RATOS

Annual Report 2003

Directors' Report

Analysis

Contents

Group review

Directors' report

Analysis

Information to shareholders

Information policy

Ratos's policy is to provide open, accurate, continuous and timely information of the highest quality. The aim is to make it easier for shareholders and other players to understand and evaluate Ratos's activities.

www.ratos.se

The fastest way to obtain information about Ratos is to visit the www.ratos.se website. The site contains information about Ratos's activities and organisation, share data, press releases, calendar and picture bank. Ongoing financial information about the holdings is also available in downloadable Excel files.

Financial calendar

1 Apr	2004 Annual General Meeting
12 May	Interim Report, Jan-Mar 2004
25 Aug	Interim Report, Jan-Jun 2004
12 Nov	Interim Report, Jan-Sep 2004
Feb 2005	Year-end report 2004

Publications are issued in Swedish and English. Information is sent automatically to shareholders who have notified Ratos, directly or via the www.ratos.se website, 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
fax:	+46 8 10 25 59
e-mail	info@ratos.se

Annual General Meeting 1 April 2004

The Annual General Meeting of Ratos AB (publ) will be held at 5.30 p.m. on Thursday, 1 April 2004 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 22 March 2004, and notify the company of their intention to attend no later than 4 p.m. on 29 March 2004.

Notification

Notification of attendance may be made by: writing to Ratos AB (publ), Box 1661, SE-111 96 Stockholm
telephoning +46 8 700 17 00
via www.ratos.se/Investor Relations/Annual General Meeting
fax +46 8 24 66 25.
When notifying attendance please state name, personal/corporate identity number, address and telephone number.

Nominee-registered shares

In order to be entitled to participate in the meeting and exercise their voting rights, shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names. Such registration must be effected at VPC no later than Monday, 22 March 2004. 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 2003 of SEK 7.25 per share. The record date proposed by the Board for the right to receive dividends is Tuesday, 6 April 2004. If the proposal is accepted by the Annual General Meeting, dividends are expected to be distributed by VPC on Tuesday, 13 April 2004.

Contacts

Anna-Karin Celsing, Head of Corporate Communications
Tel +46 8 700 17 49
e-mail: akc@ratos.se

Clara Bolinder-Lundberg, Investor Relations Manager
Tel +46 8 700 17 63
e-mail: cbl@ratos.se

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.

Ratos's history

1866

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

1930s

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

1940s

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

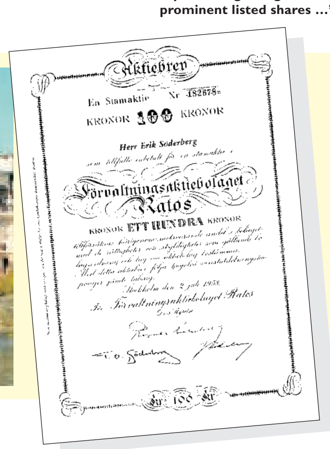
1950s

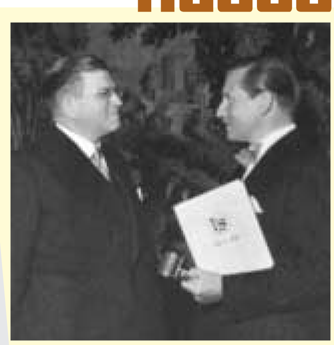
Ratos is floated on the stock market in 1954. On 3 June, the Swedish business magazine Affärsvärlden writes: "A nominal SEK 3 million in Förvaltningsaktiebolaget Ratos was placed on the stock market at 200%... The share issue was immediately oversubscribed... The company's position is very strong ...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

1960s

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

Ratos





2003 highlights

- The Group's pre-tax profit amounted to SEK 812m (634).
- Stable earnings trend in underlying portfolio.
- Earnings per share SEK 7.71 (4.60).
- Proposed dividend for 2003 is SEK 7.25 (6.75).
- The total return on Ratos shares was positive for the fifth consecutive year and amounted to +27% (8).
- Net asset value was SEK 8,015m (8,368), corresponding to SEK 102 per share.
- Divested holdings: Capona, DataVis, Hilding Anders and Giga Consulting.
- Two new holdings in the portfolio: LRT/Tornet and Bluegarden.
- Follow-on investments made after the end of the period in Arcorus, Gadelius and Haendig. These companies are now wholly owned subsidiaries of Ratos.

Result

SEKm	2003	2002	2001	2000	1999
Holdings	846	730	1,817	1,046	824
Asset management	–	–	234	1,008	1,023
Central income and expenses	-34	-96	-125	-77	-86
Profit before tax	812	634	1,926	1,977	1,761
Net asset value	8,015	8,368	8,495	9,896	9,192
of which unlisted	97%	92%	81%	28%	18%

Key figures per share [1]

SEK	2003	2002	2001	2000	1999
Earnings	7.71 [2]	4.60	22.07	23.50	20.95
Dividend	7.25 [3]	6.75	6.25	5.50	4.50
Market price, 31 Dec	113	95.50	93.50	79	72
Total return, %	27	8	27	16	34
Net asset value	102	106	108	125	113
Dividend yield, %	6.4	7.0	6.7	7.0	6.3

1) Definitions, see page 101.
2) After dilution SEK 7.69.
3) Board of Directors' proposal to 2004 AGM.

1970s

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

1980s

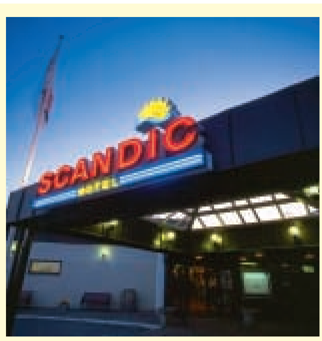
Ratos's property portfolio is integrated into the newly formed company Stancia. In 1983 Ratos acquires a 25% holding in the Esso hotel and restaurant chain, which is renamed Scandic Hotels. Scandic and Brødrene Dahl later become wholly owned subsidiaries. The subsidiary Inter Forward is formed in 1988.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

1990s

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

2000s

In 2001 the private equity strategy is accomplished through the acquisition of Atle and Lindab and the sale of Scandic Hotels to Hilton Group Plc. All asset management with listed shares is phased out.



A flat year

For Ratos, 2003 can be summarised as a flat year:

- The overall earnings level in our portfolio companies was reasonable but performance failed to meet our expectations
- we completed a total of five successful exits and made two strategically important acquisitions
- Ratos shares provided a positive total return for the fifth consecutive year
- the net asset value trend remained positive, although at a lower level than expected
- conditions exist for improved earnings in the underlying portfolio in 2004.

Sluggish earnings

Ahead of 2003, Ratos's general economic assessment was that the "muddle-through" scenario we had worked with since year-end 2001 would gradually develop during the year into "muddle through plus". The new driving force behind this somewhat more positive trend – in addition to the already constructive contribution from both monetary and financial policy, primarily in the US – was expected to be an upturn in corporate investment activity.

Developments during the year gradually confirmed this forecast. In the US, the economy has achieved a good pace, large parts of Asia and some parts of Europe continue to develop well or very well, and even in the problem-ridden Japanese and principal European economics there are clear signs of a recovery.

With this, as was subsequently shown, correct picture of economic development in 2003, at the beginning of the year we expected a strong improvement in earnings in the underlying portfolio of companies. These expectations, to some extent, came to nothing. Having emerged relatively unscathed from the economic downturn of the tough years 2001 and 2002, we could not take full advantage of macroeconomic development in the first half of 2003. This, combined with a changed portfolio composition and some extraordinary expenses – the latter being a consequence of the work of handling companies in which performance had been a disappointment – meant that the earnings trend during the year did not fully match our expectations. For the subsidiaries and associated companies held by Ratos at the end of the year, total operating profit (EBITA = profit before net financial items, tax and goodwill amortisation) decreased by 2% compared with 2002. Taking Ratos's stakes in each company into account, the change was +1%. The corresponding changes in pre-tax profit (EBT) were +24% and +52% respectively.

Even though development in the companies did not meet our expectations, it should be pointed out that the underlying operating profits remain at a reasonable level. This is largely attributable to the hard and mostly successful work being conducted out in the companies, primarily of course by the companies' employees, managements and boards, but also through Ratos's active ownership.

Active ownership

All private equity activities basically comprise three value-adding phases: acquisition, development and divestment of companies. In recent decades a large part of value creation has been found in the transaction phases, in other words acquisitions and divestments. The main reason for this is the fantastic 20-year period of historically unique value development for listed and other companies that was broken at the beginning of the 21st century, as well as the favourable macroeconomic conditions which contributed to the companies' profit development during the same period.

Even back in December 1998, when Ratos presented its new private equity strategy that was launched on 1 January 1999, we said that a transaction-based strategy could not be expected to create the same successes in the decades ahead. Naturally, we must remain in the frontline in the future as well as regards transaction expertise and naturally from time to time we will be able to create added value in connection with acquisitions and exits. The major challenge, however, is to be sufficiently successful at active ownership. It is here the largest added values will be created in the future, at the same time as a competent owner will also create extra advantages in both acquisition and exit situations.

"...we have come a long way as regards our vision to be Sweden's best owner company"

Ratos has built up its organisation, business models and routines based on this approach. And today I feel I can claim that our favourable development and our work since 1999 – in particular when it comes to quickly identifying and turning around problem companies – confirm that we have come a long way as regards our vision to be Sweden's best owner company.

This is also confirmed by an analysis we have made of the components which contributed to the return in the 16 exits we have carried out since 1 January 1999. This shows – after making adjustments for a couple of extremely successful deals completed during the IT frenzy at the start of the 21st century – that organic growth in the companies accounts for 50% of the return, cash flow effects for 40%, while only 10% stems from multiple arbitrage, i.e. selling a company for a higher value than at acquisition.

Seven transactions

Ratos completed five exits during the year, with good results overall. Four own exits – Giga, Capona, DataVis and Hilding Anders – brought in a total of approximately SEK 1,300m. Divestments in Industri Kapital also made a positive contribution to Ratos's earnings.

Ratos also received an extra dividend from Arcorus of SEK 56m as well as SEK 56m from Overseas Telecom. Additionally, as reported in last year's annual report, the recapitalisation of Dahl provided Ratos with SEK 928m.

In view of the strong financial position that this gave Ratos during the year, the focus has naturally been on acquisitions. The project flow generated during the year was extensive and of very high quality. In the first half of the year, however, we did not succeed, for a number of reasons, in completing any acquisitions. The second half was more successful in this respect, since we completed two strategically important acquisitions of which we have high hopes in the years ahead.

In October, Ratos (40%) in partnership with the US property specialists Lehman Brothers Real Estate Partners (60%) made an offer for the listed property company Tornet. The offer, which even before it was announced had been accepted by 55% of Tornet's shareholders, was finally accepted by owners of just over 82% of the shares, following an extended acceptance period. So most of both the number of shareholders (today there are about 8,000 out of a former almost 90,000 shareholders left in the company) and of the number of shares have chosen to relinquish their ownership in Tornet. A number of shareholders – most of them unknown to us – rejected the offer, however. In this situation the bidders had two alternatives – either complete the offer at a lower level than 90% and be the totally dominant owner of a continued listed Tornet, or withdraw the offer. Having managed to solve the unusually complicated financing matters (this is one of the biggest real estate deals ever in Sweden) and made an assessment of what was best in the situation that had arisen for us, the company, and other shareholders, we chose to complete the offer at the lower acceptance level. We will therefore, together with other shareholders representing about 18% of the shares, try to create a good return in Tornet over the next five to seven years.

In December, Ratos acquired 100% of the Norwegian payroll administration company Bluegarden. Bluegarden is already a profitable company operating in a fragmented industry and we see major opportunities to grow through acquisitions in the future consolidation of this sector.

“For the fifth consecutive year, Ratos shares provided a positive total return in 2003, +27%”

Positive total return

For the fifth consecutive year, Ratos shares provided a positive total return in 2003, +27% (the SIX Return Index rose 34% in the same period). The total return between 1 January 1999, when we changed strategy and became a private equity company, and 31 December 2003 thus amounts to +171%, while the benchmark (SIX Return Index) rose 11%. This gives an average annual total return of 22% on Ratos shares between 1999 and 2003.

Since I took over as CEO of Ratos in 1999 I have several times read and heard the comments “Ratos is not a good buy right now, because there is no ‘trigger’ that will lift the shares”. And the fact that there is no “trigger”, i.e. a factor that will make Ratos shares rise sharply in a short period, is in principle always true. Ratos is simply not a “trigger company”. Since we have a well-diversified and therefore risk-spread portfolio, there are few individual events or deals that can dramatically affect our development. Instead, it is with some satisfaction that we are able to say that our modest hope from 1999, that Ratos shares would be shares that are “good to have” – shares you have in your portfolio in order to access the market for unlisted companies and which you can look at from time to time and be fairly pleased with, but which over time will be rather good – has at least so far been fulfilled.

Sustained profitability

According to the conservative internal assessments we make of the value of the portfolio, we achieved, taking the dividend into account, a positive development of our net asset value in 2003 as well. The more sluggish development in the portfolio companies in the first half, however, also meant that the increase did not match either our targets or expectations. If we summarise the years 1999-2003 we can say:

- our net asset value increased by 12% per year
- if we just look at the core business, i.e. the capital invested in the portfolio companies, we achieved an average annual return of 17%
- if we isolate the 16 exits we have made, i.e. deals where we know the outcome, we have, including all profit and loss deals, achieved an annual average return of 27%.

Outlook for 2004

Our assessment of the global economy in 2004 is that the “muddle through plus” scenario is now firmly established and that a classic, self-strengthening, cyclical economic upswing is on its way. This does not mean that the considerable underlying structural problems and imbalances that the world is grappling with will go away, but the risk that these will break the back of the upturn in 2004 is small. In parallel with this positive macroeconomic development, ongoing efforts to enhance efficiency and encourage growth in all the portfolio companies will have an effect. Taken overall there are therefore opportunities for improved earnings in the underlying portfolio in 2004.

Arne Karlsson

Business concept, objectives and strategy

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.

"highest possible return through the professional, active and responsible exercise of its ownership role"

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

Objectives

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

Investment strategy

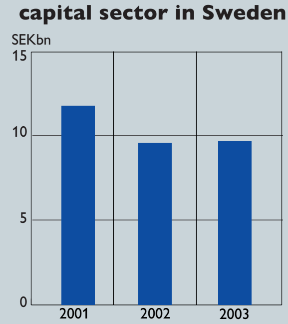
- **Holding normally 20-50%**
- **Normally the principal owner**
- **Investment size SEK 250-1,500m**
Ratos does not invest in early phases of companies' life cycles.
- **15-20 holdings**
Ratos's portfolio should normally comprise 15-20 holdings, primarily unlisted companies, of varying size.
- **Ownership period normally 3-7 years**
Ratos's involvement as an active owner in each individual company – from acquisition via development to divestment – is normally 3-7 years.
- **Sector generalist**
Ratos's core competence is not sector specific. Since added value can be created in most sectors, Ratos has chosen to be sector-neutral.
- **Focus on own deal flow**
Ratos regards it as important to build up its own deal flow.
- **Nordic acquisitions – global exits**
The entry point for investments is the Nordic region with the main focus on Sweden. Exits (divestments) can be effected globally.
- In addition, the companies in which Ratos invests must have competitive advantages in their sector and strong management. There is a clear exit strategy for every investment Ratos makes. Ratos works actively to ensure that the companies in which it invests have incentive strategies for boards and senior executives.

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.

Amount invested in venture capital sector in Sweden



Source: Swedish Venture Capital Association

Direct investments in unlisted companies

Growth phase	Managed capital SEKm	Invested capital SEKm	Number of existing investments
Buy-out	140,556	74,769	183
Venture	77,608	39,167	1,361
Total	218,164	113,935	1,544

Source: Swedish Venture Capital Association

Different forms

In Sweden today an estimated SEK 218 billion[1)] is earmarked for private equity investments, of which about SEK 114 billion is invested is approximately 1,500 companies. Approximately 65% is invested in more mature companies (buy-out investments) and approximately 35% in start-up companies (venture capital investments). The most usual form of private equity investments, both in Sweden and abroad, has been private equity funds. Investors in such funds are usually banks, insurance companies, pension managers, other major investment mangers and wealthy private individuals. These funds are administered by a management company which is owned by the people who carry out and manage the fund's investments. For tax reasons, the funds are often set up as offshore limited partnerships. Investors in these funds undertake to invest a specific total amount and then provide capital in pace with the fund's investments. This is why in the private equity market there is capital committed for investment but not yet invested, as well as invested capital. Private equity funds normally have a term of about 10 years, after which the fund's investments should be sold and the money earned by the fund successively repaid to the investors. Swedish private equity funds within Ratos's area of operations include Altor, EQT, Industri Kapital and Nordic Capital. International funds are also represented in Sweden and include Permira, Bridgepoint, Doughty Hanson and CVC.

Company vs. funds

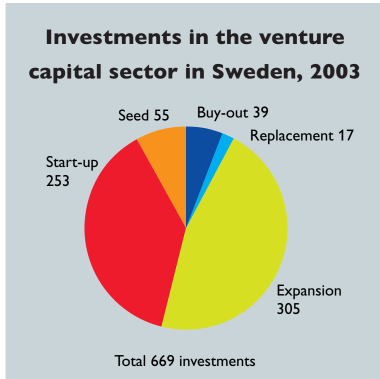
Ratos does not manage any funds but is one of the few listed companies in Sweden whose core business is investments in unlisted companies. Ratos's investment company tax status is a prerequisite for conducting its business in a Swedish legal entity. Ratos normally pays no tax in the parent company. One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

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

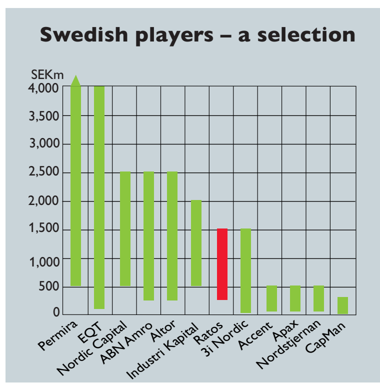
1) Source: Swedish Venture Capital Association

Different players

The majority of the approximately 130 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 Swedish venture capital companies today manage a total of about SEK 110 billion[1]. All ten invest throughout the Nordic region and in some cases outside the Nordic area as well. Seventeen of the members of the Swedish Venture Capital Association make investments in excess of SEK 250m, which is an increase compared with the previous year. The number of players within Ratos's investment segment has increased over the last three years. These include new players and existing players which have adjusted their investment band. Competition has therefore intensified. At present, however, Ratos has found that this increased competition has not affected opportunities to make good deals.



Source: Swedish Venture Capital Association



Profitability

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[2]) showed, among other things, that private equity managers in contrast to mutual fund managers tend to repeat management successes. 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.

[1] Source: Swedish Venture Capital Association

[2] The full report is available at www.ratos.se/private equity.

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 138-year history is permeated by professional, active and responsible exercise of its ownership role.

On 1 January 1999, work starting on changing strategic direction to become a private equity company with a portfolio of preferably unlisted companies. All listed share were subsequently sold and today Ratos has a portfolio of 19 associated companies and subsidiaries, 17 of which are unlisted.

Today Ratos has a strong brand in Swedish business as an industrially oriented financial player. When the Ratos of today makes the deals of the new age, this takes place on a stable foundation of 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

For Ratos ownership of companies is not an end in itself but a means of achieving a return for its shareholders. Being an owner also means responsibilities. 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 540 at year-end 2003. 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

Clear aims for the holding are defined for every company that is acquired. Every investment must at least 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 a 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. There must be respect for the company's employees and it is important to show humility regarding companies' need of stable conditions, and to have a reasonable and clear planning horizon. Every year Ratos communicates its views on the company and its overall holding strategy to the board.

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

Exercise of ownership in practice

Throughout its period of ownership, Ratos as owner plays an active part in the company's development process. Ratos continuously acts as a sounding board for the company's management. The work is carried out with management as the client.

Every investment must have well-functioning internal reporting and control systems. It is important to have control over the companies' operations so that Ratos as owner can act when the need arises.

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.

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
- 8 Investment Managers

Business support

- 4 Accounts/Finance
- 2 IR/Communications

Organisation

At Ratos it is the business organisation comprising 19 people with broad financial and industrial competence that conducts the work with the companies. In addition to professional exercisers 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 14-15.

Positive total return for fifth consecutive year

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

Share capital and number of shares

The share capital is divided into 21,244,658 class A shares and 59,497,968 class B shares. The number of repurchased shares is 2,187,986, which means there are 78,554,640 shares outstanding. Each Ratos A share carries one vote and each Ratos B share 0.1 vote. A round lot amounts to 100 shares. The nominal value is SEK 12.50 per share.

Option programme

The Annual General Meeting decided on a call option programme issued in 2001, 2002 and 2003. The total number of call options issued amounts to 1,283,000 which leads to a maximum dilution effect of 0.28%. All options have a duration of 5 years. The call options are issued on shares already repurchased.

Total return +27%

In 2003 the total return (price development including reinvested dividends) for Ratos B shares amounted to +27% compared with the SIX Return Index which rose 34%.

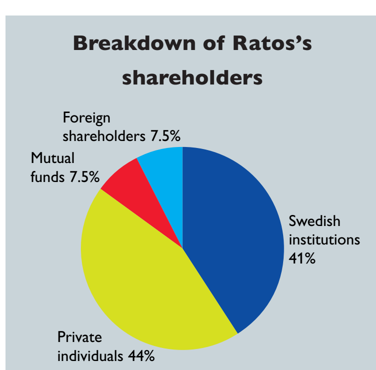
Ratos B shares rose 18% in 2003 which can be compared with the SAX Index which rose 30% in the same period. The highest quotation during the year, SEK 113, occurred in December, and the lowest quotation, SEK 86.5, was noted in February. Ratos's total market capitalisation amounted to SEK 7,502m at year-end.

Trading

A total of 17.4 million Ratos shares were traded at a value of SEK 1.7 billion. Corresponding values for 2002 were 14.8 million shares and SEK 1.5 billion respectively.

Source: SIX

Source: SIX



Source: SIS Shareholder Service.

An average of 69,972 shares were traded per day, an increase of 18% compared with 2002.

Dividend SEK 7.25

Ratos has an aggressive dividend policy. The Board of Directors proposes a dividend for 2003 of SEK 7.25 (6.75) per share, which corresponds to a dividend yield of 6.4% based on the closing price at year-end.

Buy-back of own shares

A decision was made at the 2003 Annual General Meeting that up to 7% of the company's shares may be acquired until the next Annual General Meeting on 1 April 2004. During 2003, Ratos repurchased 170,800 of its own B shares. The buy-backs were effected at an average price of SEK 89.77 per share.

Conversion of shares

The 2003 Annual General Meeting resolved that a conversion clause allowing conversion of A shares to B shares should be added to the articles of association. This means that owners of A shares have an ongoing right to convert them to B shares. As of 31 December 2003, 396,469 A shares had been submitted for conversion into B shares.

Ownership structure

At year-end 2003, the number of Ratos shareholders totalled 23,699. The ten largest shareholders accounted for 74% of the voting rights and 47% of the share capital. Swedish institutions and mutual funds owned 48.5% of the capital while 44% was owned by Swedish private individuals. Foreign ownership totalled 7.5%. 66% of Ratos shareholders owned 500 shares or less and together accounted for 4% of the share capital.

Definitions, see page 101.

