approximately 500 as of 31 December. Computers deemed to have an insignificant value per lease have been excluded. With respect to leased photocopiers, the total value is not deemed to be material.

Transition effects

Given that the transition to IFRS 16 will have a material impact on the financial statements, Ambea has chosen to recognise a reconciliation between its commitments concerning operating leases at the end of 2018 and its lease liability at the start of 2019, see pages 26–27.

The new standard will have a material impact on a number of Ambea's key financial figures, including profitability and capital structure. The impact on the key financial figure for profitability will be reflected in the recognition of interest expense as a financial item. The adjusted EBITDA margin for January–December 2018 would thus amount to 18.1 per cent and the adjusted EBITA margin to 10.4 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 financial 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 times adjusted EBITDA to 4.7 times adjusted EBITDA taking the effects of IFRS into account.

Reconciliation of capitalisation right of use assets

	Group
Assumptions for operating leases as of 31 December 2018	3 872
Liabilities for finance leases as of 31 December 2018	39
Discounted by the Group's weighted average incremental borrowing rate ¹	-671
Short-term leases	-36
Rights of use assets recognised as of 31 December 2018	3 204

Balance sheet, Income statement and Key financial figures for Ambea as of 31 December 2018 and pro forma including the effects of IFRS 16

SEK million	Note	1 Jan – 31 Dec -18	Change due to IFRS 16	Pro forma 1 Jan – 31 Dec -18
INCOME STATEMENT				
Operating income		6,146	0	6,146
Other external costs	2	-1,251	499	-752
Depreciation, amortisation and impairment of tangible and intangible assets	3	-135	-416	-551
Other operating expenses		-4,331		-4,331
Operating profit		429	82	512
Financial income		2		2
Financial expenses	4	-40	-99	-139
Profit after net financial items		391	-17	375
Tax on profit for the period	5	-96	8	-88
PROFIT FOR THE YEAR		295	-9	287
BALANCE SHEET				
ASSETS				
Goodwill and intangible assets		4,526		4,526
Tangible assets	6	211	-80	131
Right-of-use assets	7		3,204	3,204
Deferred tax assets	8	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	9	2,707	-9	2,698
Non-current interest-bearing liabilities	10	614	-43	571
Non-current financial lease liability	11		2,736	2,736
Other non-current liabilities		118		118
Total non-current liabilities		732	2,693	3,425
Current interest-bearing liabilities	12	37	-37	0
Current financial lease liability	13		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

¹ For leases with a term of up to 3 years, 1.75% is used as borrowing rate. For leases with a term longer than 3 years, Ambea has assumed a risk-free rate equivalent of STIBOR (interval of 0.77%-1.94% from year 4 to year 10 and onward), with equivalent assumptions for Norway (1.97%-2.44%

from year 4 to year 10 and onward), and added a margin of 1.75%

² Operating lease payments

³ Depreciation/amortisation finance leases

⁴ Interest expense finance leases

⁵ Deferred tax finance leases

⁶ Transfer vehicles finance leases

⁷ Additional item finance leases

⁸ Deferred tax assets finance leases

⁹ Profit for the year finance leases

¹⁰ Transfer non-current interest-bearing liabilities

¹¹ Additional item finance leases

¹² Transfer current interest-bearing liabilities

¹³ Additional item finance leases

SEK million	Note	1 Jan – 31 Dec -18	Change due to IFRS 16	Pro forma 1 Jan – 31 Dec -18
KEY FINANCIAL FIGURES				
EBITDA	14	564	499	1,063
Adjusted EBITDA		603	499	1,102
Operating margin, adjusted EBITDA (%)		9.9	8.2	18.1
EBITA		508	82	590
Adjusted EBITA		547	82	629
Operating margin, adjusted EBITA (%)		9.0	1.4	10.4
EBIT		429	82	511
Adjusted EBIT		468	82	550
Operating margin, adjusted EBIT (%)		7.7	1.4	9.1
Non-current interest-bearing liabilities	15	614	2,693	3,307
Current interest-bearing liabilities		1,441	448	1,889
Less cash and cash equivalents		-62		-62
Net debt	16	1,993	3,141	5,134
Adjusted EBITDA		603	499	1,102
Net debt/Adjusted EBITDA (ratio)		3.3		4.7

Changes in segment reporting

In the interim report for January – December 2017, the reversal of fees and depreciation on car leasing was recognised under unallocated items, but these were recognised under each segment in 2018. 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.

