RATOS

Annual Report 2004

Directors' Report

Analysis

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Formal section

Information to shareholders

Annual General Meeting 6 April 2005

The Annual General Meeting of Ratos AB (publ) will be held at 5.30 p.m. on Wednesday, 6 April 2005 at Berwaldhallen, Dag Hammarskjölds väg 3, Stockholm.

Participation

To be entitled to participate in the business of the Meeting, shareholders must

- be recorded in the register of shareholders maintained by VPC AB no later than 24 March 2005,
- notify the company of their intention to attend no later than 4 p.m. on 1 April 2005.

Notification

Notification of attendance may be made by:

- writing to Ratos AB (publ), Box 1661, SE-111 96 Stockholm
- telephoning +46 8 700 17 00
- via www.ratos.se/Investor Relations/ Annual General Meeting
- fax +46 8 24 66 25.

When notifying attendance please state name, personal/corporate identity number, address and telephone number.

Nominee-registered shares

In order to be entitled to participate in the meeting and exercise their voting rights, shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names. Such registration must be effected at VPC no later than Thursday, 24 March 2005. Shareholders are requested to inform their nominees in good time prior to this date.

Dividend and record date

The Board of Directors proposes a dividend for the financial year 2004 of SEK 8.50 per share. The record date proposed by the Board for the right to receive dividends is Monday, 11 April 2005. If the proposal is accepted by the Annual General Meeting, dividends are expected to be distributed by VPC on Thursday, 14 April 2005.

Financial calendar

6 April	2005 Annual General Meeting
12 May	Interim Report, Jan-March 2005
24 Aug	Interim Report, Jan-June 2005
11 Nov	Interim Report, Jan-Sept 2005
Feb 2006	Year-end report 2005

Reports can be accessed at Ratos's web site www.ratos.se directly after publication and are issued in Swedish and English. Reports are sent automatically to shareholders who have notified Ratos that they wish to receive financial information from the company.

Publications can be ordered at www.ratos.se or by:

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Ratos and social responsibility

Ratos does not have its own production and sells neither products nor services. In view of this, the Ratos Board has decided that the company should not be involved in outgoing and visible sponsoring. Instead, a decision has been made to conduct well-prepared work with a highly restricted number of projects in the form of membership of associations, research support, grants and gifts.

The aim is to support associations and research that are linked to Ratos's business activities or where Ratos has an historic and well-motivated involvement. In addition, the provision of grants and gifts continues the tradition of Ratos and its founders' active role in society. By concentrating efforts to a few selected projects, we seek to ensure that the funds provided have the greatest possible effect. In this way we also hope to be able to involve our employees and other Ratos stakeholders in the projects that we support. At the same time, through close co-operation with those responsible for each project, we are able to ensure that the funds provided are used in a responsible and agreed manner.

Through the association S:ta Clara Grannar (St. Clara Neighours), for a three-year period Ratos has made possible the establishment of a full-time employee in order to strengthen the church's activities for young people in the centre of Stockholm – an environment deeply affected by addiction and criminality. Ratos is also a principal sponsor for Lifeline, a Save the Children project starting in 2005. The intention is to build a lifeline for and awareness of children who are irregular immigrants to Europe and who are unable to meet their basic needs for education, housing and health care. In co-operation with Mentor, which works with drug prevention activities, Ratos is part financing a project designed to build up an international network of "Mentor Nationals". Ratos is one of 26 so-called Capital Partners to the Stockholm School of Economics, which was founded, among others, by a member of the Söderberg family – the founders of Ratos. Within the auspices of the Centre for Business and Policy Studies (SNS), Ratos contributes to research closely related to our activities.

2004 highlights

- The Group's pre-tax profit amounted to SEK 1,989m (812).
- Stable earnings trend in underlying portfolio.
- Earnings per share SEK 22.69 (7.71).
- Proposed dividend for 2004 is SEK 8.50 (7.25).
- The total return on Ratos shares was positive for the sixth consecutive year and amounted to +35% (27).
- Equity amounted to SEK 114 per share.
- Divested holdings: Dahl and Q-Labs.
- Two new holdings in the portfolio: BTJ InfoData and Elitfönster.
- Holding in Dynal Biotech sold after the end of the year.

Results

SEKm	2004	2003	2002	2001	2000
Holdings	2,087	846	730	1,817	1,046
Asset management	–	–	–	234	1,008
Central income and expenses	-98	-34	-96	-125	-77
Profit before tax	1,989	812	634	1,926	1,977
Equity	9,026	7,827	8,037	8,177	6,778
of which unlisted	90%	97%	92%	81%	28%

Key figures per share [1)]

SEK	2004	2003	2002	2001	2000
Earnings after tax	22.69 [2)]	7.71	4.60	22.07	23.50
Equity	114	100	102	104	86
Dividend	8.50 [3)]	7.25	6.75	6.25	5.50
Dividend yield, %	5.9 [3)]	6.4	7.0	6.7	7.0
Market price, 31 Dec	143.50	113	95.50	93.50	79
Market price/Equity, %	126	113	95	90	92
Total return, %	35	27	8	27	16

1) Definitions, see page 115.
2) After dilution SEK 22.62.
3) Board of Directors' proposal to 2005 AGM.

CEO's comments

Strong development – 2004 and for 50 years

When we now sum up 2004 we can say that it was the best year yet of the six that Ratos has operated as a private equity company. 2004 was also the year when we could confirm that a long-term approach and shareholder focus paid off, manifested in Ratos's fantastic 50-year journey as a listed company. A brief summary:

- anyone who acquired Ratos shares for SEK 1,000 at the listing in 1954, had by the end of 2004 seen their investment grow – through share price growth and dividends – to SEK 2.5 million
- for the sixth consecutive year Ratos shares provided a positive total return, +35%
- strong development of earnings in Ratos's portfolio companies
- we completed a number of successful deals, both exits and acquisitions
- conditions exist for continued improved earnings in the underlying portfolio in 2005.

50 listed years

Ratos was listed on the stock exchange in May 1954. On 3 June of that year the following headline could be read in the Affärsvärlden business magazine: "Förvaltnings AB Ratos to the stock exchange": "Nom. SEK 3m in Förvaltnings AB Ratos invested on the exchange to 200%. The company owns all the shares in Söderberg & Haak as well as the subsidiaries Larsson, Seaton & Comp. and Gryts Bruk, and a well-balanced portfolio of listed industrial shares. Large hidden reserves can be noted. The issue was immediately oversubscribed." An article elsewhere in the magazine mentions, among other things, that the company has no debts to outside parties. The article concludes with the words: "The company's financial position is very good". Ratos's financial position is still good and to this day Ratos AB has no debts to outsiders. Equally, the financial position should be even better for anyone who succeeded in acquiring shares in conjunction with the listing. An investment of SEK 1,000 in 1954 would have been worth at year-end 2004:

- SEK 677,000 in an average equity portfolio, measured as the stock exchange's total return index
- SEK 331,000 measured as the price appreciation on Ratos shares
- SEK 2,540,000 measured as the total return on Ratos shares.

The last two amounts are worthy of further reflection. During Ratos's now just over 50 years as a listed company the total return on the shares (price plus reinvested dividend) has been eight times higher than the pure price development! International studies confirm this picture of the importance of dividends for shareholder well-being:

- a global total return index over the past 30 years has developed 2.5 times better than a corresponding price index
- if we analyse some ten countries separately, we can see that dividends in most cases account for between 50 to 80% of total return
- The UK during this 30 year period has performed 20% better than a global index, in terms of share prices. But thanks to a high dividend yield they have outperformed the world in total return terms by 80%. Japan, on the other hand, has developed more or less like the world in share price terms but experienced extreme losses in total return due to the low Japanese dividend levels
- many basic industries (such as utilities) have developed considerably better than technology and growth shares in terms of total return due to high dividends, despite a less favourable development in pure price terms.

These facts lead to a number of conclusions and comments:

- it is important, as in the case of Ratos, to have a board and an ownership structure that encourage *long-term* positive development, with a focus on *both* industrial and financial issues *and* shareholder value. When we claim today that we are an industrially oriented financial owner, or that we make the deals of the new age on a stable foundation of old, honest sound Swedish owner traditions – these are not merely empty words, but reflect the inheritance of 139 years of active and responsible ownership which Ratos and its predecessor Söderberg & Haak represent
- the stock market has, overall, tended historically to pay too much for growth expectations and too little for dividend yield
- even if, in contrast to the misunderstandings of this question which seem to be legion today, most of our own and our colleagues' value creation comes from industrial development work, we also have financial matters in focus in a way that was not common before. This can be seen as another way of handling the liquidity flow issues so important to owners: instead of always taking dividends we work to optimise financial structures based on the companies' industrial prerequisites. And the way we can do this is often considerably more tax effective than is possible with the present tax on dividends.

"...we are an industrially oriented financial owner"

Positive total return

For the sixth consecutive year, Ratos shares provided a positive total return in 2004, +35% (SIX Return Index rose 21% in the same period). The total return between 1 January 1999, when we changed strategy and became a private equity company, and 31 December 2004 amounts to +263%, while the benchmark (SIX Return Index) performance was +34%. This gives an average annual total return on Ratos shares between 1999 and 2004 of 24%.

"For the sixth consecutive year Ratos shares provided a positive total return..."

Strong earnings trend

A positive total return naturally requires a positive development for operations over time. In last year's CEO comments I stated that 2003 was a flat year in terms of earnings that did not live up to our expectations. I also said that the comprehensive efforts being made with efficiency enhancements and growth promoting measures in all portfolio companies were expected to have an effect in 2004. It is with great satisfaction that I can now say that all the tough work that was conducted out in the companies has had the desired result. If we add to this the fact that our optimistic assessment of the business scenario proved correct and naturally had a positive impact on our holdings, we have the explanation for the strong earnings trend in the Ratos holdings.

For the subsidiaries and associated companies held by Ratos at the end of the year (excluding Tornet) total operating profit (EBITA = profit before net financial items, tax and goodwill amortisation) increased by 32% compared with 2003. Taking Ratos's stakes in each company into account, a corresponding increase was 24%. The corresponding changes in pre-tax profit (EBT) were +83% and +75% respectively.

Together with exit gains and other income and expenses at Ratos level, this means that the Ratos Group's pre-tax profit for 2004 amounted to SEK 1,989 million. In the past six years our *average* pre-tax profit has thus amounted to SEK 1,516 million, while the corresponding after-tax figure is SEK 1,349 million.

The year's transactions

Ratos completed a number of successful transactions during the year, on both the exit and acquisition sides. The largest individual transaction was of course the sale of Dahl, a deal that provided an exit gain of almost SEK 1.4 billion. Taking into account our original investment and the major refinancing of Dahl carried out in 2003, this investment provided an average annual return of 35% in the almost five years that we owned the company after the stock exchange buyout.

During the year we also sold our holding in Q-Labs (with no earnings impact) and Choice Hotels (resulting in a small capital loss). In addition, divestments in Industri Kapital made a positive contribution to Ratos's earnings.

On the acquisition side, five major deals were completed during the year. Strategically important new investments were made in BTJ InfoData (49%), a leading Swedish information management company which at group level in 2004 developed better than we had hoped at acquisition, and Elitfönster (95%), Sweden's leading window producer. In Elitfönster we see possibilities for continued good organic growth, additional efficiency enhancements in the production structure and structural deals at a Nordic level. During the year we also made add-on investments in Arcorus, Gadelius and Haendig, which means that all these companies are now wholly-owned Ratos subsidiaries.

I have been asked during the year, in view of the increased number of subsidiaries in Ratos's portfolio, whether we have changed our strategy and now no longer co-invest with other players. The answer to that question is a resounding "no", we have not changed our strategy. Being a good and potential co-investor will remain a key part of Ratos's strategy. On the other hand, as far back as three years ago, we indicated that the proportion of subsidiaries, for several different reasons, would probably increase over time.

> **"Ratos completed a number of successful transactions during the year..."**

Outlook for 2005

Our assessment of the global economy in 2005 is that growth will flatten out at a continued good but not spectacular level. Forecasting is more difficult than before 2004 partly because short-term risk assessments (the trend for oil and other commodity prices, the geopolitical situation, etc.) have become complicated. And partly because the significant underlying structural problems and imbalances that the world is tackling may make themselves felt again even more clearly at least during the latter part of the year.

Our main scenario remains relatively positive. In addition to this it can be said that the efficiency enhancements and growth programmes underway in the portfolio companies still have a lot to give in many cases. Overall, conditions therefore exist for a continued improvement in earnings in the underlying portfolio in 2005.

Arne Karlsson

Vision, business concept, objectives and strategy

Vision

Ratos shall be perceived as Sweden's best owner company.

Business concept

Ratos is a listed private equity company. Ratos's business concept is to generate, over time, the highest possible return through the professional, active and responsible exercise of its ownership role in a number of selected companies and investment situations, where Ratos provides stock market players with a unique investment opportunity. Added value is created in connection with acquisition, development and divestment of companies.

Objectives

- The return on each individual investment (IRR) to exceed 20% (average annual return during ownership period).
- Total return on Ratos shares to be higher than the average on the Stockholm Stock Exchange over time.
- An aggressive dividend policy.
- Ratos aims to provide open, accurate, continuous and timely information of the highest quality.

Investment strategy

- **Holding normally 20-50%**
- **Normally the principal owner**
- **Investment size SEK 250-1,500m**

Ratos does not invest in early phases of companies' life cycles.

"shall be perceived as Sweden's best owner company"

"Added value is created in connection with acquisition, development and divestment of companies"

"Return on each individual investment (IRR) to exceed 20%"

- **15-20 holdings**
Ratos's portfolio should normally comprise 15-20 holdings, primarily unlisted companies, of varying size.
- **Ownership period normally 3-7 years**
Ratos's involvement as an active owner in each individual company – from acquisition via development to divestment – is normally 3-7 years.
- **Sector generalist**
Ratos's core competence is not sector specific. Since added value can be created in most sectors, Ratos has chosen to be sector-neutral.
- **Focus on own deal flow**
Ratos regards it as important to build up its own deal flow.
- **Nordic acquisitions – global exits**
The entry point for investments is the Nordic region with the main focus on Sweden. Exits (divestments) can be effected globally.
- In addition, the companies in which Ratos invests must have competitive advantages in their sector and strong management. There is a clear exit strategy for every investment Ratos makes. Ratos works actively to ensure that the companies in which it invests have incentive strategies for boards and senior executives.

Ratos 50 listed years


Veckans P.M.

Förvaltnings AB Ratos till fondbörsen.
(sid. 276)

AFFÄRSVÄRLDEN
THE TRADE JOURNAL OF SWEDEN
EKONOMISK VECKOREVY

In 1954 Förvaltnings AB Ratos, which then comprised a number of unlisted companies mainly within trading and engineering as well as a significant share portfolio of holdings in such companies as Gränges, ASEA, Holmen, Bulten and SLT (now Esselte), became a listed company. 20% of the 150,000 shares were offered to outsiders. Ratos's major new shareholders included the Nobel Foundation, the Knut and Alice Wallenberg Foundation and Dunkers.

After the stock market flotation the total number of shareholders amounted to approximately 1,000. At that time, there were just over 90 companies listed on the exchange. Annual turnover amounted to a couple of hundred million kronor, which corresponded to about two per cent of the total market capitalisation of just over SEK 10 billion.

Ratos shares a good deal

For a shareholder who has been involved from the start, Ratos has been a good deal. An original investment of SEK 1,000 had grown to SEK 2,540,000 by the end of December 2004 if dividends were reinvested. The rate of increase has averaged 17% per year including dividends. If an investment had instead been made in a corresponding stock market index the same amount would have increased to SEK 677,000 or 14% per year. The consumer price index, which measures average price increases, has risen at a yearly rate of 5.1% in the same period.

Active ownership for 139 years

Ratos and its predecessor Söderberg & Haak have broad experience of active ownership in Swedish trade and industry. The focus of

Ratos's history

1866

The trading company Söderberg & Haak, the first wholesale company in Sweden for iron and iron products, is registered by the former master smith at the Garpenberg Ironworks, Per Olof Söderberg.

1930s

Förvaltningsaktiebolaget Ratos (RAgnar and TOrsten Söderberg) is registered with Ragnar Söderberg as chairman. The property at Drottninggatan 2 is acquired in 1939.

1940s

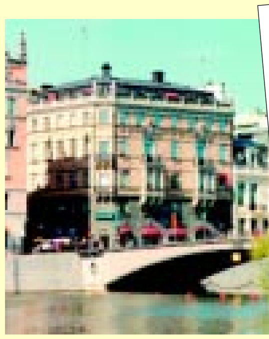
Ratos is regarded as a mixed investment company with subsidiaries such as Söderberg & Haak. Major holdings in the listed portfolio are Gränges, Kopparfors and Holmen. A new company in the portfolio is SLT, Sveriges Litografiska Tryckerier, now Esselte.

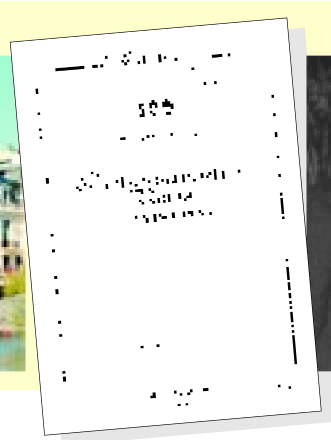
1950s

Ratos is floated on the stock market in 1954. On 3 June, the Swedish business magazine Affärsvärlden writes: "A nominal SEK 3 million in Förvaltningsaktiebolaget Ratos was placed on the stock market at 200%... The share issue was immediately oversubscribed... The company's position is very strong ... a substantial portfolio representing a large number of our most prominent listed shares ..."

1960s

The Torsten and Ragnar Söderberg foundations are established. Returns are to be donated to scientific research and education in economics, law and medicine.





Ratos's activities has changed over the years but the professional, active and responsible exercise of ownership runs all through the company's 139-year history.

In 1866, Per Olof Söderberg founded the company Söderberg & Haak in order to introduce the Bessemer steel recently developed at the Sandviken Ironworks to Sweden's forges. Eventually the company came to play a leading role within Swedish steel distribution. These operations comprised the core of the listed Ratos for many years. The links with the steel industry did not end until the Swedish steel crisis in the 1970s when Ratos – by selling its subsidiary Tibnor to SSAB – played a central role in the creation of an effective industrial structure for this industry. In the same way, Ratos and its principal owners have contributed over the years to restructuring and development of several sectors and many companies.

Through long-term, active ownership combined with clear structural moves, Ratos has created added value which could be realised and reused for new investments. Ratos is convinced that a professional, active and responsible exercise of its ownership role contributes to a positive development that benefits shareholders, companies, employees and society.

Sven Söderberg, former CEO and Chairman of Ratos, died in May 2004 following a long illness. Sven Söderberg worked within Ratos for 46 years. In addition to his involvement with Ratos, Sven Söderberg held a number of directorships in Swedish industry with companies such as Alfa Laval, ASEA/ABB, Incentive, SEB, Skandia and Stora. For a number of years, Sven Söderberg was chairman of the Federation of Swedish Commerce and Trade and the Centre for Business and Policy Studies (SNS). Sven Söderberg was Norway's Consul General in Stockholm from 1967 until 1998.

1970s

In 1972 Söderberg & Haak acquires shares in the Danish heating, water and sanitation wholesale company Brødrene Dahl, which is the majority shareholder in the Swedish wholesale company Fosselius & Alpen. In 1976 Ratos acquires Tibnorinvest, under which a couple of Ratos's subsidiaries, including Söderberg & Haak, are integrated. Tibnor is sold in 1979. Subsequently, Ratos's portfolio is expanded and the industrial holding company structure strengthened.

1980s

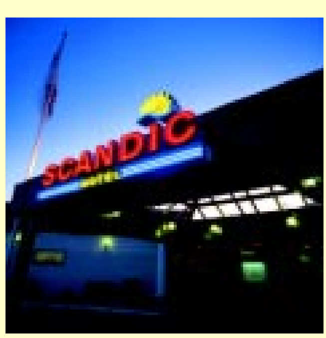
Ratos's property portfolio is integrated into the newly formed company Stancia. In 1983 Ratos acquires a 25% holding in the Esso hotel and restaurant chain, which is renamed Scandic Hotels. Scandic and Brødrene Dahl later become wholly owned subsidiaries. The subsidiary Inter Forward is formed in 1988. Its base is Nordisk Transport which Ratos acquired two years earlier.

1990s

Refocusing of Ratos starts and property company Stancia is listed in 1994. In 1995 Ratos's board decides that Ratos should be a pure-play investment company without wholly owned subsidiaries. As a consequence of this both Dahl and Scandic Hotels are listed in spring 1996. Inter Forward is also divested in 1998. A new private equity strategy is launched in January 1999. Added value is to be created in connection with acquisition, development and divestment of companies, primarily unlisted.

2000s

In 2001 the private equity strategy is accomplished through the acquisition of Atle and Lindab and the sale of Scandic Hotels to Hilton Group Plc. All asset management with listed shares is phased out. The holding in Esselte is sold in 2002 and the entire holding in Dahl is sold in 2004.



RATOS

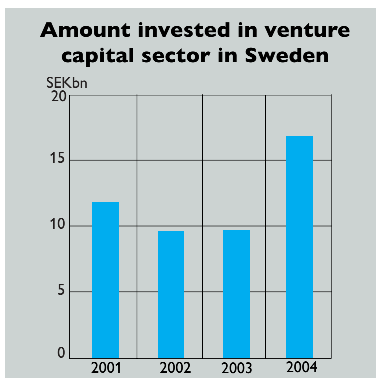
The private equity market

Ratos operates in the Nordic private equity market – the market for investments in unlisted companies.

Each private equity investment is preceded by extensive due diligence checks on the company in question (a review of a number of aspects of the company's operations). The investment calculation is based on a business plan in which the investor, together with the company's management, co-operates to create added value. In addition to financing, a private equity investor can provide business development support, networks, and financial and strategic expertise. The degree of involvement in the holdings varies among private equity investors, depending on such factors as the investor's own strategy and competence.

Different forms

In Sweden today there is an estimated SEK 215 billion of managed assets in private equity investments, of which about SEK 115 billion is invested in approximately 1,200 companies. Approximately 74% is invested in more mature companies (buyout investments) and approximately 26% in start-up companies (venture capital investments). The most usual form of private equity investments, both in Sweden and abroad, has been private equity funds. Investors in such funds are usually banks, insurance companies, pension managers, other major investment mangers and wealthy private individuals. These funds are administered by a management company which is wholly or partly owned by the people who carry out and manage the fund's investments. For tax reasons, the funds are often set up as offshore limited partnerships. Investors in these funds undertake to invest a specific total amount and then provide capital in pace with the fund's investments. This is why in the private equity market there is capital committed for investment but not yet invested, as well as invested capital. Private equity funds normally have a term of about 10 years, after which the fund's investments should be sold and the money earned by the fund successively repaid to the investors.



Source: Swedish Venture Capital Association

Direct investments in unlisted companies

Growth phase	Managed capital SEKm	Invested capital SEKm	Number of existing investments
Buyout	162,819	85,097	206
Venture	51,879	29,915	1,017
Total	214,698	115,012	1,223

Source: Swedish Venture Capital Association

Company vs. funds

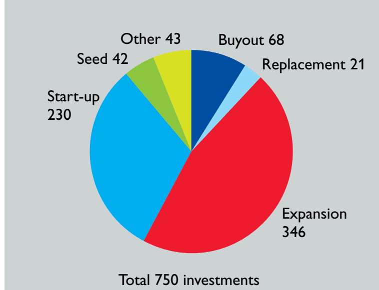
Ratos does not manage any funds but is one of the few listed companies in Sweden whose core business is investments in unlisted companies. Ratos's investment company tax status is a prerequisite for conducting its business in a Swedish legal entity. The parent company in practice pays no tax. One of the advantages of conducting operations in company form is that the time-consuming procurement of capital for new funds is not required in a listed private equity company. Another advantage is that transparency is greater in a listed company than in an offshore fund. Listed companies also offer investors a liquid share.

An advantage of funds is the fact that the fund is always fully invested and that by investing in funds the investor has fully diversified away from the market risk that always exists in a listed share.

Greater competition in the Swedish market

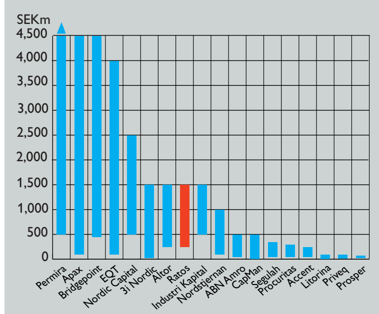
The majority of the approximately 117 active members of the Swedish Venture Capital Association conduct venture capital operations (i.e. investments at the business development stage and in totally new start-ups). Most of the new venture capital in recent years, however, has gone to buyout funds. The ten largest members manage a total of SEK 154 billion. All ten invest throughout the Nordic region and in some cases outside the Nordic area as well.

The number of players within Ratos's segment of the private equity market – the buyout segment – has increased in recent years. Five years ago Ratos was one of the Nordic investors making the largest investments, while today Ratos belongs to a middle segment of companies that carry out investments in medium-sized and large companies.



Investments in the venture capital sector in Sweden, 2004

Source: Swedish Venture Capital Association

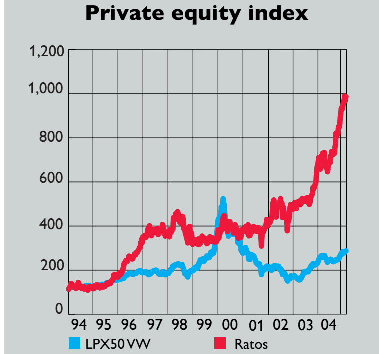


Swedish players – a selection

Return and profitability

Ratos is included in a new global private equity index launched in July 2004. The new index, LPX50 VW includes the 50 largest listed private equity companies in the world (of approximately 300) with a history of at least ten years. No company may weigh more than 10% in the index. Ratos with a weighting of 4% is the fourth-largest player. The British company 3i is the largest. The index exists in two versions, a weighted (LPX50 VW) and an unweighted (LPX50 EW). The indexes are updated every week by the Swiss company Vescore Solutions AG in Basel. More information about the indexes is available at www.lpx.ch. LPX50 VW has been included in SIX since February 2005.

Historical figures show that listed private equity companies have developed well. During the period 1994-2004 the LPX50 VW rose 9% while the MSCI World Index rose 5%. This trend only measures price development and does not take dividends into account. Ratos is one of six Nordic players in LPX50. Since the first measurement point in 1994, Ratos has had the best development of all companies in the index.



Private equity index

Although the private equity market in some respects can be difficult to evaluate, a number of international studies have been published concerning profitability in this sector to assist those considering a private equity investment.

An American study (Kaplan & Schoar, October 2002) showed, among other things, that successful private equity managers, in contrast to mutual fund managers, continue to be successful in future measurement periods. The study also shows that successful private equity managers appear to maintain good results by limiting the size of their funds and staying in their original investment segment.

Profitability within the Swedish private equity market has been good over the past ten years. Collated and reliable statistics are difficult to obtain. The return figures presented show that returns have fallen slightly compared with the 1990s which is regarded as an extremely favourable period for Swedish private equity investments. However, the sector's returns remain better than investments in comparable stock indexes.

Ratos as owner

Long history as owner

Ratos has a long and broad history of active ownership in Swedish industry. The focus of Ratos's operations has changed over the years, but the company's 139-year history is permeated by professional, active and responsible exercise of its ownership role.

On 1 January 1999, work starting on changing strategic direction to become a private equity company with a portfolio of preferably unlisted companies. All listed share were subsequently sold and today Ratos has a portfolio of 20 associated companies and subsidiaries, 18 of which are unlisted.

Today Ratos has a strong brand in Swedish business as an industrially oriented financial player. When the Ratos of today makes the deals of the new age, this takes place on a stable foundation of good, honest Swedish ownership tradition. These are two of Ratos's most important competitive advantages in the work of finding attractive and profitable investments.

Ownership

Ownership today is a profession in its own right and in recent years a new group of professionals has emerged in Sweden who work with the exercise of active ownership. The number of investment managers employed with the Swedish Venture Capital Association's member companies totalled approximately 455 at year-end 2004. A general reflection is that it is positive for Sweden as a nation that a new profession is now emerging whose work is to exercise active ownership. This group of professionals can make a positive contribution to the development of Swedish trade and industry.

Different types of owners are often essential for a company's development. One type of owner is not always the right owner at the different development phases of a company. Most companies therefore change owner once or several times during their lifetime.

Ratos as owner

For Ratos ownership of a company is not an end in itself. The purpose of ownership is instead, through professional, active and responsible exercise of ownership during a limited period, to develop the owned companies and thus create a good return on investment and for Ratos's shareholders. Clear aims for the holding are defined for every company that is acquired. Every investment must be expected to meet Ratos's return requirement for an IRR (annual average return) of 20%. The company's management, together with Ratos and any co-investors, draws up a business plan which forms the basis for the development work after the investment and for formulation of future governance and incentive systems. In addition, return and risk analyses are performed as a basis for investment and financing decisions as well as risk management. It is important that there is a consensus regarding the business plan between owner and management so that the work with the investment can be conducted smoothly. The business plan with an industrial strategy plan and financial targets ties together owners, board and company management.

In addition to ongoing evaluation of the company's development, once a year Ratos performs an internal valuation of the investment where a more thorough review is made of the company.

Divestment of a holding takes place when the aims with the investment have been achieved and when Ratos's ownership is no longer creating added value. It is important that exits are carried out in a responsible way taking the company's long-term development into account.

The exercise of ownership is conducted in teams consisting of one senior investment manager and one investment manager for each holding. Each team tracks their investments from the investment date until divestment. Work throughout this entire business process is based on close co-operation between the team and the management/board of the holding concerned. Ratos's senior investment manager is always represented on the company's board.

Clear and reasonable owner role

Ratos acquires companies with discernment and where Ratos has a contribution to make as owner. The ownership role must be clearly defined and the target company should feel secure with Ratos as its owner. It is important to understand that companies need stable conditions, to have a reasonable planning horizon and to show respect for the company's employees. Every year Ratos communicates its views on the company and its overall holding strategy to the board.

Ratos does not flinch, however, from having to make necessary but uncomfortable decisions in order to achieve the goals set at acquisition. Straightforward and open communication with management is required to facilitate this process.

Due diligence reduces investment risks

Ahead of a potential investment, Ratos always conducts due diligence, i.e. a thorough examination of the company concerned. In addition to an analysis of the potential financial result of the investment and its inherent risk, a number of other aspects of the company's operations are also checked. Areas analysed include the company's legal commitments, compliance of financial reporting with current rules and practice, management background, environmental aspects of operations, and the company's activities in matters concerning social responsibility. The results of these analyses, together with other documentation (such as reviews of industry and business issues), form the basis for the investment decision taken by Ratos's board. One principle is that inadequacies in themselves do not necessarily mean that the investment will not be made. On the other hand, the calculation which forms the basis of the investment decision must include the costs of rectifying such inadequacies.

Ratos's support to the management of each holding can include:

- Analysis
- Bank procurement
- Documentation for decision
- Due diligence
- Financial information
- Financial targets and strategies
- Acquisition analyses and acquisition processes
- Incentive programmes
- Information strategy
- Competition analyses
- Market analyses
- Project management
- Accounting matters
- Recruitment
- Profit analyses
- Auditor procurement
- Strategic development

Ratos's business organisation

Investment activities

- CEO, deputy CEO
- 3 Senior Investment Managers
- 9 Investment Managers

Business support

- 4 Accounts/Finance
- 2 IR/Communications

Exercise of ownership in practice

Throughout its entire period of ownership, Ratos as owner plays a active part in the company's development process. Ratos continuously acts as a sounding board for the company's management.

Every investment must have well-functioning internal reporting and control systems. Summarised and simplified, Ratos's role in the business process can be compared to that of a management consultant but with a wider brief and direct responsibility for profitability.

Organisation

At Ratos it is the business organisation comprising 20 people with broad financial and industrial competence that conducts the work with the companies. In addition to professional exercise of ownership there are employees with expertise in finance and accounting, as well as matters related to information and communication. The entire business organisation is presented in more detail on pages 22-23.

Exit portfolio – 28% annual return in six years

For a company operating within the private equity sector the divestment (or exit as it is known in the industry) is the definite proof of whether an investment has been successful or not. Basically the calculation for Ratos's owners is relatively simple: the result of an investment comprises the selling price minus the acquisition price plus/minus any capital flows during the ownership period (add-on investments, dividends, refinancing, etc.). This simple calculation can then with the aid of a mathematical formula be re-stated as an average annual return, or IRR (internal rate of return) as it is known in the industry. In this sense the parent company's income statement therefore provides a good picture of Ratos's development over time.

Since Ratos normally owns companies for several years, the parent company's income statement is a relatively blunt instrument for *continuously* monitoring development, since the effects from company divestments appear at long intervals and often with major one-time effects. For continuous monitoring, the consolidated income statement (complemented with all the information on the individual holdings Ratos provides in all its reports) can be more interesting since disclosures of subsidiaries and profit shares mean that Ratos's earnings are evened out to some extent between the years.

Ratos's main financial target is that each individual investment should generate an average annual return (IRR) of at least 20%. In order to assess whether the company succeeds in achieving this target over time an analysis of the "exit portfolio" – the "portfolio" of companies that Ratos has actually sold and where the results of these investments can be seen – is essential.

Present exit portfolio

What does Ratos's exit portfolio look like today? During the six years (1999-2004) Ratos has operated as a private equity company, 18 exits have been carried out in the core business. (The sale of the non-strategic asset management that dominated Ratos's portfolio when the strategic change started in 1999 is not included in these calculations.) These 18 exits have together provided sales revenue of almost SEK 11 billion (in the same period acquisitions were made for just over SEK 9 billion). So this is a relatively robust final result in the sense that there are many individual deals and taken overall large amounts.

In total, Ratos's exit portfolio has to date generated an IRR of 28%. The exit portfolio has thus met the 20% return requirement by a wide margin. Naturally, this result contains both successful investments that well exceeded the goals set up when the investment was made, in 2004 Dahl for example, and investments that must be summarised as unsuccessful, in 2004 Q-Labs for example. However, the successful investments have compensated for the less successful ones by a wide margin.

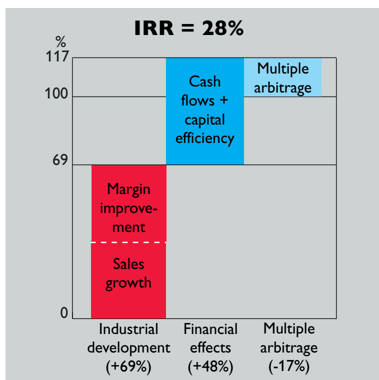
28% is also the figure that would be reported as a return if Ratos was a fund like most of our industry colleagues. In comparison with other private equity players, however, it should be noted that Ratos on average can be judged as having a lower financial risk exposure than most other companies in our niche. This means, all other things being equal, that a risk adjusted return improves the result for Ratos.

The favourable return in the exit portfolio has mainly been created through active work as owner focused on the companies' industrial development. This differs from the standard picture of the industry's value creation too often found in the media – i.e. that private equity companies buy companies cheaply, borrow money very cheaply, starve the companies, dress up the bride for a sale and then sell at a premium. This standard picture evidently does not apply to Ratos but probably not to the industry as a whole either.

An analysis of value creation in the 18 companies today included in Ratos's exit portfolio, reveals the following explanations of how a 28% IRR was achieved:

- almost 70% of value creation comes from the companies' internal, industrial development, i.e. efforts to increase sales and improve profitability. Sales growth has in its turn been created both through organic growth (currently approximately half of the total sales effect) and acquisitions (the other half)

- almost 50% of value creation comes from financial effects. One of these effects, which can be estimated at approximately 25%, can basically lead to an improved cash flow as a result of sales growth and improved margins. This is why 90-95% of value creation is really explained by the internal, industrial development work in the companies. The remaining approximately 25% is explained by both traditional internal work with financial efficiency (inventories, accounts receivable, investment efficiency, taxes, etc.) and efforts to optimise the financial structures, which means among other things that an acquisition is leveraged



- the multiple arbitrage has consequently provided a negative contribution of almost 20%, i.e. Ratos has on average sold for lower multiples than those that applied at acquisition. To generalise the results of Ratos's transaction activities, we have purchased for a high price and sold cheap (but on the way created added value through active ownership work with the companies' internal industrial development).

So what can be expected of the future development in the exit portfolio? At an overall level the following applies:

- today there are investments in the portfolio that will probably drag down the total return even if the investments themselves land up on the plus side. For some of the investments made before the stock market crash at the beginning of the 2000s, it will be difficult to achieve 20% even if the investments themselves end up in the black, although these investments were better than most of the alternatives available during the period and even if these investments are expected to achieve a 20% annual return from today's market values. At the same time, the portfolio contains a number of companies that will meet the return requirement by a wide margin
- taken overall the assessment is that Ratos's exit portfolio in the years ahead as well will have generated a return that on aggregate exceeds 20%
- Ratos's return target is naturally continuously reviewed by the board which so far, however, has not seen any need to change it. Consequently, this means that all new investments made are expected to meet the return requirement.

Ratos shares

Ratos shares are listed on the O list of the Stockholm Stock Exchange.

Share capital and number of shares

The share capital is divided into 21,229,056 class A shares and 59,445,570 class B shares. The number of repurchased shares is 1,736,186, which means there are 78,938,440 shares outstanding. Each Ratos A share carries one vote and each Ratos B share 0.1 vote. A round lot amounts to 100 shares. The nominal value is SEK 12.50 per share.

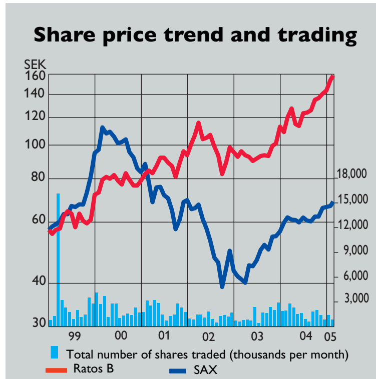
Option programmes

The Annual General Meeting decided on a call option programme issued in 2001, 2002, 2003 and 2004. The total number of call options issued amounts to 1,359,000 which leads to a maximum dilution effect of 1.7%. All options have a maturity of five years. The call options are issued on shares already repurchased.

Total return +35%

In 2004 the total return (price development including reinvested dividends) for Ratos B shares amounted to +35% compared with the SIX Return Index which rose 21%.