Analysts who monitor Ratos

ABG Sundal Collier
Fredrik Grevelius
fredrik.grevelius@abgsc.se
telephone: +46 8 566 28 600

Alfred Berg
Jacob Wall
jacob.wall@alfredberg.se
telephone dir: +46 8 572 360 59

Carnegie
Johan Sjöberg
johsjo@carnegie.se
telephone dir: +46 8 676 87 55

Leemon Wu
leewu@carnegie.se
telephone dir: +46 8 588 691 87

Cazenove & Co
Chris Brown
christopher.brown@cazenove.com
telephone dir: +44 20 7825 9759

Cheuvreux Nordic
Tomas Ramsälv
tramsalv@caicheuvreux.com
telephone dir: +46 8 723 51 72

Enskilda Securities
Andreas Joelsson
andreas.joelsson@enskilda.se
telephone dir: +46 8 522 296 18

Handelsbanken
Henrik Kronqvist
hekr03@handelsbanken.se
telephone dir: +46 8 701 52 90

Nordea Securities
Stefan Andersson
stefan.andersson@nordea.com
telephone dir: +46 8 534 922 86

Swedbank
Christian Brunlid
christian.brunlid@swedbank.com
telephone dir: +46 8 585 925 66

Rickard Henze
rickard.henze@swedbank.com
telephone dir: +46 8 585 916 24

Key figures per share

SEK	2003	2002	2001	2000
Earnings	7.71 [1]	4.60	22.07	23.50
Dividend	7.25 [2]	6.75	6.25	5.50
Dividend as % of earnings	94.0	146.7	28.3	23.4
Dividend as % of net asset value	7.1	6.4	5.8	4.4
Net asset value	102	106	108	125
Average no. of shares outstanding	78,610,824	78,867,216	79,029,299	80,350,723
No. of shares outstanding at year-end	78,554,640	78,645,440	78,958,226	79,155,626

[1] After dilution, SEK 7.69.
[2] Proposed dividend.

Data per share

SEK	2003	2002	2001	2000
Market value at year end, B	113	95.50	93.50	79
Market price/NAV, %	111	90	87	63
Dividend yield, %	6.4 [1]	7.1	6.7	7.0
Total return, %	27	8	27	16
P/E ratio	14.7	20.8	4.2	3.3
Highest/lowest price paid, B	113/86.5	119/74	99.50/73	87.50/63
Average number of Ratos shares traded per day, thousands	70	59	103	108
Number of shareholders	23,699	21,302	18,909	16,065

[1] Proposed dividend.

Breakdown by class of share

Class	Number of shares	% of voting rights	% of capital
Class A	21,244,658	79	27
Class B	59,497,968	21	73
	80,742,626	100	100

Ratos shareholders

31 December 2003	Number A shares	Number B shares	Share of voting, %	Share of capital, %
Söderberg family	11,807,759	2,944,947	44.5	18.3
Söderberg foundations	6,529,720	5,740,460	26.1	15.2
Foreign shareholders	811,934	5,221,534	4.9	7.5
Skandia		2,050,815	0.8	2.5
AMF Pension		2,029,700	0.8	2.5
AP3	1,950	1,974,550	0.7	2.5
Östersjöstiftelsen		1,861,813	0.7	2.3
Nordea mutual funds		1,673,440	0.6	2.1
SEB mutual funds		1,453,836	0.5	1.8
HQ.SE funds		1,408,600	0.5	1.7
Confederation of Swedish Enterprise		1,400,000	0.5	1.7
Montgomery family	1,000	732,256	0.3	0.9
Björn Håkansson	664,984		2.5	0.8
SEB-Trygg Försäkring		664,800	0.2	0.8
Buy-back of own shares[1]		2,187,986	0.8	2.7
Others	1,427,311	28,153,231	15.6	36.7
Total	21,244,658	59,497,968	100.0	100.0

[1] At 24 February 2004.

Source: SIS Shareholder Service

Range analysis

Number of shares	Number of shareholders	% of total number of shares
1 – 500	15,659	3.9
501 – 1,000	3,809	3.9
1,001 – 2,000	2,003	4.0
2,001 – 5,000	1,365	5.7
5,001 – 10,000	425	4.0
10,001 – 20,000	181	3.3
20,001 – 50,000	132	5.5
50,001 – 100,000	51	4.5
100,001 –	74	65.2
	23,699	100.0

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

Business organisation

Anna Ahlberg
Investment Manager.

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

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

Henrik Blomé
Investment Manager.

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

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

Clara Bolinder-Lundberg
Investor Relations Manager.

Born 1958. Bachelor of Science in Business Administration and Economics. Employed by Ratos since 2001. Project Manager Askus and Intellecta 1995-1998. Head of Corporate Communications, Bankstödsnämnden 1994-1995. Hägglöf & Ponsbach 1988-92. Handelsbanken 1983-1988.

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

Anna-Karin Celsing
Head of Corporate Communications.

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

Shareholding in Ratos: *40,000 B shares*
Options in Ratos: *20,000 call options/2001*
8,000 call options/2002
5,000 call options/2003

Hans Ekelund
Chief Financial Officer.

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

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

Per Frankling
Investment Manager.

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

Shareholding in Ratos: *0*
Options in Ratos: *20,000 call options/2001*
10,000 call options/2002
5,000 call options/2003

Thomas Hofvenstam
Investment Manager.

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

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

Susanna Högberg Campbell
Investment Manager.

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

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

Bo Jungner
Senior Investment Manager.

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

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

Arne Karlsson
CEO, Senior Investment Manager.

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

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

Stig Karlsson
Senior Investment Manager.

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

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

Berit Lind
Investment Manager.

Born 1961. Degree in Economics and Business Administration from the Stockholm School of Economics. Employed by Ratos since 2000. Own business 1996-2000. Öhman 1987-1996.
Shareholding in Ratos: *0*
Options in Ratos: *8,000 call options/2002*
10,000 call options/2003

Mats Lönnqvist
Senior Investment Manager.

Responsible for the holdings Camfil, Dynal Biotech, Lindab and LRT/Tornet.
Born 1954. Degree in Economics and Business Administration from the Stockholm School of Economics. Joined Ratos 1 May 2000. Executive Vice President and CFO, Esselte 1997-2000. Executive Vice President and CFO, Biocore International 1996-1997. CFO, Securum 1995-1996. Own consulting company since 1983.

Shareholding in Ratos: *55,000 B shares*
(private and company)
Options in Ratos: *60,000 call options/2001*
50,000 call options/2003

Thomas Mossberg
Executive Vice President,
Senior Investment Manager.

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

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

Kristina Patek
Investment Manager.

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

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

Carina Strid
Accounts Development Manager.

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

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

Kerstin Svanqvist
Accounts Manager.

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

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

Barbro Wallin
Financial Structures.

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

Shareholding in Ratos: *1,000 B shares*
Options in Ratos: *0*

Hans Ekelund Carina Strid Anna Ahlberg Thomas Mossberg Bo Jungner Berit Lind

Thomas Hofvenstam Clara Bolinder-Lundberg Stig Karlsson Barbro Wallin Susanna Högberg Campbell Arne Karlsson

Per Frankling Kerstin Svanqvist Henrik Blomé Mats Lönnqvist Kristina Patek Anna-Karin Celsing

Corporate governance at Ratos

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

Nomination Committee

At the Annual General Meeting held on 9 April 2003, the chairman announced that he had been assigned by shareholders representing over 70% of the voting rights in the company to appoint, in consultation with them, a nomination committee ahead of the 2004 Annual General Meeting. Olof Stenhammar (convener), Jan-Erik Erenius, Jan Söderberg and Per-Olof Söderberg have been appointed as members of this committee. Information about the members of the Nomination Committee was provided in the interim report for the third quarter of 2003. Shareholders can contact the Nomination Committee by e-mail (info@ratos.se), letter (Ratos, Box 1661, SE-111 96 Stockholm) or telephone (+46 8 700 17 00, Lena Elfström).

The work of the Board

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

In the 2003 financial year the Board consisted of seven members, including the company's CEO. The Board appointed Olof Stenhammar as its chairman. A total of 15 minuted board meetings were held.

Compensation Committee

The Compensation Committee is tasked with establishing terms of employment for certain senior executives within the Ratos Group. The Compensation Committee reports to the Board. The Compensation Committee, which met four times in 2003, comprised Olof Stenhammar, Peggy Bruzelius and Jan Söderberg. Per-Olof Söderberg was a co-opted member of the Committee. The Committee's tasks include:

- Handling terms of employment for the CEO
- Approving terms for employees directly subordinate to the CEO according to "the grandfather principle"
- Functioning as an advisory body when general policy formulations are required
- Handling matters of principle regarding pension agreements, severance pay, fees and emoluments
- Handling matters relating to the company's incentive system

The incentive system for the company's business organisation is of major strategic importance for Ratos. The Board therefore proposed a call option programme, which was later decided at the annual general meetings in 2001, 2002 and 2003. A proposal for a call option programme has also been submitted to the 2004 Annual General Meeting. All call options have a duration of 5 years. Management has paid market premiums for the call options in all programmes.

Call options are issued on shares already repurchased. By year-end 2003, 1,283,000 options had been issued which corresponds to a maximum dilution effect of 0.28%. The exercise price on the options issued in 2001 was SEK 102, for options issued in 2002 SEK 135, and for options issued in 2003 SEK 116. The price per call option amounted to SEK 4.05 in 2001, SEK 10.40 in 2002 and SEK 7.20 in 2003. Acquisition of call options is subsidised by the purchaser receiving an extra compensation corresponding to a maximum of 60% 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 (proposed 50% for 2004).

The warrant programme issued in 1999 comprising 530,000 warrants expired on 15 February 2004. In 2003 a total of 80,000 warrants were exercised to subscribe for new Ratos shares.

In addition to the option programmes the Compensation Committee has drawn up guidelines for a variable compensation system for parts of the business organisation. According to this system, the issue of variable compensation is subject to certain conditions being met regarding return on the company's equity and a qualitative assessment of implementation of matters given priority by the Board during the year. Payment of variable compensation is divided over three years with 50% in the first year and 25% in the remaining two years. In order to receive full payment the person concerned must not have resigned from the company during these three years.

Normally, the variable compensation may amount to a maximum of a couple of per cent of the company's pre-tax profit. Of this amount, 70% is profit based and will be paid in a rising scale from when an 8% return on the opening reported net asset value is achieved. A maximum level has been set for variable compensation and this was unchanged at SEK 40m for the 2003 financial year. In total, a variable compensation of SEK 13.46m was decided for 2003, of which SEK 4.46m was profit based. The variable compensation for 2002 amounted to SEK 9m. Both profit-based and performance-related variable compensation is allocated on a discretionary basis. For 2003, the CEO was allocated 18% of the total variable compensation.

Audit Committee

The Board has formalised auditing work through work in an Audit Committee. The committee includes all members of the Board with the exception of the CEO. The Audit Committee meets once or twice a year. The company's work plan also states that the chairman of the Board is assigned to maintain regular contact with the company's auditors.

Policy document

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

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

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

Holdings in brief

Arcorus

Arcorus focuses on advanced hydraulic systems and products. The Group includes the subsidiaries Hägglunds Drives, GS-Hydro and Lidan Marine. The main customer base is in the industrial, marine and offshore segments. Arcorus is represented by subsidiaries and agents in over 40 countries.

The 100,000th hydraulic motor was manufactured in Mellansel in 2003.

	31 Dec 2003
Sales	SEK 1,416m
Pre-tax profit	SEK 86m
CEO	Anders Lindblad
Ratos's holding	77% [1]
Contribution to Ratos's earnings	SEK 79m
Book value in Ratos	SEK 472m

www.arcorus.com

1) Ratos's holding 100% since January 2004.

Atle Industri

Atle Industri comprises a portfolio of 13 companies, of which 11 are wholly owned. The portfolio was acquired when Ratos and the British company 3i acquired Atle. The companies operate in the engineering industry, wholesale and retail, waste management and IT/technology.

	31 Dec 2003
Sales	SEK 2,375m
Pre-tax profit	SEK 36m
CEO	Hans Åke Norås
Ratos's holding	50%
Contribution to Ratos's earnings	SEK 8m
Book value in Ratos	SEK 478m

www.atleindustri.se

Envac operates within waste management. The picture shows a reception station in Seville, Spain.

Bluegarden

Bluegarden is one of the five largest players in human resources management in the Nordic region. The company has 300 employees with offices at seven locations in Norway and one in Denmark. Operations comprise standardised payroll processing systems, IT-based HRM administrative functions, IT-supported outsourcing of HRM departments and consulting services.

Bluegarden works with IT-supported outsourcing of HRM departments.

	31 Dec 2003
Sales	SEK 392m
Pre-tax profit	SEK 34m
CEO	Svein Gullaksen
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 0
Book value in Ratos	SEK 387m

www.bluegarden.no

Camfil

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

	31 Dec 2003
Sales	SEK 2,691m
Pre-tax profit	SEK 139m
CEO	Alan O´Connell
Ratos's holding	30%
Contribution to Ratos's earnings	SEK 34m
Book value in Ratos	SEK 435m

www.camfil.com


Changing a Hi Flo air filter, Camfil's largest product.

Dahl

Dahl is the Nordic region's leading wholesaler and trading company for products within heating, ventilation & sanitation, as well as pipe products for industry. Dahl is the market leader in Denmark, Sweden, Norway and Poland, and is strongly placed in the Finnish market.


Dahl has more than 50,000 customers and 2,000 suppliers.

	31 Dec 2003
Sales	SEK 12,488m
Pre-tax profit	SEK 300m
CEO	Per-Olof Söderberg
Ratos's holding	41%
Contribution to Ratos's earnings	SEK 153m
Book value in Ratos	SEK -65m [1]

www.dahlinternational.com

[1] After refinancing of owners' holdings, where Ratos received a cash payment of SEK 928m at the beginning of 2003.

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 2003
Sales	SEK 658m
Pre-tax profit	SEK 52m
CEO	Anders Paulsson
Ratos's holding [1]	48%
Contribution to Ratos's earnings	SEK -3m
Book value in Ratos	SEK 637m

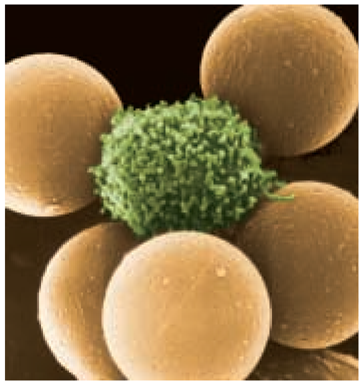
www.diabgroup.com

[1] Not yet transferred from Atle to Ratos.

DIAB's core material is used, among other things, in hulls for boats.

Dynal Biotech

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



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

	31 Dec 2003
Sales	SEK 595m
Pre-tax profit	SEK 38m
CEO	Jon Hindar
Ratos's holding	25%
Contribution to Ratos's earnings	SEK 10m
Book value in Ratos	SEK 261m

www.dynalbiotech.com

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 2003
Sales	SEK 620m
Pre-tax profit	SEK 23m
CEO	Hans Porat
Ratos's holding	50% [1]
Contribution to Ratos's earnings	SEK 5m
Book value in Ratos	SEK 106m

www.gadelius.com

[1] Ratos's holding 100% since January 2004.

Gadelius has been established in Japan since 1907.

Haendig

Haendig is an active owner of small and medium-sized wholesalers with a focus on the DIY market and the professional sector in the Nordic region. The Group includes subsidiaries with sales to DIY customers: Duri, Hafa, HDF-Bolagen, HDF-Gyttorp Jakt and Sven Svenssons, as well as subsidiaries with sales to trade customers: Markt & Co and Penope.

Duri is market leader in the Swedish professional market for floor accessories such as skirting-boards, machines, varnishes and polishing materials.

	31 Dec 2003
Sales	SEK 1,194m
Pre-tax profit	SEK 39m
CEO	Thomas Holmgren
Ratos's holding	49%[1]
Contribution to Ratos's earnings	SEK 15m
Book value in Ratos	SEK 177m

www.haendig.com

[1] Ratos's holding 100% since January 2004.

Haglöfs

Haglöfs develops, produces and markets equipment and clothing for an active outdoor life. The product range includes rucksacks, sleeping bags, tents, shoes and clothes. The Group is market leader in the Nordic region and is a significant player in Europe.

	31 Dec 2003
Sales	SEK 341m
Pre-tax profit	SEK 15m
CEO	Mats Hedblom
Ratos's holding	100%
Contribution to Ratos's earnings	SEK 12m
Book value in Ratos	SEK 116m

www.haglofs.se

Haglöfs has enjoyed considerable success in the export market.

HL Display

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

	31 Dec 2003
Sales	SEK 1,129m
Pre-tax loss	SEK -9m
CEO	Anders Remius
Ratos's holding	29%
Contribution to Ratos's earnings	SEK -11m
Book value in Ratos	SEK 225m

www.hl-display.com

Shelf-edge strips are part of HL Display's merchandising system.

Industri Kapital

Industri Kapital is an unlisted private equity company with assets under management of approximately EUR 3.5 billion. Since its formation in 1989, the company has completed almost 50 investments in a number of funds within different sectors in Europe, mainly in the chemical, engineering, trading and service industries.

INDUSTRI KAPITAL

	31 Dec 2003
CEO	Björn Savén
Contribution to Ratos's earnings	SEK 34m
Book value in Ratos	SEK 318m

www.industrikapital.com

Intervect

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

	31 Dec 2003
Sales	SEK 990m
Pre-tax loss	SEK -33m
CEO	Petter Arvidson
Ratos's holding	50%
Contribution to Ratos's earnings	SEK -30m
Book value in Ratos	SEK 177m

www.intervect.com

Equipment from Alimak was used in the construction of the world's tallest building, the Taipei Financial Centre in Taiwan.

Lindab

Lindab is the world leader in circular ventilation ducts and other ventilation products, and is also a leading manufacturer of thin sheet-metal building materials. Production is carried out in 21 countries and approximately 70% of sales go to countries outside Sweden.

Circular ventilation ducts are gaining ground.

	31 Dec 2003
Sales	SEK 5,302m
Pre-tax profit	SEK 92m
CEO	Kjell Åkesson
Ratos's holding	48%
Contribution to Ratos's earnings	SEK 44m
Book value in Ratos	SEK 1,066m

www.lindab.com

LRT/Tornet

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

	31 Dec 2003
Rental income	SEK 2,403m 1)
Pre-tax profit	SEK 740m 1)
CEO	Sverker Lerheden
Ratos's holding	33% 1)
Book value in Ratos	SEK 663m 2)

www.tornet.se

1) Pertains to Fastighets AB Tornet
2) Pertains to LRT Acquisition

Tornet has 38,000 sq.m. of attractive offices on a prime site in central Gothenburg.

Martinsson

Martinsson is Sweden's leading player within server and server-related services. Martinsson offers a combination of consulting services and products from world-leading suppliers in order to increase the productivity of its customers. The company is established in 18 locations in Sweden.

Martinsson continues to strengthen its position as an IT specialist with a focus on servers.

	31 Dec 2003
Sales	SEK 1,247m
Pre-tax loss	SEK -4m
CEO	Lars Pettersson
Ratos's holding	50%
Contribution to Ratos's earnings	SEK -4m
Book value in Ratos	SEK 107m [1]

www.martinsson.se

[1] After new group structure.

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, Hong Kong, Uganda and Namibia.

Mobile telephony has developed favourably in Uganda.

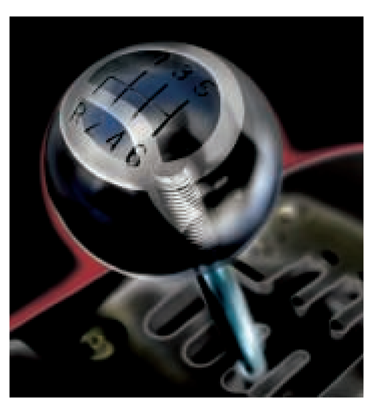
	31 Dec 2003
Sales	SEK 307m
Pre-tax profit	SEK 194m
CEO	Anders Ekman
Ratos's holding	9%
Book value in Ratos	SEK 27m

Q-Labs

Q-Labs is a consulting company for quality assurance of software development processes. The company has operations in Sweden, Germany, France and the US.

	31 Dec 2003
Sales	SEK 142m
Pre-tax profit	SEK 5m
CEO	Peter Rodholm
Ratos's holding	48%
Contribution to Ratos's earnings	SEK 2m
Book value in Ratos	SEK 38m

www.q-labs.com



Q-Labs supplies the automotive industry with software for quality assurance.

Superfos

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

Plastic packaging with "SuperLock" is a new, promising product from Superfos.

	31 Dec 2003
Sales	SEK 3,217m
Pre-tax loss	SEK -52m
CEO	Kim R. Andersen
Ratos's holding	33%
Contribution to Ratos's earnings	SEK -18m
Book value in Ratos	SEK 335m

www.superfos.com

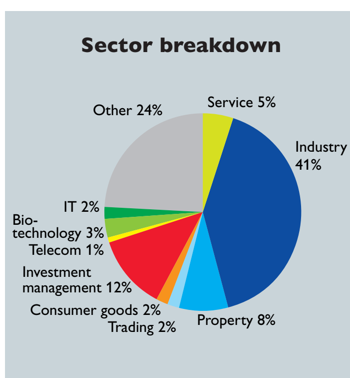
Portfolio composition 2003

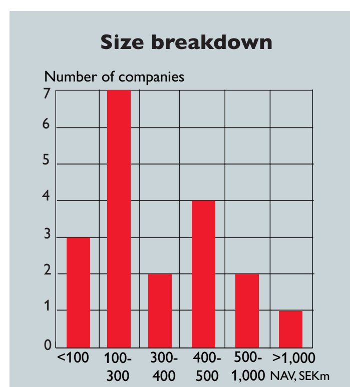
Ratos's portfolio contained a total of 19 holdings at 31 December 2003.

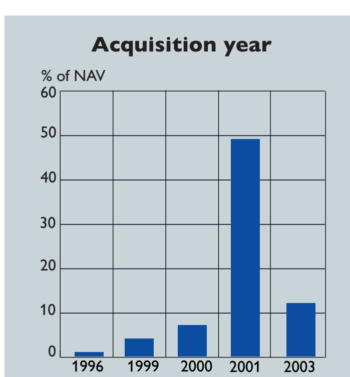
The largest part of Ratos's portfolio, in relation to reported net asset value, is invested within the industry sector, where seven holdings account for 41%. The next largest segments are investment management and property with 12% and 8% respectively.

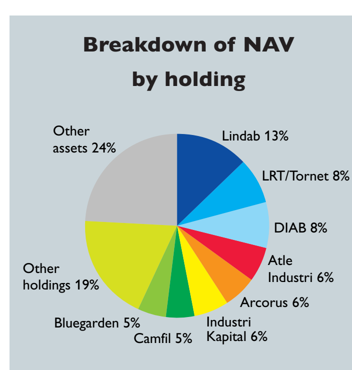
Half of Ratos's net asset value is attributable to companies acquired in 2001, the year when Atle was acquired which added thirteen companies to the portfolio, four of which have since been sold.

Ratos's largest single holding, in terms of net asset value, is the industrial company Lindab. Then come LRT/Tornet and DIAB. The eight largest companies account for 57% of net asset value. Most of other assets comprise cash and cash equivalents.









Directors' report

Directors' Report

The Board of Directors and the CEO of Ratos AB (publ) 556008-3585, hereby submit their report for 2003. The registered office of the Board is in Stockholm, Sweden.

Company's activities

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

Results

The Ratos Group's pre-tax profit amounted to SEK 812m (634). This result includes profit from holdings of SEK 846m (730), of which exit gains amounted to SEK 444m (364), as well as management costs of SEK -100m (-109) and net financial items of SEK 66m (13). Dahl contributed most to profit from holdings, SEK 153m. Exits gains mainly stem from the sale of Capona, SEK 195m, and Hilding Anders, SEK 212m.

Research and development

Development is conducted within the subsidiaries Arcorus and Bluegarden.

Holdings

At the end of the year, Ratos had 19 holdings including Industri Kapital.

