RATOS

Annual Report 1999

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Contents

1999 Highlights

- The Active holdings: Meto, PriFast and TV8 were divested which, among other divestures, contributed to a total exit result of SEK 696M.
- New and additional investments in Active holdings amounted to SEK 1,021M in, among others, Dahl, Superfos Industries and Telia Overseas. In February 2000, DataVis was added as a new Active holding.
- The consolidated result before tax amounted to SEK 1,761M (897).
- Profit per share amounted to SEK 20.95 (9.78).
- The net asset value was SEK 9.2 billion on 31 December 1999, equivalent to SEK 113 per share.

Key figures 1)

SEK per share	1999	1998	1997
Profit	20.95	9.78	2.40
Dividend	4.50 2)	3.50	3.00
Market price, 31 Dec	72	57	71
Total yield, %	34	-12	30
Net asset value, 31 Dec	113	87	85
Net asset value development %	34	7	18

1) Definitions page 3:23.

2) Board of Directors' proposal to the AGM 2000.

Information

Ratos has set the following regular dates for publishing information to its shareholders in the year 2000:
Annual General Meeting, 13 April
Interim Report, January–March, 9 May
Interim Report January–June, 29 August
Interim Report January–September, 9 Nov.
Preliminary Report 2000, February 2001

During the year, representatives of Ratos together with external analysts will make presentations of Ratos at some ten locations around Sweden. Ratos' shareholders will automatically be invited to these meetings.

Ratos' website will be revised during spring 2000 and will, among other things, offer updated and downloadable financial information relating to Ratos and the Active holdings as well as interviews with the President of the respective Active holding. Welcome to www.ratos.se.

Business concept, strategy and objective

Ratos is a listed Private Equity company.

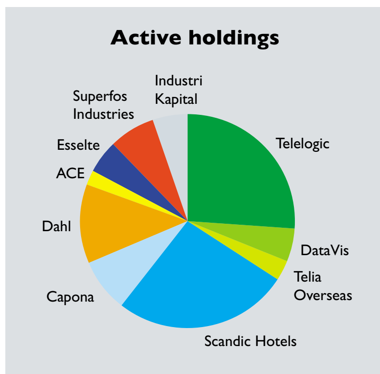
Ratos business concept, over a period of time, is to create the highest possible yield through professional, active and responsible exercising of the ownership role in a number of selected companies abd investment situations in which Ratos creates a unique investment opportunity for the players on the stockmarket. Added values will be created in connection with acquisitions, development and sale of companies.

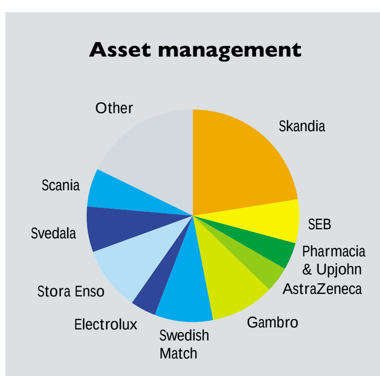
Mainly unlisted holdings

To increase Ratos' yield and make the share a unique investment, Ratos will increase the proportion of unlisted holdings. In order to be able to exercise an active ownership role and at the same time make the operations transparent, the number of holdings will be limited to 10-20 companies of varying size. By normally being the largest owner with 20-50 per cent ownership and having a clear exit strategy for each investment, criteria are created for a value-creating ownership.

Active ownership creates value

Ratos aims to achieve high growth in value in the investments made. Through active ownership, criteria will be created for cash flows, dividends and exit results. Thus, Ratos will generate high and sustainable profit. The dividend policy is aggressive. Ratos aims to be one of Sweden's best owner companies.





Investments in Active holdings

Typical situations for companies in which Ratos could see opportunities to invest are, among other things, capital-intensive growth phases, industrial structural changes, structural concentration and/or supplementary acquisitions as well as internationalisation phases. Ratos can also initiate and/or participate in buy-out of listed companies or buy-out of companies from a large group. Normally, Ratos' new investments are in the range of between SEK 250M and SEK 1,200M. The starting point for the investments is the Nordic countries with an emphasis on Sweden. Ratos' investments are sector-wide. Besides investments in Active holdings, for several years Ratos has invested in Industri Kapital's Private Equity funds.

Asset management

Asset management's objective is primarily to act as a liquidity reserve, i.e. create preparedness ahead of investments in new Active holdings. The portfolio should meet the liquidity requirements which this demands and at the same time achieve a high yield. Investments are primarily made in Swedish shares.

Creating value outside the stockmarket

Just over a year ago, Ratos launched a new strategy. The change of strategy was based on an analysis of how Ratos would be able to generate a high future yield, offer a unique alternative on the stockmarket and at the same time make use of the tradition and the resources that already existed in the Company.

Ratos has a strong tradition of professional, active and responsible ownership. At the same time, it was apparent that Ratos' existing analysis expertise was good. Against this background, it was clear that the Company had a sound potential for becoming one of Sweden's leading players on the Nordic Private Equity market.

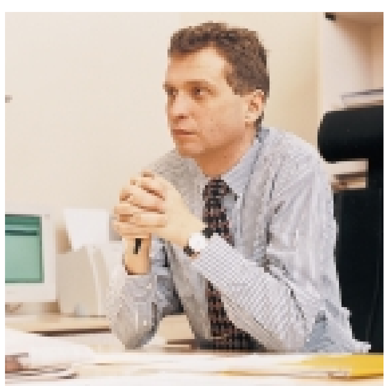
Historically-profitable business concept

In most countries, Private Equity investments in combination with active exercising of ownership and a clear strategy for future divestment have proved to be a profitable business concept over the past 20 years.

Our assessment is that the opportunities for creating long-term growth in value are also in the future significantly higher within Private Equity than via investments in listed shares.

The core expertise that is decisive for succeeding on this market is now in place in Ratos. As investors in unlisted companies, we are able to contribute with financial and strategic analysis as well as our experience of structural transactions and our contacts with the capital market. In that way we will, in addition to work on the boards of directors, also function as a management consultant in overall matters to the executive management in the wholly- or partly-owned companies. Ratos' result is directly affected by our contributions as these reflect the value of the companies in which we are stakeholders.

"The core expertise that is decisive for succeeding on our market is now in place in Ratos"



Values can be created in most sectors

We are frequently asked in which companies we want to invest and what our investment criteria are. First and foremost we seek an opportunity to create growth in value. Growth in value can be created in many ways, for example through organic growth, industrial concentration, structural transactions and/or through new financial structures. As we are of the opinion that values can be created in most sectors, we have chosen to be sector generalists – in other words, we do not focus on any specific sectors.

Creating values takes as long in a small as in a large company. However, the gearing on invested capital becomes significantly higher in large holdings, especially taking into account Ratos' strong capital base. Therefore, we will normally not make investments of less than SEK 250M.

In order to avoid the holding becoming too predominant in our portfolio, new investments in excess of SEK 1,200M will be avoided. This means that the number of holdings will amount to between 10 and 20 companies. By limiting ourselves to this manageable volume of companies, we gain two advantages: we are able to exercise active ownership without having to change Ratos' organisation dramatically, and we are able to provide the stockmarket with requisite information about the companies to create the transparency which is necessary to enable the Ratos share to be valued accurately.

1999 – a year of establishment

When I joined Ratos just over a year ago, I found – as I have already stated – that many of the criteria for realising Ratos' new strategy were already in place, especially with regard to the expertise of staff. We have therefore been able to concentrate our efforts in 1999 on the composition of our portfolio. The result of the work has been that we brought three companies to the stockmarket and three companies from it. We invested in two new Active holdings and sold the loss-generating TV8 and a portfolio with eight development companies.

At the same time, the development work in the remaining Active holdings continued and some internal projects were initiated to improve our organisation still further. Much energy was also devoted to building up a sound business flow for creating a base for new investments. This year, we have already seen effects that we have succeeded.

The investment in DataVis, which was completed in February this year, is a good example of a self-generated transaction, whereas both the Superfos investment and the buy-back of Dahl is an example of how good collaboration with other Private Equity players can provide Ratos' shareholders with an opportunity to participate in interesting investments.

We continuously evaluate new business that matches our investment criteria. During the past year, I was able to note some shifting from large to medium-size companies. Further, however, the investments which we are currently evaluating easily meet our yield requirement.

Last year's problems include the development in Esselte, which reports a loss for 1999. Here, Ratos through its work on the Board of Directors has participated in the appointment of a new President whose clear assignment is to restore profitability in the company. Although Scandic Hotels' operations continue to develop positively, this has not been reflected in the price of the share during the year. We continue to work together with the management on evaluating new growth areas for the company and see considerable potential in continuing to develop the company with the current strategy.

"there is a flow of business opportunities, we have begun fruitful network-building and we have the financial resources"

When I evaluate 1999, I consider that most of what we have set out to do has been successful. Net result for the year amounted to SEK 1,704M or SEK 21 per share. At the same time, the growth in value in the Company's assets was 34 per cent. Against this background it is sad to note that the price development of the Ratos share has been a disappointment. Even though the total yield of the Ratos share was 34 per cent, we do not come even close to The Findata Yield Index which rose by 70 per cent.

My evaluation is that a wait-and-see anticipation prevails on the market which demands an additional few investments and an indication of Ratos' sustained profit level in the future. We will therefore – which is among other things made clear in this Annual Report and revised website launched during spring – work actively to facilitate the understanding of our profitability and the value of our holdings. Sound information will in the future, as it has historically, have a high priority in Ratos.

Platform built for the Private Equity company of the 21st century

In the past year, Ratos has created a platform within Private Equity on which we will build further. The organisation is in place, there is a flow of new business opportunities, we have begun fruitful network-building, and we have the financial resources. Although we are sometimes criticised for moving too slowly, it is my intention also in the future to make the right choice and not let the organisation be pressurised into rash investment decisions. Our prime task is to create a high yield for Ratos' shareholders.

Within parts of the venture capital market both prices and tempo are, to say the least, forced very high at the present time. However, it is not right to translate these trends into the seg-ment of the Private Equity market in which Ratos operates. The complexity of the investments that we evaluate mean that our investment process must be allowed to take time. The investment opportunities which we create must, on the other hand, offer a sufficiently high yield to justify the time and expense that the process involves.

"interesting alternative for those who are prevented from investing direct in unlisted companies"

During the year 2000, the implementation of additional investments in accordance with the new strategy will have high priority. A great deal of work will obviously also be devoted to current development and problem-solving in our existing holdings.

Our target is that we will have presented some new interesting holdings for our shareholders by the end of the year. My hope is also that the market will appreciate our business concept and that our portfolio will be perceived as attractive – for private investors who are interested in shares as well as for Swedish and foreign institutions which are prevented from investing direct in Private Equity investments.

Arne Karlsson

The ownership role in unlisted companies

A visible owner with demands on sustained yield drives forward the development of efficient companies, new products and new markets. Ratos is a Private Equity investor which creates added values for its own shareholders through the three processing stages: acquisition, development, and divestment of companies. Ratos' action is aimed at creating value in all three stages.

Professional, active and responsible

In Ratos' business concept is described the exercising of the ownership role based on three fundamental valuations.

Professionalism is an important criterion for a correct analysis, and thus a correct investment decision, and will therefore characterise Ratos' current work. Only by being *active* and participating can Ratos be expected to contribute to increase the value in its investments. *Responsible* behaviour guarantees long-term sound relations with the outside world which per se is a condition for Ratos being welcomed as an active owner in new investments.

"Ratos' task, via active ownership, is to create values which can be passed on to its shareholders"

Business plan basis for acquisition

Every investment must at least meet Ratos' highly-set yield requirements. With the aim of analysing the opportunities of the investment, Ratos, the company and potential co-investors therefore work out a business plan ahead of an acquisition which forms the basis for the development work which follows the investment and for the design of future control and incentive systems.

In addition, Ratos produces yield and risk analyses of the investment which form the basis for both investment and financing decisions. Before making a decision Ratos will also consider the possible risks that are linked to a future divestment.

Balance and action provides for development

Ratos exercises its owner influence through the board of directors of the wholly- or partly-owned companies. However, Ratos will also function as an active owner vis-à-vis other executives in the company. The management of the company must therefore be thoroughly in agreement with the owners' intentions and ambitions. Ratos' role is to function as an advisor and a sounding board, to assist with analysis, target and strategy formulation as well as financial expertise and financial resources.

Examples of typical situations in which Ratos is able to contribute to a company's development are during growth phases, structural changes, internationalisation and in profitability problems.

Ratos' owner responsibility includes continuously monitoring the company's development vis-à-vis the previously drawn-up business plan. As an owner, it is therefore Ratos' responsibility to identify through the company's board of directors the need for and implement necessary changes to achieve the target for Ratos' original investment. For this, efficient control systems are required in the owned companies. In addition, this presumes that Ratos is keeping itself continuously updated regarding matters that concern both the individual company and the sector as a whole. On signals about deviation, Ratos will carry out an analysis of the situation. Thereafter, Ratos as an owner will decide on appropriate and necessary action.

Divestment on fulfilment of objective

Ratos' business concept includes divestment of companies as a natural part of the value creation. The main principle for Ratos' decision is that a divestment will be made when the objectives of the investment have been achieved and/or when Ratos' ownership no longer creates values. The divestment will be carried out in a responsible way and the individual company's long-term development taken into account.

From this perspective, Ratos makes an evaluation of the various holdings on an annual basis. This evaluation takes into account what is required to achieve the set yield requirement on the investment in the future.

The Ratos share

The Ratos share is quoted on the O list of the OM Stockholm Exchange. The Ratos A share carries one vote and the Ratos B share 0.1 vote. A trading lot amounts to 100 shares.

Stockholm stockmarket +66 per cent

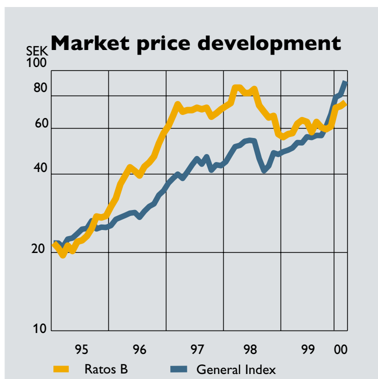
Developments on the OM Stockholm Exchange were very positive during 1999. The Affärs-världen General Index rose by 66 per cent and the Findata Yield Index, which includes dividends, rose by 70 per cent.

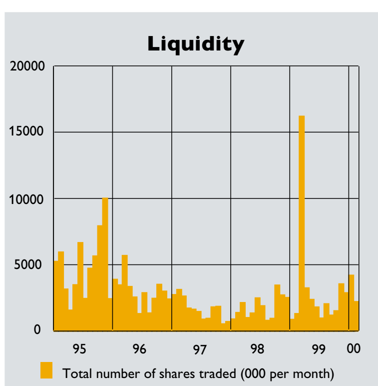
The total market value increased from SEK 2,413 billion to SEK 3,717 billion. Ericsson accounted for more than half of this increase. The year's trading was also the largest ever registered, the trading rate on the OM Stockholm Exchange increased from 76 per cent to 94 per cent.

The engineering industry which includes Ericsson and Nokia was the sector that showed the most positive development, with an index increase (Veckans Affärer) of 118 per cent. The data and IT sector showed a strong increase during the autumn and was the second best sector with 112 per cent.

Other sectors which developed better than the General Index were trading companies, +68 per cent, and the forest industry, +70 per cent. Stora Enso rose 112 per cent.

The sectors which developed less positively than the stockmarket index included investment and asset management companies, +35 per cent, and real estate and construction companies, +30 per cent. Banks and financial services increased by only 17 per cent despite the 107 per cent rise in the price of Skandia. Chemicals and pharmaceuticals were squeezed by a weak international trend for pharmaceutical shares and rose by 9 per cent.





The Ratos share

The total yield of the Ratos B share amounted to 34 per cent in 1999. The year-high, SEK 72, was quoted in December. The lowest quotation, SEK 55, was in January. At the turn of year, Ratos' total market value amounted to SEK 5.9 billion. The net asset value amounted to SEK 9.2 billion equivalent to SEK 113 per share at the turn of year. The net asset value discount thus amounted to 36 per cent. The trend during the year was that the so-called investment company discount increased throughout the sector.

Increased liquidity

A total of 37.6 million Ratos shares were traded at a value of SEK 2.3 billion in 1999. The corresponding values for 1998 were more than 21 million shares and nearly SEK 1.6 billion respectively. Average daily trading therefore increased during the year and amounted to SEK 9.1M. The increase in trading in 1999 is mainly explained by the high level of trading in March when a major shareholder sold their holding.

Dividend

Ratos dividend policy shall be aggressive. Ratos' Board of Directors proposes a dividend for 1999 of SEK 4.50 (3.50) per A and B share.

Buy-back

According to new legislation, which comes into force on 10 March 2000, Swedish listed companies will be able to acquire up to 10 per cent of the outstanding shares in their own company. Ratos' Board of Directors has decided to propose that the Annual General Meeting on 13 April 2000 authorise the Board of Directors to acquire up to 10 per cent of the Company's shares. Such acquisition is proposed to take place via the market. The authorisation does not cover sales of acquired shares.

Ownership structure

At the 1999 year-end, the number of shareholders in Ratos was 16,091, an increase of 9 per cent during the year. The ten largest owners accounted for 72 per cent of votes and 60 per cent of capital. 50 per cent of the share capital is owned by Swedish institutional investors and 42 per cent by private individuals. 95 per cent of the Ratos shareholders own 5,000 shares or fewer and together account for 13 per cent of the share capital. Foreign ownership amounted to 8 per cent.

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Key figures per share

SEK	1999	1998	1997
Profit	20.95	8.81	2.40
Market price	72	57	71
Dividend paid	4.50 [1]	3.50	3.00
Yield, %	6.25	6.1	4.2
Net asset value	113	87	85
Total yield, %	34	-12	30

[1] Proposed

Ratos' shareholders

31 Dec 1999	Share of votes, %	Share of capital, %
The Söderberg Family	38.6	16.9
Ragnar Söderberg's Foundation	13.4	7.3
Torsten Söderberg's Foundation	11.8	7.5
The Montgomery Family	5.4	1.9
AMF	2.6	8.7
Skandia	1.5	5.2
SEB funds	1.4	4.9
SEB-Trygg Försäkring	1.1	3.7
SPP	0.9	3.0
Fjärde AP-fonden	0.7	2.5
Other	22.6	38.4
Total	100.0	100.0

Source: DN ägarservice

Share issues/split

Since 1980

1983 bonus issue 1:4, split 2:1
1985 bonus issue 2:5
1988 bonus issue 1:1
1997 split 4:1

Share data at 31 December 1999

Share capital	SEK 1,016,505,325
Number of shares	81,320,426
Nominal value per share	SEK 12.50
A shares (1 vote)	21,641,127
B shares (0.1 vote)	59,679,299

Range

Range		Number of sharholders	Total number of shares, %
1 –	500	9,983	2.4
501 –	1.000	2,739	2.7
1,001 –	2,000	1,532	3.0
2,001 –	5,000	1,084	4.5
5,001 –	10,000	379	3.5
10,001–	20,000	164	2.9
20,001 –	50,000	107	4.5
50,001 –	100,000	45	4.2
100,001 –		58	72.3
		16,091	100.0

Ratos' market position

Ratos' Board of Directors, in December 1998, decided on a new strategic orientation. For a long time, Ratos' business concept has been based on creating values by actively developing owned companies. During the 1990s, Ratos invested mainly in listed companies. The evaluation is now that the opportunities for creating growth in value are larger outside the stockmarket.

From investment company to Private Equity operator

The majority of Ratos' assets will therefore be invested in a limited number of preferably unlisted companies. Ratos thus becomes a listed operator on the Private Equity market – the market for unlisted companies.

Characteristic for investments on the Private Equity market – in addition to the fact that they are made in unlisted companies – is also that the ownership involvement in these companies is active and for a limited period. The investing company contributes capital and business development support. Yield is primarily achieved via the capital gain that is made on exit, i.e. when the holding is divested. Divestment is usually made through a stockmarket listing or sale to an industrial operator.

Strong global growth

Over the past decade, the sector has grown rapidly and the growth is global. An increased number of operators have gradually built up increasingly extensive capital resources. The sector thus plays an increasingly important role in the national economy, partly through its importance for creating and developing growth companies.

Development in the USA, which is several years ahead of Europe, has left its mark on the sector. Investments on the Private Equity market have been a very well-defined investment-form in the USA since the 1950s, and the breakthrough in the sector came in the 1970s. Investments are as a rule made via funds where the trend is that the funds are becoming larger and more and more specialised.

In Europe, Private Equity has been an established sector since the 1980s. Over the past 15 years, nearly SEK 900 billion has been invested in Private Equity funds in Europe according to EVCA, European Venture Capital Association. Growth in recent years has been strong. In 1998, more than SEK 170 billion was added in new fund resources which can be compared with just under SEK 70 billion in 1996. Of the available capital, nearly SEK 130 billion was invested during 1998 which was approximately 50 per cent more than in 1997.

After the USA, Great Britain is the largest Private Equity market in the world. Europe's leading venture capital company is the British company, 3i, with total fund capital of nearly SEK 119 billion and a market value of approximately SEK 55 billion. According to the British investment bank, Cazenove, the yield within Private Equity has beaten all other classes of asset since 1987 in Great Britain. This condition is also said to apply to the European market.

Operators in Sweden

The Swedish Private Equity market is developing rapidly and Sweden is on its way to becoming Europe's second largest market after Great Britain. Research at the Chalmers Institute by Dilek/Johnson shows that the supply of venture capital in Sweden is relatively sound in comparison with GDP and number of inhabitants.

