RATOS

Annual Report 2005

Contents

Information to shareholders

Annual General Meeting

4 April 2006

The Annual General Meeting of Ratos AB (publ) will be held at 17.30 CET on Tuesday, 4 April 2006 at Berwaldhallen, Dag Hammarskjölds väg 3, Stockholm.

Participation

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

- be recorded in the register of shareholders maintained by VPC AB no later than 29 March 2006,
- notify the company of their intention to attend no later than 16.00 CET on 30 March 2006.

Notification

Notification of attendance may be made by:

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

When notifying attendance please state name, personal/company registration number, address and telephone number.

Nominee-registered shares

In order to be entitled to participate in the meeting and exercise their voting rights, shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names. Such registration must be effected at VPC no later than Wednesday, 29 March 2006. Shareholders are requested to inform their nominees in good time prior to this date.

Dividend and record date

The Board of Directors proposes a dividend for the financial year 2005 of SEK 9.00 per share. The record date proposed by the Board for the right to receive dividends is Friday, 7 April 2006. If the proposal is accepted by the Annual General Meeting, dividends are expected to be distributed by VPC on Wednesday, 12 April 2006.

Proposed distribution to shareholders

The Board has decided to propose that the Annual General Meeting to be held on 4 April 2006 decides on a mandatory redemption combined with a split. The redemption sum amounts to approximately SEK 1,500m, or SEK 19 per share.

The distribution will be effected through a split of each existing Ratos share into two new ordinary shares and one so-called redemption share. The redemption share will automatically be redeemed by Ratos for SEK 19 per redemption share, after this procedure the shareholder will still hold two Ratos shares. The split and redemption procedure are expected to be carried out by the end of May 2006.

Financial calendar 2006

4 April	Annual General Meeting
11 May	Interim Report, Jan.-March 2006
24 Aug	Interim Report, Jan.-June 2006
10 Nov	Interim Report, Jan.-Sept. 2006
Feb 2007	Year-end report 2006

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

Publications can be ordered via

Internet:	www.ratos.se under Investor Relations/Order
post:	Ratos AB, Box 1661 SE-111 96 Stockholm
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This annual report is also available in Swedish.

Ratos and social responsibility

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

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

Through the association S:ta Clara Grannar (St. Clara Neighbours) Ratos has for a three-year period made possible the establishment of a full-time employee in order to strengthen the church's activities for young people in the centre of Stockholm – an environment affected to some extent by addiction and criminality. Ratos is also a principal sponsor of Lifeline, a Save the Children project started in 2005. The intention is to build a lifeline for and awareness of children who are irregular immigrants to Europe and who are unable to meet their basic needs for education, housing and health care. As a project partner to Stockholm's City Mission, Ratos supports Klaragården, Stockholm's City Mission's house for homeless women right in the centre of the city. Ratos is also a corporate partner of Mentor, which works with drug prevention activities through mentorship and an education programme for parents. Ratos is one of 26 so-called Capital Partners to the Stockholm School of Economics, which was founded by, among others, a member of the Söderberg family – the founders of Ratos. Within the auspices of the Centre for Business and Policy Studies (SNS), Ratos contributes to research closely related to our activities.

During the year Ratos also contributed a total of SEK 900,000 to Save the Children for their work to support the victims of the tsunami and the earthquake in Pakistan.

2005 highlights

Significant events

- Three new holdings in the portfolio: Anticimex, Arcus and Bisnode.
- Divested holdings: Dynal Biotech, Envac, Martinsson and LRT/Tornet.
- Establishment of a strong platform in Norway completed.
- In February 2006, the Board decided to propose to the Annual General Meeting a distribution to shareholders of SEK 1,500m, corresponding to SEK 19 per share.
- Refinancing of Lindab will take place in the first quarter of 2006. Ratos will receive SEK 577m.

Bonnier Business Information and Ratos-owned Infodata merged and formed Bisnode.

Arcus, Norway's leading wine and spirits supplier, was acquired in June.

Anticimex, market leader in pest control, was acquired in December.

Results

SEKm	2005	2004	2003	2002	2001
Profit from holdings	2,127	974	388	397	203
Exit gains	607	1,438	444	364	1,852
Impairment loss	-29	-17	-7	-45	-248
Dividends from other companies	36	28	21	14	10
Central income and expenses	-140	-98	-34	-96	-125
Profit before tax	2,601	2,325	812	634	1,926
Equity [1]	10,942	9,026	7,827	8,037	8,177

[1] Attributable to parent company shareholders

- Pre-tax profit amounted to SEK 2,601m (2,325)
- Exit gains SEK 607m (1,438)
- Equity SEK 10,942m, corresponding to SEK 138 per share

Shares

SEK per share	2005	2004	2003	2002	2001
Earnings	26.27	26.75	7.71	4.60	22.07
Equity	138	118	100	102	104
Dividend	9.00 [1]	8.5	7.25	6.75	6.25
Dividend yield,%	4.6 [1]	5.9	6.4	7.0	6.7
Total return, %	43	35	27	8	27
Market price	196	143.50	113	95.50	93.50
Market price/equity,%	142	121	113	93	90

[1] Proposed

- Earnings per share SEK 26.27 (26.75)
- Proposed dividend for 2005 is SEK 9.00 (8.50)
- Total return +43% (+35)

2005 – a record year

2005 was a highly successful year for Ratos, with a performance that even exceeded our high expectations at the beginning of the year. 2005 was also the year when the Ratos board made a key strategic decision about the company's positioning in the private equity market. A brief summary of the year:

- The Ratos board decided that Ratos should remain in its present investment niche and keep its present investment criteria
- as a consequence of this, SEK 1.5 billion will be distributed to shareholders in addition to the ordinary dividend
- competition in the market intensified resulting in higher average valuations
- establishment of a strong platform in Norway was completed and the focus on Denmark and Finland intensified
- earnings development for Ratos's portfolio companies was strong
- Ratos shares provided a positive total return, +43%, for the seventh consecutive year
- conditions exist for continued improved earnings in the underlying portfolio in 2006.

Strategic decision

In December 1998 the Ratos board made a decision to change the direction of the company to become a private equity company. This strategic change started on 1 January 1999. Since then, Ratos has worked with an essentially unchanged strategy for seven years with only marginal course corrections.

In pace with Ratos's continued good performance and growth, however, a strategic question has arisen. An ever-increasing capital under management, makes an unchanged strategic direction impossible:

- if we continue to have 15-20 companies in the portfolio, we must go up a size in average investment. And then we would enter a segment with far fewer investment opportunities, and with cut-throat competition – both here in Sweden and abroad
- if we choose instead to stay in our present investment niche, the consequence will be that we must increase the number of holdings in the portfolio. This cannot – with unchanged demands for professional, active and responsible ownership – be carried out without a significant change to our organisational structure. And such a change would mean that we would stop being today's highly competent leading-edge organisation – a "specialist store" within private equity – and become a more conventional mass manager of companies.

In the opinion of the board both these alternatives would be detrimental to our ability to continue to deliver good results to shareholders. A decision has therefore been made to distribute to shareholders assessed "surplus capital" in the form of a mandatory redemption combined with a split. This means that we can work with unchanged investment criteria and unchanged organisational structure.

Intensified competition

The good years we have experienced in 2003-2005 have had consequences that have affected Ratos's industry and operations:

- in most cases cash flows have been good. At the same time, the real economy has not required investments on the same scale. This led to a situation which we described in 2005 as "everyone swimming in money"
- since most companies are performing well, expectations on their future value development in conjunction with a possible transaction have risen sharply

- the substantial capital available for investment has led to intensified competition – for the first time in seven years competition was an issue on Ratos's strategic radar in 2005
- taken overall, this meant that company valuations on average have become increasingly stretched – regardless of whether we are talking about stock market valuations or prices for unlisted companies sold to industrial or financial buyers.

That said, it must also be noted that the competition in Ratos's segment is not so troublesome that it prevents us from making good deals. We carried out three major new investments during the year, a number of add-on investments in existing portfolio companies and four major exits for a total equity value of approximately SEK 4 billion.

We must pay more attention to the competitive situation in future, but it will continue to be we ourselves who determine the level of success of our operations. And we still see no need to reduce our tough requirement for an annual average return of at least 20% on our investments.

Nordic expansion

Ever since Ratos became a private equity company in 1999 we have had the Nordic region as our home market. During these years we have also carried out six direct and a large number of indirect investments in our Nordic neighbours. The main focus of our operations, however, has been Sweden. There are some natural explanations for this – Sweden is and will remain the largest market in the Nordic region, we have our own roots and natural network here, etc. – but this is also because in these first years we have not had the time or organisation to take a stronger hold on Norway, Denmark and Finland.

"2005 was a highly successful year for Ratos..."

"We now have a strong platform in Norway..."

During the past two years, however, we have worked hard to build up a stable platform in the Nordic country where we consider that the scope for attractive private equity deals is going to be biggest in the years ahead, namely Norway. This work culminated in 2005 when we established formal cooperation with the lawyer Henning Øglænd, at law firm DLA in Norway. We now have a strong platform in Norway which in 2005 resulted in a considerable portion of our flow of possible investments coming from there. We have decided, however, not to set up our own local office in Norway but to work with the organisation we have in Stockholm. It takes no longer to fly from Stockholm to Oslo than to Skellefteå or Gothenburg.

We have now started work aimed at building up an equally strong presence and market position in Denmark and Finland in the next few years.

Strong earnings trend

At the time of writing, Ratos owns a portfolio of 20 companies with combined sales of just over SEK 31 billion, an operating profit of SEK 3 billion and approximately 20,000 employees. Taking Ratos's different stakes in these companies into account, corresponding figures are SEK 18 billion, SEK 1.8 billion and 11,000 people.

For the subsidiaries and associated companies (excluding LRT/Tornet) held by Ratos at year-end, total sales increased by 11% compared with 2004. Taking Ratos's stakes in each company into account, the corresponding increase was 14%. The corresponding changes in operating profit were +34% and +38% respectively, and the pre-tax profit +40% and +47% respectively.

Behind this strong earnings trend are both the good macro economic development, which benefited most companies, and the results of intense efforts with efficiency and growth programmes in the portfolio companies.

Together with exit gains and other income and expenses at Ratos level, this means that the Ratos Group's profit before tax in 2005 amounted to SEK 2,601m – the highest result in our 140-year history. In the past seven years, our *average* profit before tax was therefore SEK 1,879m, while the corresponding figure after tax is SEK 1,663m.

Positive total return

For the seventh consecutive year, Ratos shares provided a positive total return, +43% (SIX Return Index rose 36% in the same period). The total return since 1999 thus amounted to +420%, while the benchmark index (SIX Return Index) performance was +82%. This gives an average annual total return on Ratos shares between 1999 and 2005 of almost 32%.

Good target achievement

In 1999, Ratos's board set four targets for our operations, targets that we have so far managed to achieve:

- *the annual average return on each individual investment (IRR) must exceed 20%* – the return in Ratos's exit portfolio is currently 29%, see article on page 16
- *the total return on Ratos shares must over time outperform the average for the Stockholm Stock Exchange* – a target that has been achieved by a wide margin as explained above
- *the dividend policy must be aggressive* – in the past seven years dividends have increased by over 14% per year and Ratos still has, despite strong price growth, a dividend yield of approximately 4.6%

"For the seventh consecutive year, Ratos share provided a positive total return, +43%"

- *information from Ratos must be open, accurate, continuous, timely and of the highest quality* – a target where achievement is more difficult to measure but to judge from the awards Ratos's provision of information has received in recent years as well as comments continuously found in analyses of and articles about Ratos, we have also achieved this target.

Outlook for 2006

Although there are some signs that the strong business climate is starting to weaken in some parts of the world, primarily the US, it is our assessment that any such possible weakening will be relatively mild. In such case, as in both the mid-1980s and the mid-1990s, we would experience a limited so-called mid cycle downturn.

Given this relatively positive main scenario and the many action programmes under way in the portfolio companies – in these positive times with a greater focus on aggressive growth programmes than on rationalisation – conditions exist for continued improved earnings in the underlying portfolio in 2006.

Arne Karlsson

Vision, business concept, targets and strategy

Vision

Ratos shall be perceived as the best owner company in the Nordic region.

Business concept

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

Targets

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

Investment strategy

- Holding at least 20%
- Normally the principal owner
- Investment size SEK 150-1,500m

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

- 15-20 holdings

Ratos's portfolio should comprise 15-20 holdings, primarily unlisted companies, of varying size.

"Ratos shall be perceived as the best owner company in the Nordic region"

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

"Nordic acquisitions – global exits"

- Active exit strategy

Ratos has an active exit strategy. Normally, Ratos's involvement as an active owner lasts for 3-7 years. Unlike a fund with a limited life, Ratos is a limited company and is therefore able to extend the ownership period if Ratos judges this to be advantageous for its shareholders. Every year, the holdings' ability to continue to generate a 20% annual average return (IRR), and Ratos's ability to contribute to the continued development of the holding are assessed.

- Sector generalist

Ratos's core competence is not sector specific. Since added value can be created in most sectors, Ratos has chosen to be sector-neutral.

- Focus on own deal flow
- Nordic acquisitions – global exits

The entry point for investments is the Nordic region with the main focus on Sweden. Exits (divestments) can be effected globally.

- In addition, the companies in which Ratos invests must have competitive advantages in their sector and strong management. Ratos works actively to ensure that the companies in which it invests have incentive strategies for boards and senior executives.

140 years in Swedish industry

Ratos celebrates its 140th anniversary in 2006. Söderberg & Haak, the company in which Ratos has its roots, was founded in 1866. Naturally, a lot has happened during this long period. The business once conducted by Söderberg & Haak does not have great similarities with the Ratos of today. The business direction has changed many times over the years. Companies and operations have been both acquired and divested.

Per Olof Söderberg

Something that has not changed, however, and which still today forms the backbone of Ratos's business activities, in addition to the ability to adapt to new times, is the exercise of ownership. Professional, active and responsible exercise of ownership runs all through the company's 140 year history. The Ratos mission today is thus based on a tradition stretching back to the 19th century.

Entrepreneur recognised market needs

In the 1860s the master smith at the Garpenberg Ironworks, Per Olof (Pelle) Söderberg, was tasked with travelling round to merchants, engineering workshops, smithies and masons to introduce the new Bessemer steel. This made him Sweden's first travelling salesman in steel. During these travels he recognised the need for an independent middleman between the ironworks and its customers. So in 1866 he founded the trading company Söderberg & Haak, Sweden's first wholesaler within iron and iron goods. At the formation of the company he was joined by one of his friends from his time at the ironworks, the former bookkeeper Leonard Haak, who, relinquished his ownership in the very same year.

Following a period of varying results Pelle Söderberg fell ill and died in 1881 aged only 45. Distribution of his estate was costly to the company and of the equity that amounted to SEK 280,000 in 1880 only SEK 56,000 remained in 1885.

Handling iron the old way at Söderberg & Haak´s warehouse on Brännkyrkagatan.

To ensure the company's future some of the employees became partners.

Growth and community involvement

The firm's next strong man was to be Pelle's son, Olof A. Söderberg. During his 35 years as head of the firm Söderberg & Haak developed into the leading company in its field. Sales went from SEK 2 million in the mid-1890s to over SEK 34 million by 1930.

The business developed well at the beginning of the last century and the trading company became a limited company in 1905. Of the 200 shares at SEK 5,000, Olof and his brother Per Johan, who also worked in the company, each owned 71. As long as the brothers were on good terms they had an absolute majority. And they were on good terms and stayed that way.

With time, Olof A. Söderberg became an important figure in the trade who held several commissions including head and managing director of Stora Kopparbergs Bergslags AB. But he also took responsibility in other areas. Together with the brothers K A and Marcus Wallenberg, he took the initiative to found the Stockholm School of Economics. The possibility of earning a degree raised both quality and status within this area. Until that time, being a "businessman" did not enjoy a very high status.

Olof A. Söderberg was also ahead of his time as regards pensions. He saw how competent employees were affected when a company changed owner, for example, or went bankrupt. He was among the first who worked for what was later to become SPP. Together with K A Wallenberg he was also a guarantor for SPP's start-up capital.

Secure ownership

Olof A. Söderberg died in 1931 and leadership of Söderberg & Haak was eventually taken over by his son Ragnar who, when his father died, had already been with the firm for ten years. He had a degree from the Stockholm School of Economics and had complemented his studies in London, Geneva and Paris.

At the distribution of Olof A. Söderberg's estate, the shares in Söderberg & Haak were divided so that Olof's widow and his brother, Per Johan, together had a majority shareholding. Olof's sons Torsten and Ragnar each received 9%. Their uncle had in his turn three children who did not work for the company. There was a risk that the right of first refusal that existed between the family members would create a situation where people with no interest or suitability for the business became locked in the company. Ragnar and Torsten were also to have seven children. It was not difficult by 1931 to predict future problems in keeping the company together and maintaining its strengths.

This was probably when Ragnar Söderberg started to outline his plans for the formation of Ratos. In spring 1931 he purchased most of his uncle's shares and in 1935 he bought his mother's shares. These two shareholdings were then divided equally between the brothers Ragnar and Torsten. Torsten was a lawyer who also worked for the company as head of the Gothenburg office. At the beginning of the 1940s the two brothers were to all intents and purposes sole owners of Söderberg & Haak. Strong ownership of the company was ensured once again. An important prerequisite for this arrangement was the excellent relations between the two brothers.

Torsten and Ragnar Söderberg

Towards stock market listing

The next step was to ensure that the shares acquired an indisputable market value via a stock market listing. Such a procedure would also allow family members to reinvest their shares. There was naturally also a risk that control of the company would spread and ownership would weaken. This question was also to be solved eventually through the formation of the Söderberg foundations.

The road to the stock exchange was long, however. It was uncertain whether a wholesale business like Söderberg & Haak would be of interest to the stock market. The decision was therefore made to change the company structure and create a mixed investment company. In addition to owning Söderberg & Haak and other operating companies, this company would also hold a large portfolio of listed shares. This portfolio would provide a spread of risk and function as a liquidity reserve. The future parent company already existed but was now reconstructed under the name Förvaltningsaktiebolaget Ratos. Ratos as in the **Ra**gnar and **To**rsten **S**öderberg. The year was 1934.

In 1954 the time was ripe to let in external shareholders. On 3 June, the Swedish business magazine Affärsvärlden wrote:

> *"A nominal SEK 3 million in Förvaltnings AB Ratos was placed on the stock market at 200%... large hidden reserves are noted. The share issue was immediately oversubscribed... The company's position is very strong."*

The Ratos of 1954 included a number of subsidiaries primarily within trading and engineering as well as a substantial portfolio of listed companies headed by Gränges, ASEA, Holmen, Bulten and Svenska Litografiska Tryckerierna (later Esselte). The total number of shareholders after the stock market introduction was about 1,000 with major new entrants including the Nobel Foundation, the Knut and Alice Wallenberg Foundation and Dunkers.

Social responsibility combined with stable ownership

The Söderberg foundations were established in 1960. Ragnar Söderberg donated 20,000 Ratos shares to the Ragnar Söderberg foundation and his brother Torsten and his wife Wanja donated 20,000 Ratos shares to the Torsten Söderberg foundation. According to their bylaws the foundations shall "promote scientific research and scientific education and studies of benefit to the country, whereby the main focus should be on economics, medicine and law". The motives behind the formation were probably several. In addition to contributing to society the foundations also secured stable and long-term ownership of Ratos.

Today, the foundations are Ratos's largest owner with approximately 26% of voting rights and about 15% of the capital. The original donation of 40,000 Ratos shares has, through splits, bonus issues and complementary purchases, grown to more than 12.4 million shares corresponding to a market value of almost SEK 2.5 billion at year end 2005. The foundations are today among Sweden's largest non-state provider of grants within their field. More than SEK 900 million has been distributed since the start.

Ratos in modern times

In the period after the stock market listing Ratos's operations were dominated by the wholly-owned subsidiaries linked to the steel industry and heavy wholesale trade.

Ragnar Söderberg, who was to lead Ratos for more than 40 years, died in 1974. During this period Ratos participated in the consolidation and development of several heavy sectors within Swedish industry. The wholesaler role was refined among other things by the companies Söderberg & Haak and Tibnor, and from the 1970s also Dahl which was to become the leading heating, water and sanitation wholesaler in the Nordic region.

Ragnar Söderberg was a man of distinction in Swedish industry who held innumerable commissions and directorships. Like his father, he was also involved in employee welfare with his belief "if people are happy, they work well" and he introduced free medical and dental care as well as child benefit for all employees.

Following Ragnar Söderberg's death, Ratos was run by his three sons, Johan, Erik and Sven, who had already been engaged in various positions within the company several decades earlier.

In 1979 a line was drawn under a 100-year chapter of Ratos's history when the steel wholesale business was sold. At the same time, Ratos's operations could be broadened and its character as an investment company strengthened. Establishment of the Scandic hotel chain started in the 1980s. In the property sector, Ratos moved from passive to active ownership and participated in development and restructuring within the industry through the companies Stancia, PriFast and Capona.

Refocusing of Ratos started in the 1990s and in 1995 the board decided that Ratos should become a pure-play investment company without wholly-owned subsidiaries. The remaining subsidiaries were listed or sold.

Ratos today

Towards the end of the 1990s the need for a new strategic direction for Ratos grew stronger. Return was unsatisfactory and the shares were traded at a discount to net asset value that at times was substantial.

The goal was to create an attractive investment alternative in the stock market and at the same time create opportunities for a higher return.

Today, Ratos is the largest listed private equity company in the Nordic region. The business concept is to create the highest possible return over time through professional, active and responsible exercise of an ownership role in a number of selected companies and investment situations, where Ratos offers stock market players a unique investment opportunity. Added values are created in conjunction with acquisition, development and divestment of companies.

Traditions continue

Business opportunities today remain good and the Ratos brand is very strong. When the Ratos of today conducts the deals of the modern age it does so on a stable base of old, honest and sound Swedish owner tradition. For six generations, Ratos has represented continuity, quality and responsibility. This is the foundation on which today's business is based and which will lead Ratos on into the future. Ratos is and will remain an attractive company in Swedish business – both as owner, business partner and co-investor as well as employer and investment opportunity.

Sources: Translated from Varan valde vägen, 1966, Göran Smith. Ratos och anorna, 1991, Göran Smith. Ratos-aktien 50 år på Stockholmsbörsen, 2004, Ratos.

Ratos shares

Ratos shares are listed on the A list of the Stockholm Stock Exchange (Stockholmsbörsen).

Share capital and number of shares

The share capital is divided into 21,210,036 class A shares and 59,464,590 class B shares. The number of repurchased shares is 1,476,086, which means there are 79,198,540 shares outstanding. Each Ratos A share carries one vote and each Ratos B share 0.1 vote. A round lot amounts to 100 shares.

Option programmes

The Annual General Meeting decided on a call option programme issued in 2001, 2002, 2003, 2004 and 2005. The total number of call options outstanding amounts to 1,180,500 which leads to a maximum dilution effect of 1.5%. All options have a maturity of five years. The call options are issued on shares already repurchased. Read more about the option programmes on page 26.

Total return +43%

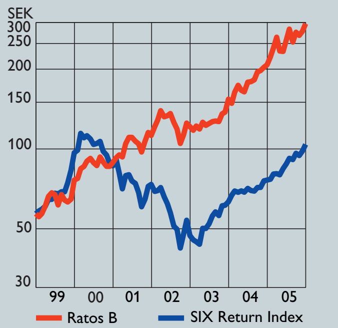
In 2005 the total return (price development including reinvested dividends) for Ratos B shares amounted to +43% compared with the SIX Return Index which rose 36% in the same period.

Ratos B shares rose 37% compared with the OMXS which rose 33% in the same period. The highest quotation during the year, SEK 196, occurred in December, and the lowest quotation, SEK 146, was noted in January. The closing price on 30 December was SEK 196.

Share price trend and trading

Source: SIX

Total return



Source: SIX

Brief facts 2005

Share listing	Stockholm Stock Exchange, A List
Number of shares	80,674,626
Number of shares outstanding after buy-backs	79,198,540
Highest/lowest price	SEK 196/146
Market capitalisation	SEK 15.8 billion
Reuters ticker code	RATOb.st
Bloomberg	RATOB SS

Breakdown by class of share

Class	Number of shares	% of voting rights	% of capital
Class A	21,210,036	78	26
Class B	59,464,590	22	74
	80,674,626	100	100

Development of share capital

At year-end	Transaction	A shares	B shares	C shares	Preference	Share capital, SEKm
1983	Bonus issue 1:4, split 2:1	5,437,507	3,506,242		100,000	452
1985	Bonus issue 2:5	5,437,507	7,083,740		100,000	631
1988	Bonus issue 1:1	5,437,507	19,604,987		100,000	1,257
1996	Redemption preference shares	5,437,507	19,604,987			1,252
1997	Split 4:1, redemption A and B shares	21,727,060	68,550,544			1,128
1998	Redemption A and B shares, Issue C shares	21,641,127	59,679,299	9,027,760		1,129
1999	Redemption C shares	21,641,127	59,679,299			1,016
2001	Reduction	21,641,127	59,021,499			1,008
2003	Conversion of A shares to B shares	21,244,658	59,417,968			1,008
2003	New issue	21,244,658	59,497,968			1,009
2004	New issue, cancellation and conversion of A shares to B shares	21,229,056	59,445,570			1,008
2005	Conversion of A shares to B shares	22,210,036	59,464,590			1,008

Ratos's total market capitalisation calculated on the number of outstanding shares amounted to SEK 15.8 billion at year-end. This ranks the company as number 40 in terms of size of the 272 companies listed on the exchange.

Trading

A total of 20.9 million Ratos shares were traded during 2005 at a value of SEK 3.5 billion. An average of 82,480 shares were traded per day, an increase of 4% compared with 2004.

Dividend SEK 9.00

Ratos has an aggressive dividend policy. Over the past seven years, Ratos's dividend has increased by an average of over 14% per year. The Board of Directors proposes a dividend for 2005 of SEK 9.00 (8.50) per share, which corresponds to a dividend yield of 4.6% based on the closing price at year-end.

Proposed distribution to shareholders

The Board of Directors has decided to propose that the Annual General Meeting on 4 April 2006 decides on a mandatory redemption combined with a split. The redemption sum amounts to approximately SEK 1,500m or SEK 19 per share.

The distribution will be effected through a split of each existing Ratos share into two new ordinary shares and one so-called redemption share. This redemption share will be automatically redeemed by Ratos for SEK 19 per redemption share, whereupon the shareholder will still hold two Ratos shares. The split and redemption procedure are expected to be completed by the end of May 2006.

Buy-back of own shares

A decision was made at the 2005 Annual General Meeting that up to 7% of the company's

Data per share

SEK	2005	2004	2003	2002	2001
Earnings after tax	26.27 [1]	26.75	7.71	4.60	22.07
Dividend per A and B share	9.00 [2]	8.50	7.25	6.75	6.25
Dividend as % of earnings	34.3 [2]	31.8	94.0	146.7	28.3
Dividend as % of equity	6.5 [2]	7.5	7.3	6.6	6.0
Equity	138	114	100	102	104
Closing market price, B share	196	143.50	113	95.50	93.50
Market price/equity, %	142	126	113	94	90
Dividend yield, %	4.6 [2]	5.9	6.4	7.1	6.7
Total return, %	43	35	27	8	27
P/E ratio	7.5	5.4	14.7	20.8	4.2
Highest/lowest price paid, B share	196 / 146	147 / 110	113 / 86.5	119 / 74	99.50 / 73

Key figures

	2005	2004	2003	2002	2001
Market capitalisation, SEKm	15,812	11,328	8,877	7,511	7,383
Number of shareholders	30,549	29,345	23,699	21,302	18,909
Average number of shares outstanding	79,130,200	78,902,245	78,610,824	78,867,216	79,029,299
Number of shares outstanding at year-end	79,198,540	78,938,440	78,554,640	78,645,440	78,958,226
Average number of shares traded Ratos shares/day, thousands	82	79	70	59	103
Dividend, SEKm	713 [2]	673	573	531	493

[1] After dilution, SEK 26.16.

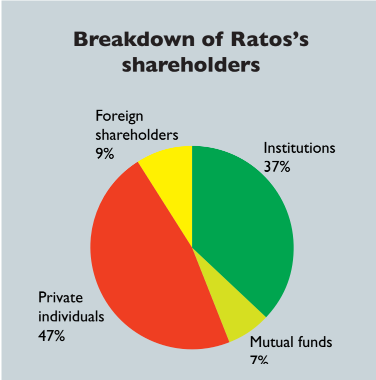
[2] Proposed dividend.

Definitions, see page 135.

shares may be acquired until the next Annual General Meeting in 2006. During 2005, Ratos repurchased 17,400 of its own B shares. The buy-backs were effected at an average price of SEK 166.85 per share.

Conversion of shares

The 2003 Annual General Meeting resolved that a conversion clause allowing conversion of A shares to B shares should be added to the articles of association. As of 31 December 2005, 431,091 A shares had been submitted for conversion into B shares.



Source: VPC

Ownership structure

The number of shareholders amounted to 30,549 at year-end. The ten largest shareholders accounted for 79% of the voting rights and 54% of the share capital. Legal entities own 44% of the capital while 47% is owned by private individuals. The proportion of shares owned by physical or legal entities outside Sweden amounts to 9%. 71% of Ratos's shareholders own 500 shares or less and together accounted for 5% of the share capital.

Ratos shareholders

31 December 2005	Number A shares	B shares	Share of votes, %	capital, %
Söderberg family	11,669,667	2,357,594	44.0	17.4
Söderberg foundations	6,536,270	5,903,460	26.2	15.4
Foreign shareholders	828,756	6,425,612	5.4	9.0
AMF Pension		2,166,500	0.8	2.7
HQ Fonder		1,626,100	0.6	2.0
SHB / SPP Fonder		1,429,216	0.5	1.8
AP3	50	1,419,901	0.5	1.8
Östersjöstiftelsen		1,274,213	0.5	1.6
Confederation of Swedish Enterprise		1,000,000	0.4	1.2
Akademiinvest		889,333	0.3	1.1
Firstnordic fonder		660,860	0.2	0.8
Buy-back of own shares		1,476,086	0.0	1.8
Others	2,140,443	32,870,565	20.6	43.4
Total	21,175,186	59,499,440	100.0	100.0

Source: VPC

Ratos shareholders

Number of shares	Number of shareholders	% of total number of shares
1 – 500	21,577	5.0
501 – 1,000	4,447	4.6
1,001 – 5,000	3,603	10.2
5,001 – 10,000	444	4.1
10,001 – 20,000	206	3.7
20,001 –	272	72.4
	30,549	100.0

Source: VPC

Analysts who monitor Ratos

ABG Sundal Collier
Jon Arnell
jon.arnell@abgsc.se
telephone: +46 8 566 286 28

Alfred Berg ABN AMRO
Rickard Henze
rickard.henze@alfredberg.se
telephone: +46 8 5723 5847

Carnegie
Björn Enarson
bjoena@carnegie.se
telephone: +46 8 676 88 00

Adam Nyström
adanys@carnegie.se
telephone: +46 8 676 88 00

Cazenove & Co
Chris Brown
christopher.brown@cazenove.com
telephone: +44 20 7155 8145

Cheuvreux Nordic
David Halldén
dhallden@cheuvreux.com
telephone: +46 8 723 51 70

Enskilda Securities
Andreas Joelsson
andreas.joelsson@enskilda.se
telephone: +46 8 5222 96 18

Handelsbanken
Magnus Dalhammar
mada07@handelsbanken.se
telephone: +46 8 701 51 14

Kaupthing Bank
Håkan Persson
hakan.persson@kaupthing.se
telephone: +46 8 791 48 05

Swedbank
Niclas Höglund
niclas.hoglund@swedbank.com
telephone: +46 8 5859 00 00

UBS Investment Research
Fredrik Liljewall
fredrik.liljewall@ubs.com
telephone: +44 207 567 5364

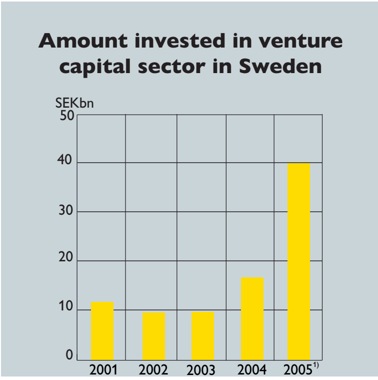
The private equity market

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

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

Different forms

The most usual form of private equity investments, both in Sweden and abroad, has been private equity funds. Investors in such funds are usually banks, insurance companies, pension managers, other major investment managers and wealthy private individuals. These funds are administered by a management company which is wholly or partly owned by the people who carry out and manage the fund's investments. For tax reasons, the funds are often set up as offshore limited partnerships. Investors in these funds undertake to invest a specific total amount and then provide capital in pace with the fund's investments. This is why in the private equity market there is capital earmarked for investment but not yet invested, as well as invested capital. Private equity funds normally have a term of about 10 years, after which the fund's investments should be sold and the money earned by the fund successively repaid to the investors.



[1] Forecast Source: Swedish Venture Capital Association

Direct investments in unlisted companies

Growth phase	Managed capital, SEKbn	Invested capital, SEKbn	Number of portfolio companies
Buy-out	184	100	180
Venture	82	42	830
Total	266	142	1,010

Source: Swedish Venture Capital Association

Company vs. funds

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

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

The Nordic market

After the UK, Sweden is the largest market for private equity in Europe, with Swedish private equity investments corresponding to 0.59% of GDP. The average in Europe is 0.33% of GDP.

In the Nordic region today there is an estimated EUR 14 billion of assets under management in private equity, of a total of EUR 156 billion throughout Europe. Approximately 57% of the European private equity market comprises buy-out investments, often involving more mature companies. Approximately 40% of investments comprise venture capital, i.e. investments at the seed, start-up or expansion phase.

Today a total of just over 1,000 people work as investment managers in the Nordic private equity sector, almost half of them in Sweden.

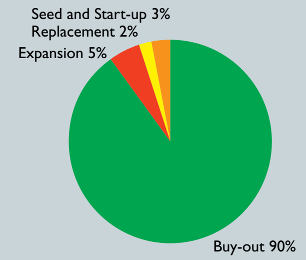
Greater competition in the Swedish market

In Sweden today an estimated SEK 266 billion is earmarked for private equity investments, of which about SEK 142 billion is invested in over 1,000 companies. Approximately 70% is invested in more mature companies (buy-out investments) and approximately 30% in start-up companies (venture capital investments).

The majority of the approximately 110 active members of the Swedish Venture Capital Association conduct venture capital operations (i.e. investments at the business development stage and in totally new start-ups). Most of the new venture capital in recent years, however, has gone to buy-out funds. The ten largest members invest throughout the Nordic region and in some cases outside the Nordic area as well.

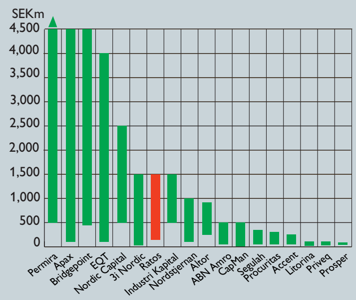
The number of players within Ratos's segment of the private equity market – the buy-out segment – has increased in recent years. From five years ago being among the Nordic investors who made the largest investments, today Ratos belongs to a middle segment among companies that carry out investments in medium-sized and large companies.

Investments in the venture capital sector, 2005

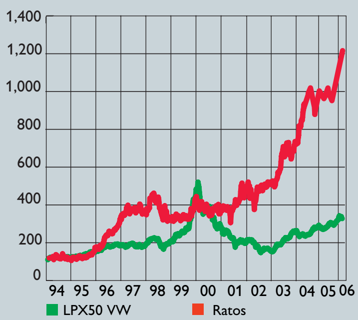


Source: Swedish Venture Capital Association

Swedish players – a selection



Private equity index



Return and profitability

Ratos is included in a new global private equity index launched in July 2004. The new index, LPX50 VW includes the 50 largest listed private equity companies in the world (of approximately 300) with a history of at least ten years. No company may weigh more than 10% in the index. Ratos with a weighting of 4% is the fourth-largest player. The British company 3i is the largest. The index is updated every week by the Swiss company LPX GmbH/Ltd in Basel. More information about the index is available at www.lpx.ch.

Historical figures show that listed private equity companies have developed well. During the period 1994-2005 the LPX50 VW rose 12% while the MSCI World Index rose 8%. This trend only measures price development and does not take dividends into account. Ratos is one of six Nordic players in LPX50. Since the first measurement point in 1994, Ratos has had the best development of all companies in the index.

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

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

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

Exit portfolio – 29% annual return in seven years

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

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

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

Present exit portfolio

What does Ratos's exit portfolio look like today? During the seven years (1999 – February 2006) Ratos has operated as a private equity company, 22 exits have been carried out in the core business. (The sale of the non-strategic asset management that dominated Ratos's portfolio when the strategic change started in 1999 is not included in these calculations.) These 22 exits have together provided sales revenue of almost SEK 12 billion (in the same period acquisitions were made for just over SEK 11 billion). So this is a robust final result in the sense that there are many individual deals and taken overall large amounts.

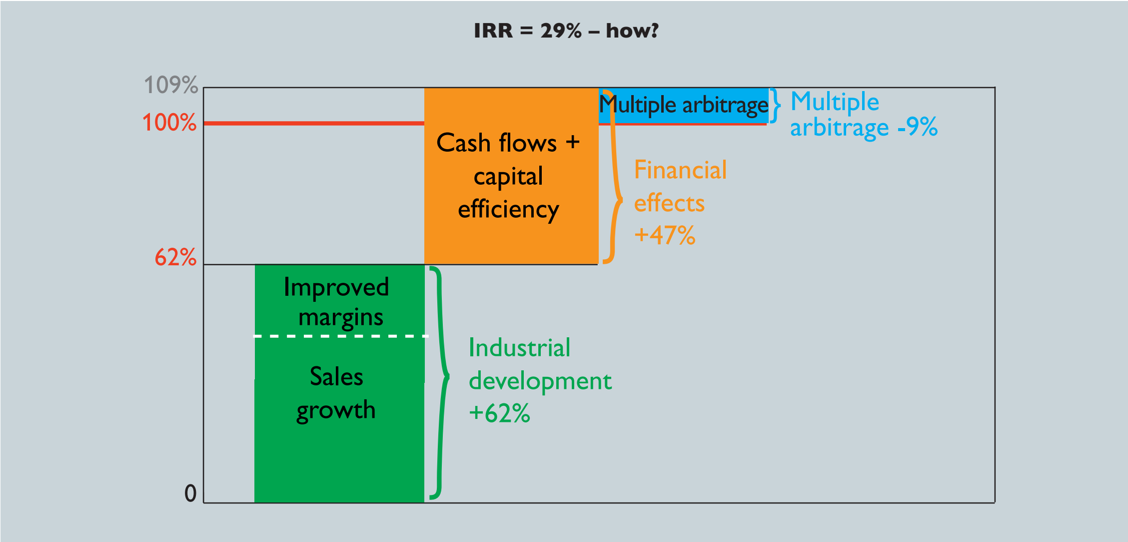
In total, Ratos's exit portfolio has to date generated an IRR of 29%. The exit portfolio has thus met the 20% return requirement by a wide margin. Naturally, this result contains both successful investments that more than met the goals set up when the investment was made, in 2005-2006 Dynal Biotech and LRT/Tornet for example, and investments that must be summarised as unsuccessful, in 2005 Martinsson for example. However, the successful investments have compensated for the less successful ones by a wide margin.

29% is also the gross figure that would be reported as a return if Ratos was a fund like most of our industry colleagues. In comparison with other private equity players, however, it should be noted that Ratos on average can be judged as having a lower financial risk exposure than most other companies in our niche. This means, all other things being equal, that a risk adjusted return improves the result for Ratos.

In addition it can be noted that Ratos has a total management cost (including operating expenses such as variable compensation component, etc.) which is less than 1% of assets under management measured as market capitalisation. Most private equity funds have a combination of management fees and profit distribution that is clearly higher, so the difference in net return, all other things being equal, provides further improvements in Ratos's favour.

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

An analysis of value creation in the 22 companies today included in Ratos's exit portfolio,



reveals the following explanations of how a 29% IRR was achieved:

- just over 60% of value creation comes from the companies' internal, industrial development, i.e. efforts to increase sales and improve profitability. Sales growth has in its turn been created both through organic growth and acquisitions
- almost 50% of value creation comes from financial effects. Some of these effects, which can be estimated at approximately 25%, can basically lead to an improved cash flow as a result of sales growth and improved margins. This is why 85-90% of value creation is really explained by the internal, industrial development work in the companies. The remaining approximately 25% is explained by both traditional internal work with financial efficiency (inventories, accounts receivable, investment efficiency, taxes, etc.) and efforts to optimise the financial structures, which mean among other things that an acquisition is leveraged
- the multiple arbitrage has consequently provided a negative contribution of almost 10%, i.e. Ratos has on average sold for lower multiples than those that applied at acquisition.

To generalise the results of Ratos's transaction activities, we have purchased for a high price and sold cheap, but on the way created added value through active ownership work with the companies' internal industrial development.