Through LRT Acquisition, Ratos and Lehman Brothers acquired just over 80% in the listed property company Tornet at the end of the year. Ratos owns 40% of LRT Acquisition. In December, 100% of the Norwegian company Bluegarden was acquired from Norway Post. The company is one of the five largest players in the Nordic region within support functions for human resources management.

The holdings in Capona, DataVis and Hilding Anders were sold during the year. The operations within Giga were transferred to Martinsson.

After the acquisition of Atle in 2001, DIAB is the only company that has not yet been transferred from Atle to Ratos and 3i.

Net asset value

Ratos's net asset value rose 2% in 2003, adjusted for dividends paid. Net asset value at year-end amounted to SEK 8,015m (8,368), corresponding to SEK 102 (106) per share. Unlisted holdings, which the assets mainly comprise, are stated at their consolidated book value.

Financial position

Liquid assets in the Group amounted to SEK 170m (173) at year-end. Short-term fixed-income investments amounted to SEK 1,462m. Liquidity was affected by the completed exits and the refinancing of owners' holdings in Dahl at the beginning of 2003 with over SEK 900m.

The parent company has substantial liquid resources. Liquid assets including short-term fixed-income investments amounted to SEK 1,500m at year-end. Liabilities, which are limited, mainly relate to liabilities to centrally administered, small subsidiaries. The parent company should normally be unleveraged.

Events after the closing date

At the beginning of January, the heating, water and sanitation wholesaler Bierregaard AB, which operationally was part of Atle Industri, was sold to Dahl. Ratos has concluded agreements on acquisition of all outstanding shares in Arcorus, Gadelius and Haendig. After expiry of the acceptance period for the joint offer for Tornet made by Ratos and Lehman Brothers, 82.4% had accepted the offer.

Future development

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

The work of the Board of Directors

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

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

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

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

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

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

Holdings of own shares and reduction of share capital

A decision was made at the 2003 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 have been carried out in order to improve the company's capital structure and thereby increase shareholder value.

During the year, 170,800 shares were acquired with a nominal value of SEK 2m. The number of shares acquired corresponds to 0.2% of the share capital. A total of SEK 15m was paid in cash for the acquisition. At year-end, the company held 2,187,986 own shares, nominal amount SEK 27m, corresponding to 2.7% of the share capital. A total of SEK 180m has been paid for the shares.

The Board proposes that the Annual General Meeting decides on a reduction of share capital through the cancellation of 500,000 repurchased shares.

New issue

During the year, 80,000 shares with a nominal value of SEK 1m were issued, corresponding to 0.1% of the share capital. A total of SEK 6.4m was received. The issued shares are linked to the warrant programme from 1999 which expired on 15 February 2004. The exercise price was SEK 75 per share.

Environmental impact

Operations that require a permit under the Environmental Protection Act are conducted within the subsidiary Arcorus. The permit relates to environmental impact from engineering industry involving emissions of solvents, dust and effluent, as well as noise.

Transfer to IFRS in 2005

As far as Ratos is concerned, the most significant differences between the present accounting principles and the IAS/IFRS principles to be applied with effect from 2005, are accounting treatment of goodwill, pensions and financial instruments. Accounting treatment of goodwill, which has not yet been decided by IASB, means that amortisation of goodwill will cease. Instead an impairment test will be performed at least once a year. If the value is less than the book value, a write-down will be made immediately to this lower value. Calculation of pension liabilities will already change in 2004 by Swedish rules being adapted one year early. The new principle affects defined benefit, rather than defined contribution, pensions and means that each company must itself decide its assumptions including inflation and interest rates, when calculating its pension liabilities. Furthermore, anticipated salary increases must be taken into account based on the company's own assumptions. Ratos has started the work of appraising and calculating the pension liability according to the new principles. Accounting for financial instruments means that disclosure of derivatives and other instruments must be at fair value. The information requirements are extensive as are the requirements for hedge accounting of financial instruments.

In future, Ratos will report its associated companies according to the equity method. This places great demands on Ratos's subsidiaries and associated companies. In order to prepare these companies for the changeover, Ratos has conducted internal seminars during the year with information about the new accounting rules, and set up a function to monitor, analyse and teach the new rules within the Group. This work will continue.

Other

The Group's unrestricted funds amounted to SEK 5,863m, of which no transfer to restricted equity is proposed.

Proposed distribution of profit

The following amounts are at the disposal of the AGM:

	SEKm
Profit brought forward	6,044
Net profit for the year	778
	6,822

The Board of Directors and the CEO propose the following distribution of profit:	
Dividend to holders of A and B shares SEK 7.25 per share[1)]	570
To be carried forward	6,252

1) Based on the number of shares outstanding on 24 February 2004. The number of repurchased shares on that date was 2,187,986 and may rise until the record date for dividends.

Consolidated income statement

SEKm	Note 1	2003	2002
Holdings			
Profit from subsidiaries	Note 2,3	91	71
Exit gains, subsidiaries	Note 4		90
Share of profits of associated companies	Note 2	297	326
Exit gains, associated companies	Note 4	412	206
Write-downs, associated companies	Note 5	-7	-45
Dividends, other companies		21	14
Exit gains, other companies	Note 4	32	68
Profit from holdings		846	730
Central income and expenses			
Management costs	Note 3,6	-100	-109
Financial items	Note 7	66	13
Net expenses		-34	-96
Profit before tax		812	634
Tax	Note 8	-193	-262
Minority interests		-13	-9
Net profit for the year		606	363
Earnings per share, SEK			
before dilution		7.71	4.60
after dilution		7.69	4.60
Number of shares outstanding			
average before dilution		78,610,824	78,867,216
average after dilution		78,834,535	78,867,216
at the end of the period		78,554,640	78,645,440
Proposed dividend/dividend per share, SEK		7.25	6.75

Consolidated cash flow statement

SEKm	Note 18, 22	2003	2002
Operating activities			
Consolidated profit before tax		812	634
Adjustment for items not included in cash flow		-569	-480
		243	154
Paid tax		-39	-29
Cash flow from operating activities before change in working capital		204	125
Cash flow from change in working capital			
Increase (-) in inventories		-7	36
Increase (-) in operating receivables		-66	-9
Decrease (-) in operating liabilities		0	-32
Cash flow from operating activities		131	120
Investing activities			
Acquisition of subsidiaries		-352	-381
Sale of subsidiaries			142
Sale of shares, holdings		1,398	1,932
Purchase of shares, holdings		-681	-369
Purchase of other tangible fixed assets		-53	-25
Change, financial assets		701	211
Cash flow from investing activities		1,013	1,510
Financing activities			
Share buy-backs		-15	-27
Option premiums		3	4
Decrease (-) in interest-bearing liabilities		-53	-87
New issue		6	
Dividends paid		-531	-493
Cash flow from financing activities		-590	-603
Cash flow for the year		554	1,027
Cash and cash equivalents at the beginning of the year		1,084	57
Exchange rate difference in cash and cash equivalents		-6	0
Cash and cash equivalents at the end of the year		1,632	1,084

Consolidated balance sheet

SEKm			31 Dec 2003		31 Dec 2002
ASSETS					
Fixed assets					
Intangible					
Capitalised expenses	Note 9	102		16	
Goodwill	Note 10	591	693	319	335
Tangible					
Land and buildings	Note 11	109		114	
Equipment	Note 12	108	217	110	224
Financial					
Long-term receivables, associated companies	Note 13, 14	1,203		1,135	
Long-term receivables, other	Note 15	88		34	
Deferred tax receivables	Note 8	4		3	
Shares, associated companies	Note 13	3,424		3,852	
Shares, other		400	5,119	395	5,419
Total fixed assets			6,029		5,978
Current assets					
Inventories		365	365	363	363
Current receivables					
Trade debtors		396		341	
Current receivables, associated companies		6		942	
Other current receivables		72		27	
Tax receivable		6			
Prepaid expenses and accrued income	Note 16	225	705	168	1,478
Short-term investments, shares and participations	Note 17	27	27	22	22
Short-term investments, other	Note 18	1,462		911	
Cash and bank balances		170	1,632	173	1,084
Total current assets			2,729		2,947
Total assets			8,758		8,925

SEKm			31 Dec 2003		31 Dec 2002
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	Note 37				
Share capital		1,009		1,008	
Restricted reserves		955		1,250	
Unrestricted reserves		5,257		5,416	
Net profit for the year		606	7,827	363	8,037
Minority interests		107	107	118	118
Provisions					
Provisions for pensions		63		59	
Provisions for taxes		8		8	
Deferred tax liability	Note 8	5		6	
Other provisions	Note 19	7	83	12	85
Long-term liabilities					
Non-interest bearing liabilities					
Option premiums received				3	
Other liabilities		1	1		3
Interest-bearing liabilities					
Liabilities to credit institutions		81		60	
Other long-term liabilities		6	87	6	66
Current liabilities					
Non-interest bearing liabilities					
Trade creditors		138		117	
Advance payments from customers		14		29	
Other current liabilities		60		58	
Tax liability		17		13	
Accrued expenses and deferred income	Note 20	163	392	102	319
Interest-bearing liabilities					
Liabilities to credit institutions		219		214	
Bank overdraft facilities		31		3	
Other current liabilities		11	261	80	297
Total shareholders' equity and liabilities			8,758		8,925
Pledged assets	Note 21		113		121
Contingent liabilities	Note 21		24		13

Consolidated changes in shareholders' equity

SEKm Note 37	Share capital	Premium reserve	Equity method reserve	Other restricted reserves	Unres-tricted reserves	Net profit for the year	Total share-holders' equity
Closing balance, 31 December 2001	1,008		581	306	4,538	1,744	8,177
Dividends paid					-493		-493
Other dispositions of earnings					1,744	-1,744	0
Exchange rate differences associated companies and subsidiaries					10		10
Share buy-backs					-27		-27
Effect of associated companies' share buy-backs					1		1
Option premiums					6		6
Transfer between restricted and unrestricted equity			367	-4	-363		0
Net profit for the year						363	363
Closing balance, 31 December 2002	1,008	0	948	302	5,416	363	8,037
Dividends paid					-531		-531
Other dispositions of earnings					363	-363	0
New issue	1	5					6
Exchange rate differences associated companies and subsidiaries					-280		-280
Share buy-backs					-15		-15
Effect of associated companies' share buy-backs					1		1
Option premiums					3		3
Transfer between restricted and unrestricted equity			-300		300		0
Net profit for the year						606	606
Closing balance, 31 December 2003	1,009	5	648	302	5,257	606	7,827

	2003	2002
Exchange rate differences at the beginning of the year	116	105
Exchange rate differences for the year	-308	-45
Effect of currency hedging	11	10
Exchange rate differences in sold companies	17	46
Exchange rate differences at the end of the year	-164	116

Total proposed dividend calculated on 78,554,640 shares amounts to SEK 570m.

Parent company income statement

SEKm	Note 25	2003	2002
Holdings			
Exit gains, subsidiaries			8
Dividends, subsidiaries		56	
Exit gains, associated companies		634	569
Dividends, associated companies		44	49
Write-downs, associated companies		-30	-356
Dividends, other companies		21	14
Exit gains, other companies		33	68
Profit from holdings		758	352
Central income and expenses			
Management costs		-95	-103
Financial items		115	99
Net expenses		20	-4
Profit before tax		778	348
Tax		–	–
Net profit for the year		778	348
Proposed dividend/dividend per share, SEK		7.25	6.75

Parent company balance sheet

SEKm			31 Dec 2003		31 Dec 2002
ASSETS					
Fixed assets					
Tangible					
Land and buildings	Note 26	11		11	
Equipment	Note 27	4	15	6	17
Financial					
Shares, subsidiaries	Note 28	994		572	
Long-term receivables, subsidiaries	Note 29	652			
Shares in associated companies	Note 13	3,816		3,844	
Long-term receivables, associated companies	Note 30	555		1,135	
Shares, other	Note 31	400		395	
Long-term receivables, other	Note 32	82	6,499	28	5,974
Total fixed assets			6,514		5,991
Current assets					
Current receivables					
Receivables from subsidiaries	Note 33	13		43	
Receivables from associated companies	Note 34	6		942	
Other current receivables	Note 35	53		14	
Tax receivable		1		1	
Prepaid expenses and accrued income	Note 36	193	266	145	1,145
Short-term investments, other	Note 18	1,462		911	
Cash and bank balances		38	1,500	73	984
Total current assets			1,766		2,129
Total assets			8,280		8,120

SEKm			31 Dec 2003		31 Dec 2002
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	Note 37				
Restricted equity					
Share capital		1,009		1,008	
Statutory reserve		251		251	
Premium reserve		5	1,265		1,259
Unrestricted equity					
Profit brought forward		6,044		6,239	
Net profit for the year		778	6,822	348	6,587
Provisions					
Provisions for pensions		3	3	6	6
Long-term liabilities					
Non-interest bearing liabilities					
Option premiums received				3	3
Interest-bearing liabilities					
Liabilities to subsidiaries		128	128	144	144
Current liabilities					
Non-interest bearing liabilities					
Trade creditors		4		3	
Liabilities to subsidiaries		9		2	
Other current liabilities		11		10	
Accrued expenses and deferred income	Note 38	34	58	22	37
Interest-bearing liabilities					
Liabilities to subsidiaries		4		4	
Other current liabilities		0	4	80	84
Total shareholders' equity and liabilities			8,280		8,120
Pledged assets			None		None
Contingent liabilities			None		None

Parent company's changes in shareholders' equity

SEKm	Note 37	Share capital	Premium reserve	Statutory reserve	Profit brought forward	Net profit for the year	Total shareholders' equity
Closing balance, 31 December 2001		1,008		251	4,516	2,239	8,014
Dividends paid					-493		-493
Other dispositions of earnings					2,239	-2,239	0
Share buy-backs					-27		-27
Shareholders' contribution provided					-2		-2
Option premiums					6		6
Net profit for the year						348	348
Closing balance, 31 December 2002		1,008	0	251	6,239	348	7,846
Dividends paid					-531		-531
Other dispositions of earnings					348	-348	0
New issue		1	5				6
Share buy-backs					-15		-15
Option premiums					3		3
Net profit for the year						778	778
Closing balance, 31 December 2003		1,009	5	251	6,044	778	8,087

Total proposed dividend calculated on 78,554,640 shares amounts to SEK 570m.

Parent company cash flow statement

SEKm	Note 18,22	2003	2002
Operating activities			
Profit before tax		778	348
Adjustment for items not included in cash flow, etc.		-643	-285
		135	63
Paid tax		–	–
Cash flow from operating activities before change in working capital		135	63
Cash flow from change in working capital			
Increase (-) in operating receivables		-50	-69
Increase (+) in operating liabilities		19	13
Cash flow from operating activities		104	7
Investing activities			
Acquisition of subsidiaries		-422	-462
Sale of shares, subsidiaries			156
Sale of shares, holdings		1,398	2,870
Purchase of shares, holdings		-659	-369
Purchase of other tangible fixed assets		-1	-3
Change, financial assets		730	-668
Cash flow from investing activities		1,046	1,524
Financing activities			
Share buy-backs		-15	-27
Option premiums		3	4
Dividends paid		-531	-493
New issue		6	
Decrease (-) in interest-bearing liabilities		-97	-54
Cash flow from financing activities		-634	-570
Cash flow for the period		516	961
Cash and cash equivalents at the beginning of the year		984	23
Cash and cash equivalents at the end of the year		1,500	984

Shareholdings

31 Dec 2003	Number	Change 2003 number	Market price per share, SEK [1]	Consolid. book value SEKm	Market value SEKm [2]	Share of capital, %	Share of votes, %
Arcorus (subsidiary) [12]	21,874,609			472.1		77.0	77.0
Atle Industri [3) 6)]	5,000	5,000		324.5		50.0	50.0
Bierregaard [3) 4)]	9,800			6.8		49.0	49.0
Bluegarden (subsidiary)	75,000	75,000		386.6		100.0	100.0
Camfil A	422,414						
Camfil B	2,956,896			435.3		29.7	29.7
Capona		-9,334,452					
Choice Hotels	2,000,000	2,000,000	21.60	55.4	43.2	4.1	4.1
Dahl	835,095	15,272		-65.0		41.4	41.4
DataVis		-1,601,850					
DataVis convertible debenture loan		-362,068					
DataVis warrants		-2,800					
DIAB [5]				637.0		48.1	48.1
Dynal Biotech	2,500,000			261.5		24.9	24.9
Envac [3]	160,000			146.0		50.0	50.0
Gadelius [7) 12)]	9,000			62.9		50.0	50.0
Giga Gruppen [8]	317			0.0		14.4	14.4
Giga Holding [8]	1,055,424			0.0		38.9	38.9
Haendig [6) 12)]	598,208	598,208		173.6		49.0	49.0
Haendig, convertible debenture loan [6]	290	290		3.6			
Haglöfs (subsidiary)	50,000			116.3		100.0	100.0
Hilding Anders A		-1,172,155					
Hilding Anders B		-2,050,045					
HL Display A	109,216						
HL Display B	2,115,854		111.00	224.7	247.0	28.9	20.2
Intervect	3,000,000			176.6		50.0	50.0
Lindab	482,320	-60		1,065.8		48.2	48.2
LRT/Tornet [9]	400	400		14.3		40.0	40.0
Martinsson Gruppen	1,761,191			128.0		50.0	50.0
Martinsson Informationssystem [10]	1,878,603	1,878,603		106.9		50.0	50.0
Overseas Telecom [11]	159,000			26.7		8.8	19.3
Q-Labs	80,000			38.0		48.0	48.0
Superfos	3,433,571			335.0		32.7	32.7
Woodrose	250,500			36.0		50.0	50.0
Industri Kapital				318.3	451.8		
Total holdings				5,486.9			
Total holdings, excluding subsidiaries				4,511.9			
Less:							
Receivable for company not yet transferred				-687.5			
Shareholding, fixed assets				3,824.4			
Shareholding, current assets				27.1	33.1		

1) Closing price on 31 December 2003.

2) Unlisted holdings in Industri Kapital are stated at an amount obtained from Industri Kapital's valuations.

3) Included, operationally, in Atle Industri.

4) Sold to Dahl at the beginning of 2004.

5) The planned transfer of the holding from Atle to Ratos had not been completed at year-end.

6) Acquired during the year from Atle AB.

7) The consolidated figure relates to Gadelius Holding BV.

8) Operations transferred to Martinsson during the year.

9) In October, Ratos and Lehman Brothers Real Estate Partners made a public offer for Fastighets AB Tornet. By year-end 82% of shareholders had accepted the offer. Ratos owns 40% of the jointly formed acquisition company LRT Acquisition AB. The consolidated figure relates to LRT Holding Company AB.

10) Acquired from Martinsson Group in conjunction with restructuring.

11) The book value has been reduced by payment of capital to owners.

12) An agreement on acquisition of remaining shares was concluded at the beginning of 2004.

Notes to the Financial Statements

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

Consolidated financial statements

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

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

Translation of foreign subsidiaries is done using the current rate method according to the Swedish Financial Accounting Standards Council's recommendation RR8 The Effects of Changes in Foreign Exchange Rates.

Financial statements of associated companies

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

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

Tax

The parent company is taxed according to the rules for investment companies. This means that any capital gains that arise are not liable to tax. The company reports a standard income corresponding to 1.5% of the market value of shares held at the start of the year. With effect from 2004 a standard income will not be calculated for unlisted holdings, etc. 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 associated companies and subsidiaries.

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

Classification and valuation principles

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

Intangible assets

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

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

Receivables

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

Receivables and liabilities in foreign currency and forward exchange contracts

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

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

Inventories

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

Shares

Shares, which comprise current assets, are valued collectively. If book values of certain classes of shares exceed the market value, no write-down is made provided the total book value is less than the market value.

Shares, which comprise fixed assets, are valued individually.

Cash and cash equivalents

Cash and bank balances and Short-term investments are classified as cash and cash equivalents. This classification has been made on the basis of the fact that these items can easily be converted into cash, have insignificant fluctuations in value, and have a maturity of a maximum of three months from the acquisition date.

Depreciation according to plan

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

The following depreciation periods are applied

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

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

Write-downs

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

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

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

Pension commitments

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

Income statement

Ratos has chosen to report the Group's results in a manner that illustrates the company's activities. A formal income statement is provided in a note.

Revenue recognition

Revenue recognition occurs when significant risks and benefits that are associated with companies' goods and services are transferred to the purchaser and the economic benefits accrue to the company. Furthermore, revenue recognition does not occur until the expenditure that arose or is expected to arise as a result of the transaction can be calculated in a reliable manner. The percentage of completion method is applied to all assignments where the result can be estimated in a satisfactory manner. Revenues and expenses are reported in the income statement in relation to the extent to which the assignment has been completed. Revenues and expenses for the period are based on the degree of completion of the project calculated as recognised costs in the project in relation to total estimated costs.

Acquisition and sale of companies

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

Incentive programmes

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

Premiums paid for the warrants programme were booked as a liability. Shares can be subscribed for at SEK 75 per share. When shares are subscribed for, new shares are issued whereby the share capital increases by a nominal amount of SEK 12.50/share and the premium reserve increases by SEK 67.50/share including the paid option premium.

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 average number of shares outstanding, and with an estimated number of shares taking outstanding options into account. Calculation of the number of shares is based on the difference between the discounted exercise price for all outstanding options and the present market value of a corresponding number of shares. This difference corresponds, at the present market price for Ratos shares, to a certain number of shares. These shares, together with the present number of shares, provide an estimated number of shares which is used to obtain the dilution effect.

Leasing

Leasing is classified in the consolidated financial statements as either operating or finance leasing in accordance with the Swedish Financial Accounting Standards Council's recommendation 6:99.

Segment reporting

The business conducted by Ratos involves Ratos owning 15-20 holdings. Ownership stakes are normally 20-50% and the ownership period is 3-7 years. Ratos is sector-neutral with the Nordic region as its base.

Operations are controlled and reported based on the holdings contained in Ratos's portfolio. Both internal and external accounts present each holding's earnings and consolidated value according to the equity method. In addition, information about the company is presented for each holding.

Related party disclosures

The parent company has related parties that exercise a controlling influence over the subsidiaries, see Note 28. During the year Atle Industri and Haendig were acquired from Atle AB and Martinsson Informationssystem AB from Martinsson Gruppen AB. A shareholder contribution was made to Woodrose Invest AB and Haglöfs AB.

Events after the balance sheet date

At the beginning of January, the water, heating and sanitation wholesaler Bierregaard AB, which operationally was part of Atle Industri, was sold to Dahl. Ratos has concluded agreements to acquire all outstanding shares in Arcorus, Gadelius and Haendig.

After the expiry of the acceptance period for the joint offer made by Ratos and Lehman Brothers for Tornet, shareholders corresponding to 82.4% have accepted the offer.

Application of the Swedish Financial Accounting Standards Council's recommendations
With effect from 1 January 2003, the following recommendations from the Swedish Financial Accounting Standards Council are applied: RR22 Presentation of Financial Statements, RR25 Segment Reporting – Business Segments and Geographical Segments, RR26 Events After the Balance Sheet Date and RR27 Financial Instruments: Recognition and Measurement.

Notes

NOTE 1 Consolidated income statement

SEKm	2003	2002
Net sales [1]	1,789	1,781
Other operating income	17	8
	1,806	1,789
Other external costs [2]	-1,215	-1,422
Personnel costs, Note 23	-510	-365
Depreciation and write-downs of tangible and intangible fixed assets	-64	-50
Exit gains, group companies	–	90
Shares of profits of associated companies	702	487
Operating profit after depreciation	719	529
Results from other securities and receivables accounted for as fixed assets	57	90
Other interest income and similar income items	115	118
Interest expenses and similar charges	-79	-103
Profit before tax	812	634
Tax on profit for the year	-30	-37
Tax from associated companies on net profit for the year	-164	-225
Deferred tax	1	0
Minority share of profit for the year	-13	-9
Net profit for the year	606	363

Profit excluding goodwill amortisation in the Group and associated companies amounted to SEK 909m (685).