Ratos B shares rose 27% in 2004 which can be compared with the SAX Index which rose 17% in the same period. The highest quotation during the year, SEK 147, occurred in December, and the lowest quotation, SEK 110, was



Source: SIX

Source: SIX

Brief facts 2004

Share listing	Stockholm Stock Exchange, O List
Number of shares	80,674,626
Number of shares outstanding after buy-backs	78,938,440
Highest/lowest price	SEK 147/110
Market capitalisation	SEK 11.3 billion
Beta value	0.46
Reuters ticker code	RATOb.st
Bloomberg	RATOB SS

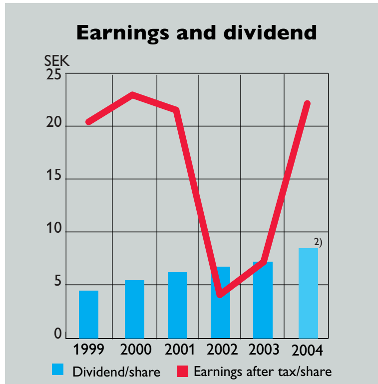
Breakdown by class of share

Class	Number of shares	% of voting rights	% of capital
Class A	21,229,056	78	26
Class B	59,445,570	22	74
	80,674,626	100	100

Development of share capital

At year-end	Transaction	A shares	B shares	C shares	Preference	Share capital, SEKm
1983	Bonus issue 1:4, split 2:1	5,437,507	3,506,242		100,000	452
1985	Bonus issue 2:5	5,437,507	7,083,740		100,000	631
1988	Bonus issue 1:1	5,437,507	19,604,987		100,000	1,257
1996	Redemption preference shares	5,437,507	19,604,987			1,252
1997	Split 4:1, redemption A and B shares	21,727,060	68,550,544			1,128
1998	Redemption A and B shares, Issue C shares	21,641,127	59,679,299	9,027,760		1,129
1999	Redemption C shares	21,641,127	59,679,299			1,016
2001	Reduction	21,641,127	59,021,499			1,008
2003	Conversion of A shares to B shares	21,244,658	59,417,968			1,008
2003	New issue	21,244,658	59,497,968			1,009
2004	New issue, cancellation and conversion of A shares to B shares	21,229,056	59,445,570			1,008

noted in May. The closing price on 30 December was SEK 143.50. Ratos's total market capitalisation amounted to SEK 11.3 billion at year-end. This ranks the company at number 37 in terms of size of the 284 companies listed on the exchange.



Trading

A total of 20.1 million Ratos shares were traded during 2004 at a value of SEK 2.5 billion. Corresponding values for 2003 were 17.4 million shares and SEK 1.7 billion respectively. An average of 79,369 shares were traded per day, an increase of 13% compared with 2003.

Dividend SEK 8.50

Ratos has an aggressive dividend policy. The Board of Directors proposes a dividend for 2004 of SEK 8.50 (7.25) per share, which corresponds to a dividend yield of 5.9% based on the closing price at year-end.

Buy-back of own shares

A decision was made at the 2004 Annual General Meeting that up to 7% of the company's shares may be acquired until the next Annual General Meeting on 6 April 2005. During 2004, Ratos repurchased 48,200 of its own B shares. The buy-backs were effected at an average price of SEK 110.89 per share.

Conversion of shares

The 2003 Annual General Meeting resolved that a conversion clause allowing conversion of A shares to B shares should be added to the articles of association. This means that owners of A shares have an ongoing right to convert them to B shares. As of 31 December 2004, 412,071 A shares had been submitted for conversion into B shares.

Data per share

SEK	2004	2003	2002	2001	2000
Earnings after tax	22.69 [1]	7.71	4.60	22.07	23.50
Dividend per A and B share	8.50 [2]	7.25	6.75	6.25	5.50
Dividend as % of earnings	37.5 [2]	94.0	146.7	28.3	23.4
Dividend as % of equity	7.5 [2]	7.3	6.6	6.0	6.4
Equity	114	100	102	104	86
Closing market price, B share	143.50	113	95.50	93.50	79
Market price/equity, %	126	113	94	90	92
Dividend yield, %	5.9 [2]	6.4	7.1	6.7	7.0
Total return, %	35	27	8	27	16
P/E ratio	6.3	14.7	20.8	4.2	3.3
Highest/lowest price paid, B share	147 / 110	113 / 86.5	119 / 74	99.50 / 73	87.50 / 63

Key figures

	2004	2003	2002	2001	2000
Market capitalisation, SEKm	11,328	8,877	7,511	7,383	6,253
Number of shareholders	29,345	23,699	21,302	18,909	16,065
Average number of shares outstanding	78,902,245	78,610,824	78,867,216	79,029,299	80,350,723
Number of shares outstanding at year-end	78,938,440	78,554,640	78,645,440	78,958,226	79,155,626
Average number of Ratos shares traded/day, thousands	79	70	59	103	108
Dividend, SEKm	671 [2]	573	531	493	435

[1] After dilution, SEK 22.62.

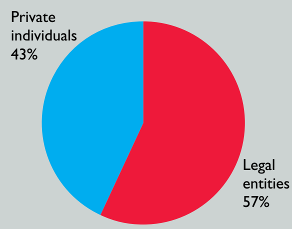
[2] Proposed dividend.

Definitions, see page 115.

Ownership structure

The number of shareholders increased during the year by 5,646 and amounted to 29,345 at year-end. The ten largest shareholders accounted for 79% of the voting rights and 50% of the share capital. Legal entities own 57% of the capital while 43% is owned by private individuals. The proportion of shares owned by physical or legal entities outside Sweden amounts to 8.3%. 69% of Ratos's shareholders own 500 shares or less and together accounted for 5% of the share capital.

Breakdown of Ratos's shareholders



Source:VPC

Ratos shareholders

31 December 2004	Number A shares	Number B shares	Share of votes, %	Share of capital, %
Söderberg family [1]	12,156,848	3,116,484	45.9	19.0
Söderberg foundations	6,536,270	5,903,460	26.2	15.4
Foreign shareholders	11,462	6,655,559	2.5	8.3
AP3	50	2,175,850	0.8	2.7
AMF Pension		2,029,700	0.7	2.5
Östersjöstiftelsen		1,501,213	0.5	1.9
Skandia		1,036,515	0.4	1.3
HQ. SE fonder		1,014,700	0.4	1.3
Confederation of Swedish Enterprise		1,000,000	0.4	1.2
AP2		908,071	0.3	1.1
Akademiinvest		848,935	0.3	1.0
Buy-back of own shares		1,736,186	0.6	2.1
Others	2,524,426	31,518,897	21.0	42.2
Total	21,229,056	59,445,570	100.0	100.0

[1] Söderberg and Montgomery families with companies.

Source: VPC

Range analysis

Number of shares	Number of shareholders	% of total number of shares
1 – 500	20,255	4.9
501 – 1,000	4,517	4.7
1,001 – 5,000	3,677	10.6
5,001 – 10,000	452	4.2
10,001 – 15,000	119	1.8
15,001 – 20,000	71	1.6
20,001 –	254	72.2
	29,345	100.0

Source: VPC

Analysts who monitor Ratos

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Carnegie
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Corporate governance at Ratos

Ratos AB (publ), corporate identity number 556008-3585, has the tax status of an investment company. According to the articles of association, the object of the company's operations is to acquire, manage and sell real property and chattels and to conduct other activities compatible therewith. Within the framework of the company's tax status and its operations as described in the articles of association, the company's Board has decided that Ratos shall conduct private equity operations.

Nomination Committee

At the Annual General Meeting held on 1 April 2004, the chairman announced that he had been assigned by shareholders representing over 70% of the voting rights in the company to appoint, in consultation with them, a nomination committee ahead of the 2005 Annual General Meeting. Olof Stenhammar (convener), Jan-Erik Erenius representing AMF Pension and AP3, Per-Olof Söderberg and Jan Söderberg representing themselves, closely related parties and the Söderberg foundations, have been appointed as members of this committee. Information about the members of the Nomination Committee and contact details were provided in the interim report for the third quarter of 2004.

The Nomination Committee has the following duties:

- To evaluate the composition and work of the current Board
- To prepare a proposal to the Annual General Meeting regarding election of the Board
- To prepare a proposal, in consultation with the company's Audit Committee, to the Annual General Meeting regarding election of auditors should this be required
- To prepare a proposal to the Annual General Meeting regarding fees to auditors and the Board. The Committee will report on its work at the 2005 Annual General Meeting.

The work of the Board

The work of the Board is regulated by an annually adopted work plan. This work plan stipulates, among other things, instructions for the company's CEO, decision-making procedures within the company, board meeting procedures, assignment of tasks, the duties of the chairman and the provision of information between the company and Board. The decision-making procedures for the company's Board and CEO relating to investment activities stipulate that all acquisitions of, and add-on investments in, companies that are to be included among Ratos's holdings must be submitted to the Board for decision. This also applies to divestments, wholly or partly, of a holding.

The Board is informed on an ongoing basis about the development of operations through a regular CEO's letter. Information material and material on which decisions are to made at board meetings are normally sent out one to two weeks prior to each meeting. An evaluation of all the holdings is performed every year in which an analysis of holding strategy, results, and forecasts for the coming year are presented. These evaluations are presented to the Board by the senior investment manager concerned.

In the 2004 financial year the Board consisted of seven members, including the company's CEO. The Board appointed Olof Stenhammar as its chairman. A total of 15 minuted board meetings were held.

Compensation Committee

The Compensation Committee is tasked with preparing and handling matters relating to terms of compensation within Ratos. The Compensation Committee, which met eight times in 2004, comprised Olof Stenhammar (Chairman), Peggy Bruzelius and Jan Söderberg. Per-Olof Söderberg was a co-opted member of the Committee.

The Committee, which has a preparatory role, reports and prepares proposals for decision for the Board regarding:

- The CEO's terms of employment
- Terms for employees directly subordinate to the CEO according to "the grandfather principle"
- Matters of principle concerning pensions, severance pay, fees and benefits, etc.
- Matters relating to the company's incentive system.

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background the compensation system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of shareholders. The system comprises three components – basic salary, variable salary and options – and rests on four basic principles.

- Ratos's employees shall be offered competitive fundamental terms of employment in an industry where competition for qualified employees is intense and at the same time be encouraged to remain within Ratos.
- Both individual effort and the Group's performance must be linked to clear goals set by the Board.
- Most of the variable compensation that is paid shall be linked to the results development that benefits shareholders.
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through a reasonably balanced options programme where employees can share in price rises as well as taking a personal risk by paying a market price for a security.

Options programme

The annual general meetings in 2001, 2002, 2003 and 2004 decided on call option programmes directed to senior executives and other key people within Ratos. All call options have a maturity of five years. Employees have paid the market premium for the call options in all programmes.

Call options are issued on shares already repurchased. By year-end 2004, 1,359,000 options had been issued (of which 1,339,000 are outstanding). Full exercise of outstanding options would make the number of new shares 1.7% of shares in circulation. The exercise price on the options issued in 2001 was SEK 102, for options issued in 2002 SEK 135, for options issued in 2003 SEK 116 and for options issued in 2004 SEK 147. The price per call option amounted to SEK 4.05 in 2001, SEK 10.40 in 2002, SEK 7.20 in 2003 and SEK 7.60 in 2004. Acquisition of call options is subsidised by the purchaser receiving an extra compensation corresponding to a maximum of 60% (50% for 2004) of the option premium after deduction for 55% standard tax, whereby the compensation is divided into equal parts for five years and provided the person remains employed in the Ratos Group.

The warrant programme issued in 1999 comprising 530,000 warrants expired on 15 February 2004.

Variable compensation

In addition to the option programmes the Compensation Committee has drawn up guidelines for a variable compensation system for parts of the business organisation. A ceiling for the total compensation component has been set at SEK 40m. Normally, the variable compensation portion can amount to a maximum of a couple of per cent of the company's pre-tax profit. The variable compensation is subject to certain conditions being met regarding return on the company's equity and a qualitative assessment of implementation of matters given priority by the Board during the year. Payment of variable compensation is divided over three years with 50% in the first year and 25% in the remaining two years. In order to receive full payment the person concerned must not have resigned from the company during these three years.

Of the variable compensation, 70% is profit based and is paid in a rising scale from when an 8% return on the opening reported net asset value (from 2005 reported equity) is achieved. The payment ceiling is reached at a return of 20%. This means that the 2004 pre-tax profit must amount to at least SEK 641m for profit-based variable compensation to be paid and a profit of at least SEK 1,603m means a maximum profit-related variable compensation. Profit before tax for 2004 amounted to SEK 1,989m.

In total, a variable compensation of SEK 38m (13.46) was decided for 2004. In addition to the profit-based portion of SEK 28m (4.46) SEK 10m (9) was added following an assessment of how the business organisation met the performance targets for 2004 set by the Compensation Committee and the Board. In this evaluation special attention was paid to implementation of certain prioritised transactions, certain defined efforts in parts of the holdings portfolio, organisational and management development and the build up of a high-quality deal flow. Both profit-based and performance related variable compensation is allocated on a discretionary basis. For 2004, the CEO was allocated 20% (18) of the total variable compensation which was allocated among a total of 18 employees.

Audit Committee

The Board has formalised auditing work through work in an Audit Committee. The committee includes all members of the Board with the exception of the CEO. The Audit Committee met six times during the year. The company's work plan also states that the Chairman of the Board is assigned to maintain regular contract with the company's auditors.

During 2003/2004 the Audit Committee devoted special attention to the appointment of auditors. These deliberations resulted in a decision to propose to the 2004 Annual General Meeting that only one auditor should be appointed compared with the previous two as this was judged to be more appropriate for Ratos. The audit firm KPMG Bohlins was elected as auditors with Thomas Thiel as auditor in charge for the period until the 2008 Annual General Meeting.

In 2004 special attention was paid to the consequences of the introduction of the new accounting rules according to IAS for both the parent company and the Group and Ratos's holdings. The committee also examined the distribution between consulting fees paid and auditors' fees to the auditors appointed by the Annual General Meeting.

Policy document

In order to establish guidelines for the company's activities, the Board has adopted a number of policy documents which are specified in the list below. Some of these documents are available to all the company's shareholders.

In addition to decision-making procedures established in the work plan for the Board, the Board has adopted the following policies:

1. Ratos's approach to its ownership role in unlisted companies
2. Rules for Ratos employees' share transactions
3. Financial strategy
4. Information and crisis policy
5. Sponsorship policy
6. Incentive policy for senior executives in Ratos's holdings
7. Pensions policy for senior executives in Ratos's holdings
8. Principles for reporting options
9. Code of social conduct

Business organisation

Thomas Hofvenstam **Henrik Blomé**
Anna Ahlberg **Anna-Karin Celsing** **Magdalena Aniansson**

Henrik Joelsson **Susanna Högberg Campbell**
Hans Ekelund **Per Frankling** **Clara Bolinder-Lundberg**

Anna Ahlberg
Investment Manager.

Born 1970. Masters in Accounting. Employed by Ratos since 2001. Sjunnesson & Krook Corporate Finance 2000-2001. PricewaterhouseCoopers Corporate Finance 1994, 1996-2000.

Shareholding in Ratos: *0*
Options in Ratos: *10,000 call options/2002*
5,000 call options/2003
10,000 call options/2004

Magdalena Aniansson
Investment Manager.

Born 1967. Master of Science, Business and Administration. Employed at Ratos since 1 September 2004. Accenture 1992-2004.

Shareholding in Ratos: *0*
Options in Ratos: *0*

Henrik Blomé
Investment Manager.

Born 1974. Master of Science in Business Administration and Economics.Employed at Ratos since 2001. Bain & Co. 1998-2001.

Shareholding in Ratos: *0*
Options in Ratos: *10,000 call options/2002*
10,000 call options/2003
5,000 call options/2004

Clara Bolinder-Lundberg
Investor Relations Manager.

Born 1958. Bachelor of Science in Business Administration and Economics. Employed by Ratos since 2001. Project Manager Askus and Intellecta 1995-1998. Head of Corporate Communications, Bank Support Authority 1994-1995. Hägglöf & Ponsbach 1988-1992. Handelsbanken 1983-1988.

Shareholding in Ratos: *3,000 B shares*
Options in Ratos: *22,500 call options/2002*
20,000 call options/2003
20,000 call options/2004

Anna-Karin Celsing
Head of Corporate Communications.

Born 1962. Degree in Economics and Business Administration from the Stockholm School of Economics. Employed at Ratos since 1999. Head of IR, FöreningsSparbanken 1993-1999. Project Manager, Öhman Corporate Finance 1989-1993. Project Manager, Wildeco Ekonomisk Information 1986-1989.

Shareholding in Ratos: *30,000 B shares*
Options in Ratos: *20,000 call options/2001*
8,000 call options/2002
5,000 call options/2003

Hans Ekelund
Chief Financial Officer.

Born 1948. Degree in Economics and Business Administration from the Stockholm School of Economics. Employed by Ratos since 1992.President, Executive Vice President and CFO of Sea-Link 1987-1991. Control and finance positions in the process, engineering and construction industry 1973-1986.

Shareholding in Ratos: *9,218 B shares*
Options in Ratos: *30,000 call options/2001*
5,000 call options/2002
8,000 call options/2003

Per Frankling
Investment Manager.

Born 1971. Master of Science, Business and Economics. Master of Science, Electrical Engineering. Employed by Ratos since 2000. McKinsey & Company 1999-2000. Arkwright 1996-1999.

Shareholding in Ratos: *0*
Options in Ratos: *10,000 call options/2002*
5,000 call options/2003

Thomas Hofvenstam
Investment Manager.

Born 1969. Bachelor of Science in Business Administration and Economics. Employed by Ratos since 2001. Booz Allen Hamilton 1996-2001. Arla 1995-1996. Enskilda Strategy 1994-1995.

Shareholding in Ratos: *0*
Options in Ratos: *12,000 call options/2002*
13,000 call options/2003
5,000 call options/2004

Susanna Högberg Campbell
Investment Manager.

Born 1973. Master of Science, Business and Administration. Employed by Ratos since 2003. McKinsey & Company 2000-2003. Alfred Berg Corporate Finance 1996-2000.

Shareholding in Ratos: *0*
Options in Ratos: *20,000 call options/2003*
10,000 call options/2004

Henrik Joelsson
Investment Manager.

Born 1969. Master of Science in Business and Economics, Stockholm School of Economics and MBA, INSEAD. Employed by Ratos since 2004. Bain & Company 1995-2003.

Shareholding in Ratos: *0*
Options in Ratos: *15,000 call options/2004*

Bo Jungner **Leif Johansson** **Arne Karlsson** **Berit Lind** **Kerstin Svanqvist** **Stig Karlsson** **Thomas Mossberg** **Carina Strid** **Kristina Patek** **Barbro Wallin**

Leif Johansson
Senior Investment Manager.

Responsible for the holding Alimak Hek. Born 1949. Combined engineering and business degree. Joined Ratos on 1 August 2004. CEO LB-Invest 1985-1993. Own consulting company 1994-2004. Executive positions within Procuritas KB 1989-2004.

Shareholding in Ratos: 1,900 B shares
Options in Ratos: 10,000 call options/2004

Bo Jungner
Senior Investment Manager.

Responsible for the holdings Bluegarden, BTJ InfoData and LRT/Tornet. Born 1960. Degree in Economics and Business Administration from the Stockholm School of Economics. Employed by Ratos since 1998. Brummer & Partners 1996-1998. SEB/Enskilda 1983-1996.

Shareholding in Ratos: 3,170 B shares
Options in Ratos: 60,000 call options/2001
45,000 call options/2002
50,000 call options/2003

Arne Karlsson
CEO, Senior Investment Manager.

Born 1958. Degree in Economics and Business Administration from the Stockholm School of Economics. Employed by Ratos since 1999. President of Atle Mergers & Acquisitions 1996-1998. Chief Analyst and member of Atle's Management Group 1993-1998. President of Hartwig Invest 1988-1993. Financial Analyst, Aktiv Placering 1982-1988.

Shareholding in Ratos: 26,400 B shares
Options in Ratos: 140,000 call options/2001
105,000 call options/2002
100,000 call options/2003

Stig Karlsson
Senior Investment Manager.

Responsible for the holdings Arcorus, DIAB, Gadelius, Haendig, Haglöfs, HL Display, Lindab and Martinsson. Born 1952. Degree in Economics and Business Administration from the Örebro School of Economics. Employed by Ratos since May 2001. CEO Atle Tjänst & Handel 1996-2000. CEO FylkInvest 1994-1996. Skrinet Group 1984-1993.

Shareholding in Ratos: 800 B shares
Options in Ratos: 60,000 call options/2001
45,000 call options/2002
50,000 call options/2003

Berit Lind
Investment Manager.

Born 1961. Degree in Economics and Business Administration from the Stockholm School of Economics. Employed by Ratos since 2000. Own business 1996-2000. Öhman 1987-1996.

Shareholding in Ratos: 0
Options in Ratos: 8,000 call options/2002
10,000 call options/2003
10,000 call options/2004

Thomas Mossberg
Executive Vice President, Senior Investment Manager.

Responsible for holdings Atle Industri, Overseas Telecom and Superfos, as well as for Ratos's investments in Industri Kapital. Born 1946. Doctor of Economics. Employed by Ratos since 1977, Executive Vice President since 1988. Chief Financial Officer, Ratos 1981-1988, Controller, Ratos 1977-1981. Teacher and research graduate at the Stockholm School of Economics and IFL 1970-1977.

Shareholding in Ratos: 200 A shares,
22,350 B shares
Options in Ratos: 60,000 call options/2001
45,000 call options/2002
50,000 call options/2003

Kristina Patek
Investment Manager.

Born 1969. Master of Science in Business Studies and Economics.Employed by Ratos since 2001. CEO Cell Innovation 2000-2001. Cell Strategy 1999-2000. Andersen Consulting 1995-1999. Lagerkvist & Partners 1994-1995.

Shareholding in Ratos: 0
Options in Ratos: 8,000 call options/2002
20,000 call options/2003
1,000 call options/2004

Carina Strid
Accounts Development Manager.

Born 1968. MBA.
Employed by Ratos since 2002.
Consultant on qualified accounting issues at KPMG 1997-2002. Economist Pharmacia Upjohn 1988-1996.

Shareholding in Ratos: 100 B shares
Options in Ratos: 10,000 call options/2003

Kerstin Svanqvist
Accounts Manager.

Born 1947. Bachelor of Science in Economics. Employed by Ratos since 2002. Group Controller Scandic Hotels 1998-2001. Accounts positions Ratos 1991-1997. CEFA 1997, Stockholm School of Economics Executive Education Program. Senior accounting positions within Lantmännen organization and LKAB Group 1973-1990.

Shareholding in Ratos: 960 B shares
Options in Ratos: 11,000 call options/2002
10,000 call options/2003

Barbro Wallin
Financial Structures.

Born 1944. Bachelor of Science in Economics. Joined Ratos 1 February 2003. Nordea 1993-2002. SEB 1961-1993. Own consulting company since 2002.

Shareholding in Ratos: 3,000 B shares
Options in Ratos: 0

Holdings in brief

Alimak Hek (formerly Intervect)

Alimak Hek is a world leader in development, manufacture and sales of rack and pinion driven equipment for vertical access – hoists and platforms for customers in the construction, offshore and other industries. The company was formed in 2001 when the Swedish company Alimak was merged with the Dutch company HEK International.

A work platform from Alimak Hek is used to dismantle a chimney in Rotterdam harbour.

	31 Dec 2004
Sales	SEK 1,021m
Pre-tax profit	SEK 50m
CEO	Petter Arvidson
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 23m
Book value in Ratos	SEK 181m

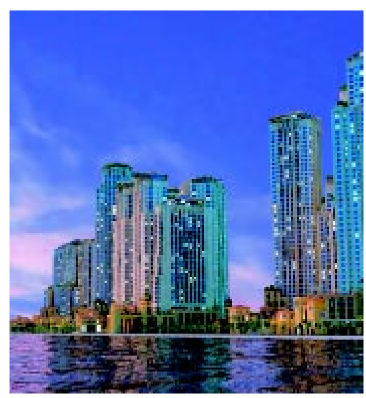
www.alimakhek.com

Atle Industri

Atle Industri comprises a portfolio of 10 companies, of which 8 are wholly owned. The portfolio was acquired when Ratos and the British company 3i acquired Atle. The companies operate in the engineering industry, wholesale and retail and waste management.

	31 Dec 2004
Sales	SEK 2,084m
Pre-tax profit	SEK 59m
CEO	Hans Åke Norås
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 19m
Book value in Ratos	SEK 412m

www.atleindustri.se



Atle Industri company Envac is contributing to the build-up of Dubai with its waste management systems.

Bluegarden

Bluegarden is one of the three largest players in payroll and human resources management in the Nordic region. Operations focus on standardised payroll processing systems, IT-based HRM functions, IT-supported outsourcing of HRM departments and consulting services. Operations are conducted in Norway, Denmark and Sweden.

The Bluegarden Academy offers customers bespoke courses and training programmes, including the use of advanced e-learning systems.

	31 Dec 2004
Sales	SEK 360m
Pre-tax profit	SEK 26m
CEO	Svein F. Gullaksen
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 20m
Book value in Ratos	SEK 236m

www.bluegarden.no

BTJ InfoData

BTJ InfoData is a merger of the BTJ Group and InfoData. BTJ Group's operations include Bibliotekstjänst, Seelig and Prioinfo. InfoData is a leading supplier of database and direct marketing services in Sweden.

BTJ InfoData provides libraries and the book trade with information services and media products.

	31 Dec 2004
Sales	SEK 1,980m
Pre-tax profit	SEK 85m
CEO	Fredrik Åkerman
Ratos's holding	49%
Contribution to Ratos's earnings	SEK 26m
Book value in Ratos	SEK 261m

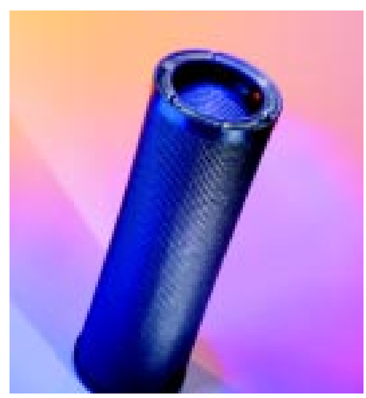
www.btj.com

Camfil

Camfil Farr is the world leader in clean air technology and air filters. The Group's products and services contribute to a good indoor climate and protect sensitive manufacturing processes and the surrounding environment. Manufacture takes place on three continents and the Group is represented by subsidiaries and agents in some 55 countries.

	31 Dec 2004
Sales	SEK 2,855m
Pre-tax profit	SEK 166m
CEO	Alan O´Connell
Ratos's holding	30%
Contribution to Ratos's earnings	SEK 42m
Book value in Ratos	SEK 422m

www.camfil.com



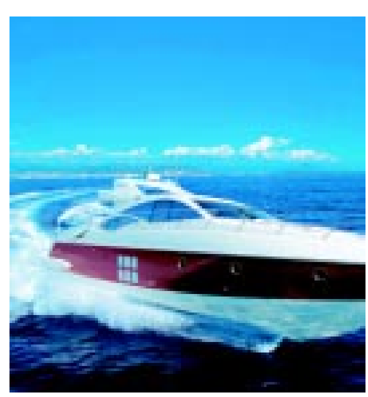
Camfil's new carbon filter, Camcarb, effectively absorbs odorous, corrosive, irritating or toxic pollutants in the air.

DIAB

DIAB is a world-leading company that manufactures and develops core materials for composite structures. Key applications include blades for wind turbines, hulls and decks for boats, and components for aircraft, trains, buses and space rockets. The material has a unique combination of characteristics such as low weight, high strength, insulation properties and chemical resistance.

	31 Dec 2004
Sales	SEK 759m
Pre-tax profit	SEK 81m
CEO	Anders Paulsson
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 11m
Book value in Ratos	SEK 580m

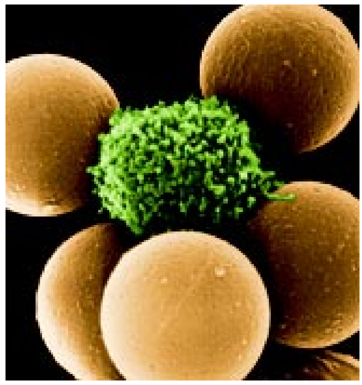
www.diabgroup.com



The world's leading manufacturer of luxury motorboats, the Italian company Azimut, uses DIAB's technology in production of all its boat models.

Dynal Biotech

Dynal Biotech is a world leader in research, development and manufacture of magnetic and non-magnetic micro particles. Applications for the products include separation of biological material, such as cells, DNA and proteins. Dynal Biotech was sold in February 2005.



Dynal's totally spherical particles, Dynabeads® , are used for cell separation.

	31 Dec 2004
Sales	SEK 661m
Pre-tax profit	SEK 67m
CEO	Jon Hindar
Ratos's holding [1]	25%
Contribution to Ratos's earnings	SEK 17m
Book value in Ratos	SEK 273m

www.dynalbiotech.com

[1] The holding was sold after the end of the year.

Elitfönster

The Elitfönster Group develops, manufactures and sells windows to the building trade, construction companies and modular home manufacturers. In addition to Elitfönster the Group's brands include Allmogefönster, Norsjöfönster and Fönsterinstallatören. The Group also manufactures entrance doors.

	31 Dec 2004
Sales	SEK 1,235m
Pre-tax profit	SEK 95m
CEO	Sven-Gunnar Schough
Ratos's holding	95%
Contribution to Ratos's earnings	SEK 0m [1]
Book value in Ratos	SEK 473m

www.elitfonster.se

[1] Acquired 5 November 2004.

Elitfönster, Sweden's largest window manufacturer makes windows for private homes as well as major construction projects.

Gadelius

Gadelius is a technology oriented, modern distributor of selected high-tech products for professional niche markets in Japan and Europe. Customers include the medical technology, construction, packaging, food and engineering/electronics industries.

Gadelius handles distribution of a new measurement system, ASSR, which is used to examine the hearing of newborn babies.

	31 Dec 2004
Sales	SEK 595m
Pre-tax profit	SEK 9m
CEO	Hans Porat
Ratos's holding	100%
Contribution to Ratos's earnings	SEK -3m
Book value in Ratos	SEK 144m

www.gadelius.com

GS-Hydro

GS-Hydro is a leading supplier of non-welded piping systems. Products are mainly used in the marine and offshore industries. The head office is located in Finland. GS-Hydro was previously part of the Arcorus Group.

	31 Dec 2004
Sales	SEK 482m
Pre-tax loss	SEK -18m
CEO	Lasse Mannula
Ratos's holding	100% [1)]
Book value in Ratos	SEK 129m [1)]

www.gshydro.com

[1)] Part of Arcorus Group until 31 December 2004.

Piping systems from GS-Hydro are used worldwide within offshore industry from the North Sea to the Caspian Sea and the Gulf of Mexico.

Haendig

Haendig is an active owner of small and medium-sized wholesalers with a focus on the DIY market and the professional sector in the Nordic region. The Group includes the subsidiaries HDF-Bolagen, Duri, Hafa, HDF Gyttorp Jakt, Penope and Sven Svenssons.

Haendig's subsidiary Sven Svenssons sells a broad range of garden pots.

	31 Dec 2004
Sales	SEK 1,291m
Pre-tax profit	SEK 44m
CEO	Thomas Holmgren
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 41m
Book value in Ratos	SEK 309m

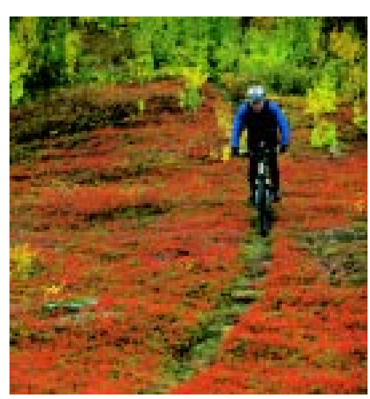
www.haendig.com

Haglöfs

Haglöfs develops, produces and markets equipment and clothing for an active outdoor life. The product range includes rucksacks, sleeping bags, tents, shoes and clothes. The Group is market leader in Sweden and also holds strong positions in the other Nordic countries.

	31 Dec 2004
Sales	SEK 340m
Pre-tax profit	SEK 16m
CEO	Mats Hedblom
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 13m
Book value in Ratos	SEK 124m

www.haglofs.se



Haglöfs' products are highly suitable for an active outdoor life.

HL Display

HL Display is a global, market leading supplier of products and systems for merchandising and in-store communication. The company has subsidiaries in 25 countries. Manufacture takes place in Sweden, the UK and the US. HL Display is listed on the Stockholm Stock Exchange.

	31 Dec 2004
Sales	SEK 1,311m
Pre-tax profit	SEK 68m
CEO	Anders Remius
Ratos's holding	29%
Contribution to Ratos's earnings	SEK 12m
Book value in Ratos	SEK 226m

www.hl-display.com

HL Display's new pull-out shelves save space and facilitate remerchandising out in the shops.

Hägglunds Drives

Hägglunds Drives is an international supplier of complete hydraulic motors and drive systems. The company has subsidiaries in approximately 15 countries. Hägglunds Drives was previously part of the Arcorus Group.

Advance drive systems from Hägglunds Drives are used throughout the world, among other things within marine applications such as dredging.

	31 Dec 2004
Sales	SEK 970m
Pre-tax profit	SEK 107m
CEO	Per Nordgren
Ratos's holding	100% [1]
Book value in Ratos	SEK 332m [1]

www.hagglunds.com

[1] Part of Arcorus Group until 31 December 2004.

Industri Kapital

Industri Kapital is an unlisted private equity company with assets under management of almost EUR 4 billion. Since its formation in 1989, the company has completed almost 50 investments in a number of funds within different sectors in Europe, mainly in the chemical, engineering, trading and service industries.

	31 Dec 2004
CEO	Björn Savén
Contribution to Ratos's earnings	SEK 92m
Book value in Ratos	SEK 330m

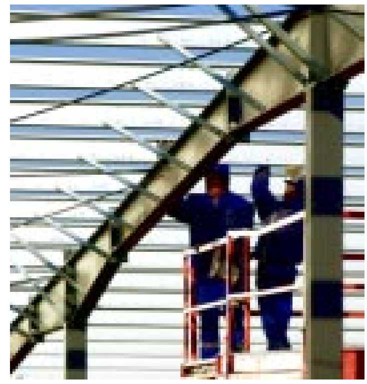
www.industrikapital.com

Lindab

Lindab is the world leader in circular ventilation ducts and accessories and is also a leading manufacturer of sheet metal building materials. Production takes place in 21 countries and approximately 70% of sales go to countries outside Sweden.

	31 Dec 2004
Sales	SEK 5,477m
Pre-tax profit	SEK 180m
CEO	Kjell Åkesson
Ratos's holding	48%
Contribution to Ratos's earnings	SEK 86m
Book value in Ratos	SEK 1,115m

www.lindab.com



Lindab has developed effective and environmentally friendly light building systems for modern steel structures.

LRT/Tornet

Fastighets AB Tornet is one of the largest listed property companies in Sweden. The properties are concentrated to Sweden's four largest cities as well as Karlstad and Västerås. In December 2003, Ratos and Lehman Brothers Real Estate Partners acquired 82.4% of the shares in Tornet through the buy-out company LRT Acquisition.

	31 Dec 2004
Rental income	SEK 2,223m [1]
Pre-tax profit	SEK 769m [1]
CEO	Christel Armstrong Darvik
Ratos's holding	40% [2]
Contribution to Ratos's earnings	SEK 226m
Book value in Ratos	SEK 848m [2]

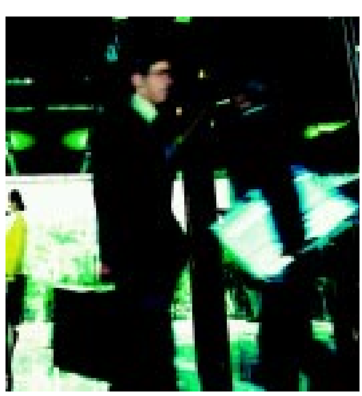
www.tornet.se

[1] Pertains to Fastighets AB Tornet.
[2] Pertains to LRT Acquisition. Indirect ownership in Fastighets AB Tornet is 33%.

Luma enjoys a prime site in Hammarby Sjöstad. The functional style building has been renovated inside and offers modern offices.

Martinsson

Martinsson is a nationwide player within servers and server-related services. The company offers consulting services and products from world-leading suppliers. The company is established in 19 locations in Sweden.



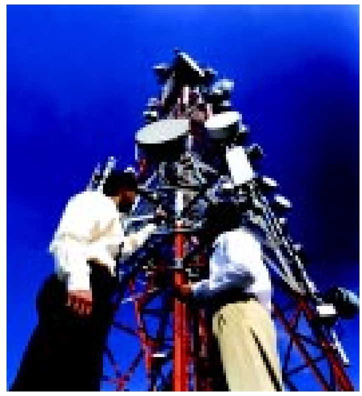
Martinsson works with all aspects of IT infrastructure, in close consultation with customers.

	31 Dec 2004
Sales	SEK 1,522m
Pre-tax profit	SEK 26m
CEO	Lars Pettersson
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 4m
Book value in Ratos	SEK 117m

www.martinsson.se

Overseas Telecom

Overseas Telecom acquires, develops and sells telecom licences, primarily for mobile telephony, and communications networks in developing countries. Portfolio companies are located in Sri Lanka and Uganda.



Overseas Telecom's company in Sri Lanka, Suntel, experienced good subscriber growth during the year.

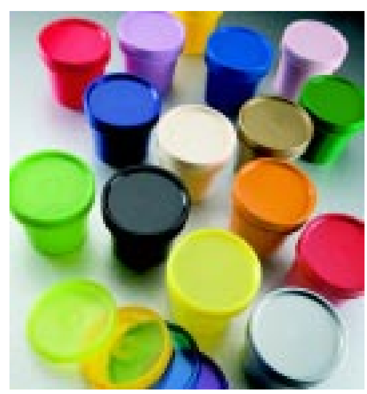
	31 Dec 2004
Sales	SEK 287m
Pre-tax profit	SEK 501m
CEO	Anders Ekman
Ratos's holding	9%
Book value in Ratos	SEK 27m

Superfos

Superfos is a Danish international group with operations in 14 countries. Operations comprise two areas. Superfos Packaging develops, produces and sells thermoformed plastic packaging to the food, chemical-technical and pharmaceutical industries. Superfos Aerosols offers contract filling of aerosols.

	31 Dec 2004
Sales	SEK 3,139m
Pre-tax profit	SEK 93m
CEO	Kim R. Andersen
Ratos's holding	33%
Contribution to Ratos's earnings	SEK 29m
Book value in Ratos	SEK 341m

www.superfos.com



The new SuperLock from Superfos has been very well received in the market.