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

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

Ratos as owner

Long history as owner

Ratos has a long and broad history of active ownership in Swedish industry. The focus of Ratos's operations has changed over the years, but the company's 140-year history is permeated by professional, active and responsible exercise of its ownership role.

On 1 January 1999, work starting on changing strategic direction to become a private equity company with a portfolio of preferably unlisted companies. All listed shares were subsequently sold and today Ratos has a portfolio of 20 associated companies and subsidiaries, 19 of which are unlisted.

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

Ownership

Ownership today is a profession in its own right and in recent years a new group of professionals has emerged in Sweden who work with the exercise of active ownership. The number of investment managers employed with the Swedish Venture Capital Association's member companies totalled approximately 450 at year-end 2005. A general reflection is that it is positive for Sweden as a nation that a new profession is now emerging whose work is to exercise active ownership. This group of professionals can make a positive contribution to the development of Swedish trade and industry.

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

Ratos as owner

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

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

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

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

Clear and reasonable owner role

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

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

Due diligence reduces investment risks

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

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

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

Ratos's business organisation

Investment activities

- CEO, deputy CEO
- 3 Senior Investment Managers
- 10 Investment Managers
- 3 Analysts

Business support

- 4 Accounts/Finance
- 2 IR/Communications

Exercise of ownership in practice

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

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

Organisation

At Ratos it is the business organisation comprising 24 people with broad financial and industrial competence that conducts the work with the companies. In addition to professional exercise of ownership there are employees with expertise in finance and accounting, as well as matters related to information and communication. The entire business organisation is presented in more detail on pages 20-22.

Business organisation

Henrik Joelsson   Magdalena Aniansson

Anna Ahlberg

Leif Johansson

Per Frankling   Clara Bolinder-Lundberg   Stig Karlsson

Anna Ahlberg
Investment Manager.

Born 1970. MSc Econ.
Employed by Ratos since 2001.
Sjunnesson & Krook Corporate Finance 2000–2001. PricewaterhouseCoopers Corporate Finance 1994, 1996–2000.

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

Magdalena Aniansson
Investment Manager.

Born 1967. MSc Econ.
Employed at Ratos since 2004.
Accenture 1992–2004

Shareholding in Ratos: 2,000 B shares
Options in Ratos: 20,000 call options/2005

Henrik Blomé
Investment Manager.

Born 1974. MSc Econ.
Employed at Ratos since 2001.
Bain & Co. 1998–2001.

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

Clara Bolinder-Lundberg
Investor Relations Manager.

Born 1958. MSc Econ.
Employed by Ratos since 2001.
Project Manager Askus and Intellecta 1995–1998. Head of Corporate Communications, Bank Support Authority 1994–1995. Hägglöf & Ponsbach 1988–1992. Handelsbanken 1983–1988.

Shareholding in Ratos: 25,500 B shares
Options in Ratos: 20,000 call options/2003
20,000 call options/2004

Anna-Karin Celsing
Head of Corporate Communications.

Born 1962. MSc Econ.
Employed at Ratos since 1999.
Head of IR, FöreningsSparbanken 1993–1999. Project Manager, Öhman Corporate Finance 1989–1993. Project Manager, Wildeco Ekonomisk Information 1986–1989.

Shareholding in Ratos: 41,000 B shares
Options in Ratos: 2,000 call options/2002
5,000 call options/2003

Hans Ekelund
Chief Financial Officer.

Born 1948. MSc Econ.
Employed by Ratos since 1992.
President, Executive Vice President and CFO of Sea-Link 1987–1991. Control and finance positions in the process, engineering and construction industry 1973–1986.

Shareholding in Ratos: 9,218 B shares
Options in Ratos: 15,000 call options/2001
5,000 call options/2002
8,000 call options/2003

Per Frankling
Investment Manager.

Born 1971. MSc Econ. MSc Eng.
Employed by Ratos since 2000.
McKinsey & Company 1999–2000.
Arkwright 1996–1999.

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

Henrik Blomé Arne Karlsson

Hans Ekelund

Susanna Högberg Campbell

Thomas Hofvenstam Berit Lind

Thomas Hofvenstam
Investment Manager.

Born 1969. MSc Econ.
Employed by Ratos since 2001.
Booz Allen Hamilton 1996–2001.
Arla 1995–1996. Enskilda Strategy 1994–1995.

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

Susanna Högberg Campbell
Investment Manager.

Born 1973. MSc Econ.
Employed by Ratos since 2003.
McKinsey & Company 2000–2003.
Alfred Berg Corporate Finance 1996–2000.

Shareholding in Ratos: 0
Options in Ratos: 20,000 call options/2003
10,000 call options/2004
10,000 call options/2005

Henrik Joelsson
Investment Manager.

Born 1969. MSc Econ and MBA, INSEAD.
Employed by Ratos since 2004.
Bain & Company 1995–2003.

Shareholding in Ratos: 0
Options in Ratos: 15,000 call options/2004
15,000 call options/2005

Leif Johansson
Senior Investment Manager.

Responsible for the holding Alimak Hek, Arcus, GS-Hydro and Inwido.
Born 1949. Combined engineering and business degree.
Joined Ratos in 2004.
CEO LB-Invest 1985–1993.
Own consulting company 1994–2004.
Executive positions within Procuritas KB 1989–2004.

Shareholding in Ratos: 3,900 B shares
Options in Ratos: 60,000 call options/2004

Bo Jungner
Senior Investment Manager.

Responsible for the holdings Anticimex, Bisnode, Bluegarden and BTJ Nordic.
Born 1960. MSc Econ.
Employed by Ratos since 1998.
Brummer & Partners 1996–1998.
SEB/Enskilda 1983–1996.

Shareholding in Ratos: 51,070 B shares
Options in Ratos: 45,000 call options/2002
50,000 call options/2003

Arne Karlsson
CEO, Senior Investment Manager.

Responsible for the holding Camfil.
Born 1958. MSc Econ.
Employed by Ratos since 1999.
President of Atle Mergers & Acquisitions 1996–1998. Chief Analyst and member of Atle's Management Group 1993–1998.
President of Hartwig Invest 1988–1993.
Financial Analyst, Aktiv Placering 1982–1988.

Shareholding in Ratos: 32,800 B shares
Options in Ratos: 140,000 call options/2001
105,000 call options/2002
100,000 call options/2003

Stig Karlsson
Senior Investment Manager.

Responsible for the holdings DIAB, Gadelius, Haendig, Haglöfs, HL Display, Hägglunds Drives and Lindab.
Born 1952. MSc Econ.
Employed by Ratos since 2001.
CEO Atle Tjänst & Handel 1996–2000.
CEO FylkInvest 1994–1996.
Skrinet Group 1984–1993.

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

Anna-Karin Celsing

Thomas Mossberg   Kerstin Svanqvist   Barbro Wallin

Kristina Patek

Bo Jungner

Carina Strid

Berit Lind
Investment Manager.

Born 1961. MSc Econ.
Employed by Ratos since 2000.
Own business 1996–2000.
Öhman Corporate Finance 1987–1994.
E. Öhman J:or 1994–1996.

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

Thomas Mossberg
Executive Vice President, Senior Investment Manager.

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

Shareholding in Ratos: 200 A shares,
27,350 B shares
Options in Ratos: 45,000 call options/2002
50,000 call options/2003

Kristina Patek
Investment Manager.

Born 1969. MSc Econ.
Employed by Ratos since 2001.
CEO Cell Innovation 2000–2001.
Cell Strategy 1999–2000.
Andersen Consulting 1995–1999.
Lagerkvist & Partners 1994–1995.

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

Carina Strid
Accounts Development Manager.

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

Shareholding in Ratos: 100 B shares
Options in Ratos: 10,000 call options/2003
4,000 call options/2005

Kerstin Svanqvist
Accounts Manager.

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

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

Barbro Wallin
Financial Structures.

Born 1944. BSc Econ.
Joined Ratos in 2003.
Nordea 1993–2002. SEB 1961–1993.
Own consulting company since 2002.

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

Corporate governance report 2005

Ratos AB (publ), company registration number 556008-3585, shall according to the Articles of Association acquire, manage and sell real property and chattels and conduct other activities compatible therewith. Within the framework of the company's tax status and its operations as described in the Articles of Association, the company's Board has decided that Ratos shall conduct private equity operations. The company has just over 30,000 shareholders, the majority of whom own less than 500 shares. The company's A shares carry entitlement to 1 vote per share while B shares carry entitlement to 0.1 votes per share. Ratos's largest owner is the Söderberg foundations.

Swedish Code of Corporate Governance

Ratos, Ratos's Board and Ratos's Nomination Committee apply the Swedish Code of Corporate Governance (the code). The Corporate Governance Report states how the code is applied. In accordance with the statement issued by the Swedish Corporate Governance Board on 15 December 2005, the Board has decided to draft the report on internal control in accordance with paragraph 3.7.2 in the code as a description of how internal control is organised without making any statement on how well it functioned and without an auditor's review. The Board has decided to include this report in the Corporate Governance Report partly for editorial reasons and partly because this describes an integral part of governance of the company. The Corporate Governance Report has not been reviewed by the company's auditors.

Nomination Committee

The 2005 Annual General Meeting assigned the company's Chairman in consultation with the company's major shareholders to appoint a nomination committee ahead of the 2006 Annual General Meeting. According to the Annual General Meeting decision, the Nomination Committee shall comprise a minimum of four members, one of whom is the company Chairman. If an already appointed member resigns from the Nomination Committee, the company's major shareholders shall appoint a replacement following consultation. The Nomination Committee is entitled to receive reasonable remuneration from the company for expenditure incurred with regard to evaluation and recruitment. On the other hand, the members of the Nomination Committee do not receive any remuneration from the company. The duties of the Nomination Committee are as follows:

- To evaluate the composition and work of the Board
- To prepare a proposal to the Annual General Meeting regarding election of the Board and the Chairman of the Board
- To prepare a proposal, in co-operation with the company's Audit Committee, to the Annual General Meeting regarding election of auditors when appropriate
- To prepare a proposal to the Annual General Meeting regarding fees to the Board and auditors
- To prepare a proposal to the Annual General Meeting regarding a chairman for the meeting.

The composition of the Nomination Committee was announced on 3 October 2005. The Nomination Committee met 3 times ahead of the 2006 Annual General Meeting.

Contact details

The Nomination Committee can be contacted by sending an e-mail to lena.elfstrom@ratos.se (subject: To the Nomination Committee) or by writing to Ratos Nomination Committee, Lena Elfström, Ratos AB, Box 1661, SE-111 96 Stockholm.

Member	Represents	Board member/not Board member
Jan-Erik Erenius	AMF Pension	Not a member
Pernilla Klein, Chairman	AP3	Not a member
Olof Stenhammar		Chairman of the Board
Jan Söderberg	Own and related parties' holdings	Board member
Per-Olof Söderberg	Own and related parties' holdings	Board member
Maria Söderberg	Torsten Söderberg foundation	Not a member

Board of Directors

According to the Articles of Association Ratos's Board shall comprise a minimum of four and a maximum of nine members with a maximum of three deputies. At the 2005 Annual General Meeting the present board was elected which comprises eight members with no deputies. The Board has appointed two committees from among its members – the Compensation Committee and the Audit Committee, which are described below. The 2005 Annual General Meeting decided that remuneration should be paid to Board members of SEK 300,000 per member and year while remuneration to the Chairman of the Board should amount to SEK 500,000 per year. For attendance as members of committees it was decided to pay an additional SEK 30,000 per year and committee while remuneration to committee chairmen was decided at SEK 50,000 per year and committee. All Board members are presented in more detail on page 86 of this annual report.

The work and procedures of the Board

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

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

The Chairman of the Board ensures that an annual evaluation is carried out of the work of the Board where members are given an opportunity to express their opinions on working methods, Board material, their own and other members' work and the scope of the assignment. In 2005 the Chairman was assisted by an independent external consultant in this evaluation.

During 2005, 22 minuted board meetings were held. The minutes were taken by the Secretary to the Board who during the year was the lawyer Tore Stenholm, a partner of Lindhs DLA Nordic. The Audit Committee held 4 minuted meetings at which Tore Stenholm took the minutes. The Compensation Committee held 5 minuted meetings at which the company's CEO, Arne Karlsson, took the minutes.

Contact details for the Chairman of the Board

The Chairman of the Board can be contacted by sending an e-mail to lena.elfstrom@ratos.se (subject: To the Chairman of the Board) or by writing to Ratos Chairman, Lena Elfström, Ratos AB, Box 1661, SE-111 96 Stockholm.

	No. of meetings attended				Independent/dependent	
Member	Directorships	Compensation Committee	Audit Committee	Remuneration, SEK	Company	Owner
Olof Stenhammar	21	5	4	600,000	Independent	Independent
Lars Berg	21		4	330,000	Independent	Independent
Staffan Bohman [1]	13		2	330,000	Independent	Independent
Peggy Bruzelius	20	5	4	360,000	Independent	Independent
Göran Grosskopf	20		4	330,000	Independent	Independent
Arne Karlsson	22				Independent	Independent
Jan Söderberg	21	5	4	360,000	Independent	Dependent
Per-Olof Söderberg	20	5	4	360,000	Independent	Dependent

[1] Elected at the Annual General Meeting on 6 April 2005

Compensation Committee

The company's Compensation Committee is appointed by the Board. Committee members in 2005 were Olof Stenhammar (chairman), Peggy Bruzelius, Jan Söderberg and Per-Olof Söderberg.

The committee prepares and presents proposals for decision by the Ratos Board regarding:

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

Principles for remuneration to senior executives

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background a compensation system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of shareholders. At the last two years' annual general meetings this system and the principles on which it is based have been presented to the meeting.

The system comprises three components – basic salary, variable salary and options – and rests on five basic principles.

- Ratos's employees shall be offered competitive fundamental terms of employment in an industry where competition for qualified employees is intense and at the same time be encouraged to remain with Ratos.
- Both individual effort and the Group's performance must be linked to clear targets set by the Board.
- The variable compensation that is paid shall be linked to the results development that benefits shareholders.
- Each year the Board sets a limit for the total variable compensation. This means that the variable compensation component can only amount at maximum to a couple of per cent of the company's profit before tax.
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through a reasonably balanced options programme where employees can share in price rises as well as taking a personal risk by paying a market premium for the options.

The Board intends to ask the 2006 Annual General Meeting to approve these principles.

Variable compensation 2005

In addition to the options programme, the Compensation Committee has drafted guidelines for a variable compensation component to parts of the business organisation. A ceiling for the total compensation component for 2005 was set at SEK 40m. This variable compensation component does not fall due until certain conditions have been met regarding return on the company's capital (8% on reported opening equity) and a qualitative assessment of the work of the organisation during the year has been made. Payment of variable compensation is divided over three years with 50% in the first year and 25% in the remaining two years. In order to receive full payment the person concerned must not have resigned from the company during these three years. Of variable compensation, 80% is related to the achieved return on shareholders' equity and the remaining 20% to the Board's qualitative assessment.

Variable compensation 2006

Ahead of 2006, Ratos's Board has decided to change the principles that determine the variable compensation to be paid to the company's employees. The ceiling for the total compensation level will be raised to SEK 70m. The condition that the variable compensation component does not fall due until certain conditions have been met regarding return on the company's capital (8% on reported opening equity) will still apply. The possibility to pay variable compensation based on a qualitative assessment of the organisation's has been removed. The payment principles described above are unchanged.

Relation between fixed and variable compensation

The company's Compensation Committee and the Board see major advantages in allowing the variable component of employees' compensation to be related to the return received by shareholders. By setting a limit for the variable compensation, the company avoids being forced to pay out unreasonable remuneration. The Board has therefore stipulated a predictable relation between the company's total fixed compensation and the possible variable compensation for those employees who are entitled to receive such compensation. At the same time, the Board has retained the possibility for variations in this relation for individual employees.

Incentive system

The annual general meetings in 2001, 2002, 2003, 2004 and 2005 decided on call option programmes directed to senior executives and other key people within Ratos. All call options have a maturity of five years. Employees have paid a market premium for the call options in all programmes.

Call options are issued on shares already repurchased. By year-end 2005, 1,458,000 options had been issued (of which 1,180,500 are outstanding). Full exercise of outstanding options would make the number of new shares 1.5% of shares outstanding. The exercise price on the options issued in 2001 was SEK 102, for options issued in 2002 SEK 135, for options issued in 2003 SEK 116, for options issued in 2004 SEK 147 and for options issued in 2005 SEK 221. The price per call option amounted to SEK 4.05 in 2001, SEK 10.40 in 2002, SEK 7.20 in 2003, SEK 7.60 in 2004 and SEK 11.20 in 2005. Acquisition of call options is subsidised by the purchaser receiving an extra compensation corresponding to a maximum of 50% (60% until year-end 2003) of the option premium after deduction for 55% standard tax, whereby the compensation is divided into equal parts for five years and provided the person remains employed in the Ratos Group.

Audit Committee

The Board has appointed an Audit Committee in order to provide a special forum for work with accounting and auditing. The committee includes all members of the Board with the exception of the CEO. The company's internal control and governance systems, as well as external financial reporting are within the scope of this committee. The committee also monitors and evaluates new practice and new accounting rules. The work of the auditors is continuously evaluated and the committee is also responsible for preparing the election of new auditors when appropriate. The entire Audit Committee met the company's auditors on two occasions in 2005. The company's work procedures also stipulate that the Chairman of the Board is tasked with maintaining regular contact with the company's auditors.

Quality assurance for financial reporting

In addition to what is stated above, the Audit Committee is tasked with quality assurance of the company's financial reporting and maintaining regular contact with the company's auditors.

It is the opinion of the Board that the quality of a company's reporting is primarily determined by the organisation's competence in accounting matters as well as how the finance and accounting functions are staffed and organised. At Ratos, the entire business organisation is heavily involved in reporting and analysis of both the individual holdings and the performance of the Group. This involvement in accounting and reporting means, among other tings, that the quality of the reporting is continuously examined and raised. As regards the finance and accounting units, these functions are organised both on the basis of the need to provide regular accounts mainly for the parent company, and to be able to prepare closing accounts for both the parent company and the Group. A total of 7 people (corresponding to 6 FTEs) are employed within the function headed by the company's CFO. At total of 4 people have a degree in economics. The employees within this unit have many years of professional experience from financial control and reporting.

Ratos's business concept includes investing in and developing wholly or partly owned companies. The aim is not that these companies' systems and reporting should be integrated with the Ratos Group. Instead, the focus is on creating independent, high-quality organisations where this is part of the value-creating work with the holdings. Against this background, Ratos's Audit Committee has an ongoing dialogue with Ratos's auditors and finance function while the boards of the individual companies are responsible for the quality of the companies' financial reporting. Ratos's finance function maintains a running dialogue with those responsible for finance at all the holdings and issues clear instructions for the preparation of each monthly, quarterly and full-year report. Every year Ratos's finance function receives audit memorandums from each holding. In order to achieve a high quality in the entire Group's reporting, Ratos has resources for follow-up and development of the finance functions and reporting of associated companies and subsidiaries. Ratos's finance function regularly offers training for the holdings' finance functions in central reporting and accounting matters.

The finance function prepares monthly reports for the parent company and the Group which are submitted to Ratos's management. The Board is continuously informed about the financial development in the CEO's letter as described earlier. A quarterly report is prepared and published every quarter, one of which is reviewed by the company's auditors. In conjunction with quarterly reporting, the Board receives extensive in-depth material concerning both the Group and the individual holdings. Complete closing accounts (known as a hard close) which are reviewed by the company's auditors are prepared for the report for the third quarter. This hard close and subsequent review are conducted in order to prepare and facilitate the audit of the full-year accounts. A report from hard close work is presented to the Audit Committee. The parent company and all subsidiaries carry out a hard close. In the associated companies, Ratos decides in consultation with other owners whether a reviewed hard close should be prepared. The audit memorandum prepared in conjunction with the full-year accounts is presented to the Audit Committee.

Auditors

At the 2004 Annual General Meeting the audit firm KPMG Bohlins AB was elected as auditors with authorised public accountant Thomas Thiel as senior auditor for the period until the 2008 Annual General Meeting has been held. KPMG with Thomas Thiel appointed as senior auditor were appointed for the first time at the 2004 meeting. In addition to his assignment for Ratos, Thomas Thiel is an auditor for Ericsson, Holmen, Handelsbanken, Swedish Match and SKF, as well as the Söderberg foundations which are Ratos's largest single owner.

Auditors' fees

Fees are paid to the company's auditors in accordance with a special agreement on this matter. In 2005, audit fees in the parent company amounted to SEK 2.9m in the parent company and SEK 7.8m in the Group. In addition, the parent company paid SEK 1.3m in fees for other assignments to the company's auditors and the Group as a whole paid fees for other assignments amounting to SEK 2.9m to the company's senior auditor. The Board has established guidelines for the relation between auditing fees and consulting fees. These guidelines are continuously followed up by the Audit Committee which also evaluates the content of both auditing and consulting services.

Organisation of internal control

Internal control of financial reporting is based on how operations are conducted and how the organisation is built up. Authority and responsibility are documented and have been communicated in documents such as internal guidelines and manuals. This applies, for example, to the division of work between the Board on the one hand and on the other hand the CEO and the other bodies set up by the Board, instructions for powers of authorisation as well as accounting and reporting instructions. This also serves to reduce the risk of irregularities and inappropriate favouring of a third party at the company's expense.

In the internal control of financial reporting, the parent company is assessed separately and each individual holding is assessed separately, regardless of whether they are subsidiaries or associates. Assessments are made both ahead of an acquisition and during the ownership period. Each holding represents its own risk independent of other holdings, where a Senior Investment Manager has main responsibility for a holding.

The risks that are identified, both by the companies and by Ratos, regarding financial reporting are communicated monthly by the Senior Investment Manager and quarterly by the accounts/finance function to the CEO, who in turn reports to the Board.

Holdings' application of IFRS in reporting to Ratos is followed up in conjunction with quarterly accounts. Ahead of an acquisition a due diligence examination of the company is performed, where accounting consequences are analysed.

Information and communications channels at Ratos are designed to promote the completeness and accuracy of financial reporting. The accounts/finance function formally controls the companies' reports and Investment Managers check reporting from a material aspect. Control within subsidiaries and associates is decided separately for each company. Ratos continuously follows up the holdings' compliance with guidelines and manuals.

Quarterly accounts, acquisitions and divestments are also examined with the auditors. In parallel with the annual evaluation which is described in the description of the work of the Board, impairment testing is performed for each holding.

Policies

In order to establish guidelines for the company's activities, the Board has adopted a number of policy documents which are specified in the list below. Taken overall, these documents form Ratos's code of conduct and ethics policy. The documents lay down the basic valuations that must characterise the organisation and the conduct of employees. This relates to areas such as Ratos's relationships with holdings, co-investors, shareholders and society. The policies include guidelines for incentive programmes, conduct towards both holdings and the business environment and assessment of risks ahead of new investments.

Ratos has no established environmental policy for the parent company or the Group. However, ahead of every investment the company and its operations are examined from several aspects, including the environmental impact of its operations. Environmental issues are then monitored in each individual holding in a manner that is appropriate to the company's activities.

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

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

Holdings in brief

Alimak Hek

Alimak Hek is a world leader in development, manufacture, sales and rentals of rack and pinion driven equipment for vertical access – hoists and platforms for customers in the construction, offshore and other industries.

Equipment from Alimak Hek is used in the construction of the Zuidtoren office building in Hoofddorp, the Netherlands.

	31 Dec 2005
Sales	SEK 1,139m
Pre-tax profit	SEK 73m
CEO	Petter Arvidson
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 37m
Book value in Ratos	SEK 220m
Investment year	2001

www.alimakhek.com

Anticimex

Anticimex operates within pest control as well as offering a broad range of services for healthy and safe indoor environments. The Group is currently represented in Sweden, Finland, Denmark, Norway, Germany and the Netherlands.

	31 Dec 2005
Sales	SEK 1,274 m
Pre-tax profit	SEK 61m
CEO	Peter Carrick
Ratos's holding	85%
Investment year	2005[1]

[1] Deal completed in February 2006

www.anticimex.se

Anticimex has a motto: "Safeguarding and protecting".

Arcus

Arcus is Norway's leading wine and spirits supplier. The company was formed in 1996 on the initiative of the Norwegian government and privatised in 1998. The group's best-known brands include Braastad Cognac, Vikingfjord Vodka, Løiten and Linie Aquavit. The largest production facilities are centrally located in Oslo.

Products from Arcus include Linie Aquavit, one of the strongest brands in the Nordic region.

	31 Dec 2005
Sales	SEK 1,314m
Pre-tax profit	SEK 39m
CEO	Peter Wesenberg
Ratos's holding	83%
Contribution to Ratos's earnings	SEK 68m
Book value in Ratos	SEK 508m
Investment year	2005

www.arcus.no

Atle Industri

Atle Industri comprises a portfolio of seven companies, of which six are wholly owned. The portfolio was acquired when Ratos and the British company 3i acquired Atle in 2001. The companies operate in the engineering industry and wholesale and retail trade.

	31 Dec 2005
Sales	SEK 1,433m
Pre-tax profit	SEK 384m
CEO	Hans Åke Norås
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 5m
Book value in Ratos	SEK 242m
Investment year	2001

www.atleindustri.se

Atle Industri's holding Moving supplied automated sorting and packaging systems to Clas Ohlsson's new central warehouse.

Bisnode

Bisnode is a leading European company within databases and digital business information with services within market, credit and product information. Operations are conducted in 18 countries. The group was formed through a merger between Bonnier Business Information (BBI) and Infodata (formerly within BTJ Infodata).

Via the Internet Bisnode continually provides its customers with customised company information.

	31 Dec 2005
Sales	SEK 3,283m
Pre-tax profit	SEK 194m
CEO	Lars Save
Ratos's holding	80%
Contribution to Ratos's earnings	SEK 113m
Book value in Ratos	SEK 637m
Investment year	2005

www.baf.bonnier.se

Bluegarden

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

	31 Dec 2005
Sales	SEK 490m
Pre-tax profit	SEK 48m
CEO	Svein F. Gullaksen
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 48m
Book value in Ratos	SEK 313m
Investment year	2003

www.bluegarden.no

More than one million Nordic employees receive their salaries through Bluegarden's payroll management system.

BTJ Nordic

BTJ Nordic is a leading supplier of media products and information services to libraries, booksellers, companies and organisations in the Nordic market. Products and services are sold via the brands Bibliotekstjänst, BTJ Danmark, BTJ Kirjastopalvelu, Seelig, BTJ Prenumerationsservice, and BTJ Förlag.

BTJ Nordic offers search and ordering services to libraries.

	31 Dec 2005
Sales	SEK 1,328m
Pre-tax loss	SEK -25m
CEO	Sophie Persson
Ratos's holding	59%
Contribution to Ratos's earnings	SEK 2m
Book value in Ratos	SEK 35m
Investment year	2004

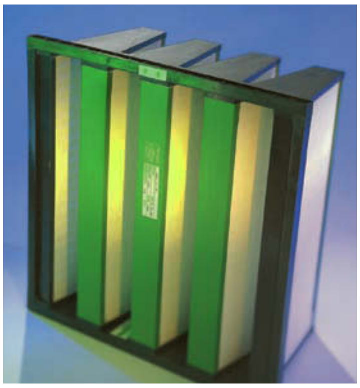
www.btj.se

Camfil

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

	31 Dec 2005
Sales	SEK 3,083m
Pre-tax profit	SEK 265m
CEO	Alan O´Connell
Ratos's holding	30%
Contribution to Ratos's earnings	SEK 79m
Book value in Ratos	SEK 515m
Investment year	2000

www.camfil.com



Camfil's new air filter Opakfil Green guarantees good hygiene in air vents.

DIAB

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

	31 Dec 2005
Sales	SEK 918m
Pre-tax profit	SEK 90m
CEO	Anders Paulsson
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 45m
Book value in Ratos	SEK 648m
Investment year	2001

www.diabgroup.com

EarthRoamer Xpedition Vehicle is equipped with core material from DIAB.

Gadelius

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

	31 Dec 2005
Sales	SEK 699m
Pre-tax profit	SEK 34m
CEO	Hans Porat
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 34m
Book value in Ratos	SEK 191m
Investment year	2001

www.gadelius.com

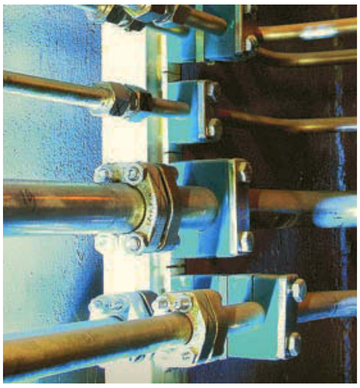
Gadelius handles distribution of ASSR, a measurement system, which is used to examine the hearing of newborn babies.

GS-Hydro

GS-Hydro is a leading supplier of non-welded piping systems. Products are mainly used in the marine and offshore industries as well as in the pulp & paper, metals & mining, automotive & aerospace and defence industries. The head office is located in Finland.

	31 Dec 2005
Sales	SEK 641m
Pre-tax profit	SEK 26m
CEO	Lasse Mannola
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 26m
Book value in Ratos	SEK 159m
Investment year	2001

www.gshydro.com



Non-welded piping systems from GS-Hydro are sold worldwide.

Haendig

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

Haendig's subsidiaries Hafa and Westerbergs are the Nordic leaders in bathroom furnishings and fittings.

	31 Dec 2005
Sales	SEK 1,286m
Pre-tax profit	SEK 32m
CEO	Thomas Holmgren
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 32m
Book value in Ratos	SEK 322m
Investment year	2001

www.haendig.com

Haglöfs

Haglöfs is a Nordic market leader in equipment and clothes for an active outdoor life. The company develops and markets high-quality clothes, sleeping bags, footwear, tents and rucksacks. The Group has strong growth throughout Western Europe.

	31 Dec 2005
Sales	SEK 399m
Pre-tax profit	SEK 26m
CEO	Mats Hedblom
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 26m
Book value in Ratos	SEK 155m
Investment year	2001

www.haglofs.se

Haglöfs' products are enjoying strong growth in Europe.

HL Display

HL Display is a global, market leading supplier of products and systems for merchandising, in-store communication and store fittings. The company has subsidiaries in some 30 countries. Manufacture takes place in Sweden, the UK, the US and China. HL Display is listed on the Stockholm Stock Exchange.

	31 Dec 2005
Sales	SEK 1,285m
Pre-tax profit	SEK 62m
CEO	Gérard Dubuy
Ratos's holding	29%
Contribution to Ratos's earnings	SEK 16m
Book value in Ratos	SEK 239m
Investment year	2001

www.hl-display.com

90% of HL Display's sales go to export.

Hägglunds Drives

Hägglunds Drives is an international supplier of complete hydraulic motors and drive systems. The company has subsidiaries in approximately 15 countries.

Hydraulic drive systems from Hägglunds Drives are often used in environments with very high demands on reliability and performance.

	31 Dec 2005
Sales	SEK 1,175m
Pre-tax profit	SEK 171m
CEO	Per Nordgren
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 171m
Book value in Ratos	SEK 431m
Investment year	2001

www.hagglunds.com

Industri Kapital

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

Ratos has invested in four funds: 1989, 1994, 1997 and 2000.

	31 Dec 2005
CEO	Björn Savén
Book value in Ratos	SEK 286m

www.industrikapital.com

Inwido

Inwido develops, manufactures and sells a full range of windows and doors to the building trade, construction companies and modular home manufacturers. Operations are conducted in all the Nordic countries and Inwido also exports outside the Nordic region. The Group's main brands are Elitfönster and Allmogefönster in Sweden, Storke in Denmark, Pihla in Finland, and Diplomatdörren in Norway and Sweden.

	31 Dec 2005
Sales	SEK 2,197m
Pre-tax profit	SEK 196m
CEO	Sven-Gunnar Schough
Ratos's holding	95%
Contribution to Ratos's earnings	SEK 196m
Book value in Ratos	SEK 721m
Investment year	2004

www.elitfonster.se

Inwido has a leading position in the Nordic window and door market.

Lindab

Lindab is a world leader in circular ventilation ducts and accessories and a leading manufacturer of building materials in sheet metal and steel. The company is established in 28 countries. Approximately 80% of sales go to countries outside Sweden.

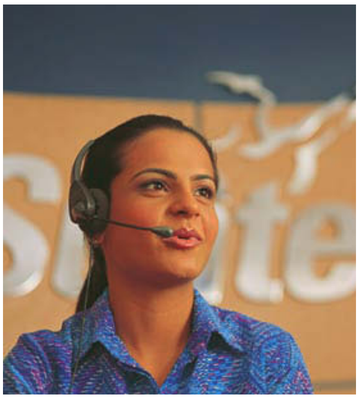
	31 Dec 2005
Sales	SEK 6,214m
Pre-tax profit	SEK 484m
CEO	Kjell Åkesson
Ratos's holding	48%
Contribution to Ratos's earnings	SEK 233m
Book value in Ratos	SEK 1,372m
Investment year	2001

www.lindab.com

Acquisition of Astron has made Lindab the market leader in prefabricated steel buildings in Europe.

Overseas Telecom

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



Overseas Telecom's subsidiary in Sri Lanka experienced good subscriber growth during the year.

	31 Dec 2005
Sales	SEK 393m
Pre-tax profit	SEK 168m
CEO	Anders Ekman
Ratos's holding	9%
Book value in Ratos	SEK 27m
Investment year	1996

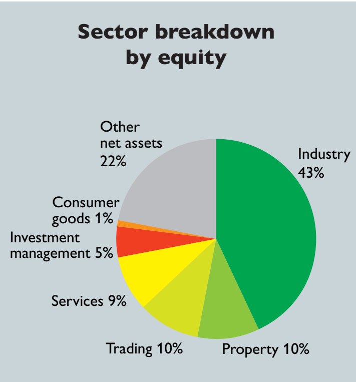
Superfos

Superfos is a Danish international group with plants in 15 countries. Operations comprise two areas. Packaging develops, produces and sells thermoformed plastic packaging to the food, chemical-technical and pharmaceutical industries. Aerosols offers contract filling of aerosols.

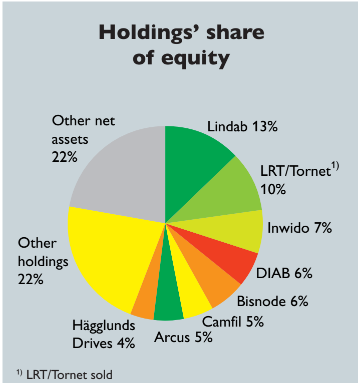
	31 Dec 2005
Sales	SEK 3,292m
Pre-tax profit	SEK 31m
Acting CEO	Torben Bjerre-Madsen
Ratos's holding	33%
Contribution to Ratos's earnings	SEK 10m
Book value in Ratos	SEK 373m
Investment year	1999

Thermoformed packaging comprises the largest part of Superfos's operations.

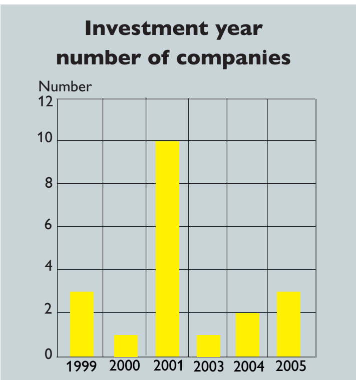
Portfolio composition 2005



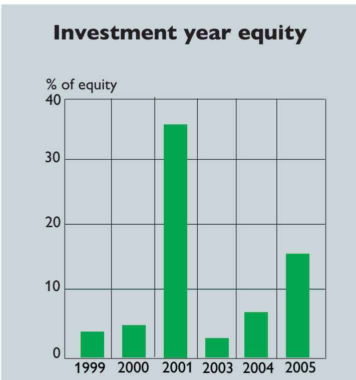
Ratos's portfolio contained a total of 20 holdings at 31 December 2005 divided among different sectors. The largest sector is Industry (43%) followed by Property (10%), Trading (10%), Services (9%), Investment Management (5%) and Consumer Goods (1%). Other net assets comprise cash and cash equivalents.



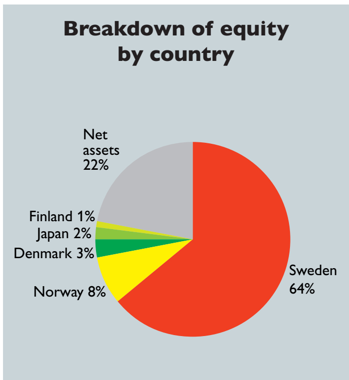
Ratos's largest holding in terms of equity is Lindab. Then come Inwido, DIAB, Bisnode, Camfil and Arcus. These six holdings account for 42% of consolidated value. The sale of LRT/Tornet was completed in February 2006.



Ten of Ratos's present holdings were acquired in 2001, in which add-on investments have been made continuously in four. The 2001 acquisitions were made in conjunction with the buy-out of Atle from the stock exchange. Six new investments were made in 2003-2005.



Holdings acquired in 2001 account for 36% of equity and holdings acquired in 2003-2005 represent 26%.



Ratos invests throughout the Nordic region. 64% of equity comprises Swedish holdings. Two of the holdings are Norwegian and correspond to 8% of equity.

Formal section

Directors' report

Directors' report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585 hereby submit their report for 2005. The registered office of the Board is in Stockholm, Sweden.

Company's activities

Ratos is a listed private equity company. Activities comprise acquisition, development and divestment of primarily unlisted companies. Holdings are normally at least 20%, investment size is SEK 150-1,500m and the number of holdings 15-20. Ratos is a sector generalist with acquisitions within the Nordic region and global exits. Ratos should normally be the largest owner. Ratos has an active exit strategy.

Events during the year

During the year, Ratos acquired 83% of Arcus, Norway's leading wine and spirits supplier. A new market leader within business information was formed during the period when Ratos-owned Infodata merged with Bonnier Business Information. Ratos's holding amounts to 80%. In December, agreements were concluded for the sale of the holding in Tornet and acquisition of Anticimex.

Acquisitions were made within Inwido (formerly Elitfönster), Haendig and Lindab.

The Arcorus Group was divided up at the beginning of the year after which Hägglunds Drives and GS-Hydro are reported as separate holdings.

The holdings in Dynal Biotech and Envac (within Atle Industri) were sold in the spring.

Acquisition of subsidiaries and associates amounted to SEK 2,264m and divestments amounted to SEK 2,252m.

Ratos had 20 holdings at year-end.

A co-operation agreement was signed on representation in Norway in order to further strengthen the focus on the Norwegian market.

Results

The Ratos Group's pre-tax profit (see Note 2) amounted to SEK 2,601m (2,325). This result includes profit from holdings of SEK 2,741m (2,423), of which exit gains amounted to SEK 607m (1,438), as well as management costs of SEK 191m (161) and net financial items of SEK 51m (63). The exit gains mainly stem from the sale of Dynal Biotech and Envac (within Atle Industri). LRT/Tornet is the holding that contributed most to earnings through property sales and value appreciation of the property portfolio.

Research and development

Technical development within the Group is conducted within the group companies.

Financial position

Cash and cash equivalents in the Group amounted to SEK 3,677m (2,160) at year-end, of which short-term fixed-income investments accounted for SEK 2,485m.

The parent company has substantial liquid assets. Cash and cash equivalents including short-term fixed-income investments amounted to SEK 2,508m at year-end. The parent company's liabilities, which are limited, mainly relate to centrally administered, small subsidiaries. The parent company should normally be unleveraged.

Events after the closing date

The sale of the holding in Tornet and the acquisition of Anticimex were completed in February 2006.

Future development

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

The work of the Board of Directors

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

The work of the Board is regulated by annually adopted work procedures. This stipulates among other things

- instructions to the CEO
- decision-making procedures within the company
- board meeting procedures and assignment of tasks
- the duties of the chairman
- the provision of information between the company and the Board

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

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

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

Holdings of own shares and reduction of share capital

A decision was made at the 2005 Annual General Meeting that A or B shares may be repurchased during the period until the next Annual General Meeting. The company's holding may not at any time exceed 7% of all the shares in the company.

Share buy-backs are carried out in order to improve the company's capital structure and thereby increase shareholder value.

During the year, 17,400 shares were acquired. The acquired shares correspond to 0.02% of the share capital. A total of SEK 2.9m was paid in cash for the acquisition. At year-end, the company held 1,476,086 own shares, corresponding to 1.8% of the share capital. A total of SEK 124.3m has been paid for the shares.

During the year a total of 19,020 A shares were converted into B shares.

Listing on the Stockholm Stock Exchange's A list

Following an application to the stock exchange, Ratos has been listed on the Stockholm Stock Exchange's A list since 5 July. Prior to that, the shares were listed on the O list.

Environmental impact

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

Transition to IFRS 2005

New accounting principles in accordance with IFRS were introduced with effect from the beginning of the year.

The most significant difference between former accounting principles and the new IFRS principles is, as far as Ratos is concerned, accounting for goodwill which means that goodwill amortisation will cease. Calculation of pension liabilities changed already in 2004 by Swedish rules being adjusted one year prior to IFRS coming into force. The new principle affects defined benefit pensions. Accounting for financial instruments means that derivative instruments are recognised at fair value.