1) Breakdown of net sales	2003	2002
Sales of goods	1,757	1,730
Securities trading	32	51
	1,789	1,781

2) Other external costs also include costs of goods and changes in products in progress and finished goods.

Development costs in the subsidiaries amount to SEK 19m (17). Earnings include SEK 9m in exchange gains, of which SEK 11m is attributable to operating profit.

NOTE 2 Profit from subsidiaries and share of profit/loss of associated companies

SEKm	Profit/ share of profit/loss	Of which Ratos's share of companies' goodwill amortisation	Of which Ratos's goodwill amortisation
Profit from subsidiaries			
Arcorus	79	-11	-7
Haglöfs	12	-1	-3
	91	-12	-10
Share of profit/loss of associated companies			
Atle Industri	8	-18	-8
Camfil	34	-14	-8
Capona	23		-1
Dahl	153	-67	30
DataVis	-2	-1	
DIAB [1]	-3	0	-28
Dynal Biotech	10	-23	
Gadelius	5	-20	13
Giga Consulting	-1		-1
Haendig	15	-5	-4
Hilding Anders	77	-20	-5
HL Display	-11	-1	-8
Intervect	-30	-2	-3
Lindab	44	-56	
LRT/Tornet	-5		
Martinsson	-4	-9	-2
Q-Labs	2		0
Superfos	-18	-18	-2
	297	-254	-27
Profit from holdings, excluding exit gains	388	-266	-37

1) The planned transfer from Atle to Ratos had not been completed by year-end.

Profit from subsidiaries

SEKm	2003	2002
Net sales	1,757	1,731
Other operating income	1	2
Other external costs	-1,137	-1,261
Personnel costs	-450	-342
Depreciation	-62	-47
Operating profit after depreciation	109	83
Results from other securities and receivables accounted for as fixed assets	0	0
Other interest income and similar income	5	11
Interest expenses and similar charges	-23	-23
Profit before tax	91	71

Earnings for 2003 include Haglöfs and Arcorus. Bluegarden was acquired at the end of the year and is not included in earnings. Earnings for 2002 include Haglöfs throughout the year. Arcorus, which was acquired during the year, is included in earnings from May as a subsidiary. Arcorus's earnings for the period January to April 2002 are included in profit from associated companies. Exceed is included in earnings for 2002 until its divestment in April.

NOTE 3 Depreciation and write-downs of tangible and intangible fixed assets

	2003			2002		
SEKm	Holdings	Central	Total	Holdings	Central	Total
Capitalised expenses	2		2	2		2
Goodwill	22		22	18		18
Buildings	4	0	4	3	0	3
Equipment	34	2	36	25	2	27
	62	2	64	48	2	50

NOTE 4 Exit gains

SEKm	2003	2002
Subsidiary		
Exceed	–	90
	–	90
Associated companies		
Capona	195	–
DataVis	5	–
Esselte	–	98
Hilding Anders	212	–
Kronans Droghandel	–	108
	412	206
Others		
Hilton	–	50
Industri Kapital	32	18
	32	68

NOTE 5 Write-downs, associated companies

SEKm	2003	2002
DataVis	–	-25
Giga	–	-20
Q-Labs	-7	–
	-7	-45

NOTE 6 Management costs, central operations

SEKm	2003	2002
External costs	-38	-44
Personnel	-60	-62
Depreciation	-2	-3
	-100	-109

NOTE 7 Financial items, central operations

SEKm	2003	2002
Financial fixed assets		
interest income	1	25
Financial current assets	71	19
Financial long-term liabilities and provisions		-1
Financial current liabilities	-6	-30
	66	13

NOTE 8 Group taxes

SEKm	2003	2002
Current tax	-30	-34
Deferred tax	1	-4
Share in taxes of associated companies	-164	-224
	-193	-262

Reconciliation effective tax, Group

Profit before tax	812	634
Less:		
profit from associated companies	-297	-326
profit from associated companies, re-allocated	55	65
	570	373
Tax according to current tax rate, 28%	-159	-104
Effect of special taxation rules for investment companies	131	89
Difference in tax rates in other countries, non-capitalised tax loss carry-forwards and temporary differences, Arcorus	-1	-13
Increase in tax loss carry-forward without corresponding capitalisation of deferred tax		-7
Use of previously non-capitalised tax loss carry-forward	6	2
Tax effect, consolidated goodwill	-6	-5
Tax in associated companies	-164	-224
Reported effective tax	-193	-262

Deferred tax receivable

SEKm	2003	2002
Fiscal excess depreciation	-1	
Provisions, pensions	1	
Provisions, other	1	2
Other	3	1
	4	3

Deferred tax liability

SEKm	2003	2002
Deferred tax liability in untaxed reserves	16	6
Deferred tax receivable relating to		
Intra-group profits	-1	
Capitalised loss carry-forward	-7	
Other	-3	
	5	6

Non-valued loss carry-forward

SEKm	2003	2002
Loss carry-forward	461	466

Most of the non-valued loss carry-forward is attributable to subsidiaries administered centrally by Ratos. The loss carry-forwards are not assigned any value since it is not likely that they will lead to lower tax payments in the future.

NOTE 9 Capitalised expenses

SEKm	2003	2002
Accumulated acquisition values		
at 1 January	25	2
Investments	4	3
Capitalised expenditure in acquired company	131	20
Exchange rate differences	-2	0
	158	25
Accumulated depreciation according to plan		
at 1 January	-9	–
Accumulated depreciation		
in acquired company	-45	-7
Depreciation for the year	-2	-2
Exchange rate differences	0	0
	-56	-9
Value according to		
consolidated balance sheet	102	16

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

NOTE 10 Goodwill

SEKm	2003	2002
Accumulated acquisition values		
at 1 January	385	206
Reclassifications		2
Investments	268	130
Goodwill in acquired company	47	187
Goodwill in sold company		-139
Exchange rate differences	-6	-1
	694	385
Accumulated amortisation according to plan		
at 1 January	-66	-75
Reclassifications		-2
Amortisation for the year	-22	-18
Accumulated amortisation		
in acquired company	-15	-47
Accumulated amortisation		
in sold company		76
Exchange rate differences	0	0
	-103	-66
Accumulated write-downs		
at 1 January	0	-6
Write-downs for the year		
Write-down in sold company		6
	0	0
Value according to consolidated		
balance sheet	591	319

NOTE 11 Land and buildings

SEKm	2003	2002
Accumulated acquisition values		
at 1 January	153	30
Investments	4	4
Building in acquired subsidiaries		116
Exchange rate differences	-6	3
	151	153
Accumulated depreciation according to plan		
at 1 January	-39	-11
Accumulated depreciation		
in acquired subsidiaries		-25
Depreciation for the year	-4	-2
Exchange rate differences	1	-1
	-42	-39
Value according to		
consolidated balance sheet	109	114
Tax assessment value, Sweden	110	107

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

	SEKm
Charges paid this year	16
Charges within 1 year	16
Charges within 2-5 years	50
Charges after 5 years	14

NOTE 12 Equipment

SEKm	2003	2002
Accumulated acquisition values		
at 1 January	409	51
Investments	34	16
Equipment in acquired subsidiary	22	392
Equipment in sold subsidiary		-26
Divestments	-5	-1
Exchange rate differences	-13	-23
	447	409
Accumulated depreciation according to plan		
at 1 January	-299	-27
Accumulated depreciation		
in acquired subsidiary	-15	-282
Accumulated depreciation		
in sold subsidiary		14
Divestments	4	1
Depreciation for the year	-36	-27
Exchange rate differences	7	22
	-339	-299
Value according to consolidated		
balance sheet	108	110

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

	SEKm
Charges paid this year	7
Charges within 1 year	7
Charges within 2-5 years	7
Charges after 5 years	–

NOTE 13 Shares, associated companies

SEKm	2003	2002
Value on consolidation, associated companies at 1 January	4,708	6,596
Profit shares for the year after tax	133	102
Profit shares, re-allocation	-55	-89
Investments	532	338
Associated companies that have become subsidiaries		-337
Divestments	-898	-1,685
Write-downs	-8	-39
Reclassified receivable		-140
Less dividends from associated companies	-44	-49
Exchange rate differences for the year	-256	11
Value on consolidation, associated company	4,112	4,708
Less:		
Receivable for company not yet transferred	-688	-856
Value on consolidation, holdings	3,424	3,852

Specification of Parent Company's participations in associated companies

Associated company, corporate identity number, reg. office	In associated companies Adjusted equity	Profit/loss for the year	Number of participations	Share of capital, %	Book value Parent Company	Value on consolidation
Atle Industri AB, 556563-2899, Stockholm [1]	475	-19	5,000	50	340	325
Bierregaard AB, 556570-8103, Malmö [1]	16	1	9,800	9	4	7
Camfil AB, 556230-1266, Trosa	1,045	86	3,379,310	30	450	435
Dahl International AB, 556633-7993, Stockholm	1,494	170	835,095	41	32	-65
DIAB International AB, 556509-3027, Stockholm [2]	301	35				637
Dynal Biotech, 983 413 609, Oslo, Norway	1,072	-3	2,500,000	25	292	261
Envac Centralsug AB, 556611-5555, Stockholm [1]	160	31	160,000	50	128	146
Gadelius Holding BV, 1206646, Amsterdam, Netherlands	126	-5	9,000	50	64	63
Giga Gruppen AB, 556410-5665, Stockholm [3]	0	0	317	14	0	0
Giga Holding AB, 556613-5124, Stockholm [3]	0	0	1,055,424	39	0	0
Haendig AB, 556554-3625, Halmstad	222	27	598,208	49	166	177
HL Display AB, 556286-9957, Stockholm	293	-10	2,225,070	29	229	225
Intervect AB, 556064-1739, Uppsala	255	-25	3,000,000	50	203	177
Lindab Intressenter AB, 556606-5446, Stockholm	2,210	26	482,380	48	1,061	1,066
LRT Holding Company AB, 556647-7294, Stockholm [4]	31	-7	400	40		14
Martinsson Gruppen AB, 556135-5701, Stockholm	256	-5	1,761,191	50	156	128
Martinsson Informationssystem AB, 556448-0282, Stockholm [5]	58	0	1,878,603	50	82	107
Quality Laboratories Sweden AB, 556241-7781, Lund	88	3	80,000	48	38	38
Superfos Industries A/S, Vedbaek, Denmark	963	-55	3,433,571	33	405	335
Woodrose Invest AB, 556603-1711, Stockholm [6]	65	-268	250,500	50	166	36
					3,816	4,112
Less: Receivable for company not yet transferred						-688
Value on consolidation, holdings						3,424

[1] Included in Atle Industri's operating group.
[2] The planned transfer from Atle to Ratos had not been carried out at year-end.
[3] The companies will be liquidated.
[4] The company is owned by Ratos Acquisition AB, which in turn is 100% owned by Ratos AB.
[5] Acquired from Martinsson Gruppen in conjunction with restructuring.
[6] The company does not prepare consolidated accounts.

NOTE 14 Long-term receivables, associated companies

SEKm	2003	2002
At 1 January	1,135	1,292
Additional receivables	661	44
Settled receivables	-593	-201
	1,203	1,135

Receivables from associated company include SEK 688m relating to company not yet transferred from Atle to Ratos, see Note 13.

NOTE 15 Long-term receivables, other

SEKm	2003	2002
At 1 January	34	28
Additional receivables	71	6
Settled receivables	-17	
	88	34

NOTE 16 Prepaid expenses and accrued income

SEKm	2003	2002
Accrued interest income	192	142
Other items	33	26
	225	168
Of which, accrued interest income, associated companies	181	139

NOTE 17 Short-term investments

Shares and participations, current assets

SEKm	Number	Book value	Market value
Atlas Copco	7,000	2	2
Gambro	9,500	0	0
H&M	10,000	2	2
Scania	9,000	2	2
Investor	15,000	1	1
Nokia	10,000	1	1
Health Cap KB	10,000,000	8	15
Health Cap CoInvest KB	10,000,000	11	10
Others		0	0
		27	33

Market values pertain to listed values apart from Health Cap. Unlisted holdings within Health Cap are stated at internal valuations performed by Health Cap.

NOTE 18 Short-term investments other, Group and Parent Company

SEKm	2003	2002
Treasury bills	816	713
Certificates of deposit	646	198
	1,462	911

NOTE 19 Provisions, others

SEKm	2003	2002
At 1 January	12	
Provisions utilised	-5	
Provisions in acquired companies		12
	7	12
Provisions relate to		
Guarantee reserve	5	7
Disputes in progress	2	5
	7	12

NOTE 20 Accrued expenses and deferred income

SEKm	2003	2002
Accrued personnel costs	73	67
Other	90	35
	163	102

NOTE 21 Pledged assets and contingent liabilities

SEKm	2003	2002
Pledged assets		
Property mortgages	7	7
Floating charges	82	80
Other pledged assets	24	34
	113	121
Contingent liabilities	24	13

Refers to pledged assets and contingent liabilities in subsidiaries.

NOTE 22 Cash flow

Group

SEKm	2003	2002
Dividends received	21	14
Interest received	68	45
Interest paid	-18	-20
Adjustment for items not included in cash flow		
Shares of profits of associated companies	-297	-326
Shares of profits in associated companies, re-allocated	55	65
Dividends received from associated companies	44	49
Capital loss	-444	-364
Depreciation and write-down of assets	70	96
Other	3	–
	-569	-480

Acquisition of subsidiaries

During the year Ratos acquired 100% of the shares in Bluegarden A/S. The previous year's figures pertain to the acquisition of 77% of the shares in Arcorus. The value of acquired assets and liabilities according to the acquisition analysis was as follows:

SEKm	2003	2002
Intangible fixed assets	373	247
Tangible fixed assets	7	212
Inventories	0	324
Current receivables	52	331
Liquid assets	39	81
Total assets	471	1,195
Minority shares	–	111
Provisions	3	72
Long-term liabilities	0	52
Current liabilities	77	498
Total liabilities	80	733
Purchase price paid	391	462
Less:		
Liquid assets in the acquired operations	-39	-81
Effect on consolidated liquid assets	352	381

Cont. next page

Sale of subsidiaries
The subsidiary Exceed was sold in the previous year.

Sold assets and liabilities

SEKm	2003	2002
Intangible fixed assets		57
Tangible fixed assets		12
Financial fixed assets		14
Current receivables		177
Liquid assets		14
Total assets		274
Provisions		1
Long-term liabilities		18
Current liabilities		188
Total liabilities		207
Selling price		156
Less: liquid assets in sold operation		-14
Effect on consolidated liquid assets		142

Liquid assets

Cash and bank balances	170	173
Short-term investments, classified as liquid assets	1,462	911
	1,632	1,084

Unutilised credit facilities

Unutilised credit facilities amount to	1,546	1,502

Parent Company

SEKm	2003	2002
Dividends received	121	14
Interest received	66	42
Interest paid	0	-12

Adjustment for items not included in cash flow

Depreciation and write-downs of assets	33	359
Provisions	-2	1
Unrealised exchange rate difference	-7	
Capital loss	-667	-645
	-643	-285

Liquid assts

Cash and bank balances	38	73
Short-term investments, classified as liquid assets	1,462	911
	1,500	984

Unutilised credit facilities

Unutilised credit facilities amount to	1,300	1,300

NOTE 23 Personnel and remuneration to Board of Directors and Auditors

Average number of employees

	2003 Total	2003 Of whom men, %	2002 Total	2002 Of whom men, %
Parent Company	27	59	23	48
Subsidiaries	941	79	635	78
Total Group	968	77	658	77
Of whom, in				
Sweden	393	79	272	77
Norway	165	62	139	64
Finland	83	87	56	86
Other countries	327	85	191	85

The 2002 figures include the subsidiary Arcorus from the acquisition date. Bluegarden was acquired at year-end 2003 and is not included in the figures.

	Women	Men	Total
Board			
Parent company	1	6	7
Subsidiaries		87	87
	1	93	94
Company management			
Parent company	1	5	6
Subsidiaries	2	80	82
	3	85	88

Parent Company

Salaries and other remuneration

SEKm	2003	2002
Board of Directors, CEO and Deputy CEO (Sweden)	11.5	11.2
(of which bonus)	(4.1)	(3.0)
Other employees (Sweden)	23.2	20.5
	34.7	31.7
Payroll overhead	18.4	23.7
(of which pension costs)	(5.6)	(9.1)

Of the Parent Company's pension costs, SEK 0.8m (5.6) refers to the present and former Board of Directors and CEO. The company's outstanding pension commitments to these amount to SEK 3.3m (5.7) and pertain to former Board members who were employees.

Absence due to illness as a percentage of working hours

	Total
Men	0.1
Women	7.9
Breakdown by age	
< 30 years	–
30-49 years	5.4
> 50 years	2.1

Cont. next page

Note 23, cont.

Group

Salaries and other remuneration

SEKm	Board of Directors, CEO and Deputy CEO 2003	Board of Directors, CEO and Deputy CEO 2002	Others 2003	Others 2002
Group	46.6	34.5	340.5	236.7
(of which bonus)	(7.0)	(5.2)		
Of whom in				
Sweden	19.8	16.6	137.8	96.3
(of which bonus)	(5.3)	(3.2)		
Other countries	26.8	17.9	202.7	140.4
(of which bonus)	(1.7)	(2.0)		

SEKm	2003	2002
Payroll overhead	124.4	96.4
(of which pension costs)	(44.0)	(22.0)

Of the Group's pension costs, SEK 4.9m (5.4) refers to the present and former Board of Directors and CEO. The Group's outstanding pension commitments to these amounts to SEK 3.3m (5.4).

A complete list of salaries and employees per country is available at the Patent and Registration Office.

Incentive system

An incentive system for the company's business organisation is of major strategic importance for Ratos. A warrant programme issued in 1999 and a call options programme decided at the Annual General Meetings in 2001, 2002 and 2003, meet owners' demands that the company's management shall be motivated to work for a positive development of the company's shares. Management has paid market premiums for the options in all programmes.

The call options are issued on already repurchased shares. The purchase of options is subsidised by the option purchaser receiving a variable compensation corresponding to a maximum of 60% of the option premium after deduction of 55% standard tax, 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 parts of the business organisation. According to this system, the issue of variable compensation is subject to certain conditions being met regarding return on the company's equity and a qualitative assessment of implementation of matters given priority by the Board during the year. Payment of variable compensation is divided over three years with 50% in the first year and 25% in the remaining two years. In order to receive full payment the person concerned must not have resigned from the company during these three years. Normally, the variable compensation may amount to a maximum of a couple of per cent of the company's pre-tax profit. Of this amount, 70% is profit based and will be paid in a rising scale from when an 8% return on the opening reported net asset value is achieved. A maximum level has been set for variable compensation and this was unchanged at SEK 40m for the 2003 financial year. Both profit-based and performance-related variable compensation is allocated on a discretionary basis.

Stock option plans

Warrants

Number	2003	2002
Outstanding at beginning of period	530,000	530,000
Redeemed	-80,000	
Outstanding at end of period	450,000	530,000

Details of warrant programme

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

Call options

Number	2003	2002
Outstanding at beginning of period	847,000	480,000
Issued	436,000	367,000
Outstanding at end of period	1,283,000	847,000

Details of options issued during period

	2003	2002
Expiry date	28 March 2008	30 March 2007
Exercise price per share, SEK	116	135
Total option premium payments, SEKm	3.1	3.8
Total payments if shares acquired, SEKm	50.6	49.5

Conditions for options outstanding at end of period

Expiry date	Option price, SEK	Exercise price, SEK	2003 Number	2002 Number
28 March 2006	4.05	102	480,000	480,000
30 March 2007	10.40	135	367,000	367,000
28 March 2008	7.20	116	436,000	
			1,283,000	847,000
Maximum dilution in relation to outstanding shares at end of period, %			1.6	1.1

Cont. next page

Note 23, cont.

Remuneration to senior executives and Board members

Remuneration and other benefits to the Board and the CEO

SEKm	Chairman of the Board	Other Board members	CEO
Each remuneration component			
basic salary			3.8
directors' fees	0.5	1.5	
variable compensation			3.0
other benefits			0.1
pension costs			1.0
	0.5	1.5	7.9

Holding, 31 December 2003

	Warrants 1999 Number	Call options 2001 Number	Call options 2002 Number	Call options 2003 Number	Call options 2003 Acquisition value, SEK 000	Call options 2003 Benefit value, SEK 000
Chairman of the Board	–	–	–	–	–	–
Other Board members	–	–	–	–	–	–
CEO	150,000	140,000	105,000	100,000	720	–

Remuneration to the CEO

Variable compensation

The size and distribution of bonus is decided by the Compensation Committee and is 70% performance related and 30% discretionary. The purchase of call options is subsidised through a cash variable compensation in an amount, which after deduction for 55% standard tax, corresponds to 60% of the purchase price for the call options. Payment of this varible compensation is divided over five years and provided the CEO is still employed in the Ratos Group at the time of each payment. Profit for the year was charged with SEK 1.5m.

Pension terms

Pension premiums are paid with 20% of basic salary. When determining pension premiums, the variable compensation up to 50% of basic salary carries pension entitlement. During the year SEK 1.0m was paid in premiums, which corresponds to 20% of pensionable compensation. This pension is a defined contribution plan.

Terms for severance pay

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

Other senior executives

Five other senior executives have total emoluments for a combined amount of SEK 16.4m, of which SEK 7.9m pertains to variable compensation. Variable compensation is calculated on the same basis as for the CEO.

Holding, 31 December 2003

	Call options 2001 Number	Call options 2002 Number	Call options 2003 Number	Call options 2003 Acquisition value, SEK 000	Call options 2003 Benefit value, SEK 000
Other senior executives	260,000	143,000	205,000	1,476	–

Pension terms

Pensions are defined contribution. Pension is paid from the age of 65, with some exceptions. When determining pension premiums, variable compensation 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 amount to more than two annual salaries. Severance pay may not be triggered by an individual executive, except in one instance, in the event of change of principal owner.

Options programmes, subsidiaries and associated companies

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

Fees to auditors

Fees and reimbursement

SEKm	2003 Group	2003 Parent Company	2002 Group	2002 Parent Company
KPMG				
Audit assignment	3.3	1.6	1.3	0.5
Other assignment	1.2	0.7	2.7	2.0
Ernst & Young				
Audit assignment	0.2	0.2	0.2	0.2
Other auditors	2.8		0.6	
	7.5	2.5	4.8	2.7

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

NOTE 24 Disclosure of financial instruments

Principles for financing and financial risk management

The financial strategy for Ratos's parent company and Ratos's holdings, wholly or partly owned, are 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. Until 2007 the parent company has a loan facility that amounts to SEK 1.3 billon, including a bank overdraft facility. Investment of liquid assets may only be in fixed-income securities with very low risk and high liquidity. Currency hedging is generally not effected for foreign shareholdings.

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

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

Subsidiaries

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

Fair value

When determining fair value for listed shares and securities, official quotations on the balance sheet date are used. For unlisted shares and participations in Health Cap and Industri Kapital, fair value is determined based on internal valuations issued by them. Reported values for short receivables and liabilities coincide with fair value. Fair values for receivables and liabilities with floating interest correspond to their reported value. 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, other" where the fair value is SEK 122m higher in the Group and the parent company.

Interest rate risks

Since the parent company is normally unleveraged, the parent company is not exposed to interest rate risk in this respect. 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 in the Group and parent company mainly occur within one year, apart from long-term receivables from subsidiaries and associated companies and other shares that mature within 1-5 years.