The Swedish Venture Capital Association has around 250 members, of whom more than 80 are active. The majority of the members are venture capital companies which manage one or several funds. The members' total available capital amounts to nearly SEK 60 billion at present, of which nearly half is invested.

The operators on the Swedish market vary in their direction. The market is dominated by 10-15 large operators. The largest companies include Ratos, Industri Kapital, EQT, Atle, Bure and Nordic Capital. Of these, Ratos, Atle and Bure are listed.

Among the medium-size operators can be mentioned Procuritas, Skandia Investment, Litorina, Euroventures, Novare and Traction. In addition, there are several financially strong private investors, so-called business angels, who invest individually or jointly, such as Ledstiernan.

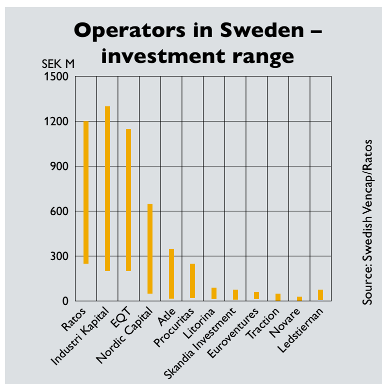
As early as in the 1970s, a number of Government and regional funds were established. The largest Government companies on the market at the present time are Industrifonden and Sjätte AP-fonden.

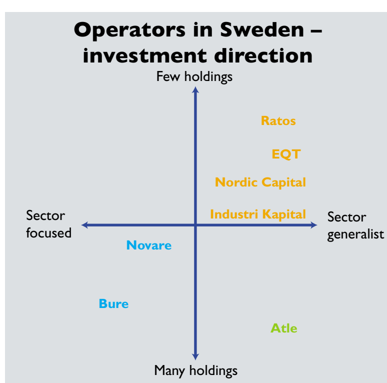
Profitability on the Swedish Private Equity market has been high and the major operators have reported an annual return of, in many cases, well in excess of 50 per cent on invested capital during the 1990s.

The investment direction varies between the operators, for example regarding number of investments, investment range, ownership participation, sector/land focusing and proportion of unlisted assets. A specialisation on different phases in the life cycles of the holdings is also common.

Both competition and joint investments between the operators exist on the market. Competition on the market has hardened in recent years but, on the other hand, the operators' investment direction is extremely varied and, in addition, the number of investment objectives is still very large – there are approximately 200,000 unlisted companies in Sweden.

Against this background, Ratos considers it very important to build up a self-generated business flow with potential investments and at the same time establish a network with collaboration partners. Examples of joint investments which Ratos has made are the investments in Dahl together with EQT and in Superfos together with Industri Kapital.





Limited number of holdings

In order to be able to participate actively in the development of the respective companies, Ratos has limited the number of companies to around 20 at the most. Ratos' initial investment in an individual company will thus be in the range of SEK 250-1,200M. Within this investment range are found, among others, Industri Kapital, EQT and Nordic Capital.

Value creation regardless of sector

The companies can be more or less oriented towards specific sectors, for example Bure and Novare (mainly IT/healthcare). Ratos' assessment is that value can be created in most sectors and the Company has therefore elected to operate sector-independent. A geographic investment criteria has been defined to the extent that Ratos normally elects to invest locally, by focusing on the Nordic countries. However, divestment can be made globally. A deciding factor for whether Ratos makes an investment or not is whether value can be created through contribution of Ratos' expertise and resources. Ratos' contribution comprises strategy and target formulation, analysis expertise, financial expertise and financial resources as well as contact networks.

Typical investment situations for Ratos are capital-intensive growth phases and structural changes. Other investment opportunities can be created through adding new financial structures or through financial and strategic participation in internationalisation phases.

Events in 1999

At the beginning of the year, the heating & plumbing and water & sewerage wholesaler, Dahl, was bought out from the stockmarket jointly with the Private Equity investor, EQT. Soon thereafter, PriFast was sold to the real estate company, Balder. Prior to that, the real estate company, Capona, had been demerged and listed on the stockmarket. The IT company, Telelogic, was listed in May.

The concentration and restructuring of Esselte continued and a new President took over. Esselte's former Business Area Meto was listed separately and Ratos sold the Meto holding during the autumn.

A new President was appointed in the airfreight company, ACE. The holding in the loss-generating company, TV8, was divested.

Supplementary investments were made in Scandic Hotels, in Telia Overseas and in Esselte.

	SEK M
Active holdings	
Shares in result	128
Exit result	696
Asset management	1,023
Central net	-86
Group result	1,761
Net asset value, Dec 31	9,192
of which unlisted	18%

New investments

In November, Ratos invested SEK 325M in the Superfos Group, one of the better known industrial and trading groups in Denmark.

In December, Ratos announced its decision to invest SEK 250M in the IT group, DataVis, in February 2000.

Strong result improvement

Ratos' consolidated result before tax almost doubled to SEK 1,761M. Profit per share amounted to SEK 20.95 (9.78). The improvement is mainly explained by increased capital gains in Active holdings as well as in the Asset management.

Active holdings

The current results and shares in results of Ratos' Active holdings amounted to SEK 128M in 1999 (241). Scandic Hotels, Capona and Dahl accounted for the largest contributions in absolute terms. Scandic Hotels and Capona reported the best result development. The former holding in TV8 affected the result negatively. ACE and Esselte also reported negative results.

The exit results of the Active holdings amounted to SEK 696M (343) and consisted mainly of the sale of the holding in PriFast. The sale of Meto and the net effect of the buy-out of Dahl also contributed positively to the result.

Active holdings 31 December 1999, SEK M

	ACE	Capona	Dahl	Esselte	Scandic Hotels	Superfos Industries (DKK M)	Telelogic	Telia Overseas
Ratos' ownership (capital)	100%	47%	44%	14%	25%	33%	20%	9%
Sector	Air freight	Hotel properties	HP/WS wholesaler	Office products	Hotel operator	Packaging Aerosol filling	Software development	Mobile telephone licences
The company's sales	492	251	10,531	11,192	5,320	3,648	318	340
result before taxes	-4	104	135	-228	372	203	2.2	-606

“The aim of Ratos’ ownership is to create value”

ACE

Ratos owns 100 per cent of the air freight company, Air Cargo Express (ACE). The company has been included among Ratos' holdings since 1990, initially as part of the previously wholly-owned company, Inter Forward.

Strong market position

ACE is one of the three largest air freight companies in Sweden. The Group, which employs nearly 140 people, has operations in Sweden, Denmark and Finland. ACE's business concept is to provide airfreight and rapid transport solutions as well as comprehensive forwarding services aimed at contributing to its customers' competitiveness. Goods carried include electronics, medicines, spares, fashion products and perishable goods.

The development for Swedish airfreight exports has been very expansive over the past decade. The assessment of the immediate future is that the development will become calmer. In addition, competition has hardened.

Action implemented

During 1998 and 1999, ACE was affected by continued low freight volumes, especially with regard to freight to Asia which had the effect that both sales and earnings fell. As a result of this development, several measures were implemented. Among other things, the company's establishments in Asia were sold and cost-reduction programmes initiated. A new president took over during the autumn.

"Ratos will contribute to strengthening ACE's position on the Nordic market"

Thomas Mossberg, Ratos Investment Manager

Restored profitability prioritised

Ratos intends to take advantage of and develop further the company's good position on the airfreight market – a market which is expected to grow more rapidly than the GDP.

The highest priority at the present time is to restore the company's earnings level, based on an operation which is focused on the Nordic countries and a distinct brandname. In addition, further investments will be directed towards continued expansion of ACE's network of collaboration partners as well as further development of the company's own expertise for an increased degree of customer adaptation.

Capona

Ratos is the principal owner in the hotel real estate company, Capona, with an ownership of 47 per cent. Capona was formed in 1997 when PriFast – formerly an Active holding of Ratos – and Diligentia merged their hotel real estate into a joint company. Capona was listed on the stockmarket in March 1999.

Among the largest in the Nordic countries

Capona is one of the largest hotel real estate companies in the Nordic countries. The company's business concept is to own and actively manage hotel properties on the Nordic hotel market. Its objective is to be the leading hotel and real estate company in the Nordic region.

Capona includes a total of 40 hotel properties, located in big city regions as well as county capitals and university cities. At the 1999/00 turn of year, the book value of the real estate holding was nearly SEK 2 billion. Scandic Hotels is the largest operator. Among the others can be mentioned Radisson SAS, Revhaken Hotels and Provobis Hotels.

Helsingfors-Vanda in Helsinki was acquired in 1999

Bo Jungner, Ratos Investment Manager: "Capona and Ratos have excellent opportunities for acting together on the Nordic hotel property market."

Rental income and earnings increased

The Nordic hotel market enjoyed a continued positive trend and Capona's rental income and earnings rose significantly. During the year, the first hotel property in Finland was acquired.

Sound market and opportunity for structural transactions

Ratos' evaluation is that the positive hotel trend in the Nordic countries will continue. This development applies in particular to the big city regions in which the majority of Capona's properties are located. Increased volumes and rising room prices benefit Capona which has sales-based rental agreements with its operators.

The company is well positioned for organic growth. In addition, the ownership on the Nordic market is very diversified and Ratos sees opportunities for Capona and Ratos to contribute actively to structural changes within the sector.

Dahl

Ratos owns 44 per cent in the Heating & Plumbing and Water & Sewerage wholesaler, Dahl. Dahl was previously a wholly-owned subsidiary of Ratos but was introduced on the stockmarket in spring 1996. During spring 1999, Ratos bought back Dahl from the stockmarket jointly with EQT.

Leading H&P/W&S wholesaler in the Nordic countries

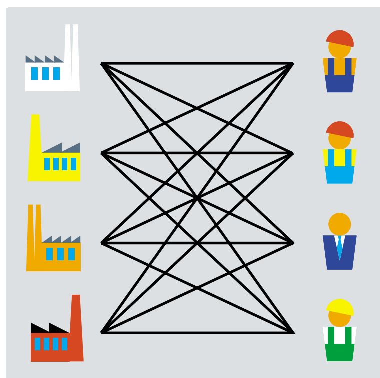
Dahl is the largest wholesaler and trading company in the Nordic countries in the market for heating & plumbing and water & sewerage products as well as pipe products for the industry. The Group is represented in around 250 locations and holds a leading position in Denmark, Norway, Sweden and Poland and a strong position on the Finnish market.

Dahl's objective is to be the leading distribution company in the Nordic countries within its segment. Nationwide organisations combined with local marketing form the foundation for necessary customer adaptation, whereas Dahl as the market leader is at the same time able to utilise large-scale operating benefits in purchasing, logistics and administration.

Increased sales

Dahl's sales increased during 1999 whereas earnings fell. The result was negatively affected mainly by extensive investments in new IT systems, a weak market trend in Norway and problems within a Danish subsidiary.

Demand on the Danish market is stable whereas the Norwegian market remains weak. In Sweden, the market trend is positive. Dahl's operations in Finland and Poland developed positively.



Dahl has more than 2,000 suppliers...

... and more than 50,000 customers.

Thomas Mossberg, Ratos Investment Manager: "The majority of Ratos' work in Dahl is currently focused on improving profitability."

Financing solution gives access to cash flow

The buy-back of Dahl from the stockmarket was made via a loan-financed company. In that way, Dahl's cash flow will benefit Ratos' shareholders more efficiently. As a step in an incentive programme, the Dahl Management and Members of the Dahl Board of Directors subscribed for shares in Dahl during the year. As a result, Ratos' ownership fell from 49 per cent to 44 per cent.

Sound potential for result improvement

Ratos' assessment is that the opportunity for a result improvement in the Dahl Group is sound. Dahl's strong market position is well established, the Group's structure is concentrated and the new IT systems are in operation. In addition, a positive market trend is expected – especially in Sweden, Finland and Poland.

Esselte

Ratos is the largest owner in the office product company, Esselte, with 24 per cent of votes and 14 per cent of capital. Esselte was included in Ratos' portfolio as early as when Ratos was listed on the stockmarket in 1954.

World-leading supplier of office products

Esselte is the leading supplier of office products all over the world. Examples of brandnames are Dymo, Leitz and Pendaflex. A large number of very strong local brandnames also exists. The Group has more than 7,000 employees, subsidiaries in 31 countries and sales in more than 100 countries.

The total world market for office products is estimated at USD 33 billion, of which Esselte's segment is estimated to account for approximately USD 13 billion.

An important market trend is globalisation on both the customer and product side. Esselte is investing substantial resources in developing further – in consultation with the company's customers – marketing and sales via the Internet with the aim of strengthening still further the company's position.

Focusing on office products

As early as in 1998, Esselte confirmed its leading position on the office product market through its acquisition of Leitz. The concentration of the operations continued during the year. At the beginning of 1999, the sale of Business Area Nielsen & Bainbridge was completed and during spring Business Area Meto was listed separately on the stockmarket.

Result burdened by restructuring

Office product sales increased during the year following the acquisition of Leitz. The result was negative which is explained by extensive restructuring charges. In November, Anders Igel took over as President and CEO.

"Always to be the first with new products and to adapt Esselte to the Internet are important features in Esselte's future strategy"

Bo Jungner, Ratos Investment Manager

Profitability-improving measures in focus

The year 2000 will be characterised by consolidation with prioritisation on recreating profitability within the Group. No further significant restructuring or acquisition (apart from ongoing programmes) will be considered within the next year.

The Group will be organised in clearly-defined profit centers. The focus will be on profitability-improving measures and launch of the new products which were developed during 1999.

Ratos makes the evaluation that opportunities for realising a significant value potential in Esselte with recreated profitability ought to be sound.

Scandic Hotels

Ratos owns 25 per cent of the hotel company, Scandic Hotels, and is thus the company's largest owner. Scandic Hotels has existed in Ratos' portfolio since 1983.

Largest hotel company in the Nordic countries

Scandic Hotels is the largest hotel operator in the Nordic region with more than 130 hotels in ten countries. 21 of the hotels are located outside the Nordic region. The company's business concept is to provide a large number of people with the best value-for-money hotel accommodation for business and leisure. Scandic Hotels will be exclusively a hotel operator. The objective is to develop the strong brandname-positioning and increase market coverage in the Nordic countries, and to increase the presence in the big cities in Europe.

Among major Swedish competitors are found, among others, First Hotels, Choice Hotels, Provobis Hotels and Radisson SAS.

The trend in the USA is towards a concentration of the roles on the market – i.e. either being an operator or real estate owner. This trend also exists in Europe but the concentration has not reached as far. Since Scandic Hotels concentrated its operations, profitability has increased.

Arne Karlsson, Ratos Investment Manager: "We believe that the opportunities for Scandic Hotels to export its concept outside the Nordic countries are very good ."

Positive market and continued strong earnings trend

The hotel market developed positively during the year and Scandic Hotels increased both sales and earnings. In line with the company's growth strategy, 17 new hotel operations were acquired which is equivalent to a 10 per cent increase in room capacity. The majority of the acquisitions were made outside Sweden. At the beginning of the year 2000, an agreement was signed concerning operation of a hotel in Cologne opening in 2001.

Continued growth

The Nordic hotel market is expected to enjoy continued positive development – both business travel and leisure travel are increasing. In addition, the sector will probably undergo continued restructuring.

Over the past few years, Scandic Hotels has established a strong Nordic platform with an established brandname and a well-functioning concept. Earnings development is positive and the financial position is sound. Scandic Hotels' Board of Directors has proposed that the AGM authorise a buy-back of the company's own shares for, among other things, financing future acquisitions.

Ratos' assessment is that Scandic Hotels also has good opportunities for continued growth outside the Nordic markets.

Superfos Industries

Ratos owns 33 per cent of Superfos Industries. In November, Ratos and the Private Equity investor, Industri Kapital, agreed to acquire parts of the Danish Superfos Group via a jointly owned company.

Three operations

At year-end 1999 the new Group, Superfos Industries, consisted of the three Business Areas: Packaging, Aerosol and Chemicals.

Packaging develops, produces and sells plastic packaging to the food, chemico-technical and pharmaceutical industries. The Nordic countries and Europe constitute the main markets. Plants are located in 11 countries. The Business Area accounts for more than half of total sales.

Aerosol is an important European operator in contract filling of technical, cosmetic and pharmaceutical products.

Business Area Chemicals was divested at the beginning of the year 2000. Following the sale, Superfos continues to develop its operations within Packaging and Aerosol.

Both Business Areas operate on fragmented markets. The competitors are in many cases smaller in size and local in their operation.

"In collaboration with Industri Kapital we are involved with developing and creating values in the two separate operations in Superfos Industries"

Arne Karlsson, Ratos Investment Manager

Positive trend

Both sales and earnings showed a positive trend during the year. The divestment of Chemicals at the beginning of the year 2000 generated a capital gain which will have a positive effect on the Superfos Industries Group's result for the current year.

Continued growth and future change of ownership

Superfos has long experience of growing via acquisition. The company has successfully integrated acquired units which, among other things, has contributed to its establishment as the market leader on several geographic markets and within a number of product segments.

Through continued supplementary acquisitions within the respective Business Areas and effectivisation measures, Ratos considers the opportunities to be good for continued growth and further improved profitability. Against this background, the assessment is also made that it should be possible, after a few years, to list Superfos on the stockmarket or find a new industrial partner.

Telelogic

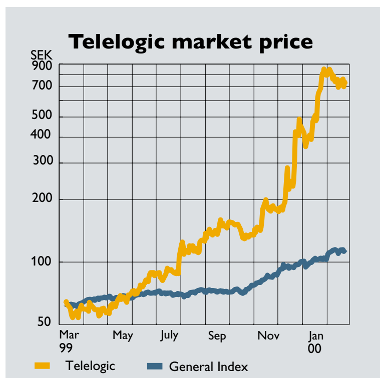
Ratos is one of two principal owners in the IT company, Telelogic, with an ownership of approximately 20 per cent at the turn of year. The investment in Telelogic was made at the beginning of 1998 and amounted to SEK 30M. The Telelogic share was listed on the stock-market in March 1999. At the 1999 year-end, Ratos' holding was worth SEK 729M. In late February, the value of the holding had increased to SEK 1.2 billion.

Aid for software development

Telelogic develops and licenses integrated graphic tools for development of real time applications. In addition, the company offers consulting services and other services.

The products, which are used by software developers, mainly within the telecom and computer industry, make possible faster, simpler and more efficient development of software.

Telelogic is the world leader in its segment and has sales in nearly 30 countries. Among its customers are the major telecom companies in the world, such as Ericsson, Nokia, Alcatel, Motorola and NEC.



Mats Lönnqvist, Ratos Investment Manager: "The telecom industry, one of Telelogic's most important markets, is growing fast and the penetration of Telelogic's products is still in an early stage."

Strong growth over several years

Telelogic's sales rose strong during 1999, both via organic growth and acquisition. Despite a high recruitment and expansion rate, Telelogic reported a positive result.

Strategic acquisition in December 1999

During December 1999, a major strategic acquisition was carried out of the French competitor, Verilog. The acquisition strengthens Telelogic's market position still further and expands its customer base to the automotive and aircraft industries.

Strengthened capital base

In connection with the acquisition, a directed new share issue to American institutions was carried out during January 2000. Telelogic's capital base has thus been strengthened for continued market expansion.

Following the implemented non-cash acquisition and new share issue, Ratos' ownership in Telelogic will amount to approximately 17 per cent.

Sound growth potential

Telelogic is well positioned on a rapidly growing market and the company anticipates continued strong expansion. The market position and the solid capital base together create a sound foundation for continued acquisitions, expanded investment on market organisation and establishment on new geographic markets. Against this background, Ratos is of the opinion that the company's growth potential is sound.

Telia Overseas

Ratos owns 9 per cent of the telecom company, Telia Overseas. Telia Overseas is 65 per cent-owned by Telia and other shareholders are Skandia and Orkla. The holding has existed in Ratos' portfolio since 1996.

Telecom licences in developing countries

Telia Overseas' concept is to acquire, develop and divest telecommunication licences, primarily mobile, and communication networks in developing countries. The company enters as a stakeholder together with local partners.

Associated companies are found all over the world but the involvement in Brazil dominates and accounts for approximately 40 per cent of Telia Overseas' operations. Other involvements are in Sri Lanka, Hong Kong, Uganda and Slovenia. In addition to its own investments, Telia Overseas manages investments in mobile telephone licences in India.

Magnus Dahlbeck, Ratos Investment Manager: "Through its involvement in Telia Overseas, Ratos is participating in the strong growth in the world of mobile telephony."

Telia Overseas' owned and managed licensing rights cover a population volume of 230 million and the company's total number of customers is currently close to one million.

The total potential, i.e. the total population in the countries in which Telia Overseas has operations, amounts to one billion.

Strong inflow of customers

The inflow of new customers in Telia Overseas' associated companies all over the world was strong during the year.

Growth linked with risk

Telia Overseas, which operates on the rapidly-growing telecom market, has a high level of technical expertise and a reputable name on the market. Taken together, Ratos estimates that the company's growth opportunities are sound at the same time as the nature of the operations involve risk-taking.

Asset management

With the company's new strategy, Ratos' Asset management has been given a partly new direction.

Value-maintaining liquidity reserve

Asset management's objective is primarily to act as a liquidity reserve, i.e. to create preparedness ahead of investments in new Active holdings. The portfolio should meet the liquidity requirements which this demands and at the same time achieve a high yield.

Majority in Swedish shares

Asset management's assets are mainly invested in listed shares and other liquid assets. Investments are primarily made in Swedish shares.

Value growth in the portfolio

The market value of Asset management's assets was SEK 5,002M at 1999 year-end (4,029), excluding holdings in Industri Kapital's Private Equity funds. The largest holdings in the portfolio at the turn of year were Skandia, Stora Enso, Gambro, Swedish Match, Scania and SEB.