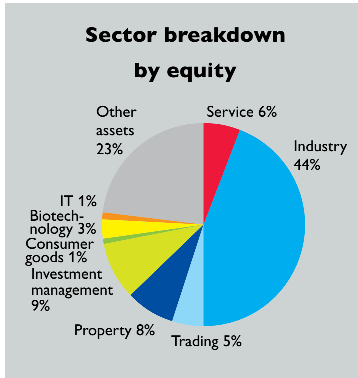
Portfolio composition 2004

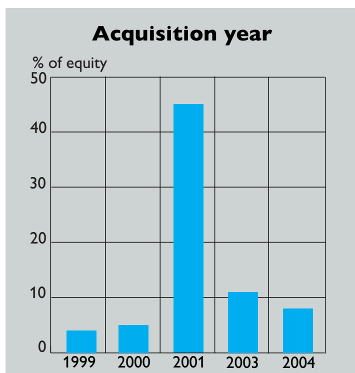
Ratos's portfolio contained a total of 20 holdings at 31 December 2004 divided among different sectors.

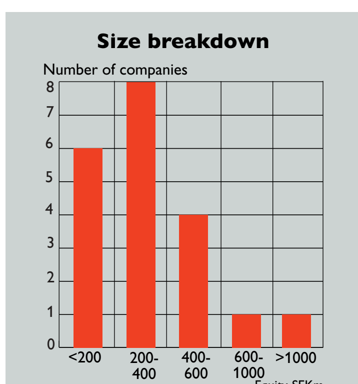
The largest proportion, in relation to equity, is invested within the industry sector, with 44% and nine companies – Alimak Hek, Camfil, DIAB, Elitfönster, GS-Hydro, HL Display, Hägglunds Drives, Lindab and Superfos. The next largest segments are Investment Management with 9% (Atle Industri and Industri Kapital) and Property with 8% (LRT/Tornet). Others are Service with 6% (Bluegarden and BTJ InfoData), Trading with 5% (Haendig and Gadelius), Biotechnology with 3% (Dynal Biotech), Consumer Goods with 1% (Haglöfs) and IT with 1% (Martinsson). Other assets account for 23% and mainly consist of cash and cash equivalents.

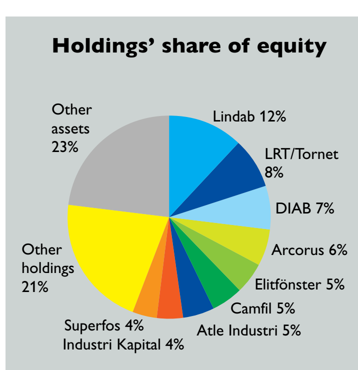
Ratos's largest holding in terms of equity is Lindab. Then come LRT/Tornet and DIAB. The six largest companies account for 42% of equity.

Twelve of the companies were acquired in 2001. Atle was acquired in that year adding 13 companies to the portfolio of which four have now been sold.









Formal section

Directors' report

Directors' Report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585, hereby submit their report for 2004. The registered office of the Board is in Stockholm, Sweden.

Company's activities

Ratos is a listed private equity company. Activities comprise acquisition, development and divestment of primarily unlisted companies. Holdings are normally 20-50%, investment size is SEK 250-1,500m, number of holdings 15-20 and ownership period 3-7 years. Ratos should normally be the largest owner. Ratos is a sector generalist with acquisitions within the Nordic region and global exits.

Results

The Ratos Group's pre-tax profit amounted to SEK 1,989m (812). This result includes profit from holdings of SEK 2,087m (846), of which exit gains amounted to SEK 1,438m (444), as well as management costs of SEK 161m (100) and net financial items of SEK 63m (66). The exit gains mainly stem from the sale of Dahl, SEK 1,355m. This corresponds to an average annual return on the Dahl investment of 35%. The holdings' contribution to consolidated profit is shown in Note 2 and Note 4.

Research and development

Technical development is conducted to a limited extent by the subsidiaries.

Holdings

BTJ InfoData and Elitfönster were acquired during the year. Other owners' shares in Arcorus, Gadelius and Haendig were acquired during the year, making these companies wholly owned subsidiaries.

The holding in Dahl was sold together with Bierregaard, which Dahl had previously acquired from Ratos and 3i. The holding in Q-Labs was also sold.

Acquisitions of subsidiaries and associates amounted to SEK 832m. Sales of subsidiaries and associates amounted to SEK 1,625m.

Financial position

Cash and cash equivalents in the Group amounted to SEK 294m (170) at year-end. Short-term fixed-income investments amounted to SEK 1,866m.

The parent company has substantial liquid resources. Liquid assets including short-term fixed-income investments amounted to SEK 1,890m at year-end. The parent company's liabilities, which are limited, mainly relate to centrally administered, small subsidiaries. The parent company should normally be unleveraged.

Events after the closing date

Arcorus AB – the parent company of the Arcorus Group – will be dissolved. As a result of this, Hägglunds Drives and GS-Hydro will become wholly owned subsidiaries and will be reported as separate holdings in Ratos.

At the beginning of February, an agreement was concluded for the sale of Dynal Biotech. The estimated exit gain is SEK 300m.

Future development

Ratos's strategy means that in the future the return to shareholders will mainly depend on Ratos's ability to acquire, develop and divest holdings, and take any other action to create shareholder value. The general economic trend and stock market development are also significant factors.

The work of the Board of Directors

During the year, Ratos's Board of Directors consisted of seven members elected by the Annual General Meeting. The CEO is a member of the Board.

The work of the Board is regulated by an annually adopted work plan.

This work plan stipulates, among other things
- instructions to the company's CEO
- decision-making procedures within the company
- board meeting procedures and assignment of tasks
- the chairman's duties
- the provision of information between the company and the Board

The decision-making procedures stipulate, among other things, that all decisions regarding investments and divestments of Ratos's holdings must be submitted to the Board.

The Board has appointed a Compensation Committee which comprises Olof Stenhammar (Chairman), Peggy Bruzelius and Jan Söderberg, with Per-Olof Söderberg as a co-opted member of this committee. The Compensation Committee deals with remuneration to the CEO and to senior executives who report to the CEO, as well as remuneration issues of a fundamental nature.

The Board has appointed an Audit Committee. This comprises all members of the Board with the exception of the CEO.

Holdings of own shares and reduction of share capital

A decision was made at the 2004 Annual General Meeting that A or B shares may be repurchased during the period until the next Annual General Meeting. The company's holding may not at any time exceed 7% of all the shares in the company.

Share buybacks have been carried out in order to improve the company's capital structure and thereby increase shareholder value.

During the year, 48,200 shares were acquired with a nominal value of SEK 0.6m. The number of shares acquired corresponds to 0.1% of the share capital. A total of SEK 5m was paid in cash for the acquisition. At year-end, the company held 1,736,186 own shares, nominal amount SEK 21.7m, corresponding to 2.2% of the share capital. A total of SEK 144m has been paid for the shares.

New issue

During the year, 432,000 shares with a nominal value of SEK 5.4m were issued, corresponding to 0.5% of the share capital. A total of SEK 34.6m was received. The issued shares are linked to the warrant programme from 1999 which expired on 15 February 2004. The exercise price was SEK 75 per share.

A total of 15,602 A shares were converted into B shares during the year.

Environmental impact

Operations that require a permit under the Environmental Protection Act are conducted within the subsidiaries. The permit relates to environmental impact from emissions of solvents to air, dust, effluent and noise.

Transfer to IFRS in 2005

As far as Ratos is concerned, the most significant difference between the present accounting principles and the IAS/IFRS principles to be applied with effect from 2005, is accounting treatment of goodwill. Accounting treatment of goodwill means that amortisation of goodwill will cease. Instead an impairment test will be performed at least once a year. If the value is less than the book value, a write-down will be made immediately to this lower value. Calculation of pension liabilities changed already in 2004 by Swedish rules being adapted one year before IAS/IFRS. The new principle affects defined benefit, rather than defined contribution, pensions and means that each company must itself decide its assumptions including inflation and discount rates, when calculating its pension liabilities. Accounting for financial instruments means that disclosure of derivatives and other instruments must be at fair value. The information requirements are extensive.

Ratos will continue to report associated companies according to the equity method. This places major requirements on the provision of information from Ratos's subsidiaries and associates.

Other

The Group's unrestricted funds amounted to SEK 7,386m, of which no transfer to restricted equity is proposed.

Proposed distribution of profit

The following amounts are at the disposal of the AGM:

	SEKm
Profit brought forward	6,250
Net profit for the year	1,224
	7,474

The Board of Directors and the CEO propose the following distribution of profit:	
Dividend to holders of A and B shares SEK 8.50 per share [1]	671
To be carried forward	6,803

[1] Based on the number of shares outstanding on 23 February 2005. The number of repurchased shares on that date was 1,736,186 and may increase until the record date for dividends.

Consolidated income statement

SEKm	Note 1	2004	2003
Holdings			
Profit from subsidiaries	Note 2, 3	113	91
Share of profits of associates	Note 2	525	297
Exit gains, associates	Note 4	1,356	412
Impairment loss, associates	Note 5	-17	-7
Dividends, other companies		28	21
Exit gains, other companies	Note 4	82	32
Profit from holdings		2,087	846
Central income and expenses			
Management costs	Note 3, 6	-161	-100
Financial items	Note 7	63	66
Net expenses		-98	-34
Profit before tax		1,989	812
Tax	Note 8	-197	-193
Minority interests		-2	-13
Net profit for the year		1,790	606
Earnings per share, SEK			
before dilution		22.69	7.71
after dilution		22.62	7.69
Number of shares outstanding			
average before dilution		78,902,245	78,610,824
average after dilution		79,122,799	78,834,535
at the end of the period		78,938,440	78,554,640
Proposed dividend/dividend per share, SEK		8.50	7.25

Consolidated cash flow statement

SEKm	Note 23	2004	2003
Operating activities			
Consolidated profit before tax		1,989	812
Adjustment for items not included in cash flow		-1,696	-569
		293	243
Paid tax		-54	-39
Cash flow from operating activities before change in working capital		239	204
Cash flow from changes in working capital			
Increase (–) in inventories		-67	-7
Increase (–) in operating receivables		-109	-66
Increase (+) in operating liabilities		179	0
Cash flow from operating activities		242	131
Investing activities			
Acquisitions, subsidiaries		-643	-352
Sales, subsidiaries		–	0
Sale of shares, holdings		1,625	1,398
Acquisition of shares, holdings		-189	-681
Acquisition of other intangible/tangible fixed assets		-81	-53
Change, financial assets		48	701
Cash flow from investing activities		760	1,013
Financing activities			
Share buy-backs		-5	-15
Option premiums		1	3
New issue		35	6
Dividend paid		-573	-531
Increase (+) in interest-bearing liabilities		71	-53
Cash flow from financing activities		-471	-590
Cash flow for the year		531	554
Cash and cash equivalents, opening balance		1,632	1,084
Exchange difference in cash and cash equivalents		-3	-6
Cash and cash equivalents, closing balance		2,160	1,632

Consolidated balance sheet

SEKm			31 Dec 2004		31 Dec 2003
ASSETS					
Fixed assets					
Intangible					
Capitalised expenses	Note 9	96		102	
Goodwill	Note 10	1,663	1,759	591	693
Tangible					
Land and buildings	Note 11	312		109	
Equipment	Note 12	257		108	
Construction in progress	Note 13	34	603	–	217
Financial					
Long-term receivables, associates	Note 15	693		1,203	
Long-term receivables, other	Note 16	51		88	
Deferred tax assets	Note 8	45		4	
Shares, associates	Note 14	4,108		3,424	
Shares, other		352	5,249	400	5,119
Total fixed assets			7,611		6,029
Current assets					
Inventories		950	950	365	365
Current receivables					
Trade debtors		892		396	
Current receivables, associates		–		184	
Other current receivables		144		72	
Tax asset		11		6	
Prepaid expenses and accrued income	Note 17	176	1,223	47	705
Short-term investments, shares and participations	Note 18	13	13	27	27
Short-term investments, other	Note 19	1,866		1,462	
Cash and bank balances		294	2,160	170	1,632
Total current assets			4,346		2,729
Total assets			11,957		8,758

SEKm			31 Dec 2004		31 Dec 2003
EQUITY AND LIABILITIES					
Shareholders' equity	Note 38				
Share capital		1,008		1,009	
Restricted reserves		632		955	
Unrestricted reserves		5,596		5,257	
Net profit for the year		1,790	9,026	606	7,827
Minority interests		34	34	107	107
Provisions					
Provisions for pensions		108		63	
Provisions for taxes		2		8	
Deferred tax liability	Note 8	42		5	
Other provisions	Note 20	13	165	7	83
Long-term liabilities					
Non-interest bearing liabilities					
Other liabilities		39	39	1	1
Interest-bearing liabilities					
Liabilities to credit institutions		880		81	
Other long-term liabilities		132	1,012	6	87
Current liabilities					
Non-interest bearing liabilities					
Trade creditors		421		138	
Advance payments from customers		74		14	
Other current liabilities		132		60	
Tax liability		23		17	
Accrued expenses and deferred income	Note 21	356	1,006	163	392
Interest-bearing liabilities					
Liabilities to credit institutions		385		219	
Bank overdraft facilities		271		31	
Other current liabilities		19	675	11	261
Total equity and liabilities			11,957		8,758
Pledged assets	Note 22		835		113
Contingent liabilities	Note 22		47		24

Consolidated statement of changes in equity

SEKm Note 38	Share capital	Premium reserve	Equity method reserve	Other restricted reserves	Un-restricted reserves	Net profit for the year	Total equity
Closing balance, 31 December 2002	1,008		948	302	5,416	363	8,037
Dividends paid					-531		-531
Other dispositions of earnings					363	-363	0
New issue	1	5					6
Exchange differences associates and subsidiaries					-280		-280
Share buy-backs					-15		-15
Effect of associates' share buy-backs					1		1
Option premiums					3		3
Transfer between restricted and unrestricted equity			-300		300		0
Net profit for the year						606	606
Closing balance, 31 December 2003	1,009	5	648	302	5,257	606	7,827
Changed accounting principles					-24		-24
Opening balance, 1 January 2004	1,009	5	648	302	5,233	606	7,803
Dividends paid					-573		-573
Other dispositions of earnings					606	-606	0
New issue	5	30					35
Exchange differences associates and subsidiaries					-25		-25
Share buy-backs					-5		-5
Reduction, share buy-backs	-6				6		0
Effect of associates' share buy-backs							0
Option premiums, parent company					0		0
Option premiums, associates					1		1
Transfer between restricted and unrestricted equity			-353		353		0
Net profit for the year						1,790	1,790
Closing balance, 31 December 2004	1,008	35	295	302	5,596	1,790	9,026

	2004	2003
Exchange differences at the beginning of the year	-164	116
Exchange differences for the year	-24	-308
Effect of currency hedging		11
Exchange differences in sold companies	-1	17
Exchange differences at the end of the year	-189	-164

Parent company income statement

SEKm	Note 26	2004	2003
Holdings			
Dividends, subsidiaries		51	56
Exit gains, associates		1,261	634
Dividends, associates		12	44
Impairment loss, associates		-162	-30
Dividends, other companies		28	21
Exit gains, other companies		83	33
Profit from holdings		1,273	758
Central income and expenses			
Management costs		-150	-95
Financial items		101	115
Net expenses		-49	20
Profit before tax		1,224	778
Tax		–	–
Net profit for the year		1,224	778
Proposed dividend/dividend per share, SEK		8.50	7.25

Parent company balance sheet

SEKm		31 Dec 2004		31 Dec 2003	
ASSETS					
Fixed assets					
Tangible					
Land and buildings	Note 27	10		11	
Equipment	Note 28	3	13	4	15
Financial					
Shares, subsidiaries	Note 29	1,840		994	
Long-term receivables, subsidiaries	Note 30	744		652	
Shares in associates	Note 14	3,931		3,816	
Long-term receivables, associates	Note 31	99		555	
Shares, other	Note 32	348		400	
Long-term receivables, other	Note 33	36	6,998	82	6,499
Total fixed assets			7,011		6,514
Current assets					
Current receivables					
Receivables, subsidiaries	Note 34	17		13	
Receivables, associates	Note 35	0		184	
Other current receivables	Note 36	115		53	
Tax asset		2		1	
Prepaid expenses and accrued income	Note 37	10	144	15	266
Short-term investments, other	Note 19	1,866		1,462	
Cash and bank balances		24	1,890	38	1,500
Total current assets			2,034		1,766
Total assets			9,045		8,280

SEKm			31 Dec 2004		31 Dec 2003
EQUITY AND LIABILITIES					
Shareholders' equity	Note 38				
Restricted equity					
Share capital		1,008		1,009	
Statutory reserve		251		251	
Premium reserve		35	1,294	5	1,265
Unrestricted equity					
Profit brought forward		6,250		6,044	
Net profit for the year		1,224	7,474	778	6,822
Provisions					
Provisions for pensions		3	3	3	3
Long-term liabilities					
Non-interest bearing liabilities					
Other non-interest bearing liabilities		34	34	–	–
Interest-bearing liabilities					
Liabilities to subsidiaries		130	130	128	128
Current liabilities					
Non-interest bearing liabilities					
Trade creditors		5		4	
Liabilities to subsidiaries		9		9	
Other current liabilities		14		11	
Accrued expenses and deferred income	Note 39	46	74	34	58
Interest-bearing liabilities					
Liabilities to subsidiaries		36		4	
Other current liabilities		0	36	0	4
Total equity and liabilities			9,045		8,280
Pledged assets			None		None
Contingent liabilities			None		None

Parent company's statement of changes in equity

SEKm	Note 38	Share capital	Premium reserve	Statutory reserve	Profit brought forward	Net profit for the year	Total equity
Closing balance, 31 December 2002		1,008		251	6,239	348	7,846
Dividends paid					-531		-531
Other dispositions of earnings					348	-348	0
New issue		1	5				6
Share buy-backs					-15		-15
Option premiums					3		3
Net profit for the year						778	778
Closing balance, 31 December 2003		1,009	5	251	6,044	778	8,087
Dividends paid					-573		-573
Other dispositions of earnings					778	-778	0
New issue		5	30				35
Share buy-backs					-5		-5
Reduction, share buy-backs		-6			6		0
Option premiums					0		0
Net profit for the year						1,224	1,224
Closing balance, 31 December 2004		1,008	35	251	6,250	1,224	8,768

Total proposed dividend calculated on 78,938,440 shares amounts to SEK 671m.

Parent company cash flow statement

SEKm	Note 19, 23	2004	2003
Operating activities			
Profit before tax		1,224	778
Adjustment for items not included in cash flow, etc.		-1,117	-643
		107	135
Paid tax		–	–
Cash flow from operating activities			
before change in working capital		107	135
Cash flow from changes in working capital			
Decrease (+) in operating receivables		2	-50
Increase (+) in operating liabilities		49	19
Cash flow from operating activities		158	104
Investing activities			
Acquisition of shares, subsidiaries		-738	-422
Sales of shares, subsidiaries		162	–
Sales of shares, holdings		1,625	1,398
Purchase of shares, holdings		-189	-659
Purchase of other tangible fixed assets		-1	-1
Change, financial assets		-120	730
Cash flow from investing activities		739	1,046
Financing activities			
Share buy-backs		-5	-15
Option premiums		0	3
Dividends paid		-573	-531
New issue		35	6
Increase (+) in interest-bearing liabilities		36	-97
Cash flow from financing activities		-507	-634
Cash flow for the period		390	516
Cash and cash equivalents, opening balance		1,500	984
Cash and cash equivalents, closing balance		1,890	1,500

Notes to the financial statements

The financial statements are prepared in accordance with the Annual Accounts Act, the Swedish Financial Accounting Standards Council's recommendations, and pronouncements from the Emerging Issues Task Force.

The Swedish Financial Accounting Standards Council's recommendation RR 29 Employee Benefits has been applied since 1 January 2004.

In two cases Ratos has reached the conclusion that application of the Swedish Financial Accounting Standards Council's recommen dations leads to misleading financial reports and that it is therefore necessary to differ from these recommendations in order to achieve a fair presentation. The disclosures that are required in accordance with RR 22 Financial Statements paragraph 11, in the event of variance from the Swedish Financial Accounting Standards Council's recommendations are provided below.

Income statement format differs from RR 22

Ratos considers that the company's financial reports provide a fair presentation of the company's financial position, profits and cash flow. The intention of the income statement format chosen by Ratos is to provide a fair presentation of the company's activities.

Ratos is a listed private equity company whose overall business concept is to acquire, as an active owner develop, and then divest companies, primarily associates, during a total period of 3-7 years. In an investment situation subsidiary or associate company status is not a decision criterion. This means that Ratos has many clear special characteristics in relation to a "normal" operating company. Among other things Ratos is not a group in the traditional sense with regard for example to governance, groupwide functions, etc. All Ratos's holdings – regardless of whether they are subsidiaries or associates – are treated as independent and equal units in relation to a parent company and each other. For these reasons the same information is provided for all holdings.

An income statement where subsidiaries' sales are recognised can provide an impression that it reflects the operations and the scope of these operations. Sales in Ratos change if a subsidiary is divested and an associate acquired or vice versa, despite the fact that such changes are a natural part of operations. Normally, the Group's profits come to the greatest extent from associates and can thus not be related to the consolidated sales from subsidiaries. A reader can thus be misled into believing that Ratos's portfolio companies have a significantly higher margin than is in fact the case.

Ratos has chosen a format for the income statement where subsidiary holdings are also reported according to the equity method. The lines which have the same figures in both formats are thus profit before tax, tax and profit after tax.

The recommendation states that a format for the income statement classified by type of cost or classified by function should be applied. Ratos has chosen to report an income statement according to the recommendation with a format classified by type of cost in a note.

Separate company information is provided for each holding in a special section of the printed annual report.

The variance in the format of the income statement has no effect on the company's profits, assets, liabilities, equity or cash flow.

Segment reporting is not prepared in accordance with RR 25

Ratos considers that the company's financial reports provide a fair presentation of the company's financial position, results and cash flow. The intention of not reporting segments according to RR 25 is to give a fair presentation of operations.

Ratos's operations are controlled and reported entirely on the basis of the holdings that (at any given time) are contained in the Ratos portfolio. Segments – geographical, industry or other – are without practical interest both for internal control and reporting and for external monitoring of Ratos. Nor are investment decisions made in relation to a set segment. Segment reporting with regard to geography, industry or other gives a picture of the structure and a risk exposure that is fictitious. The subsidiaries' exposure to their segment does not reflect the exposure of the total portfolio.

All Ratos holdings – regardless of whether they are subsidiaries or associates – are treated as independent and equal units. For this reason it is desirable that the same information is provided for all holdings.

Segment reporting according to RR 25 means that different information is provided about subsidiaries and associates. A summary in the notes that only includes subsidiaries, with regard to sales for example, does not reflect opportunities and risks from Ratos's perspective. Segment reporting would therefore be misleading.

Extensive and separate company information is provided for each holding in a special section of the printed annual report.

The variance of not reporting segments according to RR 25 has no effect on the company's results, assets, liabilities, equity or cash flow.

Consolidated financial statements

The consolidated financial statements comprise Ratos AB (publ) and companies in which Ratos at year-end directly or indirectly owns more than 50% of the voting rights or otherwise exercises a controlling interest.

The consolidated financial statements are prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations regarding consolidated financial statements and using the purchase accounting method. One sub-group applies the pooling method, which does not have any effect on the Ratos Group.

Translation of foreign subsidiaries is done using the current rate method according to the Swedish Financial Accounting Standards Council's recommendation RR 8 The Effects of Changes in Foreign Exchange Rates.

Financial statements of associated companies

The Group applies the equity method of accounting for associates in which the Group has a significant influence, which normally means ownership corresponding to not less than 20% and not more than 50% of the voting rights. The equity method means that the book value in the Group of the shares in associates corresponds to the Group's share of equity in associates, any residual values on consolidated surplus and deficit values minus any intra-group profits. In the consolidated income statement, the Group's share of associates' profits after financial income and expenses reduced by depreciation of acquired surplus values and where applicable dissolution of intragroup profit is reported as "Share of profits of associates". The Group's share of associates' reported taxes is included in consolidated tax expenses. If an associate is reported at a higher value in the consolidated balance sheet than in the parent company's balance sheet, the difference is taken to the equity method reserve. The equity method reserve forms part of consolidated restricted equity.

If the accounting principles of associates differ from those of the Group, the associate's accounts are adjusted to an amount which corresponds to accounting according to the Group's principles, provided this is practically possible and is not of immaterial significance.

Tax

The parent company is taxed according to the rules for investment companies. This means that any capital gains that arise are not liable to tax. The company reports a standard income corresponding to 1.5% of the market value of listed shares that at year-end have been held for less than one year or where the holding (voting rights) is less than 10%. Dividends received are reported as income. Net interest and overheads are tax deductible as are dividends paid. The parent company normally pays no tax mainly due to dividends paid. Ratos's consolidated tax expense therefore almost exclusively comprises tax in associates and subsidiaries.

The equity portion of untaxed reserves is reported in the consolidated accounts as restricted equity. The tax portion of untaxed reserves is reported as deferred tax and classified as a provision.

Classification and valuation principles

Fixed assets, long-term liabilities and provisions essentially solely comprise amounts that are expected to be recovered or paid after more than twelve months calculated from the balance sheet date. Assets, provisions and liabilities are valued at cost unless otherwise indicated.

Intangible assets

An intangible asset is only recognised when the asset is identifiable, control is exercised over the asset and it is expected to provide future economic benefits.

In the Group development expenditure is reported as an intangible asset, over and above the requirements specified above, only provided it is technically and financially possible to complete the asset, the intention is and conditions exist for use of the asset and expenditure can be calculated in a reliable manner. Depreciation commences when the asset starts to be used and is distributed on a straight-line basis over the period the asset provides economic benefits. Other development costs are expensed in the period they are incurred.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency on the balance sheet date are valued at the closing day rate. The difference between the previous book value and the closing day value is taken up as income. Exchange gains and losses on operating receivables and liabilities are reported among other operating income or other operating expenses. Exchange differences on financial receivables and liabilities are reported among financial items.

If a receivable or liability is hedged through forward exchange contracts, the receivable/liability is valued at the rate in force on the day the hedging was carried out. The difference between the forward rate and the current rate at the beginning of the contract (forward premium) is spread over the term of the contract. If the forward exchange contract has a maximum term of three months, the forward rate is used when assessing the underlying receivable/liability. Forward exchange contracts to hedge future flows are reported in the balance sheet at cost. If a net investment is hedged, the exchange differences are reported in the consolidated accounts directly against equity.

Financial instruments

Financial instruments comprises cash and cash equivalents, securities, accounts receivable, other financial receivables, accounts payable and borrowings. Cash and bank balances and short-term investments are classified as cash and cash equivalents. This classification is made on the basis that these items can easily be converted into cash, have an insignificant value fluctuation and a maturity of a maximum of three months from acquisition date.

Shares, which comprise current assets, are valued collectively. If the book values of some class of shares exceeds the market value, there is no impairment loss provided the total book value is less than market value. Shares that comprise fixed assets are valued individually.

After individual examination, receivables are stated at the amount at which they are expected to be received.

Inventories

Inventories are valued at the lower of cost and net selling price. The risk of obsolescence is taken into account. Cost is calculated according to the first-in first-out principle. In own-manufactured semi-finished and finished goods, the cost consists of direct manufacturing costs and a reasonable proportion of indirect manufacturing costs.

Depreciation according to plan

Depreciation according to plan is determined on the basis of the costs of the assets reduced by residual value and useful life. Depreciation is performed on a straight-line basis over its useful life.

The following depreciation periods are applied

	Group	Parent company
Goodwill	5 – 20 years	
Capitalised costs	3 – 10 years	
Machinery and equipment	3 – 10 years	3 – 10 years
Buildings	25 – 60 years	60 years

Depreciation periods for intangible assets exceeding 5 years are applied provided the asset is expected to give a sustained economic benefit and cash flow.

Impairment losses

On each closing date an assessment is made of whether there is any indication that an asset has an impaired value. If such indication exists, the recoverable amount of the asset is calculated as the higher of value in use and net selling price. An impairment loss is recognised if the recoverable amount is lower than the carrying amount.

Ratos tests the value of its investments in associates every year, regardless of whether an indication exists or not. When calculating value in use, future cash flows are discounted.

The discount factor takes into account market assessments of risk-free interest and risk associated with the specific asset. The basis for this assessment is the company's weighted average cost of capital, the company's marginal borrowing rate and other market borrowing interest rates independent of Ratos's capital structure.

Employee Benefits – Pension commitments

RR 29, Employee Benefits, is applied with effect from 2004.

Pension obligations are calculated annually on the closing date according to actuarial bases. When the accumulated actuarial gains or losses on pension obligations and plan assets exceed a corridor corresponding to 10% of the higher of either pension obligations or the market value of plan assets, the surplus amount is taken to income during the employees' remaining period of service.

The adjusted opening balance sheet for 2004 includes all actuarial gains or losses.

The commitment for retirement pension and family pension for salaried employees in Sweden is secured through insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this is a defined benefit plan that covers several employers. For the 2004 financial year the company did not have access to such information which makes it possible to report this plan as a defined benefit plan. The pension plan according to ITP which is secured through an insurance with Alecta is therefore reported as a defined contribution plan. The premiums for the year for pension insurance taken out with Alecta amount to SEK 9m. Alecta's surplus can be distributed to policyholders and/or the insured. At the end of 2004, Alecta's surplus in the form of the collective funding ratio amounted to 128% (120%). The collective funding ratio comprises the market value of Alecta's assets expressed as a percentage of insurance commitments calculated according to Alecta's actuarial calculation assumptions which do not concur with RR 29.

The pension obligations that are not regulated with insurance premiums or payments to foundations are reported as a provision in the balance sheet.

Revenue recognition

Revenue recognition occurs when significant risks and benefits that are associated with companies' goods and services are transferred to the purchaser and the economic benefits accrue to the company. Furthermore, revenue recognition does not occur until the expenditure that arose or is expected to arise as a result of the transaction can be calculated in a reliable manner.

The percentage of completion method is applied to all assignments where the result can be estimated in a satisfactory manner. Revenues and expenses are reported in the income statement in relation to the extent to which the assignment has been completed. Revenues and expenses for the period are based on the degree of completion of the project calculated as recognised costs in the project in relation to total estimated costs.

Dividends in the parent company are taken to income to the extent the dividend relates to profits earned after acquisition. The residue reduces the book value of the participations.

Acquisition and sale of companies

Acquired companies' earnings are included in the consolidated income statement with effect from the acquisition date. Companies sold during the year are included in the consolidated income statement with revenues and expenses during the ownership period. An exit result is the capital gain or loss that arises when a holding is sold.

Incentive programmes

Call option programmes are secured through buy-backs of own shares. Share buy-backs are reported as a reduction of unrestricted equity. The options have been acquired by employees at a market price and reported as an increase in unrestricted equity. In the event of future exercise of the options, the exercise price will be paid and increase unrestricted equity.

Subsidiaries' incentive programmes are carried out on market terms.

Dilution effect of options

The dilution effect of option programmes on earnings per share is calculated on the basis of net profit after tax divided by the present number of shares, and with an estimated number of shares taking outstanding options into account. Calculation of the number of shares is based on the difference between the discounted exercise price for all outstanding options and the present market value of a corresponding number of shares. This difference corresponds, at the present market price for Ratos shares, to a certain number of shares. These shares, together with the present number of shares, provide an estimated number of shares which is used to obtain the dilution effect.

Leasing

The Swedish Financial Accounting Standards Council's recommendation RR 6:99 is applied. Leasing is classified in the consolidated financial statements as either operating or finance leasing. Finance leasing exists when the economic risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case it is an operating lease.

Assets that are leased according to a finance leasing agreement are recognised as assets in the consolidated balance sheet. The obligation to pay future leasing charges is reported as long-term and current liabilities. The leased assets are depreciated according to plan while leasing payments are reported as interest and amortisation of liabilities.

Operating leasing means that the leasing charge is expensed over the term of the lease on the basis of use which can differ from what is actually paid as a leasing charge during the year.

Related party disclosures

Bierregaard AB was sold to Dahl during the year. Dahl was then divested.

Shareholders' contributions were provided to LRT Holding and DIAB Intressenter (formerly Woodrose Invest AB) through conversion of receivables.

The parent company received dividends from associates Atle Industri, Camfil and HL Display.

A convertible debenture issued by BTJ InfoData was subscribed by the parent company.

Events after the balance sheet date

Arcorus AB, the parent company of the Arcorus Group, will be dissolved. As a result of this Hägglunds Drives and GS-Hydro will become wholly owned subsidiaries and will be reported as separate units in Ratos.

An agreement for the sale of Dynal Biotech was signed at the beginning of February. The estimated exit gain is SEK 300m.

Ratos's subsidiary Haendig sold the Markt companies and the Hitachi agency in Finland on 1 January 2005. These companies do not comprise a significant organisational unit in the Ratos Group. Haendig acquired Lundbergs Produkter.

Ratos's subsidiary Bluegarden acquired the Swedish company Atos Origin PA-Konsult.

New accounting principles in accordance with IAS/IFRS

With effect from 2005 all listed companies within the EU must apply new accounting rules according to IAS/IFRS (IAS = International Accounting Standards, IFRS = International Financial Reporting Standards).

Changed accounting principles mean that the opening balance, profit and closing balance for the comparative year, i.e. 2004, must be restated taking the new rules into account. Furthermore, new rules are also being introduced for financial instruments that will not affect 2004 but that will affect the opening balance for 2005.

In November, the Stockholm Stock Exchange decided to recommend listed companies to provide a number of disclosures in their year-end reports and annual report for 2004 in order to clarify the effects of the new accounting standards. These disclosures should contain the most important differences between the present accounting principles and future accounting principles as well as a quantitative examination of the most significant items to which this transition gives rise.

Accounting principles – significant differences

To date, Ratos has reported according to the Swedish Financial Accounting Standards Council's recommendations (RR). With effect from 2005, Ratos will apply IAS/IFRS in its consolidated accounts.

IAS/IFRS requires uniform accounting principles within a group. This requirement includes both associated companies and subsidiaries. Since Ratos shall primarily hold associated companies, the new rules mean a greater focus on uniform application of accounting principles.

Ratos will continue to apply the equity method for consolidation of associates. The basic rule for consolidation of associates is the equity method according to IAS 28. Venture capital companies and similar organisations are able to apply a valuation at fair value.

The opening balance sheet for 2004 is determined with the aid of special rules for this purpose, IFRS 1, First-time Adoption of International Financial Reporting Standards.

The effects on the opening balance sheet are relatively small. The greatest effect relates to accounting for leasing. Other items affected include restructuring reserves, which do not meet the requirements for provisions, and tangible fixed assets for which component depreciation is applied.

Ratos chooses to zero accumulated translation differences for foreign subsidiaries and associates. This means that translation differences, that arose prior to 1 January 2004, will not be recognised in profit or loss when calculating a capital/exit gain or loss.

For acquisitions minority share of any surplus values must also be reported in the acquisition analysis which has the effect that the value of intangible assets, excluding goodwill, increases.

IFRS means that the requirement to recognise intangible assets at acquisition increases significantly. To the extent that intangible assets can be valued, goodwill decreases to a corresponding extent. Remaining goodwill, according to interpretation of the rules, should mainly correspond to the value of synergy effects, the company's organisation and market position. Goodwill is not amortised but must on the other hand be tested for impairment on an annual basis. Other intangible assets should be amortised to the extent that the amortisation period can be determined. In such cases an impairment test is only performed if there is an indication of a decline in value. If the amortisation period cannot be determined and amortisation is not carried out, an annual impairment test must be performed regardless of whether there is any indication of impairment.

Negative goodwill must be recognised as revenue directly in the income statement. If the purchase price is lower than equity, the difference is thus recognised as revenue directly. This is an exception since normally there are never income effects at acquisitions provided these are made on market terms.

Property, plant and equipment (tangible fixed assets) must either be valued at fair value or recognised at historical cost with deduction for depreciation and impairment losses. In both cases attention must be paid to component depreciation. This means that tangible fixed assets must be divided into components which in many cases means a new classification. Application of component depreciation must be made retrospectively from the historical acquisition date which makes this application very complicated.

Investment properties can either be reported at fair values or at cost. Ratos will report investment properties at fair values.

Leases must be reported without the former exemption rule according to RR. This means that finance leases contracted before 1 January 1997 must also be disclosed. According to RR 6:99 these were exempted from this recommendation

Reporting according to IAS 32 and IAS 39 which concern recognition of financial instruments, will apply from 1 January 2005. This means stricter requirements on market valuations than previously. Financial instruments include accounts receivable, accounts payable, loans, investments and derivatives. Requirements for application of hedge accounting will increase, particularly with regard to documentation.

Reporting of defined benefit pensions will not change. RR 29, Employee Benefits, applied from 1 January 2004, is no different from IAS/IFRS.

Minority shares will be included as part of equity.

Accounting principles – quantitative review of most important items

Equity 1 January 2004 after transition to IFRS	
Opening equity according to previously adopted balance sheet	7,827
Effect of changed accounting principles	-24
Restated opening balance	7,803

Transition to IFRS	
Leases, IAS 17	-28
Intangible assets, IAS 38	2
Restructuring reserves, IAS 37	5
Goodwill, IAS 38	3
Property, plant and equipment, IAS 16	1
Restated opening balance IFRS	7,786

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Income statement

SEKm	Note	2004	Transition to IFRS	Comparative year 2004
Holdings				
Profit from subsidiaries	a,b	113	55	168
Share of profits of associates	a,b,c,d	525	281	806
Exit gains, associates		1,356		1,356
Impairment loss, associates		-17		-17
Dividends, other companies		28		28
Exit gains, other companies		82		82
Profit from holdings		2,087	336	2,423
Central income and expenses				
Management costs		-161		-161
Financial items		63		63
Net expenses		-98		-98
Profit before tax		1,989	336	2,325
Tax	a,b,c,d	-197	-13	-210
Minority interests	a	-2	-2	-4
Net profit for the year		1,790	321	2,111
Earnings per share, SEK				
before dilution		22.69		26.75
after dilution		22.62		26.68
Number of shares outstanding				
average before dilution		78,902,245		78,902,245
average after dilution		79,122,799		79,122,799
at the end of the period		78,938,440		78,938,440
Effect on profit for the year before tax and minority				
a) Goodwill IAS 38			290	
b) Restructuring reserves IAS 37			-3	
c) Leases IAS 17			1	
d) Investment properties IAS 40			48	
Total effect on profit			336	

Consolidated balance sheet

SEKm	Note	31 Dec 2004	Transition to IFRS	Comparative year 2004
Assets				
Fixed assets				
Intangible	a	1,759	65	1,824
Tangible	e	603	-1	602
Financial	a,b,c,d,e	5,249	238	5,487
Total fixed assets		7,611	302	7,913
Current assets				
Inventories		950		950
Current receivables	f	1,223	-3	1,220
Short-term investments, shares and participations		13		13
Short-term investments, other		1,866		1,866
Cash and bank balances		294		294
Total current assets		4,346	-3	4,343
Total assets		11,957	299	12,256
Equity and liabilities				
Shareholders' equity	a,b,c,d,e,f	9,026	300	9,326
Minority interests		34		34
Provisions	b,e	165	1	166
Long-term liabilities				
Non-interest bearing liabilities		39		39
Interest-bearing liabilities		1,012		1,012
Current liabilities				
Non-interest bearing liabilities	b	1,006	-2	1,004
Interest-bearing liabilities		675		675
Total equity and liabilities		11,957	299	12,256

a) Goodwill IAS 38
b) Restructuring reserves IAS 37
c) Leases IAS 17
d) Investment properties IAS 40
e) Property, plant and equipment IAS 16
f) Revenue IAS 18

Notes

NOTE 1 Consolidated income statement

SEKm	2004	2003
Net sales [1]	3,907	1,789
Change in inventories	17	5
Other operating income	20	17
	3,944	1,811
Other external costs	-2,788	-1,220
Personnel costs, Note 24	-1,008	-510
Depreciation and impairment losses tangible and intangible fixed assets	-148	-64
Exit gains, group companies	–	–
Results from participations in associates	1,864	702
Operating profit after depreciation	1,864	719
Results from other securities and receivables accounted for as fixed assets	164	57
Other interest income and similar income items	61	115
Interest expenses and similar charges	-100	-79
Profit before tax	1,989	812
Tax on profit for the year	-50	-30
Tax from associates on net profit for the year	-148	-164
Deferred tax	1	1
Minority share of profit for the year	-2	-13
Net profit for the year	1,790	606

Profit excluding goodwill amortisation in the Group and associates amounted to SEK 2,080m (908).