Date for renegotiation of interest rates

Interest-bearing assets/liabilities

Group

SEKm	Within one year	Effective interest, %
Assets		
Long-term receivables, associated companies	1,204	3.5-8.0
Long-term receivables, other	66	5.0
Current receivables, associated companies	4	3.4
Other current receivables	51	15.0
Short-term investments, other	1,462	2.7
Cash and bank balances	170	0.0-2.5
Liabilities		
Liabilities to credit institutions	81	4.0
Other long-term liabilities, interest-bearing	6	4.2
Liabilities to credit institutions	219	4.5
Bank overdraft facilities	31	4.8
Other current liabilities	11	4.5
	2,609	
Pension provisions	63	
Less company not yet transferred from Atle	-688	
Interest-bearing net receivable	1,858	

Parent Company

SEKm	Within one year	Effective interest, %
Assets		
Long-term receivables, subsidiaries	652	8.0
Long-term receivables, associated companies	555	3.5
Long-term receivables, other	82	5.0
Current receivables, subsidiaries	13	2.7
Current receivables, associated companies	6	2.7
Other current receivables	53	15.0
Short-term investments, other	1,462	2.7
Cash and bank balances	38	2.5
Liabilities		
Long-term liabilities, subsidiaries	128	2.7
Current liabilities, subsidiaries	3	2.7

Credit risks

The credit risk is limited to the reported value for financial assets stated in the balance sheet. There is no significant concentration of credit risks.

Note 24, Cont.

Currency risks

Breakdown by currency

Group

SEKm	SEK	NOK	EUR	Other currencies	Total
Assets					
Long-term receivables, associated companies	1,159		44		1,203
Long-term receivables, other	72	0	12	4	88
Shares	345	55			400
Accounts receivable, trade	93	82	103	118	396
Current receivables, associated companies	6				6
Other current receivables	53	7	2	10	72
Short-term investments, shares and participations	27				27
Short-term investments, other	1,462				1,462
Cash and bank balances	52	56	40	22	170
Liabilities					
Other liabilities	1				1
Liabilities to credit institutions	44	31		6	81
Other long-term liabilities	5				5
Accounts payable, trade	69	22	30	17	138
Prepayments from customers	14				14
Other current liabilities	21	22	8	9	60
Bank and promissory notes	9	5	150	55	219
Bank overdraft facility	1	18	12		31
Other current liabilities	11				11

In the parent company SEK is the totally dominant currency.

Forward exchange contracts

Group

SEKm	Sold-/Purchased+ Amount	Average rate	Carrying value	Fair value	Unreported value	Fair value
Flow hedging, maturity within one year						
Currency						
AUD	-2	5.06	2	2	6	8
CAD	-1	5.71	1	1	4	1
GBP	-1	13.27	4	4	12	11
JPY	-300	0.07	6	5	16	15
USD	-7	8.54	17	13	45	39
EUR	-0	9.24	1	1	1	1
USD	4	8.14			30	27
Flow hedging, maturity 1-5 years						
AUD	-0	5.26			2	2
CAD	-0	5.81			1	1
GBP	-0	12.60	1	1		
JPY	-50	0.07			3	3
Hedging of net investment, maturity within one year						
JPY	-1,735	0.07	7	7		
Parent Company						
Hedging of net investment, maturity within one year						
JPY	-1,735	0.07	7	7		

NOTE 25 Parent Company income statement

SEKm	2003	2002
Net sales	–	–
Other operating income	11	6
Other external costs	-43	-46
Personnel costs	-43	-62
Depreciation	-2	-3
Operating loss after depreciation	-77	-105
Result from participations in group companies	56	8
Result from participations in associated companies	671	262
Result from other securities and receivables accounted for as fixed assets	54	85
Other interest income and similar income, group companies	3	3
Other interest income and similar income, associated companies	49	66
Other interest income and similar income, other	66	37
Interest expenses and similar charges, group companies	-4	-6
Interest expenses and similar charges, other	-6	-2
Profit before tax	812	348
Tax on profit for the year	–	–
Net profit for the year	812	348

Tax

The Parent Company is taxed in accordance with the rules for investment companies. These mean that capital gains are not taxable. In return, investment companies must enter a standard income of 1.5% of the market value of shares held on 1 January in their tax return. This standard income amounted to SEK 92m in 2003. Dividends received are taxable. Dividends paid are deductible. Net interest and overheads are deductible.

NOTE 26 Land and buildings, Parent Company

SEKm	2003	2002
Accumulated acquisition values at 1 January	17	17
	17	17
Accumulated depreciation according to plan at 1 January	-6	-5
Depreciation for the year	0	-1
	-6	-6
Value according to balance sheet	11	11
Tax assessment value		
Buildings	92	89
Land	–	–

NOTE 27 Equipment, Parent Company

SEKm	2003	2002
Accumulated acquisition values at 1 January	14	11
Investments	1	3
	15	14
Accumulated depreciation according to plan at 1 January	-8	-5
Depreciation for the year	-3	-3
	-11	-8
Value according to balance sheet	4	6

NOTE 28 Holdings, shares in subsidiaries

SEKm	2003	2002
At 1 January	572	258
Shareholders' contribution	9	
Investments	413	462
Sales		-148
	994	572

The subsidiary Bluegarden was acquired in December. Bluegarden is one of the largest players in HRM support functions in the Nordic region.

Specification of Parent Company's holdings of shares in subsidiaries

Subsidiaries, corp. id. no., reg. office	Number	Share, %	Book value, SEKm
Ratos Fastighets AB, 556308-3863, Stockholm	50,000	100	6
Ratos Acquisition AB, 556645-5381, Stockholm	1,000	100	22
Fastighets AB Strömparterren, 556309-8481, Stockholm	10,000	100	0
Haglöfs Scandinavia AB, 556054-8694, Avesta	50,000	100	113
Arcorus AB, 556634-5632, Stockholm	21,874,609	77	462
Ergo Bluegarden AS, 981 313 046, Oslo, Norway	75,000	100	391
			994

NOTE 29 Long-term receivables, subsidiaries

SEKm	2003	2002
At 1 January	–	
Additional receivables	652	
	652	–
Of which, interest-bearing receivables	649	

NOTE 30 Long-term receivables, associated companies

SEKm	2003	2002
At January 1	1,135	1,292
Additional receivables	12	44
Settled receivables	-592	-201
	555	1,135

Receivables from associated companies include SEK 688m (856) relating to company not yet transferred from Atle to Ratos, see Note 13.

NOTE 31 Shares, other

SEKm	2003	2002
Choice Hotels	55	
Industri Kapital	318	331
Overseas Telecom	27	64
	400	395

NOTE 32 Long-term receivables, other

SEKm	2003	2002
At 1 January	28	24
Additional receivables	71	6
Settled receivables	-17	-2
	82	28

NOTE 33 Current receivables, subsidiaries

SEKm	2003	2002
Interest-bearing	2	32
Non-interest bearing	11	11
	13	43

NOTE 34 Current receivables, associated companies

SEKm	2003	2002
Interest-bearing	4	941
Non-interest bearing	2	1
	6	942

The previous year's receivable included SEK 928m for refinancing of Dahl.

NOTE 35 Current receivables, other

SEKm	2003	2002
Loan receivable	47	
Alecta		6
Other	6	8
	53	14

NOTE 36 Prepaid expenses and accrued income, Parent Company

SEKm	2003	2002
Accrued interest income	189	142
Other items	4	4
	193	146

NOTE 37 Shareholders' equity

Share capital

	Number OB	New Issue	Conversion	Number CB	Nominal value	SEKm
Ordinary A	21,641,127		-396,469	21,244,658	à 12.50	265.6
Ordinary B	59,021,499	80,000	396,469	59,497,968	à 12.50	743.7
	80,662,626	80,000		80,742,626		1,009.3

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.

	Number
Total number of shares	80,742,626
Share buy-back, 2000	-2,164,800
Share buy-back, 2001	-197,400
Cancellation of repurchased shares, 2001	657,800
Share buy-back 2002	-312,786
Share buy-back 2003	-170,800
Number of shares outstanding	78,554,640
Holding, repurchased shares 2,187,986 nominal value SEK 12.50	SEK 27.3m

In accordance with a decision at Ratos's Annual General Meeting in 2001, a reduction of Ratos's share capital has been carried out by SEK 8,222,500 representing 657,800 shares. During 2003, 80,000 class B shares were newly issued, in relation to the 1999 warrant programme. The number of shares then amounted to 80,742,626, of which repurchased shares owned by Ratos amount to 2,187,986.

Cont. next page

Warrants 1999

The number of warrants amounts to 530,000, of which 18,000 are owned by companies in the Ratos Group. Subscription for shares took place between 1 June 2002 and 15 February 2004.The subscription price was SEK 75 per share. One option entitled the holder to subscribe for one share. Option premiums are reported as a current liability.

Call options 2001 – 2003

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

Number of shares reserved for transfer according to option programmes

Annual General Meeting year	Number of call options decided	Number of call options acquired	Market price at date of issue, SEK	Exercise price SEK	Expiry date
2001	500,000	480,000	4.05	102.00	28 March 2006
2002	550,000	367,000	10.40	135.00	30 March 2007
2003	510,000	436,000	7.20	116.00	28 March 2008
Total number shares reserved		1,283,000			

Restricted reserves

Restricted reserves may not be reduced through dividend payments.

Premium reserve

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

Statutory reserve

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

Unrestricted equity

Profits carried forward 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 38 Accrued expenses and deferred income, Parent Company

SEKm	2003	2002
Personnel costs	12	11
Other	22	11
	34	22

Stockholm, 24 February 2004

Olof Stenhammar
Chairman

Lars Berg | Peggy Bruzelius | Göran Grosskopf

Jan Söderberg | Per-Olof Söderberg | Arne Karlsson, CEO

The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting, 1 April 2004.

Auditors' Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of Ratos AB for the year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free 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, as well as evaluating the overall presentation of the information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the CEO. We also examined whether any board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

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

Stockholm, 24 February 2004

Thomas Thiel
Authorised Public Accountant

Björn Fernström
Authorised Public Accountant

Board of Directors and Auditors

Olof Stenhammar

Honorary Doctor of Economics. Born 1941.

Chairman. Board Member since 1994. Chairman of OM, Basen, Hela Programmet, Olympialaget Våga Vinna, Stiftelsen Mentor, Åre 2007. Board Member of the Stockholm School of Economics Advisory Board, LjungbergGruppen, Svenska Sjöräddningssällskapet, Ledstiernan AB.

Shareholding in Ratos: 200,000 B shares (private and company)

Lars Berg

Born 1947.

Board Member since 2000. Chairman of Eniro and Netinsight. Board Member of Anoto Group, Telefonica Moviles, and other companies.

Shareholding in Ratos: 0

Peggy Bruzelius

Born 1949.

Board Member since 1998. Chairman of Grand Hôtel Holdings, Lancelot Asset Management. Board Member of Axel Johnson, Axfood, Drott, Electrolux, the Stockholm School of Economics Association, the Industry and Commerce Stock Exchange Committee, Scania, Syngenta, and other companies. Vice President of IVA.

Shareholding in Ratos: 2,000 B shares

Göran Grosskopf

Professor, Doctor of Law. Born 1945.

Board Member since 1996. Chairman of BergendahlsGruppen and InterIKEA. Board Member of International Bureau of Fiscal Documentation, Possio, Åkerströms, and other companies.

Shareholding in Ratos: 40,000 B shares

Jan Söderberg

Born 1956.

Board Member since 2000. President of STI Plast. Chairman of Elisolation HTM and Svenska Industriplast. Advisory Board Lund School of Economics and Management.

Shareholding in Ratos: 3,188,363 A shares
2,870 B shares

Per-Olof Söderberg

Born 1955.

Board Member since 2000. President of Dahl International. Board Member of Bergman & Beving, the Stockholm School of Economics Association, Martin Olsson, Oxigene, Skandia Investment.

Shareholding in Ratos: 2,225,729 A shares

Arne Karlsson

Born 1958.

CEO of Ratos since 1999. Board Member of Haglöfs, HL Display. Member of the Swedish Securities Council.

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

Auditors

Thomas Thiel

Authorised Public Accountant, KPMG Bohlins.

Björn Fernström

Authorised Public Accountant, Ernst & Young.

Deputy Auditors

Helene Willberg

Authorised Public Accountant, KPMG Bohlins.

Per Hedström

Authorised Public Accountant, Ernst & Young.

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

Analysis

Analysis of results

Ratos's income statement and balance sheet

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

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

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

Write-downs of associated companies and subsidiaries are reported on a separate line.

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

Ratos's shareholdings in associated companies are reported as shares under financial fixed assets in the consolidated balance sheet and the consolidated book value corresponds to the initial investment amount. The book value of the participation in the company concerned changes when the holding's shareholders' equity changes or when Ratos's consolidated surplus/deficit values, such as goodwill, change. If the holding reports a profit after tax, the value of Ratos's share increases. Exchange differences, as well as dividends, are booked over shareholders' equity and affect the book value of Ratos's share in the company. Ratos's shares in subsidiaries are fully consolidated in the consolidated balance sheet. A more detailed description of Ratos's accounting principles is provided in the Notes to the financial statements on page 38.

Results for the Ratos Group

The Group's profit before tax amounted to SEK 812m (634). Profit from the holdings amounted to SEK 846m (730), of which share of the holdings' current profit amounted to SEK 388m (397). Ratos's consolidated amortisation of goodwill in subsidiaries and associated companies as well as Ratos's share of goodwill amortisation in subsidiaries and associated companies totalled SEK 302m (322).

In the 2003 annual accounts, a review was made of the carrying amount of all Ratos's holdings whereby the recoverable amount was determined as the estimated higher of the net selling price and value in use of the assets. In these valuations a write-down requirement was identified in one holding – Q-Labs. The write-down amounts to SEK 7m (45). The figure for 2002 relates to DataVis SEK 25m and Giga/Programmera SEK 20m.

Ratos's results 2003

SEKm	Ratos's holding, %	Profit/share of profits 2003	Of which Ratos's goodwill amortisation 2003	Profit/share of profits 2002
Arcorus	77	79	-7	75
Atle Industri	50	8	-8	-5
Camfil	30	34	-8	37
Capona [1]	–	23	-1	58
Dahl	41	153	30	180
DataVis [1]	–	-2	–	-12
DIAB	48	-3	-28	-9
Dynal Biotech	25	10	–	27
Gadelius	50	5	13	10
Giga Consulting	39	-1	-1	-12
Haendig	49	15	-4	8
Haglöfs	100	12	-3	6
Hilding Anders [1]	–	77	-5	90
HL Display	29	-11	-8	11
Intervect	50	-30	-3	-8
Lindab	48	44	–	40
LRT/Tornet	40 [2]	-5	–	–
Martinsson	50	-4	-2	-1
Overseas Telecom	9	–	–	–
Q-Labs	48	2	0	-14
Superfos	33	-18	-2	-24
Esselte [1]	–	–	–	24
Exceed [1]	–	–	–	-7
Kronans Droghandel [1]	–	–	–	-57
Total profit/share of profits		**388**	**-37**	**397**
Write-downs				
DataVis		–		-25
Giga		–		-20
Q-Labs		-7		–
Total write-downs		**-7**		**-45**
Exit gains				
Capona		195		–
DataVis		5		–
Esselte		–		98
Exceed		–		90
Hilding Anders		212		–
Hilton		–		50
Industri Kapital		32		18
Kronans Droghandel		–		108
Total exit gains		**444**		**364**
Dividends from other companies		21		14
Profit from holdings		**846**		**730**
Net expenses		-34		-96
Consolidated profit before tax		**812**		**634**

[1] Entire holding has been sold.

[2] Ratos's indirect ownership in Fastighets AB Tornet is 33%.

Exit gains amounted to SEK 444m (364). Exits were made in DataVis, Giga Consulting, Capona and HildingAnders for a total selling price of SEK 1,311m. In addition, Industri Kapital carried out exits which made a positive contribution to Ratos's earnings.

Trading, mainly in Swedish equities, is conducted within the subsidiary Johnson & Borsell. At year-end 2003, the market value of the portfolio amounted to SEK 33m. Trading in Swedish listed securities will cease in 2004. As a result, Ratos will conduct neither asset management nor securities trading.

Central income and expenses

Central income and expenses amounted to SEK -34m (-96), of which personnel costs amounted to SEK 60m (62). The variable portion of personnel costs was SEK 18m. Other expenses, including costs for acquisition and exit processes, amounted to SEK 40m (47). Net financial items amounted to SEK 66m (13).

Cash flow

Cash flow from operating activities in the Group and investing activities was SEK 1,144m (1,630). The Group's liquid assets totalled SEK 1,632m (1,084) of which current interest-bearing investments comprised SEK 1,462m. The Group's net receivable amounted to SEK 1,858m (1,882) at year-end.

The parent company's cash flow from operating activities amounted to SEK 104m (7). Completed exits contributed SEK 1,398m (3,026) to cash flow while new investments affected cash flow by SEK 1,081m (831). Dividends received totalled SEK 121m (63). The parent company's liquid assets amounted to SEK 1,500m (984) at year-end and interest-bearing liabilities amounted to SEK 132m (228).

Net asset value and book value

Ratos's reported net asset value at year-end amounted to SEK 8,015m (8,368) corresponding to SEK 102 (106) per share. The unlisted holdings are included in net asset value at consolidated book value, apart from participations in Industri Kapital's funds which are included at the market values for unlisted holdings estimated by Industri Kapital. Listed holdings are included in net asset value at their market value.

Since a dominant proportion of assets are reported at book value, the measure net asset value has become increasingly less relevant for an external observer of Ratos.

The measure can mislead the observer into perceiving the book values as the market values, which is not the case. In order to avoid possible misunderstanding, Ratos intends with effect from 2004 to report equity per share instead of net asset value per share. At the end of 2003, equity per share amounted to SEK 100 while net asset value per share was SEK 102.

Tax situation

Ratos's parent company is taxed according to the rules for investment companies. This means that capital gains which arise are not taxable. The company declares a standard income corresponding to 1.5% of the market value of its shareholdings at the end of the year (with effect from the 2002 income year). Dividends received are also declared as income. Net interest and expenses are tax deductible as are dividends paid. Ratos's consolidated tax expense comprises the parent company's tax expense, which is normally 0, plus Ratos's share of subsidiaries' and associated companies' tax expenses. The Ratos Group's tax expense for 2003 amounted to SEK 193m (262).

Financial targets and strategies

Ratos's profitability target for each individual investment is an annual average return, IRR, of 20%. During the period 1 January 1999 until year-end 2003, IRR on all completed exits amounted to 27%. In conjunction with the annual valuations performed on all holdings in the portfolio, conservative valuations (which are not published) are also carried out. Based on the result of these valuations, the holdings in Ratos's core business (i.e. excluding cash and cash equivalents and the former asset management activities) provided an IRR of approximately 17% 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 1999-2003, was 171% compared with 11% for Stockholmsbörsen.

Ratos has an aggressive dividend policy. When Ratos has surplus liquidity in relation to the investment opportunities that can be identified in the foreseeable future, Ratos intends to exercise the buy-back mandate provided by the annual general meeting. Over the last five years, Ratos's dividend has risen by an average of 16% per year. A total of 2,845,786 shares have been repurchased, of which 657,800 have been cancelled.

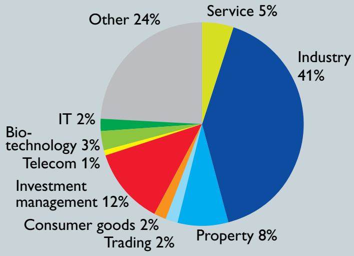
The financial strategy in Ratos's parent company and Ratos's holdings, wholly or partly owned, are entirely separate. The board of each company decides and has independent responsibility for each company's financial strategy. The companies are also responsible for their own financing.

The parent company should normally be unleveraged. The parent company should have a credit facility for bridge financing for acquisitions. The credit facility should also be able to finance dividends and day-to-day operating expenses in periods with few or no exits. Through 2007, the parent company has a loan facility which amounts to SEK 1.3 billion, including a bank overdraft facility.

Reported net asset value (NAV)

SEKm	31 Dec 2003	% of NAV
Arcorus	472	6
Atle Industri	478	6
Bluegarden	387	5
Camfil	435	5
Dahl	-65	-1
DIAB	637	8
Dynal Biotech	261	3
Gadelius	106	1
Haendig (incl. convertible)	177	2
Haglöfs	116	2
HL Display	247	3
Industri Kapital	452	6
Intervect	177	2
Lindab	1,066	13
LRT/Tornet	663	8
Martinsson	107	1
Overseas Telecom	27	1
Q-Labs	38	1
Superfos	335	4
Total holdings	**6,116**	**76**
Share trading	76	1
Parent company's property	60	1
Liquid assets/liabilities (net) in central companies	1,763	22
Net asset value (NAV)	**8,015**	100
NAV per share, SEK	**102**	

Sector breakdown/ net asset value



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

When holdings are acquired, a leveraged holding company may be used in order to achieve a tailor-made financial structure. This method, which is particularly suitable in operations with a good cash flow, was used in the Dahl buy-out in 1999, in the refinancing of Dahl at year-end 2002, and in the acquisitions of Superfos, Lindab, and others.

International accounting rules

The planned introduction of IAS with effect from 2005 will not affect Ratos's accounting for investments in associated companies according to the equity method. However, the new accounting rules will lead to a number of other changes. Changes that are significant for Ratos are the expected accounting for goodwill, pension commitments and financial instruments.

Goodwill

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

In Sweden at present goodwill amortisation is carried out on a straight-line basis during the useful life, normally a maximum of 20 years. In connection with the introduction of IAS these rules are expected to change so that amortisation of goodwill is no longer permitted. Instead, an obligatory impairment test will be introduced which may result in a write-down of the book value of goodwill.

In the Ratos Group there is goodwill at different levels, goodwill which arises when Ratos invests in a subsidiary or associated company and the goodwill which arises in the respective company.

Total goodwill

SEKm	31 Dec 2003
Ratos's goodwill in subsidiaries and associated companies	1,000
Ratos's share of goodwill reported in subsidiaries and associated companies	3,100
Total goodwill including Ratos's share of the holdings' goodwill	4,100

SEKm	2003 actual	2003 excl. goodwill amortisation	2002 actual	2002 excl. goodwill amortisation
Profit, subsidiaries	91	113	71	89
Shares of profits, associated companies	297	578	326	630
Exit gains, subsidiaries	–	–	90	65
Exit gains, associated companies	412	320	206	150
Shares/participations	3,824	4,640	4,247	4,852
Shareholders' equity	7,827	8,643	8,037	8,642

Ratos's holdings at 31 December 2003

	Net Sales		EBITA		EBT		Items affecting comparability		Goodwill amortisation
SEKm	2003	2002	2003	2002	2003	2002	2003	2002	2003
Arcorus	1,416	1,456	111	109	86	87	0	0	11
Atle Industri [1]	2,375	2,454	84	67	36	17	0	0	36
Bluegarden	392	413	39	50	34	43	0	0	6
Camfil	2,691	2,960	208	250	139	149	-1	22	47
Dahl [2]	12,488	12,063	676	632	300	220	-35	0	163
DIAB [3]	658	694	58	48	52	41	0	0	1
Dynal Biotech [4]	595	596	170	174	38	30	0	0	91
Gadelius [5] [6]	620	812	25	1	23	-20	2	-20	1
Haendig [6]	1,194	1,241	65	58	39	24	0	-10	10
Haglöfs	341	306	19	14	15	9	0	0	1
HL Display	1,129	1,154	-2	78	-9	65	-33	0	2
Intervect [7]	990	1,120	-8	-6	-33	-31	-29	-25	6
Lindab	5,302	5,235	305	326	92	83	0	0	118
LRT/Tornet [8]	2,403	2,367	1,482	1,283	740	536	309	65	0
Martinsson [9]	1,247	856	15	14	-4	2	0	0	19
Overseas Telecom	307	389	215	199	194	104	0	0	1
Q-Labs	142	187	4	-19	5	-23	0	-14	0
Superfos	3,217	3,413	121	139	-52	-65	0	-137	55
Total [10]	**34,405**	**34,547**	**1,851**	**1,885**	**727**	**588**			
Change, %	**0%**		**-2%**		**24%**				

[1] Atle Industri is not a legal group.