The yield for 1999 amounted to 46 per cent compared with the Findata Yield Index which rose by 70 per cent. The deviation is explained by the fact that Ratos' portfolio did not include shares in Ericsson. The holdings in Skandia, Stora Enso and Scania accounted for the largest contributions. Net capital gains amounted to SEK 921M. Dividends received amounted to SEK 102M.

Net sales

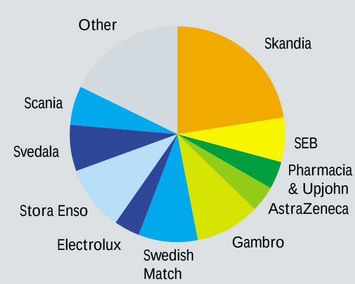
During the year, shares in Asset management were sold for SEK 2,022M and acquired for SEK 1,446M. For reason of diversification, shares were sold net in primarily Skandia and Stora Enso. Net sales were also made in Gambro, SEB, Scania and Svedala.

Electrolux, JM Bygg and Industrivärden were added to the portfolio. In addition, net acquisition was made in shares in Swedish Match and Haldex.

Planned investments

For liquidity reasons, the maximum number of holdings in Asset management is planned to be expanded.

Asset management



	SEK M
Capital gains	921
Dividends received	102
Result of Asset management	1,023
Value of stock portfolio	5,002
Yield	46%

Senior executives

Investment Managers

Arne Karlsson

CEO, Senior Investment Manager.
Responsible for the holdings in Scandic Hotels and Superfors Industries.
Born 1958. Master of Business Administration.
Employed by Ratos since 1999.
President of Atle Mergers & Acquisitions 1996-98.
Chief Analyst and member of the Group Management of Atle 1993-98.
President of Hartwig Invest 1988-93.
Financial Analyst, Aktiv Placering 1982-88.
Number of shares in Ratos: 18,900.
Number of stock options in Ratos: 150,000.

Arne Karlsson

Thomas Mossberg

Thomas Mossberg

Executive Vice President, Senior Investment Manager.
Responsible for the holdings in ACE and Dahl and for the investments in Industri Kapital's Private Equity funds.
Born 1946. Doctor of Economics.
Employed by Ratos since 1977.
Executive Vice President since 1988.
Chief Controller of Ratos 1981-98.
Controller of Ratos 1977-81.
Teacher and research graduate at the Stockholm School of Economics and IFL 1970-77.
Number of shares in Ratos: 29,050.
Number of stock options in Ratos: 60,000.

Bo Jungner

Senior Investment Manager.
Responsible for the holdings in Esselte, DataVis and Capona.
Born 1960. Master of Business Administration.
Employed by Ratos since 1998.
Brummer & Partners 1996-98.
SEB/Enskilda 1983-96.
Number of shares in Ratos: 3,170.
Number of stock options in Ratos: 40,000.

Bo Jungner

Mats Lönnqvist

Mats Lönnqvist

Senior Investment Manager.
Responsible for the holding in Telelogic.
Born 1954. Master of Business Administration.
Joins Ratos 1 May 2000.
President and CFO, Esselte 1997-2000. Executive Vice President and CFO, Biacore International 1996-97.
CFO, Securum 1995-96. Own consulting operation since 1983.
Number of shares in Ratos: 1,000.

Investment Managers cont.

Magnus Dahlbeck

Investment Manager.
Responsible for the holding in Telia Overseas.
Born 1968. Master of Business Administration.
Employed by Ratos since 1995.
Number of shares in Ratos: 1,000.
Number of stock options in Ratos: 40,000.

Magnus Dahlbeck

Hans Ekelund

Control and finance

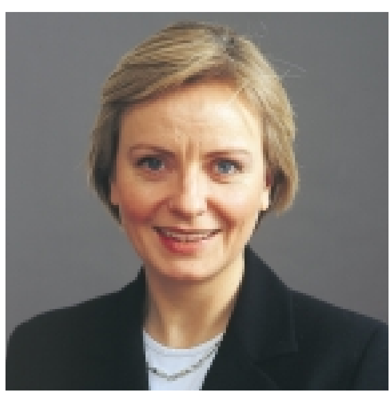
Hans Ekelund

Chief Financial Officer.
Born 1948. Master of Business Administration.
Employed by Ratos since 1992.
President, Executive Vice President and Controller of Sea-Link 1987-91.
Control and Finance positions in the process engineering and the construction industries 1973-86.
Number of shares in Ratos: 9,218.
Number of stock options in Ratos: 40,000.

IR/Communications

Anna-Karin Eliasson

Head of Corporate Communications.
Born 1962. Master of Business Administration.
Employed by Ratos since 1999.
Head of IR, FöreningsSparbanken 1993-99. Öhman Corporate Finance 1989-93. Wildeco Ekonomisk Information 1986-89.
Number of shares in Ratos: 0.
Number of stock options in Ratos: 40,000.



Anna-Karin Eliasson

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Annual Report 1999

RATOS

Annual Report 1999

RATOS

Directors' report

Directors' Report

The Board of Directors and the President of Förvaltningsaktiebolaget Ratos (publ) hereby submit their report for 1999.

President

On 1 January 1999, Arne Karlsson took over as President of the Company.

Changed strategic orientation implemented

During the year, a number of measures were implemented to carry out the new strategic orientation for Ratos which was decided by the Board of Directors in December 1998.

Results

The consolidated result before taxes of the Ratos Group amounted to SEK 1,761M (897). This includes results of Active holdings of SEK 824M (584) and results of Asset management of SEK 1,023M (397) as well as management costs of SEK -81M (-65) and financial income and expenses of SEK -5M (-19).

Active holdings

During the year, Ratos invested SEK 1,021M in Active holdings and made divestments for SEK 1,722M. During the year, Dahl was bought out from the stockmarket jointly with the venture capital company, EQT. The holding in PriFast was divested. Capona and Telelogic were listed on the stockmarket. Esselte's former Business Area Meto was listed separately and Ratos sold its holding in Meto during the autumn. The holding in TV8 was divested. Ratos acquired the Superfos Group jointly with Industri Kapital. In December, it was announced that Ratos is entering as a substantial owner in the IT consulting company, DataVis. Additional investments were made in Scandic Hotels, Telia Overseas and Esselte.

Asset management

Shares were bought for SEK 1,446M and sold for SEK 2,022M. At the year-end, the shareholdings of Asset management had a market value of SEK 5,350M (4,243). The hidden reserve amounted to SEK 2,257M. Capital gains in Asset management's portfolio amounted to SEK 921M.

Acquisitions were mainly made in Pharmacia and Upjohn, Electrolux, JM Bygg and Industrivärden, and sales were mainly carried out in Skandia, Stora Enso and AstraZeneca. Eight small investments in development companies were divested in February 1999.

Asset management's yield in 1999 amounted to 46 per cent. During the same period, the Findata Yield Index rose by 70 per cent.

Net asset value

During 1999, Ratos' net asset value increased to SEK 113 per share, equivalent to 34 per cent, adjusted for dividend paid. The net asset value at the year-end amounted to SEK 9,192M. The proportion of unlisted holdings, which are stated at book values, increased from 10 per cent to 18 per cent during the year.

Financial position

Ratos' liquid assets (net) amounted to SEK 245M (-811) at the year-end. Liquid assets were affected by implemented investments in shares and sales. In accordance with a decision by an Extraordinary General Meeting on 1 October 1998, redemption of C shares was made for SEK 115M. The 1999 Annual General Meeting decided to issue and transfer up to 530,000 stock options to key personnel in Ratos.

Year 2000

The turn of the Millennium did not bring about any IT problems in the Parent Company and its subsidiaries.

Future development

With Ratos' strategy as a private equity company, the yield to the shareholders will in the future primarily be dependent on Ratos' ability to acquire, develop and divest Active holdings, and implement other shareholder value-creating measures. The general economic trend and stockmarket development are also important.

Report on the work of the Board of Directors

During the year, Ratos' Board of Directors consisted of eight Members elected by the Annual General Meeting. In addition to the President, other senior executives attended the Board Meetings when required.

Current issues are handled in accordance with a plan. Other issues discussed during the meetings are governed by the current business situation. The business activity during the year involved a number of additional Board Meetings.

The Board of Directors has appointed a Compensation Committee which deals with remuneration of the President and Executives who report to the President as well as remuneration issues of a principal nature, consisting of Sven Söderberg, Harry Faulkner and Olof Stenhammar (Chairman).

Other information

The Group's non-restricted funds amount to SEK 3,619M. Of these, it is proposed that no transfer is made to restricted equity.

Proposed distribution of profit

The following amounts are at the disposal of the AGM:

	SEK M
Profit brought forward	1,998
Net result for the year	1,840
	3,838

The Board of Directors and the President recommend the following distribution of profit:

Dividend to holders of A and B shares SEK4.50 per share	366
To be carried forward	3,472

Stockholm, 25 February 2000

Olof Stenhammar
Chairman

Peggy Bruzelius | Harry Faulkner | Göran Grosskopf

Mikael Lilius | Lars Söderberg | Sven Söderberg

Arne Karlsson
CEO

Consolidated Statement of Income

SEK M	Note 1	1999	1998
Active holdings			
Results of subsidiaries	Note 2,3	-49	-69
Exit results, subsidiaries	Note 4	-37	201
Share in results of associated companies	Note 2	177	310
Exit results, associated companies	Note 4	733	142
Result of Active holdings		824	584
Asset management			
Dividends	Note 5	102	96
Capital gains	Note 6	921	301
Result of Asset management		1,023	397
Central income and expenses			
Management costs	Note 3, 7	-81	-65
Financial items	Note 8	-5	-19
Group overheads		-86	-84
Result before taxes		1,761	897
Taxes	Note 9	-57	-102
Net result for the year		1,704	795

Consolidated Cash Flow Analysis

SEK M	Note 24	1999	1998
Current operations			
Consolidated result before taxes		1,761	897
Adjustment for items which are not included in the cash flow		-1,694	-856
		67	41
Paid tax		-4	2
Cash flow from current operations before change in working capital		63	43
Cash flow from changes in working capital			
Decrease (+) in inventories		4	-3
Increase (-) in operating receivables		-195	579
Decrease (-) in operating liabilities		–	-567
Cash flow from current operations		-128	52
Investment operations			
Sale of shares, Active holdings		1,722	379
Acquisition of shares, Active holdings		-1,021	-355
Sale of shares, Asset management		2,022	888
Acquisition of shares, Asset management		-1,446	-808
Cash flow from investment operations		1,277	104
Financing operations			
New share issue		–	113
Redemption of shares		-115	-869
Change in interest-bearing liabilities		-558	385
Dividend paid		-285	-271
Cash flow from financing operations		-958	-642
The year's cash flow		191	-486
Liquid assets on 1 January		36	522
Liquid assets on 31 December		227	36

Consolidated Balance Sheet

SEK M			31 Dec 1999		31 Dec 1998
ASSETS					
Fixed assets					
Intangible					
Goodwill	Note 10	31	31	48	48
Tangible					
Buildings and land	Note 11	12		12	
Equipment	Note 12	7	19	20	32
Financial					
Active holdings					
Shares	Note 13	2,019		1,998	
Other shares and participations	Note 14	12		13	
Asset management					
Shares and participations	Note 15	3,016		2,703	
Central operations					
Long-term receivables	Note 16	210		16	
Shares and participations		0	5,257	3	4,733
Total fixed assets			5,307		4,813
Current assets					
Inventories		–	–	17	17
Current receivables					
Trade debtors		65		65	
Other current receivables		45		66	
Prepaid expenses and accrued income	Note 17	10	120	12	143
Short-term investments					
Shares and participations	Note 18	77		47	
Bonds and other securities	Note 19	118	195	–	47
Cash and bank	Note 19	109	109	36	36
Total current assets			424		243
Total assets			5,731		5,056

SEK M			31 Dec 1999		31 Dec 1998
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	Note 20				
Share capital		1,016		1,129	
Restricted reserves		802		1,102	
Non-restricted reserves		1,915		1,148	
Net result for the year		1,704	5,437	795	4,174
Provisions	Note 21				
Provisions for pensions		13		15	
Provisions for taxes		48		53	
Other provisions		20	81	20	88
Long-term liabilities					
Non-interesting liabilities					
Received stock options premiums	Note 33	3	3	–	–
Interst-bearing liabilities					
Bank overdraft facilities		–		46	
Bank loans and promissory note loans		–	–	50	96
Current liabilities					
Non-interest-bearing liabilities					
Trade creditors		48		56	
Accrued expenses and prepaid income	Note 22	86		73	
Other current liabilities		17	151	50	179
Interest-bearing liabilities					
Bank loans and promissory note loans		59	59	519	519
Total shareholders' equity and liabilities			5,731		5,056
Pledged assets			None		None
Contingent liabilities	Note 23				
Guarantees and contingent liabilities			41		51

Parent Company Statement of Income

SEK M	Note 26	1999	1998
Active holdings			
Exit result, subsidiaries		-148	303
Dividend from associated companies		86	72
Exit result, associated companies		976	–
Result from Active holdings		914	375
Asset management			
Dividends		102	96
Capital gains		909	269
Result of Asset management		1,011	365
Central income and expenses			
Management costs		-76	-62
Financial items		-7	-31
Central income and expenses, net		-83	-93
Consolidated income before taxes		1,842	647
Taxes		-2	-4
Net result for the year		1,840	643

Parent Company Cash Flow Analysis

SEK M	Note 24	1999	1998
Current operations			
Result before taxes		1,842	647
Adjustment for items which are not included in the cash flow		-1,780	-588
		62	59
Paid tax		-2	-3
Cash flow from current operations before change in working capital		60	56
Cash flow from changes in working capital			
Increase (-) in operating receivables		-230	28
Decrease (+) in operating liabilities		6	-41
Cash flow from current operations		-164	43
Investment operations			
Sales of shares, Active holdings		1,726	726
Acquisition of shares, Active holdings		-1,020	-420
Sale of shares, Asset management		1,919	477
Acquisition of shares, Asset management		-1,321	-511
Cash flow from investment operations		1,304	272
Financing operations			
New share issue		–	113
Redemption of shares		-115	-869
Change in other interest-bearing liabilities and receivables		-546	269
Dividend paid		-285	-271
Cash flow from financing operations		-946	-758
The year's cash flow		194	-443
Liquid assets on 1 January		–	443
Liquid assets on 31 December		194	–

Parent Company Balance Sheet

SEK M			31 Dec 1999		31 Dec 1998
ASSETS					
Fixed assets					
Tangible					
Buildings and land	Note 27	12		12	
Equipments	Note 28	2	14	3	15
Financial					
Active holdings					
Shares in subsidiaries	Note 29	106		209	
Shares	Note 30	1,766		1,497	
Asset management					
Shares and participations	Note 15	3,012		2,707	
Receivables from subsidiaries					
- interest-bearing		–		22	
Other long-term receivables	Note 31	210	5,094	17	4,452
Total fixed assets			5,108		4,467
Current assets					
Current receivables					
Receivables from subsidiaries					
- interest-bearing		36		10	
Other current receivables		15		2	
Prepaid expenses and accrued income		2	53	3	15
Bonds and other securities	Note 32	113	113	–	–
Cash and bank		81	81	0	0
Total current assets			247		15
Total assets			5,355		4,482

SEK M		31 Dec 1999		31 Dec 1998	
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	Note 33				
Restricted equity					
Share capital		1,016		1,129	
Statutory capital		251	1,267	251	1,380
Non-restricted equity					
Profit brought forward		1,998		1,642	
Net result for the year		1,840	3,838	643	2,285
Provisions					
Provisions for pensions		13		15	
Provisions for taxes		9	22	14	29
Long-term liabilities					
Non-interest-bearing liabilities					
Received stock options premiums	Note 33	3	3	–	–
Interest-bearing liabilities					
Bank overdraft facilities		–		46	
Bank loans and promissory note loans		–		50	
Liabilities to subsidiaries		66	66	61	157
Current liabilities					
Non-interest-bearing liabilities					
Trade creditors		2		2	
Liabilities to subsidiaries		0		5	
Other short-term liabilities		11		16	
Accrued expenses and prepaid income		42	55	29	52
Interest-bearing liabilities					
Liabilities to subsidiaries		45		60	
Other current liabilities		59	104	519	579
Total shareholder's equity and liabilities			5,355		4,482
Pledged assets			None		None
Contingent liabilities					
Guarantees on behalf of subsidiary			37		46
Other contingent liabilities			1		2

Shareholdings

31 Dec 1999		Number	Change 1999, number	Nominal value, SEK M	Book value, SEK M	Market value, SEK M	Share of capital, %	Share of votes, %
ACTIVE HOLDINGS								
Trading	Dahl A [1]	1,108,109	1,108,109	1.1	} 400.7	} 400.7 [6]	43.7	46.1
	Dahl B	2,216,205	2,216,205	2.2				
Office products	Esselte A	4,558,207	107,427	57.0	} 338.9	} 306.8	14.0	23.8
	Esselte B	233,500	233,500	2.9				
Real estate	Capona	9,334,452	9,334,452	46.7	313.5	345.4	46.6	46.6
Service companies	Scandic Hotels	15,721,100	10,778,100 [2]	31.4	476.4	1,234,6	24.7	24.7
Transport	Air Cargo Express (subsidiary)	150,000		15.0	64.2	64.2 [6]	100.0	100.0
Engineering	Superfos Industries A/S	2,805,000	2,805,000	DKK M 281.0	312.4	312.4 [6]	33.0	33.0
Telecom	Telelogic	1,612,000		0.2	33.9	728.6	19.9	19.9
	Telia Overseas A	1,438,948	449,891	143.9	143.9	143.9 [6]	8.8	12.0
Divestment	(Dahl) [1]		-5,824,000					
	(PriFast)		-9,334,452					
	(TV8)		-200,000					
Total Active holdings					2,083.9	3,536.6		
Total Active holdings, excluding subsidiaries					2,019.7	3,472.4		
ASSET MANAGEMENT								
Pharmaceutical	AstraZeneca	550,000	550,000	13.8	204.6	198.0	0.0	0.0
	Pharmacia & Upjohn	500,000	500,000	0.0	213.0	193.0	0.0	0.0
Medical technology	Gambro A	7,100,000	-400,000	14.2	267.4	543.2	2.1	2.7
Engineering	Haldex	820.000	199.720	4.1	95.9	81.2	3.7	3.7
	Electrolux B	780,000	780,000	3.9	131.2	166.9	0.2	0.2
	Svedala	2,300,000	-100,000	11.5	241.0	358.8	4.8	4.8
Holding companies	Industrivärden C	607,400	607,400	3.0	79.0	107.5	0.4	0.0
Construction	JM	800,000	800,000	3.2	104.9	131.2	2.4	1.8
Real estate	Pandox	1,499,500		22.5	79.2	101.2	10.0	10.0
Automotive	Scania B	1,347,380	778,580	13.5	294.8	413.0	0.7	0.1
Banking	SEB A	5,012,880	-157,120	50.1	330.0	431.1	0.7	0.7
Insurance	Skandia [3]	4,650,000	-2,147,000	4.7	134.6	1,189,0	0.9	0.9
Forest	Stora Enso R [4]	3,900,000	-295,674	39.0	209.0	567.4	1.1	0.3
Consumer products	Swedish Match [5]	14,953,000	1,664,130	32.9	391.3	441.6	3.5	3.5
Divestment	(Astra)		-2,289,000					
	(Oxigene)		-159,900					
	(Scania A)		-822,180					
	(Scania WT)		-2,540,000					
	(Stora Enso A)		-2,261,214					
					2,775.9	4,923.1		
Private Equity funds	Industri Kapital, total				225.0	348.1 [7]		
Other					15.5	1.3		
					3,016.4	5,272.5		
Stock portfolio, current assets					76.9	77.7		
Total Asset management					3,093.3	5,350.2		
Total stock portfolio, Group					5,113.0	8,822.6		

31 Dec 1999		Number	Change 1999, number	Nominal value, SEK M	Book value, SEK M	Market value, SEK M	Share of capital, %	Share of votes, %
Industri Kapital								
Industri Kapital 1989	Crisplant Holding Sv A	33		0.0	0.0	0.1	6.6	11.6
	Guldfynd AB A	3.454		0.0	3.5	7.1	6.3	7.6
Divestment	(Brunkebergstorgs Glassintressenter AB)		-3					
	(Crisplant Industries AS)		-152,488					
	(Nyge Aero Norden A)		-8,704					
Industri Kapital 1989					3.5	7.2		
Industri Kapital 1994	Addum Intressenter AB	52,597		2.6	5.3	27.6	3.1	4.6
	Viking Sewing Machines AB	110,208		1.1	11.0	17.5	4.4	4.7
	Nobia AB	141,350		1.4	14.1	39.5	4.5	4.8
	Addtek. International Oy A	124,690	112,221	FIM 1.2	1.8	15.0		
	Addtek, International Oy B	91,330	82,197	FIM 0.9	1.3	11.0		
	Addtek, International Oy IL	538,200	484,380	FIM 5.4	7.8	8.7	1.7	1.9
	Amas BV, pref	2,220		NLG 0.0	1.0	1.7		
	Amas BV, stam	180		NLG 0.0	0.1	0.1	2.4	2.5
	Enerment Group Oy AB	19,684	19,684	FIM 2.0	2.9	2.9		
	Enerment Group Oy Inv loan	46,316	46,316	FIM 4.6	6.8	6.8	2.4	2.8
	Metsa Specialty Chemicals OY	95,513		FIM 2.9	14.0	39.0	3.2	3.3
	Pieters NV (former Pandalus)	21,821		BEF 21.8	4.7	20.4	4.4	4.7
Divestment	(Amas Copex AB)		-20					
	(Amas Copex conv)		-20					
	(Brunkebergstorgs Invest)		-24					
Industri Kapital 1994					70.8	190.2		
Industri Kapital 1997					148.1	148.1		
Industri Kapital 2000					2.6	2.6		
Industri Kapital, total					225.0	348.1		
Other	Brunswick Russian Emerging Equities Trust	206,186			15.5	1.3		
Divestment	(SBC Perles, Ryssland)		-1,400					
	(Sudimer)		-1,000					
	(C-Technologies)		-369,231					
	(Epani Systems)		-3,650					
	(Eurona Medical)		-35,000					
	(Eurona Medical To)		-35					
	(Micronic Laser Systems)		-1,121,438					
	(Netch Technologies)		-333					
	(PyroSequencing)		-180,000					
	(Teligent)		-2,853,552					
	(Teligent TO)		-97,900					
	(Tele Trade)		-1,418,575					
Total other					15.5	1.3		

At the turn of the year, the following were utilised for loans: 1,000,000 shares in Gambro, 1,000,000 shares in Skandia, 1,000,000 shares in Stora Enso, 400,000 shares in Svedala and 200,000 shares in Swedish Match.