[1] Breakdown of net sales	2004	2003
Sales of goods	3,157	1,434
Construction contracts	18	11
Service assignments	719	312
Securities trading	9	32
Other	4	
	3,907	1,789

Construction contracts

The stage of completion of the project's total revenues is recognised as contract revenue. In the same way incurred costs are recognised in relation to total estimated costs.

	2004	2003
Contract revenue recognised as revenue	18	11
Contracts in progress:		
Contract costs and recognised profits/losses	53	41
Advances received	-44	-39
Amount withheld by the customer	–	–
Receivables from customers	9	2

Development costs in the subsidiaries amount to SEK 25m (19).

Profits include SEK -5m (9) in exchange losses/gains, of which SEK 2m (11) is attributable to operating profit.

NOTE 2 Profit from subsidiaries and share of profits of associates

SEKm	Profit/ share of profits	Of which goodwill amortisation
Profit from subsidiaries		
Arcorus	44	-18
Bluegarden	20	-18
Gadelius	-5	-8
Haendig	41	-14
Haglöfs	13	-4
	113	-62
Share of profits of associates		
Alimak Hek	23	-4
Atle Industri	19	-24
BTJ InfoData	26	-18
Camfil	42	-20
Dahl	27	-10
DIAB	11	-29
Dynal Biotech	17	-23
Gadelius	2	-2
Giga Consulting	–	–
HL Display	12	-8
Lindab	86	-59
LRT/Tornet	226	–
Martinsson	4	-12
Q-Labs	1	–
Superfos	29	-19
	525	-228
Profit from holdings, excluding exit gains	638	-290

Profit from subsidiaries

SEKm	2004	2003
Net sales	3,915	1,757
Other operating income	4	1
Other external costs	-2,719	-1,137
Personnel costs	-900	-450
Depreciation	-146	-62
Operating profit after depreciation	154	109
Results from other securities and receivables accounted for as fixed assets	0	0
Other interest income and similar income	9	5
Interest expenses and similar charges	-50	-23
Profit before allocations and tax	113	91

Profits for 2004 include Arcorus, Bluegarden, Haendig and Haglöfs for the full year and Gadelius from 1 April. Gadelius's profit for the first quarter is included in profits from associates.

NOTE 3 Depreciation and impairment losses, tangible and intangible fixed assets

	2004			2003		
SEKm	Holdings	Central	Total	Holdings	Central	Total
Capitalised expenses	22		22	2		2
Goodwill	62		62	22		22
Buildings	15		15	4	0	4
Equipment	47	2	49	34	2	36
Investments in another's property	0		0			
	146	2	148	62	2	64

NOTE 4 Exit gains

SEKm	2004	2003
Associate		
Capona	–	195
Dahl	1,355	–
DataVis	–	5
Dynal	1	–
Hilding Anders	–	212
Q-Labs	0	–
	1,356	412
Others		
Choice	-10	–
Industri Kapital	92	32
	82	32

NOTE 5 Impairment losses, associates

SEKm	2004	2003
Atle	-17	–
Q-Labs	–	-7
	-17	-7

NOTE 6 Management costs, central operations

SEKm	2004	2003
External costs	-51	-38
Personnel	-108	-60
Depreciation	-2	-2
	-161	-100

NOTE 7 Financial items, central operations

SEKm	2004	2003
Financial fixed assets	60	1
Financial current assets	60	71
Financial long-term liabilities and provisions	-51	–
Financial current liabilities	-6	-6
	63	66

NOTE 8 Group taxes

SEKm	2004	2003
Current tax	-50	-30
Deferred tax	1	1
Share in taxes of associates	-148	-164
	-197	-193

Reconciliation effective tax, Group

Profit before tax	1,989	812
Less:		
profit from associates	-753	-297
profit from associates, re-allocated	54	55
	1,290	570
Tax according to current tax rate, 28%	-361	-159
Effect of special taxation rules for investment companies	328	131
Non-deductible expenses	-4	–
Non-taxable income	1	–
Difference in tax rates in other countries	-5	-1
Non-capitalised tax loss carry-forwards	-9	–
Use of previously non-capitalised tax loss carry-forward	10	6
Tax effect, consolidated goodwill		
Other	6	–
Tax in associates	-148	-164
Reported effective tax	-197	-193

Deferred tax asset

SEKm	2004	2003
Fiscal excess depreciation	–	-1
Provisions, pensions	14	1
Provisions, other	11	1
Impairment losses, inventories	11	–
Reserves for bad debt losses	3	–
Capitalised loss carry-forward	14	–
Intra-group profits	5	–
Deferred tax liability relating to		
Accelerated depreciation	-5	–
Untaxed reserves	-13	–
Other	5	3
	45	4

Deferred tax liability

SEKm	2004	2003
Deferred tax liability in accelerated depreciation	43	–
Deferred tax liability in untaxed reserves	13	16
Revaluation, buildings	4	–
Deferred tax asset relating to		
Intra-group profits	–	-1
Capitalised loss carry-forward	-22	-7
Other	4	-3
	42	5

Non-valued loss carry-forward

SEKm	2004	2003
Loss carry-forward	460	461

Most of the non-valued loss carry-forward is attributable to subsidiaries administered centrally by Ratos.

The loss carry-forwards, that do not have set maturities, are not assigned any value since it is not likely that they will lead to lower tax payments in the future.

NOTE 9 Capitalised expenses

SEKm	2004	2003
Accumulated cost at 1 January	158	25
Investments	11	4
Capitalised expenditure in acquired company	19	131
Exchange rate differences	1	-2
	189	158
Accumulated depreciation according to plan at 1 January	-56	-9
Accumulated depreciation in acquired company	-15	-45
Depreciation for the year	-21	-2
Exchange rate differences	-1	0
	-93	-56
Value according to consolidated balance sheet	96	102

Pertains to software, product rights, licences and external software development costs.

NOTE 10 Goodwill

SEKm	2004	2003
Accumulated cost at 1 January	694	385
Investments	31	268
Associates that became subsidiaries	144	–
Goodwill in acquired company	1,123	47
Exchange rate differences	-8	-6
	1,984	694
Accumulated amortisation according to plan at 1 January	-103	-66
Amortisation for the year	-62	-22
Associates that became subsidiaries	-21	–
Accumulated amortisation in acquired company	-138	-15
Exchange rate differences	3	0
	-321	-103
Value according to consolidated balance sheet	1,663	591

NOTE 11 Land and buildings

SEKm	2004	2003
Accumulated cost at 1 January	151	153
Investments	13	4
Transferred from work in progress	4	–
Cost, sold properties	-10	–
Building in acquired subsidiary	304	–
Exchange rate differences	–	-6
	462	151
Accumulated impairment losses at 1 January	–	–
Impairment losses for the year	-5	–
	-5	–

cont.

SEKm	2004	2003
Accumulated depreciation according to plan at 1 January	-42	-39
Accumulated depreciation in acquired subsidiary	-95	–
Depreciation for the year	-10	-4
Accumulated depreciation, sold properties	2	–
Exchange rate differences	–	1
	-145	-42
Value according to consolidated balance sheet	312	109
Tax assessment value, Sweden	204	110

Leasing charges paid during the financial year relating to premises, operating leasing and future charges for contracts entered into amount to:

	SEKm
Charges paid this year	36
Charges within 1 year	31
Charges within 2-5 years	96
Charges after 5 years	9

NOTE 12 Equipment

SEKm	2004	2003
Accumulated cost at 1 January	447	409
Reclassification	-3	–
Investments	45	34
Transferred from plant under construction	3	–
Equipment in acquired subsidiary	506	22
Divestments	-9	-5
Exchange rate differences	-8	-13
	981	447
Accumulated depreciation according to plan at 1 January	-339	-299
Accumulated depreciation in acquired subsidiary	-348	-15
Divestments	6	4
Depreciation for the year	-50	-36
Exchange rate differences	7	7
	-724	-339
Value according to consolidated balance sheet	257	108

Leasing

Leasing charges paid during the year relating to equipment and future charges for contracts entered into amount to:

Operating leasing

SEKm	2004	2003
Charges paid this year	17	7
Charges within 1 year	17	7
Charges within 2-5 years	20	7
Charges after 5 years	–	–

Finance leasing

SEK m	2004	2003
Charges paid this year	4	–
Charges within 1 year	4	–
Charges within 2-5 years	13	–
Charges after 5 years	1	–

NOTE 13 Construction in progress

SEKm	2004	2003
At 1 January	–	–
Investments	11	–
Reclassification	3	–
Transferred to buildings	-3	–
Plant and equipment in acquired companies	23	–
Exchange rate differences	0	–
Value according to consolidated balance sheet	34	–

NOTE 14 Shares, associates

SEKm	2004	2003
Value on consolidation, associates at 1 January		
Accumulated cost at 1 January	4,112	4,708
Profit shares for the year after tax	375	133
Profit shares, re-allocation	-54	-55
Investments	834	532
Associates that became subsidiaries	-255	–
Divestments	-818	-898
Impairment losses	-17	-8
Reclassified receivable	-4	–
Less dividends from associates	-55	-44
Exchange rate differences for the year	-10	-256
Value on consolidation, associates	4,108	4,112
Less:		
Receivable for companies not yet transferred	0	-688
Value on consolidation, holdings	4,108	3,424

Specification of parent company's participations in associates

Associates, corp. id. no., reg. office	In associated companies Adjusted equity	Net profit/loss for the year	Number of participations	Share of capital, %	Book value Parent Company	Value on consolidation
Alimak Hek AB, 556064-1739, Stockholm	266	31	3,000,000	50	204	181
Atle Industri AB, 556563-2899, Stockholm [1]	378	-14	5,000	50	275	252
BTJ InfoData AB,556643-2067, Stockholm	301	45	969,549	49	189	198
Camfil AB, 556230-1266, Trosa	1,025	103	3,379,310	30	450	422
DIAB Intressenter AB, 556603-1711, Stockholm [2]	1,267	-56	5,000	50	614	580
Dynal Biotech, 983 413 609, Oslo, Norway	1,101	29	2,500,000	25	292	273
Envac Centralsug AB, 556611-5555, Stockholm [1]	197	41	160,000	50	128	161
Giga Gruppen AB, 556410-5665, Stockholm [3]	0	0	317	14	0	0
Giga Holding AB, 556613-5124, Stockholm [3]	0	0	1,355,000	50	0	0
HL Display AB, 556286-9957, Stockholm [4]	325	45	2,225,070	29	229	226
Lindab Intressenter AB, 556606-5446, Stockholm	2,311	84	482,320	48	1,061	1,115
LRT Holding Company AB, 556647-7294, Stockholm [5]	632	462	400	40	–	253
Timram AB, 556135-5701, Stockholm [6]	4	2	1,761,191	50	2	2
Martinsson Informationssystem AB, 556448-0282, Stockholm	72	13	1,878,603	50	82	104
Superfos Industries A/S, Vipperød, Denmark	985	31	3,433,571	33	405	341
Value on consolidation, holdings					3,931	4,108

[1] Included in Atle Industri's operating group.
[2] Former Woodrose Invest.
[3] Under liquidation.
[4] Share of voting rights 20.2%. Market value SEK 305m.
[5] The company is owned by Ratos Acquisition AB. Book value SEK 78m.
[6] Formerly Martinsson Gruppen AB, under liquidation after restructuring.

Difference between equity value with equity method in the consolidated accounts compared with the value of participations recognised in the parent company/group company according to the historical cost method is SEK 100m (-413) for the parent company's directly and indirectly owned associates.

Non-distributed accumulated profit shares are allocated to an equity method reserve which comprises part of the Group's restricted reserves. The equity method reserve for directly and indirectly owned associates amounts to SEK 295m (648).

For holdings in the associate BTJ InfoData added during the period, the difference between the equity share's consolidated value and shares of equity at year-end is SEK 62m.

NOTE 15 Long-term receivables, associates

Interest-bearing

SEKm	2004	2003
Accumulated cost at 1 January	1,203	1,135
Receivable from associate that became a subsidiary	-43	–
Additional receivables	–	661
Settled receivables	-530	-593
	630	1,203

Non-interest bearing

SEKm	2004	2003
Accumulated cost at 1 January	–	–
Additional receivables	63	–
	63	–
Long-term receivables, associates	693	1,203

NOTE 16 Long-term receivables, other

Interest-bearing

SEKm	2004	2003
Accumulated cost		
at 1 January	72	34
In acquired company	1	–
Additional receivables	19	55
Settled receivables	-62	-17
	30	72

Non-interest bearing

SEKm	2004	2003
Accumulated cost		
at 1 January	16	–
In acquired companies	17	–
Additional receivables	–	16
Settled receivables	-10	–
Exchange rate difference	-2	–
	21	16
Long-term receivables, other	51	88

NOTE 17 Prepaid expenses and accrued income

SEKm	2004	2003
Accrued interest income	69	14
Other items	107	33
	176	47

NOTE 18 Short-term investments

Shares and participations, current assets

SEKm	Number	Book value	Market value
Health Cap KB	10,000,000	3	4
Health Cap CoInvest KB	10,000,000	10	9
Other		0	0
Total shares		13	13

Unlisted holdings within Health Cap are stated at internal valuations performed by Health Cap.

NOTE 19 Short-term investments, other Group and parent company

SEKm	2004	2003
Treasury bills	1,020	816
Certificates of deposit	846	646
	1,866	1,462

NOTE 20 Provisions, others

SEKm	2004	2003
Cost, opening balance	7	12
Provisions for the year	1	–
Provisions utilised	-3	-5
Provisions in acquired company	8	–
Total provisions	13	7
Provisions relate to		
Guarantee reserve	13	5
Disputes in progress	–	2
	13	7

NOTE 21 Accrued expenses and deferred income

SEKm	2004	2003
Accrued personnel costs	231	91
Other	125	72
	356	163

NOTE 22 Pledged assets and contingent liabilities

SEKm	2004	2003
Pledged assets		
Property mortgages	166	7
Floating charges	571	82
Other pledged assets	98	24
	835	113
Contingent liabilities	47	24

Refers to pledged assets and contingent liabilities in subsidiaries.

NOTE 23 Cash flow

Group

SEKm	2004	2003
Dividends received	28	21
Interest received	68	68
Interest paid	-37	-18
Adjustment for items not included in cash flow		
Shares of profits of associates	-525	-297
Shares of profits of associates, re-allocated	54	55
Dividends received from associates	54	44
Capital loss	-1,438	-444
Depreciation and impairment of assets	165	70
Other	-6	3
Adjustment for items not included in cash flow	-1,696	-569

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Note 23, continued

Acquisition of subsidiaries

During the year Ratos acquired 51% of the shares in Haendig, 23% of the shares in Arcorus, 50% of the shares in Gadelius and 100% of the shares in Elitfönster. The previous year's figures relate to the acquisition of 100% of the shares in Bluegarden. The value of acquired assets and liabilities according to the acquisition analyses was as follows:

SEKm	2004	2003
Intangible assets	1,135	373
Tangible assets	389	7
Financial assets	58	–
Reclassification from associate	-243	–
Inventories	529	0
Current receivables	564	52
Cash and cash equivalents	89	39
Total assets	2,521	471
Minority shares	-78	–
Provisions	72	3
Long-term liabilities	987	0
Current liabilities	808	77
Total liabilities	1,789	80
Purchase price paid	732	391
Less:		
Cash and cash equivalents in acquired operations	-89	-39
Effect on consolidated cash and cash equivalents	643	352

Cash and cash equivalents

SEKm	2004	2003
Cash and bank balances	294	170
Short-term investments, classified as cash and cash equivalents	1,866	1,462
	2,160	1,632

Unutilised credit facilities

Unutilised credit facilities amount to	1,740	1,546

Parent company

SEKm	2004	2003
Dividends received	28	121
Interest received	62	66
Interest paid	-1	0

Adjustment for items not included in cash flow

Depreciation and impairment of assets	163	33
Dividend that reduced book value of shares	64	–
Change, provisions	–	-2
Unrealised exchange rate difference	–	-7
Capital loss	-1,344	-667
	-1,117	-643

Cash and cash equivalents

Cash and bank balances	24	38
Short-term investments, classified as cash and cash equivalents	1,866	1,462
	1,890	1,500

Unutilised credit facilities

Unutilised credit facilities amount to	1,300	1,300

NOTE 24 Personnel and remuneration to Board of Directors and Auditors

Average number of employees

	2004 Total	2004 of whom men, %	2003 Total	2003 of whom men, %
Parent company	28	43	27	59
Subsidiaries	1,768	73	941	79
Total Group	1,796	72	968	77
Of whom, in				
Sweden	656	78	393	79
Norway	441	55	165	62
Finland	137	86	83	87
USA	65	89	58	86
Germany	51	82	48	83
UK	41	88	31	84
Spain	31	87	29	79
Australia	23	91	22	95
Netherlands	21	91	20	95
Japan	151	77	19	79
China	27	74	17	88
Austria	12	83	12	83
Poland	45	33	11	73
France	8	75	9	78
India	10	90	8	88
Italy	8	75	8	75
Singapore	8	75	8	75
Korea	8	75	8	88
Denmark	43	47	7	86
Canada	8	100	7	100
Brazil	2	100	4	100
Russia			1	100

Gadelius is included from April 2004 when the company became a subsidiary. Elitfönster, which was acquired at year-end, is not included in these figures.

	Women	Men	Total
Board			
Parent company	1	6	7
Subsidiaries	3	106	109
Total	4	112	116
Company management			
Parent company	1	5	6
Subsidiaries	1	63	64
Total	2	68	70

Parent company

Salaries and other remuneration

SEKm	2004	2003
Board of Directors, CEO and Deputy CEO (Sweden)	21.6	11.5
(of which bonus)	(12.6)	(4.1)
Other employees (Sweden)	42.1	23.2
Total	63.7	34.7
Payroll overhead	37.7	18.4
(of which pension costs)	(7.5)	(5.6)

Of the Parent Company's pension costs, SEK 2.3m (0.8) refers to the present and former Board of Directors and CEO. The company's outstanding pension commitments to these amount to SEK 3.1m (3.3) and pertain to former Board members who were employees.

cont. next page

Note 24, continued

Absence due to illness as a percentage of working hours

	Total
Gender breakdown	
Men	0.2
Women	3.2
Total absence due to illness	1.9
Breakdown by age	
< 30 years	–
30-49 years	1.6
> 50 years	2.5

Group

Salaries and other remuneration

	Board of Directors, CEO and Deputy CEO		Others	
SEKm	2004	2003	2004	2003
Group	65.4	46.6	706.6	340.5
(of which bonus)	(18.5)	(7.0)		
Of whom, in Sweden	37.2	19.8	245.6	137.8
(of which bonus)	(15.4)	(5.3)		
Other countries	28.2	26.8	460.9	202.7
(of which bonus)	(3.1)	(1.7)		

Payroll overhead

SEKm	2004	2003
Payroll overhead	247.6	124.4
(of which pension costs)	(68.5)	(44.0)

Of the Group's pension costs, SEK 8.4m (4.9) refers to the present and former Board of Directors and CEO. The Group's outstanding pension commitments to these amounts to SEK 3.1m (3.3).

The average number of employees, salaries and other remuneration as well as payroll overhead solely relates to group companies belonging to the Group at year-end. A complete list of salaries and employees per country is available at the Swedish Companies Registration Office.

Pensions

Defined benefit pensions

Pension plans mainly comprise retirement pensions.
Earned pension is based on the number of years within the pension plan and salary at retirement.

Pension obligations are either financed through pension foundations or similar or through provisions in the balance sheet.

The net of the present value of pension obligations and the fair value of any plan assets on the closing date is recognised as a provision alternatively long-term financial receivable provided the corridor is not a limiting factor.

Defined contribution pensions

Pension plans mainly comprise retirement pension.
Pension premiums are salary-related.
Premiums are expensed on a current basis.

Defined benefit pension plans

Pension cost

Cost regarding current service period	16
Interest expense	8
Anticipated return on plan assets	-4
Pension costs	20
Pension costs relating to premiums to Alecta	9
Pension costs for defined contribution pensions	39
Pension costs for the year	68
Actual return on plan assets	4
Costs are reported on the following lines in the income statement, see Note 1	
Personnel costs	60
Interest expenses	8
	68

Obligations regarding employee benefits

Present value of funded obligations	120
Fair value of plan assets	-89
Present value of unfunded obligations	88
Unrecognised actuarial gains (plus) and losses (minus)	-12
Net debt in the balance sheet	107
Amounts disclosed in the balance sheet (specification of net debt)	
Provisions	107
Assets	–
Net debt in the balance sheet	107

Specification of changes in the net debt disclosed in the balance sheet

Net debt at 1 January	65
New accounting principle	4
Net cost recognised in the income statement	20
Premiums and pensions paid	-20
Exchange rate differences on foreign plans	-2
Liabilities taken over through company acquisitions	40
Net debt at 31 December	107

Key actuarial assumptions used on closing date

	Excl. Japan	Japan
Discount rate, %	4.6-5.5	2
Inflation, %	2.0-3.0	0
Anticipated rate of salary increases, %	2.8-3.0	1-3
Annual increase in pensions and paid-up policies, %	2.5-3.0	0
Anticipated return on plan assets, %	6.0-6.5	0

Incentive system

An incentive system for the company's business organisation is of major strategic importance for Ratos. The Board has decided as follows: Call options programme decided at the Annual General Meetings in 2001, 2002, 2003 and 2004, meet owners' demands that the company's management shall be motivated to work for a positive development of the company's shares. Management has paid market premiums for the options in all programmes.

The call options are issued on already repurchased shares. The purchase of options is subsidised by the option purchaser receiving a variable compensation corresponding to a maximum of 60% of the option premium after deduction of 55% standard tax for call options 2001, 2002 and 2003, and a maximum of 50% of the option premium after deduction of 55% standard tax for call options 2004, whereby the variable compensation is distributed in equal amounts over five years provided that the recipient remains employed in the Ratos Group.

In addition to the option programmes the Compensation Commit-

cont. next page

cont. Note 24

tee has drawn up guidelines for a variable compensation system for the business organisation. According to this system, the issue of variable compensation is subject to certain conditions being met regarding return on the company's equity and a qualitative assessment of implementation of matters given priority by the Board during the year. Payment of variable compensation is divided over three years with 50% in the first year and 25% in the remaining two years. In order to receive full payment the person concerned must not have resigned from the company during these three years. Normally, the variable compensation may amount to a maximum of a couple of per cent of the company's pre-tax profit. Of this amount, 70% is profit based and will be paid in a rising scale from when an 8% return on the opening reported net asset value is achieved. Both profit-based and performance-related variable compensation is allocated on a discretionary basis.

Stock options plan

Warrants

Number	31 Dec 2004	31 Dec 2003
Outstanding at beginning of period	450,000	530,000
Redeemed	-432,000	-80,000
Unredeemed	-18,000	
Outstanding at end of period	0	450,000

Warrant programme

Subscription period	1 June 2002 – 15 Feb 2004
Exercise price, SEK	75
Total issue payment during year, SEKm	6.0
Total paid on all options exercised, SEKm	39.8
Maximum dilution, %	0.6

Call options

Number	31 Dec 2004	31 Dec 2003
Outstanding at beginning of period	1,283,000	847,000
Issued	76,000	436,000
Outstanding at end of period	1,359,000	1,283,000

Options issued during the period

	31 Dec 2004	31 Dec 2003
Maturity date	31 March 2009	28 March 2008
Exercise price per share, SEK	147	116
Total option premium payments, SEKm	0.6	3.1
Total payments if shares acquired, SEKm	111.7	50.6

Conditions for options outstanding at end of period

Maturity date	Option price, SEK	Exercise price, SEK	31 Dec 2004 Number	31 Dec 2003 Number
28 March 2006	4.05	102	480,000	480,000
30 March 2007	10.40	135	367,000	367,000
28 March 2008	7.20	116	436,000	436,000
31 March 2009	7.60	147	76,000	–
			1,359,000	1,283,000
Maximum dilution in relation to outstanding shares at end of period, %			1.7	1.6

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cont. Note 24

Remuneration to senior executives and Board members

The Compensation Committee

The Compensation Committee is tasked with deciding terms of employment for certain senior executives within the Ratos Group.

The Compensation Committee reports to Ratos's Board. A more detailed description of the principles for compensation, preparatory and decision-making processes is provided on page 19.

Remuneration to the Chairman of the Board and the CEO

SEKm	Chairman of the Board	Other Board members	CEO
Each remuneration component			
– specification			
basic salary			3.8
directors' fees	0.5	1.5	
variable compensation			8.2
other benefits			0.1
pension costs			1.0
financial instruments			0
other compensation (Board members)			0
Total remuneration and other benefits	0.5	1.5	13.1

Gender breakdown	Women	Men
Board	1	6
Senior executives	1	5

Remuneration to the CEO

Variable compensation

The size and distribution of bonus is decided by the Board based on a proposal from the Compensation Committee and is 70% performance related and 30% discretionary. The purchase of call options is subsidised through a cash variable compensation in an amount, which after deduction for 55% standard tax, corresponds to 60% of the purchase price for the call options 2001, 2002 and 2003, and a maximum of 50% of option premiums after deduction of 55% standard tax for call options 2004, whereby this variable compensation is divided into equal parts over five years and provided the CEO is still employed in the Ratos Group at the time of each payment of variable compensation. Profit for the year was charged with SEK 0.6m.

Pension terms

Pension premiums are paid with 20% of basic salary. When determining pension premiums, the variable compensation up to 50% of basic salary carries pension entitlement. During the year SEK 1.0m was paid in premiums, which corresponds to 20% of pensionable compensation. This pension is a defined contribution plan. No retirement age has been agreed.

Terms for severance pay

The mutual notice period is 6 months. Severance pay corresponding to two annual salaries is paid and may not be triggered by the CEO. Remuneration from a third party is deducted. In the event of a change of principal owner, severance pay corresponding to two annual salaries may be triggered by the CEO.

Holding, 31 December 2004

	Call options 2001 Number	Call options 2002 Number	Call options 2003 Number	Call options benefit SEK 000
Chairman of the Board	0	0	0	–
Other Board members	0	0	0	–
CEO	140,000	105,000	100,000	–

Other senior executives

Five other senior executives have total emoluments for a combined amount of SEK 27.8m, of which SEK 19.4m pertains to variable compensation. Variable compensation is calculated on the same basis as for the CEO.

Holding, 31 December 2004

	Call options 2001 Number	Call options 2002 Number	Call options 2003 Number	Call options benefit SEK 000
Other senior executives	260,000	143,000	205,000	–

Pension terms

Pension is paid from the age of 65 with some exceptions. When determining pension premiums, bonus up to 50% of basic salary carries pension entitlement.

Severance pay

No other senior executives in the Ratos Group have agreements on severance pay which amounts to more than two annual salaries. Severance pay may not be triggered by an individual executive, except in one instance, in the event of change of principal owner.

Options programmes, subsidiaries and associates

Ratos has issued options to senior executives in one company. The dilution effect is limited.

Fees to auditors

Fees and reimbursement

SEKm	2004 Group	2004 Parent company	2003 Group	2003 Parent company
KPMG				
Audit assignment	5.0	1.5	3.3	1.6
Other assignment	4.0	1.1	1.2	0.7
Ernst & Young				
Audit assignment	1.0	0.0	0.2	0.2
Other auditors	1.6	0.1	2.8	–
	11.6	2.7	7.5	2.5

Audit assignment refers to examination of the annual accounts and accounting records as well as the administration by the Board of Directors and the CEO, other tasks which are the business of the company's auditors, and advice or other assistance which is caused by observations on such examination or implementation of other such work tasks. Everything else is other assignment.

NOTE 25 Disclosure of financial instruments

Principles for funding and financial risk management

The financial strategy for Ratos's parent company and Ratos's holdings, wholly or partly owned, is decided independently of each other.

Parent company

The parent company shall normally be unleveraged. The parent company shall have a credit facility for bridge financing of acquisitions. This credit facility should also be able to finance dividends and day-to-day running expenses during a period of few or no exits. Since the beginning of 2005, the parent company has a rolling five-year loan facility that amounts to SEK 1.3 billon, including a bank overdraft facility. Investment of cash and cash equivalents may only be in fixed-income securities with very low risk and high liquidity. Currency hedging is generally not effected for foreign shareholdings.

At acquisition of a holding a leveraged holding company may be used in order to achieve a suitable financial structure.

The parent company must not pledge assets nor stand as guarantor for the holdings' commitments.

Subsidiaries

Subsidiaries decide independently, via their boards, on their financial strategy. In the companies risks are mainly minimised in transaction exposure through forward cover following possible offset of inflows and outflows in the same currency. Currency risk in financial cash flows related to loans and investments is minimised by the companies borrowing and investing in local currency. Exchange rate fluctuations for net assets in foreign currency are not hedged. On the other hand, dividends from foreign subsidiaries are sometimes hedged once the dividend decision has been made.

Accounting principles

Financial assets and liabilities are valued at historical cost.

Fair value

When determining fair value for listed shares and securities, official quotations on the balance sheet date are used.

Carrying amounts for short receivables and liabilities coincide with fair value. Fair values for receivables and liabilities with floating interest correspond to their carrying amount. Forward exchange contracts are valued at fair value taking interest rates and exchange rates on the balance sheet date into account.

Fair value is essentially the same as book value apart from "Shares, associates" where the fair value is SEK 79m higher in the Group and the parent company.

Interest rate risks

Interest rate risk is the risk that the value of a financial instrument will change due to changes in market interest rates. One significant factor that affects interest rate risk is the fixed-interest period. Long fixed-interest periods mainly affect cash flow risk while shorter fixed-interest periods affect price risk.

Since the parent company is normally unleveraged, the parent company is not exposed to interest rate risk regarding liabilities.

The parent company must have good preparedness to pay for investments. Liquid assets are therefore invested in fixed-income securities with high liquidity and short maturities.

Maturity dates

The maturity dates for non-interest bearing financial assets and liabilities in the Group and parent company mainly occur within one year, apart from long-term receivables from subsidiaries and associates and other shares that mature within 1-5 years.

Date for renegotiation of interest rates and maturities

Interest-bearing assets/liabilities

Group

SEKm	Total	Effective interest, %	Interest renegotiation Within 1 year	1-5 years	After 5 years	Maturity Within 1 year	1-5 years	After 5 years
Assets								
Long-term receivables, associates	630	8		630			630	
Long-term receivables, other	30	2		28	2		28	2
Other current receivables	102	3	102			102		
Short-term investments, other	1,866	2	1,866			1,866		
Cash and bank balances	294	1	294			294		
Liabilities								
Liabilities to credit institutions, long-term	880	4	840	14	26		440	440
Other long-term liabilities, interest-bearing	132	4		132			132	
Liabilities to credit institutions	385	4	385			385		
Bank overdraft facilities	271	3	271			271		
Other current liabilities	19	3	19			19		
	1,235		747	512	-24	1,587	86	-438
Pension provisions	108							
Interest-bearing net receivable	1,127							

cont. Note 25

Parent company

SEKm	Total	Effective interest, %	Interest renegotiation Within 1 year	1-5 years	After 5 years	Maturity Within 1 year	1-5 years	After 5 years
Assets								
Long-term receivables, subsidiaries	688	8	688				688	
Long-term receivables, associates	37	4		37			37	
Long-term receivables, other	28	2		28			28	
Current receivables, subsidiaries	5	3	5			5		
Other current receivables	102	3	102			102		
Short-term investments, other	1,866	2	1,866			1,866		
Cash and bank balances	24	2	24			24		
Liabilities								
Long-term liabilities, subsidiaries	130	3	130				130	
Current liabilities, subsidiaries	36	3	36			36		
	2,584		2,519	65	0	1,961	623	0
Pension provisions	3							
Interest-bearing net receivable	2,581							

Credit risks

The credit risk is limited to the carrying amount for financial assets recognised in the balance sheet. There is no significant concentration of credit risks.

Currency risks

Currency risk is the risk that exchange rate fluctuations have a negative impact on the consolidated income statement, balance sheet and cash flow.

Currency risk can be divided into transaction exposure and translation exposure.

Transaction exposure consists of inflows and outflows in foreign currency, normally in 1-3 month intervals.

Translation exposure is related to foreign group companies' equity in foreign currency as well as any surplus values that arose at acquisition.

Forward cover is only taken out for transaction exposure.

Translation exposure, breakdown by currency

The Group's net assets are reported by currency. Net assets comprise consolidated subsidiaries.

NOK	374
EUR	155
JPY	154
DKK	16
USD	14
GBP	14
SGD	4
AUD	4
Other currencies	10
Total translation exposure	745

Hedging of transaction exposure, forward exchange contracts

Risks in the Group's transaction exposure are minimised by forward cover after net accounting of inflows and outflows in the same currency.

The forecast transaction flow for the next six months is usually hedged to 75-100%.

The forecast transaction flow for the following six months is usually hedged at 50-75%.

Transaction exposure is hedged through currency derivatives. The derivatives used are forward contracts divided among the following currencies and maturities.

The table shows forward exchange contracts taken out to hedge future flows.

Group

	Sold - / Purchased + Amount	Average rate	Unreported value	Fair value
Flow hedging, maturity within one year				
AUD/SEK	-2	5.260	2	2
CAD/SEK	-1	5.610	1	1
GBP/SEK	-1	13.160	2	2
USD/SEK	-17	7.485	12	12
EUR/SEK	-4	9.143	1	1
DKK/SEK	-11	1.225	0	0
NOK/SEK	-30	1.099	0	0
USD/NOK	-2	6.750	-1	-1
EUR/NOK	-5	8.327	0	0
JPY/EUR	-90	0.0077	1	1
JPY/SEK	-365	0.0698	5	5
			23	23
Flow hedging, maturity 1-5 years				
USD/SEK	-2	6.851	-1	-1
			-1	-1

Parent company

The parent company has no hedging.

NOTE 26 Parent company income statement

SEKm	2004	2003
Net sales	–	–
Other operating income	8	11
Other external costs	-47	-44
Personnel costs	-108	-60
Depreciation	-2	-2
Operating loss after depreciation	-149	-95
Result from participations in group companies	51	56
Result from participations in associates	1,111	648
Result from other securities and receivables accounted for as fixed assets	111	54
Other interest income and similar income, group companies	56	3
Other interest income and similar income, associates	12	49
Other interest income and similar income, other	41	73
Interest expenses and similar charges, group companies	-3	-4
Interest expenses and similar charges, other	-6	-6
Profit before allocations and tax	1,224	778
Tax on profit for the year	–	–
Net profit for the year	1,224	778

Tax

The parent company is taxed in accordance with the rules for investment companies. These mean that capital gains are not taxable. In its tax return, the company states a standard income of 1.5% of the market value of listed shares which at 1 January had been held for less than one year and where ownership is less than 10%. Dividends received are reported as income. Net interest and overheads are deductible, as well as dividend paid.

NOTE 27 Land and buildings, parent company

SEKm	2004	2003
Accumulated cost		
at 1 January	17	17
Investment	–	–
	17	17
Accumulated depreciation according to plan		
at 1 January	-6	-6
Depreciation for the year	-1	0
	-7	-6
Value according to balance sheet	10	11
Tax assessment value		
Buildings	32	92
Land	42	–

NOTE 28 Equipment, Parent Company

SEKm	2004	2003
Accumulated cost		
at 1 January	15	14
Investments	–	1
Disposals	–	–
	15	15
Accumulated depreciation according to plan		
at 1 January	-11	-8
Depreciation for the year	-1	-3
	-12	-11
Value according to balance sheet	3	4

NOTE 29 Holdings, shares in subsidiaries

SEKm	2004	2003
Book values		
at 1 January	994	572
Shareholders' contribution	64	9
Impairment loss	-22	–
Reclassification	226	–
Investments	738	413
Sales	-160	–
	1,840	994

In December, 95% of the Swedish window manufacturer Elitfönster Group was acquired.

Specification of Parent Company's holdings of shares in subsidiaries

Subsidiaries, corp. id. no., reg. office	Number	Share, %	Book value, SEKm
Ratos Acquisition AB, 556645-5381, Stockholm	1,000	100	78
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6
Fastighets AB Strömparterren, 556309-8481, Stockholm	10,000	100	0
Arcorus AB, 556634-5632, Stockholm	28,401,900	100	576
Bluegarden Holding AS, 986 338 632, Oslo, Norway	70,100,000	100	230
Efonster Holding AB, 556633-3828, Stockholm	94,600,000	95	473
Gadelius Holding BV, 1206646, Amsterdam, Holland	18,000	100	86
Haendig AB, 556554-3625, Halmstad	1,220,845	100	270
Haglöfs Scandinavia AB, 556054-8694, Avesta	50,000	100	121
			1,840

A complete list of the parent company's holdings is available at the Swedish Companies Registration Office.