Change in the calculation of the average number of employees (FTE)

From the interim report for the second quarter, an improved methodology is now used for calculating the average number of employees. To facilitate comparability with prior periods, these figures have sometimes been restated using the same methodology.

Note 2 Key judgements and estimates

For information about key judgements and estimates in this interim report, please refer to Note K33 in the company's 2017 Annual Report.

Note 3 Segment information

During the period, the name of the Norwegian operations was changed to Heimta and the name of the staffing operations was changed to Klara.

In 2017, Heimta and Klara were reported together in the segment Other: Norway and Staffing Solutions. As of 2018, they are reported separately.

Vardaga Comprises elderly care

Nytida Comprises care for people with functional disabilities

Heimta Mainly comprises psychiatric support in residential facilities and outpatient care, and residential facilities for people with life-long disabilities in Norway.

Klara Comprises staffing solutions and the supply of temporary doctors, nurses and other care workers.

¹³ Improved EBITDA due to rental expenses transferred to the balance sheet

¹⁴ Non-current liabilities finance leases

¹⁵ Significant increase in leverage since net debt increases in an amount corresponding to future rental expenses

Segments

October–December SEK million	Vardaga		Nytida		Heimta		Klara		Unallocated items ¹⁷		Group adjustments		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
OPERATING INCOME														
Net sales	560	553	754	737	153	94	83	79	–	–	–	–	1,550	1,464
Other operating income	7	7	4	4	4	0	10	9	10	28	–10	–9	25	40
Internal transactions	–	0	–	1	–	–	–10	–9	–	–1	10	9	–	–
Total income from external customers	567	560	758	742	157	95	83	79	10	28	–	–	1,575	1,504
OPERATING EXPENSES														
Consumables	–23	–23	–22	–19	–2	–2	–	0	–1	–1	–	–	–49	–46
Other external costs*	–116	–108	–159	–137	–47	–37	–29	–28	–3	13	–	–	–353	–297
Personnel costs	–390	–394	–486	–489	–102	–55	–50	–48	–46	–42	–	–	–1,074	–1028
Profit/loss from participations in Group companies	–	–	–	–	–	–	–	–	–	–23	–	–	–	–23
Other operating expenses	–	0	–	0	–	0	–	–	–	–7	–	0	–1	–8
Depreciation, amortisation and impairment of tangible assets*	–4	–5	–7	–16	–1	–1	–	–1	–1	7	–	–	–13	–16
EBITA	34	29	84	81	4	–	4	2	–41	–26	–	–	85	86
<i>EBITA margin, %</i>	<i>6.1</i>	<i>5.2</i>	<i>11.2</i>	<i>11.0</i>	<i>2.6</i>	<i>0</i>	<i>4.8</i>	<i>2.5</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>5.5</i>	<i>5.9</i>
Items affecting comparability	–	–	–	0	–	–	–	–	35	6	–	–	35	6
Adjusted EBITA	34	29	84	81	4	–	4	2	–6	–21	–	–	120	92
<i>Adjusted EBITA margin, %</i>	<i>6.1</i>	<i>5.2</i>	<i>11.2</i>	<i>11.0</i>	<i>2.6</i>	<i>–</i>	<i>4.8</i>	<i>2.5</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>7.7</i>	<i>6.3</i>
Amortisation of intangible assets and customer contracts	–	–	–	–	–	–	–	–	–	–	0	–	–21	–16
Operating profit (EBIT)	–	–	–	–	–	–	–	–	–	–	–	–	64	70
Financial income	–	–	–	–	–	–	–	–	–	–	–	–	–	3
Financial expenses	–	–	–	–	–	–	–	–	–	–	–	–	–10	–13
Net financial items	–	–	–	–	–	–	–	–	–	–	–	–	–10	–11
Profit after net financial items	–	–	–	–	–	–	–	–	–	–	–	–	54	59
Profit before tax	–	–	–	–	–	–	–	–	–	–	–	–	54	59
Tax on net profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–22	–6
NET PROFIT FOR THE PERIOD	–	–	–	–	–	–	–	–	–	–	–	–	32	54
ASSETS	1,374	1,359	3,626	3,363	511	496	177	189	104	160	–	–	5,792	5,567

¹⁷The column “Unallocated items” consists of centrally approved costs for general central administration, restructuring measures, acquisitions and IPO costs.

*Reversal of costs and depreciation on car leasing have been adjusted for the comparative year and are recognised in this report under each segment instead of under unallocated items. See “Changes in segment reporting” under accounting policies for more information.