[2] Dahl's EBT figures for 2002 are pro forma. Earnings were charged with goodwill amortisation and financial expenses for the new group which was formed at year-end 2002. Cash flow in 2003 is based on a pro forma balance sheet at 31 December 2002.

[3] The planned transfer of the holding from Atle to Ratos had not been carried out by the end of the year, since the conditions for the transfer had not yet been met.

[4] Changed accounting principles. Comparative figures have been adjusted on a pro forma basis.

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

Amortisation of Ratos's goodwill in subsidiaries and associated companies amounted to SEK 37m (87) in 2003 while total amortisation – including Ratos's share of goodwill amortisation in its holdings – amounted to SEK 302m (322). Taking into account an underlying total goodwill of approximately SEK 4,100m and the amortisation periods chosen in each case, full year earnings in the Ratos Group in its present form would be charged with annual goodwill amortisation of approximately SEK 302m (322). In the event Ratos did not carry out any goodwill amortisation, the reported current profit would rise as well as the book net asset value of the holdings and Ratos's shareholders' equity. In the event of an exit, the exit result, all things being equal, would decrease by a corresponding amount. In the event Ratos had not effected any goodwill amortisation, the current profit would increase by a corresponding amount as shown in the table below.

Ratos's profit and goodwill amortisation

SEKm	2003	2002
Profit before tax and goodwill amortisation (EBTA)	1,114	956
Total goodwill amortisation	-302	-322
Profit before tax (EBT)	812	634

Pension commitments

The international accounting rules for pensions (IAS 19) will already be introduced in Sweden in 2004 in the form of the Swedish Financial Accounting Standards Council's recommendation number 29, Employee Benefits.

Accounting treatment of defined benefit pension plans will then differ considerably from today's accounting. According to RR 29 only one method will be permitted for calculating the present value of pension commitments and related pension costs and a requirement will be introduced for all pension commitments in a group to be calculated according to this method. This differs from current norms and practice where it is usual to report pension plans in foreign subsidiaries in accordance with the accounting rules in each country.

If a calculation according to RR 29 gives a different pension liability than previously, this must be reported as a one-time adjustment of opening equity in 2004.

RR 29 affects most of Ratos's associated companies and subsidiaries. An analysis is being conducted in the companies in order to determine pension liabilities according to RR 29.

Financial instruments

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

Other depreciation 2003	Investments 2003	Cash flow *) 2003	Shareholders' equity 2003	Interest-bearing net debt 2003	Goodwill 2003	Average no. employees 2003	Ratos consolidated value 2003	Total invested at 31 Dec 2003	Investment year	Ratos's share of capital, %	SEKm
36	53	34	462	259	133	822	472	462	2001	77	Arcorus
36	n/a	69	652	128	131	1,313	478	616	2001	50	[1] Atle Industri
22	18	25	133	-36	31	325	387	391	2003	100	Bluegarden
81	109	122	1,045	476	605	2,602	435	450	2000	30	Camfil
112	182	415	1,491	2,915	2,685	3,332	-65	neg.	1999	41	[2] Dahl
35	31	13	301	118	0	654	637	688	2001	48	[3] DIAB
25	149	-16	1,072	486	1,181	405	261	292	2001	25	[4] Dynal Biotech
5	2	56	101	153	4	188	106	140	2001	50	[5] [6] Gadelius
17	14	65	222	302	117	399	177	167	2001	49	[6] Haendig
4	3	-3	62	53	3	120	116	104	2001	100	Haglöfs
45	41	3	293	48	1	975	225	229	2001	29	HL Display
39	78	44	255	310	44	766	177	227	2001	50	[7] Intervect
167	195	139	2,210	1,791	1,991	3,920	1,066	1,061	2001	48	Lindab
210	1,606	585	1,661	15,235	0	259	663	670	2003	33	[8] LRT/Tornet
4	6	11	58	14	52	487	107	110	2001	50	[9] Martinsson
79	42	678	654	-11	2	406	27	27	1996	9	Overseas Telecom
2	2	-3	88	-60	0	94	38	188	2000	48	Q-Labs
280	307	-64	963	2,184	906	2,150	335	405	1999	33	Superfos

Definitions, see page 101.

[5] Gadelius is owned via a Dutch holding company. These figures exclude the holding company.
[6] Changed accounting principle 2002.
[7] Adjusted year-end accounts 2002.
[8] All figures except for shareholders' equity and interest-bearing net debt pertain to Fastighets AB Tornet. Shareholders' equity and interest-bearing net debt pertain to LRT/Tornet. The holding relates to direct ownership in Fastighets AB Tornet.
[9] Earnings, cash flow and investments pertain to the old group structure while the other figures pertain to the new structure.
[10] Excluding Bluegarden and LRT/Tornet which were acquired in December and Overseas Telecom which is not an associated company.
*) Cash flow refers to cash flow from operating activities and investing activities.

Arcorus – continued stable performance

Ratos became an owner of Arcorus in 2001 in conjunction with the acquisition of Atle. In 2002, Ratos acquired an additional 28% from ten minor shareholders.

Ratos has invested a total of SEK 462m in Arcorus. The consolidated book value in Ratos amounted to SEK 472m at year-end. After the end of the year, Ratos concluded an agreement for a follow-on investment of SEK 135m, whereupon Arcorus became a wholly owned subsidiary of Ratos.

Stig Karlsson is the Investment Manager for this holding and he also represents Ratos on Arcorus's board.

Anders Lindblad, CEO

Operations

Arcorus was formed in 2000 and comprises the subsidiaries Hägglunds Drives, GS-Hydro and Lidan Marine. The subsidiaries are leading international suppliers of complete hydraulic drive systems and non-welded piping systems. Sales are well diversified over different customer segments and geographic markets. Arcorus's customers are represented in the industrial (69%), marine (23%) and offshore (8%) segments. Arcorus is a relatively small player in relation to the largest hydraulic companies (Eaton, Bosch-Rexroth, Parker-Hannefin, Sauer-Danfoss), but has a very strong market position within its technological niches. The company possesses considerable applications expertise and has a global sales and aftermarket organisation with established subsidiaries in more than 20 countries.

Stable performance

Arcorus continued its stable performance during 2003 although development varied between individual subsidiaries and markets.

Hägglunds Drives, which manufactures hydraulic drive motors and systems and accounts for almost 60% of sales, performed very well in most markets in Europe and Asia. The US market also showed signs of a recovery.

GS-Hydro manufactures non-welded piping systems and accounts for approximately 40% of sales. Operations were negatively affected by a very weak Norwegian marine market. The company has a strong concept, however, and good growth potential. A complementary acquisition of the Austrian company RTG-Reichelt with sales of SEK 20m was made during the year.

Lidan Marine manufactures winch systems and accounts for less than 5% of sales. A new management achieved a turnaround in 2003 and the company has now returned to profit.

Results

The Group's sales totalled SEK 1,416m (1,456). Pre-tax profit was SEK 86m (87). Cash flow from operating activities remained strong, SEK +87m. A dividend totalling SEK 73m was paid to the company's owners, of which SEK 56m to Ratos.

Future prospects

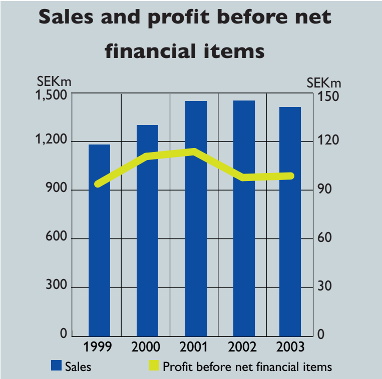
Based on their strong market positions, the subsidiaries in the Arcorus Group will grow within new applications, geographic markets, segments and aftermarket services. As an active owner in Arcorus, Ratos wishes to create conditions for the company to realise its growth strategy through organic growth and value-creating acquisitions. The target is an annual sales growth of at least 10%.

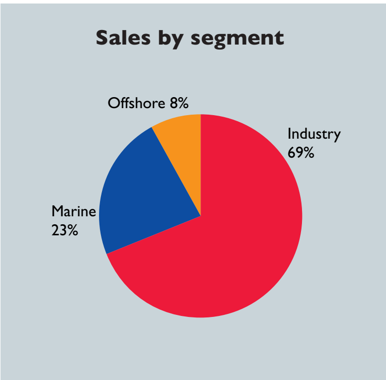
Board of Directors

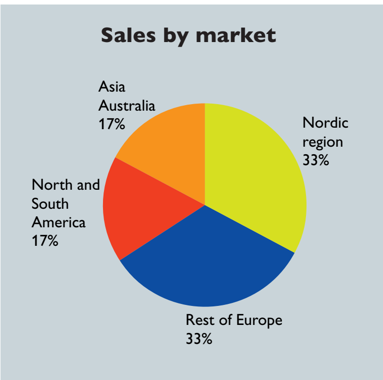
Bo Ulván	Chairman, former CEO Atle Industri
Rolf Ahlqvist	former CEO Scana Industrier
Johnny Alvarsson	CEO Elektronikgruppen
Stig Karlsson	Ratos
Anders Lindblad	CEO

Management

Anders Lindblad	CEO
Olle Olofsson	CFO
Lasse Mannola	CEO GS-Hydro
Per Nordgren	CEO Hägglunds Drives
Lars Berglund	CEO Lidan Marine







SEKm	2003	2002	2001	2000	1999 [1]
Income Statement					
Net sales	1,416	1,456	1,452	1,305	1,185
Operating expenses	-1,269	-1,309	-1,294	-1,168	-1,047
Other income	0	0	3	6	0
Items affecting comparability	0	0	0	10	-4
EBITDA	147	147	161	153	134
Depreciation	-36	-38	-36	-31	-35
EBITA	111	109	125	122	99
Goodwill amortisation	-11	-10	-10	-10	-4
EBIT	100	99	115	112	95
Financial income	5	12	7	5	0
Financial expenses	-19	-24	-25	-24	-9
EBT	86	87	97	93	86
Tax	-27	-39	-32	-33	-35
Minority interests	0	0	0	0	0
Net profit for the year	59	48	65	60	51
Balance Sheet					
Goodwill	133	138	146	147	146
Other intangible fixed assets	14	9	14	3	0
Tangible fixed assets	178	184	199	196	60
Financial fixed assets	6	9	9	13	0
Total fixed assets	331	340	368	359	206
Inventories	286	285	289	279	103
Current receivables	342	322	378	370	86
Cash, bank, other short-term invest.	70	83	68	65	17
Total current assets	698	690	735	714	206
Total assets	1,029	1,030	1,103	1,073	412
Shareholders' equity	462	506	475	386	137
Minority interests	0	0	1	1	0
Interest-bearing provisions	58	55	51	51	0
Non-interest bearing provisions	9	18	18	22	0
Interest-bearing liabilities	271	221	322	354	197
Non-interest bearing liabilities	229	230	236	259	78
Total shareholders' equity and liabilities	1,029	1,030	1,103	1,073	412
Cash Flow Statement					
Cash flow from operating activities	87	137	98	41	27
of which change in working capital	-8	55	-13	-60	–
Cash flow from investing activities	-53	-27	-41	-39	-9
of which investments	-53	-27	-44	-39	-9
of which sales	0	0	3	0	0
Cash flow from financing activities	-45	-92	-58	-23	-18
of which change in loans	28	-92	-58	28	-18
of which capital contribution	0	0	0	0	0
of which dividends	-73	0	0	-52	0
Cash flow for the year	-11	18	-1	-21	0
Key figures					
EBITA margin, %	7.8	7.5	8.6	9.3	8.5
EBT margin, %	6.1	6.0	6.7	0.9	7.3
Return on equity, %	12.2	10.0	15.1	–	–
Return on capital employed, %	13.4	13.8	14.9	–	–
Equity ratio, %	45	49	43	36	–
Interest-bearing net debt, SEKm	259	193	305	340	–
Debt/equity ratio, gross, times	0.7	0.5	0.8	1.0	–
Cash flow after investments, SEKm	34	110	57	2	18
Average number of employees	822	778	770	757	731

[1] Pro forma.

Atle Industri – continued earnings improvement

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. Ratos and 3i each own directly and indirectly 50% of Atle Industri.

Ratos has invested a total of SEK 616m in Atle Industri. Consolidated book value in Ratos amounted to SEK 478m at year-end 2003.

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

Four operating areas

The companies in Atle Industri operate in the engineering industry, trading, waste management and IT/technology. Seven of the companies – Tempcold, Ekman, Elpress, Envac, Jens S Transmissioner, Moving and Pressmaster Tool – account for approximately 85% of Atle Industri's book value in Ratos.

Hans Åke Norås, CEO

Continued earnings improvement

The Group's sales decreased and amounted to SEK 2,375m (2,454). The improved earnings that started in 2002 continued during 2003. Five of the companies within the Group report a better pre-tax profit than in 2002. Envac, which is the largest company in the portfolio, reports a substantial improvement in earnings. The companies Nordhydraulic and Moving also show good earnings improvements as a result of completed action programmes. Market conditions remained weak for most of the companies and the focus is on earnings improvement measures. Profit before tax improved and amounted to SEK 36m (17). The portfolio as a whole had a positive cash flow after investing activities of SEK 69m.

During the year Kablema Komponenter was sold to Elpress and the remaining part was liquidated. A decision has been made to close Bala. Ferm (previously within Teknikgruppen) was sold in July. Bierregaards was sold in January 2004, after which the Group comprises 13 holdings, of which 11 are wholly owned.

Prospects for 2004

Atle Industri works as an active owner in the 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	Operation	Atle Industri's holding	2003 Sales SEKm	2002 Sales SEKm	2003 EBT SEKm	2002 EBT SEKm
Engineering industry						
Elpress	Manufactures and sells crimping systems for electrical applications.	100%	142	127	7.3	11.2
Evert Johansson	Develops, manufactures and markets machines and systems solutions for industry, primarily the wood and furniture industry.	100%	20	14	-2.9	-3.1
Luma Metall	Manufactures and sells thin metal wire, filaments and cathodes.	100%	20	20	-3.7	-3.0
Moving	Develops and produces equipment and systems for effective materials handling.	100%	297	330	11.0	0.6
Nordhydraulic	Manufactures and sells hydraulic valves for mobile applications.	100%	138	137	2.1	-21.9
Pressmaster	Develops, manufactures and markets high-quality crimping tools.	100%	69	74	0.3	-3.4
Trading						
Ekman International	Trading house that markets, sells and distributes pulp and paper products worldwide.	36%	4,767	5,488	12.7	26.1
Elektrolindningar	Distributes electric motors and generators as well as new building of generators, control equipment and emergency power units.	100%	21	26	-3.4	-2.2
Jens S Transmissioner	Mechanical transmission components.	70%	197	204	3.8	9.9
Näsströms System	Wholesale and engineering company in the hydraulics and pneumatics sectors.	100%	165	170	3.0	6.2
Tempcold	Comprehensive range of cooling products.	100%	312	346	2.1	4.1
Waste management						
Envac	Systems for transporting waste fractions via pipeline systems using vacuum technology, as well as optic sorting systems for waste management.	100%	712	629	47.9	37.1
IT/technology						
Navigera	Sales, implementation, consulting and development of Navision's business systems.	100%	51	60	0.8	2.9

Board of Directors

Lars Gårdö	Chairman, former CEO Atle
Anna Ahlberg	Ratos
Alan MacKay	3i
Thomas Mossberg	Ratos
Chad Murrin	3i
Bo Ulván	former CEO Atle Industri
Hans Åke Norås	CEO
Stig Karlsson	Co-opted, Ratos

Management

Hans Åke Norås	CEO
Lars Carlson	CFO

SEKm	2003	2002	2001	2000 [1]	1999
Income statement					
Net sales	2,375	2,454	2,384	2,340	
Other income	0	14	3	0	
Operating expenses	-2,296	-2,409	-2,370	-2,148	
Profit from associated companies	5	8	9	0	
EBITA	84	67	26	192	
Goodwill amortisation	-36	-35	-37	-34	
EBIT	48	32	-11	158	
Financial income	7	3	11	–	
Financial expenses	-19	-18	-28	-14	
EBT	36	17	-28	144	
Tax	-21	-27	-24	–	
Minority interests	-2	-2	-1	–	
Net profit/loss for the year	13	-13	-52	144	
Balance Sheet					
Goodwill	131	162	192	–	
Other intangible fixed assets	15	8	16	–	
Tangible fixed assets	141	170	175	–	
Financial fixed assets	90	79	53	–	
Total fixed assets	377	419	436	–	
Current assets, other	982	1,083	1,073	–	
Cash, bank, other short-term invest.	132	131	91	–	
Total current assets	1,114	1,214	1,164	–	
Total assets	1,491	1,633	1,600	–	
Shareholders' equity	652	650	577	–	
Minority interests	8	8	6	–	
Interest-bearing liabilities	260	318	404	–	
Non-interest bearing liabilities	571	657	613	–	
Total shareholders' equity and liabilities	1,491	1,633	1,600	–	
Key figures					
EBITA margin, %	3.5	2.7	1.1	8.2	
EBT margin, %	1.5	0.7	neg.	6.2	
Return on equity, %	2.0	neg.	–	–	
Return on capital employed, %	5.9	neg.	–	–	
Equity ratio, %	44	40	36	–	
Interest-bearing net debt, SEKm	128	187	313	–	
Debt/equity ratio, gross, times	0.4	0.5	0.7	–	
Average number of employees	1,313	1,430	n/a	n/a	

[1] Pro forma.

Bluegarden – a leading player in payroll and human resources management

In December 2003, Ratos acquired the Norwegian company Bluegarden (formerly Ergo-Bluegarden) from Norway Post. Following ongoing refinancing, Ratos's investment will amount to SEK 250m. Ratos has a 100% holding in the company.

Consolidated book value in Ratos at year-end amounted to SEK 387m.

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

Operations

Bluegarden is one of the five largest players in human resources management (HRM) support functions in the Nordic region. Operations focus on payroll processing systems and IT services for other HRM functions, which are offered both in the form of applications operation (ASP) and through other business models, including full outsourcing of HRM departments. The company also offers consulting services within HRM. Bluegarden's WebWorld, which includes self-services for employees and managers, is one of the market's leading HRM systems and is used by several major Norwegian and Danish organisations such as GjensidigeNOR, Lindorff, Norway Post, Sonofon and the Norwegian diaries Tine.

The past year

Since its formation in 2000, Bluegarden has shown good profitability and growth. Parts of the operations in Norway were made more effective during the year, and important customer contracts were won in both Norway and Denmark.

Bluegarden's sales amounted to NOK 342m (339). Operating profit before goodwill amortisation (EBITA) was NOK 34m (41), which was charged with non-recurring costs of approximately NOK 10m, among other things for staff reductions. Profit before tax amounted to NOK 30m (35).

Future prospects

With its leading technology and strong position in the market Bluegarden is expected to be able to continue its positive performance. The efficiency enhancement measures carried out during 2003, combined with new contracts, have laid a good foundation for continued profitability improvements.

Svein F. Gullaksen, CEO

Board of Directors

Bo Jungner	Chairman, Ratos
Per Frankling	Ratos
Mats Lönnqvist	Ratos
Bengt Paulsson	former CEO Atle IT
Henning Øglænd	Lawyer, Law firm Lindh Stabell Horten

Management

Svein F. Gullaksen	CEO
Per Enes	Business Development
Liv Waage	Administration
Kjell Kristoffersen	Deliveries Division
Kurt Harald Aase	Service Division
Rune Bjørkevik	Sales/Market
Leif Kjøita	Product and Operations Division

NOKm	2003	2002	2001	2000	1999
Income Statement					
Net sales	342	339			
Operating expenses	-289	-283			
Other income	0	0			
Items affecting comparability	0	0			
EBITDA	53	56			
Depreciation	-19	-15			
EBITA	34	41			
Goodwill amortisation	-5	-5			
EBIT	29	36			
Financial income	3	3			
Financial expenses	-2	-4			
EBT	30	35			
Tax	-9	-10			
Minority interests	0	0			
Net profit for the year	21	25			
Balance Sheet					
Goodwill	29	33			
Other intangible fixed assets	79	76			
Tangible fixed assets	6	11			
Financial fixed assets	0	4			
Total fixed assets	114	124			
Inventories	0	0			
Current receivables	47	58			
Cash, bank,other short-term invest.	36	58			
Total current assets	83	116			
Total assets	197	240			
Shareholders' equity	123	104			
Minority interests	0	0			
Interest-bearing provisions	3	5			
Non-interest bearing provisions	0	0			
Interest-bearing liabilities	0	44			
Non-interest bearing liabilities	71	87			
Total shareholders' equity and liabilities	197	240			
Cash Flow Statement					
Cash flow from operating activities	38	n/a			
of which change in working capital	-6	n/a			
Cash flow from investing activities	-16	n/a			
of which investments	-16	n/a			
of which sales	0	n/a			
Cash flow from financing activities	-44	n/a			
of which change in loans	-44	n/a			
of which capital contribution	0	n/a			
of which dividends	0	n/a			
Cash flow for the year	-22	n/a			
Key figures					
EBITA margin, %	9.9	12.1			
EBT margin, %	8.8	10.3			
Return on equity, %	18.5	–			
Return on capital employed, %	22.9	–			
Equity ratio, %	62	43			
Interest-bearing net debt, NOKm	-33	-9			
Debt/equity ratio, gross, times	0.0	0.5			
Cash flow after investments, NOKm	22	n/a			
Average number of employees	325	329			

Camfil – stable development in core business

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

Consolidated book value in Ratos amounted to SEK 435m at year-end.

Mats Lönnqvist is the Investment Manager and a member of the board with Per Frankling as deputy.

Operations

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

The Group has two main application areas: Comfort and Clean Processes. Comfort provides filter products which contribute to a good indoor climate. Clean Processes offers filter solutions for sensitive manufacturing processes, including clean rooms. Another significant application area is filters for gas turbines.

Manufacturing is carried out in three continents and the Group is represented by subsidiaries and agents in some 55 countries. The global market for air filters is estimated at approximately SEK 32 billion, with repeat sales accounting for almost two-thirds. The annual growth forecast for the total market is 6% over the next few years. The strongest growth is expected in the Asian markets. Globally the market is undergoing consolidation.

Results

The market within Comfort remains stable and is showing continued growth despite the weak business climate for new construction. Camfil's sales in its Clean Processes application area were affected by a continued weak market for filters for clean rooms during 2003. The market for filters for gas turbines weakened considerably and this, combined with the stronger Swedish krona and the sale of the Engine operations in 2002, led to a decrease in Camfil's total sales which amounted to SEK 2,691m (2,960). Operating profit before goodwill amortisation (EBITA) was SEK 208m (250). Adjusted for currency effects and capital gains from the sale of Engine in 2002, operating profit was at the same level as in the previous year. Profit after net financial items amounted to SEK 139m (149).

Alan O'Connell, CEO

Measures have been adopted which are designed to improve the Group's profitability and a more long-term action programme has been initiated to create profitability by improving the efficiency of the product programme and purchasing routines. The gross margin improved from 32% to 34%.

Prospects for 2004

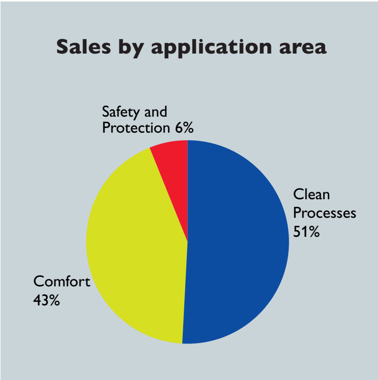
Camfil Farr has strong market positions in Europe and North America. The operations in Asia, which is the market with the greatest growth potential, are being built up. Efforts in the immediate future will focus on continued profitability improvements as well as internal efficiency enhancement and consolidation.