NOTE 30 Long-term receivables, subsidiaries

Interest-bearing

SEKm	2004	2003
Accumulated cost		
at 1 January	649	–
Settled receivable	-55	–
Reclassified receivable	43	–
Additional receivables	51	649
	688	649

Non-interest bearing

SEKm	2004	2003
Accumulated cost		
at 1 January	3	–
Additional receivables	53	3
	56	3
Total long-term receivables, subsidiaries	744	652

NOTE 31 Long-term receivables associates

Interest-bearing

SEKm	2004	2003
Accumulated cost		
at January 1	555	1 135
Additional receivables	–	12
Reclassified receivable	-43	–
Settled receivables	-476	-592
	36	555

Non-interest bearing

SEKm	2004	2003
Accumulated cost		
at 1 January	0	–
Additional receivables	63	–
	63	–
Total long-term receivables, associates	99	555

NOTE 32 Shares, other

SEKm	2004	2003
Choice Hotels	0	55
Industri Kapital	321	318
Overseas Telecom	27	27
	348	400

NOTE 33 Long-term receivables, other

Interest-bearing

SEKm	2004	2003
Accumulated cost		
at 1 January	66	28
Additional receivables	19	55
Settled receivables	-57	-17
	28	66

Non-interest bearing

SEKm	2004	2003
Accumulated cost		
at 1 January	16	–
Additional receivables	–	16
Settled receivables	-8	–
	8	16
Total long-term receivables, other	36	82

NOTE 34 Current receivables, subsidiaries

SEKm	2004	2003
Interest-bearing	5	2
Non-interest bearing	12	11
	17	13

NOTE 35 Current receivables, associates

SEKm	2004	2003
Interest-bearing	0	4
Non-interest bearing	0	180
	0	184

NOTE 36 Current receivables, other

SEKm	2004	2003
Interest-bearing	102	47
Non-interest bearing	13	6
	115	53

NOTE 37 Prepaid expenses and accrued income

SEKm	2004	2003
Accrued interest income	7	11
Other items	3	4
	10	15

NOTE 38 Shareholders' equity

Share capital

	Number OB	New issue	Cancellation	Conversion	Number CB	Nominal value	SEKm
Ordinary A	21,244,658			-15,602	21,229,056	@ 12.50	265.4
Ordinary B	59,497,968	432,000	-500,000	15,602	59,445,570	@ 12.50	743.0
	80,742,626	432,000	-500,000	0	80,674,626		1,008.4

Class A shares carry entitlement to one vote and class B shares to 1/10 of a vote.

Conversion of shares
The 2003 Annual General Meeting resolved that a conversion clause allowing conversion of A shares to B shares should be added to the articles of association. This means that owners of A shares have an ongoing right to convert them to B shares.

Call options 2001-2004
The 2001, 2002, 2003 and 2004 Annual General Meetings decided to issue call options on repurchased shares. The call options were offered to key people who acquired the call options at a market price. The price was determined after valuation by two external assessors. The purchase of options is subsidised by the option purchaser receiving a cash variable compensation payment corresponding to a maximum of 60% of the option premium after deduction for 55% standard tax for the option programmes 2001-2003 and 50% of the option premium for the 2004 option programme after deduction of 55% standard tax, whereby the variable compensation is divided into equal parts over five years and subject to the person concerned remaining in the employment of the Ratos Group. Option premiums are stated directly against shareholders' equity.

	Number
Total number of shares	80,674,626
Share buy-back, 2000	-2,164,800
Share buy-back, 2001	-197,400
Cancellation of repurchased shares, 2001	657,800
Share buy-back 2002	-312,786
Share buy-back 2003	-170,800
Share buy-back, 2004	-48,200
Cancellation of repurchased shares, 2004	500,000
Number of shares outstanding	78,938,440
Holding, repurchased shares 1,736,186 nominal value SEK 12.50	SEK 21.7m

In accordance with a decision at Ratos's Annual General Meeting in 2004, a reduction of Ratos's share capital has been carried out by SEK 6,250,000 representing 500,000 shares. During 2004, 432,000 class B shares were newly issued, in relation to the 1999 warrant programme. The number of shares then amounted to 80,674,626, of which repurchased shares owned by Ratos amount to 1,736,186.

Number of shares reserved for transfer according to option programmes

Annual General Meeting year	Number of call options decided	Number of call options acquired	Market price, SEK	Exercise price, SEK	Maturity date
2001	500,000	480,000	4.05	102.00	28 March 2006
2002	550,000	367,000	10.40	135.00	30 March 2007
2003	510,000	436,000	7.20	116.00	28 March 2008
2004	250,000	76,000	7.60	147.00	31 March 2009
Total number of reserved shares		1,359,000			

Proposed dividend per share SEK 8.50.

Restricted reserves
Restricted reserves may not be reduced through dividend payments.

Premium reserve
When shares are issued at a premium, i.e. more is paid for the shares than their nominal value, an amount corresponding to the amount received in excess of the nominal value of the shares is transferred to the premium reserve.

Statutory reserve
The purpose of the statutory reserve is to save part of net profits that are not used to cover a loss carried forward.

Unrestricted equity
Profits carried forward
Profits carried forward comprise the previous year's unrestricted equity after any provisions to reserves and after any dividend has been paid. Comprises together with profit for the year the sum of unrestricted equity, i.e. the amount that is available for dividends to shareholders.

NOTE 39 Accrued expenses and deferred income, parent company

SEKm	2004	2003
Personnel costs	45	30
Other	1	4
	46	34

Stockholm, 23 February 2005

Olof Stenhammar
Chairman

Lars Berg	Peggy Bruzelius	Göran Grosskopf
Jan Söderberg	Per-Olof Söderberg	Arne Karlsson CEO

The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting.

Auditors' Report

To the Annual General Meeting of Ratos AB (publ)
Corporate identity number 556008-3585

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of Ratos AB for the 2004 financial year. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the accounting policies used and of their application by the Board of Directors and the CEO, and of the significant estimates and judgements made by the directors in the preparation of the annual accounts and consolidated accounts as well as an evaluation of the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the CEO. We also examined whether any board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted auditing standards in Sweden. The Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Directors' report, and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, 23 February 2005

KPMG Bohlins AB
Thomas Thiel
Authorised Public Accountant

Board of Directors and Auditors

Olof Stenhammar

Honorary Doctor of Philosophy and Economics.
Born 1941.
Chairman. Board Member since 1994.

Chairman of OMX, Basen, Mentor Foundation, Olympialaget Våga Vinna, Wilhelm Stenhammar's Foundation and Åre 2007. Board Member of Ledstiernan, LjungbergGruppen, the Board of Trustees of SNS (Swedish Centre for Business and Policy Studies), the Stockholm Chamber of Commerce, the Mentor Foundation, Svenska Sjöräddningssällskapet, and other companies.

Shareholding in Ratos: 240,000 B shares (private and company)

Lars Berg

Born 1947.
Board Member since 2000.

Chairman of Eniro, Netinsight and Viamare Invest. Board Member of Anoto Group, Telefonica Moviles, and other companies.

Shareholding in Ratos: 3,000 B shares

Peggy Bruzelius

Born 1949.
Board Member since 1998.

Chairman of Grand Hôtel Holdings and Lancelot Asset Management. Deputy Chairman of Electrolux. Board Member of Axel Johnson, Axfood, the Stockholm School of Economics Association, the Industry and Commerce Stock Exchange Committee, Scania, Syngenta, and other companies. Vice President of IVA.

Shareholding in Ratos: 2,000 B shares

Göran Grosskopf

Professor, Doctor of Law, Honorary Doctor of Economics. Born 1945.
Board Member since 1996.

Chairman of BergendahlsGruppen and InterIKEA. Board Member of International Bureau of Fiscal Documentation, PEAB, Possio, Svox, Åkerströms, and other companies.

Shareholding in Ratos: 40,000 B shares

Jan Söderberg

Born 1956.
Board Member since 2000.

Chairman of STI Plast, Elisolation HTM and Svenska Industriplast. Advisory Board Lund School of Economics and Management.

Shareholding in Ratos: 3,328,363 A shares
2,610 B shares

Per-Olof Söderberg

Born 1955.
Board Member since 2000.

Chairman of Söderberg & Partners. Board member of Dahl International, the Stockholm School of Economics Association, Martin Olsson and Oxigene.

Shareholding in Ratos: 2,225,729 A shares

Arne Karlsson

Born 1958.
CEO of Ratos since 1999. Board member since 1999.

Board Member of Camfil, Haglöfs, HL Display. Member of the Swedish Securities Council.

Shareholding in Ratos: 26,400 B shares
Number of options in Ratos: 140,000 call options 2001
105,000 call options/2002
100,000 call options/2003

Auditors

KPMG Bohlins

Thomas Thiel

Authorised Public Accountant, auditor in charge.

Göran Grosskopf
Arne Karlsson
Jan Söderberg
Olof Stenhammar
Per-Olof Söderberg
Peggy Bruzelius
Lars Berg

Analysis

Analysis of results

Ratos's income statement and balance sheet

Ratos applies the purchase method in its consolidated financial statements. This means that subsidiaries' profit before tax and after Ratos's goodwill amortisation is stated as "Profits from subsidiaries". For Ratos's associated companies, where ownership is 20-50%, Ratos applies accounting of investments in associates according to the equity method. Associated companies' earnings are stated as "Share of profits of associates" and correspond to Ratos's owner share of the company's pre-tax profit minus Ratos's goodwill amortisation. Ratos's share of subsidiaries' tax and associates' tax is stated as tax.

In the event of an exit, i.e. sale of a holding, the capital gain or loss is stated as "Exit gains/losses, subsidiaries" and "Exit gains/losses, associates" respectively. Sold companies' earnings are included until the date of sale and acquired companies' earnings are included with effect from the acquisition date.

The exit result is the difference between the selling price and consolidated value with adjustment for the accumulated exchange differences which previously affected shareholders' equity, but which were not reported in earnings.

Impairment losses in associates and subsidiaries are reported on a separate line.

Other companies, where the holding is less than 20%, affect Ratos's results through "Exit gains/losses, other companies" and "Dividends from other companies".

Ratos's shareholdings in associates are reported as shares under financial fixed assets in the consolidated balance sheet and the consolidated book value corresponds to the initial investment amount. The book value of the participation in the company concerned changes when the holding's equity changes or when Ratos's consolidated surplus/deficit values, such as goodwill, change. If the holding reports a profit after tax, the value of Ratos's share increases. Exchange differences, as well as dividends, are booked over equity and affect the book value of Ratos's share in the company. Ratos's shares in subsidiaries are fully consolidated in the consolidated balance sheet. A more detailed description of Ratos's accounting principles is provided in the Notes to the financial statements on page 45.

Results for the Ratos Group

The Group's profit before tax amounted to SEK 1,989m (812). Profit from the holdings amounted to SEK 2,087m (846), of which share of the holdings' current profit amounted to SEK 638m (388). Ratos's consolidated amortisation of goodwill in subsidiaries and associates as well as Ratos's share of goodwill amortisation in subsidiaries and associates totalled SEK 290m (302).

In the 2004 annual accounts an impairment test was performed on all Ratos's holdings whereby the carrying amount was compared with the recoverable amount. The recoverable amount is the higher of net selling price and value in use of each holding. In the valuation of the holdings, no need to recognise an impairment loss arose. An impairment loss of SEK 17m was recognised on remaining central goodwill from the acquisition of Atle in 2001.

Ratos's results 2004 [1)]

SEKm	Ratos's holdings, %	Profit incl. goodwill amortisation 2004	2003	Profit excl. goodwill amortisation 2004	2003
Alimak Hek [2)]	50	23	-30	27	-26
Arcorus [3)]	100	44	79	62	97
Atle Industri	50	19	8	43	35
Bluegarden	100	20	–	38	–
BTJ InfoData	49	26	–	44	–
Camfil	30	42	34	62	55
Dahl	–	27	153	37	190
DIAB	50	11	-3	40	25
Dynal Biotech [4)]	25	17	10	40	33
Gadelius	100	-3	5	7	12
Giga Consulting	50	–	-1	–	0
Haendig	100	41	15	55	24
Haglöfs	100	13	12	17	16
HL Display	29	12	-11	20	-2
Lindab	48	86	44	145	101
LRT/Tornet	40	226	-5	226	-5
Martinsson	50	4	-4	16	8
Overseas Telecom	9	–	–	–	–
Q-Labs	–	1	2	1	2
Superfos	33	29	-18	48	1
Capona			23		25
DataVis			-2		-2
Hilding Anders			77		101
Total profit/share of profits		**638**	**388**	**928**	**690**
Impairment losses					
Atle		-17		-17	
Q-Labs			-7		-7
Total impairment losses		**-17**	**-7**	**-17**	**-7**
Exit gains					
Capona			195		195
Choice		-10		-10	
Dahl		1,355		1,355	
DataVis			5		5
Dynal Biotech		1		1	
Hilding Anders			212		212
Industri Kapital		92	32	92	32
Q-Labs		0		0	
Total exit gains		**1,438**	**444**	**1,438**	**444**
Dividends from other companies		28	21	28	21
Profit from holdings		**2,087**	**846**	**2,377**	**1,148**
Net expenses		-98	-34	-98	-34
Consolidated profit before tax		**1,989**	**812**	**2,279**	**1,114**

1) Ratos's reporting of subsidiaries' profits and share of profits from associates is affected, among other things, by changed accounting principles, ownership duration, ownership stake and financial structure, which makes comparability between the years difficult. To facilitate analysis of the holdings, a table is provided on pages 72-73.

2) Name changed from Intervect.

3) With effect from January 2005, Arcorus ceased to be a parent company. The subsidiaries Hägglunds Drives and GS-Hydro are subsequently reported as separate holdings.

4) Entire holding sold after end of period.

Exit gains amounted to SEK 1,438m (444) most of which was attributable to the sale of Dahl (SEK 1,355m). The sale of Q-Labs had no earnings impact. In addition, Industri Kapital carried out exits including Nobia, Alfa-Laval and Oriflame which made a positive contribution to Ratos's result.

Central income and expenses

Central income and expenses amounted to SEK -98m (-34), of which personnel costs amounted to SEK -108m (-60). The variable portion of personnel costs was SEK 54m (18). Other expenses, including costs for acquisition and exit processes, amounted to SEK 53m (40). Net financial items amounted to SEK 63m (66).

Cash flow

Cash flow from operating activities in the Group and investing activities was SEK 1,002m (1,144). The Group's cash and cash equivalents at the end of the period amounted to SEK 2,160m (1,632) of which short-term, interest-bearing investments comprised SEK 1,866m (1,462). The Group's interest-bearing liabilities amounted to SEK 1,687m (348).

The parent company's cash flow from operating activities amounted to SEK 158m (104). Completed exits contributed SEK 1,787m (1,398) to cash flow while new investments affected cash flow by SEK 927m (1,081). Dividends received totalled SEK 91m (121). The parent company's cash and cash equivalents amounted to SEK 1,890m (1,500) at year-end and interest-bearing liabilities amounted to SEK 166m (132).

Reported equity

Ratos's reported equity at year-end amounted to SEK 9,026m (7,827) corresponding to SEK 114 (100) per share.

Tax situation

Ratos's parent company is taxed according to the rules for investment companies. This means that capital gains which arise are not taxable. The company declares a standard income corresponding to 1.5% of the market value of listed shares that at the end of the year have been held for less than one year or where the holding is less than 10%. Dividends received are also declared as income. Net interest and expenses are tax deductible as are dividends paid. The parent company normally pays no tax mainly due to dividends paid. Ratos's consolidated tax expense therefore almost exclusively comprises tax in associates and subsidiaries. The Ratos Group's tax expense for 2004 amounted to SEK 197m (193).

Financial targets and strategies

Ratos's main financial target is that profitability for each individual investment should achieve an annual average return, IRR, of 20%. During the period 1 January 1999 until year-end 2004, IRR on all completed exits amounted to 28%. In conjunction with the annual valuations performed on all holdings in the portfolio, conservative valuations (which are not published) are also carried out. Based on the result of these valuations, the holdings in Ratos's core business (i.e. excluding cash and cash equivalents and the former asset management activities) provided an IRR of approximately 18% since 1 January 1999. This figure includes both current and divested portfolio companies.

One of Ratos's financial targets is that the total return on Ratos shares over time shall outperform the average on the Stockholm Stock Exchange. The total return on Ratos shares, accumulated over the period 1999-2004, was 263% compared with 34% for the Stockholm Stock Exchange.

Equity

SEKm	31 Dec 2004	% of equity
Alimak Hek (formely Intervect)	181	2
Arcorus [1]	550	6
Atle Industri	412	5
Bluegarden	236	3
BTJ InfoData	261	3
Camfil	422	5
DIAB	580	7
Dynal Biotech [2]	273	3
Elitfönster	473	5
Gadelius	144	2
Haendig	309	3
Haglöfs	124	1
HL Display	226	3
Industri Kapital	330	4
Lindab	1,115	12
LRT/Tornet	848	8
Martinsson	117	1
Overseas Telecom	27	0
Superfos	341	4
Total	**6,969**	**77**
Other shares	13	0
Parent company's property	11	0
Other assets/liabilities (net) in central companies	2,033	23
Total equity	**9,026**	**100**

[1] With effect from January 2005, Arcorus is no longer a group. Subsequently, the subsidiaries Hägglunds Drives and GS-Hydro will be reported as separate holdings in Ratos.

[2] The entire holding was sold after the end of the period.

Ratos has an aggressive dividend policy. During the past six years Ratos's dividend has increased by an average of 14% per year.

When Ratos has surplus liquidity in relation to the investment opportunities that can be identified in the foreseeable future, Ratos is able to exercise the buy-back mandate provided by the annual general meeting. A total of 2,893,986 shares have been repurchased, of which 1,157,800 have been cancelled.

The financial strategies in Ratos's parent company and Ratos's holdings, wholly or partly owned, are entirely separate. The board of each company decides and has independent responsibility for each company's financial strategy. The companies are also responsible for their own financing.

The parent company should normally be unleveraged. Since the beginning of 2005 the parent company has had a rolling five-year credit facility amounting to SEK 1.3 billion including a bank overdraft facility. The credit facility will be used as bridging financing for acquisitions and to finance dividends and day-to-day operating expenses in periods with few or no exits.

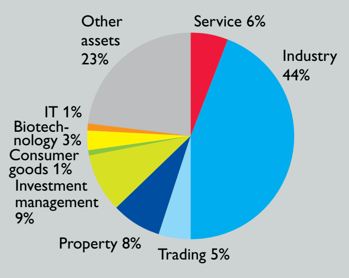
Investment of cash and cash equivalents may only be made in fixed-income securities with a very low risk and high liquidity. Foreign shareholdings are not generally hedged.

When holdings are acquired, a leveraged holding company may be used in order to achieve a tailor-made financial structure. This method is particularly suitable in operations with a good cash flow.

New international accounting rules IAS/IFRS

With effect from 2005 all listed companies within the EU must apply new accounting rules according to IAS/IFRS standards. The new accounting rules will lead to a number of changes and the Stockholm Stock Exchange has issued a recommendation to listed companies to provide in their annual accounts for 2004 such informa-

Sector breakdown/equity



tion that clarifies the effects of the new accounting standards.

For Ratos the new rules result in some significant differences which are reported below. A more detailed description is provided in the notes to the financial statements on page 45.

Opening balance

The 2004 opening balance, profit and closing balance are restated taking the new rules into account. The effects on the opening balance are relatively minor.

Goodwill

The accounting treatment of goodwill is of particular interest to Ratos due to the acquisitions and divestments carried out within Ratos's operations. The valuations made of Ratos's holdings are based, among other things, on forecasts of future cash flows. This means that being able to clearly track the development of the holdings regardless of goodwill amortisation is an advantage to anyone wishing to value Ratos's holdings.

The new IAS/IFRS rules regarding goodwill mean that no amortisation of goodwill is permitted. Instead, a mandatory value test will be introduced which may result in an impairment loss in the book value. In the Ratos Group there is goodwill at different levels, goodwill which arises when Ratos invests in a subsidiary or associate and the goodwill which arises in the respective company.

When a subsidiary is acquired, goodwill is reported under intangible fixed assets in Ratos's consolidated balance sheet. When Ratos acquires an associate, on the other hand, goodwill is recognised under financial fixed assets in Ratos's consolidated balance sheet as part of the value of participations in associates.

Total goodwill

SEKm	31 Dec 2004
Ratos's goodwill in subsidiaries and associates	800
Ratos's share of goodwill reported in subsidiaries and associates	4,000
Total goodwill including Ratos's share of the holdings' goodwill	4,800

SEKm	2004 result	2004 according to IFRS
Profit, subsidiaries and associates	638	974
of which goodwill amortisation	-290	0
Exit gains, subsidiaries and associates	1,356	1,356
Financial fixed assets	5,249	5,487
Equity	9,026	9,326

Ratos's holdings at 31 December 2004

	Net sales		EBITA		EBT		Items affecting comparability		Goodwill amortisation
SEKm	2004	2003	2004	2003	2004	2003	2004	2003	2004
Alimak Hek (formerly Intervect)	1,021	990	67	-8	50	-33	0	-29	3
Atle Industri [1]	2,084	2,375	97	84	59	36	0	0	32
Bluegarden [2]	360	392	40	39	26	25	-13	-11	11
BTJ InfoData [3]	1,980	1,756	188	209	85	126	-6	-11	67
Camfil	2,855	2,691	242	208	166	139	0	-1	44
DIAB	759	658	87	58	81	52	-3	0	0
Dynal Biotech	661	595	184	161	67	38	0	0	92
Elitfönster [4]	1,235	1,080	136	108	97	42	1	0	14
Gadelius [5]	595	620	11	25	9	23	-1	2	1
GS-Hydro [6] [7]	482	503	1	25	-18	6	0	0	10
Haendig	1,291	1,194	70	65	44	39	0	0	10
Haglöfs	340	341	20	19	16	15	0	0	1
HL Display	1,311	1,129	81	-2	68	-9	-6	-33	1
Hägglunds Drives [6]	970	887	114	89	107	84	0	0	1
Lindab	5,477	5,302	374	305	180	92	0	0	121
LRT/Tornet [8]	2,223	2,403	1,808	1,488	769	450	0	-123	–
Martinsson [9]	1,522	1,247	34	15	26	9	0	0	7
Overseas Telecom	287	307	353	215	501	194	0	0	1
Superfos	3,139	3,217	267	121	93	-52	0	0	55
Total incl LRT/Tornet [10]	**28,305**	**27,380**	**3,821**	**3,009**	**1,925**	**1,082**			
Total excl LRT/Tornet [10]	**26,082**	**24,977**	**2,013**	**1,521**	**1,156**	**632**			
Change incl LRT/Tornet	**3%**		**27%**		**78%**				
Change excl LRT/Tornet	**4%**		**32%**		**83%**				

[*] Cash flow refers to cash flow from operating activities and investing activities.

[1] Atle Industri is not a legal group.

[2] EBT 2003 is pro forma taking the new group structure into account. Investments and cash flow relate to the operating activities.

[3] Income statement items and cash flow are pro forma since InfoData, which was acquired in the spring, is included from the beginning of the year.

Amortisation of Ratos's goodwill in subsidiaries and associates amounted to SEK 84m (37) in 2004 while total goodwill amortisation – including Ratos's share of goodwill amortisation in its holdings – amounted to SEK 206m (265). Taking into account an underlying total goodwill of approximately SEK 4,800m and the amortisation periods chosen in each case, full year earnings in the Ratos Group in its present form would be charged with annual goodwill amortisation of approximately SEK 290m (302). Taking the new IAS rules into account, Ratos's reported current profit would increase as well as the book net asset value of the holdings and Ratos's equity. In the event of an exit, the exit result, all things being equal, would decrease by a corresponding amount. In the event Ratos had not effected any goodwill amortisation, the current profit would increase by a corresponding amount as shown in the table below.

Ratos's profit and goodwill amortisation

SEKm	2004	2003
Profit before tax and goodwill amortisation (EBTA)	2,279	1,114
Total goodwill amortisation	-290	-302
Profit before tax (EBT)	1,989	812

Pension commitments

With effect from 2004 the international accounting rules for pensions (IAS 19) apply in Sweden in the form of the Swedish Financial Accounting Standards Council's recommendation number 29, Employee Benefits.

Accounting treatment of defined benefit pension plans differs significantly from today's accounting. According to RR 29 only one method is permitted for calculating the present value of pension commitments and related pension costs and a requirement will be introduced for all pension commitments in a group to be calculated according to this method. This differs from previous norms. If a calculation according to RR 29 gives a different pension liability than previously, this is reported as a one-time adjustment of opening equity in 2004.

Financial instruments

Accounting for financial instruments is also affected by the new accounting rules. The greatest change is measurement and recognition of derivative instruments where in future all derivative instruments will be measured at fair value on the closing day. Changes in fair value will be disclosed in the income statement. In hedge accounting the change in fair value can instead be "parked" in shareholders' equity. Regardless of which choice the company makes, changes in the value of derivative instruments will affect shareholders' equity. The international recommendations regarding disclosure and recognition of financial instruments (IAS 32 and 39) do not need to be applied until 1 January 2005 and this also applies to Ratos.

Other depreciation 2004	Investments 2004	Cash flow *) 2004	Shareholders' equity 31 Dec 2004	Interest-bearing net debt 31 Dec 2004	Goodwill 31 Dec 2004	Average no. employees 2004	Ratos's consolidated value 31 Dec 2004	Investment year	Ratos's share of capital, %	SEKm
35	34	63	285	253	41	721	181	2001	50	Alimak Hek (formerly Intervect)
31	45	129	595	66	61	1,161	412	2001	50	[1] Atle Industri
21	20	-4	236	101	274	281	236	2003	100	[2] Bluegarden
21	38	237	301	406	806	935	261	2004	49	[3] BTJ InfoData
80	110	106	1,025	443	517	2,619	422	2000	30	Camfil
35	53	46	209	211	0	788	580	2001	50	DIAB
38	55	140	1,101	344	1,102	425	273	2001	25	Dynal Biotech
29	40	91	500	688	863	995	473	2004	95	[4] Elitfönster
4	2	19	96	122	3	192	144	2001	100	[5] Gadelius
12	16	-21	129	218	115	307	129	2001/2005	100	[6,7] GS-Hydro
13	11	48	251	257	107	391	309	2001	100	Haendig
4	1	11	73	42	3	123	124	2001	100	Haglöfs
45	45	48	325	18	0	996	226	2001	29	HL Display
23	44	73	198	149	7	514	332	2001/2005	100	[6] Hägglunds Drives
172	250	265	2,311	1,552	1,880	4,011	1,115	2001	48	Lindab
196	531	1,914	2,253	11,136	–	240	848	2003	40	[8] LRT/Tornet
4	27	-28	72	49	64	523	117	2001	50	[9] Martinsson
69	50	700	763	-394	1	492	27	1996	9	Overseas Telecom
277	255	198	985	1,948	845	1,800	341	1999	33	Superfos

4) Earnings, cash flow and investments relate to Elitfönster. Balance sheet items relate to Efonster Holding AB, i.e. holding company formed when Ratos acquired Elitfönster on 31 December 2004.

5) Gadelius is owned by a Dutch holding company. Figures exclude the holding company.

6) The companies are part of the Arcorus Group until 31 December 2004.

7) Comparative figures are pro forma.

8) EBITA and EBT 2003 are pro forma taking account of the new group formed at 31 December 2003. Cash flow and investments relate to Fastighets AB Tornet. Indirect ownership in Fastighets AB Tornet is 33%.

9) EBT 2003 is pro forma taking the new group into account.

10) Excluding Overseas Telecom which is not an associated company.

Alimak Hek – strong earnings improvement

Ratos became an owner in Alimak Hek (name changed from Intervect) in conjunction with the acquisition of Atle in 2001. Ratos's holding amounts to 50%. 3i is co-owner with 50%. Ratos has invested SEK 227m in Alimak Hek.

Consolidated book value in Ratos at year-end was SEK 181m.

Ratos is represented on the Board by Leif Johansson, who is also the Investment Manager for this holding, and Thomas Hofvenstam.

Operations

The Alimak Hek Group was formed in 2001 when the Swedish lift manufacturer Alimak merged with the Dutch work platform manufacturer HEK International. Alimak Hek is a world leader in rack and pinion driven equipment for vertical access. The company develops, manufactures, sells and leases complete systems for vertical transport of people, materials and machines. The products are based on a rack and pinion technology and comprise industrial hoists, platforms and mast-climbing work platforms. Alimak Hek also has considerable after-sales operations with sales of spare parts and service. Sales are conducted in 15 sales subsidiaries and through agents. The customer base is global and comprises leasing companies and end users in the construction industry as well as users in other industries such as crane manufacturers, the power industry and ports. Alimak Hek's operations are conducted in four business areas: Construction (32% of sales), Rentals (37%), Industrial (14%) and After Sales (17%).

Vertical transport of people, materials and machines has traditionally been carried out using scaffolding, which is still the dominant method. Scaffolding leads to lower costs, but is less safe, slower and offers limited opportunities to transport people and materials. Today, the solution provided by Alimak Hek's products is capturing market share from traditional scaffolding.

Alimak Hek has a very strong position in the global market for rack and pinion lifts and platforms (Vertical Access Logistics Solution) which is estimated at EUR 57 billion. The competition is mainly local and primarily consists of national and regional companies. The market for Alimak Hek's products is growing by 3-4% per year with a growing demand for leasing and aftermarket services. The technology changeover from scaffolding to platforms and hoists is also expected to stimulate growth.

Petter Arvidson, CEO

The past year

Markets, particularly the US and Australia, showed positive development in 2004 while the construction market in large parts of Europe was relatively weak. Alimak Hek's sales were in line with the previous year and amounted to SEK 1,021m (990). Alimak Hek considerably improved its profit before goodwill amortisation (EBITA) which amounted to SEK 67m (-8). The improved earnings in 2004 were due to extensive action programmes carried out by the company in recent years. Profit after net financial items amounted to SEK 50m (-33).

Future prospects

Alimak Hek also carried out a number of improvement and development projects during 2004 that are expected to contribute to an improved result in 2005. Alimak Hek is judged to have a favourable strategic starting point as the market leading global supplier.

Board of Directors

Björn Kumlin	Chairman
Christer Högberg	BT Industries
Leif Johansson	Ratos
Anders C. Karlsson	formerly Skanska
Hans Werner	3i
Petter Arvidson	CEO
Thomas Hofvenstam	Deputy, Ratos
Krister Nilsson	Deputy, 3i
Stefan Petersson	Co-opted, CFO

Management

Petter Arvidson	CEO
Ernst van Hek	Vice President, CEO HEK Product Company
Nils-Erik Häggström	Vice President, CEO Alimak Product Company
Frank Klessen	Head of Rental business area
Stefan Petersson	CFO
Fredrik Wiking	Business Development/Controller

Alimak Hek

SEKm	2004	2003	2002	2001	2000 [1]
Income statement					
Net sales	1,021	990	1,120	1,166	1,106
Operating expenses	-919	-930	-1,051	-1,105	-932
Other income	0	0	0	11	0
Items affecting comparability	0	-29	-25	0	0
EBITDA	102	31	44	72	174
Depreciation	-35	-39	-50	-75	-72
EBITA	67	-8	-6	-4	102
Goodwill amortisation	-3	-6	-2	-3	-1
EBIT	64	-14	-8	-7	101
Financial income	8	9	12	14	10
Financial expenses	-22	-28	-35	-42	-38
EBT	50	-33	-31	-35	73
Tax	-18	8	12	-2	-24
Minority interests	0	0	0	0	0
Net profit/loss for the year	32	-25	-19	-37	49
Balance sheet					
Goodwill	41	44	45	45	10
Other intangible fixed assets	12	12	5	4	0
Tangible fixed assets	160	173	213	303	291
Financial fixed assets	37	41	19	5	9
Total fixed assets	250	270	282	357	310
Inventories	187	175	222	291	284
Current receivables	273	295	336	447	430
Cash, bank, short-term investments	30	52	35	41	19
Total current assets	490	522	593	779	733
Total assets	740	792	875	1,136	1,043
Shareholders' equity	285	255	285	313	305
Minority interests	0	0	0	0	0
Interest-bearing provisions	55	54	46	50	0
Non-interest bearing provisions	7	14	16	31	69
Interest-bearing liabilities	228	308	350	491	479
Non-interest bearing liabilities	165	161	178	251	190
Total shareholders' equity and liabilities	740	792	875	1,136	1,043
Cash flow statement					
Cash flow from operating activities	80	100	102	134	-7
of which change in working capital	16	66	93	42	-48
Cash flow from investing activities	-17	-45	80	-74	-1
of which investments	-34	-69	-61	-157	-80
of which sales	17	24	141	83	79
Cash flow from financing activities	-84	-36	-185	-19	47
of which change in loans	-84	-38	-185	-19	47
of which capital contribution	0	2	0	0	0
of which dividends	0	0	0	0	0
Cash flow for the year	-21	19	-3	41	39
Key figures					
EBITA margin, %	6.6	neg.	neg.	neg.	9.2
EBT margin, %	4.9	neg.	neg.	neg.	6.6
Return on equity, %	11.9	neg.	neg.	neg.	–
Return on capital employed, %	12.2	neg.	0.5	0.9	–
Equity ratio, %	39	32	33	28	29
Interest-bearing net debt, SEKm	253	310	361	500	460
Debt/equity ratio, gross, times	1.0	1.4	1.4	1.7	1.6
Cash flow after investments, SEKm	63	44	182	60	-8
Average number of employees	721	766	840	854	863

[1] Pro forma.

Atle Industri – four divestments completed

In connection with the acquisition of Atle in 2001 by Ratos and 3i, the holdings in 17 companies were placed in a separate group called Atle Industri. Seven of the companies have been sold and today the portfolio consists of 10 companies, 8 of which are wholly owned. Ratos and 3i each own directly and indirectly 50% of Atle Industri. Ratos has invested a total of SEK 514m in Atle Industri.

Consolidated book value in Ratos amounted to SEK 412m at year-end 2004.

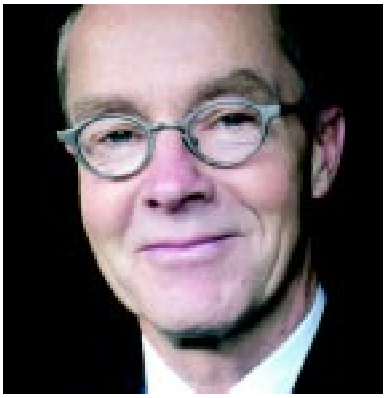
Ratos is represented on the board by Thomas Mossberg and Anna Ahlberg, with Stig Karlsson as a co-opted member. Thomas Mossberg is the Investment Manager for this holding.

Three operating areas

The companies in Atle Industri operate in the engineering industry, trading and waste management. The largest companies are Elpress (electrical connectors), Envac (waste management systems), Moving (materials handling systems), Nordhydraulic (hydraulic valves), Pressmaster Tool (crimping tools) and Tempcold (distributes cooling products).

Continued earnings improvement

Pre-tax profit improved and amounted to SEK 59m (36). This improvement in earnings was due to action programmes initiated earlier, growth measures and operational improvements in the portfolio companies. Above all Envac, the largest holding in the portfolio, Pressmaster, Jens S and Elpress showed positive development. Moving and Tempcold had less favourable results. The portfolio as a whole continued to show a positive cash flow after investments, SEK 129m.



Hans Åke Norås, CEO

Four companies were sold during the year: Bierregaards, Näsström System, Luma and Navigera. These sales provided a total exit gain of SEK 12m.

In 2004 Ratos received SEK 62m from Atle Industri, of which SEK 43m in the form of a dividend and SEK 19m in a loan repayment.

Prospects for 2005

Atle Industri works as an active owner in its holdings. Efforts focus on value growth in each individual holding. This includes a focus on the companies' development potential, operational improvements, cash flows and capital structure.

Atle Industri's holdings

Company	Operations	Atle Industri's holding	2004 Sales SEKm	2003 Sales SEKm	2004 EBT SEKm	2003 EBT SEKm
Engineering industry						
Elpress	Manufactures and sells crimping systems for electrical applications.	100%	162	142	10.8	7.3
Evert Johansson	Develops, manufactures and markets machines and systems solutions for industry, primarily the wood and furniture industry.	100%	13	20	-4.7	-2.9
Moving	Develops and produces equipment and systems for effective materials handling.	100%	317	297	-17.1	11.0
Nordhydraulic	Manufactures and sells hydraulic valves for mobile applications.	100%	144	138	2.2	2.1
Pressmaster	Develops, manufactures and markets high-quality crimping tools.	100%	79	69	5.9	0.3
Trading						
Ekman International	Trading house that markets, sells and distributes pulp and paper products worldwide.	36%	5,280	4,767	18.2	12.7
Elektrolindningar	Distributes electric motors and generators as well as new building of generators, control equipment and emergency power units.	100%	28	21	1.2	-3.4
Jens S Transmissioner	Mechanical transmission components.	70%	199	197	10.4	3.8
Tempcold	Comprehensive range of cooling products.	100%	287	312	-4.7	2.1
Waste management						
Envac	Systems for transporting waste fractions via pipeline systems using vacuum technology, as well as optic sorting systems for waste management.	100%	727	712	65.0	47.9

Atle Industri

SEKm	2004	2003	2002	2001	2000[1]
Income statement					
Net sales	2,084	2,375	2,454	2,384	2,340
Operating expenses	-2,006	-2,296	-2,409	-2,370	-2,148
Other income	0	0	14	3	0
Profit from associated companies	7	5	8	9	0
Gain from the sale of holdings	12	0	0	0	0
EBITA	97	84	67	26	192
Goodwill amortisation	-32	-36	-35	-37	-34
EBIT	65	48	32	-11	158
Financial income	5	7	3	11	–
Financial expenses	-11	-19	-18	-28	-14
EBT	59	36	17	-28	144
Tax	-25	-21	-27	-24	–
Minority interests	-4	-2	-2	-1	–
Net profit/loss for the year	30	13	-13	-52	–
Balance sheet					
Goodwill	61	131	162	192	–
Other intangible fixed assets	22	15	8	16	–
Tangible fixed assets	126	141	170	175	–
Financial fixed assets	102	90	79	53	–
Total fixed assets	311	377	419	436	–
Current assets, other	908	982	1,083	1,073	–
Cash, bank, other short-term invest.	167	132	131	91	–
Total current assets	1,075	1,114	1,214	1,164	–
Total assets	1,386	1,491	1,633	1,600	–
Shareholders' equity	595	652	650	577	–
Minority interests	11	8	8	6	–
Interest-bearing liabilities	233	260	318	404	–
Non-interest bearing liabilities	547	571	657	613	–
Total shareholders' equity and liabilities	1,386	1,491	1,633	1,600	–
Cash flow statement					
Cash flow from operating activities	82				
of which change in working capital	15				
Cash flow from investing activities	47				
of which investments	-45				
of which sales	92				
Cash flow from financing activities	-95				
of which change in loans	-10				
of which capital contribution	0				
of which dividends	-85				
Cash flow for the year	34				
Key figures					
EBITA margin, %	4.7	3.5	2.7	1.1	8.2
EBT margin, %	2.8	1.5	0.7	neg.	6.2
Return on equity, %	4.7	2.0	neg.	–	–
Return on capital employed, %	8.0	5.9	neg.	–	–
Equity ratio, %	44	44	40	36	–
Interest-bearing net debt, SEKm	66	128	187	313	–
Debt/equity ratio, gross, times	0.4	0.4	0.5	0.7	–
Cash flow after investments, SEKm	129	n/a	n/a	n/a	n/a
Average number of employees	1,161	1,313	1,430	n/a	n/a

[1] Pro forma.