1) Dahl International was delisted from the OM Stockholm Exchange following buy-out by EQT and Ratos. On Ratos' part, it involved one sale and one purchase.

2) Split 3:1, acquisition 892,100. Issued warrants are included in book value and market value at SEK -4.6M and SEK -7.4M, respectively.

3) Issued warrants are included in book value and market value at SEK -1.1M and SEK -6.0M, respectively.

4) Issued warrants are included in book value and market value at SEK -0.6M and SEK -2.0M, respectively.

5) Issued warrants are included in book value and market value at SEK -2.7M and SEK -2.5M, respectively.

6) Consolidated book value.

7) According to external valuation.

Notes to the Financial Statements

From 1999, Ratos reports the Consolidated Statement of Income and the Consolidated Balance Sheet drawn up exclusively in accordance with the equity method. With that, shareholders' equity brought forward has changed and comparative figures have been recalculated. Shares in results of associated companies are reported without quarterly delay.

The accounts have been prepared in accordance to the Swedish Financial Accounting Standards Council's recommendations.

PRINCIPLES OF CONSOLIDATION

Group accounting

The Consolidated Financial Statements comprise Förvaltnings-aktiebolaget Ratos (publ) and companies in which Ratos directly or indirectly owns more than 50 per cent of the voting rights or other controlling influence at year-end.

The Consolidated Accounts are prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation regarding consolidated accounting and with application of acquisition accounting.

Accounts of associated companies

The Group applies accounting of associated companies in accordance with the equity method for associated companies in which the Group has not less than 20 per cent and not more than 50 per cent of the voting rights. The equity method means that the book value in the Group of the shares in the associated companies corresponds with the Group's share in shareholders' equity in the associated companies as well as any residual values on Groupwise over- and under-values. In the Consolidated Statement of Income, the Group's share in the results of the associated companies after financial income and expenses adjusted for depreciation of acquired surplus values is reported as "Share in results of associated companies". The Group's share in net taxes of the associated companies is included in the Group's tax expenses. Profit shares which have been worked up after the acquisitions of the associated companies and which have not yet been realised through dividend are accounted in the equity reserve. The equity reserve constitutes a part of the Group's restricted equity.

Goodwill on consolidation is depreciated over its economic life. The depreciation period varies between 5 and 20 years.

Untaxed reserves

The equity portion of untaxed reserves is reported as restricted equity and is included in restricted reserves. The taxed portion of untaxed reserves is shown as deferred tax and is classified as provision. Losses carried forward are given a value to the extent that it is possible to utilise them and, in addition, can be settled against existing deferred tax liability.

Acquisition and sale of companies

Companies sold during the year are included in the Consolidated Statement of Income with income and expenses during the period of holding. On acquisition of companies, the company's result is included from date of acquisition.

OTHER ACCOUNTING PRINCIPLES

Receivables and liabilities in foreign currency

Ratos follows the Swedish Financial Accounting Standards Council's recommendation number 8. This means that receivables and liabilities in foreign currency are valued at closing day rate. The difference between previous book value and closing day value is taken up as income.

Assignments in progress

In the forwarding operations, income recognition is made when the assignments have been completed.

Shares

Shares which constitute current and fixed assets, respectively, are regarded by class of asset as portfolios, and are valued collectively on an individual basis. If book values of certain classes of shares exceed the market value, no write-down is made of these as long as total book value is less than market value per portfolio.

Pension obligations

Pension obligations which have not been settled with insurance premiums or payments to foundations are reported as a provision in the Balance Sheet.

Depreciation according to plan

Depreciation according to plan is determined on the basis of the acquisition values of the assets and their estimated economic life. A permanent decline in value will result in a write-down. Machinery and equipment is depreciated by 10-20 per cent, computer programs by 33 per cent. Buildings are depreciated by 1-4 per cent.

Depreciation of goodwill is made by 5-20 per cent, in accordance with individual examination. Depreciation above 5 years are used for holdings with anticipated substantial financial result and cash flow. The goodwill values are evaluated annually.

Other information

By exit result is meant the capital result which arises when an Active holding is divested.

Notes

NOTE 1 Consolidated Statement of Income

SEK M	1999	1998
Net sales	616	903
Other operating income	14	11
Other external expenses	-638	-906
Personnel costs	-104	-126
Depreciation	-14	-21
Shares in results of associated companies	177	452
Result from other securities and receivables which are fixed assets	1,717	605
Operating result after depreciation	1,768	918
Other interest income and similar income items	8	20
Interest expenses and similar expense items	-15	-41
Result before provisions and taxes	1,761	897
Tax on the year's result	-2	1
Tax from associated companies on net result of the year	-55	-103
Deferred tax	0	–
Net result for the year	1,704	795

The result excluding goodwill depreciation in the Group and in the associated companies amounted to SEK 1,793M.

NOTE 2 Results/shares in results – subsidiaries/ associated companies (Active holdings)

SEK M	Results/shares in results	Of which, Ratos goodwill depreciation
Results of subsidiaries		
ACE	-10	-6
(TV8)	-37	–
(Asia)	-2	–
	-49	-6
Shares in results of associated companies		
Dahl	66	–
Esselte	-33	-4
Scandic Hotels	86	0
Superfos	2	-2
Meto	15	–
Prifast	-3	-1
Capona	47	-2
Telelogic	-3	-9
	177	-18
Result of Active holdings, excluding exit results	128	-24

Results of subsidiaries

SEK M	1999	1998
Net sales	514	849
Other operating income	1	5
Other external expenses	-475	-822
Personnel costs	-77	-85
Depreciation	-13	-19
Shares in results of associated companies	1	3
Operating result after depreciation	-49	-69
Result from other securities and receivables which are fixed assets	0	0
Other interest income and similar income items	1	3
Interest expenses and similar expense items	-1	-3
Result before provisions and taxes	-49	-69

During the year TV8 and the companies in Asia were divested.

NOTE 3 Depreciaiton according to plan

	1999			1998		
SEK M	Active	Central	Total	Active	Central	Total
Equipment	5	1	6	10	1	11
Buildings	0	0	0	0	0	0
Goodwill	8	0	8	10	0	10
Costs carried forward	0	0	0	0	0	0
	13	1	14	20	1	21

NOTE 4 Exit results, subsidiaries and associated companies

SEK M	1999
Subsidiaries	
Exit results from TV 8	-35
Exit results, other	-2
	-37
Associated companies	
Exit results from Dahl	182
Exit results from PriFast	323
Exit results from Telelogic	14
Exit results from Meto	214
	733
Exit results, Active holdings	696

The exitresult of Telelogic refers to a dilution effect of a new share issue that Ratos did not participate in.

NOTE 5 Dividends, Asset management

SEK M	1999	1998
Financial fixed assets	102	95
Financial current assets	0	1
	102	96

NOTE 6 Capital gains, Asset management

SEK M	1999	1998
Associated companies	15	–
Financial fixed assets	900	295
Financial current assets	6	6
	921	301

NOTE 7 Management costs

SEK M	1999	1998
External costs	-53	-32
Personnel	-27	-32
Depreciation	-1	-1
	-81	-65

NOTE 8 Financial result items, central operations

SEK M	1999	1998
Financial fixed assets	5	0
Financial current assets	8	29
Financial short-term liabilities	-18	-48
	-5	-19

NOTE 9 The Group's taxes

SEK M	1999	1998
Paid tax	-2	2
Deferred tax	0	0
Share in taxes of associated companies (not Parent Company)	0	-1
	-2	1
Share in taxes of associated companies (Parent Company)	-55	-103
	-57	-102

NOTE 10 Goodwill

SEK M	1999	1998
Accum. acquisition values on 1 January	101	180
Investments	–	–
Divestments	-14	-79
	87	101
Accum. depreciation according to plan		
On 1 January	-53	-93
The years depreciation	-8	-10
Divestments	5	50
	-56	-53
Value as per the Consolidated Balance Sheet	31	48

NOTE 11 Buildings and land

SEK M	1999	1998
Accumulated acquisition values on 1 Jan.	17	176
Depreciation	–	-159
	17	17
Accumulated depreciation according to plan		
On 1 January	-5	-67
The year's depreciation	0	0
Divestments	–	62
	-5	-5
Value as per the Consolidated Balance Sheet	12	12
Tax assessement value, Sweden	50	48

Paid rents during the financial year relating to real estate at future rents for contracts entered into amount to:

	1999	2000	2001	2002	2003	2004
Rents	7	6	4	2	–	–

NOTE 12 Equipments

SEK M	1999	1998
Accumulated acquisition values		
On 1 January	44	237
Investments	2	6
Divestments	-20	-199
	26	44
Accumulated depreciation according to plan		
On 1 January	-27	-150
Divestments	13	137
The year's depreciation	-5	-11
	-19	-24
Value as per the Consolidated Balance Sheet	7	20

Paid leasing charges during the financial year relating to equipment and future charges for contracts entered into amount to:

1999	2000	2001	2002	2003	2004
2	1	1	0	–	–

NOTE 13 Active holdings, shares

SEK M	1999	1998
Associated companies		
Accumulated acquisition values		
On 1 January	1,321	1,075
Investments	975	249
Divestments	-716	-3
	1,580	1,321
Accumulated shares in results		
On 1 January	625	331
The year's share in results	122	364
Less dividends from the associated companies	-86	-72
The year's translation difference	-42	2
Divestments	-324	–
	295	625
Groupwise value, associated companies	1,875	1,946
Active holdings, non-associated companies	144	52
Groupwise value, Active holdings	2,019	1,998

NOTE 13, cont.

Specification of Parent Company's holding of participations in associated companies

Associated company, Corporate identity number, registered office	In the associated companies: Adj. equity	In the associated companies: Net result for the year	Number of participations	Share, %	Booked value in Parent Company	Groupwise value
Dahl Intressenter AB, 556564-9216, Stockholm	1,304	89	3,324,314	44	562	401
Esselte AB, 556011-4554, Stockholm	2,599	-238	4,791,707	14	323	339
Scandic Hotels AB, 556299-1009, Stockholm	1,765	296	15,721,100	25	158	476
Capona AB, 556547-6073, Stockholm	822	89	9,334,452	47	224	313
Superfos Industries A/S, Vedbaek, Denmark	947	4 [1)]	2,805,000	33	325	312
Telelogic AB, 556049-9690, Malmö	109	0	1,612,000	20	30	34
					1,622	1,875

[1)] Result from 1 December 1999, after acquisition

NOTE 14 Active holdings, Other shares and participations

Participations in associated companies outside the Parent Company

SEK M	1999	1998
Accumulated acquisition values		
On 1 January	6	12
Investments	–	2
Divestments	–	-8
	6	6
Accumulated shares in results		
On 1 January	13	14
The year's share in results	1	2
Less dividends from the associated companies	-2	–
Divestments	–	-3
Value as per Balance Sheet	12	13

NOTE 15 Shares and participations, Asset management

Specification of shareholdings see page 2:12.

NOTE 16 Long-term receivables

SEK M	1999	1998
Accumulated acquisition values		
On 1 January	16	33
Additional receivables	195	–
Settled receivables	-1	-17
	210	16

NOTE 17 Prepaid expenses and accrued income

SEK M	1999
Accrued freight income	5
Other	5
	10

NOTE 18 Short-term investments, Asset management

Shares and participations, current assets

SEK M	Number	Nominal value	Book value	Market value
CashCap	2,193	0.0	0.0	0.0
European Tactical Marketing Services Ltd	98	0.0	24.2	24.2
HealthCap KB	10,000,000	10.0	10.0	10.0
HealthCap CoInvest KB	10,000,000	10.0	10.0	10.0
Hotellus International AB	183,000	18.3	18.3	18.3
Autoliv Inc	50,000	0.5	13.5	12.4
Avalon Oil	190,000	0.0	0.0	0.0
Rurik Ord	300,000	0.0	1.0	2.8
			77.0	77.7

NOTE 19 Bonds and other securities

SEK M	1999	1998
Commercial paper	113	–
Treasury bill	5	–
	118	–

Cash

In accordance with the Swedish Customs Act, separate funds of SEK 2.6M (2.6) are included in liquid assets.

NOTE 20 Shareholders' equity

SEK M	Share capital	Restricted reserves	Non-restricted reserves	Net result for the year	Total equity
Balance brought forward, without equity method	1,129	451	1.451	518	3.549
Equity method		594	-261	203	536
Change of calculation method		57	-42	74	89
New balance brought forward on 1 January	1,129	1,102	1,148	795	4,174
Change in interest-bearing net receivable			-285		-285
Dividend paid			795	-795	0
Redemption of shares	-113		-2		-115
Translation difference, associated companies		-41			-41
Transfer non-restricted/restricted equity		-259	259		0
Net result for the year				1,704	1,704
On 31 December	1,016	802	1,915	1,704	5,437

NOTE 21 Provisions

Deferred tax is included in provisions for taxes by SEK 0M.

NOTE 22 Accrued expenses and prepaid income

SEK M	1999
Accrued freight expenses	31
Vacation pay liabilities	7
Other	48
	86

NOTE 23 Contingent liabilities

Refer mainly to contingent liabilities for partly-owned companies.

NOTE 24 Cash flow

Group

Change in interest-bearing net receivable

SEK M	1999
Balance on 31 Dec 1998	-594
Cash flow of current operations and investment operations	1,149
Redemption of shares	-115
Dividend paid	-285
Balance on 31 Dec 1999	155

SEK M	1999	1998
Interest received	12	13
Interest paid	-20	-23

Liquid assets on 31 December

SEK M	1999	1998
Cash and bank	109	36
Bonds and securities	118	–
	227	36

Sale of subsidiaries, Active holdings

Divested assets and liabilities	
Tangible assets	10
Inventories	13
Current receivables	22
Liquid assets	4
Total assets	49
Long-term liabilities	6
Current liabilities	15
Total liabilities	21
Sales price:	1
Less:	
Received purchase price	1
Less: liquid assets on the divested operations	-4
Effect on payment	-3
Divestment of associated comp, Active hold.	1,725
Divestment of shares, Active holdings	1,722

NOTE 24, cont.

Parent Company

SEK M	1999	1998
Interest received	10	14
Interest paid	-21	-29

Liquid assets on 31 December

SEK M	1999	1998
Cash and bank	81	–
Bonds and securities	113	–
	194	–

NB. By "Adjustment for items which are not included in the cash flow" is primarily meant adjustment for capital result/exit result and shares in results of associated companies (Group only).

NOTE 25 Information about personnel as well as remunertion to Board of Directors and Auditors

Average number of employees

	1999 Total	1999 of whom men, % share	1998 Total	1998 of whom men, % share
Parent Company	17	47	18	56
Subsidiaries	138	51	224	55
Total Group	155	50	242	55
of whom, in				
Sweden	133	47	182	51
Finland	8	75	7	71
Denmark	14	64	14	79
Other countries			39	67

Parent Company

Salaries and other remuneration

SEK M	1999	1998
Board of Directors and President, (Sweden)	7.8	8.7
(of which bonus)	(1.6)	(1.1)
Other employees (Sweden)	9.7	9.3
	17.5	18.0
Payroll overheads	8.3	12.8
(of which pension costs)	(0.9)	(6.1)

Of the Parent Company's pension costs, SEK 1.6M (5.7) refers to the Board of Directors and President. The Company's outstanding pension obligations to these amount to SEK 12.3M (14.5).

cont. next page

NOTE 25, cont.

Group

Salaries and other remuneration

	Board of Directors and President		Other	
	1999	1998	1999	1998
Group	13.3	18.1	46.2	64.3
(of which bonus)	(1.9)	(1.1)		
of whom, in				
Sweden	12.2	15.8	40.0	52.8
(of which bonus)	(1.9)	(1.1)		
Other countries	1.1	2.3	6.2	11.5
(of which bonus)	(–)	(–)		

	1999	1998
Payroll overheads	24.6	35.7
(of which pension costs)	(4.1)	(10.5)

Of the Parent Company's pension costs, SEK 2.3M(6.7) refers to the Board of Directors and President. The Company's outstanding pension obligations to these amounts to SEK 12.3M(14.5).

Average number of employees, salaries and other remuneration as well as payroll overheads refer only to Group companies which are included in the Group at year-end.

Remuneration to Senior Executives and Board Members

During 1999, as decided by the AGM, SEK 1,175K was paid to the Board of Directors, of which SEK 275K to the Chairman.

In 1999, salary and other benefits for the President amounted to SEK 3,538K, of which SEK 1,000K was bonus. The bases for bonus are examined on an annual basis taking into account the Group's targets. A pension premium is paid of 20 per cent of salary. Mutual period of notice is 6 months. Severance pay is equivalent to 2 years' salary and cannot be triggered by the President. Remuneration from a third party is deducted. On change of owner, severance pay equivalent to 2 years' salary can be triggered by the President.

For other Senior Executives in the Ratos Group there are no agreements relating to severance pay which amount to more than 2 years' salary. Pension is paid from the age of 65, with a few exceptions. An individual executive cannot trigger severance pay except in one instance, on change of principal owner.

Remuneration of Auditors

Remuneration and reimbursement

SEK M	Group	1999 Parent Company
KPMG		
Audit assignment	1.0	0.3
Other assignment	0.6	0.6
Ernst & Young		
Audit assignment	0.2	0.2
Other auditors	0.1	–
Total	1.9	1.1

By audit assignment is meant examination of the Annual Accounts and the accounting records as well as the administration by the Board of Directors and the President, other tasks which are the business of the Company's Auditors, and advice or other assistance which is caused by the observations on such examination or implementation of other such work tasks. Everything else is other assignment.

Parent Company

NOTE 26 Statement of income

SEK M	1999	1998
Net sales	–	–
Other operating income	3	3
Other external costs	-51	-34
Personnel costs	-27	-30
Depreciation	-1	-1
Result of participations in associated companies	86	72
Result of other securities and receivables which are fixed assets	1.839	668
Operating result after depreciation	1.849	678
Other interest income and similar income items	8	13
Interest expenses and similar expense items	-15	-44
Operating result before appropriations and taxes	1.842	647
Tax on the year's result	-2	-4
Net result for the year	1.840	643

Taxes

The Parent Company is taxed in accordance with the regulations for investment companies. The effect of these is that capital gains are not taxable. In return, the investment companies must enter a standard income of 2 per cent of the market value of the shares held on 1 January in their tax return. This standard income amounted to SEK 155M in 1999. Dividends received are taxable. Dividend paid is deductible as long as it does not give rise to a combined tax-assessed deficit. Interest income and expenses are deductible.

NOTE 27 Buildings and land

SEK M	1999	1998
Accumulated acquisition values		
On 1 January	17	17
Investment	–	–
	17	17
Accumulated depreciation according to plan		
On 1 January	-5	-5
The year's depreciation	0	0
	-5	-5
Value as per Balance Sheet	12	12
Tax assessment value		
Buildings	50	48
Land	–	–

NOTE 28 Equipment

SEK M	1999	1998
Accumulated acquisition values		
On 1 January	6	5
Investments	0	2
Divestments	0	-1
	6	6
Accumulated depreciation according to plan		
On 1 January	-3	-3
Investments	0	1
The year's depreciation	-1	-1
	-4	-3
Value as per Balance Sheet	2	3

NOTE 29 Active holdings, shares in subsidiaries

SEK M	1999	1998
Book values		
On 1 January	209	359
Investments	–	150
Divestments	-103	-300
	106	209

Specification of the Parent Company's holdings of shares in subsidiaries

Subsidiaries, corp., id., no, reg. off.	Share	Share, %	Book value, SEK M
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6.2
Fastighets AB Strömparterren, 556309-8481, Stockholm	10,000	100	0.1
ACE Air Cargo Express AB, 556238-6044, Sigtuna	150,000	100	100.0
			106.3

TV8 was divested during the year.

NOTE 30 Active holdings, shares

SEK M	1999	1998
Associated companies	1,622	1,398
Other financial fixed companies	144	99
	1,766	1,497

Specification of associated companies see Note 13.

NOTE 31 Long-term receivables

SEK M	1999	1998
Accumulated acquisition values		
on 1 January	17	33
Investments	195	–
Divestments	-2	-16
	210	17

NOTE 32 Bonds and other securities

SEK M	1999	1998
Commercial paper	113	–
	113	–

NOTE 33 Share capital

SEK M	Share capital	Statutory reserve	Profit brought forward	Net result for the year	Total share-holders' equity
On 1 January	1,129	251	1,642	643	3,665
Dividend paid			-285		-285
Other appropriation of profit			643	-643	0
Redemption of shares	-113		-2		-115
Net result for the year				1,840	1,840
On 31 December	1,016	251	1,998	1,840	5,105

Share capital

		SEK M
Ordinary A	21,641,127 à 12,50	270.5
Ordinary B	59,679,299 à 12,50	746.0
	81,320,426	1,016.5

Class A shares entitle their holder to one vote each and class B shares to one-tenth of a vote each. During the year, redemption was made of 9,027,760 C shares.