Board of Directors

Jan Eric Larson	Chairman, former CEO Camfil
Erik Giertz	Rector KTH Executive School
Mats Lönnqvist	Ratos
Johan Markman	former CFO Camfil
Carl Wilhelm Ros	formerly Ericsson
Carl Sundvik	SEB
Christer Zetterberg	former CEO Volvo
Per Frankling	Deputy, Ratos
Björn Larson	Deputy
Johanna Simmons	Deputy

Management

Alan O'Connell	CEO
Johan Ryrberg	Deputy CEO, CFO



SEKm	2003	2002	2001	2000	1999
Income Statement					
Net sales	2,691	2,960	3,237	2,277	1,526
Operating expenses	-2,405	-2,658	-2,945	-2,119	-1,373
Other income	4	16	39	49	20
Items affecting comparability	-1	22	-7	0	0
EBITDA	289	340	324	207	173
Depreciation	-81	-90	-92	-76	-63
EBITA	208	250	232	131	110
Goodwill amortisation	-47	-58	-62	-35	-7
EBIT	161	192	170	96	103
Financial income	63	30	41	35	12
Financial expenses	-85	-73	-115	-74	-25
EBT	139	149	96	57	90
Tax	-53	-72	-49	-7	-28
Minority interests	0	0	0	0	0
Net profit for the year	86	77	47	50	62
Balance Sheet					
Goodwill	605	768	1,010	967	81
Other intangible fixed assets	2	0	0	0	0
Tangible fixed assets	541	596	704	654	416
Financial fixed assets	94	120	163	148	2
Total fixed assets	1,242	1,484	1,877	1,769	499
Inventories	322	339	434	427	245
Current receivables	552	572	701	609	343
Cash, bank, other short-term invest.	382	374	279	237	109
Total current assets	1,256	1,285	1,414	1,273	697
Total assets	2,498	2,769	3,291	3,042	1,196
Shareholders' equity	1,045	1,087	1,137	1,026	490
Minority interests	0	0	0	0	0
Interest-bearing provisions	51	51	59	54	20
Non-interest bearing provisions	165	222	256	259	38
Interest-bearing liabilities	807	1,016	1,342	1,208	348
Non-interest bearing liabilities	430	393	497	495	300
Total shareholders' equity and liabilities	2,498	2,769	3,291	3,042	1,196
Cash Flow Statement					
Cash flow from operating activities	223	247	117	115	93
of which change in working capital	5	47	-22	-48	-38
Cash flow from investing activities	-101	46	-85	0	-62
of which investments	-109	-86	-101	-66	-81
of which sales	8	132	31	41	7
Cash flow from financing activities	-106	-191	0	9	-14
of which change in loans	-80	-168	23	26	3
of which capital contribution	0	0	0	0	0
of which dividends	-26	-23	-23	-16	-16
Cash flow for the year	16	102	32	124	17
Key figures					
EBITA margin, %	7.7	8.5	7.2	5.8	7.2
EBT margin, %	5.2	5.0	3.0	2.5	5.9
Return on equity, %	8.1	7.0	4.3	6.6	13.1
Return on capital employed, %	11.0	9.5	8.7	8.3	13.8
Equity ratio, %	42	39	35	34	41
Interest-bearing net debt, SEKm	476	693	1,122	1,025	259
Debt/equity ratio, gross, times	0.8	1.0	1.2	1.2	0.8
Cash flow after investments, SEKm	122	293	32	115	31
Average number of employees	2,602	2,635	2,760	2,199	1,487

Dahl – another successful year

Ratos and EQT effected a buy-out of Dahl from the stock exchange in 1999. Following refinancing at year-end 2002 (see below) the consolidated book value in Ratos amounted to SEK -65m at 31 December 2003. Ratos's holding amounts to 41%.

Ratos is represented on the board by Thomas Mossberg and Thomas Hofvenstam as deputy. Thomas Mossberg is the Investment Manager for this holding.

Operations

Dahl is the Nordic region's leading wholesale and trading company for heating, ventilation, plumbing and sanitation products, as well as supplying pipe products to industry. Dahl is market leader in Denmark, Norway, Sweden and Poland, and number two in Finland and Estonia.

Results

Dahl had a successful year in 2003 where planned efficiency enhancement work, primarily within logistics, administration and sales, had a positive earnings impact. All countries with the exception of Denmark achieved substantial earnings improvements.

Dahl's sales increased by 3.5% and amounted to SEK 12.5 billion (12.1). At unchanged exchange rates, the increase was 6.5%. The Group's cash flow remains strong at SEK 415m. Profit before tax amounted to SEK 300m (220, pro forma 2002) an improvement of 36%.

The past year

Dahl's Swedish operations performed strongly and achieved a sales increase of 11%. Heating, ventilation and sanitation sales developed particularly well. Earnings improved substantially due to both increased sales and completed efficiency enhancement programmes. During the year the Swedish operations acquired Citcop, an agency that sells heat pumps, air conditioning equipment and dehumidifiers. Citcop has annual sales of over SEK 140m.

In Denmark, Dahl completed a Movex installation and carried out changes in the central warehouse which led to some disruptions in operations. Earnings decreased as a result of this compared with 2002.

Dahl Norway operated in a slightly less favourable market than last year which was mainly seen in weak water and sewer and industrial sales. Earnings rose, however, by 24%.

Dahl Finland had a successful year with organic growth of 14%. Earnings rose significantly and the company strengthened its position in the market. The operations in Estonia showed increased sales with a favourable earnings trend.

The Polish company continued to strengthen its market position. Sales rose by 26% and operating profit by 89%. Six new branch offices were opened during the year.

New capital structure

In view of the positive development of Dahl's operations over the last four years, a refinancing of owners' holdings was carried out at year-end 2002 designed to achieve a more effective capital structure in the company. This was done by the shareholders forming a new company which with a combined cash and shares offering acquired existing shares in Dahl. The newly formed company financed the acquisition by raising new loans and a share issue. The refinancing released SEK 2.1 billion. Ratos's share amounted to SEK 928m and was paid at the beginning of 2003. The consolidated book value in Ratos therefore decreased and became negative. Ratos's holding in Dahl fell from 44% to 41%.

Events after the end of the year

Bierregaards, a specialist wholesaler within heating, ventilation and sanitation focused on products for attaching, connecting and closing pipes, was acquired in January. The company has nationwide operations with its head office in Malmö and is also represented in Norway through the subsidiary TD Olav Berge VVS Engros AS. Sales amount to approximately SEK 170m and operating profit (EBITA) to approximately SEK 6m.

Future prospects

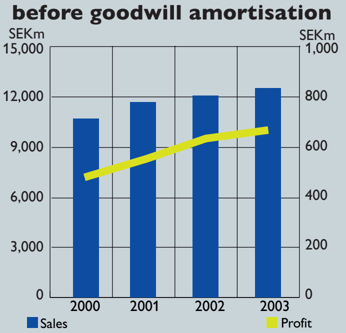
Taken as a whole the markets are expected to show positive development. In addition there are the acquisitions of Citcop and Bierregaards in Sweden. Effects are expected from ongoing development programmes and completed investments in IT and logistics systems. There will be a greater focus on measures designed to promote growth.

Key figures, subsidiaries

Denmark	**2003**	**2002**	**2001**	**2000**	**1999**
Sales, DKKm	2,737	2,767	2,789	2,905	2,823
Operating profit, DKKm	134	156	184	133	139
Operating margin, %	4.9	5.6	6.6	4.5	4.9
Number of employees	998	1,000	1,023	1,091	1,072
Number of branches	60	64	61	61	61
Norway	**2003**	**2002**	**2001**	**2000**	**1999**
Sales, NOKm	2,488	2,477	2,421	2,285	2,184
Operating profit, NOKm	124	100	120	78	34
Operating margin, %	5.0	4.0	5.0	3.4	1.6
Number of employees	636	638	636	632	710
Number of branches	50	56	55	55	55
Sweden	**2003**	**2002**	**2001**	**2000**	**1999**
Sales, SEKm	3,722	3,346	3,030	2,876	2,798
Operating profit, SEKm	261	205	148	108	42
Operating margin, %	7.0	6.1	4.9	3.8	1.5
Number of employees	859	885	865	906	901
Number of branches	76	80	67	67	65
Finland	**2003**	**2002**	**2001**	**2000**	**1999**
Sales, EURm	190.8	166.8	161.8	163.8	148
Operating profit, EURm	9.8	8.3	9.5	8.4	5.3
Operating margin, %	5.1	4.9	5.6	5.1	3.5
Number of employees	327	325	303	288	276
Number of branches	26	24	22	20	20
Poland	**2003**	**2002**	**2001**	**2000**	**1999**
Sales, PLNm	396	313	308	357	372
Operating profit, PLNm	21.2	11.2	7	8	17
Operating margin, %	5.6	3.6	2.1	2.2	4.6
Number of employees	503	484	514	534	535
Number of branches	43	37	34	34	34

Per-Olof Söderberg, CEO

Sales and operating profit before goodwill amortisation



Board of Directors

Carl Wilhelm Ros	Chairman, Board member SEB, INGKA Holding (IKEA), LKAB, and others
Göran Brodin	former CEO Rexel Senate Ltd
Kjell-Åke Dahlström	former CEO Prifast
Bengt Lindahl	CEO Ovako Steel
Thomas Mossberg	Ratos
Jan Ståhlberg	EQT
Caspar Callerström	Deputy, EQT
Thomas Hofvenstam	Deputy, Ratos

Management

Per-Olof Söderberg	CEO
Kåre O Malo	Senior Vice President, Purchasing & Markets
Mats Norberg	Vice President, Group Controller
Eva Hemb	Vice President, Finance & Taxes

SEKm	2003	2002 2)	2002	2001	2000
Income Statement					
Net sales	12,488	12,063	12,063	11,660	10,674
Operating expenses	-11,679	-11,329	-11,329	-10,933	-10,148
Other income	14	20	20	24	27
Items affecting comparability	-35	0	0	-60	35
EBITDA	788	754	754	691	588
Depreciation	-112	-122	-122	-122	-113
EBITA	676	632	632	569	475
Goodwill amortisation	-163	-164	-94	-89	-83
EBIT	513	468	538	480	392
Financial income	17	0	5	14	21
Financial expenses	-230	-248	-105	-143	-153
EBT	300	220	438	351	260
Tax	-132	–	-148	-124	-99
Minority interests	-1	–	-1	0	-7
Net profit for the year	167	–	289	227	154
Balance Sheet					
Goodwill	2,685	2,905	1,553	1,571	1,531
Other intangible fixed assets	76	84	84	80	40
Tangible fixed assets	289	324	324	319	361
Financial fixed assets	78	41	41	53	40
Total fixed assets	3,128	3,354	2,002	2,023	1,972
Inventories	1,444	1,465	1,465	1,441	1,480
Other current assets	1,556	1,549	1,549	1,550	1,705
Cash, bank, short-term invest.	188	148	105	139	187
Total current assets	3,188	3,162	3,119	3,130	3,372
Total assets	6,316	6,516	5,121	5,153	5,344
Shareholders' equity	1,491	1,560	2,291	1,987	1,615
Minority interests	3	2	2	1	9
Interest-bearing provisions	203	195	195	181	191
Non-interest bearing provisions	88	48	48	24	5
Interest-bearing liabilities	2,907	3,275	1,175	1,531	2,032
Non-interest bearing liabilities	1,624	1,436	1,410	1,429	1,492
Total shareholders' equity and liabilities	6,316	6,516	5,121	5,153	5,344
Cash Flow Statement 1)					
Cash flow from operating activities	592	–	526	632	412
of which change in working capital	129	–	-52	53	51
Cash flow from investing activities	-177	–	-203	-149	-139
of which investments	-182	–	-234	-182	-206
of which sales	5	–	41	31	66
Cash flow from financing activities	-332	–	-377	-515	-213
of which change in loans	-332	–	-377	-515	-213
of which capital contribution	0	–	0	0	0
of which dividends	0	–	0	0	0
Cash flow for the year	83	–	-54	-32	60
Key figures					
EBITA margin, %	5.4	–	5.2	4.9	4.5
EBT margin, %	2.4	–	3.6	3.0	2.4
Return on equity, %	10.9	–	13.5	12.6	10.2
Return on capital employed, %	11.0	–	14.7	13.1	10.9
Equity ratio, %	24	24	45	39	30
Interest-bearing net debt, SEKm	2,915	3,349	1,247	1,537	1,999
Debt/equity ratio, gross, times	2.1	2.2	0.6	0.9	1.4
Cash flow after investments, SEKm	415	–	323	483	273
Average number of employees	3,332	–	3,332	3,375	3,451

1) 2003 cash flow is based on pro forma balance sheet at 31 December 2002.

2) Pro forma income statement and balance sheet for the full year 2002, taking the new group structure as of 31 December 2002 into account.

DIAB – focus on efficiency enhancement

Ratos became an indirect owner in DIAB in 2001 in connection with the acquisition of Atle. Ratos's indirect holding amounts to 48%. Other owners are 3i with 48% and DIAB's former management with 4%.

Ratos has invested a total of SEK 688m in DIAB. Consolidated book value in Ratos amounted to SEK 637m at year-end.

Stig Karlsson is the Investment Manager for the holding and represents Ratos on the board together with Mats Lönnqvist.

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 materials have 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 (55%), Wind (25%), Industry (10%), Public Transportation (6%) and Aerospace (4%).

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

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

DIAB is also number two in the global market for manufacture and sales of balsa materials. The market leader is the US company Baltek.

The year in brief

Anders Paulsson took over as the company's new CEO on 1 January 2003. An extensive action programme was implemented during the year with a greater focus on productivity and product quality, as well as overhead savings. A new organisational structure was also introduced during the second quarter.

Anders Paulsson, CEO

Sales decreased slightly and amounted to SEK 658m (694). This decrease is entirely due to currency effects. Despite the slightly lower sales, earnings improved steadily as the action programme had a positive impact. Profit before tax increased by 27% and amounted to SEK 52m (41). The operating margin (EBITA) improved continuously during 2003.

Future prospects

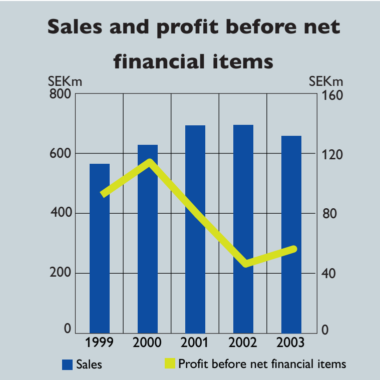
DIAB is a world-leading company in an attractive market with good potential for long-term growth, in the wind power segment and new applications. Growth will primarily be achieved through increased sales to existing customers, where both previous and new applications have great potential. Ongoing efficiency enhancement measures are expected to improve profitability considerably over the next few years.

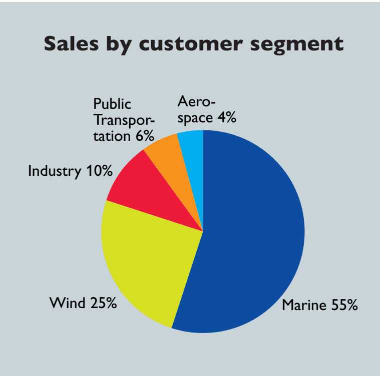
Bord of Directors

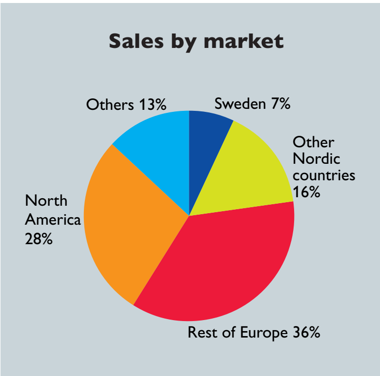
Stelio Demark	Chairman, formerly ABB
Gustav Bard	3i
Sven-Åke Henningsson	formerly Beckers
Stig Karlsson	Ratos
Mats Lönnqvist	Ratos
Anders Paulsson	CEO

Management

Anders Paulsson	CEO
Peter Sundback	CFO







SEKm	2003	2002	2001	2000	1999
Income Statement					
Net sales	658	694	693	627	564
Operating expenses	-565	-611	-583	-519	-455
Other income	0	0	0	0	0
Items affecting comparability	0	0	0	31	5
EBITDA	93	83	110	139	114
Depreciation	-35	-35	-29	-23	-20
EBITA	58	48	81	116	94
Goodwill amortisation	-1	-1	-1	-1	-1
EBIT	57	47	80	115	93
Financial income	2	0	1	1	1
Financial expenses	-7	-6	-5	-6	-6
EBT	52	41	76	110	88
Tax	-17	-7	-21	-23	-23
Minority interests	0	0	0	0	0
Net profit for the year	35	34	55	87	65
Balance Sheet					
Goodwill	0	1	2	2	3
Other intangible fixed assets	0	0	0	0	0
Tangible fixed assets	294	308	284	199	171
Financial fixed assets	11	12	8	14	10
Total fixed assets	305	321	294	215	184
Inventories	128	132	133	111	101
Current receivables	133	129	148	116	108
Cash, bank, short-term invest.	23	16	14	32	35
Total current assets	284	277	295	259	244
Total assets	589	598	589	474	428
Shareholders' equity	301	289	290	243	156
Minority interests	0	0	0	0	0
Interest-bearing provisions	12	11	10	9	9
Non-interest bearing provisions	31	27	31	35	59
Interest-bearing liabilities	129	132	107	75	70
Non-interest bearing liabilities	116	139	151	112	134
Total shareholders' equity and liabilities	589	598	589	474	428
Cash Flow Statement					
Cash flow from operating activities	44	58	74	54	89
of which change in working capital	-38	7	13	-17	-12
Cash flow from investing activities	-31	-66	-99	-46	-67
of which investments	-31	-69	-105	-45	-76
of which sales	0	3	6	0	3
Cash flow from financing activities	-6	10	5	-8	-21
of which change in loans	4	30	25	2	-21
of which capital contribution	0	0	0	0	0
of which dividends	-10	-20	-20	-10	0
Cash flow for the year	7	2	-20	0	1
Key figures					
EBITA margin, %	8.8	6.9	11.6	18.5	16.7
EBT margin, %	7.9	5.8	10.9	17.5	15.6
Return on equity, %	11.9	11.9	20.6	43.6	53.5
Return on capital employed, %	13.5	11.5	22.1	41.3	44.5
Equity ratio, %	51	48	49	51	36
Interest-bearing net debt, SEKm	118	126	103	52	44
Debt/equity ratio, gross, times	0.5	0.5	0.4	0.3	0.5
Cash flow after investments, SEKm	13	-8	-25	8	22
Average number of employees	654	665	596	561	501

Dynal Biotech – continued good profitability

Ratos invested NOK 242m in Dynal Biotech in 2001. Ratos's holding amounts to 24.9%. Other owners are Nordic Capital with 74.6% and company employees with 0.5%.

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

Ratos is represented on the board by Mats Lönnqvist, who is also the Investment Manager, with Susanna Högberg Campbell as a deputy.

Jon Hindar, CEO

Unique products for biological separation

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

The company's research and production facilities are located in Oslo and Lillestrøm in Norway, and in Bromborough, UK, and Milwaukee, USA. Products are sold via subsidiaries and agents in more than 30 countries. Dynal Biotech has five operating areas: Molecular Systems, HLA Diagnostics (Tissue Typing), Immunosystems, Non-Magnetic Particles and Microbiology.

New acquisition

The US company Pel Freez, with operations within tissue typing, was acquired in October. The acquired units have total sales of approximately USD 12m. With this acquisition, Dynal is strengthening its presence and growth potential in the American market. Furthermore, the acquisition also gives the company a foothold in the fast-growing Chinese market.

Good profitability

Dynal's underlying growth remains good, approximately +11%, even though the market for biological separation was slightly slower during the year than in 2002. The company was affected by exchange rate fluctuations, in particular a falling rate for the US dollar. Sales rose 6% to NOK 519m (489). Average growth in the period 1998-2003 amounted to 17% per year. The operating margin before goodwill amortisation amounted to 29% (29). Profit after net financial items amounted to NOK 34m (25).

Management functions were strengthened during the year with the employment of a new Chief Scientific Officer (CSO).

Future prospects

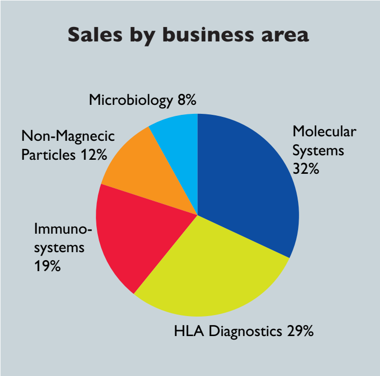
Dynal Biotech has a strong position today within all its operating areas and is showing good growth, high margins and a strong cash flow. The company has a leading position in its segments, unique process expertise and its own patented technology with major potential in a number of different applications.

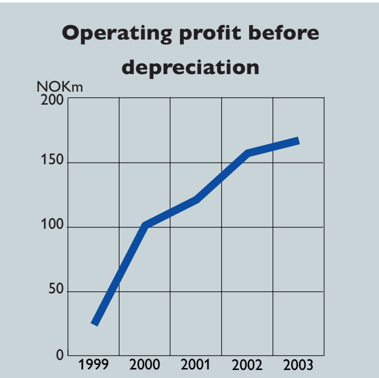
Board of Directors

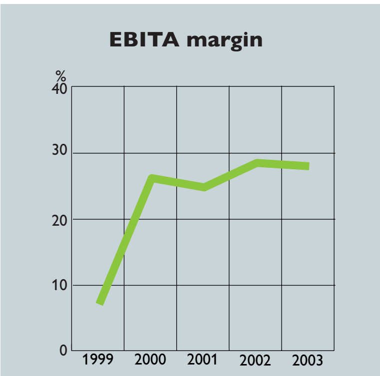
Toni Weitzberg	Chairman, Nordic Capital
Maris Hartmanis	CEO Gyros
Mats Lönnqvist	Ratos
Kristoffer Melinder	Nordic Capital
Ørjan Olsvik	Professor Tromsø University
Jonas Agnblad	Deputy, Nordic Capital
Anders Hultin	Deputy, Nordic Capital
Susanna Högberg Campbell	Deputy, Ratos

Management

Jon Hindar	CEO
Tone Kvåle	Finance/Accounting
Erik Hornes	CSO
Peter Maguire	HLA Diagnostics
Kari Krogstad	Molecular Systems
Håkon Haugen	Immunosystems
Ralf Schmidt	Production & Non-Magnetic
Dino DiCamillo	Dynal USA







NOKm	2003	2002 [1]	2001 [2]	2000	1999
Income Statement					
Net sales	519	489	420	353	245
Operating expenses	-355	-331	-295	-248	-214
Other income	7	3	0	0	0
Items affecting comparability	0	0	0	0	-3
EBITDA	171	161	125	105	28
Depreciation	-22	-18	-18	-10	-9
EBITA	149	143	107	95	19
Goodwill amortisation	-80	-83	-19	0	0
EBIT	69	60	88	95	19
Financial income	0	0	0	8	6
Financial expenses	-35	-35	-36	-12	-8
EBT	34	25	-52	91	17
Tax	-37	-39	-28	-32	-8
Minority interests	0	0	0	0	0
Net loss/profit for the year	-3	-14	24	59	9
Balance Sheet					
Goodwill	1,093	1,113	1,199	100	1
Other intangible fixed assets	59	63	39	4	0
Tangible fixed assets	159	209	222	164	105
Financial fixed assets	8	1	5	5	8
Total fixed assets	1,319	1,386	1,465	273	114
Inventories	95	79	98	64	43
Current receivables	165	84	72	67	52
Cash, bank, short-term invest.	38	45	44	52	12
Total current assets	298	208	214	183	107
Total assets	1,617	1,594	1,679	456	221
Shareholders' equity	992	1,010	946	99	43
Minority interests	1	1	1	1	1
Interest-bearing provisions	10	7	8	7	2
Non-interest bearing provisions	28	29	15	0	0
Interest-bearing liabilities	478	465	602	244	126
Non-interest bearing liabilities	108	82	107	105	49
Total shareholders' equity and liabilities	1,617	1,594	1,679	456	221
Cash Flow Statement					
Cash flow from operating activities	116	70	13	65	11
of which change in working capital	-1	-36	27	5	-9
Cash flow from investing activities	-130	-21	-1,315	-140	-26
of which investments	-130	-28	-1,315	-144	-26
of which sales	0	7	0	4	0
Cash flow from financing activities	5	-41	1,345	113	14
of which change in loans	5	-49	377	113	14
of which capital contribution	0	8	968	0	0
of which dividends	0	0	0	0	0
Cash flow for the year	-9	8	43	38	-1
Key figures					
EBITA margin, %	28.7	29.2	25.5	26.9	7.8
EBT margin, %	6.6	5.1	12.4	25.8	6.9
Return on equity, %	neg.	neg.	4.6	83.1	24.7
Return on capital employed, %	4.7	3.9	9.2	39.4	15.9
Equity ratio, %	61	63	56	22	20
Interest-bearing net debt, NOKm	450	427	566	199	116
Debt/equity ratio, gross, times	0.5	0.5	0.6	2.5	3.0
Cash flow after investments, NOKm	-14	49	-1,302	-75	-15
Average number of employees	405	283	242	238	183

1) Pro forma due to changed accounting principles.
2) Pro forma due to new group structure as of 31 December 2001.