Board of Directors

Lars Gårdö	Chairman, former CEO Atle
Anna Ahlberg	Ratos
Thomas Mossberg	Ratos
Christer Nilsson	3i
Hans Åke Norås	CEO
Stig Karlsson	Co-opted, Ratos

Management

Hans Åke Norås	CEO
Lars Carlson	CFO

Bluegarden – strategic acquisitions

In 2003, Ratos acquired the Norwegian company Bluegarden from Norway Post. Following the refinancing in 2004, Ratos's investment amounts to SEK 250m. Ratos has a 100% holding in the company.

Consolidated book value in Ratos at year-end amounted to SEK 236m.

Ratos is represented on the board by Bo Jungner, who is also the Investment Manager for this holding, as well as Per Frankling.

Operations

Bluegarden is one of the three largest players in payroll and human resources management (HRM) in the Nordic region. Operations focus on payroll processing systems and other HRM services, which are offered both in the form of software licensing, applications operation (ASP) and through other business models, including full outsourcing of HRM departments. Consulting services within HRM are also offered. Customers include many of the major Swedish, Norwegian and Danish corporations such as ABB, SEB, Nordea, Stora Enso, IKEA, DnBNOR, Helse Sør, Norway Post, Sonofon and Tine. A total of over a million Nordic employees receive their salaries via the Bluegarden Group's systems.

The company has 300 employees and operations in Norway, Denmark and Sweden.

The past year

During 2004 Bluegarden's sector was characterised by intensive restructuring. At the end of the year Bluegarden concluded an agreement to acquire Atos Origin PA-konsult (now Bluegarden PA-konsult), Sweden's leading supplier of payroll systems to major corporations. During the year strategic co-operation agreements were signed with the Danish market leader Multidata and with Intentia, which mean that Bluegarden will be Intentia's partner within HR.

Since its formation in 2000, Bluegarden has shown good profitability. Parts of the operations in Norway were made more effective during the year while important customer contracts were won with companies including DnBNOR, Helse Sør and Lindorff.

Bluegarden's sales amounted to NOK 331m (342). Operating profit before goodwill amortisation (EBITA) was NOK 37m (34), which was charged with non-recurring costs of approximately NOK 12m (10), among other things for staff reductions. Profit before tax amounted to NOK 24m.

Svein F. Gullaksen, CEO

Future prospects

The newly created group with operations in Norway, Sweden and Denmark, will benefit from being able to sell common Nordic products. Efficiency enhancements carried out in 2003 and 2004 combined with new contracts have laid a good foundation for continued improvements in profitability.

Board of Directors

Bo Jungner	Chairman, Ratos
Per Frankling	Ratos
Mats Lönnqvist	formerly Ratos
Bengt Paulsson	former CEO Atle IT
Henning Øglænd	Lawyer, DLA Nordic

Management

Svein F. Gullaksen	CEO
Morten Hveding Juel	CFO
Liv Waage	Administration
Emil Øveraasen	Customer Division
Eivind Skjelvik	Software Division
Marius Berg	Production Division
Bo Persson	CEO Bluegarden PA-konsult

Bluegarden

NOKm	2004	2003	2002	2001	2000
Income statement					
Net sales	331	342	339		
Operating expenses	-262	-279	-283		
Other income	0	0	0		
Items affecting comparability	-12	-10	0		
EBITDA	57	53	56		
Depreciation	-20	-19	-15		
EBITA	37	34	41		
Goodwill amortisation	-10	-11	-5		
EBIT	27	23	36		
Financial income	3	3	3		
Financial expenses	-6	-4	-4		
EBT	24	22	35		
Tax	-9	-9	-10		
Minority interests	0	0	0		
Net profit for the year	15	13	25		
Balance sheet					
Goodwill	252	29	33		
Other intangible fixed assets	68	79	76		
Tangible fixed assets	8	6	11		
Financial fixed assets	2	0	4		
Total fixed assets	328	114	124		
Inventories	0	0	0		
Current receivables	55	47	58		
Cash, bank,other short-term invest.	33	36	58		
Total current assets	88	83	116		
Total assets	416	197	240		
Shareholders' equity	217	101	102		
Minority interests	0	0	2		
Interest-bearing provisions	6	3	5		
Non-interest bearing provisions	0	0	0		
Interest-bearing liabilities	120	0	44		
Non-interest bearing liabilities	73	93	87		
Total shareholders' equity and liabilities	416	197	240		
Cash flow statement					
Cash flow from operating activities	15	41	55		
of which change in working capital	-29	-13	10		
Cash flow from investing activities	-18	-19	-20		
of which investments	-18	-19	-24		
of which sales	0	0	4		
Cash flow from financing activities	0	-44	-6		
of which change in loans	0	-44	-6		
of which capital contribution	0	0	0		
of which dividends	0	0	0		
Cash flow for the year	-3	-22	29		
Key figures					
EBITA margin, %	11.2	9.9	12.1		
EBT margin, %	7.3	6.4	10.3		
Return on equity, %	9.4	12.8	–		
Return on capital employed, %	13.4	20.4	–		
Equity ratio, %	52	51	43		
Interest-bearing net debt, NOKm	93	-33	-9		
Debt/equity ratio, gross, times	0.6	0.0	0.5		
Cash flow after investments, NOKm	-3	22	35		
Average number of employees	281	325	329		

BTJ InfoData – new holding

In March 2004 Ratos invested SEK 250m in BTJ. Ratos's investment allowed BTJ to acquire InfoData. The investment corresponds to 49% of the share capital and a convertible which at possible future conversion will provide an additional 7% stake. Other owners are Litorina Kapital (35%), Svensk Biblioteksförening (12%) and the company's management (4%).

Consolidated book value in Ratos amounted to SEK 261m at year-end.

Ratos is represented on the board by Bo Jungner, who is also the Investment Manager for this holding, as well as Henrik Joelsson.

Operations

BTJ InfoData is a leading supplier of information services and media products to companies, institutions, the book trade, publishers and universities. The group, which comprises two subsidiaries BTJ Nordic and InfoData, has operations in Sweden, Denmark and Finland. The group has just over 900 employees.

Through Bibliotekstjänst, BTJ Danmark and BTJ Kirjastopalvelu, BTJ is the leading supplier of information services and media products to public and school libraries in Sweden, Denmark and Finland. Among other things they offer purchasing guidance information, supplies of all types of media equipped to meet customer preferences as well as a range of search and ordering services. Booksellers and publishers are supplied with wholesale, logistics and information services through Seelig. Boktjänst works with technical literature and teaching materials, and BTJ Prenumerationsservice offer services related to subscriptions.

InfoData is one of Sweden's leading companies for the provision of information services. The company works primarily with national and international databases, direct marketing, electronic business, call centres and registry services. InfoData's online services supply large sections of public administration and industry with personal information, corporate information and legal information.

Fredrik Åkerman, CEO

The past year

The Swedish Competition Authority's approval of Ratos as an owner in the company came in April 2004. BTJ InfoData is therefore included in Ratos's results from the second quarter. BTJ InfoData as a whole performed well with InfoData showing particularly good development partly due to the advertising market gathering pace during the year. Several of the operating areas within the BTJ Group have experienced increased competition resulting in lower margins. BTJ InfoData's sales (pro forma) amounted to SEK 1,980m (1,756). Operating profit before goodwill amortisation (EBITA) was SEK 188m (209). Profit before tax amounted to SEK 85m (126). Fredrik Åkerman has been the new President and CEO since 1 September 2004.

Future prospects

A new organisation and price model were introduced during the fourth quarter in Bibliotekstjänst due to the increased competition but also to exploit synergy gains. The expectation is that this will have a positive impact on earnings at the beginning of 2005. InfoData is expected to continue its favourable development in pace with the growing advertising market and continuously improved products and services.

Board of Directors

Örjan Håkansson	Chiarman, former CEO Scribona
Gunilla Herdenberg	Swedish Library Association
Henrik Joelsson	Ratos
Bo Jungner	Ratos
Harold Kaiser	Litorina Kapital
Anders Skarin	former CEO Cap Gemini Nordic
Fredrik Åkerman	CEO
Christian Bentzer	Employee representative
Lena Larsson	Employee representative

Management

Fredrik Åkerman	CEO
Per Forsberg	President InfoData
Sophie Persson	President BTJ
Thomas Pileby	CFO

BTJ InfoData

SEKm	2004 1)	2003 2)	2002	2001	2000
Income statement					
Net sales	1,980	1,756			
Operating expenses	-1,765	-1,516			
Other income	0	0			
Items affecting comparability	-6	-11			
EBITDA	209	229			
Depreciation	-21	-20			
EBITA	188	209			
Goodwill amortisation	-67	-51			
EBIT	121	158			
Financial income	4	10			
Financial expenses	-40	-42			
EBT	85	126			
Tax	-31	-44			
Minority interests	0	0			
Net profit for the year	54	82			
Balance sheet					
Goodwill	806				
Other intangible fixed assets	27				
Tangible fixed assets	41				
Financial fixed assets	23				
Total fixed assets	897				
Inventories	75				
Current receivables	341				
Cash, bank,other short-term invest.	38				
Total current assets	454				
Total assets	1,351				
Shareholders' equity	301				
Minority interests	4				
Interest-bearing provisions	16				
Non-interest bearing provisions	57				
Interest-bearing liabilities	428				
Non-interest bearing liabilities	545				
Total shareholders' equity and liabilities	1,351				
Cash flow statement					
Cash flow from operating activities	230				
of which change in working capital	67				
Cash flow from investing activities	7				
of which investments	-38				
of which sales	45				
Cash flow from financing activities	-178				
of which change in loans	-178				
of which capital contribution	0				
of which dividends	0				
Cash flow for the year	59				
Key figures					
EBITA margin, %	9.5	11.9			
EBT margin, %	4.3	7.2			
Return on equity, %	–				
Return on capital employed, %	–				
Equity ratio, %	23				
Interest-bearing net debt, SEKm	406				
Debt/equity ratio, gross, times	1.5				
Cash flow after investments, SEKm	237				
Average number of employees	935	909			

1) Group formed on 1 April 2004. Income statement and cash flow are calculated pro forma since the acquisition of InfoData is included as of 1 January 2004.

2) Pro forma with relation to new group.

Camfil – improved profitability and new business plan

Ratos invested SEK 450m in Camfil in 2000, corresponding to a holding of 30%. Other owners are members of the founding family.

Consolidated book value in Ratos amounted to SEK 422m at year-end.

Arne Karlsson is the Investment Manager and a member of the board with Henrik Joelsson as deputy.

Operations

Camfil is a family company dating back two generations. The company was founded in 1963. When Ratos became a shareholder, Camfil was able to acquire its US competitor Farr. The Camfil Farr Group is today the world leader in clean air technology and air filters, with a global market share of over 10%. The Group is market leader in Europe and among the four largest in the US.

The Group has two main application areas: Comfort and Clean Processes. Comfort provides filter products which contribute to a good indoor climate. Clean Processes offers filter solutions for sensitive manufacturing processes, including clean rooms. Another significant application area for Camfil is filters that protect the environment from emissions from dirty and hazardous manufacturing processes, such as nuclear power stations, mines and chemical factories. Manufacturing is carried out in three continents and the Group is represented by subsidiaries and agents in some 55 countries. Repeat sales account for almost two-thirds of the market for air filters. The annual growth forecast for the total market is 4-6% over the next few years. The strongest growth is expected in the Asian markets.

The past year

Camfil's sales amounted to SEK 2,855m (2,691), an increase of 6% compared with the previous year. Growth was mainly due to a strong clean room market (air filters for facilities that manufacture LCD/plasma screens and semiconductors) in Asia. The Comfort market enjoyed stable development and sales in Europe and Asia showed good growth.

Operating profit before goodwill amortisation (EBITA) was SEK 242m (208). Profit after net financial items amounted to SEK 166m (139). The EBITA margin improved and amounted to 8.5% (7.7%).

Alan O'Connell, CEO

A new, long-term business plan was drawn up during the year. The plan contains clear financial targets and activities broken down by operating area and geographic market. Already in 2004 the activities in the business plan contributed to improving the Group's profitability, primarily by making the product programme and purchasing routines more efficient. In conjunction with the preparation of a new business plan the shareholder agreement between Ratos and the founder family was also renewed.

Future prospects

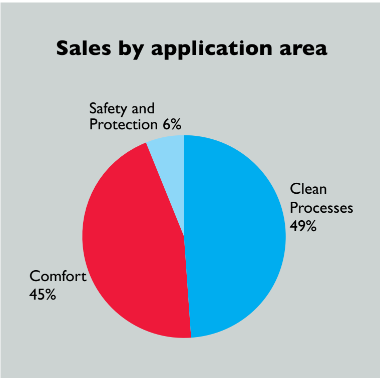
Camfil Farr has strong market positions in Europe and North America. The operations in Asia, which is the market with the greatest growth potential, are being built up. Efforts in the immediate future will focus on completing the activities identified and prioritised in the company's business plan. These activities are designed to achieve both continued profitability improvements and continued growth.

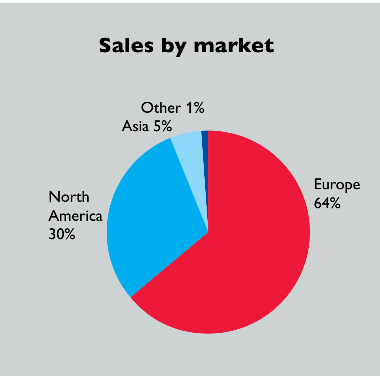
Board of Directors

Jan Eric Larson	Chairman, former CEO Camfil
Erik Giertz	Rector KTH Executive School
Arne Karlsson	Ratos
Johan Markman	former CFO Camfil
Carl Wilhelm Ros	former CFO Ericsson
Christer Zetterberg	former CEO Volvo
Rolf Wikström	Employee representative
Henrik Joelsson	Deputy, Ratos
Dan Larson	Deputy
Erik Markman	Deputy
Christer Stavström	Deputy

Management

Alan O'Connell	CEO
Johan Ryrberg	Deputy CEO, CFO





Camfil

SEKm	2004	2003	2002	2001	2000
Income statement					
Net sales	2,855	2,691	2,960	3,237	2,277
Operating expenses	-2,539	-2,426	-2,658	-2,945	-2,119
Other income	6	25	16	39	49
Items affecting comparability	0	-1	22	-7	0
EBITDA	322	289	340	324	207
Depreciation	-80	-81	-90	-92	-76
EBITA	242	208	250	232	131
Goodwill amortisation	-44	-47	-58	-62	-35
EBIT	198	161	192	170	96
Financial income	75	63	30	41	35
Financial expenses	-107	-85	-73	-115	-74
EBT	166	139	149	96	57
Tax	-63	-53	-72	-49	-7
Minority interests	0	0	0	0	0
Net profit for the year	103	86	77	47	50
Balance sheet					
Goodwill	517	605	768	1,010	967
Other intangible fixed assets	5	0	0	0	0
Tangible fixed assets	503	543	596	704	654
Financial fixed assets	100	94	120	163	148
Total fixed assets	1,125	1,242	1,484	1,877	1,769
Inventories	358	322	339	434	427
Current receivables	597	552	572	701	609
Cash, bank, other short-term invest.	167	382	374	279	237
Total current assets	1,122	1,256	1,285	1,414	1,273
Total assets	2,247	2,498	2,769	3,291	3,042
Shareholders' equity	1,025	1,045	1,087	1,137	1,026
Minority interests	0	0	0	0	0
Interest-bearing provisions	101	51	51	59	54
Non-interest bearing provisions	152	165	222	256	259
Interest-bearing liabilities	509	807	1,016	1,342	1,208
Non-interest bearing liabilities	460	430	393	497	495
Total shareholders' equity and liabilities	2,247	2,498	2,769	3,291	3,042
Cash flow statement					
Cash flow from operating activities	167	223	247	117	115
of which change in working capital	-62	5	47	-22	-48
Cash flow from investing activities	-61	-101	46	-85	0
of which investments	-110	-109	-86	-101	-66
of which sales	49	8	132	31	41
Cash flow from financing activities	-326	-106	-191	0	9
of which change in loans	-300	-80	-168	23	26
of which capital contribution	3	0	0	0	0
of which dividends	-28	-26	-23	-23	-16
Cash flow for the year	-220	16	102	32	124
Key figures					
EBITA margin, %	8.5	7.7	8.5	7.2	5.8
EBT margin, %	5.8	5.2	5.0	3.0	2.5
Return on equity, %	10.0	8.1	7.0	4.3	6.6
Return on capital employed, %	15.4	11.0	9.5	8.7	8.3
Equity ratio, %	46	42	39	35	34
Interest-bearing net debt, SEKm	443	476	693	1,122	1,025
Debt/equity ratio, gross, times	0.6	0.8	1.0	1.2	1.2
Cash flow after investments, SEKm	106	122	293	32	115
Average number of employees	2,619	2,602	2,635	2,760	2,199

DIAB – focus on efficiency enhancement

Ratos became an indirect owner in DIAB in 2001 in connection with the acquisition of Atle. Ratos's holding amounts to 50% and the remaining 50% is owned by 3i.

Consolidated book value in Ratos amounted to SEK 580m at year-end.

Stig Karlsson is the Investment Manager for the holding and represents Ratos on the board together with Henrik Blomé as a deputy.

Operations

DIAB is a world-leading company that manufactures and develops core materials for composite structures, including blades for wind turbines, hulls and decks for boats, and components for aircraft, trains, buses and space rockets. The core material has a unique combination of characteristics such as low weight, high strength, insulation properties and chemical resistance.

The products are built on a core of Divinycell, a fibre-reinforced polymer which is light, strong and rigid, or on a balsa material which is a simpler and less expensive core material. DIAB's customer segments are Marine (54%), Wind (29%), Industry (8%), Public Transportation (5%) and Aerospace (4%).

DIAB has production units in Sweden (Laholm), Italy (Longarone), the US (De Soto, Texas), Australia and Ecuador (balsa production). Production in Lithuania will start in 2005. DIAB has its own sales organisation in nine countries and more than 90% of sales take place outside Sweden.

DIAB has a strategically very strong position as the world-leading manufacturer of polymer materials. The market is in a growth phase and new applications are constantly being developed. The largest competitor is the Swiss company Airex.

DIAB is also number two in the global market for manufacture and sales of balsa materials.

The year in brief

Demand in DIAB's markets was strong in 2004 within most customer segments. Sales amounted to SEK 759m and improvement of 15%, where North America and Asia/Australia showed particularly strong development. DIAB's pre-tax profit improved considerably from SEK 52m to SEK 81m. An improved product programme was introduced during the year, which had a negative impact on profitability during the launch period. In 2004 Ratos received a dividend from DIAB of SEK 72m.

Anders Paulsson, CEO

Future prospects

DIAB is a world-leading company in an attractive market with good potential for long-term growth, in the wind power segment and new applications. Growth will primarily be achieved through increased sales to existing customers, where both previous and new applications have great potential. An improved product programme in addition to further developed technical properties for customers will also allow efficiency enhancement in production which in turn are expected to contribute to profitability improvements in the next few years.

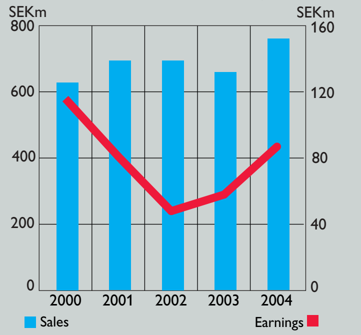
Board of Directors

Carl-Erik Ridderstråle	Chairman, formerly BT-Trucks
Tomas Ekman	3i
Sven-Åke Henningsson	formerly Beckers
Stig Karlsson	Ratos
Jonas Henningsson	Employee representative
Kjell- Arne Nilsson	Employee representative
Gustav Bard	Deputy, 3i
Henrik Blomé	Deputy, Ratos

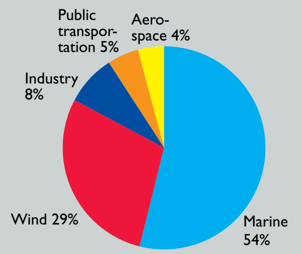
Management

Anders Paulsson	CEO
Peter Sundback	CFO

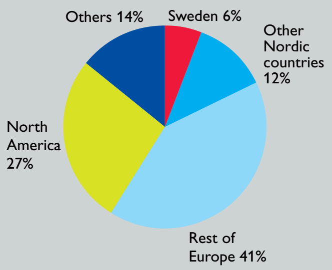
Sales and earnings



Sales by customer segment



Sales by market



DIAB

SEKm	2004	2003	2002	2001	2000
Income statement					
Net sales	759	658	694	693	627
Operating expenses	-634	-565	-611	-583	-519
Other income	0	0	0	0	0
Items affecting comparability	-3	0	0	0	31
EBITDA	122	93	83	110	139
Depreciation	-35	-35	-35	-29	-23
EBITA	87	58	48	81	116
Goodwill amortisation	0	-1	-1	-1	-1
EBIT	87	57	47	80	115
Financial income	1	2	0	1	1
Financial expenses	-7	-7	-6	-5	-6
EBT	81	52	41	76	110
Tax	-9	-17	-7	-21	-23
Minority interests	0	0	0	0	0
Net profit for the year	72	35	34	55	87
Balance sheet					
Goodwill	0	0	1	2	2
Other intangible fixed assets	0	0	0	0	0
Tangible fixed assets	304	294	308	284	199
Financial fixed assets	7	11	12	8	14
Total fixed assets	311	305	321	294	215
Inventories	134	128	132	133	111
Current receivables	149	133	129	148	116
Cash, bank, short-term invest.	22	23	16	14	32
Total current assets	305	284	277	295	259
Total assets	616	589	598	589	474
Shareholders' equity	209	301	289	290	243
Minority interests	0	0	0	0	0
Interest-bearing provisions	13	12	11	10	9
Non-interest bearing provisions	30	31	27	31	35
Interest-bearing liabilities	220	129	132	107	75
Non-interest bearing liabilities	144	116	139	151	112
Total shareholders' equity and liabilities	616	589	598	589	474
Cash flow statement					
Cash flow from operating activities	94	44	58	74	54
of which change in working capital	-14	-38	7	13	-17
Cash flow from investing activities	-48	-31	-66	-99	-46
of which investments	-53	-31	-69	-105	-45
of which sales	5	0	3	6	0
Cash flow from financing activities	-46	-6	10	5	-8
of which change in loans	98	4	30	25	2
of which capital contribution	0	0	0	0	0
of which dividends	-144	-10	-20	-20	-10
Cash flow for the year	0	7	2	-20	0
Key figures					
EBITA margin, %	11.5	8.8	6.9	11.6	18.5
EBT margin, %	10.7	7.9	5.8	10.9	17.5
Return on equity, %	28.2	11.9	11.9	20.6	43.6
Return on capital employed, %	19.9	13.5	11.5	22.1	41.3
Equity ratio, %	34	51	48	49	51
Interest-bearing net debt, SEKm	211	118	126	103	52
Debt/equity ratio, gross, times	1.1	0.5	0.5	0.4	0.3
Cash flow after investments, SEKm	46	13	-8	-25	8
Average number of employees	788	654	665	596	561

Dynal Biotech – continued good profitability

Ratos invested NOK 242m in Dynal Biotech in 2001. Ratos's holding amounts to 24.8%. Other owners are Nordic Capital with 74.4% and company employees with 0.8%.

Consolidated book value in Ratos amounted to SEK 273m at year-end.

Ratos is represented on the board by Mats Lönnqvist, who is also the Investment Manager, with Magdalena Aniansson as a deputy.

Jon Hindar, CEO

Operations

Dynal Biotech is the world leader in research, development and manufacture of magnetic (Dynabeads®) and non-magnetic (Dynospheres®) micro particles. The company markets a broad product range based on its technology. Applications for the products include separation of biological material, such as cells, DNA, micro organisms and proteins. Successful operations are also conducted within tissue typing. The global market for Dynal's operating areas is estimated at approximately NOK 2.5 billion. Dynal Biotech's technology, which is patented, has many established and potential applications in fields including diagnostics and cancer treatment. Customers and co-operation partners are in both industry and research, mainly in the fields of diagnostics and biotechnology.

The company's research and production facilities are located in Oslo and Lillestrøm in Norway, and in Bromborough, UK, and Milwaukee, USA. Products are sold via subsidiaries and agents in more than 30 countries. The number of employees is 410.

Dynal Biotech has five operating areas: Molecular Systems, HLA Diagnostics (Tissue Typing), Immunosystems, Non-Magnetic Particles and Microbiology.

The past year

2004 saw a recovery in most of Dynal's markets mainly within the Molecular Systems business area. The total sales growth amounted to 24% which was mainly due to the acquisition of Pel Freez carried out in 2003. Excluding Pel Freez, the sales increase was 6%. Average growth during the period 2001-2004 amounted to 13% per year. The integration of Pel Freez was carried out successfully during the year. The Non-Magnetic business area, however, developed considerably less favourably than in 2003. EBITA amounted to NOK 169m (141) of which NOK 26m relates to capitalisation of R&D costs. The operating margin before goodwill amortisation (EBITA) amounted to 27.8% (27.2). Profit after net financial items amounted to NOK 62m (33). Exchange-rate development for USD had a relatively strong negative impact on earnings.

Future prospects

Dynal Biotech has a strong position today within all its operating areas and is showing good growth, high margins and a strong cash flow. Dynal's favourable development is expected to continue in 2005 due to the company's leading position in its segment, a unique process expertise and its own patented technology with great potential within a number of applications.

Events after the end of the period

In February 2005 an agreement was signed on the sale of all shares in Dynal Biotech to the American biotechnology company Invitrogen Corporation for a total amount of SEK 2,450m. This deal will provide Ratos with an exit gain of approximately SEK 300m.

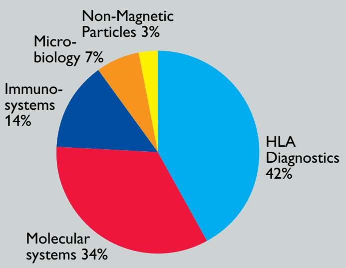
Board of Directors

Toni Weitzberg	Chairman, Nordic Capital
Maris Hartmanis	Head of Corporate Research, Gambro
Mats Lönnqvist	formerly Ratos
Kristoffer Melinder	Nordic Capital
Ørjan Olsvik	Professor Tromsø University
Mattias Uhlén	Professor, Royal Institute of Technology in Stockholm
Jonas Agnblad	Deputy, Nordic Capital
Magdalena Aniansson	Deputy, Ratos
Anders Hultin	Deputy, Nordic Capital

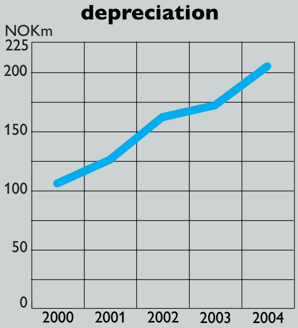
Management

Jon Hindar	CEO
Tone Kvåle	Finance/Accounting
Erik Hornes	CSO
Peter Maguire	HLA Diagnostics
Kari Eian Krogstad	Molecular Systems
Øysten Åmellem	Immunology
Ralf Schmidt	Operations
Ann Goldie	Microbiology

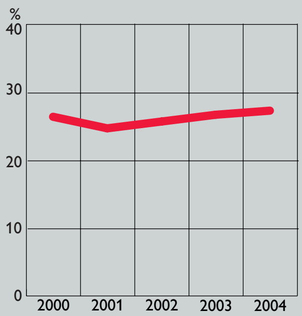
Sales by business area



Operating profit before depreciation



EBITA margin



Dynal Biotech

NOKm	2004	2003	2002 [1]	2001 [2]	2000
Income statement					
Net sales	607	519	489	420	353
Operating expenses	-403	-355	-332	-295	-248
Other income	0	7	3	0	0
Items affecting comparability	0	0	0	0	0
EBITDA	204	171	160	125	105
Depreciation	-35	-30	-30	-19	-10
EBITA	169	141	130	106	95
Goodwill amortisation	-84	-81	-80	-18	0
EBIT	85	60	50	88	95
Financial income	9	15	40	4	8
Financial expenses	-32	-42	-74	-39	-12
EBT	62	33	16	-53	91
Tax	-35	-36	-18	-28	-32
Minority interests	0	0	0	0	0
Net profit/loss for the year	27	-3	-2	25	59
Balance sheet					
Goodwill	1,013	1,093	1,105	1,199	100
Other intangible fixed assets	52	59	71	39	4
Tangible fixed assets	150	159	209	222	164
Financial fixed assets	34	8	1	5	5
Total fixed assets	1,249	1,319	1,386	1,465	273
Inventories	116	95	79	98	64
Current receivables	93	165	84	72	67
Cash, bank, short-term invest.	14	38	45	44	52
Total current assets	223	298	208	214	183
Total assets	1,472	1,617	1,594	1,679	456
Shareholders' equity	1,012	992	1,010	946	99
Minority interests	1	1	1	1	1
Interest-bearing provisions	12	10	7	8	7
Non-interest bearing provisions	23	28	29	15	0
Interest-bearing liabilities	319	478	465	602	244
Non-interest bearing liabilities	105	108	82	107	105
Total shareholders' equity and liabilities	1,472	1,617	1,594	1,679	456
Cash flow statement					
Cash flow from operating activities	113	116	92	13	65
of which change in working capital	-11	-1	-11	27	5
Cash flow from investing activities	16	-130	-24	-1,315	-140
of which investments	-51	-130	-31	-1,315	-144
of which sales	67	0	7	0	4
Cash flow from financing activities	-148	6	-60	1,345	113
of which change in loans	-154	6	-68	377	113
of which capital contribution	6	0	8	968	0
of which dividends	0	0	0	0	0
Cash flow for the year	-19	-8	8	43	38
Key figures					
EBITA margin, %	27.8	27.2	26.2	25.2	26.9
EBT margin, %	10.2	6.4	3.3	12.6	–
Return on equity, %	2.7	neg.	neg.	4.8	–
Return on capital employed, %	6.7	5.1	5.9	9.6	39.4
Equity ratio, %	69	61	63	56	22
Interest-bearing net debt, NOKm	317	450	427	566	199
Debt/equity ratio, gross, times	0.3	0.5	0.5	0.6	2.5
Cash flow after investments, NOKm	129	-14	68	-1,302	-75
Average number of employees	425	405	283	242	238

[1] Pro forma due to changed accounting principles.
[2] Pro forma due to new group structure in 2001.

Elitfönster – Sweden's leading window manufacturer

In December 2004 Ratos acquired 95% of the leading Swedish window manufacturer the Elitfönster Group from the venture capital company Triton and the company's management. The other shareholders are senior executives in the Elitfönster Group.

Ratos's investment amounted to SEK 477m. Consolidated value in Ratos amounted to SEK 473m at year-end.

Ratos is represented on the board by Leif Johansson, who is the Investment Manager for this holding, and Thomas Hofvenstam.

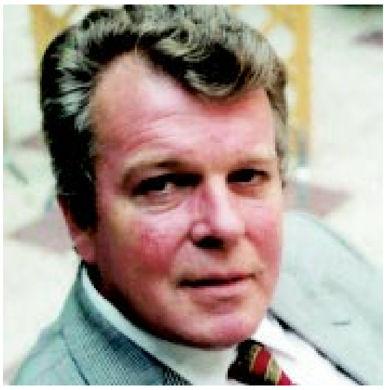
Operations

The Elitfönster Group is Sweden's leading window manufacturer. The company develops and manufactures a broad range of windows which are sold to all customer segments in the Swedish market: the building materials trade, construction companies and modular home manufacturers. In addition to Elitfönster the Group's brands include Allmogefönster, Nordsjöfönster and Fönsterinstallatören.

Elitfönster has production at seven locations in Sweden. The company's main market is Sweden and the main facilities are in Vetlanda and Lenhovda in the Swedish county of Småland, and in Poland. The company also manufactures entrance doors. The number of employees amounts to 960 full-time equivalents.

Development

The Elitfönster Group has had strong growth with retained high profitability over the past six years. The annual growth rate since 1998 is 19%, of which organic growth accounts for 13%. Sales during the year rose by 14% and amounted to SEK 1,235m. This increase was mainly due to a positive development of the window market and further improvements in market share. Profits before goodwill amortisation amounted to SEK 136m (108).



Sven-Gunnar Schough, CEO

Future prospects

The Elitfönster Group has a leading market position in Sweden with competitive advantages within both production and distribution. The company is well placed for continued growth in the Swedish window market which is expected to grow by 5-7% in future years. The Elitfönster Group will carry out a number of internal improvement projects over the next few years at the same time as acquisitions made in recent times will be consolidated. This is expected to lead to efficiency gains. The Group is well positioned to play an active role in a continued restructuring of the Nordic window market.

Board of Directors

Anders C. Karlsson	Chairman, formerly Skanska
Bengt Adolfsson	former owner and CEO of Hilding Anders
Benny Ernstson	CEO Universal Woodfloor Europe AB
Thomas Hofvenstam	Ratos
Leif Johansson	Ratos
Sven-Gunnar Schough	CEO

Management

Sven-Gunnar Schough	CEO
Börje Bellinger	Marketing Manager and Head of Consumers
Stefan Carlsson	CFO
Peter Welin	Head of Projects
Ola Holmgren	Purchasing Manager
Anders Isaksson	Head of Technology
Cay Strandén	Business Development and CEO ScanWin

Elitfönster

SEKm	2004[1]	2004	2003	2002	2001
Income statement					
Net sales	–	1,235	1,080	911	750
Operating expenses	–	-1,071	-951	-798	-656
Other income	–	0	4	5	1
Share in profits of associates	–	0	-1	1	0
Items affecting comparability	–	1	0	0	0
EBITDA	–	165	132	119	95
Depreciation	–	-29	-24	-23	-20
EBITA	–	136	108	96	75
Goodwill amortisation	–	-14	-14	-14	-14
EBIT	–	122	94	82	61
Financial income	–	1	1	2	2
Financial expenses	–	-26	-53	-36	-35
EBT	–	97	42	48	28
Tax	–	-28	27	-18	-11
Minority interests	–	-1	-2	0	0
Net profit for the year	–	68	67	30	17
Balance sheet					
Goodwill	863	185	198	215	227
Other intangible fixed assets	1	1	1	1	2
Tangible fixed assets	231	231	211	199	193
Financial fixed assets	3	3	17	5	11
Total fixed assets	1,098	420	427	420	433
Inventories	194	194	167	130	128
Current receivables	180	166	134	124	103
Cash, bank,other short-term invest.	64	29	43	51	35
Total current assets	438	389	344	305	266
Total assets	1,536	809	771	725	699
Shareholders' equity	500	204	179	110	85
Minority interests	7	7	6	0	0
Interest-bearing provisions	0	0	0	0	1
Non-interest bearing provisions	20	20	5	21	27
Interest-bearing liabilities	752	337	384	415	433
Non-interest bearing liabilities	257	241	197	179	153
Total shareholders' equity and liabilities	1,536	809	771	725	699
Cash flow statement					
Cash flow from operating activities	–	126	8	80	44
of which change in working capital	–	-14	21	80	-1
Cash flow from investing activities	–	-35	128	-54	-58
of which investments	–	-40	-41	-54	-70
of which sales	–	5	169	0	12
Cash flow from financing activities	–	-105	-149	16	29
of which change in loans	–	-61	-149	16	29
of which capital contribution	–	0	0	0	0
of which dividends	–	-44	0	0	0
Cash flow for the year	–	-14	-13	42	15
Key figures					
EBITA margin, %	–	11.0	10.0	10.5	10.0
EBT margin, %	–	7.9	3.9	5.3	3.7
Return on equity, %	–	35.5	46.4	30.8	22.7
Return on capital employed, %	–	22.0	17.4	16.1	13.0
Equity ratio, %	33	26	24	15	12
Interest-bearing net debt, SEKm	688	308	341	364	399
Debt/equity ratio, gross, times	1.5	1.6	2.1	3.8	5.1
Cash flow after investments, SEKm	–	91	136	26	-14
Average number of employees	995	995	1,011	818	728

[1] The new group Efonster-holding which was formed on 31 December 2004 in conjunction with Ratos's acquisition.

Gadelius – improved business climate in Japan

Ratos became a 50% owner in Gadelius in 2001 in conjunction with the acquisition of Atle. During the year Ratos acquired an additional 50%, making Gadelius a wholly owned Ratos subsidiary. Ownership is via a Dutch holding company. Ratos has invested a total of SEK 205m in Gadelius.

Consolidated book value in Ratos amounted to SEK 144m at year-end.

Ratos is represented on the board by Stig Karlsson who is also the Investment Manager for this holding.

Operations

Gadelius is a technology oriented, modern distributor of high-tech European niche products for selected market segments in Japan and Europe. Gadelius has its roots in Sweden from 1890 with operations in Japan since 1907. Gadelius has developed from a traditional trading house into a distributor which uses modern methods. Gadelius offers its partners added value in the form of logistics, technical expertise, aftermarket services, market knowledge and strategic planning.

Customers are in the medical technology, construction, packaging and food sectors as well as the engineering and electronics industries. The product range is focused within the three operating areas: Industrial Machinery, Industrial Components and Medical Equipment. Imports to the Japanese market account for approximately three-quarters of Gadelius's sales. The remainder is exports of Japanese products to Europe.

The year in brief

The Japanese economy strengthened in 2004, partly due to the strong growth in China. Gadelius's order bookings increased by 9% during the year while sales decreased slightly and amounted to JPY 8,751m due to a low order backlog in the machinery division and a weak exchange rate for the yen. Pre-tax profit for the year decreased to JPY 130m (328) mainly due to low sales in the machinery division and a weak result in the medical technology company Manson. Efforts to make tied up capital more effective continued in 2004 and resulted in a continued strong cash flow. Cash flow after investments amounted to JPY 281m.

Hans Porat, CEO

Future prospects

The scope for a distributor which uses modern methods is substantial and is expected to remain so in the foreseeable future. Gadelius has good growth opportunities within selected niches. Gadelius's strong brand and long presence in Japan guarantee stable business relationships. Future efforts will concentrate on growth, both organic and through acquisitions. An improved order backlog ahead of 2005 is expected to lead to sales growth and increased earnings in 2005.