Stock options

The number of stock options amounts to not more than 530,000. Subscription of shares can take place between 1 June 2002 and 15 February 2004. The subscription price is SEK 75 per share. One stock option entitles the holder to subscribe for one new share.

Audit Report

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

We have audited the Parent Company and the Consolidated financial statements, the accounts and the administration of the Board of Directors and the President of Förvaltningsaktiebolaget Ratos for 1999. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with generally-accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to assess the possible liability to the Company of any Board Member or the President or whether they have in some 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.

In our opinion, the Parent Company and the Consolidated financial statements have been prepared in accordance with the Annual Accounts Act and therefore give a true and fair picture of the Company's and the consolidated Group's results and position in accordance with generally-accepted auditing standards in Sweden.

We recommend that the Annual General Meeting adopt the Statement of Income and the Balance Sheet for the Parent Company and for the Group, appropriate the profit in the Parent Company in accordance with the recommendation in the Directors' Report and that the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 25 February 2000

Hans Karlsson
Authorized Public Accountant

Gunnar Widhagen
Authorized Public Accountant

Board of Directors and Auditors

Olof Stenhammar

Peggy Bruzelius

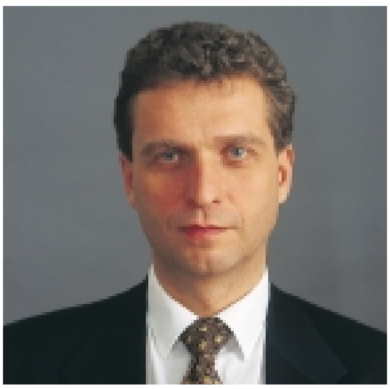
Harry Faulkner

Göran Grosskopf

Mikael Lilius

Lars Söderberg

Sven Söderberg



Arne Karlsson

Olof Stenhammar

Honorary Doctor of Economics. Born 1941.
Chairman. Board Member since 1994. Chairman of OM Gruppen, Plenia Sweden, Ten Four, Hela Programmet, Stiftelsen Mentor Sverige, Olympialaget Våga Vinna. Board Member of Ljungbergruppen, Cell Network, Svenska Sjöräddningssällskapet, Stockholm School of Economics Advisory Board. Senior Partner of Ledstiernan Partners.
Shareholding in Ratos: 114,000

Peggy Bruzelius

Born 1949.
Board Member since 1998. Chairwoman of Grand Hôtel Holdings, Lancelot Asset Management. Board Member of Axel Johnson, Celsius, Drott, Electrolux, Scania, Swedish Trade Council, Industry and Commerce Stock Exchange Committee, and other companies.
Shareholding in Ratos: 2,000

Harry Faulkner

Born 1931.
Board Member since 1986.
Former President and CEO of Alfa-Laval. Chairman of Arcona, B&N Nordsjöfrakt, SEB Fondförvaltning. Board Member of Ahlström (Finland), EQT Denmark, Scandinavian Equity Partners 1, Stockholms Auktionsverk, Tetra Laval, and other companies.
Shareholding in Ratos: 10,000

Göran Grosskopf

Professor, Doctor of Law. Born 1945.
Board Member since 1996. Chairman of Tetra Laval Group, Herenco. Board Member of Axel och Margret Axson Johnsons Stiftelse and other companies.
Shareholding in Ratos: 40,000

Mikael Lilius

Born 1949.
Board Member since 1997. President of Gambro. Board Member of Huhtamäki Oy, Instrumentarium Oy, Perlos Oy.
Shareholding in Ratos: 1,500

Lars Söderberg

Born 1960.
Board Member since 1998.
President of Affärsutveckling of OMNIBOKER.COM. Board Member of OMNIBOKER.COM.
Shareholding in Ratos: 1,296,037

Sven Söderberg

Consul General, born 1928.
Chairman 1993-1998. Board Member since 1971. President of Ratos 1974-1992.
Shareholding in Ratos: 2,505,025

Arne Karlsson

Born 1958.
CEO of Ratos since 1999. Board Member of Esselte, HL Display, Scandic Hotels, Superfos, Th Jacobsen & Co.
Shareholding in Ratos: 18,900
Stock options in Ratos: 150,000

Auditors

Hans Karlsson

Authorised Public Accountant, KPMG

Gunnar Widhagen

Authorised Public Accountant, Ernst & Young

Deputy Auditors

Roland Nilsson

Authorised Public Accountant, KPMG

Torbjörn Hansson

Authorised Public Accountant, Ernst & Young

RATOS

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Annual Report 1999

RATOS

Annual Report 1999

RATOS

Analysis

Group result

As a consequence of Ratos' new strategy, the analysis of Ratos' results and underlying values will also change. From having previously consisted of a portfolio containing almost exclusively listed shares in already very transparent companies, Ratos' assets will now increasingly consist of holdings in unlisted companies. The result, which was previously generated by dividends on listed shares and capital results from the stock portfolio will in the future consist of participations in the results of Ratos' Active holdings and of exit results – i.e. the capital results which arise when Ratos divests an Active holding. However, during a transition period – until its total assets have been invested in accordance with the new strategy – Asset management will have continued significant influence on the result.

Active holdings

For those who wish to understand and forecast Ratos' future results, an analysis of the underlying holdings will therefore be necessary. The approach should be first to form an opinion about the future cash flows and result development of the holdings, and in the next stage to estimate what value can be placed on the holding. Basically, the analysis does not differ from whether Ratos had owned a portfolio consisting of listed shares. The difference can be said to consist of the fact that the "market" makes the estimate of the value of the holdings when the companies are listed. As the basis for the market's valuation, for unlisted as well as listed companies, are forecasts regarding future profits and cash flows.

The same methods of analysis that are applied for valuing listed companies are obviously applied when analysing unlisted companies. With the aim of facilitating the valuation of Ratos, the Active holdings are presented with analyses over several years of statements of income and balance sheets as well as cash flow analyses and key figures. The compilations are supplemented with descriptions regarding the companies' structure, result development and developments on the markets on which the companies operate.

In connection with Ratos' quartely reports, information about the holdings will be updated and on Ratos' revised website, the compilation will be available updated in downloadable Excel files.

Equity method

The majority of Ratos' Active holdings are subsidiaries or associated companies of Ratos. Ratos therefore applies the so-called equity method in which the results of the associated companies are reflected in the Consolidated Statement of Income as the company's result for the period in question is multiplied by Ratos' share of equity. In the Consolidated Statement of Income, the figure is reported as Share in results of associated companies. Ratos' share of the company's tax expense is included in the consolidated tax expense. In Ratos' Consolidated Balance Sheet, the book value of the participation in the company in question is changed with the value of accumulated shares in the result of the company after tax. Dividends from associated companies are thus not reported in the Statement of Income but only in the Balance Sheet as a change from restricted to non-restricted equity.

For a more detailed description of Ratos' accounting method, reference is made to the Notes to the Financial Statements on page 2:14.

Ratos' Consolidated Statement of Income

The format of Ratos' Statement of Income is aimed at illustrating in the best possible way the build-up of the consolidated result. Results of subsidiaries and shares in results of associated companies are reported under the heading, Active holdings. Under that heading is also found the line Exit result on which the capital results which have arisen among Active holdings during the year are reported. Asset management's income is reported separately, following which central costs and financial items are reported.

Income

SEK M	1999	1998
Active holdings		
Result/shares in results		
ACE	-10	1
Capona	47	–
Dahl	66	73
Esselte	-33	148
Meto	15	
Scandic Hotels	86	62
Superfos Industries	2	–
Telelogic	-3	-5
Telia Overseas	–	–
(TV8)	-37	-56
(PriFast)	-3	40
(Other)	-2	-22
Total	128	241
Exit result		
Dahl	182	–
Inter Forward	–	201
PriFast	323	–
Scandic Hotels	–	142
Telelogic	14	–
TV8	-35	–
Meto	214	–
Other	-2	–
Total exit result	696	343
Total Active holdings	824	584
Asset management		
Dividends	102	96
Capital gains	921	301
Total Asset management	1,023	397

Active holdings

In 1999, the result of Active holdings amounted to SEK 824M (584). Results and shares in results of Active holdings fell to SEK 128M (241). This is mainly explained by the considerable decline in Esselte's result. The share in the result of Capona should be compared with the 1998 result of PriFast, in which Capona was included. Scandic Hotels' result improved significantly, whereas Dahl reported a less-positive trend. Because Ratos' ownership in Dahl increased during the year, this development is not reflected in full in a comparison of the shares in the results between the years.

Shares in results are charged with Ratos' goodwill depreciation for the respective holding (see Note 2 page 2:15).

Exit results for 1999 totalled SEK 696M which is equivalent to a twofold increase compared with 1998. The sale of the PriFast holding generated SEK 323M and the Dahl transaction resulted in a net effect of SEK 182M. The sale of the 13 per cent holding in Meto generated a gain of SEK 214M, whereas the divestment of TV8 during the autumn resulted in a capital loss of SEK -35M. The exit result also includes the effect of a new share issue in Telelogic at a premium of SEK 14M.

Asset management

During a transition period, Ratos' stock portfolio within Asset management will continue to contribute to the result. In 1999, total dividends of SEK 102M (96) were received. Capital gains in the stock portfolio amounted to SEK 921M (301). At the year-end, the value of the portfolio amounted to SEK 5,002M (4,243) excluding holdings in Industri Kapital's funds. Portfolio holdings at 31 December 1999 are reported on page 2:12.

Costs

Ratos' costs in 1999 amounted to SEK 81M (65), of which transaction-related costs in Industri Kapital's funds accounted for SEK 23M. Personnel costs amounted to SEK 27M (30) and purchases of external services to SEK 31M (31). Other costs, including external services, include costs that have arisen in connection with acquisition processes which have not been completed. Net financial items amounted to SEK -5M (-19).

Tax situation

Ratos' Parent Company is taxed in accordance with the rules for investment companies. This means that capital gains which have arisen are not taxable. The Company declares a standard income equivalent to 2 per cent of the market value of the shares held at the start of the year. Dividends received are also declared as income. Net interest and expenses are deductible as is dividend paid as long as the size of the dividend does not have the effect that a total taxed deficit arises. The tax expense of the Ratos Group thus consists of Ratos' share of the subsidiaries' and associated companies' tax expenses. Ratos' Parent Company pays in principle no tax apart from property tax relating to the property in Drottninggatan 2 in Stockholm. The tax expense of the Ratos Group for 1999 amounted to SEK 57M (102).

Net result for the year

The consolidated result after tax amounted to SEK 1,704M (795). Profit per share thus amounted to SEK 20.95 (9.78).

Financial strategy

Ratos' Parent Company should normally be unpledged. When investments are made, leveraged holding companies may be used with the aim of achieving a tailor-made financial structure. The method, which is especially suitable in operations with a sound cash flow, was applied during 1999 in the buy-out of Dahl and in the acquisition of Superfos.

Ratos' liquid preparedness is sound and consists of Asset management's listed shares, interest-bearing investments and/or agreed loan promises. Investment of liquid assets must only be made in interest-bearing securities with very low risk and high liquidity.

All of Ratos' Active holdings are independently responsible for their currency exposure/hedge. Ratos will act to ensure that the holdings are currency-neutral.

Active holdings

On the following pages, there follows an account of Ratos' Active holdings. The investment in Superfos was made at the end of 1999 and is included by only one month in Ratos' result for 1999. The holding in DataVis was not acquired until the beginning of the year 2000 and the DataVis Group has therefore not influenced Ratos' result for 1999.

SEK M	Ratos' share of capital, %	Net sales 1999	Net sales 1998	Result after depreciation 1999	Result after depreciation 1998	Result before taxes 1999	Result before taxes 1998	Of which goodwill depreciation 1999	Of which other depreciation 1999	Investments 1999	Cash flow 1999	Equity 1999	Interest-bearing net liability 1999
ACE	100	492	567	-5	3	-4	7	0	-3	1	-6	34	-32
Capona	47	251	220	160	130	104	74	–	21	128	1	822	1,068
Dahl	44	10,531	10,431	270	344	135	262	75	101	158	186	1,304	2,250
DataVis	48	186	161	-4	3	-4	3	1	3	n.a	n.a	26	n.a
Esselte	14	11,192	13,721	-131	1,235	-228	1,167	314	402	331	1,265	2,597	2,897
Scandic Hotels	25	5,320	5,004	354	308	372	274	43	305	529	241	1,765	-155
Superfos Ind	33	3,648	n.a	199	n.a	2,502	n.a	4	193	n.a	n.a	746	1,945
Telelogic	20	318	178	2	2	2	1	4	10	-54	-61	109	-5
Telia Overseas	9	340	257	-617	-309	-606	-304	80		n.a	n.a	499	n.a

Cash flow refers to cash flow from current operations and investment operations.

ACE excluding the companies in Asia which were sold.

Esselte's information for 1998 is not comparable with the 1999 structure.

Superfos Industries is reported in DKK M. There is no comparable information for 1998.

DataVis was not included in the Ratos Group in 1999.

ACE

The air freight company, Air Cargo Express (ACE), is wholly owned by Ratos and is thus the only subsidiary among the Active holdings. The company was previously included in the Ratos-owned Inter Forward Group. The company, which was formed in the mid-1980s, was acquired in 1990. For many years, ACE reported very high profitability. As a result of the economic crisis in Asia, the business volume fell significantly in a short space of time on a market which was important for the company. Over the past two years, the result has therefore been unsatisfactory.

Thomas Mossberg, Executive Vice President of Ratos, is Chairman of the ACE Board of Directors. In autumn 1999 Peter Larsson, who was recruited externally, succeeded the company's founder as CEO. A new strategic platform has been established. Important components of the strategy are to establish a position as a strong regional operator in the Nordic countries. In addition, operations will be concentrated on a limited number of markets and products, while a clear brandname strategy will be implemented at the same time. In parallel with this work, measures will be implemented internally. Lower income as a result of a falling market and lost market shares has not been compensated by necessary cost savings.

According to IATA's statistics, the Swedish air freight market amounted to approximately SEK 2.3 billion in 1999. ACE accounted for 13 per cent. The Swedish air freight market was weak in 1999 but stabilised towards the end of the year. Due to the Group's dependence on a small number of large customers, ACE did not manage to defend its market share. The weak result development is a consequence of lost volume and sluggishness in cost adaptation. Gross margins are unchanged.

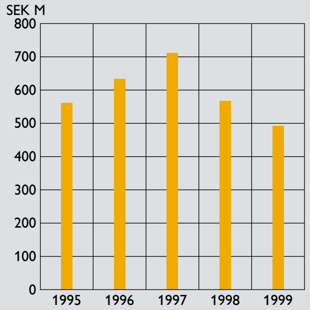
General market prospects for the year 2000 are positive. In addition, the company will implement the new strategic platform. As a result, it is expected that it will be possible to make the existing operations more efficient and carry out acquisition of supplementary operations.

Peter Larsen, CEO of ACE
"Ahead of me, I see result improvement in 2000"

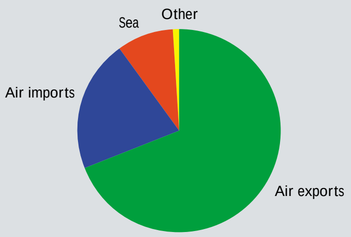
Key figures

	1999	1998	1997	1996	1995
Operating margin, %	-1.0	0.5	2.8	2.8	2.7
Return on equity, %	-10.9	13.5	49.3	53.6	49.7
Equity ratio, %	26.7	30.3	28.1	21.5	21.9
Investments, SEK M	2	3	4	3	3
Average number of employees	138	148	158	153	148

Net sales



Sales by business area



SEK M	1999	1998	1997	1996	1995
Statement of Income					
Net sales	492	567	711	634	562
Other operating income	4	8	8	7	2
External expenses	-434	-503	-635	-565	-493
Personnel costs	-62	-62	-59	-55	-53
Depreciation	-3	-3	-3	-3	-3
of which goodwill depreciation	0	-1	-1	-1	-1
Other operating expenses	-2	-4	-2		
Operating result	-5	3	20	18	15
Income from participation in results of associated companies	0	3	1	1	
Financial income	1	1	3	5	5
Financial expenses	0	0	0	0	0
Result after financial items	-4	7	24	24	20
Appropriations	0	0	-22	-20	-19
Taxes	0	-1	-1	-1	0
Net result for the year	-4	6	1	3	1
Balance Sheet					
Intangible fixed assets	1	1	2	2	3
of which goodwill	0	1	1	2	3
Tangible fixed assets	5	6	6	5	6
Financial fixed assets	12	13	11	9	3
Total fixed assets	18	20	19	16	11
Inventories					
Current receivables	76	63	56	78	76
Liquid assets	32	43	54	55	46
Total current assets	108	106	110	133	122
Total assets	126	126	129	149	133
Shareholders' equity	26	25	23	22	19
Non-restricted equity	8	13	13	12	10
Total shareholders' equity	34	38	36	34	29
Minority interest	0	0	0	0	0
Provisions	0	0	0	0	0
Long-term liabilities	0	0	0	1	1
Current liabilities	92	88	93	114	103
Total equity and liabilities	126	126	129	149	133
Cash Flow Analysis					
Cash flow in current operations	-5	16	24	32	16
Cash flow in investment operations	-1	-5	-4	-3	-3
Cash flow in financing operations	-5	-22	-21	-20	-28
The year's cash flow	-11	-11	-1	9	-15
Opening liquid assets	43	54	55	46	61
Closing liquid assets	32	43	54	55	46
Sales					
Air exports	337	407	528	467	397
Air imports	106	112	137	117	133
Sea	43	38	36	40	27
Other	6	10	10	10	5

It has not been possible to adapt ACE's costs to the reduced sales.

In 1998, ACE was hit by the crisis in Asia.

ACE's operations are unpledged.

Capona

Capona, which owns and actively manages hotel properties, is a leading hotel property company on the Nordic hotel real estate market. At 31 December 1999, the real estate holding totalled 40 hotel properties, of which 31 are located in Sweden and the remainder in other Nordic countries. The total lettable area was approximately 290,000 square metres and the total number of hotel rooms approximately 6,100.

Capona's ambition is to continue to grow on the Nordic markets. An important feature of the company's strategy is to work with sales-based rental agreements in which the rental income amounts to a percentage share of the sales of the hotel operator. Capona and the hotel operators thus have the same financial incentive to make investments aimed at increasing the sales of the hotels, which in turn increases Capona's rental income.

The company was formed at the end of 1997 through acquisition of a number of hotel properties from PriFast and Diligentia, which initially also jointly owned Capona. In autumn 1998, PriFast acquired Capona and shortly thereafter decided to distribute the company to its shareholders. The distribution was effected in March 1999 when the share was quoted on the O list of the OM Stockholm Exchange. Following the listing, Ratos' holding amounts to 9,334,452 shares, equivalent to an ownership of 47 per cent.

Carl Johan Åberg is Chairman of Capona. Ratos is represented on the Board of Directors by Olle Isberg, former Executive Vice President of Ratos.

Capona's hotel markets in the Nordic countries

The Nordic hotel market enjoyed positive growth during 1999 and the strong hotel trend is expected to continue. Like the previous trend, it is the occupancy and room prices on Capona's hotel markets, big city regions and county capitals in the Nordic countries, which increase most. At the same time, addition of capacity in the form of new hotel rooms was limited. All three customer segments: business, conference and leisure are strong.

Demand continued to grow on the Swedish market. The Danish and Finnish markets enjoyed sound growth. The trend in Norway slowed down, especially in the Oslo region in which a large number of hotel rooms were added during 1998 and 1999.

The increasingly internationalised industry and commerce in the Nordic countries creates a large need for overnight accommodation. The conference market is developing positively, and the Nordic countries have emerged as a strong international conference destination. In 1999, Sweden accounted for 79 per cent of Capona's rental income, Norway for 13 per cent, Denmark for 8 per cent and Finland for less than 0.5 per cent.

The year in summary

During the year, Capona's rental income rose by 14 per cent to SEK 251M (220). As a result of Capona's sales-based rental agreements, the continued positive hotel trend led to significantly increased income.

Olle Persson, CEO of Capona
"The hotel industry is enjoying a clearly upward trend"

The implemented hotel property acquisitions and sales-increasing investments also contributed to the increased income. For comparable hotel properties, rental income rose by 10 per cent.

Operating surplus increased by SEK 32M to SEK 200M compared with the previous year. Earnings after financial items were SEK 104M (74), which is an increase of more than 40 per cent compared with 1998. Earnings after tax rose to SEK 89M which is equivalent to SEK 4.43 per share. For 1998, earnings after tax were SEK 64M pro forma, which is equivalent to SEK 3.21 per share.

Two hotel properties were acquired for SEK 74M during May, Good Morning Hotels' Stockholm-Syd in Hägersten with 190 hotel rooms, and Scandic Hotel in Bollnäs with 111 hotel rooms. In September, Capona acquired its first hotel property in Finland, Good Mornings Hotels' Helsingfors-Vanda with 112 hotel rooms, for SEK 28M.

Events after the end of the year

On 19 January 2000, an agreement was signed for the sale of the property, Böhmen 20 in Helsingborg, at a purchase price of SEK 10M. Capona is making a capital gain of SEK 3.1M. As a step in Capona's strategy to work with sales-based rental agreements, a fixed rental agreement was renegotiated in Good Morning Hotels' Helsingfors-Vanda to a sales-based rental agreement in January 2000. The new rental agreement, which came into force from January 2000, increases the yield of the property from just under 8 per cent to more than 9 per cent on an annual basis.