Segments

January–December SEK million	Vardaga		Nytida		Heimta		Klara		Unallocated		Group		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
OPERATING INCOME														
Net sales	2,224	2,260	2,982	2,864	548	369	321	322	1	1	–	–	6,076	5,816
Other operating income	22	29	15	17	13	1	36	34	20	36	–36	–34	70	83
Internal transactions	–	0	–	1	–	0	–36	–34	–	–1	36	34	–	–
Total income from external customers	2,246	2,288	2,997	2,882	561	370	321	322	21	36	–	–	6,146	5,899
OPERATING EXPENSES														
Consumables	–88	–92	–82	–79	–9	–6	–1	0	–4	–5	–	–	–184	–182
Other external costs*	–453	–431	–611	–526	–185	–160	–104	–108	102	85	–	–	–1,252	–1,139
Personnel costs					–329	–183	–199	–201	–179	–156	–	–	–4,142	–4,033
Profit/loss from participations in Group companies	–	–	–	–	–	–	–	–	–4	–23	–	–	–4	–23
Other operating expenses	–	–1	–	–1	–	0	–	–	–	–8	–	–	–1	–10
Depreciation, amortisation and impairment of tangible assets*														
	–16	–16	–31	–28	–4	–3	–1	–1	–5	–4	–	2	–56	–52
EBITA	159	154	369	350	33	19	16	12	–69	–75	–	2	508	461
<i>EBITA margin, %</i>	7.1	6.8	12.3	12.1	6.0	5.1	5.0	3.7	–	–	–	–	8.4	7.9
Items affecting comparability	–	–	–	–	–	–	–	–	39	38	–	–	39	38
Adjusted EBITA	159	154	369	350	33	19	16	12	–30	–37	–	2	547	498
<i>Adjusted EBITA margin, %</i>	7.1	6.8	12.3	12.1	6.0	5.1	5.0	3.7	–	–	–	–	9.0	8.6
Amortisation of intangible assets and customer contracts											–	0	–79	–59
Operating profit (EBIT)											–	–	429	402
Financial income											–	–	2	7
Financial expenses											–	–	–40	–121
Net financial items											–	–	–38	–114
Profit after net financial items											–	–	391	288
Profit before tax											–	–	391	288
Tax on net profit for the period											–	–	–96	–62
NET PROFIT FOR THE PERIOD											–	–	295	226
ASSETS	1,374	1,359	3,626	3,363	511	496	177	189	104	160	–	–	5,792	5,567

¹⁸The column “Unallocated items” consists of centrally approved costs for general central administration, restructuring measures, acquisitions and IPO costs.

*Reversal of costs and depreciation on car leasing have been adjusted for the comparative year and are recognised in this report under each segment instead of under unallocated items. See “Changes in segment reporting” under accounting policies for more information.

Note 4 Income

Jan-Dec SEK million	Vardaga		Nytida		Heimta		Klara		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Own Management	1,118	1,018	2,500	2,363	548	369	–	–	4,166	3,751
Contract Management	1,106	1,241	483	501	–	–	–	–	1,589	1,743
Staffing	–	0	–	0	–	–	321	323	321	322
Total	2,224	2,260	2,982	2,864	548	369	321	323	6,076	5,816

Note 5 Acquisitions

Ambea completed the following acquisitions during the year:

- Curation Holding AB
- PR Vård AB
- Arona Omsorger
- Strukturrutan AB
- TillVäxthemmen AB
- Kung Saga AB

After the end of the year, the acquisition of Aleris' care operations was completed.

Aleris' care operations

On 21 January 2019, Ambea acquired Aleris' care operations in Sweden, Norway and Denmark. Aleris' care operations focus on elderly care as well as residential facilities and support for children and adults with functional disabilities or psychosocial problems. Aleris' care operations comprise approximately 250 operations under both own management and contract management.

The purchase price paid, which was financed with existing credit facilities and new secured bank loans, amounted to approximately SEK 3,047 million on the acquisition date.

The will be consolidated in Ambea's accounts as of 21 January 2019. As of the publication date of Ambea's year-end report for 2018, no preliminary acquisition balance sheet had been received from the seller, which means that no disclosures concerning net assets, income and earnings can be presented.

Curation Holding AB

On 7 May, Ambea's Nytida business area acquired Curation Holding AB (Stöd & Resurs). The acquisition complements and strengthens Nytida's current 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 transferred consideration 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 acquired net assets. 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 been completed as of 1 January 2018, Ambea estimates that the companies' net sales would have amounted to SEK 74 million and EBITA to SEK 11 million.