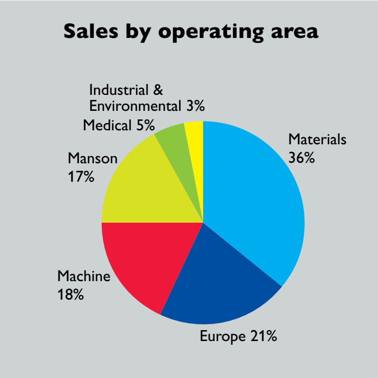
Board of Directors

Lars Gårdö	Chairman, former CEO Atle
Atsushi Hasegawa	formerly Gadelius
Jan Heiniö	formerly Pharmacia Japan
Stig Karlsson	Ratos
Noboyoshi Ota	Gadelius
Hans Porat	CEO

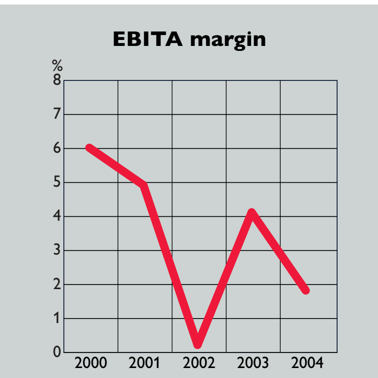
Management

Hans Porat	CEO
Kazuaki Goto	Material Division
Yoshiyuki Kurihara	Machinery Division
Sauli Ylikoski	Europe Division
Sakaru Tanaka	Medical Division
Mitsuo Yabu	Manson Medical
Takeyoshi Sumikawa	IEE Division
Nobuyoshi Ota	Central Administration
Olof Bruno	Business Control

Gadelius



JPYm	2004	2003	2002[1]	2001[1]	2000[1]
Income statement					
Net sales	8,751	8,898	10,452	12,027	12,429
Operating expenses	-8,532	-8,456	-10,078	-11,412	-11,608
Other income	17	-27	1	265	0
Items affecting comparability	-19	24	-261	-194	0
EBITDA	217	439	114	687	821
Depreciation	-57	-75	-96	-101	-81
EBITA	160	364	18	586	740
Goodwill amortisation	-14	-15	-235	-244	-242
EBIT	146	349	-217	342	498
Financial income	2	3	2	2	n/a
Financial expenses	-18	-24	-37	-54	-56
EBT	130	328	-252	290	442
Tax	-113	-176	-10	-266	-348
Minority interests	0	0	0	0	0
Net profit/loss for the year	17	152	-262	24	94
Balance sheet					
Goodwill	42	58	73	303	595
Other intangible fixed assets	5	11	17	21	0
Tangible fixed assets	168	203	247	332	333
Financial fixed assets	171	240	314	404	225
Deferred tax receivable	460	471	623	626	653
Total fixed assets	846	983	1,274	1,686	1,806
Inventories	1,724	1,200	1,268	1,982	2,181
Receivables	2,836	2,746	3,591	3,752	3,886
Cash, bank, short-term invest.	117	96	97	30	200
Total current assets	4,737	4,042	4,956	5,764	6,267
Total assets	5,583	5,025	6,230	7,450	8,073
Shareholders' equity	1,500	1,482	1,330	1,592	1,568
Minority interests	0	0	0	0	0
Interest-bearing provisions	181	229	293	379	277
Non-interest bearing provisions	0	0	0	0	0
Interest-bearing liabilities	1,910	2,110	2,910	3,858	4,332
Non-interest bearing liabilities	1,992	1,204	1,697	1,621	1,896
Total shareholders' equity and liabilities	5,583	5,025	6,230	7,450	8,073
Cash flow statement					
Cash flow from operating activities	235	756	997	708	762
of which change in working capital	112	419	976	223	131
Cash flow from investing activities	46	43	18	-420	-270
of which investments	-23	-30	-39	-430	-270
of which sales	69	73	57	10	0
Cash flow from financing activities	-200	-800	-948	-489	-358
of which change in loans	-200	-800	-948	-489	-358
of which capital contribution	0	0	0	0	0
of which dividends	0	0	0	0	0
Cash flow for the year	81	-1	67	-201	133
Key figures					
EBITA margin, %	1.8	4.1	0.2	4.9	6.0
EBT margin, %	1.5	3.7	neg.	2.4	3.6
Return on equity, %	1.1	10.8	neg.	1.5	6.2
Return on capital employed, %	4.0	8.4	neg.	5.7	7.9
Equity ratio, %	27	29	21	21	19
Interest-bearing net debt, JPYm	1,914	2,243	3,106	4,207	4,409
Debt/equity ratio, gross, times	1.4	1.6	2.4	2.7	2.9
Cash flow after investments, JPYm	281	799	1,013	288	492
Average number of employees	192	199	183	226	234



Gadelius is owned via a Dutch holding company. Reported figures exclude the holding company.
[1] Changed accounting principle.

GS-Hydro – measures taken to improve profitability

Ratos became an owner of Arcorus (former parent company of GS-Hydro) in conjunction with the acquisition of Atle in 2001. Arcorus ceased to be a group with effect from 1 January 2005 and GS-Hydro became a separate holding in Ratos.

At year-end 2004 GS-Hydro had a consolidated book value of SEK 129m.

Responsible Investment Manager is Leif Johansson who together with Magdalena Aniansson represents Ratos on the board.

Operations

GS-Hydro manufactures, distributes and installs non-welded piping systems. The products compete with traditional welded piping systems. Piping systems are mainly used in hydraulic high-pressure systems but are also used in other both high and low pressure systems that require fast installation, a high degree of cleanliness and a minimum of operating shutdowns. The products are mainly used within marine and offshore industry as well as in the pulp and paper, mining and metals, automotive and aerospace and defence industries. The company also supplies components for piping systems. The number of employees amounts to 300 and subsidiaries and agents are represented in 12 countries.

The past year

GS-Hydro reports a sharp decline in earnings due to a continued very weak Norwegian marine market. In addition earnings decreased in a number of the company's smaller markets. Sales amounted to EUR 52.9m (55.2) and profit before tax and depreciation (EBITA) was EUR 0.1m (2.8). Cash flow after investments was EUR -2.3m (-1.1).

Future prospects

GS-Hydro has a strong concept and good growth potential but has lacked optimised processes for an established, clear organisational structure. A new organisation is expected to be in place during the year and a large number of activities are under way designed to improve profitability and exploit growth potential.

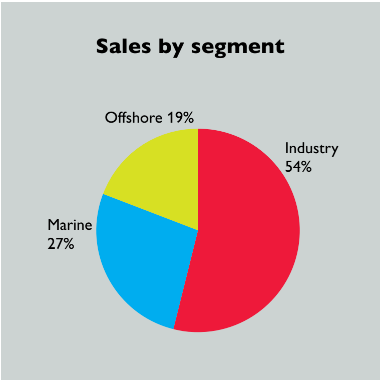
Lasse Mannula, CEO

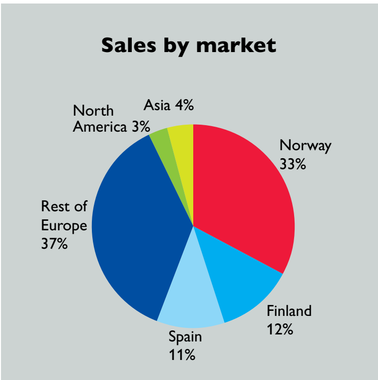
Board of Directors

Anders Lindblad	Chairman, former CEO Arcorus
Rolf Ahlqvist	Partner Procom Venture AS
Leif Johansson	Ratos
Eli K. Vassenden	Grieg AS
Magdalena Aniansson	Deputy, Ratos

Management

Lasse Mannula	CEO
Jyrki Pihlava	CFO





GS-Hydro

EURm	2004	2003[1]	2002[1]	2001[1]	2000[1]
Income statement					
Net sales	52.9	55.2	60.5	57.7	47.4
Operating expenses	-51.5	-51.2	-53.8	-50.9	-42.3
Other income	0.0	0.0	0.0	0.0	0.0
Items affecting comparability	0.0	0.0	0.0	0.0	0.0
EBITDA	1.4	4.0	6.7	6.8	5.1
Depreciation	-1.3	-1.2	-1.2	-1.2	-1.1
EBITA	0.1	2.8	5.5	5.6	4.0
Goodwill amortisation	-1.1	-1.2	-1.0	-1.0	-1.0
EBIT	-1.0	1.6	4.5	4.6	3.0
Financial income	0.1	0.3	0.1	0.1	0.0
Financial expenses	-1.1	-1.3	-0.7	-1.0	-1.2
EBT	-2.0	0.6	3.9	3.7	1.8
Tax	-0.4	–	–	–	–
Minority interests	0.0	–	–	–	–
Net profit for the year	-2.4	–	–	–	–
Balance sheet					
Goodwill	12.8	13.9	13.8	14.6	15.6
Other intangible fixed assets	0.6	0.4	0.1	0.1	0.1
Tangible fixed assets	6.2	6.1	6.9	6.8	6.3
Financial fixed assets	1.0	0.7	0.8	0.9	0.5
Total fixed assets	20.6	21.1	21.6	22.4	22.5
Inventories	13.8	13.0	14.2	13.2	12.4
Current receivables	13.2	12.0	11.6	13.3	9.8
Cash, bank, other short-term invest.	1,4	3.1	3.3	2.8	2.1
Total current assets	28.4	28.1	29.1	29.3	24.3
Total assets	49.0	49.2	50.7	51.7	46.8
Shareholders' equity	14.4	15.1	27.2	20.8	17.4
Minority interests	0.0	0.0	0.1	0.1	0.1
Interest-bearing provisions	0.0	0.0	0.0	0.0	0.0
Non-interest bearing provisions	0.6	0.4	0.1	0.1	0.1
Interest-bearing liabilities	25.6	25.0	13.0	19.9	21.1
Non-interest bearing liabilities	8.4	8.7	10.3	10.8	8.1
Total shareholders' equity and liabilities	49.0	49.2	50.7	51.7	46.8
Cash flow statement					
Cash flow from operating activities	-0.5	1.8	6.6	4.5	n/a
of which change in working capital	-0.1	-0.8	0.4	-1.8	n/a
Cash flow from investing activities	-1.8	-2.9	-1.4	-1.4	n/a
of which investments	-1.8	-2.9	-1.4	-1.4	n/a
of which sales	0.0	0.0	0.0	0.0	n/a
Cash flow from financing activities	0.7	0.9	-4.7	-2.4	n/a
of which change in loans	3.2	7.5	-4.7	-2.4	n/a
of which capital contribution	6.3	0.0	0.0	0.0	n/a
of which dividends	-8.8	-6.6	0.0	0.0	n/a
Cash flow for the year	-1.6	-0.2	0.5	0.7	n/a
Key figures					
EBITA margin, %	0.2	5.1	8.5	9.7	8.5
EBT margin, %	neg.	1.1	6.4	6.4	3.9
Return on equity, %	neg.	–	–	–	–
Return on capital employed, %	neg.	4.7	11.3	11.8	–
Equity ratio, %	29	31	54	40	37
Interest-bearing net debt, EURm	24.2	21.9	9.7	17.1	19.0
Debt/equity ratio, gross, times	1.8	1.7	0.5	1.0	1.2
Cash flow after investments, EURm	-2.3	-1.1	5.2	3.1	n/a
Average number of employees	307	291	279	258	258

Part of the Arcorus Group until year-end 2004.

[1] Comparative figures and historical income statements and balance sheets are pro forma.

Haendig – strong earnings improvement

Haendig was added to Ratos's portfolio in 2001 in conjunction with the acquisition of Atle.

Following an add-on investment during the year of SEK 108m, Haendig is a wholly owned Ratos subsidiary.

Consolidated book value in Ratos amounted to SEK 309m at year-end.

Ratos is represented on the board by Stig Karlsson, who is also the Investment Manager for the holding, with Henrik Blomé as deputy.

Nordic wholesalers

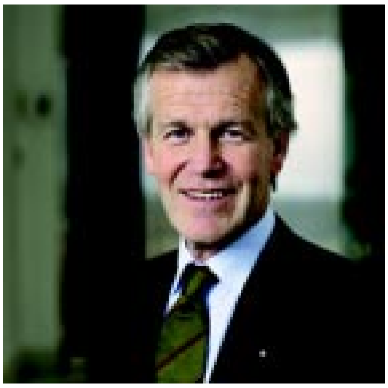
Haendig is an active owner of small and medium-sized wholesale companies with a focus on sales to the DIY market and the professional sector in the Nordic region. Subsidiaries should be among the leaders within their niches and have a primary focus on private labels or exclusive agencies. The Group was formed in 2000 and has grown through acquisition of related trading companies. Today the Group comprises six subsidiaries.

Hafa is one of the largest bathroom companies in Sweden. *Duri* is the market leader in floor accessories for flooring professionals. The *HDF-Bolagen's* wholesale operations are estimated to be the second largest in the Nordic region. *HDF Gyttorp Jakt* sells rifles and other hunting accessories. *Sven Svenssons* is Sweden's leading wholesaler in plant pots and garden ornaments. The Finnish company *Penope* imports and distributes power tools and woodworking machines.

The year in brief

Haendig's sales in 2004 rose 8% to SEK 1,291m as a result of improved demand and two minor acquisitions. The sales increase combined with continued strengthened margins and overhead rationalisations led to a strong result for 2004. Most of Haendig's subsidiaries contributed to the improved earnings. Profit before tax amounted to SEK 44m (39).

During 2004 agreements were reached for the sale of the former subsidiary Markt and the Hitachi agency in Finland to the Japanese company Hitachi Koki. The sale means an increased focus on the DIY market and released capital of approximately SEK 140m. At the beginning of 2005, a further agreement was concluded on acquisition of Lundbergs Produkter AB with annual sales of SEK 150m.



Thomas Holmgren, CEO

Future prospects

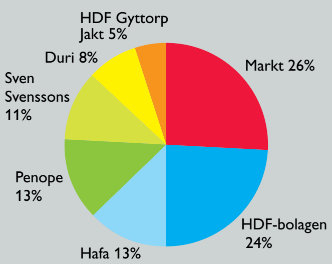
As an active owner of wholesale companies, Haendig conducts business development work in the subsidiaries in the Group with a focus on private labels/agencies and on business segments with potential for long-term growth. Efforts to improve profitability and cash flows continue and are expected to create opportunities for value-creating acquisitions.

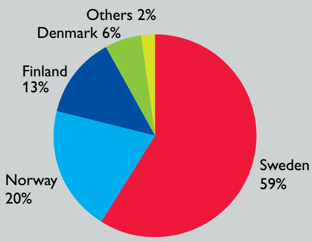
Board of Directors

Stig Karlsson	Chairman, Ratos
Stefan Elfving	formerly Unilever and ICA
Bengt Olsson	former CEO Ahlsell
Thomas Holmgren	CEO
Henrik Blomé	Deputy, Ratos

Management

Thomas Holmgren	CEO
Ulf Carlsson	CFO
Jarmo Kivistö	CEO Penope
Staffan Jehander	CEO Duri
Ola Andrée	CEO Hafa
Peter Holgersson	CEO Sven Svenssons
Thomas Seleskog	Head of HDF business area
Bo Magnusson	CEO HDF Gyttorps Jakt





Haendig

SEKm	2004	2003	2002[1]	2001	2000
Income statement					
Net sales	1,291	1,194	1,241	1,200	945
Operating expenses	-1,208	-1,112	-1,155	-1,144	-880
Other income	0	0	0	3	1
Items affecting comparability	0	0	-10	0	2
EBITDA	83	82	76	59	68
Depreciation	-13	-17	-18	-15	-27
EBITA	70	65	58	44	41
Goodwill amortisation	-10	-10	-11	-8	-6
EBIT	60	55	47	36	35
Financial income	1	2	3	3	2
Financial expenses	-17	-18	-25	-24	-13
EBT	44	39	24	14	24
Tax	-13	-12	-11	-8	-10
Minority interests	0	0	0	0	0
Net profit for the year	31	27	13	6	14
Balance sheet					
Goodwill	107	117	122	127	107
Other intangible fixed assets	2	3	5	8	8
Tangible fixed assets	133	148	156	167	126
Financial fixed assets	4	0	4	2	5
Total fixed assets	246	268	288	304	246
Inventories	267	247	256	267	214
Current receivables	212	189	214	202	164
Cash, bank, short-term invest.	20	6	8	4	10
Total current assets	499	442	477	472	388
Total assets	745	710	765	776	634
Shareholders' equity	251	222	208	191	155
Minority interests	0	0	0	0	0
Interest-bearing provisions	16	14	13	12	11
Non-interest bearing provisions	23	22	21	25	21
Interest-bearing liabilities	261	294	351	389	300
Non-interest bearing liabilities	194	158	172	159	147
Total shareholders' equity and liabilities	745	710	765	776	634
Cash Flow Statement					
Cash flow from operating activities	53	79	54	16	50
of which change in working capital	-9	28	11	-9	11
Cash flow from investing activities	-5	-14	-13	-77	-71
of which investments	-11	-14	-16	-78	-71
of which sales	6	0	3	1	0
Cash flow from financing activities	-34	-67	-37	55	18
of which change in loans	-34	-58	-37	27	18
of which capital contribution	0	0	0	30	0
of which dividends	0	-9	0	2	0
Cash flow for the year	14	-2	4	-6	-3
Key figures					
EBITA margin, %	5.4	5.4	4.7	3.7	4.3
EBT margin, %	3.4	3.3	1.9	1.2	2.5
Return on equity, %	13.1	12.6	6.6	3.6	–
Return on capital employed, %	11.5	10.3	8.5	7.3	–
Equity ratio, %	34	31	27	25	24
Interest-bearing net debt, SEKm	257	302	358	397	300
Debt/equity ratio, gross, times	1.1	1.4	1.8	2.1	2.0
Cash flow after investments, SEKm	48	65	41	-61	-21
Average number of employees	391	399	410	452	453

[1] Changed accounting principles.

Haglöfs – continued strengthening of the brand

Haglöfs was added to Ratos's portfolio in 2001 in conjunction with the acquisition of Atle. Haglöfs is wholly owned by Ratos. Ratos has invested a total of SEK 104m in Haglöfs.

Consolidated book value in Ratos amounted to SEK 124m at year-end.

Ratos is represented on the board by Stig Karlsson and Arne Karlsson. The Investment Manager for this holding is Stig Karlsson.

Operations

Haglöfs develops, produces and markets equipment and clothes for an active outdoor life. The product range includes rucksacks, sleeping bags, tents, footwear and clothes. The subsidiary Alfa, which is the Group's shoe competence centre, develops and produces hiking boots, ski boots, work boots and military boots. Haglöfs' home market is the Nordic region but the group has established itself over the past year in selected markets such as Germany, Switzerland, the Netherlands, Japan and England. Haglöfs is represented in a total of 13 countries. The focus on exports, sales outside the Nordic region, was started in 2000 and sales in 2004 amounted to SEK 66m. On average, total sales have grown by 23% in the period 1989-2004.

Market position

Haglöfs' business idea and comprehensive concept are unique and offer a wide range of products for an active outdoor life which maintain a consistent high quality and image. The market is growing due to a rising interest in outdoor activities/multisports and the fact that the products are also increasingly used in other contexts. This provides major opportunities to sell products to consumers outside the core target group. The global outdoor market is expected to grow by 3-5% per year. Differences between different geographic markets regarding the definition of outdoor, distribution patterns and consumer behaviour mean that there are few global players. Haglöfs main international competitors are the North Face, Marmot, Mountain Hardware and Arc'teryx.

Mats Hedblom, CEO

Results

The sales trend for Haglöfs remained good primarily due to success in export markets and within Textiles. Sales totalled SEK 340m (341). Operating profit EBITA amounted to SEK 20m (19) and was charged with restructuring costs within Alfa of approximately SEK 5m. Profit before tax was SEK 16m (15).

Future prospects

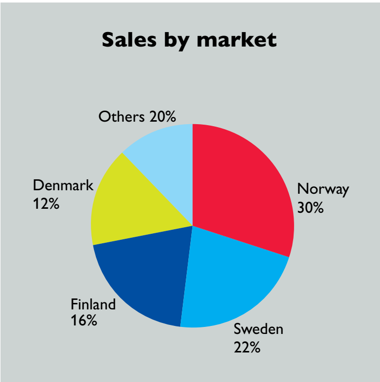
Haglöfs has a leading position in the Nordic region and has become successfully established in selected markets in the rest of Europe in recent years. Both sales and profitability are expected to increase in 2005. The long-term annual growth target is 10%.

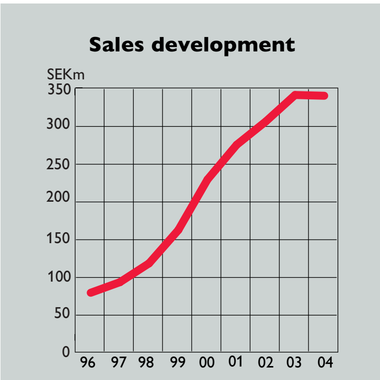
Board of Directors

Stig Karlsson	Chairman, Ratos
Lars Göthlin	Lawyer, Södermarks
Arne Karlsson	Ratos
Anders Reuthammar	CEO Marbodal
Mats Hedblom	CEO

Management

Mats Hedblom	CEO
Jim Jonsson	Business Controller
Claes Broqvist	Sales
Henrik Ottosson	Markets
Anita Desai	Production, Textiles
Fredrik Lundberg	Design, Textiles
Lennart Svensson	Production and Product Development, Equipment and Footwear
Börre Langum	CEO, Alfa Skofabrik





Haglöfs

SEKm	2004	2003	2002	2001	2000
Income statement					
Net sales	340	341	306	275	229
Operating expenses	-316	-318	-289	-259	-208
Other income	0	0	0	0	0
Items affecting comparability	0	0	0	0	-3
EBITDA	24	23	17	16	18
Depreciation	-4	-4	-3	-2	-2
EBITA	20	19	14	14	16
Goodwill amortisation	-1	-1	-1	-1	-1
EBIT	19	18	13	13	15
Financial income	0	0	0	1	0
Financial expenses	-3	-3	-4	-4	-2
EBT	16	15	9	10	13
Tax	-5	-5	-2	-3	-4
Minority interests	0	0	0	0	0
Net profit for the year	11	10	7	7	9
Balance Sheet					
Goodwill	3	3	5	5	5
Other intangible fixed assets	3	3	3	2	0
Tangible fixed assets	15	17	19	14	13
Financial fixed assets	4	3	3	3	0
Total fixed assets	24	26	30	24	18
Inventories	74	79	79	76	59
Current receivables	68	54	57	44	38
Cash, bank, short-term invest.	23	23	10	7	5
Total current assets	165	156	146	127	102
Total assets	189	182	176	151	120
Shareholders' equity	73	62	57	48	37
Minority interests	0	0	0	0	0
Interest-bearing provisions	0	0	0	2	2
Non-interest bearing provisions	4	3	2	0	0
Interest-bearing liabilities	65	76	61	61	38
Non-interest bearing liabilities	47	41	56	40	43
Total shareholders' equity and liabilities	189	182	176	151	120
Cash flow statement					
Cash flow from operating activities	12	0	12	-15	-13
of which change in working capital	-8	-12	2	-3	-2
Cash flow from investing activities	-1	-3	-9	-6	-2
of which investments	-1	-3	-9	-6	-2
of which sales	0	0	0	0	0
Cash flow from financing activities	-11	16	0	22	1
of which change in loans	-11	16	0	22	6
of which capital contribution	0	0	0	0	-5
of which dividends	0	0	0	0	0
Cash flow for the year	0	13	3	1	-15
Key figures					
EBITA margin, %	5.9	5.6	4.6	5.1	7.1
EBT margin, %	4.7	4.4	2.9	3.6	5.8
Return on equity, %	16.3	16.8	13.3	16.1	26.3
Return on capital employed, %	13.8	14.1	11.4	14.9	21.1
Equity ratio, %	39	34	32	32	31
Interest-bearing net debt, SEKm	42	53	51	56	35
Debt/equity ratio, gross, times	0.9	1.2	1.1	1.3	1.1
Cash flow after investments, SEKm	11	-3	3	-21	-15
Average number of employees	123	120	110	102	98

HL Display – favourable earnings trend

Ratos became a shareholder in HL Display in 2001 in conjunction with the acquisition of Atle. Ratos's holding amounts to 28.9% of the share capital and 20.2% of the voting rights. Ratos has invested SEK 226m in HL Display.

The consolidated book value amounted to SEK 226m at year-end.

Ratos is represented on the board by Arne Karlsson and Stig Karlsson, who is the Investment Manager for this holding.

Market-leading player in merchandising

HL Display is a market-leading supplier of solutions for merchandising and in-store communication to the global retail trade. The company's main market is Europe, but sales are also increasing in Asia and the US. The company was formed in 1954 and listed on the Stockholm Stock Exchange in 1993. Manufacture is carried out in Sweden (Sundsvall, Karlskoga, Falun), the UK and the US. The company has sales subsidiaries in 25 countries. Exports account for more than 80% of sales. During the period 1992-2004 the annual growth rate was 22%.

Customers comprise leading retail trading chains and brand manufacturers. Competition comes mainly from smaller, local players.

Results

Sales increased during the year by 16% and amounted to SEK 1,311m (1,129). Sales in the largest markets in Europe were favourable. Positive development was also noted in Scandinavia and Asia. New sales companies were formed in China, South Korea and Indonesia. On the production side a number of innovations within shelving were launched. Operating profit amounted to SEK 80m (-4) and profit before tax was SEK 68m (-9). Currency effects had a positive earnings impact of SEK 9m.

Anders Remius, CEO

Prospects for 2005

In 2005 sales growth is expected to amount to at least 10%. Work on production efficiency enhancements will continue and is expected to be charged against earnings for the first half of 2005. The goal is to reach a profit margin of 10% on an annualised basis during the second half of 2005.

Financial calendar

Interim Report Jan-March: 14 April 2005

Interim Report Jan-June: 15 July 2005

Interim Report Jan-Sept: 14 October 2005

www.hl-display.com

Major shareholders

	Capital, %	Votes, %
Remius family	31.4	60.6
Ratos	28.9	20.2
Lannebo funds	9.9	4.8
Skandia	6.6	3.2
Didner & Gerge Aktiefond	2.6	1.2
Lars Jonsson	1.6	0.8

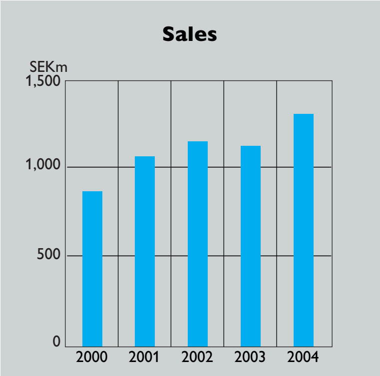
Source: VPC

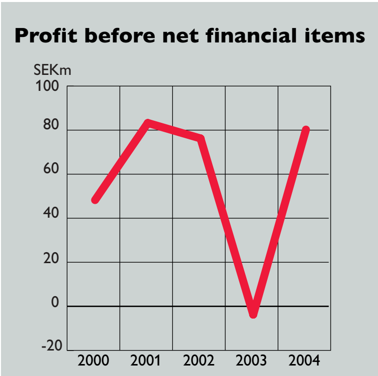
Board of Directors

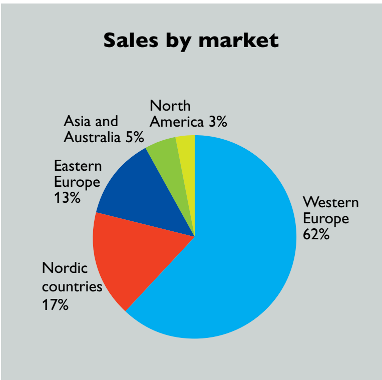
Åke Wester	Chairman, formerly Hexagon
Stefan Elving	formerly Unilever and ICA
Arne Karlsson	Ratos
Stig Karlsson	Ratos
Lis Remius	former Marketing Director, HL Display
Anders Remius	CEO
Stefan Eriksson	Employee representative
Magnus Jonsson	Employee representative
Kent Mossberg	Employee representative

Management

Anders Remius	CEO
Kent Hertzell	Economy & Finance
Kennth Löfgren	IT
Alistair Burke	Business Development
Håkan Eriksson	Marketing
Bengt Ahlund	R&D
Jan Sigurdh	Production
Staffan Forslund	Personnel







HL Display

SEKm	2004	2003	2002	2001	2000
Income statement					
Net sales	1,311	1,129	1,154	1,072	874
Operating expenses	-1,183	-1,059	-1,037	-946	-792
Other income	4	6	8	4	6
Items affecting comparability	-6	-33	0	0	0
EBITDA	126	43	125	130	88
Depreciation	-45	-45	-47	-44	-37
EBITA	81	-2	78	86	51
Goodwill amortisation	-1	-2	-2	-3	-3
EBIT	80	-4	76	83	48
Financial income	2	3	2	8	4
Financial expenses	-14	-8	-13	-9	-7
EBT	68	-9	65	82	44
Tax	-23	-1	-21	-26	-17
Minority interests	0	0	0	0	0
Net profit/loss for the year	45	-10	44	56	27
Balance sheet					
Goodwill	0	1	3	4	7
Other intangible fixed assets	3	6	9	11	13
Tangible fixed assets	137	137	160	162	156
Financial fixed assets	24	27	22	21	10
Total fixed assets	164	171	194	198	186
Inventories	116	128	114	116	100
Current receivables	294	251	242	256	185
Cash, bank, short-term investments	112	95	100	65	31
Total current assets	522	474	456	437	316
Total assets	686	645	650	635	502
Shareholders' equity	325	293	316	284	239
Minority interests	0	0	0	0	0
Interest-bearing provisions	0	0	0	0	0
Non-interest bearing provisions	14	14	23	26	17
Interest-bearing liabilities	130	143	135	118	92
Non-interest bearing liabilities	217	195	176	207	154
Total shareholders' equity and liabilities	686	645	650	635	502
Cash flow statement					
Cash flow from operating activities	93	44	81	64	51
of which change in working capital	-19	9	-7	-36	-21
Cash flow from investing activities	-45	-41	-49	-51	-59
of which investments	-45	-41	-49	-51	-59
of which sales	0	0	0	0	0
Cash flow from financing activities	-31	-6	5	20	15
of which change in loans	-19	7	17	31	25
of which capital contribution	1	0	0	0	0
of which dividends	-13	-13	-12	-11	-10
Cash flow for the year	17	-3	37	33	8
Key figures					
EBITA margin, %	6.2	neg.	6.8	8.0	5.8
EBT margin, %	5.2	neg.	5.6	7.6	5.1
Return on equity, %	14.6	neg.	14.6	21.2	11.6
Return on capital employed, %	18.4	neg.	16.8	23.3	15.5
Equity ratio, %	47	45	49	45	48
Interest-bearing net debt, SEKm	18	48	35	53	61
Debt/equity ratio, gross, times	0.4	0.5	0.4	0.4	0.4
Cash flow after investments, SEKm	48	3	32	13	-8
Average number of employees	996	975	925	855	773

Hägglunds Drives – strong earnings boost

Ratos became an owner of Arcorus (former parent company of Hägglunds Drives) in conjunction with the acquisition of Atle in 2001. Arcorus ceased to be a group from January 2005 and Hägglunds Drives became a separate holding in Ratos. Ratos's stake amounts to 100% and the consolidated book value at year-end was SEK 332m.

Stig Karlsson is the Investment Manager for this holding and he also represents Ratos on the board together with Henrik Blomé.

Operations

Hägglunds Drives is a global market leader within hydraulic drive systems intended for heavy applications that require high torque, low speeds and variable revolutions. The aftermarket represents a significant portion of the company's sales. Drive systems are used in the mining, recycling, pulp and paper, rubber, plastics and sugar industries. Production is concentrated to Mellansel in Sweden and the company has a global sales organisation with its own sales companies in some 15 countries.

The past year

Hägglunds Drives noted a substantial improvement in earnings. This improvement was due to higher demand in most markets and segments, including favourable growth in China. Sales increased by 9% and amounted to SEK 970m (887). Profit before tax and goodwill amortisation (EBITA) was SEK 114m (89). The operating margin (EBITA) increased from 10% to 12%. The company's order bookings for 2005 exceed SEK 1 billion for the first time in the company's history.

Per Nordgren, CEO

Future prospects

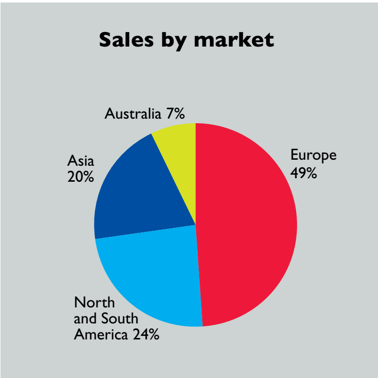
Hägglunds Drives' strong niche position is based on long experience of deliveries of complete systems, substantial applications expertise within the global sales organisation and a focused, high-quality product programme. Potential exists for continued favourable growth through continuous cultivation of existing markets in order to widen the use of hydraulic system solutions. In addition, Hägglunds Drives is focusing on growth in new geographic markets, developing its offering for new applications and continuing to develop the company's aftermarket operations.

Board of Directors

Anders Lindblad	Chairman, former CEO Arcorus
Henrik Blomé	Ratos
Stig Karlsson	Ratos
Lars Näsman	Sunds Defibrator
Arnfinn Ruud	Svedala
Per Nordgren	CEO
Sture Kallin	Employee representative
Gunborg Karlsson	Employee representative
Uno Sundelin	Employee representative
Tommy Tjärnström	Employee representative

Management

Per Nordgren	CEO
Ulf Wiklund	CFO



Hägglunds Drives

SEKm	2004	2003	2002	2001	2000
Income statement					
Net sales	970	887	880	892	852
Operating expenses	-833	-775	-778	-793	-757
Other income	0	1	0	0	0
Items affecting comparability	0	0	0	0	9
EBITDA	137	113	102	99	104
Depreciation	-23	-24	-23	-24	-21
EBITA	114	89	79	75	83
Goodwill amortisation	-1	-1	-1	-1	-1
EBIT	113	88	78	74	82
Financial income	1	2	1	2	2
Financial expenses	-7	-6	-8	-11	-10
EBT	107	84	71	65	74
Tax	-24	-22	-26	-17	-24
Minority interests	0	0	0	0	0
Net profit/loss for the year	83	62	45	48	50
Balance sheet					
Goodwill	7	7	8	8	9
Other intangible fixed assets	14	10	11	13	0
Tangible fixed assets	128	112	113	124	139
Financial fixed assets	2	2	10	9	7
Total fixed assets	151	131	142	154	155
Inventories	178	154	140	154	168
Current receivables	223	240	200	237	300
Cash, bank, short-term investments	24	39	55	40	33
Total current assets	425	433	395	431	501
Total assets	576	564	537	585	656
Shareholders' equity	198	284	262	262	232
Minority interests	0	0	0	0	0
Interest-bearing provisions	60	59	52	50	50
Non-interest bearing provisions	10	9	16	19	20
Interest-bearing liabilities	113	62	79	130	167
Non-interest bearing liabilities	195	150	128	124	187
Total shareholders' equity and liabilities	576	564	537	585	656
Cash Flow Statement					
Cash flow from operating activities	117	21	101	83	12
of which change in working capital	38	-68	28	37	-81
Cash flow from investing activities	-44	-18	-15	-22	-17
of which investments	-44	-23	-16	-29	-17
of which sales	0	5	1	7	0
Cash flow from financing activities	-88	-19	-81	-57	-11
of which change in loans	0	0	-61	-37	39
of which capital contribution	0	0	0	0	0
of which dividends	-140	-20	-20	-20	-50
Cash flow for the year	-15	-16	5	4	-16
Key figures					
EBITA margin, %	11.8	10.0	8.5	8.4	9.7
EBT margin, %	11.0	9.5	8.1	7.3	8.7
Return on equity, %	34.4	22.7	17.2	19.4	–
Return on capital employed, %	29.4	22.6	18.9	17.1	–
Equity ratio, %	34	50	49	45	35
Interest-bearing net debt, SEKm	149	82	76	140	184
Debt/equity ratio, gross, times	0.9	0.4	0.5	0.7	0.9
Cash flow after investments, SEKm	73	3	86	61	-5
Average number of employees	514	489	472	476	503

Part of the Arcorus Group until year-end 2004.

Industri Kapital

Industri Kapital is an unlisted private equity company with assets under management of almost EUR 4 billion. Since the start in 1989, the company has made almost 50 investments within different sectors in Europe, with the majority in the chemical, engineering, retailing & wholesaling, and service sectors. Investors in Industri Kapital's funds comprise major Nordic, European and American institutional investors.

Ratos's investment

Ratos has invested in four funds. Ratos invested SEK 50m in the 1989 fund, XEU 12m (c. SEK 100m) in the 1994 fund, ECU 17m (c. SEK 150m) in the 1997 fund, and EUR 21m (c. SEK 180m) in the 2000 fund. In the 1989 and 1994 funds Ratos invested directly in the portfolio companies, while investments in later funds were made via British limited partnerships. The 1989 fund is in principle terminated. The 2000 fund is not yet fully invested. Remaining commitments for Ratos amount to EUR 1.8m.

At year-end 2004, the market value of Ratos's holding in Industri Kapital's funds is estimated at SEK 395m. according to Industri Kapital's BVCA calculations at the end of September. From a Ratos perspective the three largest holdings account for approximately 30% of value. Consolidated book value in Ratos amounted to SEK 330m at year-end. Thomas Mossberg is the Investment Manager for these investments.

The past year

During the year investments were made in the Norwegian company Ekstrem Lavpris (consumer goods wholesaler and retailer) and the French company Idex (energy and environmental services company). Add-on investments were made in Dynea and Telefors. Recapitalisation was carried out in Gardena. Group Fives Lilles, Nobia and Labeyrie Group were divested. A sales agreement has also been concluded for the holding in MacGREGOR. Part sales were made of Alfa Laval and Oriflame, the latter in conjunction with an IPO on the Stockholm Stock Exchange in March.

In accordance with commitments made, Ratos invested a total of SEK 20m in the 2000 fund during 2004. In the same period a total of SEK 113m was received in payments from Industri Kapital. Ratos's earnings for 2004 include a capital gain from sales of IK holdings of SEK 92m.

After the end of the year

After the end of the year, Industri Kapital concluded an agreement for the sale of the holding in Arca Systems.

Specification of Ratos's holdings in Industri Kapital's funds, 31 Dec 2004

Industri Kapital 1994 (directly owned)

	Number	Change during year	Book value, SEKm
Viking Sewing Machines Holding AB	131,566	-6,239	10
Nobia AB, A		-703,817	
Consolis Oy	225,026	2,286	4
Consolis Oy, Inv.loan	272,196	2,758	4
Enermet Group Oy	26,572	2,957	4
Enermet Group Oy, Inv. loan	62,521	6,957	9
Blocked liquidity [1]			9
			40

[1] Booked as long-term receivables in Ratos.