Ratos also reports associates according to the equity method according to IFRS.

Other

Equity in the Group attributable to parent company shareholders amounted to SEK 10,942m, of which SEK 9,513m is retained earnings including net profit for the year.

Proposed distribution of profit

The following amounts are at the disposal of the Annual General Meeting:

	SEKm
Profit brought forward	6,829
Net profit for the year	1,376
	8,205

The Board's proposal on dividends will be available from 21 March 2006.

The Board of Directors and the CEO propose the following distribution of profit:

Dividend to holders of A and B shares SEK 9.00 per share[1]:	713
To be carried forward	7,492

[1] Based on the number of shares outstanding on 22 February 2006. The number of repurchased shares on that date was 1,476,086 and may change until the record date for dividends.

Consolidated income statement

SEKm	Note 2,4	2005	2004
Net sales	3	8,800	3,904
Other operating income	5	40	20
Change in inventories		-28	17
Raw materials and consumables		-4,238	-2,361
Personnel costs	9, 27	-2,412	-1,008
Depreciation and impairment losses tangible and intangible fixed assets	13, 14	-215	-87
Other costs	10, 32	-1,251	-417
Other operating expenses	6	-26	-4
Capital gain from sale of group company	7	91	–
Share in profits of associates	8	1,744	2,091
Operating profit		2,505	2,155
Financial income	11	252	225
Financial expenses	11	-156	-55
Net financial items		96	170
Profit before tax		2,601	2,325
Tax	12	-464	-210
Net profit for the year		2,137	2,115
Attributable to			
Parent company shareholders		2,079	2,111
Minority interests		58	4
Earnings per share, SEK	25		
– before dilution		26.27	26.75
– after dilution		26.16	26.68

Consolidated balance sheet

SEKm	Note	31 Dec 2005	31 Dec 2004
ASSETS	4		
Fixed assets			
Intangible assets	13	6,648	1,824
Tangible assets	14	1,728	602
Participations in associates	15	3,715	4,346
Financial investments	19	335	365
Long-term receivables	19, 21, 27	89	744
Deferred tax assets	12	135	45
Total fixed assets		12,650	7,926
Current assets			
Inventories	22	1,463	915
Tax assets		41	11
Accounts receivable	19	2,663	892
Prepaid expenses and accrued income		280	176
Other receivables	19, 21	279	176
Cash and cash equivalents	19, 36	3,677	2,160
Holdings held for sale	37	1,048	–
Total current assets		9,451	4,330
Total assets		22,101	12,256
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		1,008	1,008
Other capital provided		286	286
Reserves	24	135	-30
Accumulated profit including profit for the year		9,513	8,062
Equity attributable to Parent company shareholders		10,942	9,326
Minority interests		504	34
Total equity	24	11,446	9,360
Liabilities			
Long-term interest-bearing liabilities	26	4,285	1,012
Other long-term liabilities		96	40
Provisions for pensions	26, 27	365	107
Other provisions	28	80	15
Deferred tax liabilities	12	331	43
Total long-term liabilities		5,157	1,217
Current interest-bearing liabilities	26	1,421	675
Accounts payable		1,083	421
Tax liabilities		136	23
Other liabilities	29	1,359	205
Accrued expenses and deferred income		1,264	355
Provisions	28	235	–
Total current liabilities		5,498	1,679
Total liabilities		10,655	2,896
Total equity and liabilities		22,101	12,256

For information about the Group's pledged assets and contingent liabilities, see Note 33.

Consolidated cash flow statement

SEKm	Note 36	2005	2004
Operating activities			
Consolidated profit before tax		2,601	2,325
Adjustment for non-cash items		-1,623	-2,032
		978	293
Paid tax		-120	-54
Cash flow from operating activities before change in working capital		858	239
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		-27	-67
Increase (-)/Decrease (+) in operating receivables		-524	-109
Increase (+)/Decrease (-) in operating liabilities		579	179
Cash flow from operating activities		886	242
Investing activities			
Acquisitions, group companies		-2,252	-643
Sales, group companies		1,116	
Acquisition of shares, holdings		-12	-189
Sale of shares, holdings		1,136	1,625
Acquisition of other intangible/tangible fixed assets		-279	-81
Change, financial assets		378	48
Cash flow from investing activities		87	760
Financing activities			
Share buy-backs		-3	-5
Transfer of own shares		29	
Option premiums		3	1
New issue			35
Issue of minority		97	
Convertible in group company		16	
Dividend paid		-673	-573
Increase (+) in interest-bearing liabilities		1,071	71
Cash flow from financing activities		540	-471
Cash flow for the year		1,513	531
Cash and cash equivalents, opening balance		2,160	1,632
Exchange differences in cash and cash equivalents		4	-3
Cash and cash equivalents, closing balance		3,677	2,160

Consolidated changes in shareholders' equity

SEKm Note 24	Share capital	Other capital provided	Reserves	Accumulated profit incl. profit for the year	Total	Minority interests	Total equity
	Equity attributable to Parent Company shareholders						
Opening balance, 1 January 2004	1,009	256	0	6,521	7,786	107	7,893
Change in translation reserves for the year			-30		-30	2	-28
Acquired minority						-165	-165
Minority at acquisition						86	86
Total changes in income recognised directly in equity	1,009	256	-30	6,521	7,756	30	7,786
Net profit for the year				2,111	2,111	4	2,115
Total changes in income excl. transactions with company's owners	1,009	256	-30	8,632	9,867	34	9,901
Dividends				-573	-573		-573
Buy-back/divestment of own shares				-5	-5		-5
Reduction, buy-back of own shares	-6			6	0		0
Option premiums				2	2		2
New issue	5	30			35		35
Closing balance, 31 December 2004	1,008	286	-30	8,062	9,326	34	9,360
Changed accounting principles			-129	5	-124		-124
Adjusted equity, 1 January 2005	1,008	286	-159	8,067	9,202	34	9,236
Change in translation reserves for the year			228		228	1	229
Change in hedge and fair value reserve for the year			92		92	6	98
Redemption of convertible programme, associates				-8	-8		-8
Equity share of convertible debenture				16	16	4	20
Acquired minority						-7	-7
Issue						97	97
Minority at acquisition						313	313
Other recognised directly in equity				3	3		3
Tax attributable to items recognised directly in equity			-26		-26	-2	-28
Total changes in income recognised directly in equity	1,008	286	135	8,078	9,507	446	9,953
Net profit for the year				2,079	2,079	58	2,137
Total changes in income excl. transactions with company's owners	1,008	286	135	10,157	11,586	504	12,090
Dividend				-673	-673		-673
Buy-back/divestment of own shares				26	26		26
Option premiums				3	3		3
Closing balance, 31 December 2005	1,008	286	135	9,513	10,942	504	11,446

Parent company income statement

SEKm	Note	2005	2004
Other operating income	5	5	8
Other external costs	10	-63	-43
Personnel costs	9, 27	-118	-107
Depreciation of tangible fixed assets	14	-2	-3
Other operating expenses	6	-2	-4
Operating profit		-180	-149
Result from participations in group companies	7	832	51
Result from participations in associates	8	487	1,111
Result from other securities and receivables accounted for as fixed assets	11	204	167
Other interest income and similar profit/loss items	11	52	53
Interest expenses and similar profit/loss items	11	-19	-9
Profit after financial items		1,376	1,224
Tax	12	–	–
Net profit for the year		1,376	1,224

Parent company cash flow

SEKm	Note 36	2005	2004
Operating activities			
Profit before tax		1,376	1,224
Adjustment for non-cash items, etc.		-1,364	-1,117
		12	107
Paid tax		–	–
Cash flow from operating activities before change in working capital		12	107
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-4	2
Increase (+)/Decrease (-) in operating liabilities		34	49
Cash flow from operating activities		42	158
Investing activities			
Acquisitions of shares, subsidiaries		-2,226	-738
Sale of shares, subsidiaries		1,958	162
Purchase of shares, holdings		-13	-189
Sale of shares, holdings		1,138	1,625
Purchase of other tangible fixed assets		-1	-1
Change, financial assets		346	-120
Cash flow from investing activities		1,202	739
Financing activities			
Share buy-backs		-3	-5
Transfer of own shares		29	–
Option premiums		1	0
Dividends paid		-673	-573
New issue		–	35
Increase (+) in interest-bearing liabilities		20	36
Cash flow from financing activities		-626	-507
Cash flow for the year		618	390
Cash and cash equivalents, opening balance		1,890	1,500
Cash and cash equivalents, closing balance		2,508	1,890

Parent company balance sheet

SEKm	Note	31 Dec 2005	31 Dec 2004
ASSETS			
Fixed assets			
Tangible assets	14	13	13
Financial assets			
Participations in group companies	35	3,108	1,840
Participations in associates	17	3,215	3,931
Receivables from group companies	18	493	744
Receivables from associates	18	0	99
Other securities held as fixed assets	20	306	348
Other long-term receivables	21	26	36
Total fixed assets		7,161	7,011
Current assets			
Current receivables			
Receivables from group companies	18	114	17
Receivables from associates	18	0	0
Other receivables		36	115
Tax asset		2	2
Prepaid expenses and accrued income	23	8	10
Short-term investments, other	36	2,477	1,866
Cash and bank balances	36	31	24
Total current assets		2,668	2,034
Total assets		9,829	9,045

SEKm	Note	31 Dec 2005	31 Dec 2004
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital: A shares 21,210,036			
B shares 59,464,590	24	1,008	1,008
Statutory reserve		286	251
Premium reserve		–	35
Unrestricted equity			
Retained earnings		6,829	6,250
Net profit for the year		1,376	1,224
Total equity		9,499	8,768
Provisions			
Provisions for pensions	26, 27	3	3
Long-term liabilities			
Non-interest bearing liabilities			
Other liabilities	29	48	34
Interest-bearing liabilities			
Liabilities to group companies	26	139	130
Total long-term liabilities		187	164
Current liabilities			
Non-interest bearing liabilities			
Accounts payable		4	5
Liabilities to group companies		8	9
Other liabilities		15	14
Accrued expenses and deferred income	30	66	46
Interest-bearing liabilities			
Liabilities to group companies	26	47	36
Total current liabilities		140	110
Total equity and liabilities		9,829	9,045
Pledged assets		None	None
Contingent liabilities		None	None

Parent company's changes in shareholders' equity

SEKm Note 24	Restricted equity Share capital	Statutory reserve	Premium reserve	Unrestricted equity Buy-back own shares	Accumulated profit	Net profit for the year	Total equity
Opening balance, 1 January 2004	1,009	251	5	-181	6,225	778	8,087
Other disposition of earnings					778	-778	0
Net profit for the year						1,224	1,224
Total change in income excl. transactions with company's owners	1,009	251	5	-181	7,003	1,224	9,311
Dividends					-573		-573
New issue	5		30				35
Share buy-backs				-5			-5
Reduction, share buy-backs	-6			42	-36		0
Option premiums					0		0
Closing balance, 31 December 2004	1,008	251	35	-144	6,394	1,224	8,768
Other disposition of earnings		35	-35		1,224	-1,224	0
Net profit for the year						1,376	1,376
Total change in income excl. transactions with company's owners	1,008	286	0	-144	7,618	1,376	10,144
Dividends					-673		-673
Share buy-backs				-3			-3
Call options exercised				29			29
Option premiums					2		2
Closing balance, 31 December 2005	1,008	286	0	-118	6,947	1,376	9,499

Index of notes

Notes to the Financial Statements

Note 1 Accounting principles

Compliance with standards and laws

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the European Commission for application within the EU. This financial report is the first complete financial report prepared in accordance with IFRS. In conjunction with the transition from previous accounting principles to accounting in accordance with IFRS the Group has applied IFRS 1, First-time Adoption of International Financial Reporting Standards. In addition, the Swedish Financial Accounting Standards Council's recommendation RR 30, Complementary accounting rules for groups, is applied.

The Parent company applies the same accounting principles as the Group except in cases specified below in the section Parent company accounting principles.

In one case Ratos has reached the conclusion that application of IFRS leads to misleading financial reports and that it is therefore necessary to differ from the recommendation in order to achieve a fair presentation. The disclosures that are required in accordance with IAS 1, Presentation of Financial Statements, paragraph 18 in the event of departure from IFRS accounting standards are presented below.

Segment reporting is not prepared in accordance with IAS 14

Ratos considers that the company's financial reports provide a fair presentation of the company's financial position, results and cash flow. The intention of not reporting segments according to IAS 14 is to give a fair presentation of the company's operations.

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

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

Segment reporting according to IAS 14 means that different information is provided about group companies and associates. A summary in the notes that only includes group companies, with regard to sales for example, does not reflect opportunities and risks from Ratos's perspective. Segment reporting would therefore be misleading.

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

The variance of not reporting segments according to IAS 14 has no effect on the company's results, assets, liabilities, equity or cash flow.

Conditions for preparation of the financial reports of the Parent company and the Group

The Parent company's functional currency is Swedish kronor (SEK) which also comprises the presentation currency for the Parent company and the Group. This means that the financial reports are presented in Swedish kronor. All amounts are rounded to the nearest million.

Measurement of assets and liabilities is based on historical cost. The following assets and liabilities are measured in another manner:

- Investment properties are measured at fair value.
- Financial instruments are measured either at fair value or amortised cost. Classification is decided on the original acquisition date.
- Associates are reported according to the equity method.
- Valuation of deferred tax assets and liabilities is based on how carrying amounts for assets and liabilities are expected to be realised or settled. Deferred tax is calculated applying current tax rates.
- Holdings held for sale are recognised at the lower of the prior carrying amount and fair value with deduction for selling costs.
- Inventories are valued at the lower of cost and net realisable price.
- Provisions are valued at the amount required to settle an obligation, with a possible present value calculation.
- A net obligation relating to defined benefit pension plans is valued at the present value of an estimate of the future benefit earned by the employees with deduction for any assets linked to the respective pension plan.

The Group's accounting principles, summarised below, are applied consistently to all periods presented in the Group's financial reports and in preparation of the Group's opening balance sheet according to IFRS at 1 January 2004 which explains the transition from previously applied accounting principles to accounting principles according to IFRS. These principles have also been applied consistently to reporting and consolidation of parent companies, group companies, joint ventures and associated companies.

Changed accounting principles

The transition to accounting according to IFRS has for the Group been reported according to IFRS 1 and is described in Note 41. In accordance with a voluntary exemption in IFRS 1, IAS 39 is not applied to comparative figures for 2004 but is applied from 1 January 2005 onwards. Application of IAS 39 affected equity at 1 January 2005 by SEK -124m.

Classification

Fixed assets and long-term liabilities essentially only comprise amounts expected to be recovered or paid after more than 12 months from the balance sheet date.

Consolidated financial statements

Subsidiaries are companies over which Ratos AB exercises control. Control represents directly or indirectly the power to determine a company's financial and operating policies in order to obtain economic benefits. When assessing whether control exists, potential vote-carrying shares that can be utilised or converted without delay are taken into account.

Subsidiaries are reported according to the purchase method. This method means that acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined through an acquisition analysis in conjunction with the acquisition. The analysis determines the cost of participations in the business, the fair value on the acquisition date of acquired identifiable assets as well as assumed liabilities and contingent liabilities. The cost of subsidiaries' shares and business comprises the fair values on the transfer date of assets, liabilities incurred or assumed and issued equity instruments provided as payment in exchange for the acquired net assets as well as transaction costs that are directly attributable to the acquisition. In acquisition of a business, where the cost exceeds the net value of acquired assets and assumed liabilities as well as contingent liabilities, the difference is reported as goodwill. When the difference is negative, this is recognised directly in the income statement.

Acquisition and divestment of companies

At acquisition the company's earnings are included in consolidated earnings from the acquisition date. Companies sold during the year are included in the consolidated income statement with income and expenses until the date control ceases. An exit result is the capital gain or loss that arises when a holding is sold.

Financial statements of associated companies

The Group applies the equity method of accounting for associates in which Ratos has a significant influence, which normally means ownership corresponding to not less than 20% and not more than 50% of the voting rights. From the date a significant influence is acquired, participations in associates are reported in the consolidated financial statements according to the equity method. The equity method means that the book value in the Group of the shares in associates corresponds to the Group's share of equity in associates, any residual values on consolidated surplus and deficit values minus any intra-group profits. In the consolidated income statement, the Group's share of associates' profits after financial income and expenses reduced by depreciation of acquired surplus values and where applicable dissolution of intra-group profit is reported as "Share of profits of associates". The Group's share of associates' reported taxes is included in consolidated tax expenses. Dividends received from associates reduce carrying amounts.

Any difference at acquisition between the cost of the holding and the owner company's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is reported in accordance with IFRS 3 Business Combinations.

The equity method is applied until the date a significant influence ceases to exist.

Joint-venture companies

For accounting purposes, joint-venture companies are defined as companies in which the Group together with other parties through an agreement has shared control over operational and financial activities. Holdings in joint-venture companies are consolidated in the accounts according to the proportional consolidation method. Application of the proportional consolidation method means for joint-venture companies the Group's share of the companies' income and expenses and assets and liabilities respectively are reported in the Group's income statement and balance sheet respectively. This is done by the co-owner's share of assets and liabilities, income and expenses in a joint venture company being included item for item in corresponding items in the co-owner's consolidated financial statements.

Transactions eliminated at consolidation

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses that arise from transactions between group companies, are eliminated entirely.

Unrealised gains that arise from transactions with associates are eliminated to the extent that matches the Group's share in the company. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent there is no indication of impairment.

Foreign currency

Transactions

Transactions in foreign currency are translated into the functional currency at the exchange rate that prevails on the transaction date.

Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate that exists on the closing date. Exchange differences that arise on translation are recognised in the income statement. Non-monetary assets and liabilities reported at historical costs are translated at the exchange rate on the transaction date. Non-monetary assets reported at fair values are translated to the functional currency at the rate that prevails on the date of fair value measurement. The exchange rate fluctuation is then reported in the same way as other changes in value relating to assets or liabilities.

Financial reports of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated into Swedish kronor at the exchange rate prevailing on the balance sheet date. Income and expenses in a foreign operation are translated into Swedish kronor at an average rate that comprises an approximation of the rates on each transaction date. Translation differences that arise on translation of foreign operations are reported directly in equity as a translation reserve.

Net investment in foreign operations

Translation differences that arise in conjunction with translation of a foreign net investment and related effect of hedges of net investments are reported directly in the translation reserve in equity. In the event of a sale of a foreign operation the accumulated translation differences attributable to the operations are realised after deduction for any currency hedging in the consolidated income statement.

Revenue recognition

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

Revenues from service assignments are recognised in the income statement when the financial results can be calculated in a reliable manner. Income and expenses are then recognised in the income statement in relation to the percentage of completion of the assignment.

Financial income and expenses

Net financial items include dividends, interest, costs for raising loans and exchange-rate fluctuations relating to financial assets and liabilities. Capital gains or losses and impairment of financial assets are also reported in net financial items. Unrealised and realised changes in value relating to financial assets valued at fair value via the income statement, including derivatives instruments that are not recognised directly in equity due to hedge accounting, are reported directly in equity.

In addition, payments relating to finance leases are divided between interest expense and amortisation. Interest expense is recognised as a financial expense.

Intangible assets

Goodwill

If at acquisition of a business a positive difference arises between cost and fair value of acquired assets, assumed liabilities and contingent liabilities, the difference comprises goodwill.

For goodwill in acquisitions that took place prior to 1 January 2004, the Group at transition to IFRS has not applied IFRS retrospectively but the carrying amounts at that date will in future comprise the Group's cost, after testing for impairment.

Goodwill is valued at cost minus any cumulative impairment losses. Goodwill is no longer amortised but is tested annually for impairment Goodwill that arose at acquisition of associates is included in the carrying amount for participations in associates.

Research and development

Research expenditure is recognised as an expense as incurred. In the Group, development costs are only recognised as intangible assets provided it is technically and financially possible to complete the assets, the intention is and conditions exist for using the assets and the expenditure can be calculated in a reliable manner. Depreciation is started when the product goes into operation and distributed on a straight line basis over the period the product provides economic benefits. Other development costs are expensed in the period in which they arise.

Other intangible fixed assets

Other intangible fixed assets acquired by the Group are reported at cost with deduction for impairment and, if the asset has a determinable useful life, cumulative depreciation.

Carrying amounts for intangible assets with an indeterminable useful life and which therefore are not depreciated, were tested for impairment at 1 January 2004 (transition date to IFRS) even though there was no indication of impairment.

Costs incurred for internally generated goodwill and internally generated trademarks are reported in the income statement when the cost is incurred.

Depreciation

Depreciation is reported in the income statement on a straight-line basis over the estimated useful life of intangible assets, provided such useful lives are not indeterminable.

Depreciable intangible assets are depreciated from the date when they are available for use. The estimated useful lives are:

	Group
Trademarks	5 - 19 years
Databases	5 - 10 years
Customer relations	4 - 11 years
Other intangible assets	1 month - 20 years

Investment properties

All properties owned by LRT/Tornet are classified as investment properties. Investment properties are measured in the consolidated balance sheet at fair value. The measurement is carried out internally in a consistent manner for all properties using a valuation model based on the cash flows from the properties. Both unrealised and realised changes in value are recognised in the income statement.

Tangible fixed assets

Owned assets

Tangible fixed assets are recognised as an asset in the balance sheet if it is probable that future economic benefits will accrue to the Group and the cost of the assets can be calculated in a reliable manner.

Tangible fixed assets are reported in the Group at cost after deduction for cumulative depreciation and any impairment losses. Cost includes the purchase price as well as costs directly attributable to the asset in order to put it in place and in a condition to be utilised in accordance with the purpose of its acquisition. Examples of directly attributable costs included in cost are costs for delivery and handling, installation, registration of title, consulting services and legal services.

Tangible fixed assets that consist of components with different useful lives are treated as separate components of tangible fixed assets.

The carrying amount of a tangible fixed asset is derecognised from the balance sheet at disposal or sale or when no future economic benefits are expected from use or disposal/sale of the asset. Gains or losses that arise from sale or disposal of an asset comprise the difference between the selling price and the carrying amount of the asset with deduction for direct selling costs. Gains and losses are reported as other operating income/expense.

Leased assets

IAS 17 is applied to leased assets. Leases are classified in the consolidated financial statements as either operating or finance leases. A finance lease exists when the economic risks and benefits associated with ownership are essentially transferred to the lessee. If this is not the case, it is an operating lease.

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

Borrowing costs

Borrowing costs that are directly attributable to the purchase, construction or production of an asset and which take a significant time to complete for its intended use or sale are included in the cost of the asset. Capitalisation of borrowing costs is carried out provided it is probable that they will lead to future economic benefits and the costs can be measured in a reliable manner.

Depreciation principles

Depreciation is carried out on a straight-line basis over the estimated useful life of the assets, land is not depreciated. The Group applies component depreciation which means that the estimated useful life of the components forms the basis for depreciation.

Years	Group	Parent company
Buildings	15 - 100	35 - 100
Equipment	3 - 20	3 - 10

The residual value and useful life of an asset is assessed annually.

Impairment losses

On each closing date an assessment is made of whether there is any indication that an asset has an impaired value. If such indication exists, the recoverable amount of the asset is calculated.

Assessment of carrying amount is performed in another manner for certain assets. This applies to investment properties, inventories, assets for sale and disposal groups reported according to IFRS 5, assets under management used for financing of employee benefits and deferred tax assets as well as financial instruments, see respective headings.

In the Ratos Group, goodwill and intangible assets with an indeterminable useful life are attributed to a holding, i.e. a subsidiary or associate, where each holding comprises a cash-generating unit. Testing for impairment is performed per subsidiary and associate, including the value of goodwill and intangible assets with an indeterminable useful life which are attributable to the company in question. Testing of the value of investments in subsidiaries and associates is performed annually by calculating the recoverable amount regardless of whether or not an impairment indication exists.

An impairment loss is recognised when the carrying amount exceeds the recoverable amount. An impairment loss is charged to the income statement.

Calculation of recoverable amount

The recoverable amount is the higher of fair value with deduction for selling costs and value in use. For a more detailed description, see Note 13.

Reversal of impairment losses

Impairment losses on goodwill are not reversed.

Impairment losses on other assets are reversed if a change has occurred in the assumptions that form the basis of calculation of the recoverable amount. An impairment is only reversed to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if no impairment had been recognised, taking into account the amortisation that would then have taken place.

Financial instruments

General principles

With effect from 1 January 2005 financial instruments are recognised and measured in the Group in accordance with the rules in IAS 39.

Changes in value that are due to currency translation regarding operating assets and liabilities are recognised in profit or loss while such changes in value relating to financial assets and liabilities are recognised in net financial items.

Financial instruments can be measured at fair value, cost or amortised cost. The intention at the original acquisition date determines how an instrument should be measured. A division is made into the categories listed below which specifies the measurement technique. This category classification is not specified in the balance sheet.

– Financial assets at fair value through profit or loss

Assets held for trading are classified in this category which means that the intention is to sell them in the short-term. Derivative instruments are always classified in this category with the exception of cases where they are classified as hedging instruments when hedge accounting is applied (see below). Assets in this category are remeasured on a current bases at fair value with changes in value recognised in profit or loss. The intention of a derivative instrument decides whether the change in value is recognised in net financial items or in operating profit.

The fair value of listed financial assets corresponds to the listed purchase price of the assets on the balance sheet date. The fair value of unlisted financial assets is determined by using valuation techniques such as recently completed transactions, prices for similar instruments and discounted cash flows. Investments in equity instruments that do not have a listed market price, and where a value cannot be determined in a reliable manner, are measured at cost. For further information see Note 19.

This category includes cash and cash equivalents (immediately available balances at banks and similar institutions, as well as short-term investments with an original maturity of less than three months), derivative instruments that are not classified as hedging instruments, financial investments that comprise shares, as well as other financial investments. If the maturity or the anticipated holding period of a financial investment is longer than one year, the investment is called a financial fixed asset and if maturity is less than one year a short-term investment.

– Loans and receivables

This category comprises non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market. Receivables arise when the company provides money, goods and services directly to the borrower without the intention to trade in the receivables. Assets in this category also include acquired receivables. Assets in this category are measured at amortised cost. Amortised cost is determined on the basis of the effective interest calculated on the acquisition date.

This category includes accounts receivable, loan receivables and other receivables. Accounts receivable are reported at the amount at which they are expected to accrue after deduction for individual assessment of doubtful debts. Impairment of accounts receivable is recognised in operating expenses. Accounts receivable have a short remaining maturity and are therefore valued at a nominal amount without discount.

For loan receivables and other receivables if the anticipated holding period exceeds one year they are reported as long-term receivables, in other cases as other receivables.

– Financial liabilities at fair value through profit or loss

This category comprises derivative instruments that are not used for hedge accounting. These are valued on a current basis at fair value with changes of value recognised in profit or loss. The purpose of the derivative instrument determines whether a change in value is recognised in net financial items or in operating profit or loss.

– Other financial liabilities

Interest-bearing and non-interest-bearing liabilities that are not held for trading are reported in this category. Measurement is at amortised cost. Amortised cost is determined on the basis of the effective interest calculated when the liability was incurred. This means that surplus and deficit values are allocated over the term of the liability.

Issue costs and similar direct transaction costs for raising loans are included in cost and accrued over the maturity of the loan.

Accounts payable, that have a short anticipated maturity are measured at nominal amounts without discount.

Impairment of financial assets

At each reporting date the company evaluates whether there are objective indications that a financial asset or group of financial assets are impaired. For equity capital instruments a significant and prolonged decline in fair value below the cost of the instrument is required before an impairment loss is recognised.

Reversal of earlier impairments may take place if a later increase in the recoverable amount can objectively be attributable to an event that occurred after the impairment was recognised. For assets in the loan receivables and accounts receivable category, which are recognised at amortised cost, the recoverable amount of an asset is calculated as the present value of future cash flows discounted with an effective interest that applied when the asset was recognised for the first time. No discounting is made on assets with short maturities.

Derivative instruments and hedge accounting

The company uses various types of derivative instruments (forward contracts, options and swaps) in order to hedge different financial risks, primarily currency risks and interest rate risks.

All derivative instruments are recognised at fair value in the balance sheet. The changes in value that arise on remeasurement can be recognised in different ways depending on whether the derivative instrument is classified as a hedging instrument or not.

If a derivative instrument is not classified as a hedging instrument the change in value is then recognised directly in profit or loss.

For derivative instruments that comprise hedging instruments in a cash flow hedge, the effective part of the change in value is recognised in equity, while the ineffective part (normally an amount of marginal size) is recognised directly in profit or loss.

The part of change in value that is recognised in equity is then taken to the income statement, which takes place in the later period when the hedge item affects profit or loss. If hedge accounting is discontinued prior to that, the change in value recognised in equity is taken to profit or loss. If, on the other hand, the hedged item is no longer expected to occur, the change in value recognised in equity is immediately taken to profit or loss.

If hedge accounting is discontinued before the maturity of the derivative instrument the derivative instrument returns to classification as a financial asset or liability valued at fair value via the income statement, and the future changes in value of the derivative instrument are thereby recognised directly in the income statement.

Cash flow hedges are mainly used in the following cases: (i) when forward exchange contracts are used to hedge currency risk in future purchases and sales in different foreign currencies and (ii) when interest swaps are used in order to replace borrowing at floating interest to interest payments at fixed interest.

In order to meet the requirements for hedge accounting according to IAS 39, there must be an unequivocal link to the hedged item. Furthermore, it is required that the hedge effectively protects the hedged item, that hedging documentation is prepared and that effectiveness can be shown to be sufficiently high through effectiveness measurement.

Inventories

Inventories are measured at the lower of cost and net realisable price.

Cost comprises all costs for purchase, costs for manufacture and other costs of bringing the goods to their current location and condition. Cost for goods that are not exchangeable and for goods and services that are produced for and held separately for specific projects are determined based on the specific costs attributable to the respective product.

For other goods, cost is calculated according to the first-in, first-out principle or through methods based on a weighted average.

Share capital

Holdings of own shares and other equity capital instruments are recognised as a reduction of equity. Acquisition of such instruments is reported as a deductible from equity. Proceeds from the sale of equity instruments are reported as an increase in equity. Any transaction costs are reported directly in equity.

Employee benefits

Defined contribution plans

Obligations relating to contributions to defined contribution plans are recognised as an expense in the income statement when they arise.

Obligations for retirement pension and family pension for salaried employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Councils Emerging Issues Task Force, URA 42, this is a defined benefit plan that covers several employers. For the 2005 financial year the company did not have access to such information which makes it possible to report this plan as a defined benefit plan. The pension plan according to ITP which is secured through an insurance with Alecta is therefore reported as a defined contribution plan. The premiums for the year for pension insurance taken out in Alecta amount to SEK 51m. Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2005, Alecta's surplus in the form of the collective funding ratio amounted to 129% (128%). The collective funding ratio comprises the market value of Alecta's assets expressed as a percentage of insurance commitments calculated according to Alecta's actuarial calculation assumptions which do not concur with IAS 19.

Defined benefit plans

The Group's net obligation relating to defined benefit plans is calculated separately for each plan through an estimation of the future benefits that the employees have earned through their employment in both current and prior periods. This remuneration is discounted to a present value and the fair value of any plan assets is deducted. The discount rate is the rate on the balance sheet date for a first-class corporate bond with immaturity that corresponds to the Group's pension obligations. Where there is no active market for such corporate bonds the market rate on government bonds with a corresponding maturity is used instead. This calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits in a plan improve, the portion of the increased benefits attributable to the employees' past service is recognised as an expense in the income statement allocated on a straight line over the average period until the benefits are totally earned. If the benefits have been fully earned, an expense is recognised directly in the income statement.

All actuarial gains and losses at 1 January 2004, the date of transition to IFRS, have been recognised. The corridor rule is applied to actuarial gains and losses that arise from calculation of the Group's obligations for different plans after 1 January 2004. The corridor rule means that the portion of accumulated actuarial gains and losses that exceeds 10% of the larger of the present value of the obligations and the fair value of the plan assets is recognised in profit or loss over the anticipated average remaining period of service for the employees covered by the plan. Otherwise, actuarial gains and losses are not taken into account.

When the calculations lead to an asset for the Group, the carrying amount of the asset is limited to the net of unrecognised actuarial losses and unrecognised expenses for past service and the present value of future repayments from the plan or decreased future payments to the plan. When there is a difference between how the pension cost is determined in a legal entity and group, a provision or receivable is reported relating to special payroll tax based on this difference. The provision or receivable is not calculated at present value.

Other long-term benefits

The portion of variable compensation to employees that is only paid if the employee remains in service, is reported under Other long-term liabilities. The amount is calculated at present value and the discount rate is determined in the same manner as for defined benefit pensions.

Incentive programmes

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

Group companies' incentive programmes are carried out on market terms.

Dilution effect of options

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

Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or constructive obligation as a consequence of an event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimation of the amount can be made. When the effect of timing of the payment is significant, provisions are calculated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the value in time of the money and, where applicable, the risks associated with the liability.

Tax

Income taxes comprise current tax and deferred tax, Income taxes are recognised in the income statement except when the underlying transaction is recognised directly in equity, when the inherent tax effect is recognised in equity.

Deferred tax is calculated on the basis of the difference between reported and tax assessment value of assets and liabilities if it is probable that recovery or adjustment respectively of the difference is probable. A valuation is performed based on the tax rates and tax regulations decided or announced as per the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carry forwards are only recognised to the extent it is probable that these will be utilised. The value of deferred tax assets is reduced when it is no longer assessed as probable that they can be used.

Holdings held for sale

A holding, i.e. a subsidiary or associate, is classified as a holding held for sale when it is highly probable that a sale will take place. This means that the holding is recognised at the lower of carrying amount and fair value with deduction for selling costs, and reported as a current asset on a separate line in the balance sheet.

Contingent liabilities

A contingent liability is recognised when there is a possible assumption that stems from events that have taken place and when their occurrence is only confirmed by one or more uncertain future events or when there is an assumption that is not recognised as a liability or provision since it is probable that an outflow of economic benefits will be required.

Parent company's accounting principles

The parent company prepares its annual accounts in accordance with the Annual Accounts Act (AAA)(1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RR 32 Accounting for legal entities. RR 32 means that the parent company in the annual accounts for a legal entity must apply all EU approved IFRS and statements as far as this is possible within the framework of the Annual Accounts Act, the Income Security Act and taking into account the correlation between accounting and taxation. The recommendation states what exemptions and additions should be made from IFRS. The differences between the Group's and the parent company's accounting principles are stated below.

In accordance with the interim rules in RR 32, the company has chosen to apply AAA Chapter 4, §14a-e which allows measurement of some financial instruments at fair values. The rules in AAA Chapter 4, §14a-e will be applied with effect from 1 January 2006. This will lead to a change of accounting principle.

The accounting principles set out below for the parent company are applied consistently to all periods presented in the parent company's financial reports.

Revenue recognition

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

Associated companies

Interests in associated companies are reported in the parent company according to the acquisition cost method.

Financial instruments

The parent company does not apply the measurement rules in IAS 39. What is otherwise written about financial instruments also applies to the parent company. In the parent company financial fixed assets are measured at cost minus any impairment and financial current assets according to the lower of cost or net realisable value.

Tangible fixed assets

The parent company recognises tangible fixed assets at cost after deduction for cumulative depreciation and any impairment.

Defined benefit pension plans

In the parent company, other bases are used for calculation of defined benefit pension plans than those stated in IAS 19. The parent company follows the regulations in the Income Security Act and directives from the Swedish Financial Supervisory Authority since this is a pre-requisite for the right to deduct tax. The most important differences compared with the rules in IAS 19 are how the discount rate is determined, that calculation of the defined benefit obligations is based on current salary without an assumption on future salary increases, and that all actuarial gains and losses are recognised in the income statement as they arise.

Group contributions and shareholder contributions

The parent company reports shareholder contributions in accordance with the statement from the Emerging Issues Task Force. Shareholder contributions are taken directly to equity at the recipient and capitalised in shares and participations at the issuer, to the extent no impairment is recognised.

The parent company is taxed in accordance with the rules for investment companies which means that the parent company can neither give nor receive Group contributions.

Tax

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

Note 2 Consolidated income statement

SEKm	2005	2004
Holdings		
Profit from group companies	716	168
Exit gains, group companies	91	
Share of profits of associates	1,411	806
Exit gains, associates	391	1,356
Impairment loss, associates	-29	-17
Dividends, other holdings	36	28
Exit gains, other holdings	125	82
Profit from holdings	2,741	2,423
Central income and expenses		
Management costs	-191	-161
Financial items	51	63
Net expenses	-140	-98
Profit before tax	2,601	2,325
Tax	-464	-210
Net profit for the year	2,137	2,115
Attributable to		
Parent Company shareholders	2,079	2,111
Minority shareholders	58	4

For formal reasons Ratos has chosen to report the income statement in accordance with IAS 1. Ratos's business concept is to acquire, develop and subsequently divest companies. This means that Ratos has many clear special characteristics in relation to a "normal" operating company and is not a group in the traditional sense. Sales change if a group company is sold and associates acquired or vice versa, although such changes are part of the company's operations. In order to better reflect Ratos's operations, group companies are reported in this note according to the equity method. The lines which have the same values in both presentation forms are therefore profit before tax, tax and profit after tax.

Note 3 Revenue breakdown

SEKm	2005	2004
Breakdown of net sales		
Sales of goods	7,281	2,579
Construction contracts		593
Service assignments	1,519	719
Securities trading		9
Other		4
	8,800	3,904

Note 4 Company acquisitions

In July, Ratos acquired 83% of Norway's leading wine and spirits supplier Arcus Gruppen. The company was formed in 1996 on the initiative of the Norwegian government and privatised in 1998. Co-investors are HOFF Norske Poteteindustri with 10% and management and board with 7%. The deal was finalised in September/October and Arcus is included in Ratos's results from October. Sales during the period totalled SEK 467m and profit before tax SEK 68m. Ratos's investment amounted to SEK 474m.

cont.

Ratos-owned Infodata merged with Bonniers Business Information. Ratos's holding amounts to 80% and the remainder is owned by Bonnier. Bonnier also has a convertible corresponding to 10% of the share capital. Ahead of the merger the BTJ Infodata Group was divided into two main components BTJ Nordic and Infodata. Ratos acquired the remaining shares in Infodata and increased its holding in BTJ Nordic to 59% whereupon Infodata was sold to the newly formed group. The total net investment is expected to amount to SEK 530m when the German operations are also included after year-end. Investment in the newly formed group during the year amounted to SEK 857m, excluding the effect of the sale of Infodata. The group was consolidated with effect from September and is included in consolidated earnings with SEK 1,002m in sales and profit before tax of SEK 113m.

In both the above cases the acquisitions were made by a newly formed holding company. Ratos's investment relates to capital provided to the holding companies. All surplus values are recognised as goodwill since other such values were identified in the subgroups. The values that last arose include trademarks, databases and customer relations, see Note 13. The tables below show fair value on the acquisition date.

During the year the subsidiary Inwido acquired companies in Sweden, Denmark, Finland and Lithuania. Investments totalled SEK 1,044m. The newly acquired companies are included in the Group's sales with SEK 754m and in profit before tax with SEK 109m.

In January, the subsidiary Haendig acquired Lundbergs Produkter and Westerbergs Badrum was acquired in May. The investment totalled SEK 104m. The acquired companies are included in the Group's sales with SEK 271m and in profit before tax with SEK 11m.

The Norwegian subsidiary Bluegarden acquired the Swedish company PA-konsult at the beginning of the year. The total investment amounted to SEK 176m. The company is included in the Group's sales with SEK 105m and in profit before tax with SEK 9m.

To a lesser extent the value of the order backlog was identified but the overall majority is attributable to goodwill.

Ratos's acquisitions

SEKm	Arcus	Bisnode	Total
Intangible fixed assets	291	463	754
Tangible fixed assets	700	141	841
Financial fixed assets	25	213	238
Inventories	319	5	324
Other receivables	507	639	1,146
Cash and cash equivalents	142	91	233
Minority in acquired company		28	28
Long-term liabilities	788	2,213	3,001
Current liabilities	980	870	1,850
Net identifiable assets and liabilities	216	-1,559	-1,343
Consolidated goodwill	354	2,781	3,135
Purchase price, total	570	1,222	1,792
Ratos's holding, %	83	80	
Purchase price paid	474	857	1,331
Of which shareholder loan		382	382

Part of the above consolidated goodwill arose through intra-group transactions and is therefore eliminated in the Group.

cont. next page

Note 4 cont.

Major acquisitions made by group companies

SEKm	Inwido	Haendig	Bluegarden	Total
Fixed assets				
Intangible	4		5	9
Tangible	148	26	1	175
Financial	7			7
Inventories	128	54		182
Accounts receivable and other receivables	150	55	22	227
Cash and cash equivalents	164	25	12	201
Minority in acquired company	12			12
Long-term liabilities	228	50	2	280
Current liabilities	190	52	34	276
Net identifiable assets and liabilities	171	58	4	233
Consolidated goodwill	873	46	172	1,091
Purchase price paid	1,044	104	176	1,324

Goodwill

Analyses of acquired intangible assets were performed before each acquisition.The goodwill that arose after valuation of intangible assets can be attributed to the acquired companies' organisation and market position.