Opportunity to buy back own shares

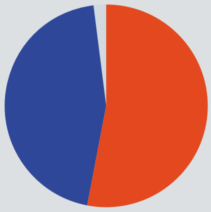
Capona's Board of Directors has decided to propose that the AGM authorise the Board until the next AGM to buy back up to 10 per cent of the company's shares. How this mandate will be utilised is, among other things, subject to the outcome of a number of ongoing acquisition discussions.

Financial information

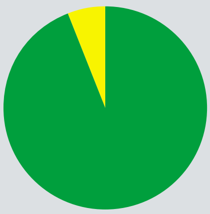
3 month report	25 April 2000
6 month report	19 July 2000
9 month report	19 October 2000

www.capona.se

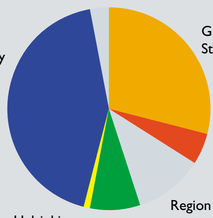
Rental income by geographic region



Rental income by type of agreement



Real estate holding by geographic region



SEK M	1999	1998			
Statement of Income		pro forma			
Rental income	251	220			
Operating and management costs	9	8			
Maintenance costs	30	34			
Property tax	10	9			
Rent for leasehold sites	2	1			
Operating surplus	200	168			
Depreciation	21	20			
Administrative costs	19	18			
Operating result	160	130			
Financial income	2	3			
Financial expenses	-58	-59			
Earnings after financial items	104	74			
Taxes	15	10			
Net result for the year	89	64			
Balance Sheet					
Real estate	1,964	1,876			
Other assets	24	19			
Liquid assets	69	37			
Total assets	2,057	1,932			
Shareholders' equity	822	781			
Interest-bearing liabilities	1,137	1,075			
Non-interest-bearing liabilities	98	76			
Total equity and liabilities	2,057	1,932			
Cash Flow Analysis					
Cash flow of current operations	129	88			
Cash flow of investment operations	-128	-21			
Cash flow of financing operations	31	-70			
Liquid assets at period end	69	37			
Key figures					
Property related					
Yield of properties, %	10.3	9.0			
Surplus ratio, %	80	76			
Pledge ratio, %	58	57			
Financial					
Interest coverage ratio	2.8	2.3			
Return on total capital, %	7.9	6.9			
Return on equity, %	10.8	8.2			
Net debt ratio	1.3	1.3			
Average interest rate, %	5.2	5.2			
Equity ratio, %	40	40			

The positive hotel trend favours Capona which has sales-based rental agreements. Of rental income, SEK 55M (49) refers to income from Capona's own hotel operations.

The improvement is particularly explained by higher rental income.

The administrative costs refer to Group management and administration.

Financial income and expenses pro forma in 1998 is based on the assumption that the company was fully capitalised throughout the period.

Capona has had its real estate holding revalued. The valuation amounts to SEK 2,273M at November. The book value of the properties, excluding hotel equipment, amounted to SEK 1,950M.

Dahl

During spring 1999, EQT and Ratos bought-out Dahl from the stockmarket. The buy-out was carried out via a leveraged buy-out company which is now the Parent Company of the new Dahl Group. In practice, this meant that Ratos' ownership in Dahl increased from 28 per cent to 49 per cent. The development in 1999 of both the "old" and "new" Dahl is shown on the following page. The "old Dahl" comprises the operations and is comparable with the information provided for 1995-1998. The "new Dahl" also includes the new Parent Company of the Group from April 1999. In a comparison between the two, the effects of the acquisition technique applied on the buy-out are illustrated. After Dahl's management and Board of Directors had been offered stakeholdings on terms equivalent to those of Ratos and EQT, Ratos' ownership amounted to 44 per cent at 1999 year-end. Carl Wilhelm Ros is Chairman. Ratos is represented on the Board by Executive Vice President Thomas Mossberg. Per-Olof Söderberg is CEO.

Operations

Dahl is the leading wholesaler and trading company in the Nordic countries in the market for plumbing & heating and water & sewerage products as well as pipe products for the industry. The need for wholesale services is best illustrated by Dahl's more than 2,000 suppliers and more than 50,000 customers. The company has established a leading market position on all markets in which it has a presence. Growth in recent years has been achieved both via acquisition and through organic growth.

Development

In 1999, Dahl's sales amounted to SEK 10,531M (10,431). The result before financial income and expenses was SEK 138M. Increased interest expenses, goodwill depreciation and other acquisition costs linked to the buy-out from the stockmarket had a negative effect on the result of SEK 80M. The operations in Sweden, Finland and Poland improved their results compared with 1998. The result in Denmark was negatively affected by weak development in recently-acquired side operations. In Norway, earnings fell as a result of a strong decline in the market and costs for implementation of a new IT system.

During the year, Dahl acquired Scanigros, which is directed at the DIY market, and the plumbing & heating wholesaler, Rimo in Denmark, Smidesgrossisten in Sweden, and the plumbing & heating wholesaler, Domat in Poland. These companies report total sales of SEK 235M on an annual basis.

Capital employed in operations in "old Dahl" amounted to SEK 2,259M at the turn of year which was on a par with 1998 year-end. As planned, the investment level was considerably lower in 1999 than in both 1997 and 1998.

Denmark

Sales in Denmark increased by 6 per cent to DKK 2,823M as a result of the newly-acquired companies. The market share remains unchanged despite increased competition. The fall in the operating result is mainly due to large losses in the subsidiary, BD Industriverktyg, and less-positive development in the DIY operations than expected.

Key figures	1999	1998	1997	1996	1995
Sales, DKK M	2,823	2,674	2,430	2,263	2,155
Operating result, DKK M	139	170	179	166	166
Operating margin, %	4.9	6.4	7.4	7.3	7.7
Return on capital employed in operations, %	28	34	37	34	32
Number of employees	1,072	1,006	906	876	860
Number of establishments	54	61	57	54	53

Norway

The decline, which started in the last quarter of 1998, continued during 1999 with the effect that sales fell by 8 per cent to NOK 2,184M. A recovery took place in the last quarter. The operating result declined which is explained by the fall in sales and large costs for replacing IT systems.

Key figures	1999	1998	1997	1996	1995
Sales, NOK M	2,184	2,365	2,205	1,986	1,755
Operating result, NOK M	34	113	118	121	82
Operating margin, %	1.6	4.8	5.4	6.1	4.7
Return on capital employed in operations, %	6	22	23	25	22
Number of employees	710	732	732	714	658
Number of establishments	52	57	58	52	49

Sweden

Sales in the Swedish operations amounted to SEK 2,798M (2,780) which was weaker than the market trend. Operations were affected by problems on implementation of new IT systems.

Key figures	1999	1998	1997	1996	1995
Sales, SEK M	2,798	2,780	2,699	2,149	1,719
Operating result, SEK M	42	15	-80	79	44
Operating margin, %	1.5	0.5	neg	3.7	2.6
Return on capital employed in operations, %	6	2	neg	11	12
Number of employees	901	934	1,011	720	594
Number of establishments	65	70	68	57	57

Finland

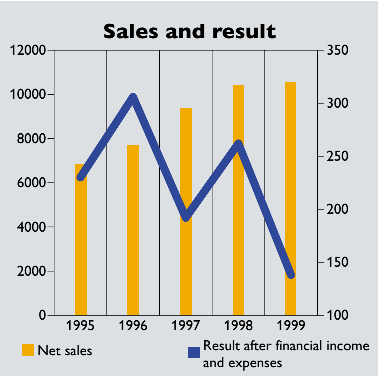
Sales in Finland rose by 5 per cent to FIM 880M which was on a par with the market trend. The operating result improved by FIM 19M to FIM 31M.

Key figures	1999	1998	1997	1996	1995
Sales, FIM M	880	842	708	511	233
Operating result, FIM M	31	12	7	2	-11
Operating margin, %	3.5	1.5	1.0	0.0	-4.7
Return on capital employed in operations, %	30	10	7	5	neg
Number of employees	278	245	216	189	154
Number of establishments	20	17	17	16	12

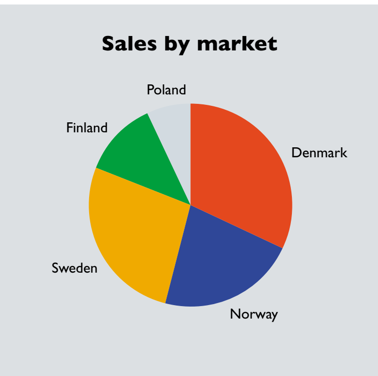
Poland

Sales in Poland rose by PLN 53M to PLN 372M. The increase is explained by acquisitions in previous years. The market was weaker than expected. The operating result more than doubled to PLN 17M.

Key figures	1999	1998	1997	1996
Sales, PLN M	372	318	180	39
Operating result, PLN M	17	8	6	1
Operating margin, %	4.5	2.5	3.3	2.6
Return on capital employed in operations, %	23	15	25	–
Number of employees	535	453	276	103
Number of establishments	34	30	21	7



Per-Olof Söderberg, CEO of Dahl
"We have started our journey towards becoming the leading value-creator in the plumbing & heating and water & sewerage sector"



SEK M	1999	1999	1998	1997	1996	1995
Statement of Income	new Dahl	old Dahl				
Net sales	10,531	10,531	10,431	9,375	7,701	6,828
Operating expenses	-10,278	-10,258	-10,098	-9,064	-7,367	-6,547
Items affecting comparison			–	-70	–	–
Other operating income	17	17	11	18	33	20
Operating result	270	290	344	259	367	301
Financial income and expenses	-132	-82	-82	-67	-61	-71
Result after financial income & expenses	138	208	262	192	306	230
Minority interest	-3	-3	0	-1	-1	1
Result before taxes	135	205	262	191	305	231
Group contributions			–	–	–	-100
Shareholder contributions			–	–	–	–
Taxes	-46	-46	-90	-112	-88	-79
Net result for the year	89	159	172	79	217	52
Balance Sheet						
Goodwill	1,568	236	294	272	291	222
Other fixed assets	404	404	514	397	353	207
Total fixed assets	1,972	640	808	669	644	429
Goods for resale	1,446	1,446	1,396	1,237	1,200	971
Trade debtors	1,412	1,412	1,401	1,339	1,260	1,082
Other current assets	184	210	89	99	64	150
Short-term investments, cash & bank	82	273	134	52	89	52
Total current assets	3,124	3,341	3,020	2,727	2,613	2,255
Total assets	5,096	3,981	3,828	3,396	3,257	2,684
Shareholders' equity	1,304	1,441	1,382	1,259	1,251	594
Interest-bearing liabilities	2,332	1,091	1,180	1,044	984	1,221
Non-interest-bearing liabilities	1,460	1,449	1,266	1,093	1,022	869
Total equity and liabilities	5,096	3,981	3,828	3,396	3,257	2,684
Cash Flow						
Result before taxes	135	205	262	191	305	231
Depreciation of goodwill	75	57	59	57	42	39
Other depr. according to plan	101	101	101	73	55	57
Taxes	-46	-46	-90	-112	-88	-79
Cash flow before change in working capital	265	317	332	209	314	248
Cash flow after change in working capital	209	261	394	110	122	-239
Investments in fixed assets (existing units)	-140	-140	-261	-158	-117	-67
Investm. in fixed assets (acquisitions)	-18	-18	-90	-40	-234	-200
Sale of fixed assets, net	135	135	66	44	33	90
Cash flow after investments	186	238	109	-44	-196	-416
Key figures						
Operating margin, %	2.6	2.8	3.3	2.8	4.8	4.4
Capital turnover rate	0.5	4.5	4.5	4.3	4.4	4.5
Equity ratio, %	25.6	36.2	36.1	37.1	38.4	22.1
Net liability, SEK M	2,250	818	1,046	992	895	1,169
Average number of employees	3,503	3,503	3,387	3,155	2,622	2,273

The pledged Parent Company can utilise Dahl's cash flow in operations.

Goodwill in the Parent Company arose in connection with the buy-out during spring.

The buy-out was to some extent loan-financed.

Dahl's strong cash flow is a prerequisite for choice of acquisition technique.

DataVis

At the end of December 1999, it was announced that Ratos intended to invest approximately SEK 250M in the IT Group, DataVis. The company, which was founded in 1990, has a strong foothold in the northern parts of Sweden with customers in, among others, the forest industry, the public sector and IT/telecom.

The investment was carried out in February 2000 when Ratos invested more than SEK 170M in the directed new share issue. In addition, Ratos has signed a convertible subordinated loan for SEK 63M. In connection with the new share issue, Ratos also acquired a limited number of outstanding shares.

Ratos' ownership before conversion of outstanding convertible subordinated loans amounts to approximately 48 per cent. The staff of DataVis own shares and have also signed convertible promissory notes. HERE Invest has been a stakeholder in DataVis since 1997.

Gert Söderberg, who is one of the founders, is CEO of the company. Kent Herzell is Chairman. Ratos will be represented on the Board through Arne Karlsson, Bo Jungner and Magnus Dahlbeck.

Operations

The strategy of DataVis for the next few years is to establish itself as a nationwide full-range supplier of IT services. In addition to organic growth, it will be necessary to make some acquisitions which will provide DataVis with better geographic coverage. The company's customers are found in the public sector, trade and industry, telecommunication and banking and insurance. DataVis has long had a strong position among forest companies in Northern Sweden.

Through the acquisition in 1999 of Mjukvarukraft and the Internet consulting company, O2, DataVis strengthened its operations in Stockholm. O2, among other things, is responsible for operating Microsoft's website in the Nordic countries. The relationship with Microsoft and its pronounced need is one of the reasons for DataVis' ongoing establishment in Copenhagen.

Fully-comprehensive range of services

The DataVis Group is currently organised in five Business Areas. At the present time, some operations are carried out in only one location, whereas others exist in all the locations in which the company is currently represented. Thus, there is an opportunity to supplement some local operations with additional expertise.

Within Business Area System Development & Internet Solutions, there are currently approximately 125 employees. Together, these operations offer new development and implementation of fully-integrated system solutions in, among other things, e-commerce. Projects are carried out under DataVis' own management and also in the form of resource-consulting. The ambition is to create total solutions for the customer which cover the whole range from operation-modelling to operation and maintenance.

Technology & Operation employs around 40 people. Business activities cover the whole range from operating services to specialist expertise within system technology and infrastructure. In the previous year, DataVis opened its own operation centre in Sundsvall which, among other things, will enable DataVis to offer broadband solutions and operation of advanced business systems with Internet interface.

Gert Söderberg, CEO of DataVis
"With Ratos, DataVis has every opportunity to establish itself as a nationwide full-range supplier of IT services"

Business Area Business Solutions employs around 20 people who, among other things, are involved with the business system, Jeeves. It offers its customers analysis, implementation and configuration of the system and, when required, develops the customer's internal business processes.

Business Area Training employs some ten people who have overall responsibility for training. The output comprises training programmes which range from basic courses in the Office package to advanced system administration. The unit is certified and authorised to carry out course activities within the framework of Microsoft CTEC.

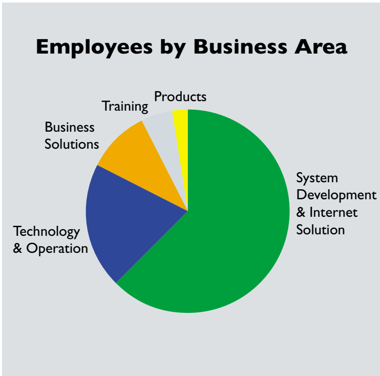
A further five people are employed in Business Area Products which offers hardware and server configurations (Sun and Compaq) for implementing new system solutions on the customer's premises.

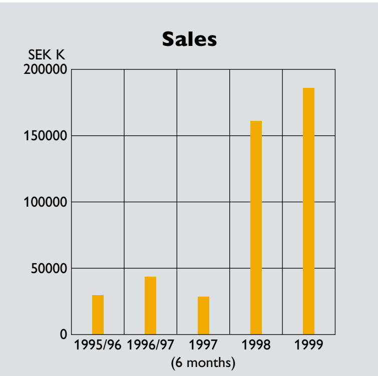
Result development

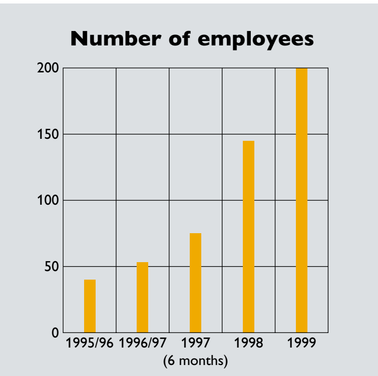
The ambition of DataVis is vigorously to build itself into a nationwide full-range supplier of IT services both through strategic acquisitions and organic growth.

While the company's sales have enjoyed continuous high growth, the result development has been unsatisfactory in recent years. In 1998, costs increased considerably as a result of a high rate of new recruitment. In 1999, the operation in Linköping suffered a setback when all the consultants left the company. Operations have now been reorganised but the defections caused a loss over a number of months.

The 1999 result before taxes amounted to SEK -4.4M (3.5). The result includes items affecting comparability which refer to, among other things, integration of acquired companies of SEK -4.2M.







SEK K	1999 [1]	1998	1997	1996/97	1995/96
Statement of Income			(6 months)		
Net sales	185,748	161,055	28,602	43,364	29,599
External costs	-95,400	-93,452	-7,289	-19,359	
Personnel costs	-85,708	-60,861	-16,156	-16,277	
Depreciation	-4,252	-3,279	-1,014	-1,584	-1,263
of which goodwill	-1.203	-358			
Operating expenses	-185,360	-157,592	-24,459	-37,220	-27,006
Items affecting comparability	-4,214	0			
Operating result	-3,826	3,463	4,143	6,144	2,593
Financial income	186	529	153	233	409
Financial expenses	-758	-767	-35	-70	-43
Result after financial items	-4,398	3,225	4,261	6,307	2,959
Tax on the year's result/appropr.	403	-1,109	-1,230	-1,660	-894
Net result for the year	-3,995	2,116	3,031	4,646	2,066
Balance Sheet	1999	1998	1997	30 June 97	30 June 96
Goodwill	14,444	3,220	–		
Capitalised developm. expenditure	1,543	0			
Equipment	7,794	6,037	4,978	4,047	3,018
Long-term receivables	57	136	56	81	169
Total fixed assets	23,838	9,393	5,034	4,128	3,639
Inventories, etc	4,147	3,291	304	1,360	547
Current receivables	46,953	33,679	11,849	10,657	6,224
Cash and bank	2,741	7,585	10,874	8,427	5,030
Total current assets	53,841	44,555	23,027	20,445	11,870
Total assets	77,679	53,948	28,061	24,572	15,509
Shareholders' equity	26,160	19,334	13,995	10,964	7,193
Convertible subordinated loans, etc	9,523	3,344	–	–	–
Other long-term liabilities	12	12	12	12	18
Deferred tax	1,387	2,008	1,281	1,158	805
Total long-term liabilities	10,922	5,364	1,293	1,170	823
Current liabilities	40,597	29,250	12,773	12,438	7,493
Total liabilities and equity	77,679	53,948	28,061	24,572	15,509
Statement of changes in financial position	1999	1998	1997 (6m)		
Cash flow from current operations	n.a	-8,340	198		
Financial income and expenses	-576	-238	118		
Taxes	403	-1,109	-1,230		
Net change in liquid assets	n.a	-2,945	4,243		
Investments, net	n.a	-7,532	-1,943		
Key figures	1999	1998	1997 (6m)	1996/97	1995/96
Return on equity, %	neg	17	30	58	41
Profit margin, %	neg	2	15	14	10
Equity ratio, %	34	35	50	45	46
Number of employees	200	145	75	53	40
Invoicing per employee, SEK K	1,100	1,500	580	810	720

[1] Information relating to 1999 is based on preliminary accounts information.

Goodwill arose in connection with the acquisitions of, among others, the hardware supplier, QD, in 1998 and of the Internet consulting company, O2, and the IT consulting company, Mjukvarukraft in Stockholm, in 1999.

In 1998, the staff of DataVis were offered convertibles.

The amount includes sales of hardware products.

Esselte

Esselte is the world's leading supplier of office products. The company has been included in Ratos' portfolio since Ratos was first listed on the stockmarket in 1954. Over the past few years, the Group's operations have been streamlined. The last steps in the concentration were taken during 1999 through the sale of the frame manufacturer, Nielsen & Bainbridge, and the demerger of the label supplier, Meto. The German competitor, Leitz, was acquired in 1998.

The Chairman of Esselte is Jan Kvarnström, who until November 1999 was also President and CEO. Jan Kvarnström was succeeded as President and CEO by Anders Igel, formerly Executive Vice President of Ericsson. Arne Karlsson represents Ratos on the Esselte Board. At the end of 1999, Ratos made supplementary investments in Esselte, following which the shareholding at the 1999 year-end amounted to 4,558,207 A shares and 233,500 B shares, in total equivalent to 24 per cent of votes and 14 per cent of capital in Esselte. Esselte's share is listed in Stockholm and in London.

Market

Following the implemented concentration of Esselte, the Group is now a world-leading supplier of products that increase efficiency in office work. Examples of well-known brandnames are Pendaflex, Leitz and Dymo. The Group has annual sales in excess of SEK 11 billion, with subsidiaries in 31 countries, sales in more than 100 countries and more than 7,000 employees.

The world market for the product categories in which Esselte operates is estimated to amount to approximately SEK 115 billion. Of this market, Esselte's main markets – USA and Europe – account for more than 80 per cent. The underlying growth is relatively weak and is as a rule on a par with GDP growth. However, there are some exceptions. The Dymo Division is growing strongly, mainly as a result of successful product launches from Esselte. Workspace – a newly-formed Division in which Esselte's products within the desk articles segment, including computer-related products, have been brought together – is also considered to have a sound growth potential.