Industri Kapital 1997

	Book value, SEKm
Arca Systems International	
CB Foods	
Dynea	
Dyno Nobel	
Elektrokoppar	
FGH	
Intrum Justitia	
MacGREGOR International	
Oriflame Cosmetics	
Superfos Industries, and others	
	106

Industri Kapital 2000

	Book value, SEKm
Alfa Laval	
Arca Systems International	
Ceva Sante Animale	
CityLink	
CPS Color Group	
Dynea	
Dyno Nobel	
Ekstrem Lavpris	
Fortex	
Gardena	
Idex Group	
Laho Luxembourg	
Pierre Guérin	
Sydsvenska Kemi (Perstorp)	
Telefos	
Weltzorg, and others	
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Lindab – continued success in Eastern Europe

Together with companies including the Sixth Swedish National Pension Fund and Skandia Liv, Ratos implemented a buyout of Lindab from the stock exchange in 2001. The buyout was effected via the leveraged buyout company Lindab Intressenter. Ratos's holding in Lindab Intressenter amounts to 48%. Skandia Liv owns 24% and the Sixth Swedish National Pension Fund 24%. Other shares are owned by people in the present and previous management.

Ratos has invested SEK 1,061m in Lindab. Consolidated book value in Ratos amounted to SEK 1,115m at year-end.

Ratos is represented on the board by Stig Karlsson, who is also the Investment Manager for this holding, and by Per Frankling as a deputy.

Leader in ventilation products

Lindab is a leading manufacturer of building materials made from sheet metal, in its two business areas Ventilation and Profile. Manufacture takes place in 21 countries. Approximately 70% of sales go to countries outside Sweden. The Ventilation business area accounts for 57% of Lindab's sales. Ventilation ducting systems can be circular or rectangular. Lindab has concentrated on circular ducting systems since they have major advantages including lower manufacturing costs, faster assembly times and circular systems operate with lower energy losses. Lindab is the world's leading producer and is the market leader in ventilation ducting systems in Sweden, Norway, Denmark, Germany and the US.

The Profile business area has a broad product programme with a large number of sheet-metal products for the construction industry. Examples of product areas include roof drainage systems, roof and wall cladding, roof safety systems, steel halls and lightweight construction systems. Lindab is the Nordic market leader in most product groups. The Profile business area has achieved strong growth in Eastern Europe ever since the early 1990s.

The year in brief

Ventilation's main markets, the Nordic region, Western Europe and the US, continued to have a weak construction climate but with a stronger business development in the second half of the year. Profile operations, on the other hand, saw strong development with good growth, mainly in Eastern Europe.

Kjell Åkesson, CEO

Lindab inaugurated its new ventilation factory outside Prague in the Czech Republic during the year.

Market prices for Lindab's most important raw material, sheet metal, rose sharply during the year which Lindab compensated through price increases.

Total sales amounted to SEK 5,477m (5,302). Adjusted for the effects of company acquisitions and sales and currency effects, organic growth amounted to 6.5%.

Profit before goodwill amortisation (EBITA) amounted to SEK 374m (305). Profit before net financial items for the Lindab Intressenter Group amounted to SEK 253m (187). The EBITA margin amounted to 6.5% (5.8).

Future prospects

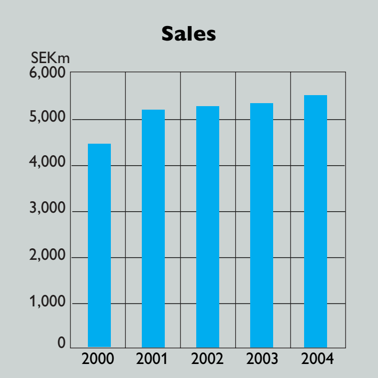
In the coming period Lindab is expected to improve its earnings among other things due to an anticipated improved construction climate, investments carried out in the Czech Republic, and completed activities designed to strengthen profitability.

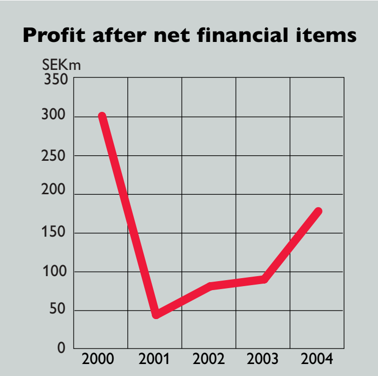
Board of Directors

Svend Holst-Nielsen	Chairman, Chairman Unilever Norden
Anders C. Karlsson	formerly Skanska
Stig Karlsson	Ratos
Hans-Olov Olsson	President Volvo Car Corporation
Walter Paulsen	former CFO Carlsberg
Hans Schmidt-Hansen	former deputy CEO Lindab
Carl-Gustaf Sondén	former CEO Lindab
Per Frankling	Deputy, Ratos
Niclas Johansson	Deputy, Skandia Liv
Urmas Kruusval	Deputy, Sixth Swedish National Pension Fund

Management

Kjell Åkesson	CEO
Nils-Johan Andersson	CFO
Hannu Paitula	Head of Ventilation
Peter Andsberg	Head of Profile





Lindab

SEKm	2004	2003	2002	2001 [1]	2000
Income statement					
Net sales	5,477	5,302	5,235	5,160	4,415
Operating expenses	-4,935	-4,830	-4,724	-4,698	-3,937
Other income	4	0	0	56	34
Items affecting comparability	0	0	0	-26	0
EBITDA	546	472	511	492	512
Depreciation	-172	-167	-185	-174	-148
EBITA	374	305	326	318	364
Goodwill amortisation	-121	-118	-115	-134	-22
EBIT	253	187	211	184	342
Financial income	10	14	14	18	13
Financial expenses	-83	-109	-142	-156	-52
EBT	180	92	83	46	303
Tax	-95	-66	-62	-32	-100
Minority interests	-1	0	0	0	0
Net profit for the year	84	26	21	14	203
Balance sheet					
Goodwill	1,880	1,991	2,121	2,231	146
Other intangible fixed assets	20	21	23	23	29
Tangible fixed assets	1,148	1,180	1,284	1,566	1,406
Financial fixed assets	54	72	81	70	47
Total fixed assets	3,102	3,264	3,509	3,890	1,628
Inventories	1,024	858	853	818	811
Current receivables	875	836	828	820	742
Cash, bank, short-term investments	116	220	108	150	89
Total current assets	2,015	1,914	1,789	1,788	1,642
Total assets	5,117	5,178	5,298	5,678	3,270
Shareholders' equity	2,311	2,210	2,252	2,232	1,307
Minority interests	2	0	0	0	0
Interest-bearing provisions	82	61	57	54	52
Non-interest bearing provisions	144	144	166	181	149
Interest-bearing liabilities	1,586	1,950	1,982	2,469	1,077
Non-nterest-bearing liabilities	992	813	841	742	685
Total shareholders' equity and liabilities	5,117	5,178	5,298	5,678	3,270
Cash flow statement					
Cash flow from operating activities	414	395	118	333	129
of which change in working capital	37	76	-212	-48	-257
Cash flow from investing activities	-149	-112	19	-285	-474
of which investments	-250	-205	-193	-286	-474
of which sales	101	93	212	1	0
Cash flow from financing activities	-368	-165	-177	-8	282
of which change in loans	-368	-165	-186	70	469
of which capital contribution	0	0	9	54	-96
of which dividends	0	0	0	-71	-72
Cash flow for the year	-103	118	-40	40	-63
Key figures					
EBITA margin, %	6.8	5.8	6.2	6.2	8.2
EBT margin, %	3.3	1.7	1.6	0.9	6.9
Return on equity, %	3.7	1.2	0.9	0.8	15.8
Return on capital employed, %	6.4	4.7	5.0	5.6	16.3
Equity ratio, %	45	43	43	39	40
Interest-bearing net debt, SEKm	1,552	1,791	1,931	2,373	1,040
Debt/equity ratio, gross, times	0.7	0.9	0.9	1.1	0.9
Cash flow after investments, SEKm	265	283	37	48	-345
Average number of employees	4,011	3,920	3,766	3,635	3,356

[1] Pro forma.

LRT/Tornet – new business plan adopted

In December 2003, Ratos and Lehman Brothers Real Estate Partners (LBREP), through an offer to shareholders, purchased 82.4% of the shares in the listed property company Fastighets AB Tornet. The acquisition was made via the acquisition company LRT Acquisition AB. Ratos's holding in LRT Acquisition AB amounts to 40%. Indirect ownership in Fastighets AB Tornet is therefore 33%.

Ratos has invested a total of SEK 670m in LRT Acquisition AB. Consolidated value in Ratos amounted to SEK 848m at year-end.

Ratos is represented on Fastighets AB Tornet's board by Bo Jungner and Per Frankling.

Christel Armstrong Darvik, CEO

Operations

Tornet is one of Sweden's largest property companies. On 31 December 2004 the real estate portfolio comprised 257 properties mainly concentrated in Sweden's four largest cities as well as Karlstad and Västerås. The book value of the property portfolio amounted to SEK 15.1 billion at 31 December 2004. The portfolio has rentable space of approximately 2 million square metres. Broken down by book value, residential properties comprise 10% of the portfolio, commercial properties 55%, retail properties 7%, industrial/ storage properties 11% and other properties 18%.

The past year

Tornet's Board of Directors adopted a new strategic and business plan in the spring which means that Tornet will liquidate all its assets. It is intended that the released capital should be returned to the shareholders. In conjunction with the decision on a new strategy, a new financing agreement adapted to this strategy was drawn up which allowed a dividend of SEK 3.3 billion for 2003.

During the year structured sales were carried out of the Tornet Group's properties in Linköping and Norrköping, collected in the subsidiary Malmstaden. These transactions were based on a property value of SEK 4.3 billion and completed in December. A total of 158 properties were sold during the year to a property value of SEK 5 billion. After the end of the year, sales were announced including residential properties in Västerås for approximately SEK 500m and the Centrum Syd shopping centre for approximately SEK 630m.

Rental income amounted to SEK 2,223m (2,403), the operating profit was SEK 1,318m (1,426) and profit before tax amounted to SEK 769m (450).

Board of Directors

Fastighets AB Tornet

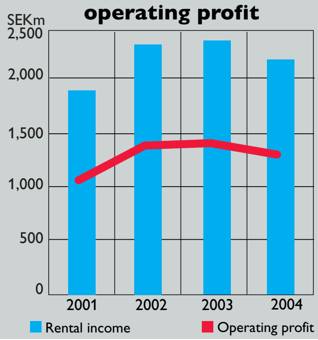
Mark H. Newman	Chairman, LBREP
Per Frankling	Ratos
Bo Jungner	Ratos
Kerstin Lindberg	Airport Director, Stockholm Arlanda Airport
Mats Lönnqvist	formerly Ratos
Risto Silander	former CEO Alfred Berg
Edward Williams	LBREP

Management

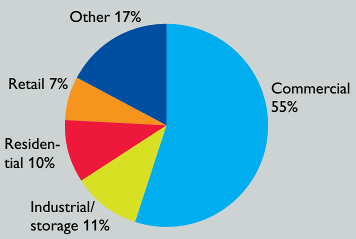
Fastighets AB Tornet

Christel Armstrong Darvik	CEO
Bengt Evaldsson	CFO (from 1 April 2005)
Sören Andersson	Chief Accountant
Åsa Fredriksson	Financial Manager

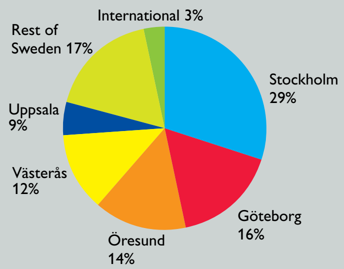
Rental income and operating profit



Breakdown of property portfolio by category



Properties by region



LRT/Tornet

SEKm	2004	2003[1)]	2003[2)]	2002[2)]	2001[2)]
Income statement					
Rental income	2,223	2,403	2,403	2,367	1,933
Operating expenses	-802	-863	-863	-856	-775
Property tax	-103	-114	-114	-108	-83
Operating profit	1,318	1,426	1,426	1,403	1,075
Depreciation	-196	-204	-210	-183	-148
Gross profit from property operations	1,122	1,222	1,216	1,220	927
Central administrative expenses	-28	-28	-28	-27	-20
Profit from other operations	-2	0	0	25	0
Sale of property (net)	716	417	417	184	308
Items affecting comparability	0	-123	-123	-119	106
EBITA	1,808	1,488	1,482	1,283	1,321
Financial income	17	0	0	36	31
Financial expenses	-1,056	-1,038	-742	-783	-562
EBT	769	450	740	536	790
Tax	21	–	141	-2	-179
Minority interests	-198	–	0	0	0
Net profit for the year	592	–	881	534	611
Balance sheet					
Properties	14,512	18,187	18,860	19,346	14,021
Equipment	18	48	48	61	31
Financial fixed assets	381	397	209	315	206
Total fixed assets	14,911	18,632	19,117	19,722	14,258
Other current assets	210	640	561	420	563
Short-term investments	470	121	121	135	43
Cash and bank balances	872	306	207	213	105
Total current assets	1,552	1,067	889	768	711
Total assets	16,463	19,699	20,006	20,490	14,969
Shareholders' equity	2,253	1,661	5,528	4,876	4,051
Minority interests	593	986	0	0	0
Interest-bearing provisions	0	0	0	9	8
Non-interest bearing provisions	127	209	209	452	89
Interest-bearing liabilities	12,608	15,760	13,230	14,092	9,653
Non-interest bearing liabilities	882	1,083	1,039	1,061	1,168
Total shareholders' equity and liabilities	16,463	19,699	20,006	20,490	14,969
Cash flow statement					
Cash flow from operating activities	-232	681	681	844	64
of which change in working capital	-690	55	55	214	-450
Cash flow from investing activities	2,146	-96	-96	-960	699
of which investments	-531	-1,606	-1,606	-1,566	-1,347
of which sales	2,677	1,510	1,510	606	2,046
Cash flow from financing activities	-1,262	-590	-590	222	-792
of which change in loans	2,028	-361	-361	329	-318
of which capital contribution	0	-110	-110	0	-369
of which dividends	-3,285	-119	-119	-106	-105
Cash flow for the year	652	-5	-5	106	-29
Key figures					
Profit ratio, %	59.3	59.3	59.3	59.3	55.6
Return on equity, %	21.6	–	16.9	12.0	15.3
Return on capital employed, %	10.8	–	7.9	8.1	9.7
Equity ratio, %	17	13	28	24	27
Interest-bearing net debt, SEKm [3)]	11,136	15,235	12,804	13,623	9,383
Debt/equity ratio, net, times	3.9	5.8	2.3	2.8	2.3
Cash flow after investments, SEKm	1,914	585	585	-116	763
Average number of employees	240	-259	259	265	252

[1)] Pro forma taking account of LRT/Tornet's new group structure at 31 December 2003.
[2)] Figures relate to Fastighets AB Tornet.
[3)] Interest-bearing liabilities minus interest-bearing assets.

Martinsson – strong market position

Ratos became a shareholder in Martinsson in 2001 in conjunction with the acquisition of Atle. Ratos's holding amounts to 50%. The co-owner is 3i with 50%.

Consolidated book value in Ratos was SEK 117m at year-end.

Ratos is represented on the board by Stig Karlsson who is also the Investment Manager for this holding.

Operations

Martinsson is the leading retailer in Sweden of server-related IT infrastructure and among the largest retailers of personal computers to companies. Revenues come from product sales (80%) and related consulting services (20%). Martinsson is established at 19 locations in Sweden and is the only nationwide player in its field.

The year in brief

Martinsson strengthened its market position during the year. The market leading Skåne company Lindahl & Rothoff was acquired in summer 2004. These operations have been totally integrated and strengthened Martinsson's position in the Öresund region. A small acquisition was also carried out in Karlstad. The market for IT products was relatively stable with rising volumes and continued price pressure. Martinsson succeeded in maintaining a very high and even rate of chargeable time for its consultants. Martinsson's focus with its combination of products and consulting services together with a strong local presence remain strong competitive advantages.

Earnings

Sales increased by 22% and amounted to SEK 1,522m (1,247), due mainly to strong organic growth as well as the acquisition of Lindahl & Rothoff. Lindahl & Rothoff was consolidated in Martinsson from 1 September 2004.

Profit before goodwill amortisation (EBITA) more than doubled and amounted to SEK 34m (15). Profit after net financial items was SEK 26m.

Lars Pettersson, CEO

Future prospects

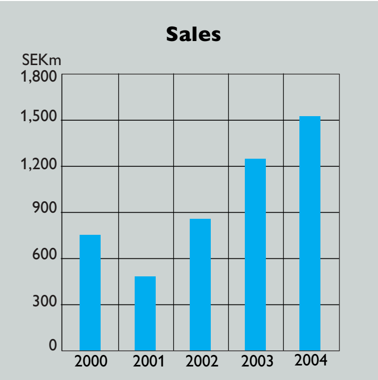
Martinsson's future development opportunities are expected to be favourable. A new business plan with a clarified market offering has been drawn up and the management team has been further strengthened through a number of external recruitments. Martinsson has established itself as a leading player in its sector with well established customer relations. Opportunities exist to further strengthen local presence through add-on acquisitions.

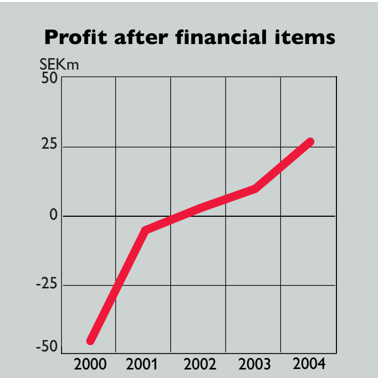
Board of Directors

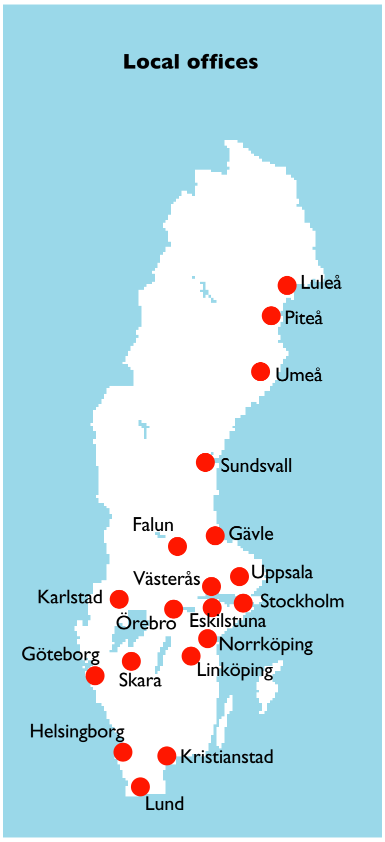
Kenth-Åke Jönsson	Chairman, Saab
Jan-Åke Kark	former CEO Telia
Stig Karlsson	Ratos
Wille Laurén	formerly ABB
Åke Plyhm	Deputy CEO Tieto Enator
Lars Pettersson	CEO

Management

Lars Pettersson	CEO
Björn-Erik Karlsson	Deputy CEO, COO
Daniel Ekberger	CFO







Martinsson

SEKm	2004 [1]	2003 [2]	2002 [2]	2001 [2]	2000 [2]
Income statement					
Net sales	1,522	1,247	856	480	750
Operating expenses	-1,487	-1,231	-841	-479	-785
Other income	3	3	3	1	9
Items affecting comparability	0	0	1	0	7
EBITDA	38	19	19	2	-19
Depreciation	-4	-4	-5	-7	-10
EBITA	34	15	14	-4	-29
Goodwill amortisation	-7	-6	-14	-8	-12
EBIT	27	9	0	-12	-41
Financial income	1	2	4	7	5
Financial expenses	-2	-2	-2	-1	-10
EBT	26	9	2	-6	-46
Tax	-13	-2	-2	5	8
Minority interests	0	0	0	0	0
Net profit/loss for the year	13	7	0	-1	-38
Balance sheet					
Goodwill	64	52	134	37	45
Other intangible fixed assets	2	0	0	1	0
Tangible fixed assets	14	11	14	13	21
Financial fixed assets	4	10	15	3	7
Total fixed assets	84	73	163	54	73
Current receivables	8	7	11	5	5
Short-term investments	455	297	296	218	301
Cash, bank, short-term investments	8	11	93	54	21
Total current assets	471	315	400	277	327
Total assets	555	388	563	331	400
Shareholders' equity	72	58	229	229	259
Minority interests	0	0	0	0	0
Interest-bearing provisions	0	0	0	0	2
Non-interest bearing provisions	5	0	0	0	3
Interest-bearing liabilities	57	25	24	4	5
Non-interest bearing liabilities	421	305	310	98	131
Total shareholders' equity and liabilities	555	388	563	331	400
Cash flow statement					
Cash flow from operating activities	-1	–	-2	52	-108
of which change in working capital	-33	–	-24	44	-83
Cash flow from investing activities	-27	–	55	6	-8
of which investments	-27	–	-59	-8	-29
of which sales	0	–	114	14	21
Cash flow from financing activities	25	–	-14	-25	-4
of which change in loans	25	–	-14	0	-4
of which capital contribution	0	–	0	0	0
of which dividends	0	–	0	-25	0
Cash flow for the year	-3	–	39	33	-120
Key figures					
EBITA margin, %	2.2	–	1.6	neg.	neg.
EBT margin, %	1.7	–	0.3	neg.	neg.
Return on equity, %	20.0	–	0.1	neg.	neg.
Return on capital employed, %	26.4	–	1.6	neg.	neg.
Equity ratio, %	13	15	41	69	65
Interest-bearing net debt, SEKm	49	14	-69	-50	-14
Debt/equity ratio, gross, times	0.8	0.4	0.1	0.0	0.0
Cash flow after investments, SEKm	-28	–	53	58	-116
Average number of employees	523	–	353	218	385

1) New group structure at 31 December 2003.

2) Pro forma taking account of new group formed at 31 December 2003.

Overseas Telecom – holdings in Hong Kong and Namibia sold

Overseas Telecom is a consortium between TeliaSonera, Orkla, Skandia and Ratos. Ratos's holding amounts to 8.75% of the share capital and 19.25% of the voting rights.

Ratos invested in Overseas Telecom between 1996 and 2000 with a total amount of SEK 328m. In 2002-2004 repayments to owners have totalled SEK 469m of the investment.

Consolidated book value in Ratos at year-end amounted to SEK 27m.

Ratos is represented on the board by Thomas Mossberg and Kristina Patek. Thomas Mossberg is the Investment Manager for this holding.

Operations

Overseas Telecom acquires, develops and sells telecom licences, mainly for mobile telephony, and communications networks in developing countries. The company goes in as a partner together with local partners. Since the start in 1996, eight investments have been made, of which six have been sold. The company's remaining portfolio consists of holdings in companies in Sri Lanka and Uganda.

Growth for the remaining portfolio companies remains strong with regard to the number of subscribers and penetration figures remain low compared with mature markets. The use of pre-paid services is rising, since this simplifies the payment process for the customer while eliminating customer credit risks for the operator. This also provides the operator with a good source of financing.

Anders Ekman, CEO

The year in brief

The portfolio companies in Namibia and Hong Kong were sold successfully during the year. PTC in Hong Kong was listed at the beginning of April and in conjunction with this Overseas Telecom divested its entire holding. The capital gain amounted to SEK 166m. In May, the holding in Namibia was sold to the state owned principal owner NPTH. This deal generated a capital gain of SEK 200m.

The two remaining holdings, MTN in Uganda and Suntel in Sri Lanka showed strong development with regard to customer growth and profitability. At year-end 2004, the total number of subscribers in the companies amounted to approximately 780,000. Subscriber growth is expected to remain good.

Continued good financial development

Consolidated sales for 2004 amounted to SEK 287m (307). In 2004 the Group included consolidation of the subsidiary in Sri Lanka and the associated company in Uganda. Operating profit after goodwill amortisation was SEK 352m (215). Liquid assets in the company amounted to SEK 451m. During the year a total of SEK 320m was paid to owners. As a result of this, Ratos received a dividend of SEK 28m. The financial development in Overseas Telecom's portfolio holdings remained favourable during 2004.

Future prospects

By direct representation on boards and follow-up of operating and financial developments, Overseas Telecom is pushing forward the development of the two remaining holdings. The work of realising built-up values will continue in 2005. Neither of the portfolio companies is expected to need additional capital from the owners in future years.

Portfolio companies, 31 December 2004

Country	Company	Holding	Population, millions	Subscribers (000s) 2001	2002	2003	2004	Sales SEKm 2004	EBITDA SEKm 2004	Net debt SEKm 2004
Sri Lanka	Suntel	55%	19.7	73	67	67	80	270	153	31
Uganda	MTN	32%	25.6	202	344	480	700	1,130	566	255

Overseas Telecom

SEKm	2004	2003	2002	2001	2000
Income statement					
Net sales	287	307	389	418	445
Operating expenses	-129	-152	-189	-238	-299
Other income	4	3	1	2,370	32
Share of profits of assoc. companies	260	136	85	-136	-818
Items affecting comparability	0	0	0	0	0
EBITDA	422	294	286	2,414	-640
Depreciation	-69	-79	-87	-100	-92
EBITA	353	215	199	2,314	-732
Goodwill amortisation	-1	-1	-3	-9	-10
EBIT	352	214	196	2,305	-742
Financial income	177	59	119	347	83
Financial expenses	-28	-79	-211	-192	-128
EBT	501	194	104	2,460	-787
Tax	-22	-19	-1	-720	-217
Minority interests	-29	-19	-12	-1	20
Net profit/loss for the year	450	156	91	1,739	-550
Balance sheet					
Goodwill	1	2	3	2	12
Intangible fixed assets	11	14	18	24	26
Tangible fixed assets	256	319	444	618	574
Financial fixed assets	201	371	398	398	1 902
Total fixed assets	469	706	863	1,042	2 514
Current assets, other	72	98	140	137	345
Cash, bank,other short-term investm.	469	180	684	3,692	108
Total current assets	541	278	824	3,829	453
Total assets	1,010	984	1,687	4,871	2,967
Shareholders' equity	763	654	1,198	449	2,288
Minority interests	118	109	113	122	123
Interest-bearing provisions	16	14	12	10	8
Non-interest bearing provisions	2	6	14	3	8
Interest-bearing liabilities	59	155	273	384	357
Non-interest bearing liabilities	52	46	77	3,903	183
Total shareholders' equity and liabilities	1,010	984	1,687	4,871	2,967
Cash flow statement					
Cash flow from operating activities	278	266	100	409	158
of which change in working capital	52	55	10	66	-240
Cash flow from investing activities	422	412	-474	3,217	-2,219
of which investments	-50	-42	-474	-151	-2,253
of which sales	472	454	0	3,363	34
Cash flow from financing activities	-404	-761	-3,046	-43	2,023
of which change in loans	-84	-125	-3,772	3,700	-76
of which capital contribution	0	0	726	-3,743	2,099
of which dividends	-320	-636	0	0	0
Cash flow for the year	296	-83	-3,420	3,583	-38
Key figures					
EBITA margin, %	123.0	70.0	51.2	553.6	neg.
EBT margin, %	174.6	63.2	26.7	588.5	neg.
Return on equity, %	63.5	16.8	11.1	127.1	neg.
Return on capital employed, %	56.0	21.6	24.6	141.8	neg.
Equity ratio, %	87	78	78	12	81
Interest-bearing net debt, SEKm	-394	-11	-399	-3,298	257
Debt/equity ratio, gross, times	0.1	0.2	0.2	0.7	0.2
Cash flow after investments, SEKm	700	678	-374	3,626	-2,061
Average number of employees	492	418	392	393	385

Board of Directors

Per Eric Fylking	Chairman, formerly Telia
Håkan Jansson	TeliaSonera
Niklas Johansson	Skandia
Helena Krook-Kilander	TeliaSonera
Thomas Mossberg	Ratos
Ola Uhre	Orkla
Kristina Patek	Deputy, Ratos
Ole Christian Söhoel	Deputy, Orkla
Caroline af Ugglas	Deputy, Skandia
Christina Wik	Deputy, TeliaSonera

Management

Anders Ekman	CEO
Gunnar Andersson	Accounting/ Finance

Superfos – strong earnings improvement

At the end of 1999, Ratos joined forces with Industri Kapital and acquired the listed Danish Superfos Group. Ratos's holding amounts to 33% and the remaining shares are held by Industri Kapital. At acquisition, there were three separate business areas: Chemicals, Packaging and Aerosols. The Chemicals business area was sold in 2000 together with the former head office and two units in the Aerosols business area. Ratos's total investment, including an add-on investment of SEK 81m in 2002, amounts to SEK 405m.

Consolidated book value at year-end 2004 amounted to SEK 341m.

Ratos is represented on the board by Thomas Mossberg, who is also the Investment Manager for this holding, and Thomas Hofvenstam.

Market leader in thermoformed plastic packaging

Superfos is a Danish industrial group with international operations and two operating areas: Packaging and Aerosols.

Packaging, which accounts for 92% of sales, has a market-leading position in plastic packaging. Packaging develops, produces and sells thermoformed plastic packaging to customers in the food, chemical-technical and pharmaceutical industries. Packaging has 13 factories in Europe and one in the US.

Superfos is the market leading manufacturer in Europe. The company has a pan-European strategy with strong positions in the Nordic region, South and Central Europe and the UK. The products are also sold in the US market. The market for Packaging's products grows by 3-4% a year.

Plastic packaging accounts for over 30% of the total west European packaging market. The trend among customers is to change from other packaging materials, such as glass and metal, to plastic. Both among customers and raw material suppliers a consolidation is taking place towards fewer and larger players, which also operate increasingly on the global stage. The packaging industry is relatively fragmented and is currently undergoing a consolidation in which Superfos is taking part.

Aerosols is a European player in contract filling of aerosols, primarily with chemical-technical and pharmaceutical products. The main customer base is the pharmaceutical industry.

Kim R. Andersen, CEO

The past year

Superfos improved its earnings substantially in 2004. The extensive cost-cutting programmes and investment in new technology carried out by Superfos in 2003 had its full effect in 2004 resulting in major operational improvements.

Development in Superfos's markets was mixed. Customers in the food industry, primarily in the UK and Germany, were negatively affected by the wet summer which led to weaker demand primarily for consumer packaging. The market in southern Europe, however, showed strong development, as did the Polish market. Prices of the important input material polypropylene increased sharply in the second half of the year which had negative effects on Superfos's result.

Superfos's operations in the US continued to develop well in 2004 with high growth in sales and earnings after continued success in the consumer segment. Pharma had yet another year with good growth due among other things to success in the market for generic drugs.

The Aerosols division had a strong year with a marked improvement in earnings. Aerosols obtained regulatory approval for an important new product for asthma patients (dry powder inhaler), which places the company in a good starting position for 2005.

Superfos reports sales of EUR 344.3m (352.6), adjusted for currency effects and a sold unit, sales were on a par with 2003. Operating profit before goodwill amortisation (EBITA) amounted to EUR 29.3m (13.2). Profit after net financial items was EUR 10.2m (-5.7).

Future prospects

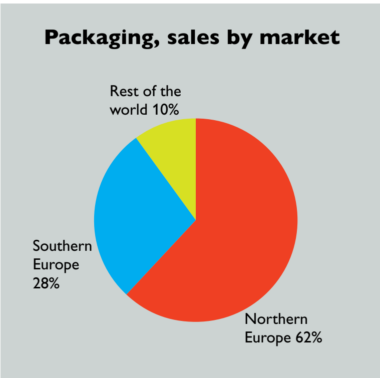
The streamlining in recent years to a focused packaging company and implementation of measures to raise profitability create good opportunities for favourable growth and improved profitability.

Board of Directors

Waldemar Schmidt	Chairman, Board Member Group 4 Falck, Alfa Laval and others
Torben Bjerrre-Madsen	Deputy CEO, Vestas Wind Systems A/S
Gerard de Geer	Partner & Director, Industri Kapital
Thomas Mossberg	Ratos
Jacob Møller-Jensen	Associate Director, Industri Kapital
Kim R. Andersen	CEO
Thomas Hofvenstam	Deputy, Ratos

Management

Kim R. Andersen	CEO
René V. Frederiksen	CFO
Benny Nielsen	Executive Vice President Operations
Martin Malmros	Executive Vice President Sales & Marketing



Superfos

EURm	2004	2003	2002	2001	2000
Income statement					
Net sales	344.3	352.6	373	316	351
Operating expenses	-284.6	-308.7	-312	-283	-307
Other income	0	0	0	0	0
Items affecting comparability	0	0	-15	0	3
EBITDA	59.7	43.9	46	33	47
Depreciation	-30.4	-30.7	-31	-23	-23
EBITA	29.3	13.2	15	10	24
Goodwill amortisation	-6.0	-6.0	-6	-4	-4
EBIT	23.3	7.2	9	6	20
Financial income	1.1	0.2	1	0	10
Financial expenses	-14.2	-13.1	-17	-19	-25
EBT	10.2	-5.7	-7	-13	5
Tax	-6.8	-0.3	-1	-1	2
Minority interests	0	0	0	0	0
Net profit/loss for the year	3.4	-6.0	-8	-14	7
Balance sheet					
Goodwill	93.8	99.7	106	74	78
Other intangible fixed assets	0	0	0	0	0
Tangible fixed assets	192.8	191.2	199	163	163
Financial fixed assets	12.5	14.7	13	8	10
Total fixed assets	299.1	305.6	318	245	251
Inventories	40.9	37.6	41	35	40
Current receivables	60.7	69.9	67	73	72
Cash, bank, short-term investments	3.2	8.7	21	3	10
Total current assets	104.8	116.2	129	111	122
Total assets	403.9	421.8	447	356	374
Shareholders' equity	109.3	105.9	113	95	108
Minority interests	0	0	0	0	0
Interest-bearing provisions	0	0	0	0	0
Non-interest bearing provisions	12.4	11.7	21	12	12
Interest-bearing liabilities	219.4	246.7	252	201	204
Non-interest bearing liabilities	62.8	57.5	61	48	50
Total shareholders' equity and liabilities	403.9	421.8	447	356	374
Cash flow statement					
Cash flow from operating activities	49.2	24.7	40	29	1
of which change in working capital	0.3	5.8	-1	11	-20
Cash flow from investing activities	-27.4	-31.7	-105	-28	69
of which investments	-27.9	-33.6	-126	-31	-35
of which sales	0.5	1.9	21	3	104
Cash flow from financing activities	-27.3	-5.2	83	-3	-378
of which change in loans	-27.3	-5.2	56	-3	-379
of which capital contribution	0	0	27	0	1
of which dividends	0	0	0	0	0
Cash flow for the year	-5.5	-12.2	18	-2	-308
Key figures					
EBITA margin, %	8.5	3.7	4.0	3.2	6.8
EBT margin, %	3.0	neg.	neg.	neg.	1.4
Return on equity, %	3.2	neg.	neg.	neg.	–
Return on capital employed, %	7.2	2.1	3.0	2.0	–
Equity ratio, %	27	25	25	27	29
Interest-bearing net debt, EURm	216.2	238.0	231	198	194
Debt/equity ratio, gross, times	2.0	2.3	2.2	2.1	1.9
Cash flow after investments, EURm	21.8	-7.0	-65	1	70
Average number of employees	1,800	2,150	2,359	2,268	–

Group summary

	2004	2003	2002	2001	2000
Key figures					
Earnings per share before dilution, SEK	22.69	7.71	4.60	22.07	23.50
Dividend per share, SEK	8.50 [1]	7.25	6.75	6.25	5.50
Dividend yield, %	5.9 [1]	6.4	7.1	6.7	7.0
Total return, %	35	27	8	27	16
Market price, 31 December, SEK	143.50	113	95.50	93.50	79
Equity per share, 31 December, SEK	114	100	102	104	86
Equity, SEKm	9,026	7,827	8,037	8,177	6,778
Return on equity, %	21	8	4	23	31
Equity ratio, %	76	91	90	95	95
Average number of shares before dilution	78,902,245	78,610,824	78,867,216	79,029,299	80,350,723
Number of shares outstanding	78,938,440	78,554,640	78,645,440	78,958,226	79,155,626
Income statement, SEKm					
Holdings					
Profit/loss from subsidiaries	113	91	71	-27	14
Exit gains/losses, subsidiaries	–	–	90	–	-37
Share of profits of associates	525	297	326	230	306
Exit gains, associates	1,356	412	206	1,722	638
Impairment losses, associates	-17	-7	-45	-248	–
Dividends, other companies	28	21	14	10	–
Exit gains, other companies	82	32	68	130	38
Profit from holdings	2,087	846	730	1,817	1,046
Asset management					
Dividends	–	–	–	16	103
Capital gains	–	–	–	218	905
Profit from asset management	–	–	–	234	1,008
Central income and expenses	-98	-34	-96	-125	-77
Consolidated profit before tax	1,989	812	634	1,926	1,977
Tax including minority interests	-199	-206	-271	-182	-89
Consolidated profit after tax	1,790	606	363	1,744	1,888
Balance sheet, SEKm					
Intangible fixed assets	1,759	693	335	127	75
Tangible fixed assets	603	217	224	43	29
Financial fixed assets	5,249	5,119	5,419	7,882	6,684
Current assets	4,346	2,729	2,947	589	366
Total assets	11,957	8,758	8,925	8,641	7,154
Shareholders' equity including minority interests	9,060	7,934	8,155	8,177	6,778
Provisions	165	83	85	14	41
Interest-bearing liabilities	1,687	393	363	200	91
Non-interest bearing liabilities	1,045	348	322	250	244
Shareholders' equity and liabilities	11,957	8,758	8,925	8,641	7,154

[1] Proposed by the Board of Directors.

Definitions

Capital employed
Total assets minus non-interest bearing liabilities.

Debt/equity ratio
Interest-bearing liabilities in relation to shareholders' equity.

Earnings per share
Profit after tax divided by the average number of shares after buy-backs.

Dividend yield
Dividend expressed as a percentage of market price.

EBIT
(Earnings before interest and tax). Profit before net financial items and tax.

EBITA
(Earnings before interest, tax and amortisation). Profit before net financial items, tax and goodwill amortisation.

EBITDA
(Earnings before interest, tax, depreciation and amortisation). Profit before net financial items, tax, depreciation and goodwill amortisation.

EBT
(Earnings before tax). Profit before tax.

Equity ratio
Reported shareholders' equity expressed as a percentage of total assets. Minority interests are included in shareholders' equity.

Exit
Exit refers to divestment of a holding.

Exit gain/loss
Exit gain/loss is the capital gain or loss which arises when a holding is sold.

Holding
A holding is a company in which Ratos, usually as the largest owner, exercises significant owner influence and is represented on the board.

Net debt
The net of interest-bearing provisions and liabilities minus financial assets including cash and cash equivalents.

Operating margin
Operating profit expressed as a percentage of net sales.

P/E ratio
Market price in relation to earnings after tax per share.

Return on capital employed
Profit before interest expenses and tax expressed as a percentage of average capital employed.

Return on equity
Profit after tax expressed as a percentage of average shareholders' equity.

Total return
Price development of shares including reinvested dividends.

Ratos is a listed private equity company. The business concept is to maximise shareholder value over time through acquisition, development and divestment of primarily unlisted companies. Ratos thus offers stock market players a unique investment opportunity.

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