PR Vård AB

On 2 January, Ambea's Klara business area acquired PR Vård AB (Elevhälsan). The business area is specialised in staffing solutions for student healthcare services in comprehensive and secondary schools. The company conducts operations throughout Sweden, with a strong position in Stockholm, Uppsala and Östergötland. In 2017, sales were approximately SEK 25 million.

Arona Omsorger

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 day services 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. The company runs the Myran nursing home in Östersund on behalf of the municipality. In 2017, sales amounted to approximately SEK 10 million.

TillVäxthemmen AB

On 1 June, Ambea's Nytida business area acquired Tillväxthemmen AB. Tillväxthemmen's operations focus 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. 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.

Net assets of acquired companies on the date of acquisition

SEK million	Curation Holding AB	Other acquisitions	Fair value recognised in the Group
Tangible assets	17	12	45
Intangible assets	0	–	54
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
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
Net cash outflow			342
Earn-out paid in respect of previous years' acquisitions			26
Total acquisitions			368

Note 6 Fair value of financial instruments in the fair value hierarchy

Ambea applies the following hierarchy for the measurement of financial instruments at fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. 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 net current assets or Other current liabilities.

Level 3 – Data for assets or liabilities not based on observable market data.

Derivative instruments are classified within Level 2 of the fair value hierarchy. Ambea has hedged 62 per cent of its interest-rate exposure in financing by purchasing interest-rate caps. The interest-rate caps are measured at fair value and the impact

on profit/loss is recognised in net financial items. The hedges were entered into in February 2016 and expire in January 2019. The change in fair value of the interest-rate cap is recognised in profit or loss and SEK 0 million was charged against net financial items for the quarter. At 31 December 2018, the value of the derivatives was SEK 0 million. Ambea uses the standard report of issuing banks for the market valuation of purchased interest-rate caps. The measurement is based on the bank's standard pricing model and method. The measurement is based on the bank's average price.

Contingent considerations are classified within Level 3 of the fair value hierarchy. Material unobservable inputs mainly comprise predicted sales.

Consolidated assets and liabilities measured at fair value

SEK million	31 Dec 2018	31 Dec 2017
Interest rate derivatives	0	0
Contingent consideration	-	-29

The change of SEK 29 million in contingent consideration compared with 31 December 2017 consists of settlement related to TBO (SEK 25 million) and adjustment of Varphagen (SEK 4 million), both of which were acquired in 2017.

Note 7 Pledged assets and contingent liabilities

SEK million	31 Dec 2018	31 Dec 2017
Leased assets	80	74
Chattel mortgages	10	13
Real estate mortgages	9	23
Factoring	2	2
Total pledged assets	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 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 8 Reconciliation with IFRS financial statements

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Growth/Acquired growth				
Growth in net sales (%)	6	4	4	9
Of which, acquired growth (%)	6	7	5	10
Of which, organic growth (%)	0	-4	-1	0
Operating margin (EBIT)				
Net sales	1,550	1,464	6,076	5,816
Operating profit (EBIT)	64	70	429	402
Operating margin, EBIT (%)	4.1	4.8	7.1	6.9
EBITA and adjusted EBITA				
Operating profit (EBIT)	64	70	429	402
Amortisation and impairment of intangible assets	21	16	79	59
EBITA	85	86	508	461
Items affecting comparability	35	6	39	38
Adjusted EBITA	120	92	547	498
Net sales	1,550	1,464	6,076	5,816
EBITA margin (%)	5.5	5.9	8.4	7.9
Adjusted EBITA margin (%)	7.7	6.3	9.0	8.6
EBITDA and adjusted EBITDA				
Operating profit (EBIT)	64	70	429	402
Depreciation, amortisation and impairment of tangible and intangible assets	33	32	135	110
EBITDA	97	102	564	512
Items affecting comparability	35	6	39	38
Adjusted EBITDA	132	108	603	550
Net sales	1,550	1,464	6,076	5,816
EBITDA margin (%)	6.3	7.0	9.3	8.8
Adjusted EBITDA margin, %	8.5	7.4	9.9	9.5