In recent years the customers have been consolidated, especially on the American market. A consequence of this is that demand on consolidation is also increasing in the producer stage. The possibility of handling so-called global accounts is increasingly sought – i.e. the ability to supply on a worldwide basis. A similar trend can be discerned on the European market which, however, is still comparatively fragmented.

Concentrated strategy

During the winter months, Esselte's new President carried out an analysis of Esselte. By organising the Group in clearly-defined profit centres, the objective is to be able to implement further savings. In centres that do not operate within growth segments, costs and expenditure will be limited in order to strengthen the cash flow still further. Dymo and Workspace will be provided with greater scope for taking advantage of the opportunities that the market offers. In 1998 and 1999, Esselte produced a wide range of new products which will be launched over the next few years.

Anders Igel, CEO of Esselte
"My first task is to restore profitability in Esselte"

In addition to the ongoing restructuring programme relating to manufacturing and logistics in Europe, the management has identified a further need for structural measures. At a rough estimate, these measures will be charged to the company's result at SEK 300-500M over the next 3-5 years. However, none of these measures will be initiated until Esselte reports satisfactory profitability.

Esselte is already advanced with regard to taking advantage of the new opportunities that the Internet provides, both with regard to interface towards customers and internal processes. The company intends to develop these opportunities further, together with, among others, existing distributors on the Internet and also through transactions directly towards the end-customer where appropriate.

Sales in 1999

Sales of office products in 1999 amounted to SEK 11,192M (9,110). The increase was a result of the acquisition of Leitz in November 1998. For comparable units and adjusted for exchange rate fluctuations, sales fell by 1.3 per cent. Business Area Identification Labeling grew by 27 per cent on a full-year basis as a result of the successful launches of Dymo Letratag and Dymo PC Labelwriter. Esselte's largest Business Area, Filing & Document Management, grew by 37 per cent. Excluding Leitz, sales were unchanged. Sales within Business Area Computer Products were disappointing and fell by 29 per cent in 1999.

The East European markets reported continued strong growth, whereas Esselte's three largest markets, the USA, Germany and France, reported only modest organic growth in the past year.

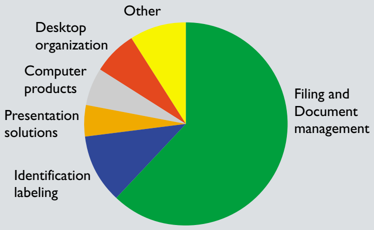
The gross margin for sales continued to improve quarter by quarter during 1999. For the full-year the margin was 26.8 per cent, an improvement compared with 1998 of 2.0 percentage points. The improvement is mainly due to the favourable development of the product mix and on cost rationalisation.

Results

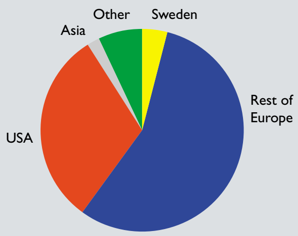
Operating result before restructuring items was SEK 252M (344), a fall of 26 per cent compared with 1998. After restructuring items, the operating loss amounts to SEK -131M (344). The loss before taxes was SEK -228M.

For the 1999 full-year are included restructuring items, in accordance with a previous forecast, of SEK 145M and additional items of SEK 238M. The additional items include write-down of goodwill of SEK 168M and a provision for anticipated supernumerary staff of SEK 70M. The total amount for restructuring items for 1999 thus amounts to SEK 383M, of which SEK 197M is included among items affecting comparability and SEK 186M is included in operating expenses.

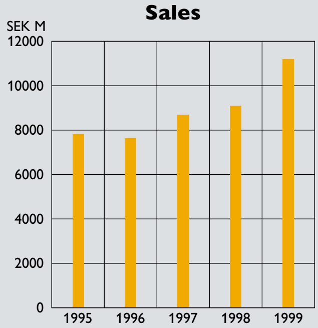
Sales by unit



Sales by market



Sales



SEK M	1999	1998	1997	1996	1995
Statement of Income					
Net sales	11,192	13,721	13,001	11,625	12,154
Gross result	2,997	4,246	4,015	3,790	4,027
Selling and administrative expenses	-2,579	-3,322	–	–	–
Items affecting comparability	-183	511	–	–	–
Other operating income and expenses	-366	-200	–	–	–
Operating result	-131	1,235	454	697	713
Financial income and expenses	-97	-68	-41	-30	-119
Result before taxes	-228	1,167	413	667	594
Taxes	-3	-503	-191	-238	-218
Net result for the year	-231	664	222	429	376
Balance Sheet					
Financial assets	829	1.739	376	223	173
Goodwill	1,318	1,396	744	659	622
Other operating assets	7,063	9,381	6,167	6,021	5,903
Assets	9,210	12,516	7,287	6,903	6,698
Shareholders' equity	2,597	3,405	2,950	2,927	2,635
Financial liabilities	3,743	5,571	1,608	1,647	1,830
Operating liabilities	2,870	3,540	2,729	2,329	2,233
Equity and liabilities	9,210	12,516	7,287	6,903	6,698
Statement of changes in financial position					
Cash flow from Business Areas	1,686	-1,900	996	642	774
Cash flow from Groupwide items	-436	556	-62	33	-19
Cash flow from financial items	-100	-628	-311	-283	-356
Dividend	-587	-188	-171	-137	-103
Translation difference	355	-440	-260	-22	330
Change in financial liabilities, net	918	-2,600	192	233	626
Key figures					
Operating margin, %	-1.2	9.0	3.5	6.0	5.9
Return on capital employed, %	-2.3	23.5	10.1	16.5	15.1
Return on equity, %	-7.7	21.1	7.4	15.4	15.0
Equity ratio, %	28.2	27.2	40.5	42.4	39.3
Debt ratio	1.1	1.1	0.4	0.5	0.6
Depreciation according to plan	716	443	396	382	413
Net investments	331	384	82	141	231
Number of employees on 31 December	7,038	10,517	9,042	9,076	9,480
Net sales by Business Area					
Esselte Office Products	11,192	9,110	8,715	7,633	7,808
Meto	–	3,142	2,956	2,862	3,131
Nielsen & Bainbridge	–	1,533	1,396	1,191	1,284
Operating result by Business Area					
Esselte Office Products	-131	422	242	462	465
Meto	–	226	177	133	168
Nielsen & Bainbridge	–	154	159	179	180

Excluding restructuring costs, operating result amounted to SEK 252M (344).

Esselte has a continued strong cash flow.

The dividend amount includes the distribution of Meto.

Financial information

3 month report	26 April 2000
6 month report	21 July 2000
9 month report	20 October 2000

www.esselte.com

Scandic Hotels

Scandic Hotels has been developed from the hotel chain, Esso Motor Hotel, which was established in 1963. The first hotels outside Sweden were established at the beginning of the 1970s. In 1983, the hotel chain was sold to a number of Swedish investors, including Ratos, and the company changed its name to Scandic Hotels. Scandic became a wholly-owned subsidiary of Ratos in 1986. Following strong expansion both in the Nordic countries and in Europe, at the end of the 1980s Ratos decided to transfer the ownership of Scandic-owned hotel properties to the real estate company, Stancia – a first step in concentrating the hotel operator role. At the beginning of the 1990s, the majority of Scandic's markets went into recession and operations were hit by large losses. A new management team was appointed in 1992 with the task of remedying the problems in the company. Operations have thereafter developed positively and in 1996 Ratos was able to list the Scandic share on the stockmarket. Ratos has remained the largest owner in Scandic Hotels and increased its holding during 1999 to 24.99 per cent (15,721,100 shares).

Urban Jansson is Chairman of Scandic Hotels. Ratos is represented on the company's Board by Arne Karlsson. Roland Nilsson has been CEO since 1992.

Nordic market leader

During the 1990s, Scandic Hotels established itself as the market leader on the Nordic hotel operator market. Through a consistently implemented brandname strategy supported by, among other things, well-functioning control systems, profitability development has been well in step with strong growth. With the aim of supplementing the company's opportunity for organic growth, Scandic's strategy also includes making supplementary acquisitions both in the Nordic countries and in the rest of Northern Europe.

During the year 17 new hotels were added, both inside and outside the Nordic countries. Four of the newly-added hotels are located in Estonia which is a new market for Scandic. Four hotels were vacated. Taken together, the chain was expanded by 2,055 rooms, equivalent to 10 per cent growth in capacity. More than one-third of the addition was made outside the Nordic countries.

Market trend

The trend on the different markets on which Scandic operates was positive from a general viewpoint. In Sweden, the increase in capacity in the form of new hotels on the market was very limited, whereas demand steadily continued to increase. Both occupancy and prices thus developed positively. Scandic took over the operation of one hotel in Trollhättan and one in Stockholm and opened a hotel in Jönköping. At the same time, two hotels were vacated – one in Malmö and one in Fagersta.

Roland Nilsson, CEO of Scandic Hotels
"Scandic's concept unquestionably holds good for an expansion outside the Nordic countries"

The trend on the Finnish market followed the same pattern as that in Sweden but at a slightly slower pace. Integration continues of the acquired Arctia chain and at the same time, supplementations are made of new hotels. 23 of the 25 restaurants which were included in the acquisition of the Arctia chain, were divested during the first half of 1999 in line with Scandic's strategy to be a focused hotel operator.

The Danish market showed a slight increase in the hotel capacity for the full-year and at the same time demand was unchanged which led to a slight fall in occupancy. However, the price development in Denmark remained positive. The Scandic chain was expanded by five hotels, of which one in central Copenhagen, one in Århus, one in Grenå and two in Fredrikshavn.

Occupancy in Norway fell slightly in 1999 but remains satisfactory. As a result of an imbalance between demand and supply, prices in Norway fell during the second half of the year. In May, a hotel in central Oslo was inaugurated which is located next to Oslo Central Station in direct connection with the terminal for the new express trains from Gardermoen airport.

During the year, Scandic was established on the Estonian market through the acquisition of 86 per cent of the Estonian Finest Hotel Group which operates four hotels with altogether 227 rooms. Demand on the market increased, especially from international travellers. At the same time, competition hardened in Scandic's segment due to new establishments and refurbishment of existing hotels.

On Scandic's other markets, a generally positive trend was noted except in Vienna where hotel capacity in the past year increased more rapidly than demand. The German market continued to develop positively although large variations can be noted between different cities.

1999 development

Scandic enjoyed positive development during the year, with increasing market shares on all markets. Sweden had the strongest development. The Finnish operation, which had its first full financial year as a subsidiary in the Scandic Group, reported both increasing market share and income per available room with improved productivity at the same time. In Denmark and Norway, where the markets were weaker during 1999, Scandic's development was also positive with rising income per available room.

Taken together, Scandic increased the occupancy in the Nordic operations to 62.5 percent (61.8). Average revenue per room for the year amounted to SEK 714, which means that average revenue per room improved by 5 per cent. Revenue per available room (RevPAR), calculated in a similar way, increased by 6 per cent to SEK 446 (420).

In operations outside the Nordic countries, average revenue per room for comparable units was SEK 634 (617) and RevPAR increased by 2 per cent to SEK 395 (389).

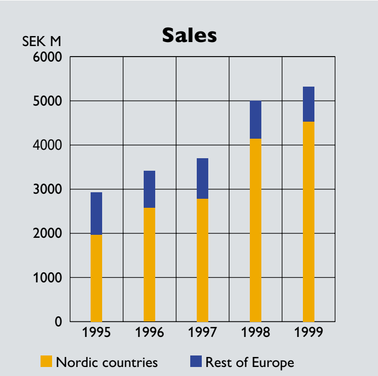
Continued sound profit development

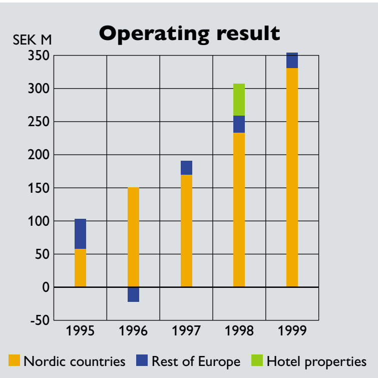
Scandic Hotels' result after financial income and expenses amounted to SEK 372M (274) in 1999, an improvement of 36 per cent. For comparable units, the improvement between the years amounted to 28 per cent. Sales were SEK 5,320M (5,004), equivalent to an increase of 6 per cent. For comparable units, the increase also amounted to 6 per cent.

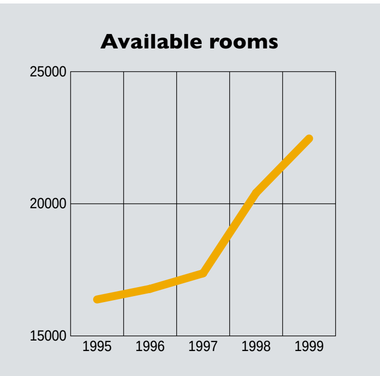
The operating result amounted to SEK 354M (308), equivalent to an operating margin of 6.7 per cent (6.2). The cash flow remains strong.

After the end of the period, Scandic signed an agreement to sell its holding in the hotel real estate company, Hotellus, to the listed hotel real estate company, Pandox. Scandic will mainly receive shares in Pandox in payment.

To achieve a more efficient capital structure, Scandic's Board of Directors has decided to propose that the AGM authorise the Board to decide on the buy-back of shares. The objective of this is to finance future acquisitions and to improve return on equity and profit per share. As the company's equity is reduced in this way, opportunities are also improved for achieving return on equity in excess of 20 per cent which is one of the financial targets that have been set for the operations.







SEK M	1999	1998	1997	1996	1995
Statement of Income					
Net sales	5,320	5,004	3,697	3,416	2,926
Items affecting comparability	–	-19	–	-18	4
Operating result	354	308	191	129	103
Share in results of associated companies	29				
Financial income	22	7	4	12	26
Financial expenses	-33	-41	-24	-46	-59
Result after financial items	372	274	171	95	70
Taxes	-75	-61	-33	1	3
Net result for the year	296	198	138	96	-27
Balance Sheet					
Intangible fixed assets	467	490	159	145	155
of which goodwill	437	451	117	98	100
Tangible fixed assets	1,250	1,295	1,065	1,070	1,206
Participations in associated companies	421	391			
Financial fixed assets	94	40	26	30	61
Total fixed assets	2,232	2,216	1,250	1,245	1,422
Other current assets	124	289	89	84	120
Trade debtors	240	233	133	126	114
Liquid assets	424	191	86	58	43
Total current assets	788	713	308	268	277
Total assets	3,020	2,929	1,558	1,513	1,699
Shareholders' equity	1,765	1,578	642	505	390
Non-interest-bearing liabilities and provisions	986	1,012	658	602	634
Interest-bearing liabilities and provisions	269	339	258	406	675
Total liabilities and equity	3,020	2,929	1,558	1,513	1,699
Cash Flow					
Cash flow of current operations	661	622	–	–	–
Cash flow of investment operations	-420	-489	–	–	–
Cash flow of financing operations	-2	-32	–	–	–
Total cash flow	239	101	–	–	–
Key figures					
Operating margin, %	6.7	6.2	5.2	3.8	3.5
Return on capital employed, %	23.9	24.7	23.3	14.4	11.1
Return on equity, %	17.7	17.8	24.0	21.2	11.1
Equity ratio, %	58	54	41	33	23
Goodwill depreciation	43	35	17	11	–
Number of employees	6,661	6,765	4,914	4,882	4,365
Hotels at period-end	133	120	102	98	98
Available rooms at period-end	22,470	20,415	17,369	16,782	16,379
In the Nordic countries					
Occupancy ratio, %	62.5	61.8	59.2	56.9	55.9
RevPAR, SEK	446	420	397	363	326
Outside the Nordic countries					
Occupancy ratio, %	63.2	63.7	63.4	61.2	61.7
RevPAR, SEK	397	408	395	353	387

In 1999, Hotellus was no longer a subsidiary and the operating result from 1999 was therefore charged with rents, the equivalent of which in 1998 were extensively charged as interest expenses, and minority interest in the result.

1999 comparability with 1998 has been affected by the fact that the Finnish operations were not included during the first quarter of 1998 which, from a result viewpoint, was weaker than the other quarters. The Finnish independent restaurants, which were divested during the first half of 1999, contributed positively to both sales and result in 1998.

Target 6%

Target 20%

Financial information

3 month report	3 May 2000
6 month report	10 August 2000
9 month report	25 October 2000

www.scandic-hotels.com

Superfos Industries

At the end of 1999, Ratos together with Industri Kapital acquired the Danish Group, Superfos. The acquisition was made in consultation with the American construction company, Ashland Inc, which immediately bought-out Superfos' American construction operations. Remaining in the Group, of which Industri Kapital owns two-thirds and Ratos one-third, at the year-end were the three separate Business Areas: Packaging, Aerosol and Chemicals. Waldemar Schmidt is Chairman of Superfos Industries Group. Ratos is represented on the Board by Arne Karlsson. Per Møller, formerly CFO in the Superfos Group, was appointed CEO in December 1999.

The acquisition of Superfos was carried out via a buy-out company. To illustrate the effect of the buy-out in the compilations on the following page, statements of income and balance sheets are shown for the operating company, Superfos Group, as well as the buy-out company, Superfos Industries A/S, and the newly-formed Group, Superfos Industries Group.

In 1999, the result of the Superfos Group amounted to DKK 203M. The result includes only the three remaining Business Areas. Earnings improved in both Packaging and Aerosol, whereas Chemicals' result was on a par with the previous year.

Structural measures create values

Ratos' investment in Superfos amounted to SEK 325M at the year-end. It is expected that the value will be increased both through some savings and through major and minor structural measures. The entire Chemicals Division was sold to Holland Chemicals International in February 2000. The sale was made for an amount that exceeds the valuation of the Business Area that Ratos carried out in connection with the investment in Superfos. It is considered that Chemicals' operations will get a more favourable development as part of a European group with a focus on Chemicals' core operations.

Packaging

Superfos Packaging develops, produces and sells injection-moulded plastic packaging to the food, chemico-technical and pharmaceutical industries. The most important products are hard plastic containers and jars, plastic bottles, pharmaceutical packaging of plastic and, to a lesser extent, table packaging of board and plastic. Superfos Packaging's main markets consist of the Nordic countries, Southern and Central Europe, and Great Britain. Products are also sold in selected parts of the American market. The operations currently have 15 plants in 11 countries and around 2,250 employees.

Per Møller, CEO of Superfos Industries
"With Ratos and Industri Kapital as owners, the management of Superfos are given excellent opportunities for developing the company further"

The European packaging market is estimated to amount to approximately DKK 900 billion. There are signs of increased consolidation in both the customer- and the producer-stages. Despite this trend, the market remains fragmented. Superfos Packaging's more than 5,000 customers, of which the 50 largest account for approximately one-third of sales, are a good illustration of this. Sales of hard plastic packaging have shown real growth of approximately 3-4 per cent in recent years. To some extent, the growth consists of a changeover from metal and glass packaging to plastic.

In 1999, sales amounted to DKK 1,957M, which was an increase of more than DKK 200M over the previous year. Operations reported earnings of DKK 163M, an increase of nearly 40 per cent compared with 1998.

Sales of injection-moulded packaging to the food industry and to other customers developed positively, especially in Southern Europe and the USA. In both Europe and the USA, new packaging models were developed in collaboration with large international customers. Sales of packaging to the European pharmaceutical industry showed significant growth and Superfos consolidated its market-leading position.

Prices for raw materials increased during the second half of 1999 after falling in the first six months of the year. Apart from this, and the supplementary acquisitions which were made during the year, volume growth for 1999 amounted to 4 per cent.

Aerosol

Following the acquisition of the German company, IG Sprühtechnik, Superfos is an important European operator in contract filling of technical, cosmetic and pharmaceutical aerosol products. Through this acquisition, Aerosol's product range was extended with aerosols with a higher technology content. Superfos' target is to become the market leader in contract filling in Europe. Less than half the aerosols in Europe are currently being filled on a contract basis. The European market is growing but at the same time is very fragmented. With a 5 per cent market share, Superfos is now one of the five largest contract fillers in Europe. The Business Area currently has around 320 employees.

Sales nearly doubled to DKK 468M in 1999, which is mainly explained by the acquisition of IGS, which had a satisfactory development of sales and result. The Business Area's operating result amounted to DKK 41M (14). The operating margin increased substantially to 8.7 per cent (4.9).

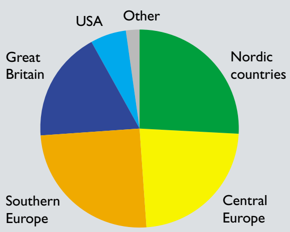
In some parts of the operations, sales were lower than in the previous year due to a significant decline in exports to Russia. A result of this is that the company's plant in Herlev was closed and production moved to the Netherlands and Sweden. The change involved some lump-sum costs during 1999 but will bring about a lower cost level from the year 2000.

Chemicals

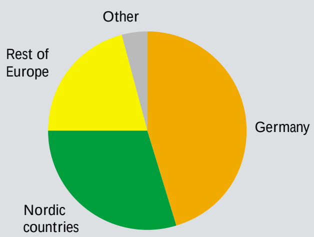
Superfos Chemicals sells and distributes raw materials, food ingredients and chemical products. Superfos represents a large number of international producers on the Nordic market, on which the operations have achieved a market-leading position. An important part of Superfos' business concept is to effectivise continuously its distribution network in order to strengthen still further the relationship with its suppliers and customers. The number of employees amounts to approximately 370.

Compared with the previous year, the Business Area's sales fell slightly to DKK 1,225M and earnings were almost unchanged at DKK 43M. The slightly lower sales are attributed to the first half of 1998 when a slow-down in the industry's demand could still be discerned in the wake of the Asian crisis.