Note 5 Other operating income

Group

SEKm	2005	2004
Rental income	8	4
Gain from the sale of fixed assets	4	1
Exchange gains on operating receivables/liabilities	2	2
Other	26	13
	40	20

Parent company

SEKm	2005	2004
Rental income	4	4
Other	1	4
	5	8

Note 6 Other operating expenses

Group

SEKm	2005	2004
Property costs	-2	-3
Other	-24	-1
	-26	-4

Parent company

SEKm	2005	2004
Property costs	-2	-3
Other	0	-1
	-2	-4

Note 7 Capital gain from the sale of group companies

Group

SEKm	2005	2004
BTJ Infodata	84	
Lidan	7	
	91	

Result from participations in group companies

Parent company

SEKm	2005	2004
Dividends	20	51
Result from sale of shares	812	
Result from participations in group companies	832	51

Note 8 Share of profits of associates

Group

SEKm	2005	2004
Share of profits		
Alimak Hek	37	31
Atle Industri	5	42
BTJ Infodata	38	48
Camfil	79	62
DIAB	45	40
Dynal Biotech	6	39
Gadelius		4
HL Display	16	21
Lindab	233	143
LRT/Tornet	941	275
Martinsson	1	15
Superfos	10	48
Dahl		37
Q-Labs		1
Total share of profits	1,411	806
Exit gains		
Atle Industri/Envac	124	
Dahl		1,355
Dynal	283	1
Martinsson	-17	
Q-Labs		0
Superfos	1	
Total exit gains	391	1,356
Impairment losses		
Atle		-17
Atle Industri	-29	
Share in profits of associates	1,773	2,145
Costs attributable to "central companies"	-34	-54
Share of profits of associates, owned by Ratos	1,739	2,091
Share of profits of associates, owned by subsidiaries		
Exit gains	5	
	1,744	2,091

cont. next page

Note 8 cont.

Result from participations in associates

Parent company

SEKm	2005	2004
Dividends	41	12
Result from sale of shares	464	1,261
Impairment loss	-18	-162
Result from participations in associates	487	1,111

Note 9 Employees and personnel costs

Average number of employees

	2005 Total	2005 Of whom men, %	2004 Total	2004 Of whom men, %
Parent company	29	45	28	43
Group companies	5,379	67	1,768	73
Group total	5,408	67	1,796	72
Of whom in				
Sweden	2,731	66	656	78
Norway	1,093	64	441	55
Finland	397	63	137	86
USA	83	89	65	89
Germany	41	83	51	82
UK	140	63	41	88
Spain	32	87	31	87
Australia	28	89	23	91
Netherlands	40	77	21	91
Japan	195	78	151	77
China	36	81	27	74
Austria	33	73	12	83
Poland	115	77	45	33
France	10	70	8	75
India	6	83	10	90
Italy	8	75	8	75
Singapore	10	80	8	75
Korea	10	80	8	75
Denmark	291	66	43	47
Canada	0	0	8	100
Brazil	9	89	2	100
Ireland	7	57		
Czech Republic	15	40		
Hungary	24	29		
Slovakia	3	0		
Switzerland	21	52		
Belgium	5	60		
Slovenia	15	33		
Lithuania	6	33		
Estonia	3	67		
Mexico	1	100		

Bisnode and BTJ Intressenter are included from September and Arcus is included from October.

	Women	Men	Total
Boards			
Parent company	1	7	8
Group companies	49	479	528
Total	50	486	536
Company management			
Parent company	1	5	6
Group companies	58	200	258
Total	59	205	264

Group

Salaries and other remuneration

	Board of Directors, CEO and Deputy CEO		Others	
SEKm	2005	2004	2005	2004
Group	131.9	65.4	1,575.6	706.6
(of which bonus)	(35.6)	(18.5)		
Of which in Sweden	50.8	37.2	825.1	245.6
(of which bonus)	(20.6)	(15.4)		
Other countries	81.1	28.2	750.5	460.9
(of which bonus)	(15.0)	(3.1)		

Social security costs

SEKm	2005	2004
Social Security costs	617.7	247.6
(of which pension costs)	(159.4)	(68.5)

Of the Group's pension costs SEK 20.3m (8.4) refers to the present and former Board of Directors and CEO.The company's outstanding pension commitments to these amount to SEK 16.4m (3.1).

The average number of employees, salaries and other remuneration and social security costs only relate to group companies in the Group at year-end.

Parent company

Salaries and other remuneration

SEKm	2005	2004
Board of Directors, CEO and Deputy CEO (Sweden)	21.8	21.6
(of which bonus)	(11.4)	(12.6)
Other employees (Sweden)	55.8	42.1
Total	77.6	63.7
Payroll overhead	38.1	37.7
(of which pension costs)	(10.5)	(7.5)

Of the Parent company's pension costs, SEK 2.8m (2.3) refers to the present and former Board of Directors and CEO. The company's outstanding pension commitments to these amount to SEK 2.9m (3.1) and pertain to former Board members who were employees.

Absence due to illness as a percentage of working hours

	2005	2004
Total absence due to illness		
Total absence due to illness as % of normal working hours	2.1	1.9
Proportion of contiguous absence due to illness of 60 days or more	40.1	48.8
Gender breakdown		
Men	0.4	0.2
Women	3.3	3.2
Breakdown by age		
< 30 years	2.2	
30-49 years	2.4	1.6
> 50 years	1.7	2.5

Note 10 Fees and disbursements to auditors

Fees and disbursements

SEKm	2005 Group	2005 Parent company	2004 Group	2004 Parent company
KPMG				
Auditing assignment	8	3	5	2
Other assignments	3	1	4	1
Ernst & Young				
Auditing assignments	3	1	0	
Other auditors	10	3	2	0
	24	7	12	3

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

Note 11 Financial income and expenses

Group

SEKm	Financial income 2005	Financial income 2004
Dividends	36	28
Result from sale of shares	126	83
Interest income	86	113
Exchange rate fluctuations, net	1	0
Other financial income	3	1
	252	225

Group

SEKm	Financial expenses 2005	Financial expenses 2004
Interest expenses	-138	-37
Exchange rate fluctuations, net	0	-6
Other financial expenses	-18	-12
	-156	-55

Parent company

SEKm	Result from other securities and receivables accounted for as fixed assets 2005	2004	Other interest income and similar profit/loss items 2005	2004
Dividends	36	28		
Result from sale of shares	125	82		
Interest income				
group companies	42	55	6	
associates				12
other	1	2	41	41
Exchange rate fluctuations, net			5	
	204	167	52	53

cont.

SEKm	Interest expenses and similar profit/loss items 2005	2004
Interest expenses, group companies	-11	-3
Interest expenses, other		-1
Exchange rate fluctuations, net		-1
Other financial expenses	-8	-4
	-19	-9

Note 12 Taxes

Reported in the income statement

SEKm	2005	2004
Tax expense for the period	-178	-50
Adjustment of tax attributable to previous years	0	
Share in tax of associates	-251	-161
	-429	-211
Deferred tax relating to temporary differences:		
Tangible fixed assets	-2	
Intangible fixed assets	1	
Financial fixed assets	6	
Inventories	-3	
Accounts receivable	-2	
Pension provisions	-4	
Provisions	-3	
Other	-16	
Tax allocation reserves	-12	
Deferred tax expense due to utilisation of earlier capitalised tax value in loss carry forward	-39	-9
Deferred tax credit in capitalised tax value in loss carry forward during the year	39	
Use of earlier non-capitalised loss carry forward		10
	-35	1
Total recognised tax expense in the Group	-464	-210

cont. next page

Note 12 cont.

Reconciliation effective tax, Group

SEKm	2005	2004
Profit before tax	2,601	2,325
Less profit from associates	-1,377	-752
	1,224	1,573
Tax according to current tax rate, 28%	-343	-440
Effect of special taxation rules for investment companies	144	391
Effect of other tax rates in other countries	-8	-5
Non-deductible expenses	-20	-4
Non-taxable income	5	1
Increase in loss carry forward without corresponding capitalisation of deferred tax	-9	-9
Use of previously non-capitalised tax loss carry-forward	16	10
Tax attributable to previous years	2	
Other	0	7
Tax in associates	-251	-161
Reported effective tax	-464	-210

Tax items recognised directly in equity

SEKm	2005
Deferred tax attributable to hedging reserve	11
Deferred tax attributable to fair value reserve	1
	12

Recognised deferred tax assets and liabilities

Group

	Deferred tax asset		Deferred tax liability	
SEKm	2005	2004	2005	2004
Tangible fixed assets	42		150	61
Intangible fixed assets	31		199	
Financial fixed assets	1		9	
Provisions for pensions	75	14	4	
Other provisions	25	11	7	
Interest-bearing liabilities	0		0	
Inventories	15	11	1	
Accounts receivable	6	3	1	
Intra-group profits	0	5	0	
Other	30	5	0	0
Loss carry-forward	52	14	-1	
Tax allocation reserves	2		105	
Tax assets/tax liabilities	279	63	475	61
Offsets	-144	-18	-144	-18
Tax assets/tax liabilities, net	135	45	331	43

cont.

Unrecognised deferred tax assets

Unrecognised deferred tax assets amount to 28% of the amounts in the table below.

SEKm	2005	2004
Deductible temporary differences	74	33
Tax deficit	442	427
	516	460

Most of the unmeasured loss carry forwards are attributable to subsidiaries administered centrally by Ratos. A small portion of the tax deficit, SEK 17m, falls due in 2006. The remainder of the tax deficit does not have set due dates.

Since it is improbable that unrecognised tax assets will lead to lower tax payments in the future, these have not been assigned any value.

Parent company

The parent company is taxed according to the rules for investment companies. This means that any capital gains that arise are not liable to tax. The company reports a standard income corresponding to 1.5% of the market value of listed shares and at year-end have been held for less than one year or where the holding is less than 10%. Dividends received are reported as income. Net interest and overheads are tax deductible as are dividends paid.

Note 13 Intangible fixed assets

SEKm	Goodwill	Trademarks	Databases	Customer relations	Other assets	Total
Reported net value/Accumulated cost						
Opening balance 1 January 2004	592				158	750
Investments	32				11	43
Associates that become group companies	130					130
Acquisition of operations	985				19	1,004
Exchange differences for the year	-11				1	-10
Closing balance 31 December 2004	1,728				189	1,917
Opening balance 1 January 2005	1,728				189	1,917
Investments	27		11		68	106
Reclassification to non-intangible asset	-9					-9
Acquisition of operations	4,018	356	227	143	164	4,908
Divestments	-26		-4			-30
Exchange differences for the year	34	-3			9	40
Closing balance 31 December 2005	5,772	353	234	143	430	6,932
Accumulated amortisation and impairment losses according to plan						
Opening balance 1 January 2004					-56	-56
Amortisation for the year					-22	-22
Accumulated amortisation in acquired companies					-15	-15
Exchange differences for the year					0	0
Closing balance 31 December 2004					-93	-93
Opening balance 1 January 2005					-93	-93
Amortisation for the year		-2	-8	-9	-63	-82
Accumulated amortisation in acquired companies			-38		-64	-102
Exchange differences for the year					-7	-7
Closing balance 31 December 2005		-2	-46	-9	-227	-284
Value according to consolidated balance sheet	5,772	351	188	134	203	6,648

Other intangible assets include expenditure brought forward for business systems amounting to SEK 98m.

Impairment testing for goodwill and intangible assets with indeterminable useful lives attributable to group companies

The Ratos Group's goodwill and intangible fixed assets with indeterminable useful lives are distributed as follows:

	2005		2004	
	Goodwill	Intangible fixed assets*)	Goodwill	Intangible fixed assets*)
Bisnode	2,465	62		
Inwido	1,740	0	863	0
	4,205	62	863	0
Subsidiaries without significant goodwill and intangible fixed assets *), total	1,567	220	865	0
	5,772	282	1,728	0

*) Relates to intangible assets with indeterminable useful lives and which are therefore not amortised.

Goodwill and intangible assets with indeterminable useful lives recognised in the Ratos Group's balance sheet are attributable to a subsidiary when they constitute cash generating units. Only goodwill and intangible assets with indeterminable useful lives attributable to Bisnode and Inwido are of a significant size on their own in relation to the Ratos Group's total goodwill.

Subsidiaries without significant goodwill and intangible fixed assets, total

Goodwill attributable to Ratos subsidiaries, except Bisnode and Inwido, are not significant on their own in relation to the Ratos Group's total goodwill.

Estimated recoverable amount for these comprises either value in use or fair value with deduction for selling costs.

Methods for estimating key variables differ between subsidiaries since each holding is itself an independent unit with different conditions.

Value in use

Value in use is calculated as Ratos's share of present value of future estimated cash flows generated by the holding until a planned exit date as well as estimated proceeds on final divestment.

cont. next page

Estimations of future cash flows are based on reasonable and verifiable assumptions that comprise Ratos's best estimations of the economic conditions that are expected to prevail until the exit date, whereby great weight is given to external factors. Assessments of future cash flows are based on the most recent budget/forecasts decided. These cover the period until the exit date, a maximum of five years. If the exit date in any case should be further away than five years, assessments of future cash flows are based on an assumption of an unchanged or declining growth rate unless an increasing growth rate can be motivated.

Estimates of future cash flows do not cover future payments attributable to future restructuring that the holding is not yet bound to implement. As soon as the holding is bound to implement restructuring, future cash flows contain savings and other advantages that restructuring and payments such as restructuring are expected to produce.

Nor do estimated future cash flows include payments received or made from financing activities. On the other hand tax receipts and payments are included. The estimated value in use should be compared with the carrying amount of the holding which includes tax assets and tax liabilities. In order for the valuation to be comparable with the carrying amount, Ratos chooses to include receipts and payments in the estimated future cash flows.

Ratos has chosen a discount factor after-tax where estimated future cash flows also include tax. The discount factor reflects market assessment of monetary values over time and specific risks inherent in the asset. The discount factor does not reflect risks that are taken into account when future cash flows are estimated. Calculation of the discount rate is based on the company's weighted average cost of capital, the company's marginal borrowing rate and other market borrowing rates independent of Ratos's capital structure.

Fair value minus selling costs

The best expression for a fair value minus selling costs is the price in a binding agreement between independent parties. If this does not exist, the market price can be used provided the asset is sold in an active market. The immediately preceding transaction can provide a basis from which the value can be determined when current purchase rates are not available. If this is not available, fair value minus selling costs comprises the price that is expected to be obtained in the event of a sale of the asset between parties who are independent of each other, well informed and have an interest in the transaction. When the amount is determined the result of sales of similar assets, including profit multiples, made recently within the same sector are taken into account. The estimated value is not based on a forced sale.

Bisnode

Impairment testing for Bisnode is based on a calculation of value in use. The estimated value is based on cash flow forecasts until 2009 which are based on reasonable and verifiable assumptions that comprise Ratos's best estimations of the economic conditions expected to prevail during the period. Subsequently proceeds from final divestment were assessed through a profit multiple valuation.

The forecast cash flows and estimated proceeds from final divestment have been present value calculated with a discount factor of just under 10% after tax.

Sales growth, profit margin and profit multiple at exit are key variables for estimation of Bisnode's value in use. The variables are based on a merged Bonnier Business Information and Infodata. The anticipated future scenario is in accordance with the units' prior experiences and external sources.

The assessment is that no reasonable changes in key assumptions will lead to the estimated recoverable amount being lower than the carrying amount.

Inwido

Impairment testing for Inwido is based on the calculation of fair value minus selling costs. Key variables in the calculation are profit multiple at exit and profit forecast. The basis for estimating these values is the units' prior experiences and external sources. The forecast is also based on the effect of the Group's newly acquired companies.

The assessment is that no reasonable changes in key assumptions will lead to the estimated recoverable amount being lower than the carrying amount.

Note 14 Tangible fixed assets

Group

SEKm	Land and buildings	Equipment	Construction in progress	Total
Accumulated cost				
Opening balance 1 January 2004	151	447		598
Reclassification		-3	3	0
Investments	13	48	11	72
Transferred from construction in progress	3		-3	0
Divestments	-10	-9		-19
Assets in acquired companies	304	506	23	833
Exchange differences for the year	0	-6	0	-6
Closing balance 31 December 2004	461	983	34	1,478
Opening balance 1 January 2005	461	983	34	1,478
Reclassification		9		9
Investments	10	136	94	240
Transferred from construction in progress	13	31	-44	0
Divestments	-14	-60		-74
Assets in sold companies	-40	-30		-70
Assets in acquired companies	713	1,166	29	1,908
Exchange differences for the year	11	4	-1	14
Closing balance 31 December 2005	1,154	2,239	112	3,505
Accumulated depreciation and impairment losses according to plan				
Opening balance 1 January 2004	-44	-339		-383
Depreciation for the year	-10	-50		-60
Impairment losses for the year	-5			-5
Divestments	2	6		8
Accumulated depreciation in acquired companies	-95	-348		-443
Exchange differences for the year		7		7
Closing balance 31 December 2004	-152	-724		-876
Opening balance 1 January 2005	-152	-724		-876
Reclassification		-7		-7
Depreciation for the year	-17	-116		-133
Divestments	8	60		68
Accumulated depreciation in acquired companies	-59	-804		-863
Accumulated depreciation in sold companies	8	20		28
Exchange differences for the year	0	6		6
Closing balance 31 December 2005	-212	-1,565		-1,777
Value according to consolidated balance sheet	942	674	112	1,728
Of which finance leases		23		

Paid leasing charges during the year SEK 4m (4). Charges to pay within 1 year SEK 4m (4), within 2-5 years SEK 15m (13) and after 5 years SEK 0m (1).

Tax assessment values in Sweden

SEKm	31 Dec 2005	31 Dec 2004
Buildings	193	144
Land	55	60

Disclosures on government grants

The total cost for the period of the assets covered by the grant amounts to SEK 17m. This cost has been reduced by SEK 5m relating to government grant received.

cont. next page

Note 14 cont.

Parent company

SEKm	Land and buildings	Equipment	Total
Accumulated cost			
Opening balance 1 January 2004	17	15	32
Investments		0	0
Closing balance 31 December 2004	17	15	32
Opening balance 1 January 2005	17	15	32
Investments		2	2
Divestments		-2	-2
Closing balance 31 December 2005	17	15	32
Accumulated depreciation according to plan			
Opening balance 1 January 2004	-6	-10	-16
Depreciation for the year	-1	-2	-3
Closing balance 31 December 2004	-7	-12	-19
Opening balance 1 January 2005	-7	-12	-19
Depreciation for the year		-2	-2
Divestments		2	2
Closing balance 31 December 2005	-7	-12	-19
Value according to the balance sheet	10	3	13

Tax assessment values in Sweden

SEKm	31 Dec 2005	31 Dec 2004
Buildings	32	32
Land	42	42

Note 15 Participations in associates consolidated according to the equity method

Change in carrying amounts Participations in associates

Group

SEKm	2005	2004
Carrying amount 1 January	4,346	4,077
Effect of transition to IAS 39	-112	
Investments	17	834
Associates that became group companies	-189	-242
Associates in acquired group companies	105	
Reclassified receivables	0	-4
Divestment of associates	-656	-819
Impairment loss	-29	-17
Dividends	-56	-55
Share in profit of associates [1)]	1,128	588
Translation differences	182	-18
Change in other reserves	34	
Other changes in associates' equity	-7	2
Transferred to holdings available for sale	-1,048	
Carrying amount a year-end	3,715	4,346

[1)] Share in associates profit after tax and minority.

cont. next page

Note 15 cont.

Holdings

The below specifications show the Group's associates at year end. The Group's share of profit includes companies during the period of the year and with the owned participations that apply during the period. Profit shares do not include any impairment losses or reversals of impairment losses. The income statement and balance sheet items of associates are restated in accordance with IFRS.

2005

Associate	Owned share	Net sales	Profit/loss	Assets	Liabilities	Equity	Share of profit after tax	Consolidated value
Alimak Hek	50%	1,139	44	1,079	741	338	22	220
Atle	50%		-2	35	13	22	-1	11
Atle Industri	50%	166	19	862	454	408	8	242
Camfil	30%	3,083	186	2,726	1,414	1,312	55	515
Laholm Intressenter [1]	50%	917	60	1,757	464	1,293	30	647
Giga Holding [2]	50%		0	1		1	0	0
HL Display [3]	29%	1,285	35	761	419	342	10	239
Lindab Intressenter	48%	6,214	351	6,606	3,753	2,853	169	1,372
LRT Holding Company [4]	40%						803	
Superfos Industries	33%	3,292	-23	3,453	2,398	1,055	-8	373
Profit from sold companies and companies that became group companies							38	
Associates owned by Ratos							1,126	3,619
AddNode AB	17%	427	33	559	264	295	0	70
Compass-Verlag GmbH	51%	81	-1	59	55	4	1	5
IRN Services Ltd	25%	6	0	1	2	-1	0	0
Racasse AB	25%	6	0	4	1	3	0	3
SAS de Líle Madame	34%	0	0	23	12	11	1	15
Other companies								3
Associates owned by subsidiaries							2	96
Total							1,128	3,715

[1] Former DIAB Intressenter.

[2] Under liquidation.

[3] Share of voting rights 20.2%. Market value SEK 314m.

[4] Company owned by Ratos Acquisition. Transferred to holdings held for sale.

cont. next page

2004

Associate	Owned share	Net sales	Profit/loss	Assets	Liabilities	Equity	Share of profit after tax	Consolidated value
Alimak Hek	50%	956	40	999	715	284	23	193
Atle Industri [1]	50%	1,357	18	861	436	425	5	275
BTJ Infodata	49%	1,818	88	1,395	1,047	348	32	222
Camfil	30%	2,855	147	2,286	1,221	1,065	44	442
Dynal Biotech	25%	661	29	1,682	497	1,185	30	295
Envac Centralsug [1]	50%	727	43	545	347	198	21	165
Giga Holding [2]	50%	0	0	1	0	1	0	0
HL Display [3]	29%	1,249	47	767	439	328	14	235
Laholm Intressenter [4]	50%	759	78	1,705	489	1,216	37	608
Lindab Intressenter	48%	5,477	202	5,510	3 138	2,372	97	1,143
LRT Holding Company [5]	40%	2,223	551	16,611	15,231	1,380	220	290
Martinsson Informationssystem	50%	1,522	17	568	491	77	8	116
Superfos Industries	33%	3,140	86	3,692	2,654	1,038	28	360
Timram [2]	50%							2
Profit from sold companies and companies that became group companies							29	
Total							588	4,346

[1] Included in Atle Industri operating group.
[2] Under liquidation.
[3] Share of voting rights 20.2% Market value SEK 314m.
[4] Former DIAB Intressenter.
[5] Company owned by Ratos Acquisition.

Note 16 Participations in joint ventures

The Group has two 50% holdings in the joint venture companies Dansk Vindues Industri AS and Scanwin S.p.zoo, whose principal operations are production of windows and doors.

The Group's financial reports include the items below, corresponding to the Group's holding:

SEKm	2005	2004
Income	32	
Expenses	-35	
Profit/loss	-3	
Fixed assets	43	
Current assets	16	
Total assets	59	
Long-term liabilities	23	
Current liabilities	27	
Total liabilities	50	
Net assets	9	

Note 17 Specification of parent company's participations in associates

Change in carrying amounts

	2005	2004
Accumulated cost		
at 1 January	4,442	4,271
Investments	14	778
Divestments	-508	-377
Reclassification	-189	-230
Closing balance	3,759	4,442
Accumulated impairment losses		
at 1 January	-511	-455
Divestments		149
Dividends	-15	-43
Impairment losses for the year	-18	-162
Closing balance	-544	-511
Carrying amount at year end	3,215	3,931

For more information about parent company's associates, see Note 15.

cont. next page

Note 17 cont.

Associate, company reg. no., reg. office	No of shares	Holding, %	Book value 2005	2004
Alimak Hek AB, 556064-1739, Stockholm	3,000,000	50	204	204
Atle AB, 556454-8799, Stockholm	50,000	50	12	
Atle Industri AB, 556563-2899, Stockholm [1]	5,000	50	242	275
BTJ Infodata AB, 556643-2067, Stockholm [2]	969,549	49		189
Camfil AB, 556230-1266, Trosa	3,379,310	30	450	450
Laholm Intressenter AB, 556603-1711, Stockholm [3]	5,000	50	614	614
Dynal Biotech, 983 413 609, Oslo, Norway	2,500,000	25		292
Envac Centralsug AB, 556611-5555, Stockholm [1]	160,000	50		128
Giga Gruppen AB, 556410-5665, Stockholm [4]	317	14	0	0
Giga Holding AB, 556613-5124, Stockholm [4]	1,355,000	50	0	0
HL Display AB, 556286-9957, Stockholm [5]	2,225,070	29	229	229
Lindab Intressenter AB, 556606-5446, Stockholm	481,110	48	1,059	1,061
Martinsson Informationssystem AB, 556448-0282, Stockholm	1,878,603	50		82
Superfos Industries A/S, Vipperöd, Denmark	3,433,571	33	405	405
Timram AB, 556135-5701, Stockholm [3]	1,761,191	50		2
			3,215	3,931

[1] Included in Atle Industri operating group.

[2] Ahead of merger with Bonniers Business Information and Infodata, the Group divided up its two main components BTJ Nordic and BTJ Infodata. Ratos acquired the remaining shares in Infodata and increased its holding in BTJ Nordic to 59.4%. Ratos's holding in the newly formed group amounts to 80.1%.

[3] Former DIAB Intressenter.

[4] Under liquidation.

[5] Share of voting rights 20.2%. Market value SEK 314m (305).

Note 18 Receivables from group companies and associates

Parent company

SEKm	Long-term receivables group companies 2005	2004	Long-term receivables associates 2005	2004
Accumulated cost				
at 1 January	744	652	99	555
Invested	399	104		63
Settled	-629	-55	-99	-476
Reclassifications	-21	43		-43
Closing balance	493	744	0	99

SEKm	Current receivables group companies 2005	2004	Current receivables associates 2005	2004
Accumulated cost				
at 1 January	17	13	0	184
Invested	82	1		
Settled	-6	-2		-181
Reclassifications	21	5		-3
Closing balance	114	17	0	0

Note 19 Financial investments

Group

SEK m	31 Dec 2005
Financial investments that are fixed assets	
Financial assets measured at fair value via the income statement	
Shares in participations included in Financial investments	335
Loan receivables and accounts receivable	
Loan receivables included in Long-term receivables	30
Financial investments that are current assets	
Financial assets measured at fair value via the income statement	
Fixed-income securities included in Cash and cash equivalents	2,485
Loan receivables and accounts receivable	
Accounts receivable	2,663
Loan receivables included in Other receivables	56
	5,569

Shares and participations include securities that do not have a listed market price in an active market and whose fair value cannot be calculated in a reliable manner. This item largely comprises the holding in Industri Kapital with SEK 286m. Item also includes Overseas Telecom with SEK 27m.

Bad debts during the year were insignificant.

Note 20 Other securities held as fixed assets

Parent company

SEK m	31 Dec 2005	31 Dec 2004
Accumulated cost		
at 1 January	348	400
Invested	14	22
Divested	-56	-74
Closing balance	306	348

Note 21 Receivables

Group

Long-term receivables

SEK m	31 Dec 2005	31 Dec 2004
Receivables from associates	7	693
Other	82	51
	89	744

Other receivables held as current assets

SEK m	31 Dec 2005	31 Dec 2004
Advances to suppliers	92	35
Derivatives	30	1
Associates	20	
Other	137	140
	279	176

cont.

Note 21 cont.

Parent company

Other long-term receivables

SEKm	31 Dec 2005	31 Dec 2004
Accumulated cost		
at 1 January	36	82
Additional receivables	11	19
Settled receivables	-2	-65
Reclassifications	-19	
	26	36

Note 22 Inventories

Group

SEKm	31 Dec 2005	31 Dec 2004
Raw materials and consumables	335	199
Products in progress	163	82
Finished products and goods for resale	965	634
	1,463	915

Note 23 Prepaid expenses and accrued income

Parent company

SEKm	31 Dec 2005	31 Dec 2004
Interest income	5	7
Other	3	3
	8	10

Note 24 Shareholders' equity

Group

Specification of equity reserves

	31 Dec 2005	31 Dec 2004
Foreign currency translation reserve		
Opening translation reserve	-30	0
Translation differences for the year	236	-20
Translation differences attributable to sold operations	-8	-10
Closing translation reserve	198	-30
Hedging reserve		
Opening hedging reserve	0	
Transition to IFRS	-129	
Cash flow hedges		
Recognised directly in equity	89	
Tax attributable to hedges for the year	-25	
Closing hedging reserve	-65	
Fair value reserve		
Opening fair value reserve	0	
Remeasurement in equity	3	
Tax attributable to reserve for the year	-1	
Closing fair value reserve	2	
Total reserves		
Opening reserves	-30	0
Change in translation reserve	228	-30
Change in hedging reserve	-65	
Fair value reserve	2	
Closing reserves	135	-30

cont. next page

Note 24 cont.

Ratos has chosen to set accumulated translation differences to zero on the date of transition to IFRS.

Share capital

	Number OB	Conversion	Number CB	Nominal value	SEKm
Ordinary A	21,229,056	-19,020	21,210,036	à 12.50	265.1
Ordinary B	59,445,570	19,020	59,464,590	à 12.50	743.3
	80,674,626		80,674,626		1 008.4

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

Conversion of shares

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

Treasury shares included in the equity item retained earnings including net profit for the year

	2005	2004
Opening treasury shares	1,736,186	2,187,986
Purchased during the year	17,400	48,200
Sold during the year (option programme)	-277,500	
Cancellation		-500,000
Closing treasury shares	1,476,086	1,736,186
Number of shares outstanding		
Total number of shares	80,674,626	80,674,626
Treasury shares	-1,476,086	-1,736,186
	79,198,540	78,938,440

Call options 2001-2005

The 2001-2005 Annual General Meetings decided to issue call options on treasury shares.

Number of shares reserved for transfer according to option programmes

Annual General Meeting year	Number of call options decided	Number of call options acquired	Outstanding unexercised call options	Market price SEK	Exercise price SEK	Maturity date
2001	500,000	480,000	231,000	4.05	102	28 March 2006
2002	550,000	367,000	338,500	10.40	135	30 March 2007
2003	510,000	436,000	436,000	7.20	116	28 March 2008
2004	250,000	76,000	76,000	7.60	147	31 March 2009
2005	150,000	99,000	99,000	11.20	221	31 March 2010
Total number of reserved shares			1,180,500			

Other capital provided

Relates to capital provided from the owners. This includes part of premium reserves transferred to a statutory reserve at 31 December 2005. Provisions to a premium reserve from 1 January 2006 onwards will also be reported as capital provided.

Reserves

The foreign currency translation reserve includes all exchange rate differences that arise on translation of financial reports from foreign operations that have prepared their financial reports in another currency than the currency in which the Group's financial reports are presented. The parent company and Group present their financial reports in Swedish kronor. In addition, the translation reserve comprises exchange rate differences arise at remeasurement of liabilities taken up as hedging instruments from a net investment in a foreign operation.

Ratos has chosen to zero all exchange rate differences that arose at the date of transition to IFRS.

The hedging reserve comprises the effective portion of accumulated net change in fair value of the cash flow hedging instruments attributable to hedging transactions that have not yet occurred.

The fair value reserve includes the accumulated net change in fair value of financial assets available for sale until the asset is derecognised from the balance sheet.

Accumulated profit including net profit for the year

Accumulated profit including net profit for the year includes profit in the parent company and its group companies, associates and joint-venture companies. Prior provisions to a statutory reserve, excluding transferred premium reserves, are included in this item.

Treasury shares

Treasury shares comprise cost of own shares held by the parent company.

Dividend

After the balance sheet date, the Board of Directors proposed the following dividend:

SEKm	2005	2004
Dividend per share SEK 9.00 (8.50)	713	673

cont. next page

Note 24 cont.

Parent company

Restricted reserves
Restricted reserves may not be reduced through profit distribution.

Statutory reserve
The purpose of the statutory reserve is to save part of net profits that are not used to cover a loss carried forward. According to the new Companies Act came into force on 1 January 2006 the mandatory provision to a statutory reserve no longer applies. Old premium reserves are transferred to the statutory reserve and will continue to be reported as restricted equity.

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

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

Note 25 Earnings per share

Calculation of earnings per share is carried out as follows:

	2005	2004
Net profit for the year, SEKm	2,079	2,111
Weighted average number of shares		
Total number of ordinary shares 1 January	80,674,626	80,742,626
Effect of treasury shares	-1,544,426	-2,023,231
Effect of new issue		378,740
Effect of cancelled shares		-195,890
Weighted average number before dilution	79,130,200	78,902,245
Effect of cancelled shares	356,787	220,554
Weighted average number after dilution	79,486,987	79,122,799
Earnings per share before dilution	26.27	26.75
Earnings per share after dilution	26.16	26.68

Instruments that can lead to potential dilution effects
In 2005, the company had an outstanding call option programme for which the exercise price, SEK 221 per share, exceeded the average price for ordinary shares. These options are therefore regarded as having no dilution effect and were excluded from the calculation of earnings per share after dilution. If the market price in the future rises to a level above the exercise price, these options will lead to dilution.

Note 26 Interest-bearing liabilities

Group

SEKm	31 Dec 2005	31 Dec 2004
Long-term		
Liabilities to credit institutions	3,732	880
Other liabilities, interest-bearing	553	132
	4,285	1,012
Short-term		
Liabilities to credit institutions	581	385
Bank overdraft	504	271
Other liabilities	336	19
	1,421	675
Pension provisions	365	108
Interest-bearing liabilities	6,071	1,795

Finance lease liabilities
Finance lease liabilities fall due for payment as set out below:

	Minimum lease charges	
SEKm	31 Dec 2005	31 Dec 2004
Charges within 1 year	5	4
Charges within 2-5 years	14	13
Charges after 5 years	0	1
	19	18

For further information on the company's risk policy and exposure, see Note 31.

Parent company

SEKm	31 Dec 2005	31 Dec 2004
Long-term liabilities, group companies	139	130
Current liabilities, group companies	47	36
	186	166
Pension provisions	3	3
Interest-bearing liabilities	189	169

The parent company has no liabilities that fall due for payment later than five years after the balance sheet date. Pension provisions are not credit insured with FPG/PRI.

Note 27 Remuneration to employees and Board of Directors

Pensions

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

Pension obligations are secured through pension foundations or similar or by the company.

cont. next page

Note 27 cont.

Defined contribution pensions

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

Defined benefit pension plans

Pension cost

SEKm	2005	2004
Current service cost	27	16
Interest expense	18	8
Expected return on plan assets	-10	-4
Effect of curtailments and settlements	-2	–
Pension costs	33	20
Pension costs for defined contribution pensions, Alecta	51	9
Pension costs for defined contribution pensions, other	150	39
Pension costs for the year	234	68

Pension costs are included on the line Employee benefits with the exception of interest expense and Expected return which are included in net financial items.

Actual return on plan assets	10	4
Obligations regarding employee benefits		
Present value of funded obligations	893	120
Fair value of plan assets	-628	-89
Present value of unfunded obligations	132	88
Unrecognised actuarial gains (plus) and losses (minus)	-47	-12
Net liability in the balance sheet	350	107
Amounts disclosed in the balance sheet (Specification of net liability)		
Provisions for pensions	365	107
Long-term receivables	-15	
Net debt in the balance sheet	350	107
Specification of changes in the net liability recognised in the balance sheet		
Net liability at 1 January	107	65
New accounting principle	–	4
Net cost recognised in the income statement	33	20
Premiums and pensions paid	-42	-20
Exchange differences on foreign plans	-11	-2
Liabilities taken over through company acquisitions	263	40
Net liability at 31 December	350	107

The parent company's pension costs for defined contribution pensions amount to SEK 10m (8), of which SEK 6m (4) pertains to Alecta.

Key actuarial assumptions used on balance sheet date

	2005	2004
Discount rate, %	3.7-4.5	4.6-5.5
Inflation, %	2.0-2.5	2.0-3.0
Expected rate of salary increases, %	2.5-3.0	2.8-3.0
Annual increase in pensions and paid-up policies, %	2.0-3.0	2.5-3.0
Expected return on plan assets, %	4.0-6.5	6.0-6.5

Incentive system

An incentive system for the company's business organisation is of major strategic importance for Ratos. The Board has decided as follows: Call options programme decided at the Annual General Meetings in 2001-2005 meet owners' demands that the company's key people shall be motivated to work for a positive development of the company's shares. Market premiums have been paid for the options in all programmes. A market premium is paid for the options calculated on an accepted market valuation model (Black&Scholes). The market price is determined as the average of valuations by two external valuation institutions.

The call options are issued on already repurchased shares. The purchase of options is subsidised by the option purchaser receiving a variable cash compensation corresponding to a maximum of 60% of the option premium after deduction of 55% standard tax for call options 2001-2003, and a maximum of 50% of the option premium after deduction of 55% standard tax for call options 2004 and 2005, whereby the variable compensation is distributed in equal amounts over five years provided that the recipient remains employed in the Ratos Group.

In addition to the option programmes the Compensation Committee has drawn up guidelines for a variable compensation system for the business organisation. According to this system, the issue of variable compensation is subject to certain conditions being met regarding return on the company's equity and a qualitative assessment of implementation of matters given priority by the Board during the year. Payment of variable compensation is divided over three years with 50% in the first year and 25% in the remaining two years. In order to receive full payment the person concerned must not have resigned from the company during these three years. Normally, the variable compensation may amount to a maximum of a couple of percent of the company's pre-tax profit. The ceiling for the variable compensation component is a maximum of 40%. Variable compensation has two components, a profit-based component which at maximum allocation amounts to SEK 32m or 80%, and a qualitative component which at maximum allocation amounts to SEK 8m or 20%. The profit-based component is paid in a rising scale from when an 8% return on opening equity is achieved. Both the profit-based and qualitative variable compensation are allocated on a discretionary basis.

Stock option plans

Call options

Number	31 Dec 2005	31 Dec 2004
Outstanding at beginning of period	1,359,000	1,283,000
Issued	99,000	76,000
Exercised [1]	-277,500	
Outstanding at end of period	1,180,500	1,359,000

[1] Average exercise price SEK 105, average share price SEK 174.

Details of options issued during the period		
Maturity	31 Mar 2010	31 Mar 2009
Exercise price per share	221	147
Total option premium payments, SEKm	1.1	0.6
Total payments if shares acquired, SEKm	22	11

cont. next page

Note 27 cont.

Terms for options outstanding at end of period:

Maturity date	Option price SEK	Exercise price SEK	31 Dec 2005 Number	31 Dec 2004 Number
28 March 2006	4.05	102	231,000	480,000
30 March 2007	10.40	135	338,500	367,000
28 March 2008	7.20	116	436,000	436,000
31 March 2009	7.60	147	76,000	76,000
31 March 2010	11.20	221	99,000	
			1,180,500	1,359,000
Maximum dilution in relation to outstanding shares at end of period, %			1.5	1.7

The cash sum that can be received for outstanding options amounts to SEK 153m.

Remuneration to senior executives and Board members

Compensation Committee

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

The Compensation Committee reports to Ratos's Board. A more detailed description of the principles for compensation, preparatory and decision-making processes is provided on page 25.

Remuneration to the Board and the CEO

SEKm	Chairman of the Board	Other Board members	CEO
Each remuneration component - specification			
basic salary			4.5
directors' fees	0.6	2.0	
variable compensation			7.4
other benefits			0.1
pension costs			1.7
financial instruments			
other compensation (Board members)			
Total remuneration and other benefits	0.6	2.0	13.7

Gender breakdown	Women	Men
Board	1	7
Senior executives	1	5

HOLDING, 31 December 2005

Call options

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

Remuneration to the CEO

Variable compensation

The size and distribution of bonus is decided by Board based on a proposal from the Compensation Committee. Within the framework of variable compensation for the business organisation, the CEO's compensation is allocated on a discretionary basis. The purchase of call options is subsidised through a cash variable compensation in an amount, which after deduction for 55% standard tax, corresponds to 60% of the purchase price, whereby this variable compensation is divided into equal parts over five years and provided the CEO is still employed in the Ratos Group at the time of each payment of variable compensation. Profit for the year was charged with SEK 0.6m.

Pension terms

Pension premiums are paid with 25% of basic salary and 25% for the variable compensation component up to 50% of basic salary. During the year SEK 1.7m was paid in premiums. This pension is a defined contribution plan. No retirement age has been agreed.

Terms for severance pay

The mutual notice period is 6 months. Severance pay corresponding to two annual salaries is paid and may not be triggered by the CEO. Remuneration from a third party is deducted.

Other senior executives

Five other senior executives have total emoluments for a combined amount of SEK 29.0m (27.8), of which SEK 20.2m (19.4) pertains to variable compensation. Variable compensation is calculated on the same basis as for the CEO.