Note 8 Reconciliation with IFRS financial statements – continuation

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Items affecting comparability				
Reversal of received damages Vitale	–	-17	–	-17
– of which, compensation included in other operating income	–	-17	–	-17
Reversal of restructuring and acquisition-related costs	35	–	35	1
– of which, costs included in the profit/loss row other external costs	34	0	34	1
– of which, costs included in profit/loss row personnel costs	1	–	1	0
Reversal of income and costs for discontinuation of entire segments	–	23	4	22
EKB				
– of which, income	–	–	–	0
– of which, costs included in the profit/loss row other external costs	–	0	–	-3
– of which, costs included in profit/loss row personnel costs	–	0	–	0
– of which, costs included in the profit/loss row depreciation, amortisation and impairment of tangible and intangible assets	–	0	–	0
– of which, costs included in the profit/loss row other operating expenses	–	–	–	0
Personal assistance				
– of which, income	–	-11	–	-66
– of which, costs included in the profit/loss row other external costs	–	1	–	5
– of which, costs included in profit/loss row personnel costs	–	11	–	63
– of which, profit or loss from participations in Group companies	–	23	4	23
Reversal of costs attributable to the IPO	–	0	–	32
– of which, costs included in the profit/loss row other external costs	–	0	–	32
– of which, costs included in profit/loss row personnel costs	–	–	–	0
– of which, costs included in the profit/loss row depreciation, amortisation and impairment of tangible and intangible assets	–	0	–	0
Items affecting comparability	35	6	39	38
Operating cash flow				
EBITDA	97	102	564	512
Adjustment for non-cash items	-3	18	-5	-2
Cash flow from investing activities excl. acquisitions and sales of subsidiaries	-16	21	-32	-10
Operating cash flow before changes in working capital	77	141	527	500
Changes in working capital	88	63	73	-41
Operating cash flow after changes in working capital	166	204	600	459

Note 8 Reconciliation with IFRS financial statements – continuation

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Cash conversion (%)				
Operating cash flow after changes in working capital	166	204	600	459
Adjustment for cash flow from investing activities related to increased capacity/growth	1	2	9	7
Operating cash flow excluding cash flow from investments in increased capacity/growth	167	206	609	465
EBITDA	97	102	564	512
Cash conversion (%)	172.2	202.0	108.0	90.8

SEK million	31 Dec 2018	31 Dec 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
Rolling adjusted EBITDA	603	551
Net debt/Rolling adjusted EBITDA (ratio)	3.3	3.7
Debt/equity ratio		
Non-current interest-bearing liabilities	614	710
Current interest-bearing liabilities	1,441	1,392
Total interest-bearing liabilities	2,055	2,102
Total equity	2,707	2,480
Debt/equity ratio	0.8	0.8
Equity/assets ratio		
Total equity	2,707	2,480
Total assets	5,792	5,567
Equity/assets ratio (%)	46.7	44.5

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Opening equity attributable to shareholders of the Parent Company	2,684	2,435	2,480	2,067
Closing equity attributable to shareholders of the Parent Company	2,707	2,480	2,707	2,480
Average equity attributable to shareholders of the Parent Company	2,696	2,458	2,594	2,274
Profit after tax	32	54	295	226
Return on equity (%)	1.2	2.2	11.4	9.9

Note 9 Definitions and purpose

Key financial figures	Definition and calculation	Purpose
Growth (%)	<p>Growth consists of the increase in sales in relation to the comparative period.</p> <p>The period's increase in net sales/Net sales in the period of comparison</p>	This key figure is used to follow up the company's sales increase
Acquired growth (%)	The period's net sales growth from acquisitions/the comparative period's net sales	This key figure is used to follow up the proportion of the company's sales increase that was 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)	<p>Profit for the period before financial items and taxes</p> <p>Total operating income – Operating expenses.</p>	<p>The key figure used to monitor the company's profit generated by operating activities.</p> <p>This key figure enables comparisons of profitability between companies/industries</p>
EBITA	<p>Operating profit before amortisation and impairment of intangible assets</p> <p>Operating profit (EBIT) + Amortisation and impairment of intangible assets</p>	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	<p>Items related to events in the company's operations that impact comparability with profit during other periods. Include:</p> <ul style="list-style-type: none"> - Transaction costs attributable to major acquisitions - Major re-organisations - Costs for preparing the company for a future stock-exchange listing 	The key figure Adjustments of items affecting comparability is used to achieve a fair comparison of the underlying development of business operations
Adjusted EBITA	<p>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</p> <p>EBITA + Adjustments</p>	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	<p>Operating profit before depreciation, amortisation and impairment of intangible and tangible assets</p> <p>Operating profit (EBIT) + Depreciation, amortisation and impairment of intangible and tangible assets</p>	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	<p>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 during other periods</p> <p>EBITDA + Adjustments</p>	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