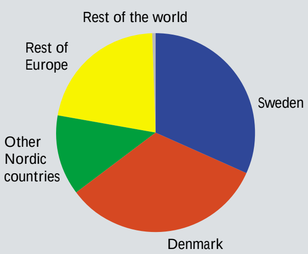
Packaging



Aerosol



Chemicals



DKK M	Superfos Group	Superfos Ind. A/S	Superfos Ind. Group		
Statement of Income 1999					
Sales	3,648	0	3,648		
Cost of sold goods	1,931	0	1,931		
Payroll expenses	847	0	847		
Other expenses	474	0	474		
Operating result	396	-0	396		
Goodwill depreciation	0	0	4		
Other depreciation	193	0	193		
Result	203	-0	199		
Result of subsidiaries	0	8	8		
Financial items, net	21	-29	-8		
Extraordinary income	2,376	0	2,376		
Extraordinary expenses	73	0	73		
Result before taxes	2,527	-21	2,502		
Taxes	64	2	66		
Net result for the year	2,463	-23	2,436		
Balance Sheet 31 Dec 1999					
Financial fixed assets	4	1,866	4		
Goodwill			872		
Other fixed assets	1,420	0	1,420		
Total fixed assets	1,424	0	2,296		
Inventories	445	0	445		
Trade debtors	545	0	545		
Other current assets	93	0	93		
Transaction-related receivable	2,109	0	2,109		
Cash and bank	290	57	347		
Total current assets	3,482	57	3,539		
Total assets	4,906	4,768	5,835		
Shareholders' equity before goodwill depreciation	991	750	750		
Goodwill depreciation	0	0	-4		
Total shareholders' equity	991	750	746		
Total provisions	55	0	55		
Long-term liabilities *)	35	1,880	1,915		
Current liabilities *)	3,825	2,138	3,119		
Total liabilities and equity	4,906	4,768	5,835		
*) Interest-bearing liabilities	412	3,989	4,401		
Liquid assets	-2,399	-57	-2,456		
Net interest-bearing liabilities	-1,987	3,932	1,945		
DKK M	1999	1998	1997	1996	1995
Packaging					
Sales	1,957.0	1,748.0	1,566.0	1,394.1	1,397.6
Operating result	163.3	117.3	111.0	115.7	80.1
Operating margin, %	8.3	6.7	7.1	8.3	5.7
Return on capital employed, %	13.3	11.1	12.8	16.5	11.6
Aerosol					
Sales	468.4	283.6	281.5	125.9	79.2
Operating result	40.7	13.8	21.3	7.3	5.8
Operating margin, %	8.7	4.9	7.6	5.8	7.3
Return on capital employed, %	15.1	15.7	23.5	12.3	22.4
Chemicals					
Sales	1,224.9	1,255.3	1,207.8	1,024.2	924.6
Operating result	43.2	42.4	49.3	50.1	46.1
Capital employed	301.4	316.9	266.5	215.9	204.0
Operating margin, %	3.5	3.4	4.1	4.9	5.0
Return on capital employed, %	14.5	13.6	18.5	23.2	22.6

The accounts include only Packaging, Aerosol and Chemicals for 1999.

Result of the subsidiaries consists of results of acquired units for December 1999.

Extraordinary income includes capital gains on sale of Superfos Construction.

Goodwill is depreciated over 20 years.

The Parent Company has taken-over the majority of the liabilities of the operations.

Telelogic

Telelogic is a market leader in development environments covering technical software, especially real time applications. The company's products consist of graphic development tools, which contribute to rationalising and improving the quality of customers' development of software. The company is represented by own companies in ten countries and through distributors in an additional 20 countries. The company's customers include leading names such as Alcatel, Cisco, Ericsson, Nokia, Motorola, NEC and Lucent. In December, Telelogic acquired its largest competitor, the French software supplier, Verilog. Through the acquisition, Telelogic's customer base has been extended from having been found mainly within the communication industry to comprise also the automotive and aircraft industries. Verilog has 86 employees and reported sales of SEK 85M in 1999.

In 1998, Ratos invested SEK 30M in the software company, Telelogic. In spring 1999, Telelogic's share was quoted on the O list of the OM Stockholm Exchange following which the price has risen by more than 1,400 per cent. Ratos' share of capital and votes in the company amounted to 20 per cent at the turn of year. At the beginning of 2000, two new share issues have been carried out following which Ratos' ownership has fallen to 17 per cent. The first of the two issues was a non-cash issue in connection with the acquisition of Verilog, whereas the second issue was a directed cash issue. Lars Ahlman is Chairman of Telelogic and Anders Lidbeck is CEO. Ratos is represented on Telelogic's Board through its former Executive Vice President, Olle Isberg.

Strong sales growth

Telelogic enjoyed a continued high growth rate throughout 1999. In the fourth quarter, the sales growth amounted to 111 per cent compared with the same period in the previous year which provides for growth of 78 per cent for the full-year. Organic growth for 1999 amounted to 54 per cent. Licence sales increased by 56 per cent and sales of services by 148 per cent in 1999, compared with the previous year. Acquisitions carried out during 1999 particularly influenced sales of services.

Sales of services will remain strongly linked to delivery of software, and Telelogic's supply of services is important for securing the company's position as a supplier of full-range solutions. In 1999, Telelogic's sales of services amounted to 34 per cent of total sales.

Results

Telelogic reports a profit after financial items of SEK 2.2M. Very strong sales in the fourth quarter are the main reason for the positive result. Large orders from Ericsson and Motorola as well as a number of small transactions resulted in quarterly sales that are higher than in any previous quarter. Verilog is consolidated in Telelogic's accounts from 1 December.

Strengthened market position

Telelogic has strengthened its relationship with its most important customers through a number of strategic assignments, in which the company's products are integrated more closely with the customer's development environment. Customer-specific system adaptation made a breakthrough with a large order from Ericsson during April. In December, collaboration intensified still further when Telelogic received an order from Ericsson CSS with a duration of 12 months.

Anders Lidbeck, CEO of Telelogic
"We are now well-positioned to participate in the development of the third generation's mobile telephony"

A clear trend towards Groupwide agreements was illustrated by the agreement with Motorola. Motorola has standardised the use of software and selected Telelogic as a supplier of development tools for software design. The agreement is estimated to be worth approximately SEK 30M.

Telelogic holds a strong position within UMTS, the third generation's mobile telephony. In the past year, NEC accounted for the individually largest order with a total value of SEK 14M. Telelogic also had UMTS-related business with Interdigital (sub-contractor to Nokia), Ericsson and Lucent.

New world standard

To satisfy the increasingly high demands that the development of complex communication systems require, Telelogic – in collaboration with two of the world's leading standardisation organisations, OMG and ITU-T – actively continues to create a new world standard for development of real time systems.

Increased focus on product development

Two product releases and a Japanese version were completed during 1999. The focus was on strengthened UML integration and increased support for C++ and Java. With the acquisition of the source code rights for Sterling's UML tool, Telelogic took an important step towards a fully-integrated product family in accordance with the emerging world standard which combines the best of UML and SDL. The first deliveries were made during December.

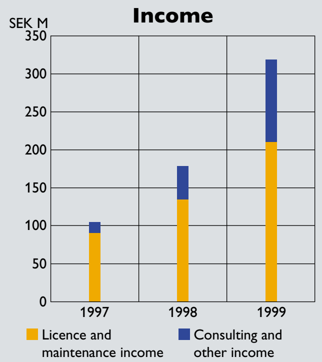
Capital

The stockmarket introduction on the OM Stockholm Exchange raised approximately SEK 90M. On 31 December 1999, the number of shares amounted to 8,120,000. The cash issue which was carried out at the beginning of the year 2000 contributed approximately SEK 420M to the company. With the new share issues, a number of international investors entered Telelogic's owner circle.

During the year, an additional 200,000 stock options were added, directed at newly-employed staff in Sweden and abroad. In total, the number of outstanding stock options amount to 1,862,000 (1,782,000) shares, of which 722,000 (522,000) shares are directed at employees.

Personnel

During the year, the labour force increased by 230. The number of employees in the Group at 31 December was 450.

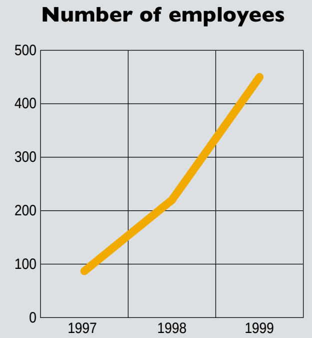


SEK M	1999	1998	1997		
Statement of Income					
Licence and maintenance income	210.4	134.8	90.2		
Consulting and other income	108.0	43.6	15.3		
Net sales	318.4	178.4	105.5		
Licence and maintenance costs	-24.5	-11.9	-7.5		
Consulting and other costs	-61.5	-25.1	-7.1		
Gross result	232.4	141.4	90.9		
Selling expenses	-141.4	-78.2	-45.2		
Administrative expenses	-34.8	-18.6	-12.8		
Production development costs	-54.5	-42.3	-26.7		
Operating result	1.7	2.3	6.2		
Financial income and expenses	0.5	-1.3	0.0		
Result after financial items	2.2	1.0	6.2		
Taxes	-2.1	-0.9	-1.8		
Result after tax	0.1	0.1	4.4		
Balance Sheet					
Goodwill	185.5	16.2	–		
Fixed assets	29.1	14.7	7.8		
Trade debtors	144.9	56.3	39.8		
Other current receivables	82.8	14.3	4.2		
Cash and bank	27.5	9.7	2.9		
Total assets	469.8	111.2	54.7		
Shareholders' equity	109.3	12.2	3.7		
Long-term liabilities	0.0	29.3	0.0		
Trade creditors	26.5	13.1	6.7		
Prepaid expenses and accrued income	98.6	37.5	28.5		
Other liabilities	235.4	19.1	15.8		
Total equity and liabilities	469.8	111.2	54.7		
Statement of changes in financial position					
Cash flow of current operations	-7.4	0.3	11.2		
Investment operations	-54.0	-29.9	-4.5		
Financing operations	79.2	36.4	-6.8		
Change in liquid assets	17.8	6.8	-0.1		
Liquid assets at period-end	27.5	9.7	2.9		
Depreciation	13.8	6.7	2.5		
of which goodwill	3.7	1.2	0		
Key figures					
Sales increase, %	78	69	59		
Operating margin, %	0.5	1.3	5.9		
Profit margin, %	0.7	0.6	5.9		
Equity ratio, %	23	11	7		
Number of employees at period-end	450	220	87		

The company currently rewards growth ahead of profitability.

In connection with the stockmarket introduction, a new share issue for SEK 90M was carried out. An additional SEK 420M was added in a new share issue in 2000.

The investment in growth has been successful. Organic growth in 1999 amounted to 54 per cent.



Financial information

3 month report	18 April 2000
6 month report	18 July 2000
9 month report	17 October 2000

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Telia Overseas was formed in 1996 with the objective of acquiring communication licences, especially mobile telephony licences, and building up communication networks in developing countries. Investments are made in collaboration with local partners. During 1996, a limited number of external investors were invited to invest in the company, one of which was Ratos.

Telia Overseas' investments in Brazil currently account for approximately 40 per cent of the company's commitments. The company has invested a further approximately 25 per cent in Sri Lanka. The remaining four markets, Hong Kong, Uganda, Namibia and Slovenia thus currently account for 35 per cent of the investments.

TESS in Brazil

Brazil's telecommunication market was deregulated in 1997. In connection with the deregulation, ten new mobile telephony licences were issued. Through the consortium, TESS, Telia Overseas and its partners have been guaranteed the licence for the São Paolo State (excluding the city, Greater São Paolo). The licence covers an area with more than 17 million inhabitants. The region is one of the fastest growing areas in Brazil. The newly-appointed Swedish President, Barry Bystedt, is responsible for the operations. Inflow of customers was satisfactory and the number of subscribers amounted to approximately 345,000 (18,000) at year-end. TESS's market share of new sales thus amounted to approximately 50 per cent and its share of the total market to more than 20 per cent. The company invoiced approximately SEK 840M during 1999, of which around SEK 250M refers to sale of telephones. Telia Overseas' investment in TESS amounted to SEK 920M at the year-end, equivalent to an ownership that reduced to 22 per cent during 1999.

Telia Overseas Group

Ratos owns 9 per cent of Telia Overseas. The other owners are Telia AB (65 per cent), Skandia (13 per cent) and Orkla (13 per cent). Hans Golteus, Executive Vice President of Telia, is Chairman of the company. Ratos is represented on the Board through Per Solvin and Magnus Dahlbeck. Per O. Pedersen, whose background includes having headed Ericsson's operations in the Philippines, has been CEO of Telia Overseas since 1996. As early as 1996, the Ratos Board decided to allocate an investment limit to Telia Overseas equivalent to SEK 200M. At 1999 year-end, SEK 144M of this limit had been utilised.

Telia Overseas Group includes the Parent Company, Telia Overseas AB, and the subsidiary, Suntel Ltd in Sri Lanka. In addition, Telia Overseas had four associated companies at 1999 year-end. Telia Overseas also manages investments in licence rights in India covering a population of 161 million with more than 90,000 subscribers. The Parent Company, Telia Overseas, to some extent can be likened to a holding company with interests in a number of foreign mobile telephony networks. The company's statements of income and balance sheets therefore provide only brief information about the development of the operations. It is therefore more important to understand the markets on which Telia Overseas has invested, which licence agreements have been entered into, and how large the population is within the area which the agreements cover. When making an evaluation, it is important to take into account the penetration ratio (i.e. the proportion of the population which has signed mobile telephony agreements), but particularly growth in number of customers.

"The development in Brazil during 1999 was especially pleasing"

Per O Pedersen, CEO of Telia Overseas

In 1999, the Telia Overseas Group reported an operating result of SEK -617M (-309). Although losses have increased in some subsidiaries and associated companies between the years, the deviation consists mainly of the fact that, among other things, the company received a capital gain in 1998 in connection with the divestment of Otecel in Ecuador.

The 1999 deficit is mainly generated in TESS. Net sales rose by 32 per cent to SEK 340M which is mainly attributable to the subsidiary, Suntel, in Sri Lanka.

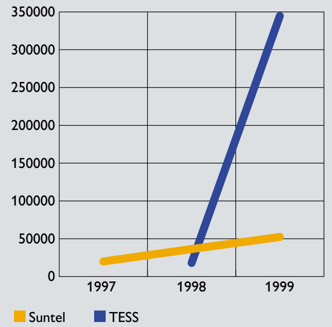
During the year, two new share issues were carried out which contributed SEK 514M to the company. Ratos participated in both issues and the book value of Ratos' holding therefore increased from just under SEK 100M to SEK 144M at 1999 year-end. Telia Overseas' cash flow from operations and investments amounted to approximately SEK -450M.

SEK M	1999	1998	1997		
Statement of Income					
Net sales	340.2	257.0	85.6		
Cost for sold services	-137.6	-111.3	-45.5		
Gross result	202.6	145.7	40.1		
Operating expenses	-181.7	-189.6	-123.9		
Capital gains		279.5	0.2		
Share in results of associated companies [1]	-557.5	-474.2	-35.9		
Operating result before depreciation	-536.6	-238.6	-119.5		
Depreciation according to plan	-80.2	-70.5	-21.2		
Operating result	-616.8	-309.1	-140.7		
Financial income	25.6	22.9	26.0		
Financial expenses	-15.1	-17.9	-4.4		
Result after financial items	-606.3	-304.1	-119.1		
Taxes	-0.7	-30.2	-0.8		
Minority interest in the year's result	-0.8	19.5	13.5		
Result after tax	-607.8	-314.8	-106.3		
Balance Sheet					
Intangible fixed assets	55.5	67.6	109.9		
Tangible fixed assets	557.9	412.4	237.9		
Financial fixed assets	328.4	624.7	268.0		
Total fixed assets	941.8	1.104.7	615.8		
Inventories and work in progress	0.2	1.4	0.2		
Trade debtors, net	161.0	131.0	13.9		
Other current receivables	51.5	8.6	64.2		
Short-term investments	46	10.1	128.5		
Cash and bank	100.7	54.8			
Total current assets	359.4	205.9	206.8		
Total assets	1,301.2	1,310.6	822.6		
Shareholders' equity	498.9	674.0	558.9		
Minority interest	72.3	56.6	76.1		
Provisions	23.5	20.9	10.3		
Long-term liabilities	0.0	6.4	3.0		
Current liabilities	706.5	552.7	174.3		
Total liabilities	802.3	636.6	177.3		
Total equity and liabilities	1,301.2	1,310.6	822.6		
[1] **Participation in associated companies**					
MTC	13.7				
MTN	-14.4				
SI Mobil	-29.3				
Tel Investimentos/Tess *	-527.5				
Divested holdings	-30				
Total	-557.5				
* Ownership varies					
TESS (22%)					
Commitment, SEK M	920	920	–		
Result, SEK M	-3,416	-905	–		
Licence population, million	17	17	–		
Number of subscribers	344,685	18,000	–		
Suntel (55%)					
Commitment, SEK M	538	166	154		
Result, SEK M	2	-51	-61		
Licence population, million	19	19	19		
Number of subscribers	52,372	36,393	20,000		

During start-up phases, extensive investment programmes are carried out with the objective of building-up the operations.

Two new share issues were carried out during 1999.

Subscriber development



Group summary

	1999	1998	1997
Key figures, Group			
Profit per share, SEK	20.95	9.78	2.40
Dividend per share, SEK	4.50 [1]	3.50	3.00
Yield, %	6.25	6.1	4.2
Market price, SEK 31 Dec	72	57	71
Net asset value per share, SEK 31 Dec	113	87	85
Net asset value, SEK M	9,192	7,073	7,685
Return on shareholders' equity, %	35	19	5
Return on capital employed, %	35	21	6
Equity ratio, %	95	83	78
Number of shares	81,320,426	81,320,426	90,277,604
Statement of Income, SEK M			
Active holdings			
Result of subsidiaries	-49	-69	-61
Exit result, subsidiaries	-37	201	–
Shares in results of associated companies	177	310	179
Exit result, associated companies	733	142	–
Result of Active holdings	824	584	118
Asset management			
Dividends	102	96	77
Capital result	921	301	109
Result of Asset management	1,023	397	186
Central income and expenses	-86	-84	-19
Consolidated result before taxes	1,761	897	285
Taxes	-57	-102	-68
Consolidated result after tax	1,704	795	217
Balance Sheet, SEK M			
Assets			
Active holdings	2,143	2,170	2,372
Asset management	3,093	2,767	2,664
Liquid assets and other	495	119	589
Shareholders' equity	5,437	4,174	4,405
Provisions	81	88	211
Interest-bearing liabilities	59	615	179
Non-interest-bearing liabilities	154	179	830
Balance sheet total	5,731	5,056	5,625

Active holdings, 31 Dec 1999

SEK M	Ratos' share of capital, % 31 Dec 1999	Sales 1999	Sales 1998	Sales 1997	Result before taxes 1999	Result before taxes 1998	Result before taxes 1997	Shareholders' equity 1999	Shareholders' equity 1998	Shareholders' equity 1997
ACE	100	492	567	711	-4	7	24	34	38	36
Capona	47	251	220	–	104	74	–	822	781	–
Dahl	44	10,531	10,431	9,375	135	262	191	1,304	1,382	1,259
Esselte	14	11,192	13,721	13,001	-228	1,167	413	2,597	3,405	2,950
Scandic Hotels	25	5,320	5,004	3,697	372	274	171	1,765	1,578	642
Superfos Industries (DKK M)	33	3,648	–	–	2,502	–	–	746	–	–
Telelogic	20	318	178	105	2	1	6,2	109	12	4
Telia Overseas	9	340	257	86	-606	-304	-141	499	674	559

[1] Proposed by the Board of Directors.
[2] In the net asset value calculation for 1999, unlisted holdings are entered at consolidated book values. In previous years, the Parent Company's values were applied. The change affects the opening values of Dahl and ACE by approximately SEK -200M or approximately SEK -2 per share.

Definitions

Active holding

An Active holding is a company in which Ratos, usually as the largest owner, exercises significant owner influence and is represented on the Board of Directors.

Exit result

By exit result is meant capital result which arises when an Active holding is divested.

Asset management

Asset management consists of a portfolio with mainly listed Swedish shares. Ratos does not exercise any owner influence in the respective holdings.

Total yield of the Ratos share

Price development of the Ratos B share including reinvested dividend and redemption right.

Net asset value

The net asset value is calculated on the basis of a Parent Company perspective in which assets and liabilities are market-valued. Liquid assets (net) in central companies are added. Other central companies are treated as if they were a part of the Parent Company. The items whose market value differs from the book value in the Parent Company are the shareholdings and the Parent Company's property.

Market values refer to official market prices for listed holdings. For unlisted holdings, consolidated book values are applied. Holdings in Industri Kapital are entered at the value in accordance with valuations carried out by Industri Kapital.

Deferred tax on hidden reserve has not been taken into account as the Parent Company as an investment company is exempt from capital gains tax.

When calculating growth in net asset value, dividend paid is restored.

Equity ratio

Net shareholders' equity as a percentage of total assets. Shareholders' equity includes minority interest.

Equity ratio including hidden reserve

Net shareholders' equity plus 100 per cent of hidden reserve in listed shares and real estate as a percentage of total assets including hidden reserves. Shareholders' equity includes minority interest.

Capital employed

Total assets less non-interest-bearing liabilities and cash and, for subsidiaries, financial Group receivables.

Return on shareholders' equity

Net result for the year as a percentage of average shareholders' equity. For the subsidiaries, 30 per cent standard tax is applied and appropriations are excluded.

Return on capital employed

Result before interest expenses, taxes and, for subsidiaries, interest income on financial Group receivables as a percentage of average capital employed.

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