HOLDING, 31 December 2005

Call options

	2001 Number	2002 Number	2003 Number	2005 Number	Benefit SEK 000
Other senior executives	260,000	143,000	205,000	50,000	–

Pension terms

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

Severance pay

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

Options programmes, group companies

Ratos has issued synthetic options to senior executives in some companies. The dilution effect is limited.

Note 28 Provisions

Group

Provisions that are long-term liabilities

SEKm	2005	2004
Guarantee commitments		
Cost opening balance	13	7
Provisions for the year	28	1
Utilised provisions	-9	-3
Provisions in sold companies	-1	
Provisions an acquired companies	46	8
	77	13
Taxes		
Cost opening balance	2	8
Provisions for the year	2	
Utilised provisions	-1	-6
	3	2
Total long-term provisions	80	15

Provisions that are current liabilities

SEKm	2005	2004
Cost opening balance		
Provisions for the year	21	
Utilised provisions	-21	
Provisions in acquired companies	235	
Total current provisions	235	

Current provisions mainly comprise supplementary purchase prices.

Note 29 Other liabilities

Group

Other current liabilities include liability for alcohol tax to the Norwegian state of SEK 512m (-) and advances from customers of SEK 253m (74).

Parent company

Other long-term liabilities include liability in parent company to employees for variable compensation of SEK 44m (34). The parent company does not have any liability that falls due more than five years after the balance sheet date.

Note 30 Accrued expenses and deferred income

Parent company

SEKm	2005	2004
Personnel costs	60	45
Other	6	1
	66	46

Note 31 Financial risks and risk policy

Principles for funding and financial risk management

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

Parent company

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

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

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

Group companies

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

Fair value

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

Fair value is essentially the same as book value apart from "Shares, associates" where the fair value is SEK 85m higher in the Group and the parent company.

Interest rate risks

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

Since the parent company is normally unleveraged, the parent company is not exposed to interest rate risk regarding liabilities. The parent company must have good preparedness to pay for investments. Liquid assets are therefore invested in fixed-income securities with high liquidity and short maturities.

Maturity dates

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

cont. next page

Note 31 cont.

Effective interest and maturities

The table below shows the effective interest on the balance sheet date and the maturity structure/interest renegotiation of the interest-bearing assets/liabilities.

Group

SEKm	Effective interest, %	2005	Within 1 year	1 - 5 years	After 5 years	2004	Within 1 year	After 1 - 5 years	After 5 years
Assets									
Long-term receivables, associates	4	8	6	2		630		630	
Long-term receivables, other	2	29	1	20	8	30		28	2
Other current receivables	3	87	87			102	102		
Short-term investments, other	2	2,485	2,485			1,866	1,866		
Cash and bank balances	1	1,192	1,192			294	294		
Liabilities									
Liabilities to credit institutions, long-term	4	3,730	39	1,997	1 694	880	840	14	26
Other long-term liabilities, interest-bearing	4	556	15	292	249	132		132	
Liabilities to credit institutions	4	581	581			385	385		
Bank overdraft facilities	3	504	296	208		271	271		
Other current liabilities	4	335	335			20	20		
		-1,905	2,505	-2,475	-1 935	1,234	746	512	-24
Pension provisions		365				107			
Interest-bearing net		-2,270				1,127			

Parent company

SEKm	Effective interest, %	2005	Within 1 year	1 - 5 years	After 5 years	2004	Within 1 year	1 - 5 years
Assets								
Long-term receivables, group companies	8	493			493	688	688	
Long-term receivables, associates	4					37		37
Long-term receivables, other	2	15		15		28		28
Current receivables, group companies	3	102	102			5	5	
Other current receivables	3	19	19			102	102	
Short-term investments, other	2	2,477	2,477			1,866	1,866	
Cash and bank balances	2	31	31			24	24	
Liabilities								
Long-term liabilities, group companies	3	140			140	130	130	
Current liabilities, group companies	3	47	47			36	36	
		2,950	2,582	15	353	2,584	2,519	65
Pension provisions		3				3		
Interest-bearing net receivable		2,947				2,581		

cont. next page

Note 31 cont.

Credit risks

The credit risk is limited to the carrying amount for financial assets recognised in the balance sheet.

There is no significant concentration of credit risks.

Currency risks

Currency risk is the risk that exchange rate fluctuations have a negative impact on the consolidated income statement, balance sheet and cash flow. Currency risk can be divided into transaction exposure and translation exposure. Transaction exposure consists of inflows and outflows in foreign currency, normally in 1-3 month intervals. Translation exposure is related to foreign group companies' equity in foreign currency as well as any surplus values that arose at acquisition.

Forward cover is only taken out for transaction exposure.

Translation exposure, breakdown by currency

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

SEKm	2005	2004
NOK	1,019	374
DKK	548	16
EUR	508	155
JPY	130	154
GBP	97	14
USD	48	14
AUD	9	4
SGD	8	4
Other currencies	170	10
Total translation exposure	2,537	745

Hedging of transaction exposure, forward exchange contracts

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

Forward cover effected with relation to forecast cash flows mainly pertains to maturities within one year. Transaction exposure is hedged through currency derivatives.

The fair value of forward contracts is recognised from 2005 onwards in a hedging reserve within equity. Corresponding forward contracts in 2004 were unrecognised.

Note 32 Operating leases

Leases where the company is the lessee

Leasing charges paid during the financial year relating to operating leases, as well as future charges for agreements entered into amount to:

Group

Minimum lease charges

SEKm	2005	2004
Paid during the year	62	53
Charges within 1 year	100	48
1-5 years	180	116
Later than 5 years	130	9
	410	173

Note 33 Pledged assets and contingent liabilities

Group

SEKm	2005	2004
Real estate mortgages	171	166
Chattel mortgages	562	571
Other pledged assets	1,840	98
	2,573	835
Contingent liabilities	508	47

Relate to pledged assets and contingent liabilities in group companies.

Note 34 Related party disclosures

Group

Receivable from associates amounted to SEK 27m (693) at 31 December. Liabilities to associates amounted to SEK 0m (-) on the same date.

Parent company

The parent company has a related party relationship with its group companies and with its associates, see Note 17 and Note 35.

During the year dividends were received from Atle Industri, Camfil, Haendig and HL Display. Shareholder contributions were provided to BTJ Intressenter, BTJ Infodata, Inwido and Bisnode. A convertible debenture issued by Bisnode was subscribed.

Transactions with key management personnel

Remuneration to key management personnel and Board members is specified in Note 27.

Note 35 Participations in group companies

Parent company

SEKm	31 Dec 2005	31 Dec 2004
Accumulated cost		
Opening balance	1,862	994
Invested	1,800	738
Shareholder contribution	425	64
Divestments	-1,168	-160
Reclassification	189	226
Closing balance	3,108	1,862
Accumulated impairment losses		
Opening balance	-22	
Divestments	22	
Impairment losses for the year		-22
Closing balance	0	-22
Value according to balance sheet	3,108	1,840

Specification of parent company's holdings of group company shares

Subsidiary, company reg. no., reg. office	Number	Share, %	2005	2004
Arcorus AB, 556634-5632, Stockholm	28,401,900	100		576
Arcus-Gruppen Holding AS, 987 470 569, Oslo Norway	831,282	83	474	
Bluegarden Holding AS, 986 338 632, Oslo Norway	70,100,000	100	230	230
BTJ Intressenter AB, 556678-3998, Lund	65,759	59	36	
EBIG European Business Information Group AB, 556681-5725, Stockholm [1]	160,200,000	80	476	
Fastighets AB Strömparterren, 556309-8481, Stockholm	10,000	100	0	0
Gadelius Holding BV,1206646, Amsterdam, Netherlands	18,000	100	86	86
GS-Hydro Oy, Hämeenlinna, Finland	28,301,900	100	135	
Haendig AB, 556554-3625, Halmstad	1,220,845	100	270	270
Haglöfs Scandinavia AB, 556054-8694, Avesta	50,000	100	135	121
Hägglunds Drives Svenska AB, 556605-9472, Mellansel	20,000	100	644	
Inwido AB, 556633-3828, Malmö	107,634,252	95	538	473
Ratos Acquisition AB, 556645-5381, Stockholm	1,000	100	78	78
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6	6
			3,108	1,840

[1] Under change of name to Bisnode AB.

Note 36 Cash flow statement

SEKm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Dividends received	36	28	97	28
Interest received	26	68	93	62
Interest paid	-140	-37	-11	-1

Adjustment for non-cash items

SEKm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Share of profits of group companies	-1,377	-807		
Dividends received from group companies	56	54		
Capital gains/losses	-608	-1,438	-1,401	-1,344
Deprecation and impairment of assets	244	165	21	163
Dividend that reduced book value of shares			15	64
Other	62	-6	1	
Adjustment for non-cash items	-1,623	-2,032	-1,364	-1,117

Cash and cash equivalents

SEKm	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Cash and bank balances	1,192	294	31	24
Short-term investments, cash and cash equivalents	2,485	1,866	2,477	1,866
Cash and cash equivalents	3,677	2,160	2,508	1,890

Short-term investments are classified as cash and cash equivalents when they have an insignificant risk of value fluctuations, can easily be converted into cash and cash equivalents and have a maximum maturity of three months from the acquisition date.

Unutilised credit facilities

Unutilised credit facilities amount to SEK 2,800m (1,740) for the Group and SEK 1,300m (1,300) for the parent company.

Acquisition of group companies – Group

SEKm	2005	2004
Intangible assets	5,144	1,135
Tangible assets	1,049	389
Financial assets	956	58
Reclassification from associates	-248	-243
Inventories	515	529
Current receivables	1,565	564
Cash and cash equivalents	475	89
Total assets	9,456	2,521
Minority interests	312	-781
Long-term liabilities	4,052	1,059
Current liabilities	2,363	808
Total liabilities	6,727	1,789
Purchase price paid	2,729	732
Minus: Sales note	-2	
Minus: Cash and cash equivalents in the acquired operations	-475	-89
Effect on Group's cash and cash equivalents	2,252	643

Sold companies – Group

SEKm	2005	2004
Intangible assets	366	
Tangible assets	7	
Financial assets	621	
Inventories	77	
Current receivables	60	
Cash and cash equivalents	15	
Total assets	1,146	
Long-term liabilities	59	
Current liabilities	54	
Total liabilities	113	
Selling price	1,131	
Minus: Cash and cash equivalents in the sold operations	-15	
Effect on Group's cash and cash equivalents	1,116	

Note 37 Holdings held for sale

LRT/Tornet is classified as a holding held for sale according to IFRS at 31 December 2005. This means that LRT/Tornet is reported separately as a current asset.

Note 38 Events after the balance sheet date

Tornet

Tornet is one of Sweden's largest property companies. The group's property portfolio is concentrated to Sweden's four largest cities: Stockholm, Gothenburg, Malmö and Uppsala. In December 2003, Ratos acquired (40%) together with Lehman Brothers Real Estate Partners (LBREP) (60%) 82.4% in Tornet through the jointly owned company LRT Acquisition.

On 23 December 2005, Ratos concluded an agreement with Fabege to sell its holding in Tornet for just over SEK 1.2 billion, corresponding to SEK 146 per Tornet share. The sale was carried out in February 2006. The transfer means that Ratos and LBREP sell LRT Acquisition. The sale was subject, among other things, to approval from the competition authorities.

Anticimex

Anticimex, which was founded in 1934, has broadened its operations over the last 20 years from pest control to include a wide range of services with the aim of creating sound and healthy indoor environments for both companies and private individuals.

Ratos acquired Anticimex from Nordic Capital Fond IV for SEK 1,648m in February 2006. The transfer was subject to approval from the relevant competition authorities.

Note 39 Key assumptions

The most important assumptions regarding the future in estimates on the balance sheet date are related to:

Testing carrying amounts of goodwill and associates

The value of subsidiaries and associates, including goodwill, is tested annually by calculating a recoverable amount, i.e. a value in use or fair value with deduction for selling costs for each company. Calculation of these values requires a number of assumptions on future conditions and estimations of parameters such as discount rate on future cash flow. A description of this procedure is provided in Note 13. The assessment is that no reasonable changes in key assumptions will lead to the estimated recoverable amount being lower than the carrying amount. Although impairment tests involve assumptions about the future, this is not judged to represent a significant risk for a significant adjustment of carrying amounts for goodwill and associates in the next financial years.

The carrying amount of goodwill on the balance sheet date amounted to SEK 5.8 billion. Goodwill reported in the Ratos Group is attributable in every case to a group company. Carrying amounts for participations in associates, including goodwill, amount to SEK 4.8 billion.

Deferred tax assets

Valuation of deferred tax assets requires that assumptions on the future are made when a valuation is based on an assumption of the probability that they will be used. The assessment is that future assumptions made do not represent a significant risk for a significant adjustment of the carrying amounts for deferred tax assets in the next financial years.

In the Ratos Group almost SEK 300m is reported as deferred tax assets. Unrecognised tax assets amount to just over SEK 100m.

Pension assumptions

Valuation of defined benefit pension plans include a number of future assumptions including discount rate and future benefits earned by employees through their employment. The carrying amount of pensions amounted to almost SEK 400m on the balance sheet date.

Note 40 Parent company details

Ratos AB is a Swedish registered limited company with its registered office in Stockholm. The parent company's shares are registered on the A list of the Stockholm Stock Exchange. The address of the head office is Box 1661, SE-111 96 Stockholm and the street address is Drottninggatan 2.

The consolidated accounts for 2005 comprise the parent company and its group companies, together with the said Group. The Group also includes the owned portion of associates and joint-venture companies.

Note 41 Explanations regarding transition to IFRS

This financial report for the Group is the first to be prepared according to IFRS, as set out in Note 1.

The accounting principles specified in Note 1 are applied to preparation of the Group's financial reports for the 2005 financial year and the 2004 comparative year and for the Group's opening balance at 1 January 2004 with the exception of IAS 32 and 39 which according to an exemption in IFRS are only applied to 2005.

In preparation of the consolidated opening balance sheet amounts stated according to accounting principles applied previously are adjusted according to IFRS.

Regarding application of IAS 32 and 39 from 1 January 2005, see Note 42.

cont. next page

Note 41 cont.

Reconciliation of equity

SEKm	Note	Previous principles 1 Jan 2004	Effects of transition to IFRS 1 Jan 2004	IFRS 1 Jan 2004	Previous principles 31 Dec 2004	Effects of transition to IFRS 31 Dec 2004	IFRS 31 Dec 2004
ASSETS							
Fixed assets							
Intangible fixed assets	a	693	-1	692	1,759	65	1,824
Tangible fixed assets	c, e	217	4	221	603	-1	602
Participations in associates	a, b, c, d, e	3,405	-24	3,381	4,106	240	4,346
Financial investments		427		427	365		365
Long-term receivables		1,291		1,291	744		744
Deferred tax assets		4		4	47	-2	45
Total fixed assets		6,037	-21	6,016	7,624	302	7,926
Current assets							
Inventories		365		365	915		915
Tax assets		6		6	11		11
Accounts receivable		396		396	892		892
Prepaid expenses and accrued income		47		47	176		176
Other receivables	f	256		256	179	-3	176
Cash and cash equivalents		1,632		1,632	2,160		2,160
Total current assets		2,702		2,702	4,333	-3	4,330
Total assets		8,739	-21	8,718	11,957	299	12,256
EQUITY AND LIABILITIES							
Shareholders' equity							
Share capital		1,009		1,009	1,008		1,008
Other capital provided		256		256	286		286
Reserves						-30	-30
Accumulated profit including net profit for the year	a, b, c, d, e, f, g	6,538	-17	6,521	7,732	330	8,062
Equity attributable to parent company shareholders		7,803	-17	7,786	9,026	300	9,326
Minority interests		107		107	34		34
Total equity		7,910	-17	7,893	9,060	300	9,360
Liabilities							
Long-term interest-bearing liabilities		86		86	1,012		1,012
Other long-term liabilities		2		2	39		39
Provisions for pensions		72		72	108		108
Other provisions	b, e	15	-5	10	14	1	15
Deferred tax liabilities	h	1	1	2	43		43
Total long-term liabilities		176	-4	172	1,216	1	1,217
Current interest-bearing liabilities		261		261	675		675
Accounts payable		138		138	421		421
Tax liabilities		17		17	23		23
Other liabilities	b	74		74	207	-2	205
Accrued expenses and deferred income		163		163	355		355
Provisions							
Total current liabilities		653	0	653	1 681	-2	1,679
Total equity and liabilities		8,739	-21	8,718	11,957	299	12,256

cont. next page

Note 41 cont.

Notes to reconciliation of equity

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

All the notes below have affected book value of shares in associates. The biggest effect on opening balances at 1 January 2004 relates to IAS 17 Leases which affected book value by SEK 28m after tax. Result from participations in associates had an effect of SEK 232m relating to reversed impairment of goodwill and SEK 35m after tax attributable to IAS 40 Investment Properties. The total earnings impact on the book value of shares in subsidiaries of all IFRS rules for the comparative year 2004 amounted to SEK 281m. Further information is provided in each in note.

a) In the consolidated accounts IFRS 3 is applied to all operating acquisitions made from 2004 onwards. IFRS means that the requirement to identify intangible assets at acquisition increases significantly. To the extent intangible assets can be measured, goodwill decreases to a corresponding extent. According to rule interpretation remaining goodwill must primarily correspond to the value of synergy effects, the company's organisation and market position. Goodwill is not amortised but must be tested annually for impairment.

No amortisation of goodwill affected earnings from group companies for 2004 with SEK 61m. In addition, goodwill attributable to foreign group companies increased by SEK 4m at translation to the presentation currency.

At transition to IFRS, one minor amount, approximately SEK 1m, did not meet the requirement for recognition as an intangible asset.

b) Provisions for restructuring in conjunction with acquisitions are not permitted according to IAS. The opening balance was affected by SEK 5m. The negative impact on earnings were 2004 was SEK 2m.

c) Tangible fixed assets are affected by IAS 17 Leases, since the earlier interim rule according to RR, where finance leases concluded prior to 1 January 1997 could be reported as operating, no longer applies. In total, the opening balance was affected by SEK 4m while the effect on earnings for 2004 was insignificant.

d) Investment properties can be measured either at fair values or at cost. Ratos recognises investment properties at fair value. Investment properties only exist in the associate Tornet and affected result from associates by SEK 49m before tax.

e) Ratos has chosen to measure tangible fixed assets at historical cost. So called component depreciation is taken into account which means that the tangible assets must be divided into components.

f) Revenue accounting according to IAS 18 affected sales for 2004 by SEK -3m and earnings by SEK -2m.

g) Accumulated translation differences that arose prior to the date of transition to IFRS have been set to zero. Translation differences from 1 January 2004 are reported separately under retained earnings.

h) Change in provision to restructuring reserves increases deferred tax liabilities by SEK 1m at 1 January 2004.

The effect of the above adjustments on accumulated profit is shown in the table below:

Group

SEKm	Note	1 January 2004	31 December 2004
Goodwill	a		65
Intangible fixed assets	a	-1	
Tangible fixed assets	e	4	-1
Shares in associates	a, b, c, d, e	-24	240
Deferred tax assets			-2
Other receivables	f		-3
Assets		-21	299
Provisions for restructuring	b, e	-5	1
Deferred tax liability	b, e, h	1	
Other liabilities	b		-2
Liabilities		-4	-1
Total adjustments in equity attributable to parent company shareholders		-17	300

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Note 41 cont.

Reconciliation of earnings for 2004

SEKm	Note	According to Swedish accounting principles	Affects of transition to IFRS	According to IFRS
Net sales	f	3,907	-3	3,904
Other operating income		20		20
Change in inventories		17		17
Raw materials and consumables		-2,361		-2,361
Costs for employee benefits		-1,008		-1,008
Depreciation and impairment losses tangible and intangible fixed assets	a	-148	61	-87
Other expenses	b, f	-414	-3	-417
Other operating expenses		-4		-4
Capital gain from the sale of subsidiaries				
Result from participations in associates	a, b, c, d, e, f	1,810	281	2,091
Operating profit		1,819	336	2,155
Financial income		225		225
Financial expenses		-55		-55
Net financial items		170		170
Profit before tax		1,989	336	2,325
Tax		-197	-13	-210
Net profit for the year		1,792	323	2,115
Attributable to				
Parent company shareholders		1,790	321	2,111
Minority interests		2	2	4
Earnings per share, SEK				
Before dilution		22.69	4.07	26.75
After dilution		22.62	4.06	26.68

Cash flow statement for 2004

There are no significant differences in the cash flow statement prepared according to IFRS and the cash flow statement prepared according to previous accounting principles.

Note 42 Change of accounting principle 1 January 2005

Ratos applies IAS 39 with effect from 1 January 2005. Ratos has chosen not to present comparative figures for 2004 relating to IAS 32 and 39.

According to IFRS, short-term investments are classified as Financial assets at fair value through profit or loss and all derivatives are valued at fair value.

Measurement of derivative instruments at fair value has reduced opening equity by SEK 129m and measurement of the parent company's investments has increased equity by SEK 5m.

Derivative instruments are interest swaps and currency derivatives.

Since retrospective restatement for 2004 is not carried out, full comparability between the periods is not achieved.

SEKm	IFRS 31 Dec 2004	Effect of transition to till IAS 39	1 Jan 2005
ASSETS			
Fixed assets			
Intangible	1,824		1,824
Tangible	602		602
Financial	5,455	-112	5,343
Deferred tax assets	45		45
Total fixed assets	7,926	-112	7,814
Current assets			
Inventories	915		915
Current receivables	1,255		1,255
Cash and cash equivalents	2,160	5	2,165
Total current assets	4,330	5	4,335
Total assets	12,256	-107	12,149
EQUITY AND LIABILITIES			
Shareholders' equity and minority interests	9,360	-124	9,236
Liabilities			
Interest-bearing liabilities	1,012		1,012
Other liabilities	39		39
Provisions for pensions	108		108
Other provisions	15		15
Deferred tax liabilities	43		43
Total long-term liabilities	1,217		1,217
Interest-bearing liabilities	675		675
Non-interest-bearing liabilities	1,004	17	1,021
Total current liabilities	1,679	17	1,696
Total equity and liabilities	12,256	-107	12,149

We are hereby declare that as far as we are aware, the annual accounts have been prepared in compliance with generally accepted accounting principles for stock market companies, the information provided is in accordance with the actual circumstances and nothing of any significance has been omitted that could affect the view of the company created by these annual accounts.

Stockholm, 22 February 2006

Olof Stenhammar
Chairman

Lars Berg | Staffan Bohman | Peggy Bruzelius | Göran Grosskopf

Jan Söderberg | Per-Olof Söderberg | Arne Karlsson
CEO

The annual accounts and the consolidated accounts were approved for publication by the Board on 22 February 2006. The consolidated income statement and balance sheet and the parent company income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on 4 April 2006.

Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of Ratos AB (publ) for the year 2005. The Board of Directors and the CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

Stockholm, 22 February 2006

KPMG Bohlins AB
Thomas Thiel
Authorised Public Accountant

Board of Directors and Auditors

Olof Stenhammar

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

Deputy CEO Bonnierföretagen 1982-84. Founder of OMX and CEO 1984-1996.

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

Shareholding in Ratos: 250,000 B shares (private and company)

Lars Berg

MSc Econ. Born 1947.
Independent Board Member since 2000.

Senior positions within Ericsson 1970-94. CEO Telia 1994-99. Head of Telecom Division and member of executive management of Mannesmann 1999-2000.

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

Shareholding in Ratos: 4,000 B shares (company)

Staffan Bohman

MSc Econ. Born 1949.
Independent Board Member since 2005.

Formerly President and CEO DeLaval, Gränges and Sapa.

Deputy Chairman of EDB Business Partner. Board Member of Atlas Copco, Dynapac, InterIKEA, Scania, Swedfund, Trelleborg, and other companies.

Shareholding in Ratos: 10,000 B shares (private)

Peggy Bruzelius

MSc Econ and Honorary Doctor of Economics. Born 1949.
Independent Board Member since 1998.

Formerly CEO ABB Financial Services.

Chairman of Lancelot Asset Management. Deputy Chairman of Electrolux. Board Member of Axel Johnson, Axfood, Body Shop International, the Stockholm School of Economics Association, Husqvarna, the Industry and Commerce Stock Exchange Committee, Scania, Syngenta, and other companies.

Shareholding in Ratos: 2,000 B shares (private)

Auditors

KPMG Bohlins

Thomas Thiel

Authorised Public Accountant, Senior Auditor.

Göran Grosskopf

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

Formerly Professor of Taxation Law and Executive Chairman of Tetra Laval.

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

Shareholding in Ratos: 40,000 B shares (private)

Jan Söderberg

MSc Econ. Born 1956.
Board Member since 2000.

Formerly CEO Bröderna Edstrand.

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

Shareholding in Ratos: 3,337,912 A shares (private and company)
2,610 B shares (private)

Per-Olof Söderberg

MSc Econ and MBA Insead. Born 1955.
Board Member since 2000.

Formerly CEO Dahl.

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

Shareholding in Ratos: 2,860,452 A shares (private and company)

Arne Karlsson

MSc Econ. Born 1958.
CEO of Ratos since 1999. Board Member since 1999.

Formerly President Atle Mergers & Acquisitions, President Hartwig Invest, among others.

Board Member of Camfil and Haglöfs. Member of the Swedish Securities Council.

Shareholding in Ratos: 32,800 B shares (private)
Number of options in Ratos: 140,000 call options/2001
105,000 call options/2002
100,000 call options/2003

Olof Stenhammar | Jan Söderberg | Peggy Bruzelius | Arne Karlsson

Lars Berg | Staffan Bohman | Göran Grosskopf | Per-Olof Söderberg

Analysis

Analysis of results

Results for the Ratos Group

The Group's profit before tax amounted to SEK 2,601m (2,325) – the highest result ever. Profit from holdings amounted to SEK 2,741m (2,423), of which share of the holdings' current profit amounted to SEK 2,127m (974). LRT/Tornet, which was sold in December was the holding that contributed most to earnings through property sales and value appreciation of the property portfolio. Exit gains amounted to SEK 607m and were mainly attributable to the sale of Dynal Biotech and Envac (within Atle Industri).

In addition, Industri Kapital carried out exits that made a positive contribution to Ratos's earnings of SEK 125m. The sale of Martinsson resulted in a minor loss. In the 2005 annual accounts an impairment test was performed on all Ratos's holdings whereby the carrying amount was compared with the recoverable amount. The recoverable amount is the higher of net realisable value and value in use for each holding. An impairment loss of SEK 29m was identified in Atle Industri from this valuation of the holdings.

Central income and expenses

Central income and expenses amounted to SEK -140m (-98), of which personnel costs amounted to SEK -118m (-108). The variable portion of personnel costs was SEK 58m (54). Other expenses, including costs for acquisition and exit processes, amounted to SEK -73m (-53). Net financial items amounted to SEK 5m (63).

Cash flow

Cash flow from operating activities in the Group and investing activities was SEK 973m (1,002). The Group's cash and cash equivalents amounted to SEK 3,677m (2,160) of which short-term, interest-bearing investments comprised SEK 2,485m (1,866). The Group's interest-bearing liabilities amounted to SEK 6,071m (1,795).

Parent company

The parent company's profit before tax amounted to SEK 1,376m (1,224). The parent company's cash and cash equivalents, including short-term, interest-bearing investments, amounted to SEK 2,508m (1,890). Taking agreed but not yet implemented investment commitments and sales into account, Ratos had an investment capacity at year-end of approximately SEK 2.8 billion, without needing to utilise existing credit facilities.

Ratos 2005 results

SEKm	Ratos´s holdings, %	2005	2004
Alimak Hek	50	37	31
Arcorus [1]			59
Arcus	83	68	
Atle Industri	50	5	42
Bisnode	80	113	
Bluegarden	100	48	38
BTJ Infodata	–	38	48
BTJ Nordic	59	2	–
Camfil	30	79	62
DIAB	50	45	40
Dynal Biotech [2]	–	6	39
Gadelius	100	34	6
GS-Hydro [1]	100	26	–
Haendig	100	32	55
Haglöfs	100	26	14
HL Display	29	16	21
Hägglunds Drives [1]	100	171	–
Inwido	95	196	
Lindab	48	233	143
LRT/Tornet	40	941	275
Martinsson [2]	–	1	15
Overseas Telecom	9	–	–
Superfos	33	10	48
Dahl			37
Q-Labs			1
Total profit/share of profits		**2,127**	**974**
Exit gains			
Atle Industri/Envac		124	
BTJ Infodata		84	
Choice			-10
Dahl			1,355
Dynal Biotech		283	1
Industri Kapital		125	92
Lidan		7	
Martinsson		-17	
Q-Labs			0
Superfos		1	
Total exit gains		**607**	**1,438**
Impairment loss, Atle Industri		-29	
Impairment loss, Atle			-17
Dividends from other companies		36	28
Profit from holdings		**2,741**	**2,423**
Net expenses		-140	-98
Consolidated profit before tax		**2,601**	**2,325**

1) From 2005 Arcorus ceased to be a group and the subsidiaries Hägglunds Drives and GS-Hydro have since been reported as separate holdings.

2) Entire holding sold in February 2006.

Reported equity

Ratos's reported equity (attributable to parent company shareholders) at year-end amounted to SEK 10,942m (9,326) corresponding to SEK 138 (118) per share.

Tax situation

Ratos's parent company is taxed according to the rules for investment companies. This means that capital gains which arise are not taxable. Ratos's consolidated tax expense therefore currently comprises Ratos's share of tax in associates. The tax rate in the consolidated balance sheet has been affected, among other things, by the parent company's investment company status.

Financial targets and strategies

Ratos's main financial target is that each individual investment should achieve an annual average return, IRR, of 20%. During the period 1 January 1999 until year-end 2005, IRR on all 22 completed exits amounted to 29%. In conjunction with the annual valuations performed on all holdings in the portfolio, conservative valuations (which are not published) are also carried out. Based on the result of these valuations, the holdings in Ratos's core business (i.e. excluding cash and the former asset management activities) provided an IRR of approximately 22% since 1 January 1999. This figure includes both current and divested portfolio companies.

One of Ratos's financial targets is that the total return on Ratos shares over time shall outperform the average on the Stockholm Stock Exchange (Stockholmsbörsen). The total return on Ratos shares, accumulated over the period 1999-2005, was 420% compared with 36% for the Stockholm Stock Exchange.

Ratos also has an aggressive dividend policy. During the past seven years Ratos's dividend has increased by over 14% per year.

When Ratos has surplus liquidity in relation to the investment opportunities that can be identified in the foreseeable future, Ratos is able to exercise the buy-back mandate provided by the Annual General Meeting. A total of 2,911,386 shares have been repurchased, of which 1,157,800 have been cancelled. During 2005, 277,500 shares were sold to holders of options. Ratos thus owns 1,476,086 shares, corresponding to 1.9% of the number of shares outstanding.

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

The parent company should normally be unleveraged. Since the beginning of 2005 the parent company has had a rolling five-year credit facility amounting to SEK 1.3 billion including a bank overdraft facility. The credit facility will be used as bridging financing for acquisitions and to finance dividends and day-to-day operating expenses in periods with few or no exits. At 31 December 2005, the credit facility was unutilised.

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

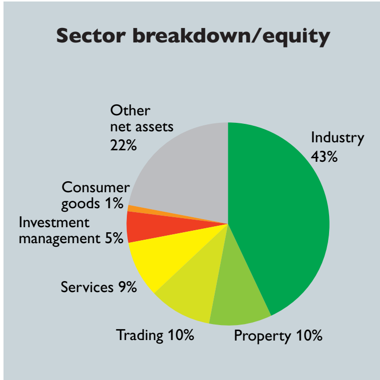
When holdings are acquired, a leveraged holding company may be used in order to achieve a tailor-made financial structure. This method is particularly suitable in operations with positive cash flows.

Equity

SEKm	31 Dec 2005	%
Alimak Hek	220	2
Arcus	508	5
Atle Industri	242	2
Bisnode	637 [1]	6
Bluegarden	313	3
BTJ Nordic	35	0
Camfil	515	5
DIAB	648	6
Gadelius	191	2
GS-Hydro	159	1
Haendig	322	3
Haglöfs	155	1
HL Display	239	2
Hägglunds Drives	431	4
Industri Kapital	286	3
Inwido	721	7
Lindab	1,372	13
LRT/Tornet [2]	1,069	10
Overseas Telecom	27	0
Superfos	373	3
Total	**8,463**	**78**
Other net assets in central companies	2,479	22
Equity attributable to parent company shareholders	**10,942**	**100**

[1] Final payment of approximately SEK 380m will be made at the beginning of 2006.

[2] Entire holding sold after the end of the period.



New accounting principles according to IFRS

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS).

The new accounting principles result in the comparative year being restated according to IFRS. New rules relating to financial instruments, IAS 32 and 39, are applied with effect from 1 January 2005, without restatement of the comparative year.

Important accounting principles for Ratos are described below. Information about the effects of the transition to IFRS is provided on page 79.

Associated companies

As previously, Ratos applies the equity method to consolidation of associates.

IFRS requires uniform accounting principles within a group. This requirement relates to both subsidiaries and associates. The new rules represent an additional focus on consistent application of accounting principles.

Holdings held for sale

A holding, i.e. a subsidiary or associated company, is classified as held for sale when it is very probable that a sale will take place. This means that the holding is recognised at the lower of carrying amount and fair value with a deduction for selling costs and is stated separately as a current asset on a special line in the balance sheet. In the 2005 annual accounts, LRT/Tornet was reported in accordance with this.

Goodwill and intangible fixed assets

IFRS means that the requirement to identify intangible assets at acquisition increases significantly. To the extent that intangible assets can be measured, goodwill decreases to a corresponding extent. Goodwill is nor amortised but, on the other hand, must be annually tested for impairment. Other intangible assets must be amortised to the extent the amortisation period can be determined. In these cases testing for impairment is carried out when there is an indication of impairment. If the amortisation period cannot be determined and no amortisation is therefore effected, an annual impairment test must be made regardless or whether or not there is any indication of impairment.

In the Ratos Group goodwill and intangible assets are attributable to a holding, i.e., a subsidiary or associate, since each holding constitutes a cash-generating unit. Testing of carrying amounts is performed per holding, including the value of goodwill and intangible assets attributable to the holding concerned. Testing is performed annually by calculating a recoverable amount regardless or whether or not there is any indication of impairment.

Financial instruments

Derivatives and short-term investments are measured at fair value with changes in value recognised in profit or loss, unless hedge accounting means that the change in value is recognised directly in equity. Financial liabilities are recognised at amortised cost.

Tangible fixed assets

Tangible fixed assets are recognised in the Group at cost after deduction for cumulative depreciation and impairment. Investment properties are measured at fair value.

Ratos holdings at 31 December 2005

	Net sales		EBITA		EBT	
SEKm	2005	2004	2005	2004	2005	2004
Alimak Hek	1,139	956	91	85	73	60
Arcus [1) 2) 3)]	1,314	1,163	60	84	39	66
Atle Industri [4)]	1,433	2,084	392	96	384	90
Bisnode (former BBI Infodata) [1) 5) 6)]	3,283	3,126	400	398	194	194
Bluegarden [1) 7)]	490	360	65	40	48	35
BTJ Nordic [1)]	1,328	1,206	-19	-4	-25	-6
Camfil	3,083	2,855	290	243	265	210
DIAB	918	759	97	87	90	81
Gadelius	699	595	35	13	34	10
GS-Hydro	641	480	37	-1	26	-10
Haendig [8)]	1,286	1,291	38	70	32	55
Haglöfs	399	340	28	17	26	14
HL Display	1,285	1,249	63	108	62	93
Hägglunds Drives	1,175	970	176	112	171	106
Inwido [1) 9)]	2,197	1,235	282	135	196	81
Lindab	6,214	5,477	560	384	484	296
LRT/Tornet [10)]	1,330	2,223	3,634	1,956	2,872	917
Overseas Telecom	393	287	184	353	168	501
Superfos	3,292	3,140	266	267	31	148
Total excl LRT/Tornet [11)]	**30,176**	**27,286**	**2,861**	**2,134**	**2,130**	**1,523**
Change	**11%**		**34%**		**40%**	
Total incl LRT/Tornet [11)]	**31,506**	**29,509**	**6,495**	**4,090**	**5,002**	**2,440**
Change	**7%**		**59%**		**105%**	

*) Cash flow refers to cash flow from operating activities and investing activities including operating acquisitions.

**) Equity including minority according to IFRS.

1) A new parent company was formed in conjunction with the acquisition, which partly loan-financed the acquisition. Earnings and cash flow are calculated pro forma taking this leverage into account.

2) The acquisition results in intangible assets amounting to almost NOK 500m and comprise goodwill and trademarks.

3) Changed accounting principle with effect from 2005 relating to sales.

4) Atle Industri is not a legal group. Earnings for 2005 include a pro forma capital gain from the sale of Envac.

5) Figures for the new group include the German operations acquired after the start of the year. Equity includes a SEK 1,007m convertible shareholder loan. Intangible assets amount to approximately SEK 3,800m, and predominantly comprise goodwill. Taking the total capital contribution into account, i.e. shares and shareholder loan, Ratos's holding amounts to 70%.

Depreciation	Investments	Cash flow *)	Equity **)	Interest-bearing net debt	Average no. of employees	Consolidated value	Holding, %	SEKm
66	113	48	338	453	698	220	50	Alimak Hek
48	1,006	-955	611	532	592	508	83	[1] [2] [3] Arcus
33	52	535	409	97	858	242	50	[4] Atle Industri
58	176	210	1,847	1,935	2,450	637	80 [5]	[1] [5] [6] Bisnode (former BBI Infodata)
24	218	-136	311	239	366	313	100	[1] [7] Bluegarden
14	166	-84	80	39	527	35	59	[1] BTJ Nordic
87	206	30	1,312	582	2,693	515	30	Camfil
39	78	-17	288	247	734	648	50	DIAB
4	2	18	118	111	180	191	100	Gadelius
14	20	-18	159	247	315	159	100	GS-Hydro
11	86	-12	266	278	437	322	100	[8] Haendig
4	2	-15	95	62	119	155	100	Haglöfs
47	42	1	342	108	933	239	29	HL Display
24	60	36	282	145	554	431	100	Hägglunds Drives
44	1,042	-780	898	1,459	1,615	721	95	[1] [9] Inwido
191	947	19	2,853	1,854	4,135	1,372	48	Lindab
7	245	7,520	3,237	5,488	146	1,069	40	[10] LRT/Tornet
133	131	114	715	-85	545	27	9	Overseas Telecom
284	181	551	1,085	1,462	1,669	373	33	Superfos

6) Final part payment of SEK 380m will be paid in the first half of 2006.

7) Acquisitions carried out during 2005 led to an increase in intangible assets of approximately SEK 170m. These predominantly comprise goodwill.

8) Acquisitions carried out during 2005 led to an increase in intangible assets of nearly SEK 50m. These predominantly comprise goodwill.

9) Acquisitions carried out during 2005 led to an increase in intangible assets of almost SEK 850m. These predominantly comprise goodwill. Equity includes a shareholder loan of SEK 78m.

10) Cash flow and investments relate to Fastighets AB Tornet. The entire holding was sold in February 2006.

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

Alimak Hek – strong earnings improvement

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

Consolidated book value in Ratos at year-end was SEK 220m.

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

Operations

The Alimak Hek Group was formed in 2001 when the Swedish company Alimak merged with the Dutch company HEK International. Alimak Hek is a world leader in rack and pinion driven equipment for vertical access. The company develops, manufactures, sells and rents out complete systems for vertical transport of people, materials and machines. The products comprise construction hoists, industrial lifts and mast-climbing work platforms for both temporary and permanent installations. Alimak Hek also has substantial after-sales operations with sales of spare parts, maintenance and service.

Alimak Hek has manufacturing in Sweden, the US and the Netherlands and sales are conducted through 15 sales subsidiaries and some 80 agents. The customer base comprises rental companies and end users in the construction industry as well as users in other industrial segments primarily power, oil and gas, cement, ports and petrochemicals. Approximately 96% of sales go to countries outside Sweden. Europe accounts for 46% of sales, Asia 13%, the US 22% and the rest of the world 19%. Alimak Hek's operations are conducted in four business areas: Construction (30% of sales), Rental (32%), Industrial (21%) and After Sales (17%). Alimak Hek is a global leader within all its business areas. The competition is mainly local and fragmented and primarily consists of national and regional companies. The market for Alimak Hek's products is growing by 3-5% per year.

The past year

All Alimak Hek's business areas, with the exception of Rental, performed well in 2005. Growth was driven by the markets, especially the US and the Middle East. The rental market in large areas of Europe was weak, however, which led to a decrease in earnings for this business area compared with 2004. Extensive restructuring carried out in recent years led to continued improvements in 2005. The Industrial business area showed particularly favourable development with strong earnings improvement. Alimak Hek's

Petter Arvidson, CEO

sales increased by 19% and totalled SEK 1,139m (956). Operating profit (EBITA) increased by 7% to SEK 91m (85) and profit before tax amounted to SEK 73m (60).