Key financial figures	Definition and calculation	Purpose
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 items affecting comparability, as well as cash flow from investing activities excluding acquisitions and divestments of operations Adjusted EBITDA + Changes in working capital + Cash flow from investing activities excl. acquisitions and divestments of subsidiaries	This key figure shows cash flow from the company's operations, excluding company acquisitions, company divestments, funding, tax and items affecting comparability and is used to follow up whether the company is able to generate a sufficiently positive cash flow to maintain and expand its operations
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 divided by EBITDA Operating cash flow/EBITDA	This key figure is used as a performance indicator 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/Rolling 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 rolling adjusted EBITDA. Net debt/Rolling adjusted EBITDA	This 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/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

Quality management in the fourth quarter of 2018

Summary

- Ambea's monitoring tool for assuring the quality of its operations, the Quality and HR Flash, is sent out to all operations in Nytida and Vardaga every month. The index has been stable compared with the third quarter.
- According to the National Board of Health and Welfare's user survey in elderly care for 2018, Vardaga improved overall, particularly within Contract Management, but did not quite achieve its target with respect to resident satisfaction. Vardaga is now ranked at the same level of municipal residential facilities overall and better than other private providers.
- Nytida's user survey was conducted in October. The survey comprised two parts: participation in the Swedish Association of Local Authorities and Regions' national user survey for the types of operations encompassed by the study and an internal user survey carried out by Nytida for other operations. The results will be analysed and used in the Group's quality work.
- The National Board of Health and Welfare's unit survey showed a strong result for Vardaga with a score of 85. Other private providers received a score of 72 and public providers 54.
- The National Board of Health and Welfare's unit survey for LSS Adult in Nytida also showed strong results for Nytida, which received a score of 90, compared with a score of 77 for other private providers and 58 for public providers.
- In 2017, Vardaga carried out a pilot project using virtual reality (VR) technology at nursing homes in Skåne. The residents enjoyed being able to travel the world, walk with dinosaurs and engage in other exciting adventures while wearing VR glasses. This VR technology is now being implemented throughout Vardaga, which has purchased equipment to be shared between the nursing homes.
- The Hjärna Tillsammans collaboration project, in which Nytida is participating, has been given a chance to continue operating thanks to support from the Stockholm County Council. The main focus of Hjärna Tillsammans is to improve support for people with acquired brain damage. The aim is to create greater clarity and accessibility when it comes to support and initiatives after brain damage has occurred.

Awards and distinctions

- Nytida's 2018 quality prize was awarded to the Ranängen residential care facility for children and adolescents in Lödöse, with an explanation that highlighted the facility's efforts to always focus on the individual – in accordance with Ambea's vision to make the world a better place, one person at a time.
- Vardaga's 2018 quality prize was awarded to the Nymilen nursing home in Bromma, with an explanation that highlighted the facility's clear leadership, dedicated employees and goal-oriented improvement efforts.
- Vardaga's 100 Club: Bäckagården in Ängelholm, Gabriels gård in Sollentuna, Höstfibblan in Täby and Söndagsgården in Farsta all received a ranking of 100 per cent in the categories of overall resident satisfaction and resident care in the National Board of Health and Welfare's user survey for 2018. We are pleased to welcome them to Vardaga's 100 Club.



Vardaga's 2018 quality prize was awarded to the Nymilen nursing home in Bromma.



Nytida's 2018 quality prize was awarded to the Ranängen residential care facility for children and adolescents in Lödöse.

The quarter in figures

- The share of serious non-compliances in Q4, degree 4, remained unchanged compared with the previous quarter (+-0%).
- One Lex Maria notification for Vardaga. The Swedish Health and Social Care Inspectorate (IVO) has issued its decision and the case has been closed without any follow-up actions. Two Lex Sarah notifications for Vardaga. In one case, IVO has issued its decision and the case has been closed without any follow-up actions. In the other, IVO has not yet issued its decision. One Lex Sarah notification for Nytida, which has been dismissed by IVO. The number of notifications was higher than in the preceding quarter.
- Two individual complaints reported for Nytida, for which IVO has not yet issued its decision, and no complaints for Vardaga. This number of complaints is lower than in the preceding quarter, when nine complaints were reported.
- IVO conducted 14 supervisory inspections of Nytida's operations and 11 decisions have been received to date, eight of which without criticism and three with criticism. For Vardaga, two supervisory inspections have been carried out, one for which a decision has been received with certain criticism and the other for which a decision has not yet been received.