Events after the end of the period

In January 2006, Alimak Hek acquired the manufacturing business from Champion Elevators, the US-based manufacturer of rack and pinion construction hoists and industrial lifts, with extensive after-market operations, for the equivalent of SEK 185m. The asset deal includes acquisition of the Champion facilities with assets, inventory, product designs, and trademarks, as well as the staff who work with manufacturing, sales and after market. Champion Elevator's customer base is the construction industry and various industrial segments, including offshore, refineries and power. The acquired operations have 70 employees and generated sales of approximately SEK 150m in 2005.

Future prospects

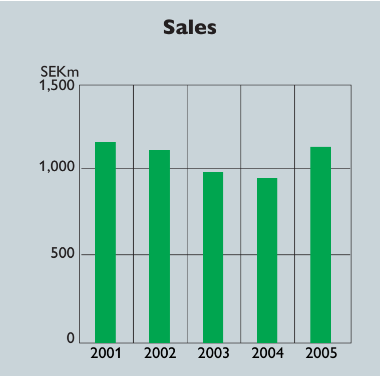
Alimak Hek also carried out a number of improvement and development projects during 2005 that are expected to contribute to an improved result in 2006. The company is judged to have a favourable strategic starting point as the market-leading global supplier of rack and pinion driven equipment for vertical access.

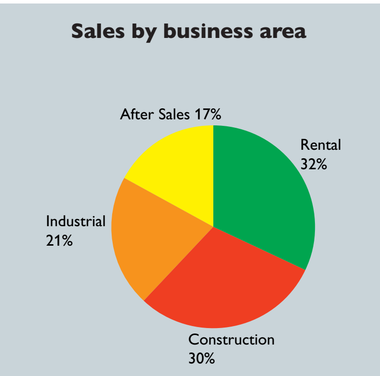
Board of Directors

Björn Kumlin	Chairman
Christer Högberg	
Leif Johansson	
Anders C. Karlsson	
Christer Nilsson	
Petter Arvidson	CEO
Thomas Hofvenstam	Deputy
Stefan Peterson	Co-opted
Daniel Riazzoli	Co-opted

Management

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





Alimak Hek

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	1,139	956	1,021	990	1,120	1,166
Operating expenses	-982	-808	-919	-930	-1,051	-1,105
Other income	0	0	0	0	0	11
Items affecting comparability	0	0	0	-29	-25	0
EBITDA	157	148	102	31	44	72
Depreciation	-66	-63	-35	-39	-50	-75
EBITA	91	85	67	-8	-6	-3
Goodwill amortisation	0	0	-3	-6	-2	-3
EBIT	91	85	64	-14	-8	-6
Financial income	10	8	8	9	12	14
Financial expenses	-28	-33	-22	-28	-35	-42
EBT	73	60	50	-33	-31	-34
Tax	-29	-20	-18	8	12	-2
Minority interests	0	0	0	0	0	0
Net profit/loss for the year	44	40	32	-25	-19	-36
Balance sheet						
Goodwill	44	43	41	44	45	45
Other intangible fixed assets	10	12	12	12	5	4
Tangible fixed assets	415	411	160	173	213	303
Financial fixed assets	24	43	37	41	19	5
Total fixed assets	493	509	250	270	282	357
Inventories	198	187	187	175	222	291
Current receivables	345	273	273	295	336	447
Cash, bank, short-term investments	43	30	30	52	35	41
Total current assets	586	490	490	522	593	779
Total assets	1,079	999	740	792	875	1,136
Shareholders' equity	338	284	285	255	285	313
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	44	50	55	54	46	50
Non-interest bearing provisions	10	7	7	14	16	31
Interest-bearing liabilities	452	488	228	308	350	491
Non-interest bearing liabilities	235	170	165	161	178	251
Total shareholders' equity and liabilities	1,079	999	740	792	875	1,136
Cash flow statement						
Cash flow from operating activities	108	80	80	100	102	134
of which change in working capital	-18	16	16	66	93	42
Cash flow from investing activities	-60	-17	-17	-45	80	-74
of which investments	-113	-34	-34	-69	-61	-157
of which divestments	53	17	17	24	141	83
Cash flow from financing activities	-35	-84	-84	-36	-185	-19
of which change in loans	-36	-84	-84	-38	-185	-19
of which capital contribution	1	0	0	2	0	0
of which dividends	0	0	0	0	0	0
Cash flow for the year	13	-21	-21	19	-3	41
Key figures						
EBITA margin, %	8.0	8.9	6.6	neg.	neg.	neg.
EBT margin, %	6.4	6.3	4.9	neg.	neg.	neg.
Return on equity, %	14.1	–	11.9	neg.	neg.	neg.
Return on capital employed, %	12.2	–	12.2	neg.	0.5	0.9
Equity ratio, %	31	28	39	32	33	28
Interest-bearing net debt, SEKm	453	508	253	310	361	500
Debt/equity ratio, gross, times	1.5	1.9	1.0	1.4	1.4	1.7
Cash flow after investments, SEKm	48	63	63	44	182	60
Average number of employees	698	721	721	766	840	854

Anticimex – new acquisition with good potential

At the end of 2005, Ratos acquired 85% of the shares in Anticimex. The deal was finalised in February 2006. The company's management is co-owner. Ratos has invested a total of SEK 535m in Anticimex.

Ratos is represented on the Board by Bo Jungner, Senior Investment Manager, and Henrik Joelsson.

Operations

Anticimex was founded back in 1934, when vermin and insects were a major problem in Swedish homes. Anticimex soon became recognised as a company that both carried out sanitation and could provide a guarantee for a pest-free future. Today, Anticimex is an international company with 1,400 employees and operations in Sweden, Norway, Denmark, Finland, Germany and the Netherlands. The company's aim is to create healthy indoor environments through preventive measures, a protective service programme and insurance solutions. Operations are divided into three business areas: Pests, Food Hygiene and Building Environments.

Within Pests the company sells a commitment for a pest-free environment where the company both removes pests and works with preventive measures. The total market in Europe is estimated at SEK 15 billion and Anticimex is the market leader in Sweden and Norway. Outside the Nordic region, the markets are highly fragmented with many small private companies. Pest control in Sweden is Anticimex's largest operating area.

Food Hygiene works to ensure hygiene in food production and to protect the grocery trade and restaurants against bacteria and pests. This sector has become increasingly important as living standards rise and social patterns change. Time pressures mean less scope for preparing food, resulting, among other things, in greater demands on food safety.

Building Environments works with dehumidifying, property transfer inspections, hidden defects and insurance as well as helping home owners to save energy. There has been a marked increased in damage from damp and mildew in recent years, and this is costing society large sums of money today. The insurance industry is also under intense pressure from rising damage costs which increases the need of Anticimex's services.

Peter Carrick, CEO

Anticimex offers its customers a broad range of services where the customer can combine the different services. In Sweden, Finland and Norway, customers are found in both the consumer and corporate sectors. In Denmark, Germany and the Netherlands, Anticimex works solely in the corporate sector with customers in the food industry, restaurants and food service, the grocery sector and retail trade. Customers also comprise property owners, hotels, industrial companies, farms and public authorities. Sales are conducted through the company's own sales organisation and some 30 franchisees as well as through sales with partners such as insurance companies and estate agents.

The past year

Anticimex had sales of SEK 1,274m in 2005 which represents organic growth of over 9%. Operating profit (EBITA) was SEK 112m which provides a margin of 9%. Cash flow for the year was SEK 151m after investments.

Future prospects

Anticimex is the market leader in Sweden with a very strong brand and continued good growth opportunities in the home market. The company is highly innovative and conducts active development of new products and services. For example, half of sales in Sweden comprise products and services that did not exist ten years ago. In the other countries there is major potential to expand the Anticimex market offering.

Board of Directors

Mikael Hellberg	Chairman
Ulf Holmlund	
Bo Ingemarson	
Henrik Joelsson	
Bo Jungner	

Management

Peter Carrick	CEO
Gunnar Åkerblom	Deputy CEO
Mikael Roos	CFO

Anticimex

SEKm	2005 [1]	2005 [2]	2004 [3]	2003 [3]	2002 [3]	
Income statement						
Net sales	–	1,274	1,162	1,064	1,054	
Operating expenses	–	-1,134	-1,047	-983	-1,024	
Other income	–	0	0	0	0	
Items affecting comparability	–	0	-44	13	50	
EBITDA	–	140	71	94	80	
Depreciation	–	-28	-24	-29	-29	
EBITA	–	112	47	65	51	
Goodwill amortisation	–	0	0	-65	-65	
EBIT	–	112	47	0	-14	
Financial income	–	10	2	2	4	
Financial expenses	–	-61	-66	-68	-80	
EBT	–	61	-17	-66	-90	
Tax	–	-41	36	-1	6	
Minority interests	–	0	0	0	0	
Net profit/loss for the year	–	20	19	-67	-84	
Balance sheet						
Goodwill	708	708	760	821	888	
Other intangible fixed assets	1,101	1	2	3	4	
Tangible fixed assets	98	98	101	112	128	
Financial fixed assets	53	53	48	10	15	
Total fixed assets	1,960	860	911	946	1,035	
Inventories	41	41	37	32	34	
Current receivables	147	147	135	139	230	
Cash, bank, short-term investments	55	55	42	54	65	
Total current assets	243	243	214	225	329	
Total assets	2,203	1,103	1,125	1,171	1,364	
Shareholders' equity [4]	625	292	300	307	341	
Minority interests	0	0	0	0	0	
Interest-bearing provisions	40	40	36	42	41	
Non-interest bearing provisions	341	341	237	197	173	
Interest-bearing liabilities	1,022	255	377	474	641	
Non-interest bearing liabilities	175	175	175	151	168	
Total shareholders' equity and liabilities	2,203	1,103	1,125	1,171	1,364	
Cash flow statement						
Cash flow from operating activities	–	187	163	206	n/a	
of which change in working capital	–	54	49	114	n/a	
Cash flow from investing activities	–	-36	-50	-4	n/a	
of which investments	–	-36	-50	-4	n/a	
of which divestments	–	0	0	0	n/a	
Cash flow from financing activities	–	-138	-125	-198	n/a	
of which change in loans	–	-138	-125	-259	n/a	
of which capital contribution	–	0	0	61	n/a	
of which dividends	–	0	0	0	n/a	
Cash flow for the year	–	13	-12	4	n/a	
Key figures						
EBITA margin, %	–	8.8	4.0	6.1	4.8	
EBT margin, %	–	4.8	neg.	neg.	neg.	
Return on equity, %	–	6.8	6.1	neg.	–	
Return on capital employed, %	–	18.8	6.3	0.2	–	
Equity ratio, %	28	26	27	26	25	
Interest-bearing net debt, SEKm	1,007	240	371	462	617	
Debt/equity ratio, gross, times	1.7	1.0	1.4	1.7	2.0	
Cash flow after investments, SEKm	–	151	113	202	n/a	
Average number of employees	909	909	927	1,174	1,047	

1) Pro forma taking into account the new group formed when Ratos acquired Anticimex.
2) Preliminary pro forma balance after Ratos's acquisition in February 2006.
3) Anticimex Europe AB. 2005 and 2004 are pro forma according to IFRS.
4) Equity including shareholder loan.

Arcus – new Norwegian holding

During the year Ratos invested SEK 474m in the Norwegian company Arcus, corresponding to an ownership stake of 83%. The other co-owners are HOFF Norske Potetindustrier with almost 10%, and management and board with 7%.

Consolidated book value in Ratos amounted to SEK 508m at year-end.

Ratos is represented on the Board by Leif Johansson, Senior Investment Manager for this holding, and Magdalena Aniansson.

Operations

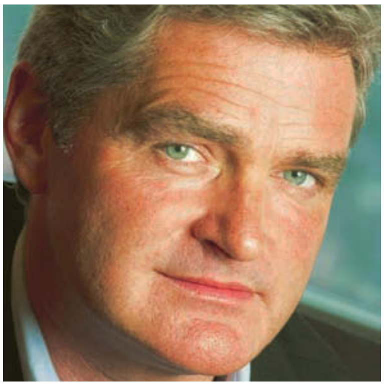
Arcus is Norway's leading wine and spirits supplier. The company originated in the state-owned Vinmonopolet founded back in 1922. Arcus was formed in 1996 to take over production, imports and exports, as well as national distribution of wine and spirits from Vinmonopolet. The Norwegian Parliament (Stortinget) decided to privatise Arcus in 1998.

Today the Group has three operating areas: Arcus, Vectura and Arcus Kjemi.

Arcus AS, the company's core business, produces, imports, bottles, markets and sells wine and spirits. Sales account for 53% of the Group's total sales. The best-known private labels include Braastad Cognac, Linie Aquavit, Løiten, Hammer Gin and Vikingfjord Vodka. Arcus also represents wine producers including Château Lafite Rothschild, Bodega Julian Chivite, and Ruinart Champagne.

Vectura AS (21% of sales) is Norway's leading logistics company for importers, producers and agents for alcoholic beverages.

Arcus Kjemi AS (26% of sales) imports, produces, markets and sells alcohol- and isopropanol-based products in Norway and Sweden.



Peter Wesenberg, CEO

The past year

Arcus's sales in 2005, excluding alcohol tax and charges, amounted to NOK 1,137m (1,069). Operating profit (EBITA) was NOK 52m (77). The decline in earnings is entirely due to export drives, extraordinary restructuring costs and the bringing forward of deregulation of the chemicals monopoly.

Future prospects

The company has a unique position in the Norwegian market and major potential for further internationalisation of most of its spirits brands. An extensive action programme has been launched designed to rationalise production, administration and distribution.

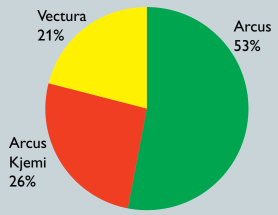
Board of Directors

Kaare Frydenberg	Chairman
Magdalena Aniansson	
Stefan Elving	
Leif Johansson	
Gro Myking	
Ragnar Strand	
Birgitta Stymne Göransson	
Henning Øglænd	

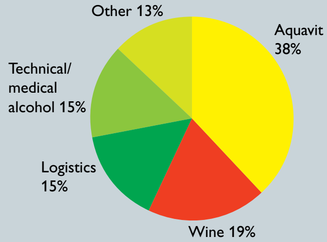
Management

Peter Wesenberg	CEO
Bjørn Davidsen	CFO
Rolf Kragerud	Strategy Director
Christian Brink	Sales & Marketing Director Arcus AS
Frithjof Nicolaysen	Purchasing Director Arcus AS
Nils-Petter Eriksen	Managing Director Arcus Kjemi AS
Jan Oluf Skarpnes	Production Director Arcus AS
Claes Strømbom	Managing Director Vectura AS
Synnøve Olsbø	HR Director
Halvor Heuch	Aquavit Director

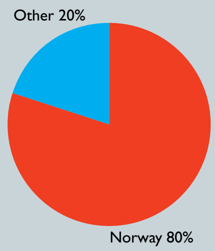
Sales by business area



Sales by operating area



Sales by market



Arcus

NOKm	IFRS [1)2)] 2005	IFRS [1)2)] 2004	2004 [4)]	2003 [4)]	2002 [4)]	2001 [4)]
Income statement						
Net sales	1,137	1,069	2,043	1,943	1,746	1,517
Operating expenses	-1,073	-983	-1,958	-1,856	-1,660	-1,439
Other income	29	32	33	30	22	29
Items affecting comparability	0	0	0	0	0	0
EBITDA	93	118	118	117	108	107
Depreciation	-41	-41	-41	-39	-38	-41
EBITA	52	77	77	78	70	66
Goodwill amortisation [3)]	-1	-1	-4	-3	0	0
EBIT	51	76	73	75	70	66
Financial income	9	9	9	10	15	16
Financial expenses	-26	-24	-6	-8	-7	-2
EBT	34	61	76	77	78	80
Tax	-13	-19	-24	-23	-22	-22
Minority interests	0	0	0	0	0	0
Net profit/loss for the year	21	42	52	54	56	58
Balance sheet						
Goodwill	296	–	31	34	0	0
Other intangible fixed assets	243	–	39	45	60	82
Tangible fixed assets	597	–	273	278	257	273
Financial fixed assets	23	–	12	8	5	44
Total fixed assets	1,159	–	355	365	322	399
Inventories	169	–	269	257	237	266
Current receivables	795	–	667	580	595	528
Cash, bank, short-term investments	203	–	271	311	342	304
Total current assets	1,167	–	1,207	1,148	1,174	1,098
Total assets	2,326	–	1,562	1,513	1,496	1,497
Shareholders' equity	519	–	394	431	506	494
Minority interests	0	–	0	0	0	0
Interest-bearing provisions	169	–	4	5	3	3
Non-interest bearing provisions	94	–	19	12	14	17
Interest-bearing liabilities	486	–	11	10	0	0
Non-interest bearing liabilities	1,058	–	1,134	1,055	973	983
Total shareholders' equity and liabilities	2,326	–	1,562	1,513	1,496	1,497
Cash flow statement						
Cash flow from operating activities	44	–	139	114	224	156
of which change in working capital	-16	–	20	-3	104	34
Cash flow from investing activities	-870	–	-37	-90	13	-36
of which investments	-870	–	-47	-91	-27	-40
of which divestments	0	–	10	1	40	4
Cash flow from financing activities	954	–	-142	-54	-200	-67
of which change in loans	479	–	-2	-9	0	-67
of which capital contribution	475	–	-35	0	0	0
of which dividends	0	–	-105	-46	-200	0
Cash flow for the year	128	–	-40	-30	37	53
Key figures						
EBITA margin, %	4.6	6.9	3.8	4.0	8.5	4.4
EBT margin, %	3.0	5.4	3.7	4.0	4.5	5.3
Return on equity, %	–	–	12.6	11.5	7.0	10.2
Return on capital employed, %	–	–	19.2	17.8	16.9	14.2
Equity ratio, %	22	–	25	28	34	33
Interest-bearing net debt, NOKm	452	–	-256	-296	-339	-301
Debt/equity ratio, gross, times	1.3	–	0.0	0.0	0.0	0.0
Cash flow after investments, NOKm	-826	–	102	24	237	120
Average number of employees	592	559	559	571	201	467

[1)] New accounting principle with effect from 2005 relating to sales. 2004 sales are pro forma.
[2)] Pro forma taking new group into account.
[3)] Amortisation of intangible assets in 2005 and 2004 respectively.
[4)] Arcus Gruppen AS.

Atle Industri – three divestments completed

In connection with the acquisition of Atle in 2001 by Ratos and 3i, the holdings in 17 companies were placed in a separate group called Atle Industri. Ten of these companies have been sold and today the portfolio consists of seven companies, six of which are wholly owned. Ratos has invested a total of SEK 514m in Atle Industri.

Consolidated book value in Ratos amounted to SEK 242m at year-end 2005.

Ratos is represented on the board by Thomas Mossberg, Senior Investment Manager for the holding, and Anna Ahlberg.

Two operating areas

The companies in Atle Industri operate in the engineering industry and trading. The companies are Ekman International (trading house), Elpress (electrical connectors), Evert Johansson (systems solutions), Moving (materials handling systems), Nordhydraulic (hydraulic valves), Pressmaster Tool (crimping tools) and Tempcold (distributes cooling products).

The past year

Operating profit (EBITA) including exit gains for sold companies amounted to SEK 392m (96). During the year Envac, Jens S Transmissioner and Elektrolindningar were sold for a total purchase price of SEK 649m. These sales provided an exit gain for Atle Industri of SEK 373m.

Moving and Ekman International gave a weak performance during the year with lower earnings. Earnings improved for Tempcold, Nordhydraulic, Evert Johansson and Elpress due to an improved business climate and completed action programmes. Pre-tax profit amounted to SEK 384m (90). Ratos received SEK 310m from Atle Industri in 2005.

Hans Åke Norås, CEO

Prospects for 2006

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

Atle Industri's holdings

Company	Operations	Atle Industri's holdings	2005 Sales SEKm	2004 Sales SEKm	2005 EBT SEKm	2004 EBT SEKm
Engineering industry						
Elpress	Manufactures and sells crimping systems for electrical applications.	100%	171	162	12.2	10.8
Evert Johansson	Develops, manufactures and markets machines and systems solutions for industry, primarily the wood and furniture industry.	100%	14	13	-3.6	-4.7
Moving	Develops and produces equipment and systems for effective materials handling.	100%	269	317	-29.7	-17.1
Nordhydraulic	Manufactures and sells hydraulic valves for mobile applications.	100%	184	144	8.3	2.2
Pressmaster Tool	Develops, manufactures and markets high-quality crimping tools.	100%	79	79	4.8	5.9
Trading						
Ekman International	Trading house that markets, sells and distributes pulp and paper products worldwide.	36%	5,712	5,280	-6.3	18.2
Tempcold	Comprehensive range of cooling products.	100%	336	287	3.0	-4.7

Atle Industri

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	1,433	2,084	2,084	2,375	2,454	2,384
Operating expenses	-1,380	-1,975	-2,006	-2,296	-2,409	-2,370
Other income	0	0	0	0	14	3
Profit from associates	0	10	7	5	8	9
Gain from the sale of holdings	372	8	12	0	0	0
EBITDA	425	127	97	84	67	26
Depreciation	-33	-31	–	–	–	–
EBITA	392	96	97	84	67	26
Goodwill amortisation	-2	0	-32	-36	-35	-37
EBIT	390	96	65	48	32	-11
Financial income	2	5	5	7	3	11
Financial expenses	-8	-11	-11	-19	-18	-28
EBT	384	90	59	36	17	-28
Tax	3	-25	-25	-21	-27	-24
Minority interests	0	4	-4	-2	-2	-1
Net profit/loss for the year	387	69	30	13	-13	-52
Balance sheet						
Goodwill	75	90	61	131	162	192
Other intangible fixed assets	17	26	22	15	8	16
Tangible fixed assets	130	131	126	141	170	175
Financial fixed assets	93	104	102	90	79	53
Total fixed assets	315	351	311	377	419	436
Current assets, other	456	908	908	982	1,083	1,073
Cash, bank, short-term investments	91	167	167	132	131	91
Total current assets	547	1,075	1,075	1,114	1,214	1,164
Total assets	862	1,426	1,386	1,491	1,633	1,600
Shareholders' equity	409	637	595	652	650	577
Minority interests	0	7	11	8	8	6
Interest-bearing liabilities	188	233	233	260	318	404
Non-interest bearing liabilities	265	549	547	571	657	613
Total shareholders' equity and liabilities	862	1,426	1,386	1,491	1,633	1,600
Cash flow statement						
Cash flow from operating activities	88	82	82	n/a	n/a	n/a
of which change in working capital	33	15	15	–	–	–
Cash flow from investing activities	447	47	47	n/a	n/a	n/a
of which investments	-52	-45	-45	–	–	–
of which divestments	499	92	92	–	–	–
Cash flow from financing activities	-611	-95	-95	n/a	n/a	n/a
of which change in loans	29	-10	-10	–	–	–
of which capital contribution	0	0	0	–	–	–
of which dividend	-640	-85	-85	–	–	–
Cash flow for the year	-76	34	34	n/a	n/a	n/a
Key figures						
EBITA margin, %	27.4	4.6	4.7	3.5	2.7	1.1
EBT margin, %	26.8	4.3	2.8	1.5	0.7	neg.
Return on equity, %	74.0	10.8	4.8	2.0	neg.	–
Return on capital employed, %	53.2	11.5	8.0	5.8	neg.	–
Equity ratio, %	47	45	43	44	40	36
Interest-bearing net debt, SEKm	97	66	66	128	187	313
Debt/equity ratio, gross, times	0.5	0.4	0.4	0.4	0.5	0.7
Cash flow after investments, SEKm	535	129	129	n/a	n/a	n/a
Average number of employees	858	1,161	1,161	1,313	1,430	n/a

Board of Directors

Lars Gårdö	Chairman
Anna Ahlberg	
Thomas Mossberg	
Christer Nilsson	
Bo Ulván	
Hans Åke Norås	CEO

Management

Hans Åke Norås	CEO
Lars Carlson	CFO

Bisnode – European market leader

Formerly BBI Infodata

In 2004 Ratos invested SEK 250m in BTJ Infodata. Ratos effected a buy-out of Infodata in 2005 and the company merged with Bonnier Business Information. Ratos owns 80% of the votes and 70% of the capital in the newly formed group. Bonnier is the co-owner. The newly formed group's name was changed to Bisnode at the beginning of 2006.

Consolidated book value in Ratos amounted to SEK 637m at year-end. In addition to the original investment of SEK 201m (Infodata's share of the total investment of SEK 250m for BTJ Infodata) Ratos made an add-on net investment of SEK 136m in Bisnode. In 2006, Ratos will make an additional investment of approximately SEK 380m in final settlement, which means that the consolidated value will increase by the same amount.

Ratos is represented on the board by Bo Jungner, Senior Investment Manager for this holding, and Henrik Joelsson as deputy.

Operations

Bisnode is a European market leader in databases and digital business information and services within market, credit and product information. The Group was formed through a merger between Bonnier Business Information (BBI) and Infodata (formerly BTJ Infodata).

Operations are conducted within five business areas: CRM & Direct Marketing, Credit & Risk Information, Product Directories & Trade Press, Business & Market Information, and Services & Venture Development. The company works mainly with national and international databases specialised for direct marketing, credit and market information, supplier and product information, and advanced IT solutions for the supply of information to companies, organisations, governments and municipalities. Bisnode has more than 2,400 employees and conducts operations in 18 European companies via some 60 companies.

Lars Save, CEO

The past year

Since Ratos became an owner of Bisnode on 5 September, the company is included in Ratos's results from the third quarter. Bisnode achieved an excellent performance during the year. Sales (pro forma) amounted to SEK 3,283m (3,126). Operating profit (EBITA) was SEK 400m (398). Profit before tax amounted to SEK 194m (194). The previous year's figures include the sold business area Financial Information with sales of SEK 269m and a profit/capital gain EBITA of SEK 91m.

Future prospects

Bisnode will continue to develop its offering in order to strengthen its position in the European market. The new organisation clarifies the company's offering to different target groups. Add-on acquisitions of strategically suitable companies will also be sought. As it increases in size, Bisnode will improve its opportunities to implement cost rationalisations within IT, information purchasing, data processing and other back-office functions in each European market.

Board of Directors

Torgny Eriksson	
Bo Jungner	
Jonas Nyrén	
Håkan Ramsin	
Carl-Wilhelm Ros	
Henrik Joelsson	Deputy
Mattias Westerholm	Employee representative

Management

Lars Save	CEO
Fredrik Åkerman	CFO
Geir Feltstykket	CRM & Direct Marketing
Alistair Pauline	Credit & Risk Information
Mats Erwald	Business & Market Information
Peter Villa	Product Directories & Tradepress
Jonas Edström	Services & Venture Development

Bisnode (formerly BBI Infodata)

SEKm	IFRS 1) 2005	IFRS 1) 2004	2004	2003	2002	2001
Income statement						
Net sales	3,283	3,126				
Operating expenses	-2,850	-2,767				
Other income	25	12				
Result from discontinued operations	0	91				
Items affecting comparability	0	0				
EBITDA	458	462				
Depreciation	-58	-64				
EBITA	400	398				
Goodwill amortisation 2)	-46	-46				
EBIT	354	352				
Financial income	10	8				
Financial expenses	-170	-166				
EBT	194	194				
Tax	-43	-71				
Minority interests	-11	-7				
Net profit/loss for the year	140	116				
Balance sheet						
Goodwill	3,492	–				
Other intangible fixed assets	436	–				
Tangible fixed assets	207	–				
Financial fixed assets	298	–				
Total fixed assets	4,433	–				
Inventories	23	–				
Current receivables	789	–				
Cash, bank, short-term investments	438	–				
Total current assets	1,250	–				
Total assets	5,683	–				
Shareholders' equity 3)	1,826	–				
Minority interests	21	–				
Interest-bearing provisions	256	–				
Non-interest bearing provisions	219	–				
Interest-bearing liabilities	2,117	–				
Non-interest bearing liabilities	1,244	–				
Total shareholders' equity and liabilities	5,683	–				
Cash flow statement						
Cash flow from operating activities	339	–				
of which change in working capital	45	–				
Cash flow from investing activities	-129	–				
of which investments	-176	–				
of which divestments	47	–				
Cash flow from financing activities	26	–				
of which change in loans	26	–				
of which capital contribution	0	–				
of which dividends	0	–				
Cash flow for the year	236	–				
Key figures						
EBITA margin, %	12.2	12.7				
EBT margin, %	5.9	6.2				
Return on equity, %	–	–				
Return on capital employed, %	–	–				
Equity ratio, %	33	–				
Interest-bearing net debt, SEKm	1,935	–				
Debt/equity ratio, gross, times	1.3	–				
Cash flow after investments, SEKm	210	–				
Average number of employees	2,450	2,086				

1) Pro forma taking new group into account including operations in Germany acquired in 2006.
2) Amortisation of intangible assets.
3) Equity includes convertible shareholder loan of SEK 1,007m.

Bluegarden – integration of new operations

In 2003, Ratos acquired the Norwegian company Bluegarden from Norway Post. Following refinancing in 2004, Ratos's investment amounts to SEK 230m. Ratos has a 100% holding in the company.

Consolidated book value in Ratos at year-end amounted to SEK 313m.

Ratos is represented on the board by Bo Jungner, Senior Investment Manager for this holding, and Per Frankling.

Operations

Bluegarden is one of the three leading players in payroll and human resources management (HRM) in the Nordic region. Operations focus on payroll processing systems and other HRM services, which are offered both in the form of software licensing, applications operation (ASP) and through other business models, including full outsourcing of HRM departments. Bluegarden's offering includes Bluegarden Digital HR – simple and effective services supplied via the Internet, Bluegarden Outsourcing and Bluegarden Web World – a service for large organisations where all payroll and HRM tools are placed where they are accessible to HR specialists, managers and employees.

Customers include many of the major Swedish, Norwegian and Danish corporations such as ABB, SEB, Nordea, StoraEnso, IKEA, DnBNOR, Helse Sør, Norway Post, Sonofon and Tine. A total of over a million Nordic employees receive their salaries via the Bluegarden Group's systems.

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

The past year

In December 2004, Bluegarden acquired the Swedish company PA-konsult, Sweden's leading supplier of payroll and HRM systems to major corporations. Earlier in November in the same year, Bluegarden entered a partnership with Intentia, under which Bluegarden took over Intentia's HR-focused consulting organisation and became Intentia's partner within payroll and HR systems.

Bluegarden worked on integrating these operations during 2005. The acquisitions mean that Bluegarden's Nordic HR products are now offered to customers in Sweden, Norway and Denmark. In Denmark, Bluegarden has a co-operation agreement with the market leader Multidata.

As part of the integration of the Nordic operations a new managing director for the Swedish business, Thomas Grönlund, was recruited at the end of 2005.

In both Sweden and Norway earnings improved compared with 2004 due to completion of efficiency enhancements during 2004 as well as new and extended customer contracts. Bluegarden's sales amounted to NOK 424m (331). Operating profit (EBITA) was NOK 56m (37). Profit before tax amounted to NOK 42m (32).

Svein F. Gullaksen, CEO

Future prospects

In the years ahead, Bluegarden is expected to be able to grow by benefiting from its Nordic product portfolio and customer base. Furthermore, additional efficiency enhancements of operations should lead to continued improved profitability.

Board of Directors

Bo Jungner	Chairman
Per Frankling	
Mats Lönnqvist	
Bengt Paulsson	
Britt Reigo	
Arne Thaning	
Henning Øglænd	

Management

Svein F. Gullaksen	CEO
Magnus Winther-Bay	CFO
Thomas Grönlund	Managing Director Sweden

Bluegarden

NOKm	IFRS 2005	IFRS [1] 2004	2004 [1]	2003	2002	2001
Income statement						
Net sales	424	331	331	342	339	
Operating expenses	-351	-262	-262	-279	-283	
Other income	4	0	0	0	0	
Items affecting comparability	0	-12	-12	-10	0	
EBITDA	77	57	57	53	56	
Depreciation	-21	-20	-20	-19	-15	
EBITA	56	37	37	34	41	
Goodwill amortisation	-1	0	-10	-11	-5	
EBIT	55	37	27	23	36	
Financial income	3	3	3	3	3	
Financial expenses	-16	-8	-8	-4	-4	
EBT	42	32	22	22	35	
Tax	-11	-9	-9	-9	-10	
Minority interests	0	0	0	0	0	
Net profit for the year	31	23	13	13	25	
Balance sheet			[2]			
Goodwill	412	268	252	29	33	
Other intangible fixed assets	63	66	66	79	76	
Tangible fixed assets	13	8	8	6	11	
Fin. fixed assets, non-interest bearing	2	2	2	0	4	
Financial fixed assets, interest-bearing	10	0	0	0	0	
Total fixed assets	500	344	328	114	124	
Inventories	0	0	0	0	0	
Current receivables	72	55	55	47	58	
Cash, bank, short-term investments	42	33	33	36	58	
Total current assets	114	88	88	83	116	
Total assets	614	432	416	197	240	
Shareholders' equity	265	233	217	101	102	
Minority interests	0	0	0	0	2	
Interest-bearing provisions	10	6	6	3	5	
Non-interest bearing provisions	0	0	0	0	0	
Interest-bearing liabilities	245	120	120	0	44	
Non-interest bearing liabilities	94	73	73	93	87	
Total shareholders' equity and liabilities	614	432	416	197	240	
Cash flow statement		[3]	[3]			
Cash flow from operating activities	70	15	15	41	55	
of which change in working capital	1	-29	-29	-13	10	
Cash flow from investing activities	-188	-18	-18	-19	-20	
of which investments	-188	-18	-18	-19	-24	
of which divestments	0	0	0	0	4	
Cash flow from financing activities	128	0	0	-44	-6	
of which change in loans	128	0	0	-44	-6	
of which capital contribution	0	0	0	0	0	
of which dividends	0	0	0	0	0	
Cash flow for the year	10	-3	-3	-22	29	
Key figures						
EBITA margin, %	13.2	11.2	11.2	9.9	12.1	
EBT margin, %	9.9	9.7	6.6	6.4	10.3	
Return on equity, %	12.4	–	8.2	12.8	–	
Return on capital employed, %	13.2	–	13.4	20.2	–	
Equity ratio, %	43	54	52	51	43	
Interest-bearing net debt, NOKm	203	93	93	-33	-9	
Debt/equity ratio, gross, times	1.0	0.5	0.6	0.0	0.5	
Cash flow after investments, NOKm	-118	-3	-3	22	35	
Average number of employees	366	281	281	325	329	

[1] Pro forma taking new group structure into account.
[2] New group structure after Q2, 2004.
[3] Relates to operating activities.

BTJ Nordic – continued restructuring

Ratos became an owner in BTJ Nordic in conjunction with BTJ's acquisition of Infodata in March 2004. In September 2005, Infodata merged with Bonnier Business Information, whereby BTJ Infodata was split. BTJ Nordic therefore once again became an individual company and at the same time a separate Ratos holding.

Ratos's holding in BTJ Nordic amounts to 59%. Other owners are Litorina Kapital (31%) and Svensk Biblioteksförening (10%).

Consolidated book value in Ratos amounted to SEK 35m at year-end.

Ratos is represented on the board by Bo Jungner, Senior Investment Manager for this holding, and Robin Molvin.

Operations

BTJ Nordic is a leading supplier of media products and information services to libraries, booksellers, companies and organisations in the Nordic market. Products and services are sold through the brands Bibliotekstjänst, BTJ Danmark, BTJ Kirjastopalvelu, Seelig, BTJ Prenumerationsservice and BTJ Förlag.

Through Bibliotekstjänst, BTJ Danmark and BTJ Kirjastopalvelu, BTJ Nordic is the leading supplier of information services and media products to public and school libraries in Sweden, Denmark and Finland. Among other things they offer purchasing guidance information, supplies of all types of media equipped to meet customer preferences as well as a range of search and ordering services. Booksellers and publishers are supplied with wholesale, logistics and information services through Seelig. BTJ Prenumerationsservice offers services related to subscriptions. BTJ Förlag issues reading suggestions, author biographies, overviews and handbooks.

The past year

BTJ Nordic had a weak profitability development during the year. Changed purchasing patterns from libraries and increased competition from Internet booksellers, among others, had a negative impact on margins in Sweden. In Denmark, intense price competition continued and led to considerably lower earnings than in the previous year. The Finnish operations performed slightly better than in the preceding year. Earnings for 2005 were also negatively affected by restructuring costs and start-up problems in conjunction with the introduction of a new business system in the Danish operations.

Sophie Persson, CEO

During the year BTJ Nordic implemented a number of measures designed to improve profitability which mainly had an impact on the Swedish library operations in 2005. The company's sales (pro forma) amounted to SEK 1,328m (1,206). The operating result (EBITA) was SEK -19m (-4). Loss before tax amounted to SEK 25m (loss 6).

Future prospects

Cost-cutting measures and changed price models are expected to have a positive impact on earnings in 2006. At the beginning of 2006, Seelig was reconstructed and incorporated which is expected to lead to productivity improvements. Furthermore, the business area Boktjänst, which sells textbooks primarily to schools, was sold. Reversing the company's negative profitability trend will continue to be given highest priority during the year.

Board of Directors

Anders Skarin	Chairman
Gunilla Herdenberg	
Bo Jungner	
Harold Kaiser	
Robin Molvin	

Management

Sophie Persson	CEO
Carl Sköld	acting CFO

BTJ Nordic

SEKm	IFRS 1) 2005	IFRS 1) 2004	2004	2003	2002	2001
Income statement						
Net sales	1,328	1,206				
Operating expenses	-1,322	-1,177				
Other income	0	0				
Items affecting comparability	-11	-19				
EBITDA	-5	10				
Depreciation	-14	-14				
EBITA	-19	-4				
Goodwill amortisation	0	0				
EBIT	-19	-4				
Financial income	1	2				
Financial expenses	-7	-4				
EBT	-25	-6				
Tax	4	0				
Minority interests	0	0				
Net profit/loss for the year	-21	-6				
Balance sheet						
Goodwill	99	–				
Other intangible fixed assets	26	–				
Tangible fixed assets	34	–				
Financial fixed assets	7	–				
Total fixed assets	166	–				
Inventories	79	–				
Current receivables	218	–				
Cash, bank, short-term investments	54	–				
Total current assets	351	–				
Total assets	517	–				
Shareholders' equity	76	–				
Minority interests	4	–				
Interest-bearing provisions	15	–				
Non-interest bearing provisions	1	–				
Interest-bearing liabilities	78	–				
Non-interest bearing liabilities	343	–				
Total shareholders' equity and liabilities	517	–				
Cash flow statement						
Cash flow from operating activities	82	–				
of which change in working capital	66	–				
Cash flow from investing activities	-166	–				
of which investments	-166	–				
of which divestments	0	–				
Cash flow from financing activities	138	–				
of which change in loans	57	–				
of which capital contribution	81	–				
of which dividends	0	–				
Cash flow for the year	54	–				
Key figures						
EBITA margin, %	neg.	neg.				
EBT margin, %	neg.	neg.				
Return on equity, %	–	–				
Return on capital employed, %	–	–				
Equity ratio, %	15	–				
Interest-bearing net debt, SEKm	39	–				
Debt/equity ratio, gross, times	1.2	–				
Cash flow after investments, SEKm	-84	–				
Average number of employees	527	530				

1) Pro forma in relation to new group.

Camfil – good growth in North America

Ratos invested SEK 450m in Camfil in 2000, corresponding to a holding of 30%. Other owners are members of the Larson and Markman families.

Consolidated book value in Ratos amounted to SEK 515m at year-end.

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

Operations

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

The Group has three product areas: Comfort (43% of sales) comprises filter products that contribute to a good indoor climate. Clean Processes (51%) offers filter solutions for sensitive manufacturing processes, including clean rooms. Safety & Protection (6%) manufactures filters that protect the environment from discharges from dirty and hazardous manufacturing processes, such as nuclear power stations, mines and chemical plants.

Manufacturing is carried out in 19 plants on three continents and the Group is represented by subsidiaries and agents in some 55 countries. Repeat sales account for almost two-thirds of the market for air filters. The annual growth forecast for the total market is 4-6% over the next few years. The strongest growth is expected in the Asian markets.

The past year

Camfil's sales amounted to SEK 3,083m (2,855), an increase of 8% compared with the previous year. Growth was mainly due to very strong growth in North America including a number of important orders from the pharmaceutical industry. Demand from the gas turbine industry was also strong. As expected, sales to the clean room market (air filters for facilities that manufacture LCD/plasma screens and semiconductors) showed a weaker development than in the previous year.

Operating profit (EBITA) was SEK 290m (243). Profit before tax amounted to SEK 265m (210). The EBITA margin improved and amounted to 9.4 % (8.5%). The improved earnings compared with the previous year are partly due to extraordinary net income. During the year a number of activities were also carried out to improve the company's long-term development within the framework of the business plan.

Alan O'Connell, CEO

Future prospects

Camfil has strong market positions in Europe and North America. The operations in Asia, which is the market with the greatest growth potential, are being built up. Good sales growth is expected in 2006, among other things in the North American market and for gas turbines. Implementation of the activities identified and prioritised in the company's business plan will continue. These activities are designed to achieve both continued profitability improvements and continued growth.

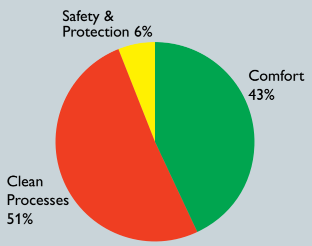
Board of Directors

Jan Eric Larson	Chairman
Eric Giertz	
Arne Karlsson	
Mats Lönnqvist	
Johan Markman	
Carl Wilhelm Ros	
Christer Zetterberg	
Rolf Wikström	Employee representative
Henrik Joelsson	Deputy
Dan Larson	Deputy
Frida Markman	Deputy
Christer Stavström	Deputy, Employee representative

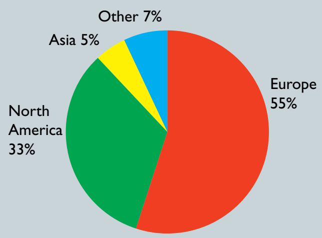
Management

Alan O'Connell	CEO
Johan Ryrberg	Deputy CEO, CFO

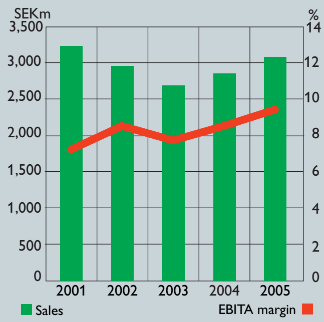
Sales by application



Sales by market



Sales and EBITA margin



Camfil

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	3,083	2,855	2,855	2,691	2,960	3,237
Operating expenses	-2,711	-2,538	-2,528	-2,426	-2,658	-2,945
Other income	5	6	6	25	16	39
Items affecting comparability [1]	0	0	-10	-1	22	-7
EBITDA	377	323	323	289	340	324
Depreciation	-87	-80	-80	-81	-90	-92
EBITA	290	243	243	208	250	232
Goodwill amortisation	0	0	-44	-47	-58	-62
EBIT	290	243	199	161	192	170
Financial income	87	75	75	63	30	41
Financial expenses	-112	-108	-107	-85	-73	-115
EBT	265	210	167	139	149	96
Tax	-79	-63	-63	-53	-72	-49
Minority interests	0	0	0	0	0	0
Net profit for the year	186	147	104	86	77	47
Balance sheet						
Goodwill	657	557	517	605	768	1,010
Other intangible fixed assets	7	5	5	0	0	0
Tangible fixed assets	620	503	503	543	596	704
Financial fixed assets	100	99	100	94	120	163
Total fixed assets	1,384	1,164	1,125	1,242	1,484	1,877
Inventories	412	358	358	322	339	434
Current receivables	715	597	597	552	572	701
Cash, bank, short-term investments	215	167	167	382	374	279
Total current assets	1,342	1,122	1,122	1,256	1,285	1,414
Total assets	2,726	2,286	2,247	2,498	2,769	3,291
Shareholders' equity	1,312	1,065	1,025	1,045	1,087	1,137
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	114	101	101	51	51	59
Non-interest bearing provisions	92	152	152	165	222	256
Interest-bearing liabilities	683	509	509	807	1,016	1,342
Non-interest bearing liabilities	525	459	460	430	393	497
Total shareholders' equity and liabilities	2,726	2,286	2,247	2,498	2,769	3,291
Cash flow statement						
Cash flow from operating activities	174	167	167	223	247	117
of which change in working capital	-36	-62	-62	5	47	-22
Cash flow from investing activities	-144	-61	-61	-101	46	-85
of which investments	-206	-110	-110	-109	-86	-101
of which divestments	62	49	49	8	132	31
Cash flow from financing activities	1	-326	-326	-106	-191	0
of which change in loans	69	-301	-300	-80	-168	23
of which capital contribution	0	3	3	0	0	0
of which dividends	-68	-28	-28	-26	-23	-23
Cash flow for the year	31	-220	-220	16	102	32
Key figures						
EBITA margin, %	9.4	8.5	8.5	7.7	8.5	7.2
EBT margin, %	8.6	7.4	5.8	5.2	5.0	3.0
Return on equity, %	15.6	–	10.0	8.1	7.0	4.3
Return on capital employed, %	19.9	–	15.5	11.0	9.5	8.7
Equity ratio, %	48	47	46	42	39	35
Interest-bearing net debt, SEKm	582	443	443	476	693	1,122
Debt/equity ratio, gross, times	0.6	0.6	0.6	0.8	1.0	1.2
Cash flow after investments, SEKm	30	106	106	122	293	32
Average number of employees	2,693	2,619	2,619	2,602	2,635	2,760

[1] Includes capital gain from sale of properties of SEK 17m.

DIAB – strong growth

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

Consolidated book value in Ratos amounted to SEK 648m at year-end.

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

Operations

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

The products are built on a core of Divinycell, a fibre-reinforced polymer which is light, strong and rigid, or on a balsa material which is a simpler and less expensive core material. DIAB's customer segments are Marine (52%), Wind (31%), Industry (9%), Transportation (4%) and Aerospace (4%).

DIAB has production units in Sweden (Laholm), Italy (Longarone), the US (De Soto, Texas), Lithuania, Australia and Ecuador (balsa production). Production in China will start in 2006. DIAB has its own sales organisation in nine countries and more than 90% of sales take place outside Sweden.

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

The year in brief

Demand for DIAB's products remained strong in 2005 in most of the company's markets and customer segments. Sales amounted to SEK 918m (759), representing growth of 21%. The company's sales in Asia showed particularly strong development.

DIAB's pre-tax profit improved from SEK 81m to SEK 90m, mainly due to the favourable sales trend. The introduction of the new product programme which will lead to a continuously improved delivery capacity, led to production disruptions in the first half of the year which had a negative impact on earnings.

Anders Paulsson, CEO

Deliveries started from DIAB's finishing production unit in Lithuania during 2005. The decision was made to set up a sales company in China with capacity for finishing material.

Future prospects

DIAB is a world-leading company in an attractive market with good potential for long-term growth, in the wind power and other segments and new applications. Growth will primarily be achieved through increased sales to existing customers, where both previous and new applications have great potential. The improved product programme allows productivity improvements which, combined with growth opportunities are expected to contribute to improved earnings in the next few years.

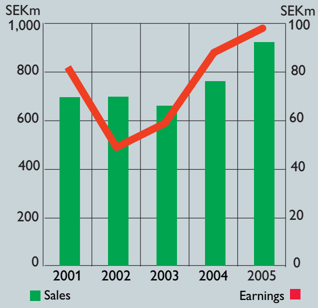
Board of Directors

Carl-Erik Ridderstråle	Chairman
Georg Brunstam	
Tomas Ekman	
Sven-Åke Henningsson	
Stig Karlsson	
Jonas Henningsson	Employee representative
Kjell- Arne Nilsson	Employee representative
Henrik Blomé	Deputy
Christer Nilsson	Deputy

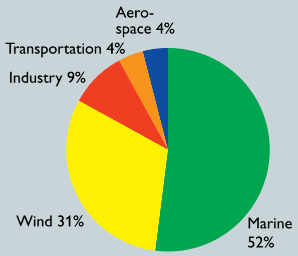
Management

Anders Paulsson	CEO
Peter Sundback	CFO

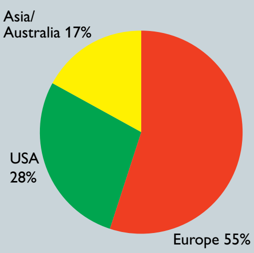
Sales and earnings



Sales by customer segment



Sales by market



DIAB

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	918	759	759	658	694	693
Operating expenses	-782	-637	-637	-565	-611	-583
Other income	0	0	0	0	0	0
Items affecting comparability	0	0	0	0	0	0
EBITDA	136	122	122	93	83	110
Depreciation	-39	-35	-35	-35	-35	-29
EBITA	97	87	87	58	48	81
Goodwill amortisation	0	0	0	-1	-1	-1
EBIT	97	87	87	57	47	80
Financial income	3	1	1	2	0	1
Financial expenses	-10	-7	-7	-7	-6	-5
EBT	90	81	81	52	41	76
Tax	-28	-23	-23	-17	-7	-21
Minority interests	0	0	0	0	0	0
Net profit for the year	62	58	58	35	34	55
Balance sheet						
Goodwill	0	0	0	0	1	2
Other intangible fixed assets	0	0	0	0	0	0
Tangible fixed assets	348	304	304	294	308	284
Financial fixed assets	10	7	7	11	12	8
Total fixed assets	358	311	311	305	321	294
Inventories	177	134	134	128	132	133
Current receivables	197	149	149	133	129	148
Cash, bank, short-term investments	30	22	22	23	16	14
Total current assets	404	305	305	284	277	295
Total assets	762	616	616	589	598	589
Shareholders' equity	288	209	209	301	289	290
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	13	13	13	12	11	10
Non-interest bearing provisions	29	30	30	31	27	31
Interest-bearing liabilities	264	220	220	129	132	107
Non-interest bearing liabilities	168	144	144	116	139	151
Total shareholders' equity and liabilities	762	616	616	589	598	589
Cash flow statement						
Cash flow from operating activities	61	108	108	44	58	74
of which change in working capital	-62	-11	-11	-38	7	13
Cash flow from investing activities	-78	-48	-48	-31	-66	-99
of which investments	-78	-53	-53	-31	-69	-105
of which divestments	0	5	5	0	3	6
Cash flow from financing activities	23	-60	-60	-6	10	5
of which change in loans	23	98	98	4	30	25
of which capital contribution	-6	-14	-14	0	0	0
of which dividends	0	-144	-144	-10	-20	-20
Cash flow for the year	6	0	0	7	2	-20
Key figures						
EBITA margin, %	10.6	11.5	11.5	8.8	6.9	11.6
EBT margin, %	9.8	10.7	10.7	7.9	5.8	10.9
Return on equity, %	24.9	–	22.7	11.9	11.9	20.6
Return on capital employed, %	19.9	–	19.9	13.5	11.5	22.1
Equity ratio, %	38	34	34	51	48	49
Interest-bearing net debt, SEKm	247	211	211	118	126	103
Debt/equity ratio, gross, times	1.0	1.1	1.1	0.5	0.5	0.4
Cash flow after investments, SEKm	-17	60	60	13	-8	-25
Average number of employees	734	788	788	654	665	596

Gadelius – improved earnings

Ratos became a 50% owner in Gadelius in 2001 in conjunction with the acquisition of Atle. In 2004 Gadelius became a wholly owned Ratos subsidiary. Ownership is via a Dutch holding company. Ratos has invested a total of SEK 205m in Gadelius.

Consolidated book value in Ratos amounted to SEK 191m at year-end.

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

Operations

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

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

The year in brief

Economic activity in the Japanese market improved during 2005 which had a positive effect on Gadelius's performance. Sales increased by 18% to to JPY 10,329m.

Pre-tax profit for the year improved from JPY 154m to JPY 504m with profit increases in almost all divisions. During the year the Gadelius Medical division merged with Gadelius's subsidiary Manson.

Efforts to make tied up capital more effective provided a continued strong cash flow in 2005. Cash flow after investments amounted to JPY 271m.


Hans Porat, CEO

Future prospects

A complex market structure and high setting up costs means there is considerable scope in Japan for a distributor who uses modern methods to represent foreign suppliers. Gadelius's strong brand and long history in Japan guarantee stable business relationships. Future efforts will concentrate on exploiting opportunities for organic growth for existing and new agencies and retaining a strong cash flow through continued control of working capital.

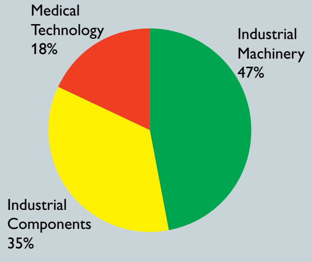
Board of Directors

Lars Gårdö	Chairman
Atsushi Hasegawa	
Jan Heiniö	
Stig Karlsson	
Noboyoshi Ota	
Hans Porat	CEO

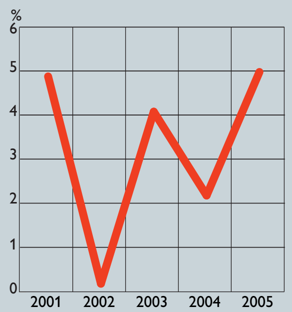
Management

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

Sales by operating area



EBITA margin



Gadelius

JPYm	IFRS 2005	IFRS 2004	2004	2003	2002 [1]	2001 [1]
Income statement						
Net sales	10,329	8,751	8,751	8,898	10,452	12,027
Operating expenses	-9,777	-8,478	-8,532	-8,456	-10,078	-11,412
Other income	31	8	17	-27	1	265
Items affecting comparability	0	-11	-19	24	-261	-194
EBITDA	583	270	217	439	114	687
Depreciation	-65	-78	-57	-75	-96	-101
EBITA	518	192	160	364	18	586
Goodwill amortisation	0	0	-14	-15	-235	-244
EBIT	518	192	146	349	-217	342
Financial income	18	2	2	3	2	2
Financial expenses	-32	-40	-18	-24	-37	-54
EBT	504	154	130	328	-252	290
Tax	-231	-112	-113	-176	-10	-266
Minority interests	0	0	0	0	0	0
Net profit/loss for the year	273	42	17	152	-262	24
Balance sheet						
Goodwill	55	55	42	58	73	303
Other intangible fixed assets	9	5	5	11	17	21
Tangible fixed assets	143	199	168	203	247	332
Financial fixed assets	318	171	171	240	314	404
Deferred tax assets	208	514	460	471	623	626
Total fixed assets	733	944	846	983	1,274	1,686
Inventories	1,127	1,724	1,724	1,200	1,268	1,982
Receivables	2,886	2,836	2,836	2,746	3,591	3,752
Cash, bank, short-term investments	140	177	117	96	97	30
Total current assets	4,153	4,737	4,737	4,042	4,956	5,764
Total assets	4,886	5,681	5,583	5,025	6,230	7,450
Shareholders' equity	1,737	1,433	1,500	1,482	1,330	1,592
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	149	285	181	229	293	379
Non-interest bearing provisions	56	0	0	0	0	0
Interest-bearing liabilities	1,632	1,940	1,910	2,110	2,910	3,858
Non-interest bearing liabilities	1,312	2,023	1,992	1,204	1,697	1,621
Total shareholders' equity and liabilities	4,886	5,681	5,583	5,025	6,230	7,450
Cash flow statement						
Cash flow from operating activities	290	235	235	756	997	708
of which change in working capital	-98	112	112	419	976	223
Cash flow from investing activities	-19	46	46	43	18	-420
of which investments	-35	-23	-23	-30	-39	-430
of which divestments	16	69	69	73	57	10
Cash flow from financing activities	-308	-200	-200	-800	-948	-489
of which change in loans	-308	-200	-200	-800	-948	-489
of which capital contribution	0	0	0	0	0	0
of which dividends	0	0	0	0	0	0
Cash flow for the year	-37	81	81	-1	67	-201
Key figures						
EBITA margin, %	5.0	2.2	1.8	4.1	0.2	4.9
EBT margin, %	4.9	1.8	1.5	3.7	neg.	2.4
Return on equity, %	17.2	–	1.1	10.8	neg.	1.5
Return on capital employed, %	14.9	–	4.0	8.4	neg.	5.7
Equity ratio, %	36	25	27	29	21	21
Interest-bearing net debt, JPYm	1,641	2,048	1,914	2,243	3,106	4,207
Debt/equity ratio, gross, times	1.0	1.6	1.4	1.6	2.4	2.7
Cash flow after investments, JPYm	271	281	281	799	1,015	288
Average number of employees	180	192	192	199	183	226

Gadelius is owned via a Dutch holding company. Reported figures exclude the holding company.

[1] Pro forma taking changed accounting principles into account.

GS-Hydro – strong earnings improvement

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

At year-end 2005 GS-Hydro had a consolidated book value of SEK 159m.

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

Operations

GS-Hydro manufactures, distributes and installs non-welded piping systems. The products compete with traditional welded piping systems. Piping systems are mainly used in hydraulic high-pressure systems but are also used in other both high and low pressure systems that require fast installation, a high degree of cleanliness and a minimum of operating shutdowns. The products are mainly used within marine and offshore industry as well as in the pulp and paper, mining and metals, automotive and aerospace, and defence industries. The company also supplies components for piping systems. The company is represented by subsidiaries and agents in 22 countries and has 315 employees.

The past year

GS-Hydro reports a sharp rise in earnings. This improvement was partly due to a strong market development, both in the important Norwegian market and in other international markets, as well as the effects of an extensive action programme. Most of the subsidiaries achieved a significant improvement in earnings.

Sales totalled EUR 69.0m (52.6) and operating profit (EBITA) was EUR 4.0m (-0.1). Cash flow after investments was EUR -2.0m (-2.3).

Future prospects

GS-Hydro has a strong concept and good growth potential. Today, the company is well equipped with improved processes and a recently established, clear organisational structure. Combined with an additional number of ongoing measures, this makes the company well placed to continue to improve profitability and exploit its growth potential.

Lasse Mannola, CEO

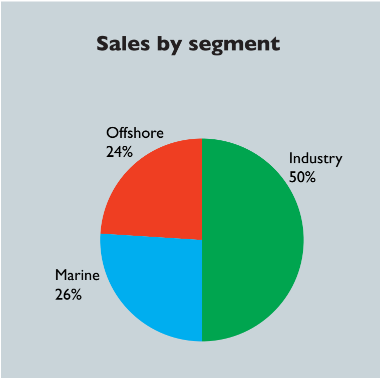
Board of Directors

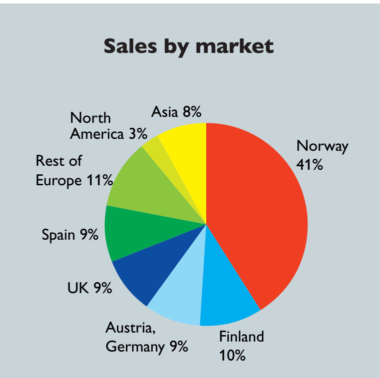
Anders Lindblad	Chairman
Rolf Ahlqvist	
Leif Johansson	
Eli K. Vassenden	
Magdalena Aniansson	Deputy

Management

Lasse Mannola	CEO
Jyrki Pihlava	CFO

GS-Hydro





EURm	IFRS 2005	IFRS 2004	2004	2003 [1]	2002 [1]	2001 [1]
Income statement						
Net sales	69.0	52.6	52.9	55.2	60.5	57.7
Operating expenses	-63.4	-51.4	-51.5	-51.2	-53.8	-50.9
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Items affecting comparability	-0.1	0.0	0.0	0.0	0.0	0.0
EBITDA	5.5	1.2	1.4	4.0	6.7	6.8
Depreciation	-1.5	-1.3	-1.3	-1.2	-1.2	-1.2
EBITA	4.0	-0.1	0.1	2.8	5.5	5.6
Goodwill amortisation	0.0	0.0	-1.1	-1.2	-1.0	-1.0
EBIT	4.0	-0.1	-1.0	1.6	4.5	4.6
Financial income	0.0	0.1	0.1	0.3	0.1	0.1
Financial expenses	-1.2	-1.1	-1.1	-1.3	-0.7	-1.0
EBT	2.8	-1.1	-2.0	0.6	3.9	3.7
Tax	-1.2	-0.4	-0.4	–	–	–
Minority interests	0.0	0.0	0.0	–	–	–
Net profit/loss for the year	1.6	-1.5	-2.4	–	–	–
Balance sheet						
Goodwill	13.8	13.9	12.8	13.9	13.8	14.6
Other intangible fixed assets	0.5	0.5	0.6	0.4	0.1	0.1
Tangible fixed assets	7.0	6.1	6.2	6.1	6.9	6.8
Financial fixed assets	1.7	1.3	1.0	0.7	0.8	0.9
Total fixed assets	23.0	21.8	20.6	21.1	21.6	22.4
Inventories	16.9	13.9	13.8	13.0	14.2	13.2
Current receivables	16.4	12.5	13.2	12.0	11.6	13.3
Cash, bank, short-term investments	3.4	1.4	1.4	3.1	3.3	2.8
Total current assets	36.7	27.8	28.4	28.1	29.1	29.3
Total assets	59.7	49.6	49.0	49.2	50.7	51.7
Shareholders' equity	16.8	15.0	14.4	15.1	27.2	20.8
Minority interests	0.0	0.0	0.0	0.0	0.1	0.1
Interest-bearing provisions	0.1	0.2	0.0	0.0	0.0	0.0
Non-interest bearing provisions	0.4	0.4	0.6	0.4	0.1	0.1
Interest-bearing liabilities	29.5	25.6	25.6	25.0	13.0	19.9
Non-interest bearing liabilities	12.9	8.4	8.4	8.7	10.3	10.8
Total shareholders' equity and liabilities	59.7	49.6	49.0	49.2	50.7	51.7
Cash flow statement						
Cash flow from operating activities	0.2	-0.5	-0.5	1.8	6.6	4.5
of which change in working capital	-3.1	-0.1	-0.1	-0.8	0.4	-1.8
Cash flow from investing activities	-2.2	-1.8	-1.8	-2.9	-1.4	-1.4
of which investments	-2.2	-1.8	-1.8	-2.9	-1.4	-1.4
of which divestments	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	3.9	0.7	0.7	0.9	-4.7	-2.4
of which change in loans	3.9	3.2	3.2	7.5	-4.7	-2.4
of which capital contribution	0.0	6.3	6.3	0.0	0.0	0.0
of which dividends	0.0	-8.8	-8.8	-6.6	0.0	0.0
Cash flow for the year	1.9	-1.6	-1.6	-0.2	0.5	0.7
Key figures						
EBITA margin, %	5.8	neg.	0.2	5.1	8.5	9.7
EBT margin, %	4.1	neg.	neg.	1.1	6.4	6.4
Return on equity, %	10.1	–	neg.	–	–	–
Return on capital employed, %	9.2	–	neg.	4.7	11.3	11.8
Equity ratio, %	28	30	29	31	54	40
Interest-bearing net debt, EURm	26.2	24.4	24.2	21.9	9.7	17.1
Debt/equity ratio, gross, times	1.8	1.7	1.8	1.7	0.5	1.0
Cash flow after investments, EURm	-2.0	-2.3	-2.3	-1.1	5.2	3.1
Average number of employees	315	307	307	291	279	258

[1] Pro forma.

Haendig – changed structure

Haendig was added to Ratos's portfolio in 2001 in conjunction with the acquisition of Atle, and following add-on investments in 2004, Haendig became a wholly owned Ratos subsidiary.

Consolidated book value in Ratos amounted to SEK 322m at year-end.

Ratos is represented on the board by Stig Karlsson, Senior Investment Manager for the holding, and Henrik Blomé as deputy.

Nordic wholesalers

The Haendig Group includes Nordic wholesale companies which mainly focus on the DIY market in the Nordic region. The subsidiaries, which are leaders within their niches, develop and sell a range of products primarily under own brands and with concept solutions.

The Group was formed in 2000 and has grown through acquisition of related trading companies. Today Haendig comprises eight subsidiaries. Hafa and Westerbergs Badrum are the largest bathroom furnishings companies in the Nordic region. Duri and Lundbergs Produkter are market leaders in floor accessories and specific fittings. The HDF-Bolagen's wholesale operations are estimated to be the second largest in the Nordic region. HDF Gyttorp Jakt sells rifles and other hunting accessories. Sven Svenssons is Sweden's leading wholesaler in plant pots and garden ornaments. The Finnish company Penope imports and distributes power tools and woodworking machines.

The year in brief

Haendig's structure changed in 2005 with the sale of the Norwegian Markt companies with their focus on the professional building trade and the acquisition of Lundbergs and Westerbergs. These deals represent a greater focus on the DIY segment and strong own brands.

Sales for the year amounted to SEK 1,286m (1,291). The decrease in sales is attributable to the sale of Markt. Sales for comparable units increased by 6%, mainly due to a positive market development and continued favourable growth for Hafa.

EBITA for 2005 amounted to SEK 38m (70). Earnings were negatively affected by the sale of Markt, redemption of an earlier incentive programme and changed accounting principles. Underlying operating earnings development for comparable companies was positive.

Future prospects

Haendig's business concept is based on a focus on strong own brands, which has been achieved following the structural changes in 2005. Business development focuses on developing the companies' market position within their niches, as well as exploiting synergies and economies of scale within IT and logistics.

Efforts to release capital continue which may create opportunities for related, value-creating acquisitions.

Thomas Holmgren, CEO

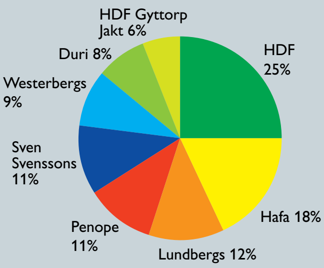
Board of Directors

Stig Karlsson	Chairman
Stefan Elfving	
Bengt Olsson	
Thomas Holmgren	CEO
Henrik Blomé	Deputy

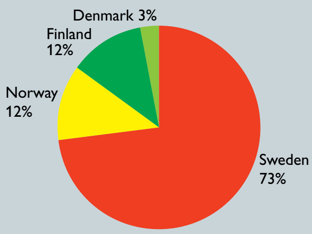
Management

Thomas Holmgren	CEO
Ulf Carlsson	CFO
Staffan Jehander	CEO Duri/Lundbergs
Ola Andrée	CEO Hafa/ Westerbergs
Thomas Seleskog	Head of HDF business area
Jarmo Kivistö	CEO Penope
Jan-Olof Swantesson	CEO HDF Gyttorps Jakt

Sales by subsidiaries



Sales by market



Haendig

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002 [1]	2001
Income statement						
Net sales	1,286	1,291	1,291	1,194	1,241	1,200
Operating expenses	-1,237	-1,208	-1,208	-1,112	-1,155	-1,144
Other income	0	0	0	0	0	3
Items affecting comparability	0	0	0	0	-10	0
EBITDA	49	83	83	82	76	59
Depreciation	-11	-13	-13	-17	-18	-15
EBITA	38	70	70	65	58	44
Goodwill amortisation	0	0	-10	-10	-11	-8
EBIT	38	70	60	55	47	36
Financial income	1	1	1	2	3	3
Financial expenses	-7	-16	-17	-18	-25	-24
EBT	32	55	44	39	24	14
Tax	-11	-15	-13	-12	-11	-8
Minority interests	0	0	0	0	0	0
Net profit for the year	21	40	31	27	13	6
Balance sheet						
Goodwill	139	117	107	117	122	127
Other intangible fixed assets	1	2	2	3	5	8
Tangible fixed assets	116	133	133	148	156	167
Financial fixed assets	2	4	4	0	4	2
Total fixed assets	258	256	246	268	288	304
Inventories	285	267	267	247	256	267
Current receivables	246	212	212	189	214	202
Cash, bank, short-term investments	15	20	20	6	8	4
Total current assets	546	499	499	442	477	472
Total assets	804	755	745	710	765	776
Shareholders' equity	266	260	251	222	208	191
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	13	16	16	14	13	12
Non-interest bearing provisions	37	25	23	22	21	25
Interest-bearing liabilities	280	260	261	294	351	389
Non-interest bearing liabilities	208	194	194	158	172	159
Total shareholders' equity and liabilities	804	755	745	710	765	776
Cash flow statement						
Cash flow from operating activities	-10	53	53	79	54	16
of which change in working capital	-51	-9	-9	28	11	-9
Cash flow from investing activities	-2	-5	-5	-14	-13	-77
of which investments	-86	-11	-11	-14	-16	-78
of which divestments	84	6	6	0	3	1
Cash flow from financing activities	7	-34	-34	-67	-37	55
of which change in loans	27	-34	-34	-58	-37	27
of which capital contribution	0	0	0	0	0	30
of which dividends	-20	0	0	-9	0	2
Cash flow for the year	-5	14	14	-2	4	-6
Key figures						
EBITA margin, %	3.0	5.4	5.4	5.4	4.7	3.7
EBT margin, %	2.5	4.3	3.4	3.3	1.9	1.2
Return on equity, %	8.0	–	13.1	12.6	6.6	3.6
Return on capital employed, %	7.1	–	11.5	10.3	8.5	7.3
Equity ratio, %	33	34	34	31	27	25
Interest-bearing net debt, SEKm	278	256	257	302	358	397
Debt/equity ratio, gross, times	1.1	1.1	1.1	1.4	1.8	2.1
Cash flow after investments, SEKm	-12	48	48	65	41	-61
Average number of employees	437	391	391	399	410	452

[1] Changed accounting principles.

Haglöfs – strong growth gave record result

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

Consolidated book value in Ratos amounted to SEK 155m at year-end.

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

Operations

Haglöfs develops and markets equipment and clothes for an active outdoor life. The product range includes rucksacks, sleeping bags, tents, clothes and footwear. The subsidiary Alfa, which is the Group's shoe competence centre, develops and produces hiking and hunting boots, work boots and military boots. Haglöfs' home market is the Nordic region but the group has established itself over the past year in selected markets such as Germany, the UK, Switzerland, the Netherlands and Japan. The export focus on sales outside the Nordic area was started in 2000 and sales in 2005 amounted to SEK 95m. Haglöfs is represented in a total of 15 markets. Average annual sales growth in the period 1989-2005 is 23%.

Market position

Haglöfs' business idea and holistic concept are unique and offer a wide range of outdoor products which maintain a consistent high quality and image. The market is growing due to a rising interest in outdoor activities/multisports and the fact that the products are also increasingly used in other contexts. Haglöfs' growth in recent years is mainly due to the fact that the brand has achieved a global acceptance. Differences between different geographic markets regarding the definition of outdoor, distribution patterns and consumer behaviour mean that there are few global players. Haglöfs' main international competitors are The North Face, Marmot, Mountain Hardware and Arcteryx.

Mats Hedblom, CEO

Results

The sales trend for Haglöfs was particularly good during the year. Sales increased by 17% to SEK 399m (340). The main sales growth was within Textiles and in key export markets, particularly Germany and the UK. Overall, exports outside the Nordic region increased by 44%. Operating profit (EBITA) increased by 65% and amounted to SEK 28m (17) through increased sales and improved margins. The EBITA margin amounted to 7% (5). Earnings improvements are entirely attributable to the Haglöfs brand. The weak development of the subsidiary Alfa resulted in a charge against earnings of SEK 3m. Profit before tax amounted to SEK 26m (14).

Future prospects

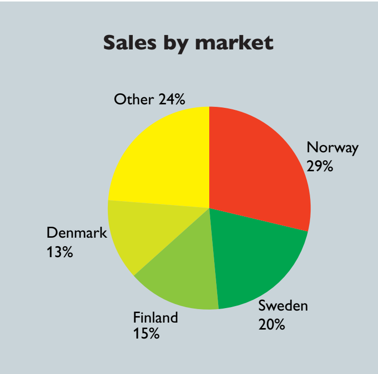
Haglöfs has a leading position in the Nordic region and strong growth throughout Western Europe. Good order bookings ahead of 2006 mean that both sales and earnings are expected to rise. The long-term annual growth target is 10% and the company's vision is to be a world-leading brand within outdoor equipment with the main focus on technical solutions.

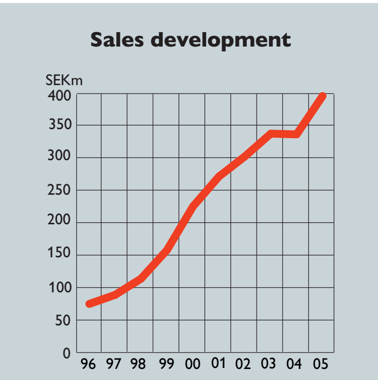
Board of Directors

Stig Karlsson	Chairman
Lars Göthlin	
Arne Karlsson	
Anders Reuthammar	
Mats Hedblom	CEO

Management

Mats Hedblom	CEO
Jim Jonsson	CFO
Claes Broqvist	Sales & Marketing Director
Johnny Claus	Product Director
Børre Langum	CEO, Alfa Skofabrik AS





Haglöfs

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	399	340	340	341	306	275
Operating expenses	-367	-318	-316	-318	-289	-259
Other income	0	0	0	0	0	0
Items affecting comparability	0	0	0	0	0	0
EBITDA	32	22	24	23	17	16
Depreciation	-4	-5	-4	-4	-3	-2
EBITA	28	17	20	19	14	14
Goodwill amortisation	0	0	-1	-1	-1	-1
EBIT	28	17	19	18	13	13
Financial income	0	0	0	0	0	1
Financial expenses	-2	-3	-3	-3	-4	-4
EBT	26	14	16	15	9	10
Tax	-8	-4	-5	-5	-2	-3
Minority interests	0	0	0	0	0	0
Net profit for the year	18	10	11	10	7	7
Balance sheet						
Goodwill	4	4	3	3	5	5
Other intangible fixed assets	1	2	2	3	3	2
Tangible fixed assets	13	14	15	17	19	14
Financial fixed assets	5	4	4	3	3	3
Total fixed assets	23	24	24	26	30	24
Inventories	100	74	74	79	79	76
Current receivables	88	68	68	54	57	44
Cash, bank, short-term investments	18	23	23	23	10	7
Total current assets	206	165	165	156	146	127
Total assets	229	189	189	182	176	151
Shareholders' equity	95	75	73	62	57	48
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	2	2	0	0	0	2
Non-interest bearing provisions	3	2	4	3	2	0
Interest-bearing liabilities	78	65	65	76	61	61
Non-interest bearing liabilities	51	45	47	41	56	40
Total shareholders' equity and liabilities	229	189	189	182	176	151
Cash flow statement						
Cash flow from operating activities	-13	12	12	0	12	-15
of which change in working capital	-37	-5	-5	-12	2	-3
Cash flow from investing activities	-2	-1	-1	-3	-9	-6
of which investments	-2	-1	-1	-3	-9	-6
of which divestments	0	0	0	0	0	0
Cash flow from financing activities	10	-11	-11	16	0	22
of which change in loans	10	-11	-11	16	0	22
of which capital contribution	0	0	0	0	0	0
of which dividends	0	0	0	0	0	0
Cash flow for the year	-5	0	0	13	3	1
Key figures						
EBITA margin, %	7.0	5.0	5.9	5.6	4.6	5.1
EBT margin, %	6.5	4.1	4.7	4.4	2.9	3.6
Return on equity, %	21.2	–	16.3	16.8	13.3	16.1
Return on capital employed, %	17.7	–	13.8	14.1	11.4	14.9
Equity ratio, %	41	40	39	34	32	32
Interest-bearing net debt, SEKm	62	44	42	53	51	56
Debt/equity ratio, gross, times	0.8	0.9	0.9	1.2	1.1	1.3
Cash flow after investments, SEKm	-15	11	11	-3	3	-21
Average number of employees	119	123	123	120	110	102

HL Display – focus on Asia

Ratos became a shareholder in HL Display in 2001 in conjunction with the acquisition of Atle. Ratos's holding amounts to 28.9% of the share capital and 20.2% of the voting rights. Ratos has invested SEK 229m in HL Display.

The consolidated book value amounted to SEK 239m at year-end.

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

Market-leading player in merchandising

HL Display is a market-leading supplier of solutions for merchandising and in-store communication, furnishings and fittings. This means that the company manufactures and sells datastrips, shelf sections, sign holders, hooks, product racks, etc., to the retail trade and brands suppliers. The company's main market is Europe, but sales also take place in Asia and the US. The company was formed in 1954 and listed on the Stockholm Stock Exchange in 1993. Manufacture is mainly carried out in Sundsvall, Karlskoga (extrusions/injection moulding) and Falun (screen printing/hot bending). Sales are carried out via 29 sales subsidiaries and 15 distributors in a total of 43 countries. Competition comes mainly from small, local players.

The past year

Production started at a new plant in Sozhou, China, in December. This marks an important step towards raising competitiveness in the Asian markets. A new sales office was set up in Serbia during the year. Rationalisations were carried out at the Sundsvall plant and at product level HL Display worked during the year on development of the plastic material used in the company's products. Gérard Dubuy is the company's new President and CEO from April 2006. He will succeed Anders Remius who is proposed as the Chairman of the Board.

Gérard Dubuy, CEO

Results

After a weak start to the year, most markets showed better development during the second half. Sales increased, particularly in Asia and Russia. Development in the UK was less favourable than in 2004. The Group's net sales amounted to SEK 1,285m (1,249). In 1995-2005 average annual sales growth was 16%. Exports account for 90% of sales. Operating profit (EBITA) amounted to SEK 63m (108) and profit before tax was SEK 62m (93).

Prospects for 2006

Sales growth of at least 5% is expected in 2006. The long-term target is a profit margin of 10% on an annual basis.

Financial calendar

Interim Report Jan-March: 14 April 2006

Interim Report Jan-June: 15 July 2006

Interim Report Jan-Sept: 14 October 2006

www.hl-display.com

Major shareholders

	Capital, %	Votes, %
Remius family	31.2	60.6
Ratos	28.9	20.2
Lannebo funds	9.7	4.7
Skandia	6.6	3.2
Didner & Gerge Aktiefond	2.6	1.3
SIF	1.5	0.7

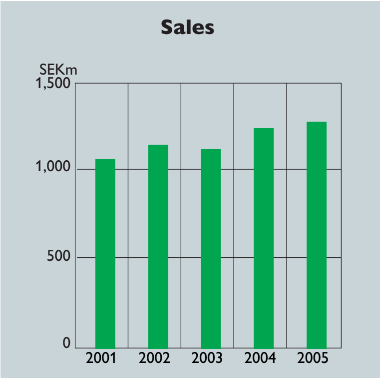
Source: VPC

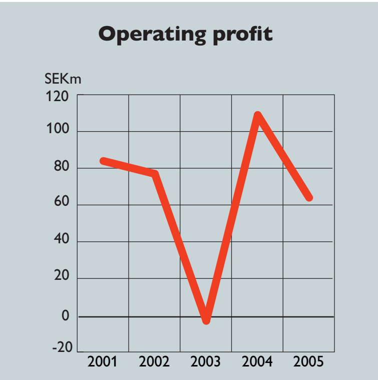
Board of Directors

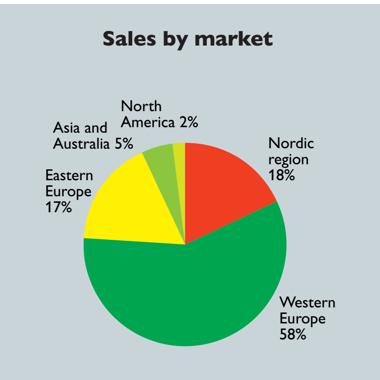
Anders Remius	Chairman
Jan-Ove Hallgren	
Stig Karlsson	
Åke Modig	
Lis Remius	
Gérard Dubuy	CEO

Management

Gérard Dubuy	CEO, from April 2006
Kent Hertzell	Economy & Finance, acting Production Director
Kenneth Löfgren	IT
Alistair Burke	Business Development
Håkan Eriksson	Marketing
Staffan Forslund	Personnel







HL Display

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	1,285	1,249	1,311	1,129	1,154	1,072
Operating expenses	-1,175	-1,100	-1,183	-1,059	-1,037	-946
Other income	0	7	4	6	8	4
Items affecting comparability	0	0	-6	-33	0	0
EBITDA	110	156	126	43	125	130
Depreciation	-47	-48	-45	-45	-47	-44
EBITA	63	108	81	-2	78	86
Goodwill amortisation	0	0	-1	-2	-2	-3
EBIT	63	108	80	-4	76	83
Financial income	11	3	2	3	2	8
Financial expenses	-12	-18	-14	-8	-13	-9
EBT	62	93	68	-9	65	82
Tax	-19	-30	-23	-1	-21	-26
Income from discont. operations (net)	-7	-15	0	0	0	0
Minority interests	-1	-1	0	0	0	0
Net profit/loss for the year	35	47	45	-10	44	56
Balance sheet						
Goodwill	0	0	0	1	3	4
Other intangible fixed assets	3	3	3	6	9	11
Tangible fixed assets	224	231	137	137	160	162
Financial fixed assets	15	14	24	27	22	21
Total fixed assets	242	248	164	171	194	198
Inventories	133	116	116	128	114	116
Current receivables	304	291	294	251	242	256
Cash, bank, short-term investments	81	112	112	95	100	65
Total current assets	518	519	522	474	456	437
Total assets	760	767	686	645	650	635
Shareholders' equity	342	328	325	293	316	284
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	0	0	0	0	0	0
Non-interest bearing provisions	15	16	14	14	23	26
Interest-bearing liabilities	189	195	130	143	135	118
Non-interest bearing liabilities	214	228	217	195	176	207
Total shareholders' equity and liabilities	760	767	686	645	650	635
Cash flow statement						
Cash flow from operating activities	43	102	95	44	81	64
of which change in working capital	-28	-19	-19	9	-7	-36
Cash flow from investing activities	-42	-45	-45	-41	-49	-51
of which investments	-42	-45	-45	-41	-49	-51
of which divestments	0	0	0	0	0	0
Cash flow from financing activities	-37	-38	-31	-6	5	20
of which change in loans	-18	-26	-19	7	17	31
of which capital contribution	0	1	1	0	0	0
of which dividends	-19	-13	-13	-13	-12	-11
Cash flow for the year	-36	19	19	-3	37	33
Key figures						
EBITA margin, %	4.9	8.6	6.2	neg.	6.8	8.0
EBT margin, %	4.8	7.4	5.2	neg.	5.6	7.6
Return on equity, %	10.4	–	14.6	neg.	14.6	21.2
Return on capital employed, %	14.0	–	18.4	neg.	16.8	23.3
Equity ratio, %	45	43	47	45	49	45
Interest-bearing net debt, SEKm	108	83	18	48	35	53
Debt/equity ratio, gross, times	0.6	0.6	0.4	0.5	0.4	0.4
Cash flow after investments, SEKm	1	50	48	3	32	13
Average number of employees	933	967	967	975	925	855

Hägglunds Drives – very strong result

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

Ratos's stake amounts to 100% and the consolidated book value at year end was SEK 431m.

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

Per Nordgren, CEO

Operations

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

The past year

Aggressive action was taken during the year to further strengthen Hägglunds Drives' market position. A decision was made to set up sales companies in China and Mexico, which will facilitate working up the aftermarket in these regions. One minor acquisition was made in Sweden and a newly developed high-effect system was launched in the spring with deliveries from 2006.

The strong growth in China, high raw material prices and a good global economy have led to a high rate of investment which had a positive impact on demand for Hägglunds Drives' systems. Order bookings in 2005 increased by 35% to SEK 1,366m (1,012) and sales rose by 21% to SEK 1,175m (970).

The strong growth led to a substantial improvement in earnings. Operating profit (EBITA) increased by 57% and amounted to SEK 176m (112). Operating margin (EBITA) improved from 11.5% to 15%. Profit before tax was SEK 171m (106).

Future prospects

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

Board of Directors

Anders Lindblad	Chairman
Henrik Blomé	
Stig Karlsson	
Lars Näsman	
Arnfinn Ruud	
Per Nordgren	CEO
Sture Kallin	Employee representative
Gunborg Karlsson	Employee representative
Johnny Lundberg	Employee representative
Uno Sundelin	Employee representative

Management

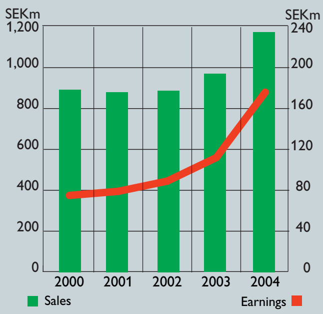
Per Nordgren	CEO
Ulf Wiklund	CFO

Hägglunds Drives

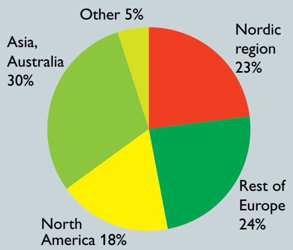
SEKm	IFRS 2005	IFRS 2004	2004 [1]	2003 [1]	2002 [1]	2001 [1]
Income statement						
Net sales	1,175	970	970	887	880	892
Operating expenses	-976	-835	-833	-775	-778	-793
Other income	1	0	0	1	0	0
Items affecting comparability	0	0	0	0	0	0
EBITDA	200	135	137	113	102	99
Depreciation	-24	-23	-23	-24	-23	-24
EBITA	176	112	114	89	79	75
Goodwill amortisation	0	0	-1	-1	-1	-1
EBIT	176	112	113	88	78	74
Financial income	2	1	1	2	1	2
Financial expenses	-7	-7	-7	-6	-8	-11
EBT	171	106	107	84	71	65
Tax	-55	-23	-24	-22	-26	-17
Minority interests	0	0	0	0	0	0
Net profit/loss for the year	116	83	83	62	45	48
Balance sheet						
Goodwill	7	0	7	7	8	8
Other intangible fixed assets	14	14	14	10	11	13
Tangible fixed assets	139	128	128	112	113	124
Financial fixed assets	4	2	2	2	10	9
Total fixed assets	164	144	151	131	142	154
Inventories	241	178	178	154	140	154
Current receivables	299	223	223	240	200	237
Cash, bank, short-term investments	24	24	24	39	55	40
Total current assets	564	425	425	433	395	431
Total assets	728	569	576	564	537	585
Shareholders' equity	282	161	198	284	262	262
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	68	61	60	59	52	50
Non-interest bearing provisions	14	6	8	9	16	19
Interest-bearing liabilities	101	113	113	62	79	130
Non-interest bearing liabilities	263	228	197	150	128	124
Total shareholders' equity and liabilities	728	569	576	564	537	585
Cash flow statement						
Cash flow from operating activities	95	117	117	21	101	83
of which change in working capital	-85	38	38	-68	28	37
Cash flow from investing activities	-59	-44	-44	-18	-15	-22
of which investments	-60	-44	-44	-23	-16	-29
of which divestments	1	0	0	5	1	7
Cash flow from financing activities	-38	-88	-88	-19	-81	-57
of which change in loans	-12	0	0	0	-61	-37
of which capital contribution	0	0	0	0	0	0
of which dividends	-26	-140	-140	-20	-20	-20
Cash flow for the year	-2	-15	-15	-16	5	4
Key figures						
EBITA margin, %	15.0	11.5	11.8	10.0	8.5	8.4
EBT margin, %	14.6	10.9	11.0	9.5	8.1	7.3
Return on equity, %	52.4	–	34.4	22.7	17.2	19.4
Return on capital employed, %	45.3	–	29.4	22.6	18.9	17.1
Equity ratio, %	39	28	34	50	49	45
Interest-bearing net debt, SEKm	145	150	149	82	76	140
Debt/equity ratio, gross, times	0.6	1.1	0.9	0.4	0.5	0.7
Cash flow after investments, SEKm	36	73	73	3	86	61
Average number of employees	554	514	514	489	472	476

[1] Hägglunds Drives International.

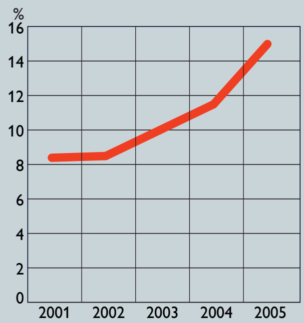
Sales and earnings



Sales by market



EBITA margin



Industri Kapital

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

Ratos's investment

Ratos has invested in four funds. Ratos invested SEK 50m in the 1989 fund, XEU 12m (c. SEK 100m) in the 1994 fund, ECU 17m (c. SEK 150m) in the 1997 fund, and EUR 25m (c. SEK 218m) in the 2000 fund. In the 1989 and 1994 funds Ratos invested directly in the portfolio companies, while investments in later funds were made via a British limited partnership.

The 1989 fund is in principle terminated. The 1994 and 1997 funds are fully invested. The 2000 fund is almost fully invested. Remaining commitments for Ratos amount to EUR 0.3m.

Consolidated book value of Ratos's holdings in Industri Kapital's funds totalled SEK 286m at year-end 2005. Thomas Mossberg is the Investment Manager for these investments.

The past year

During the year investments were made in the Finnish company Tradeka (retail chains, grocery business) and the Danish company Kwintet (work wear). A major add-on investment was made in Telefos for the acquisition of Eltel and smaller add-on investments were made in CPS Color Group and Citylink Intressenter, among other companies.

Sydsvenska Kemi, Dyno Nobel, Arca Systems, MacGREGOR, Laho Equipement, Intrum Justitia, Fortex, Consolis and Alfa Laval were sold.

A sales agreement has also been concluded for VSM Group, which will leave only one holding in the 1994 fund.

In accordance with commitments made, Ratos invested a total of SEK 15m in the 2000 fund during 2005. In the same period a total of SEK 185m was received in payments from Industri Kapital.

Ratos's earnings for 2005 include a capital gain from sales of IK holdings of SEK 125m.

After year-end

After year-end Industri Kapital invested in the Dutch company GUS Holland (mail order and credit management). Ratos received a SEK 63m payment from Industri Kapital in January.

Specification of Ratos's holdings in Industri Kapital's funds at 31 December 2005

Industri Kapital 1994 (directly owned)

	Book value, SEKm
Enermet Group	13
Viking Sewing Machines Holding	10
Blocked liquidity [1]	7
	30

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

Industri Kapital 1997

	Book value, SEKm
CB Foods	
Dynea	
Elektrokoppar	
FGH	
Oriflame Cosmetics	
Superfos Industries, and others	
	77

Industri Kapital 2000

	Book value, SEKm
CEVA Sante Animale	
CityLink	
CPS Color Group	
Dynea	
Ekstrem Lavpris	
Gardena	
Idex Group	
Kwintet	
Pierre Guérin	
Telefos	
Tradeka	
Weltzorg, and others	
	179

Inwido – profitable Nordic expansion

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

Ratos's investment in Inwido after add-on acquisitions totals to SEK 614m. Consolidated value in Ratos amounted to SEK 721m at year end.

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

Operations

Inwido operates in the Nordic window and door market. The company is Sweden's leading window manufacturer, and following a number of add-on acquisitions in 2005 has also established strong market positions in Denmark, Norway and Finland. The company's core products are windows and entrance doors made of wood and wood/aluminium. The products are sold to the building materials trade, construction companies and modular home manufacturers. The company's best-known brands are Elitfönster and Allmoge-fönster in Sweden, StorkeVinduer and Outline in Denmark, Pihla in Finland and Diplomat doors in Norway and Sweden. Exports are also made to countries outside the Nordic region. Inwido has production facilities in Sweden, Denmark, Finland, Lithuania and Poland. The number of employees totals 1,600.

Market

The total Nordic window and door market is estimated at approximately EUR 1.7 billion with entrance doors accounting for approximately 25%. The Nordic markets are all relatively the same size. The markets are fragmented and national with their own window systems, fittings and dimensions. There is relatively limited export between the countries. Market development is driven by new construction of homes and other buildings as well as repairs and extensions to existing properties. Approximately 60% of Inwido's sales go to the repairs and extensions market.

Sven-Gunnar Schough, CEO

The past year

In line with Ratos's holding strategy, Inwido made five major Nordic add-on investments during the year. In the first half of the year, 70% of the Finnish company Pihlavan Ikkuna and 58% of the Norwegian company Diplomat Scandinavia were acquired. Acquisitions later in the year were 100% of the Swedish Lenhovdafönster and 60% of the Danish company Storke Vinduer. In December, Outline Vinduer was also acquired through a net asset acquisition. An additional three strategic acquisitions were made: Ostvik Fönster and two sliding door manufacturers, Hajomfönster in Sweden and the Lithuanian company Panorama Nordic. In conjunction with these acquisitions, Ratos provided approximately SEK 140m in new equity.

As a result of this strong expansion, a new group structure was established and Inwido's head office was relocated from Vetlanda to Malmö.

Earnings trend

Inwido's development was positive during the year. Sales rose, as a result of acquisitions, by almost SEK 1,000m and totalled SEK 2,197m (1,235). Pro forma this corresponded to organic growth of 16%. Operating profit (EBITA) was SEK 282m (135). The EBITA margin improved from 10.9% to 12.8%. The improved profits and sales are mainly due to acquisitions and higher market shares in most Nordic markets. The annual growth rate since 1998 is 25%, of which organic growth accounts for 16%.

Future prospects

Inwido has a leading market position in the Nordic region with competitive advantages within production, product range and distribution. The company is well placed for continued growth in the Nordic window and door market. A number of projects have been initiated designed to create organic growth and further improve operating margins. The company is well positioned to play an active role in the continued restructuring of the Nordic window and door market.

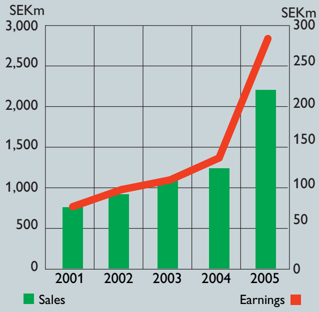
Board of Directors

Anders C. Karlsson	Chairman
Bengt Adolfsson	
Benny Ernstson	
Thomas Hofvenstam	
Leif Johansson	
Sven-Gunnar Schough	CEO

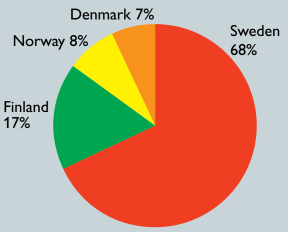
Management

Sven-Gunnar Schough	CEO
Börje Bellinger	Marketing Manager and Vice President Indwido Sweden
Anders Isaksson	President Inwido Sweden
Niels-Peter Pretzmann	President Inwido Denmark
Timo Vannas	President Inwido Finland
Vidar Ødegaard	President Diplomat Scandinavia
Peter Welin	Group Controller
Stefan Carlsson	Finance Manager

Sales and earnings



Sales by market



Inwido

SEKm	IFRS 2005	IFRS [1] 2004	2004 [5]	2003	2002	2001
Income statement						
Net sales	2,197	1,235	1,235	1,080	911	750
Operating expenses	-1,876	-1,072	-1,071	-951	-798	-656
Other income	5	0	0	4	5	1
Share in profits of associates	0	0	0	-1	1	0
Items affecting comparability	0	1	1	0	0	0
EBITDA	326	164	165	132	119	95
Depreciation	-44	-29	-29	-24	-23	-20
EBITA	282	135	136	108	96	75
Goodwill amortisation [2]	-33	-14	-14	-14	-14	-14
EBIT	249	121	122	94	82	61
Financial income	6	1	1	1	2	2
Financial expenses	-59	-41	-26	-53	-36	-35
EBT	196	81	97	42	48	28
Tax	-62	-28	-28	27	-18	-11
Minority interests	-25	-1	-1	-2	0	0
Net profit/loss for the year	109	52	68	67	30	17
Balance sheet		[4]	[5]			
Goodwill	1,740	863	185	198	215	227
Other intangible fixed assets	9	1	1	1	1	2
Tangible fixed assets	469	231	231	211	199	193
Financial fixed assets	8	3	3	17	5	11
Total fixed assets	2,226	1,098	420	427	420	433
Inventories	311	194	194	167	130	128
Current receivables	357	180	166	134	124	103
Cash, bank, short-term investments	277	64	29	43	51	35
Total current assets	945	438	389	344	305	266
Total assets	3,171	1,536	809	771	725	699
Shareholders' equity [3]	759	500	204	179	110	85
Minority interests	139	7	7	6	0	0
Interest-bearing provisions	0	0	0	0	0	1
Non-interest bearing provisions	58	20	20	5	21	27
Interest-bearing liabilities	1,736	752	337	384	415	433
Non-interest bearing liabilities	479	257	241	197	179	153
Total shareholders' equity and liabilities	3,171	1,536	809	771	725	699
Cash flow statement			[5]			
Cash flow from operating activities	255	–	126	8	80	44
of which change in working capital	25	–	-14	21	80	-1
Cash flow from investing activities	-1,035	–	-35	128	-54	-58
of which investments	-1,042	–	-40	-41	-54	-70
of which divestments	7	–	5	169	0	12
Cash flow from financing activities	992	–	-105	-149	16	29
of which change in loans	830	–	-61	-149	16	29
of which capital contribution	162	–	0	0	0	0
of which dividends	0	–	-44	0	0	0
Cash flow for the year	212	–	-14	-13	42	15
Key figures						
EBITA margin, %	12.8	10.9	11.0	10.0	10.5	10.0
EBT margin, %	8.9	6.6	7.9	3.9	5.3	3.7
Return on equity, %	17.3	–	35.5	46.4	30.8	22.7
Return on capital employed, %	13.1	–	22.0	17.4	16.1	13.0
Equity ratio, %	28	33	26	24	15	12
Interest-bearing net debt, SEKm	1,459	688	308	341	364	399
Debt/equity ratio, gross, times	1.9	1.5	1.6	2.1	3.8	5.1
Cash flow after investments, SEKm	-780	–	91	136	26	-14
Average number of employees	1,615	995	995	1,011	818	728

[1] Pro forma taking the new group into account.
[2] Impairment loss on acquired intangible assets in 2005.
[3] Equity in 2005 includes shareholder loan of SEK 78m.
[4] Efonster Holding formed on 31 December 2004.
[5] ElitFönster.

Lindab – record profit and major acquisition

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

Ratos has invested SEK 1,059m in Lindab. Consolidated book value in Ratos amounted to SEK 1,372m at year-end.

Ratos is represented on the Board by Stig Karlsson, Senior Investment Manager for this holding, and by Per Frankling as deputy.

Leader in systems solutions in steel and sheet-metal

Lindab is a leading manufacturer of building materials made from sheet metal and steel, in its two business areas Ventilation and Profile. The company has operations in 28 countries and approximately 4,000 employees. Approximately 80% of sales go to countries outside Sweden.

The Profile business area (50% of sales) focuses on the construction industry within two areas: Building Systems offers complete, prefabricated systems for steel buildings. Building Components offers a broad range of systems of components for roof drainage, roof and wall cladding, and components for wall structures.

The business area has strong market positions in the Nordic region and in Central and Eastern Europe, where Lindab has had strong organic growth since the mid-1990s. Lindab is the market leader in Europe within Building Systems.

The Ventilation business area (50% of sales) offers a full range from individual components to complete indoor climate solutions. Ventilation systems (Air Ducts) comprise circular ducting systems which provide an optimal flow and good energy efficiency. Ventilation products (Comfort) help to distribute and process ventilation air to create a better indoor climate. Manufacture is both conducted locally, for products that are difficult to transport, and in central production units in Sweden, Denmark and the Czech Republic. The plant in the Czech Republic was completed in 2004 and reached full production in 2005. Lindab is the world's leading producer and the market leader in ventilation ducts in Sweden, Norway, Denmark, Germany, Switzerland, Hungary and the US.

Kjell Åkesson, CEO

The year in brief

The Profile business area had a good sales and earnings trend in 2005. Astron Building Systems, Europe's leading manufacturer of prefabricated steel buildings for commercial premises, was acquired during the year. As a result of this acquisition, Lindab further strengthened its position in the strategically important building systems segment and in the key growth markets in Central and Eastern Europe. Synergies between Lindab's existing operations and Astron have been greater than expected. The Nordic markets also showed stronger growth in 2005 than in the previous year.

The Ventilation business area noted strong demand in the Nordic region while the sales trend in Western Europe and the US remained weak. Extensive rationalisation was carried out during the year through improvements in production structure and a higher capacity utilisation of the plant in the Czech Republic.

Sales totalled SEK 6,214m (5,477). Adjusted for the effects of company acquisitions, sales and currency effects, organic growth was 6%.

Operating profit (EBITA) amounted to SEK 560m (384), which was affected by non-recurring items relating to property sales and restructuring costs within Ventilation totalling SEK +7m. Income before tax amounted to SEK 484m (296). The EBITA margin amounted to 9% (7). Cash flow was very positive during the year.

Events after year-end

Due to Lindab's good cash flow since the acquisition in 2001, a large part of the Group's debt has been amortised. At the beginning of 2006 the board therefore decided to create a more efficient capital structure. A new credit agreement was concluded and the board will propose a redemption procedure to the Annual General Meeting whereby approximately SEK 1.2 billion will be transferred to shareholders. Ratos will receive SEK 577m through this redemption.

Future prospects

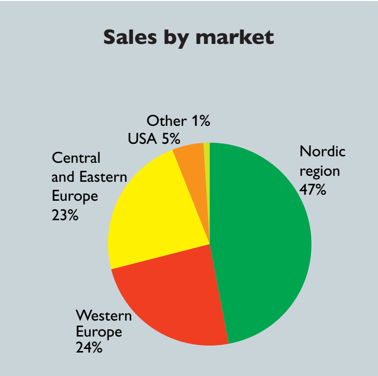
Due to rationalisation, synergy effects within steel buildings, continued growth in new markets in Eastern Europe and expectations of an improved construction climate, Lindab is expected to be able to strengthen its profitability in the next

Board of Directors

Svend Holst-Nielsen	Chairman
Anders C. Karlsson	
Stig Karlsson	
Hans-Olov Olsson	
Walter Paulsen	
Hans Schmidt-Hansen	
Carl-Gustaf Sondén	
Per Frankling	Deputy
Roger Johanson	Deputy
Urmas Kruusval	Deputy

Management

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



Lindab

SEKm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	6,214	5,477	5,477	5,302	5,235	5,160
Operating expenses	-5,519	-4,912	-4,931	-4,830	-4,724	-4,698
Other income	56	4	0	0	0	56
Items affecting comparability [1]	0	0	0	0	0	-26
EBITDA	751	569	546	472	511	492
Depreciation	-191	-185	-172	-167	-185	-174
EBITA	560	384	374	305	326	318
Goodwill amortisation [2]	-3	0	-121	-118	-115	-134
EBIT	557	384	253	187	211	184
Financial income	12	10	10	14	14	18
Financial expenses	-85	-98	-83	-109	-142	-156
EBT	484	296	180	92	83	46
Tax	-133	-94	-95	-66	-62	-32
Minority interests	0	-1	-1	0	0	0
Net profit/loss for the year	351	201	84	26	21	14
Balance sheet						[3]
Goodwill	2,431	2,006	1,880	1,991	2,121	2 23
Other intangible fixed assets	81	20	20	21	23	23
Tangible fixed assets	1,527	1,393	1,148	1,180	1,284	1,566
Fin. fixed assets, non-interest bearing	324	57	82	72	81	70
Financial fixed assets, interest-bearing	54	25	0	0	0	0
Total fixed assets	4,417	3,501	3,130	3,264	3,509	3 89
Inventories	875	1,024	1,034	858	853	818
Current receivables	1,070	868	836	836	828	820
Cash, bank, short-term investments	244	117	117	220	108	150
Total current assets	2,189	2,009	1,987	1,914	1,789	1,788
Total assets	6,606	5,510	5,117	5,178	5,298	5,678
Shareholders' equity	2,853	2,367	2,311	2,210	2,252	2,232
Minority interests	0	2	2	0	0	0
Interest-bearing provisions	153	85	82	61	57	54
Non-interest bearing provisions	303	144	144	144	166	181
Interest-bearing liabilities	1,999	1,920	1,586	1,950	1,982	2,469
Non-interest bearing liabilities	1,298	992	992	813	841	742
Total shareholders' equity and liabilities	6,606	5,510	5,117	5,178	5,298	5,678
Cash flow statement						
Cash flow from operating activities	688	414	414	395	118	333
of which change in working capital	143	-49	-49	76	-212	-48
Cash flow from investing activities	-669	-159	-159	-112	19	-285
of which investments	-947	-209	-209	-205	-193	-286
of which divestments	278	50	50	93	212	1
Cash flow from financing activities	108	-358	-358	-165	-177	-8
of which change in loans	108	-358	-358	-165	-186	70
of which capital contribution	0	0	0	0	9	54
of which dividends	0	0	0	0	0	-71
Cash flow for the year	127	-103	-103	118	-40	40
Key figures						
EBITA margin, %	9.0	7.0	6.8	5.8	6.2	6.2
EBT margin, %	7.8	5.4	3.3	1.7	1.6	0.9
Return on equity, %	13.4	–	3.7	1.2	0.9	0.8
Return on capital employed, %	12.1	–	6.4	4.7	5.0	5.6
Equity ratio, %	43	43	45	43	43	39
Interest-bearing net debt, SEKm	1,854	1,863	1,551	1,791	1,931	2,373
Debt/equity ratio, gross, times	0.8	0.8	0.7	0.9	0.9	1.1
Cash flow after investments, SEKm	4	255	255	283	37	48
Average number of employees	4,135	4,011	4,011	3,920	3,766	3,635

[1] Capital gain properties SEK 47m, restructuring costs SEK 40m.
[2] Amortisation of intangible assets in 2005.
[3] Pro forma.

Overseas Telecom – continued good subscriber growth

Overseas Telecom is a consortium between TeliaSonera, Orkla, Skandia and Ratos. Ratos's holding amounts to 8.75% of the share capital and 19.25% of the voting rights. Ratos invested in Overseas Telecom between 1996 and 2000 with a total amount of SEK 328m. In 2002-2005 capital has been distributed to the company's owners, of which SEK 384m has been repaid to Ratos.

Consolidated book value in Ratos at year-end amounted to SEK 27m.

Ratos is represented on the board by Thomas Mossberg, Senior Investment Manager, and Kristina Patek.

Operations

Overseas Telecom was formed in order to identify, evaluate and invest in primarily mobile licenses in developing countries, and then to develop and finally realise the built-up values in these holdings. The company has been in a liquidation phase since 2000/01 with the focus on continued business development of the project companies and value-maximising sales.

Since the start in 1996, eight investments have been made, of which six have been sold. The company's remaining portfolio consists of holdings in companies in Sri Lanka and Uganda. Market penetration, in particular for mobile telephony, continues to increase in developing countries. In a number of markets, including Uganda and Sri Lanka, penetration is still relatively low and there is major growth potential. Many telecom companies are performing very well, have growing traffic and good profitability. However, more intense competition is pressing down tariffs and as penetration increases customer groups are being reached which spend less on telephony. Good subscriber growth is therefore essential for continued high profitability.

Anders Ekman, CEO

The year in brief

The two remaining portfolio companies performed very well during the year. Customer growth exceeded expectations and interest in telecom companies in the regions has increased. Suntel in Sri Lanka had a particularly eventful year with an 80% increase in its customer base due to expansion with new services using the newly introduced CDMA technology. At year-end 2005, the total number of subscribers in the companies was 1,117,000. Subscriber growth is expected to remain high.

Earnings trend

Consolidated sales for 2005 amounted to SEK 393m (287) and comprise only the parent company and the subsidiary Suntel. Operating profit, which also includes profit shares from associates, was SEK 183m (353). This decline is mainly due to a capital gain in 2004 from the sale of MTC in Namibia. Liquid assets in the company amounted to SEK 130m. During the year a total of SEK 411m was paid to owners, of which Ratos received a dividend of SEK 36m.

Future prospects

By direct representation on boards and follow-up of operating and financial developments, Overseas Telecom is pushing forward the development of the two remaining holdings. The work of realising built-up values will continue in 2006. Neither of the portfolio companies is expected to need additional capital from the owners in future years.

Portfolio companies, 31 December 2005

Country	Population	Company	Holding	Subscribers	Sales	EBITDA	Net debt
Uganda	25 million	MTN Uganda	32%	c. 972,000	SEK 1,328m	SEK 668m	SEK 223m
Sri Lanka	19 million	Suntel	55%	c. 145,000	SEK 367m	SEK 192m	SEK 14m

Overseas Telecom

SEKm	IAS 2005	IAS 2004	2003	2002	2001	
Income statement						
Net sales	393	287	307	389	418	
Operating expenses	-194	-129	-152	-189	-238	
Other income	1	4	3	1	2 370	
Share of profits of associated companies	121	260	136	85	-136	
Items affecting comparability	-5	0	0	0	0	
EBITDA	316	422	294	286	2,414	
Depreciation	-133	-69	-79	-87	-100	
EBITA	183	353	215	199	2,314	
Goodwill amortisation[1)]	-1	-1	-1	-3	-9	
EBIT	182	352	214	196	2,305	
Financial income	6	177	59	119	347	
Financial expenses	-20	-28	-79	-211	-192	
EBT	168	501	194	104	2,460	
Tax	-18	-22	-19	-1	-720	
Minority interests	-19	-29	-19	-12	-1	
Net profit/loss for the year	131	450	156	91	1,739	
Balance sheet						
Goodwill	0	1	2	3	2	
Intangible fixed assets	12	11	14	18	24	
Tangible fixed assets	316	256	319	444	618	
Financial fixed assets	239	201	371	398	398	
Total fixed assets	567	469	706	863	1,042	
Current assets, other	148	72	98	140	137	
Cash, bank, short-term investments	130	469	180	684	3,692	
Total current assets	278	541	278	824	3,829	
Total assets	845	1,010	984	1,687	4,871	
Shareholders' equity	550	763	654	1,198	449	
Minority interests	165	118	109	113	122	
Interest-bearing provisions	18	16	14	12	10	
Non-interest bearing provisions	2	2	6	14	3	
Räntebärande skulder	27	59	155	273	384	
Interest-bearing liabilities	83	52	46	77	3,903	
Total shareholders' equity and liabilities	845	1,010	984	1,687	4,871	
Cash flow statement						
Cash flow from operating activities	217	278	266	100	409	
of which change in working capital	-36	52	55	10	66	
Cash flow from investing activities	-103	422	412	-474	3,217	
of which investments	-131	-50	-42	-474	-151	
of which divestments	28	472	454	0	3,368	
Cash flow from financing activities	-459	-404	-761	-3,046	-43	
of which change in loans	-48	-84	-125	-3,772	3,700	
of which capital contribution	0	0	0	726	-3,743	
of which dividends	-411	-320	-636	0	0	
Cash flow for the year	-345	296	-83	-3,420	3,583	
Key figures						
EBITA margin, %	46.6	123.0	70.0	51.2	553.6	
EBT margin, %	42.7	174.6	63.2	26.7	588.5	
Return on equity, %	20.0	59.0	16.8	11.1	127.1	
Return on capital employed, %	21.9	55.3	21.6	24.6	141.8	
Equity ratio, %	85	87	78	78	12	
Interest-bearing net debt, SEKm	-85	-394	-11	-399	-3,298	
Debt/equity ratio, gross, times	0.1	0.1	0.2	0.2	0.7	
Cash flow after investments, SEKm	114	700	678	-374	3,626	
Average number of employees	545	492	418	392	393	

1) Amortisation of intangible assets.

Board of Directors

Per Eric Fylking	Chairman
Niklas Ekestubbe	
Håkan Jansson	
Helena Krook-Kilander	
Thomas Mossberg	
Ola Uhre	
Kristina Patek	Deputy
Ole Christian Söhoel	Deputy
Caroline af Ugglas	Deputy
Christina Wik	Deputy

Managememt

Anders Ekman	CEO
Gunnar Andersson	Accounting/ Finance

Superfos – high raw material prices hurt profitability

At the end of 1999, Ratos together with Industri Kapital acquired the listed Danish Superfos Group. Ratos's holding amounts to 33% and the remaining shares are held by Industri Kapital. At acquisition, there were three separate business areas: Chemicals, Packaging and Aerosols. The Chemicals business area was sold in 2000 together with the former head office and two units in the Aerosols business area. Ratos's total investment amounts to SEK 405m after an add-on investment of SEK 81m in 2002.

Consolidated book value at year-end 2005 amounted to SEK 373m.

Ratos is represented on the board by Thomas Mossberg, Senior Investment Manager for this holding, and Thomas Hofvenstam.

Operations

Superfos is a Danish industrial group with international operations and two operating areas: Packaging and Aerosols.

Packaging, which accounts for approximately 92% of sales develops, produces and sells thermoformed plastic packaging to customers in the food and chemical-technical industries. The European total market for these products is estimated to amount to EUR 1,400-1,600m. The products range from small consumer 50 ml packs to large 35-litre packs. The market for Packaging's products grows by 3-4% annually. Packaging has 11 factories in Europe and one in the US. Sales are conducted in 18 countries.

Both among customers and raw material suppliers a consolidation is taking place towards fewer and larger players, which also operate increasingly on the global stage. Competition facing Superfos is fragmented and mainly local. Most competitors only serve a local geographic market, a specific customer segment or a specific product. Packaging with approximately 20% of the market is the largest overall manufacturer of thermoformed plastic packaging in Europe. The company has a pan-European strategy with strong positions, primarily in the Nordic countries, and Southern and Central Europe. The products are also marketed successfully in the US market.

Aerosols is a European player in contract filling of aerosols, primarily with chemical-technical and pharmaceutical products. The main customer base is the pharmaceutical industry.

Torben Bjerre-Madsen, acting CEO

The past year

The price increases for the input material plastic granulates that started in the second half of 2004 continued in 2005. Compared with 2004, raw material prices were on average 20% higher in 2005. These higher prices had a negative impact on Superfos's earnings. The operations in the US, on the other hand, continued to develop well, particularly in the consumer segment.

The Aerosols division has a weaker result compared with 2004.

The Superfos Pharma division was sold during the year to Gerresheimer Group GmbH for EUR 52m. The sale generated a capital gain of EUR 11.6m.

Superfos reports sales of EUR 354.7m (344.3). Operating profit (EBITA) including capital gains amounted to EUR 28.7m (29.3). Profit before tax was EUR 3.3m (16.2).

Events after year-end

Board member Torben Bjerre-Madsen became the company's acting CEO on 19 January 2006.

Future prospects

The streamlining in recent years to a focused packaging company and implementation of measures to raise profitability create good opportunities for good growth and improved profitability.

Board of Directors

Waldemar Schmidt	Chairman
Gerard de Geer	
Thomas Mossberg	
Jacob Møller-Jensen	
Mads Ryum Larsen	
Torben Bjerre-Madsen	acting CEO, from 19 January 2006
Thomas Hofvenstam	Deputy

Management

Torben Bjerre-Madsen	acting CEO, from 19 January 2006
René V. Frederiksen	Executive Vice President, CFO
Benny Nielsen	Executive Vice President, COO
Martin Malmros	Executive Vice President, CSO

Superfos

EURm	IFRS 2005	IFRS 2004	2004	2003	2002	2001
Income statement						
Net sales	354.7	344.3	344.3	352.6	373	316
Operating expenses	-307.0	-284.6	-284.6	-308.7	-312	-283
Other income	0	0	0	0	0	0
Items affecting comparability [1]	11.6	0	0	0	-15	0
EBITDA	59.3	59.7	59.7	43.9	46	33
Depreciation	-30.6	-30.4	-30.4	-30.7	-31	-23
EBITA	28.7	29.3	29.3	13.2	15	10
Goodwill amortisation [2]	-12.7	0	-6.0	-6.0	-6	–
EBIT	16.0	29.3	23.3	7.2	9	6
Financial income	0.1	1.1	1.1	0.2	1	0
Financial expenses	-12.8	-14.2	-14.2	-13.1	-17	-19
EBT	3.3	16.2	10.2	-5.7	-7	-13
Tax	-5.8	-6.8	-6.8	-0.3	-1	-1
Minority interests	0	0	0	0	0	0
Net loss/profit for the year	-2.5	9.4	3.4	-6.0	-8	-14
Balance sheet						
Goodwill	70.1	99.8	93.8	99.7	106	74
Other intangible fixed assets	0	0	0	0	0	0
Tangible fixed assets	158.0	192.8	192.8	191.2	199	163
Financial fixed assets	13.7	12.5	12.5	14.7	13	8
Total fixed assets	241.8	305.1	299.1	305.6	318	245
Inventories	38.4	40.9	40.9	37.6	41	3
Current receivables	63.2	59.9	60.7	69.9	67	7
Cash, bank, short-term investments	22.8	4.0	3.2	8.7	21	3
Total current assets	124.4	104.8	104.8	116.2	129	11
Total assets	366.2	409.9	403.9	421.8	447	356
Shareholders' equity	115.1	115.3	109.3	105.9	113	95
Minority interests	0	0	0	0	0	0
Interest-bearing provisions	0	0	0	0	0	0
Non-interest bearing provisions	17.3	12.4	12.4	11.7	21	12
Interest-bearing liabilities	177.8	219.4	219.4	246.7	252	201
Non-interest bearing liabilities	56.0	62.8	62.8	57.5	61	48
Total shareholders' equity and liabilities	366.2	409.9	403.9	421.8	447	356
Cash flow statement						
Cash flow from operating activities	21.3	49.2	49.2	24.7	40	29
of which change in working capital	-6.9	0.3	0.3	5.8	-1	11
Cash flow from investing activities	38.0	-27.4	-27.4	-31.7	-105	-28
of which investments	-19.5	-27.9	-27.9	-33.6	-126	-31
of which divestments	57.5	0.5	0.5	1.9	21	3
Cash flow from financing activities	-40.5	-27.3	-27.3	-5.2	83	-3
of which change in loans	-41.6	-27.3	-27.3	-5.2	56	-3
of which capital contribution	1.1	0	0	0	27	0
of which dividends	0	0	0	0	0	0
Cash flow for the year	18.8	-5.5	-5.5	-12.2	18	
Key figures						
EBITA margin, %	8.1	8.5	8.5	3.7	4.0	3.2
EBT margin, %	0.9	4.7	3.0	neg.	neg.	neg.
Return on equity, %	neg.	–	3.2	neg.	neg.	neg.
Return on capital employed, %	5.1	–	7.2	2.1	3.0	2.0
Equity ratio, %	31	28	27	25	25	27
Interest-bearing net debt, EURm	155.0	215.4	216.2	238.0	231	198
Debt/equity ratio, gross, times	1.5	1.9	2.0	2.3	2.2	2.1
Cash flow after investments, EURm	59.3	21.8	21.8	-7.0	-65	1
Average number of employees	1,669	1,800	1,800	2,150	2,359	2,268

[1] Capital gain from sale of operations in 2005.

[2] Impairment loss on goodwill 2005.

Group summary

	2005	2004	2003	2002	2001
Key figures					
Earnings per share before dilution, SEK	26.27	26.75	7.71	4.60	22.07
Dividend per share, SEK	9.00 [1]	8.50	7.25	6.75	6.25
Dividend yield, %	4.6 [1]	5.9	6.4	7.1	6.7
Total return, %	43	35	27	8	27
Market price, 31 December, SEK	196	143.50	113	95.50	93.50
Equity per share, 31 December, SEK [2]	138	118	100	102	104
Equity, SEKm [2]	10,942	9,326	7,827	8,037	8,177
Return on equity, %	21	–	8	4	23
Equity ratio, %	52	76	91	90	95
Average number of shares before dilution	79,130,200	78,902,245	78,610,824	78,867,216	79,029,299
Number of shares outstanding	79,198,540	78,938,440	78,554,640	78,645,440	78,958,226
Income statement, SEKm					
Holdings					
Profit from subsidiaries	716	168	91	71	-27
Exit gains, subsidiaries	91	0	–	90	–
Share of profits of associates	1,411	806	297	326	230
Exit gains, associates	391	1,356	412	206	1,722
Impairment losses, associates	-29	-17	-7	-45	-248
Dividends, other companies	36	28	21	14	10
Exit gains, other companies	125	82	32	68	130
Profit from holdings	2,741	2,423	846	730	1,817
Asset management					
Dividends	–	–	–	–	16
Capital gains	–	–	–	–	218
Profit from asset management	–	–	–	–	234
Central income and expenses	-140	-98	-34	-96	-125
Consolidated profit before tax	2,601	2,325	812	634	1,926
Tax including minority interests	-522	-214	-206	-271	-182
Consolidated profit after tax	2,079	2,111	606	363	1,744
Balance sheet, SEKm					
Intangible fixed assets	6,648	1,824	693	335	127
Tangible fixed assets	1,728	602	217	224	43
Financial fixed assets	4,274	5,500	5,119	5,419	7,882
Current assets	9,451	4,330	2,729	2,947	589
Total assets	22,101	12,256	8,758	8,925	8,641
Shareholders' equity including minority interests	11,446	9,360	7,934	8,155	8,177
Provisions	680	122	83	85	14
Interest-bearing liabilities	5,706	1,687	393	363	200
Non-interest bearing liabilities	4,269	1,087	348	322	250
Shareholders' equity and liabilities	22,101	12,256	8,758	8,925	8,641

1) Proposed by the Board of Directors.

2) Attributable to parent company shareholders.

Definitions

Debt/equity ratio
Interest-bearing liabilities in relation to shareholders' equity.

Dividend yield
Dividend expressed as a percentage of market

Earnings per share
Profit after tax divided by the average number of shares after buy-backs.

EBIT
(Earnings before interest and tax). Profit before net financial items and tax.

EBITA
(Earnings before interest, tax and amortisation). Profit before net financial items, tax and goodwill amortisation.

EBITA margin
Profit before net financial items, tax and goodwill amortisation as a percentage of net sales.

EBITDA
(Earnings before interest, tax, depreciation and amortisation). Profit before net financial items, tax, depreciation and goodwill amortisation.

EBT
(Earnings before tax) Profit before tax.

EBT margin
Profit before tax as a percentage of net sales.

Equity ratio
Reported shareholders' equity expressed as a percentage of total assets. Minority interests are included in shareholders' equity.

Enterprise value
Sum of the company's market capitalisation, minority interests and net debt.

Exit
Exit refers to divestment of a holding.

Exit gain/loss
Exit gain/loss is the capital gain or loss which arises when a holding is sold.

Holding
A holding is a company in which Ratos, usually as the largest owner, exercises significant owner influence and is represented on the board.

IRR
Internal Rate of Return. Annual average return.

Net debt
Net of interest-bearing provisions and liabilities minus financial assets including cash and cash equivalents.

P/E ratio
Market price in relation to earnings after tax per share.

Return on capital employed
Profit before interest expenses and tax expressed as a percentage of average capital employed.

Return on equity
Profit after tax expressed as a percentage of average shareholders' equity.

Total return
Price development of shares including reinvested dividends.

Ratos is a listed private equity company. The business concept is to maximise shareholder value over time through acquisition, development and divestment of primarily unlisted companies. Ratos thus offers stock market players a unique investment opportunity.

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