Gadelius
– improved earnings despite lower volume

Ratos became an owner in Gadelius in 2001 in conjunction with the acquisition of Atle.

Ratos has invested a total of SEK 140m in Gadelius. Consolidated book value in Ratos amounted to SEK 106m at year-end. After the end of the year, Ratos concluded an agreement on a follow-on investment of SEK 65m, making Gadelius a wholly owned subsidiary of Ratos.

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

Operations

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

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

The year in brief

The situation for the Japanese economy remained subdued and investment activity was extremely low. This had a negative impact on Gadelius's total sales, particularly within the Machinery segment. The second half of the year saw several optimistic signs regarding the Japanese business climate and there are hopes of increased investment activity.

Sales totalled JPY 8,898m (10,452) during the year, a decrease of approximately 15%. Profit after net financial items improved and amounted to JPY 328m (-252). These improved earnings are an effect of the cost-cutting programme and measures designed to strengthen margins. Efforts to make tied-up capital more effective continued in 2003 and resulted in a continued strong cash flow. Cash flow from operating activities amounted to JPY 799m (1,013).

Future prospects

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

Hans Porat, CEO

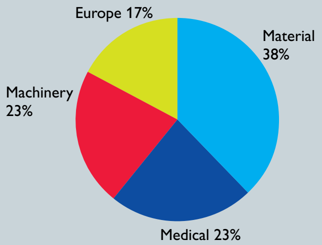
Board of Directors

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

Management

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

Sales by operating area

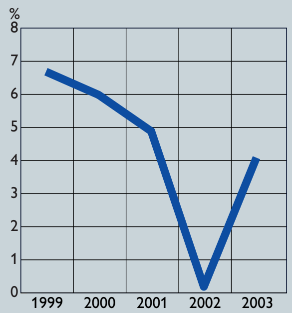


JPYm	2003	2002 [1]	2001 [1]	2000 [1]	1999 [1]
Income Statement					
Net sales	8,898	10,452	12,027	12,429	10,470
Operating expenses	-8,456	-10,078	-11,412	-11,608	-9,701
Other income	-27	1	265	0	0
Items affecting comparability	24	-261	-194	0	0
EBITDA	439	114	687	821	769
Depreciation	-75	-96	-101	-81	-72
EBITA	364	18	586	740	697
Goodwill amortisation	-15	-235	-244	-242	-237
EBIT	349	-217	342	498	460
Financial income	3	2	2	0	0
Financial expenses	-24	-37	-54	-56	-69
EBT	328	-252	290	442	391
Tax	-176	-10	-266	-348	-584
Minority interests	0	0	0	0	0
Net profit/loss for the year	152	-262	24	94	-193
Balance Sheet					
Goodwill	58	73	303	595	780
Other intangible fixed assets	11	17	21	0	0
Tangible fixed assets	203	247	332	333	295
Financial fixed assets	240	314	404	225	93
Deferred tax receivable	471	623	626	653	964
Total fixed assets	983	1,274	1,686	1,806	2,132
Inventories	1,200	1,268	1,982	2,181	2,014
Receivables	2,746	3,591	3,752	3,886	4,046
Cash, bank, short-term invest.	96	97	30	200	67
Total current assets	4,042	4,956	5,764	6,267	6,127
Total assets	5,025	6,230	7,450	8,073	8,259
Shareholders' equity	1,482	1,330	1,592	1,568	1,475
Minority interests	0	0	0	0	0
Interest-bearing provisions	229	293	379	277	365
Non-interest bearing provisions	0	0	0	0	0
Interest-bearing liabilities	2,110	2,910	3,858	4,332	4,640
Non-interest bearing liabilities	1,204	1,697	1,621	1,896	1,779
Total shareholders' equity and liabilities	5,025	6,230	7,450	8,073	8,259
Cash Flow Statement					
Cash flow from operating activities	756	995	708	762	727
of which change in working capital	419	976	223	131	57
Cash flow from investing activities	43	18	-420	-270	-198
of which investments	-30	-39	-430	-270	-306
of which sales	73	57	10	0	108
Cash flow from financing activities	-800	-948	-489	-358	-741
of which change in loans	-800	-948	-489	-358	-741
of which capital contribution	0	0	0	0	0
of which dividends	0	0	0	0	0
Cash flow for the year	-1	65	-201	133	-212
Key figures					
EBITA margin, %	4.1	0.2	4.9	6.0	6.7
EBT margin, %	3.7	neg	2.4	3.6	3.7
Return on equity, %	10.8	neg	1.5	6.2	neg
Return on capital employed, %	8.4	neg	5.7	7.9	6.7
Equity ratio, %	29	21	21	19	18
Interest-bearing net debt, JPYm	2,243	3,106	4,207	4,409	4,938
Debt/equity ratio, gross, times	1.6	2.4	2.7	2.9	3.4
Cash flow after investments, JPYm	799	1,013	288	492	529
Average number of employees	188	183	226	234	229

Gadelius is owned via a Dutch holding company. Reported figures exclude the holding company.

[1] Changed accounting principle.

EBITA margin



Haendig – strong earnings improvement

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

Ratos has invested a total of SEK 167m in Haendig. Consolidated book value in Ratos amounted to SEK 177m at year-end. After the end of the year, Ratos concluded an agreement on a follow-on investment of SEK 108m, making Haendig a wholly owned subsidiary of Ratos.

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

Nordic wholesalers

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

Markt focuses on the professional sector and the company's Hitachi agency is one of the largest within power tools. Hafa is one of the largest bathroom companies in Sweden. Duri is the market leader in floor accessories for flooring professionals. The HDF-Bolagen's wholesale operations are estimated to be the second largest in the Nordic region after Luna. 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.

Market trends

Total market growth is estimated at 2-4% per year, with a higher growth rate in some segments. The DIY market is growing faster than the professional market following an increased media focus on home improvements and furnishings. The bathroom product category is expected to show rapid growth.

Consolidation is taking place within the DIY market where new retail trading concepts are being established, such as Bauhaus, K-Rauta and Silvan. This trend is stimulating market growth but also raising demands on distributors. The professional sector is also placing higher demands on wholesalers with the ongoing modernisation of distribution patterns.

Thomas Holmgren, CEO

Results

Following strong expansion in 2000-2001, in 2002 and 2003 Haendig focused on consolidation of acquisitions and adjustment of the overhead structure. A continued focus on profitability in 2003, combined with measures carried out in the previous year, had a clear impact on earnings.

Sales totalled SEK 1,194m (1,241). The decrease is due to translation effects and to a weaker Nordic construction market. Despite weak demand, earnings improved substantially. Profit before tax increased by 62% and amounted to SEK 39m (24). The earnings improvement is due to stronger margins and a reduction in overhead costs.

Three small acquisitions were made during the year. Bevini provided Markt with a complementary range of hand tools with strong brands. Stockholms Blomstertjänst is a local wholesaler in Stockholm for plant pots which strengthens Sven Svenssons' position in its local market. Småländska Vapen was acquired in December and provides HDF with a number of attractive agencies within hunting and optics.

Future prospects

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

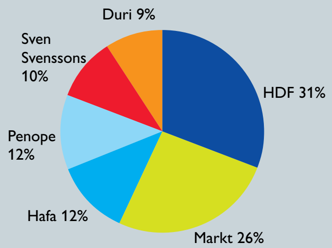
Board of Directors

Stig Karlsson	Chairman, Ratos
Fredrik Karlsson	3i
Henning Øglænd	Lawyer, Lindh Stabell Horten
Bengt Olsson	former CEO Ahlsell
Thomas Holmgren	CEO
Henrik Blomé	Deputy, Ratos

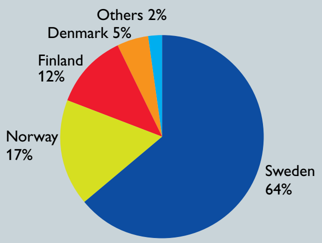
Management

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

Sales by subsidiaries



Sales by market



SEKm	2003	2002 [1]	2001	2000	1999
Income Statement					
Net sales	1,194	1,241	1,200	945	
Operating expenses	-1,112	-1,155	-1,144	-880	
Other income	0	0	3	1	
Items affecting comparability	0	-10	0	2	
EBITDA	82	76	59	68	
Depreciation	-17	-18	-15	-27	
EBITA	65	58	44	41	
Goodwill amortisation	-10	-11	-8	-6	
EBIT	55	47	36	35	
Financial income	2	3	3	2	
Financial expenses	-18	-25	-24	-13	
EBT	39	24	14	24	
Tax	-12	-11	-8	-10	
Minority interests	0	0	0	0	
Net profit for the year	27	13	6	14	
Balance Sheet					
Goodwill	117	122	127	107	
Other intangible fixed assets	3	5	8	8	
Tangible fixed assets	148	156	167	126	
Financial fixed assets	0	4	2	5	
Total fixed assets	268	288	304	246	
Inventories	247	256	267	214	
Current receivables	189	214	202	164	
Cash, bank, short-term invest.	6	8	4	10	
Total current assets	442	477	472	388	
Total assets	710	765	776	634	
Shareholders' equity	222	208	191	155	
Minority interests	0	0	0	0	
Interest-bearing provisions	14	13	12	11	
Non-interest bearing provisions	22	21	25	21	
Interest-bearing liabilities	294	351	388	300	
Non-interest bearing liabilities	158	172	160	147	
Total shareholders' equity and liabilities	710	765	776	634	
Cash Flow Statement					
Cash flow from operating activities	79	54	16	50	
of which change in working capital	28	11	-9	11	
Cash flow from investing activities	-14	-13	-77	-71	
of which investments	-14	-16	-78	-67	
of which sales	0	3	1	0	
Cash flow from financing activities	-67	-37	55	18	
of which change in loans	-58	-37	27	18	
of which capital contribution	0	0	30	0	
of which dividends	-9	0	2	0	
Cash flow for the year	-2	4	-6	-3	
Key figures					
EBITA margin, %	5.4	4.7	3.7	4.3	
EBT margin, %	3.3	2.0	1.2	2.5	
Return on equity, %	12.6	6.6	3.6	–	
Return on capital employed, %	10.3	8.5	7.3	–	
Equity ratio, %	31	27	25	24	
Interest-bearing net debt, SEKm	302	358	397	300	
Debt/equity ratio, gross, times	1.4	1.8	2.1	2.0	
Cash flow after investments, SEKm	65	41	-61	-21	
Average number of employees	399	410	452	453	

[1] Changed accounting principles.

Haglöfs – award for successful exports

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 SEK 104m in Haglöfs. Consolidated book value in Ratos amounted to SEK 116m at year-end 2003.

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

Leading outdoor player

Haglöfs develops, produces and markets equipment and clothes for an active outdoor life. The product range includes rucksacks, sleeping bags, tents, footwear and clothes. The subsidiary Alfa develops and produces hiking and hunting boots, ski boots and work boots. Haglöfs has a leading position in the Nordic region and a significant place in Europe. A subsidiary was established in Germany during the year.

Market position

Haglöfs' business idea and comprehensive concept are unique and offer a wide range of products for an active outdoor life which maintain a consistent high quality and image. The market is growing due to a rising interest in outdoor activities/multisports and the fact that the products are also increasingly used in other contexts. This provides major opportunities to sell products to consumers outside the core target group.

In August 2003 Haglöfs received the prestigious Export Hermes 2003 award from the Swedish Trade Council. The award is given to companies that have carried out a successful export launch. Export activities, i.e. sales outside the Nordic area, have resulted in an annual average export growth of 100% over the last four years.

Haglöfs' total sales grew by an average of 25% per year in 1989-2003.

Results

The sales trend for Haglöfs was favourable, mainly due to success in export markets and within Textiles. Sales amounted to SEK 341m (306), an increase of 11%. Operating profit (EBITA) amounted to SEK 19m (14) and profit before tax was SEK 15m (9).

Future prospects

Haglöfs has a leading position in the Nordic region and has become established in selected markets in the rest of Europe in recent years. The focus is on improved profitability, among other things through controlled growth.

Mats Hedblom, CEO

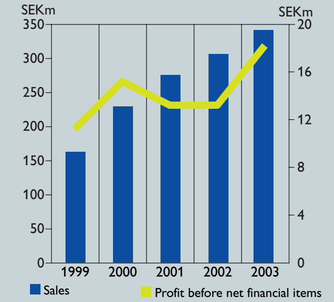
Board of Directors

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

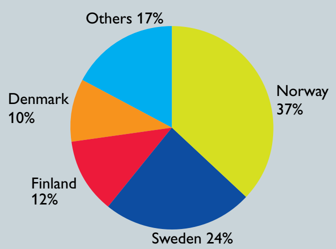
Management

Mats Hedblom	CEO
Jim Jonsson	Business Controller
Claes Broqvist	Sales
Henrik Ottosson	Markets
Anita Desai	Production, Textiles
Fredrik Lundberg	Product Development, Textiles
Lennart Svensson	Production and Product Develop ment, Equipment and Footwear
Jörn Prestkvern	CEO, Alfa Skofabrik AS

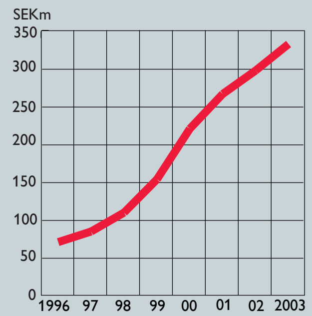
Sales and profit before net financial items



Sales by market



Sales trend



SEKm	2003	2002	2001	2000	1999
Income Statement					
Net sales	341	306	275	229	162
Operating expenses	-318	-289	-259	-208	-149
Other income	0	0	0	0	0
Items affecting comparability	0	0	0	-3	0
EBITDA	23	17	16	18	13
Depreciation	-4	-3	-2	-2	-2
EBITA	19	14	14	16	11
Goodwill amortisation	-1	-1	-1	-1	0
EBIT	18	13	13	15	11
Financial income	0	0	1	0	0
Financial expenses	-3	-4	-4	-2	-1
EBT	15	9	10	13	10
Tax	-5	-2	-3	-4	-2
Minority interests	0	0	0	0	0
Net profit for the year	10	7	7	9	8
Balance Sheet					
Goodwill	3	5	5	5	6
Other intangible fixed assets	3	3	2	0	0
Tangible fixed assets	17	19	14	13	12
Financial fixed assets	3	3	3	0	0
Total fixed assets	26	30	24	18	18
Inventories	79	79	76	59	42
Current receivables	54	57	44	38	34
Cash, bank, short-term invest.	23	10	7	5	20
Total current assets	156	146	127	102	96
Total assets	182	176	151	120	114
Shareholders' equity	62	57	48	37	33
Minority interests	0	0	0	0	0
Interest-bearing provisions	0	0	2	2	3
Non-interest bearing provisions	3	2	0	0	0
Interest-bearing liabilities	76	61	61	38	31
Non-interest bearing liabilities	41	56	40	43	47
Total shareholders' equity and liabilities	182	176	151	120	114
Cash Flow Statement					
Cash flow from operating activities	0	12	-15	-13	16
of which change in working capital	-12	2	-3	-2	-2
Cash flow from investing activities	-3	-9	-6	-2	-10
of which investments	-3	-9	-6	-2	-10
of which sales	0	0	0	0	0
Cash flow from financing activities	16	0	22	1	11
of which change in loans	16	0	22	6	11
of which capital contribution	0	0	0	-5	0
of which dividends	0	0	0	0	0
Cash flow for the year	13	3	1	-15	17
Key figures					
EBITA margin, %	5.6	4.6	5.1	7.1	6.8
EBT margin, %	4.4	2.9	3.6	5.8	6.2
Return on equity, %	16.8	13.3	16.1	26.3	26.7
Return on capital employed, %	14.1	11.4	14.9	21.1	19.1
Equity ratio, %	34	32	32	31	29
Interest-bearing net debt, SEKm	53	51	56	35	14
Debt/equity ratio, gross, times	1.2	1.1	1.3	1.1	1.0
Cash flow after investments, SEKm	-3	3	-21	-15	6
Average number of employees	120	110	102	98	58

HL Display – prioritising profitability

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 market value of the holding at year-end 2003 was SEK 247m. The consolidated book value amounted to SEK 225m.

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

Market-leading player in merchandising

HL Display is a global market-leading supplier of solutions for merchandising and in-store communication. The company's main market is Europe, but sales are also increasing in Asia and the US. The company was formed in 1954 and listed on the Stockholm Stock Exchange in 1993. Manufacture is carried out in Sundsvall, Karlskoga (extrusion/injection moulding), Falun (screen printing) and Falkenberg (metal). HL Display has sales companies in 25 countries. Exports account for more than 80% of sales. The company had annual growth of 22% during the period 1992-2003.

Customers comprise the retail trade and its suppliers, with a trend towards a growing proportion of international retail chains and global brand suppliers. Competition comes mainly from smaller, local players.

Results

HL Display's sales and earnings have become more sensitive to cyclical fluctuations. Sales amounted to SEK 1,129m (1,154). It was mainly in countries in Western Europe that sales were lower than in 2002. The loss after net financial items amounted to SEK 9m (65 profit). Earnings were charged with restructuring costs of SEK 33m. Rationalisation measures have been adopted to increase growth and improve profitability. A new sales company has been established in Spain. Production in Lesjöfors has been transferred to the factory in Falkenberg. The formation of a joint venture company in China was completed at the beginning of 2004.

Prospects for 2004

The Board has decided to give priority to the profitability target – an average profit margin of 10-15% over a business cycle. The target is to achieve 10% during the second half of 2005.

Anders Remius, CEO

Major shareholders

	Capital, %	Votes, %
Remius family	31.5	60.7
Ratos	28.9	20.2
Lannebofonder	8.8	3.7
Skandia	7.5	3.6
Robur	2.0	1.0

Source: VPC

Board of Directors

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

Management

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

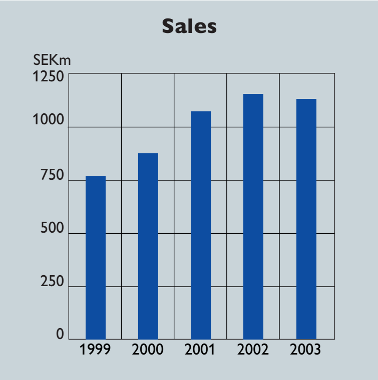
Financial calendar

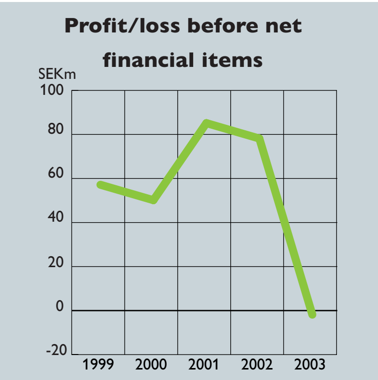
Interim Report Jan-March: 16 April 2004

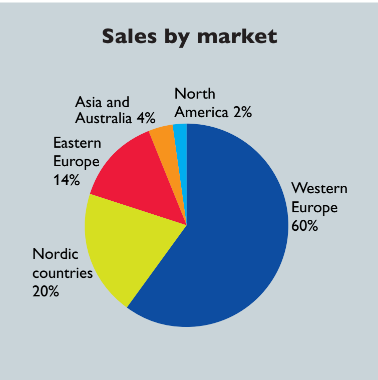
Interim Report Jan-June: 15 July 2004

Interim Report Jan-Sept: 15 October 2004

www.hl-display.com







SEKm	2003	2002	2001	2000	1999
Income Statement					
Net sales	1,129	1,154	1,072	874	768
Operating expenses	-1,053	-1,037	-946	-792	-682
Other income	0	8	4	6	0
Items affecting comparability	-33	0	0	0	0
EBITDA	43	125	130	88	86
Depreciation	-45	-47	-44	-37	-29
EBITA	-2	78	86	51	57
Goodwill amortisation	-2	-2	-3	-3	-2
EBIT	-4	76	83	48	55
Financial income	0	2	8	4	1
Financial expenses	-5	-13	-9	-7	-9
EBT	-9	65	82	44	47
Tax	-1	-21	-26	-17	-15
Minority interests	0	0	0	0	0
Net loss/profit for the year	-10	44	56	27	32
Balance Sheet					
Goodwill	1	3	4	7	10
Other intangible fixed assets	6	9	11	13	9
Tangible fixed assets	137	160	162	156	139
Financial fixed assets	27	22	21	10	10
Total fixed assets	171	194	198	186	168
Inventories	128	114	116	100	79
Current receivables	251	242	256	185	160
Cash, bank, short-term investments	95	100	65	31	23
Total current assets	474	456	437	316	262
Total assets	645	650	635	502	430
Shareholders' equity	293	316	284	239	222
Minority interests	0	0	0	0	0
Interest-bearing provisions	0	0	0	0	0
Non-interest bearing provisions	14	23	26	17	14
Interest-bearing liabilities	143	135	118	92	70
Non-interest bearing liabilities	195	176	207	154	124
Total shareholders' equity and liabilities	645	650	635	502	430
Cash Flow Statement					
Cash flow from operating activities	44	81	64	51	47
of which change in working capital	9	-7	-36	-21	-3
Cash flow from investing activities	-41	-49	-51	-59	-57
of which investments	-41	-49	-51	-59	-57
of which sales	0	0	0	0	0
Cash flow from financing activities	-6	5	20	15	-5
of which change in loans	7	17	31	25	5
of which capital contribution	0	0	0	0	0
of which dividends	-13	-12	-11	-10	-10
Cash flow for the year	-3	37	33	8	-15
Key figures					
EBITA margin, %	neg.	6.8	8.0	5.8	7.4
EBT margin, %	neg.	5.6	7.6	5.1	6.1
Return on equity, %	neg.	14.6	21.2	11.6	15.3
Return on capital employed, %	neg.	16.3	23.3	15.5	18.6
Equity ratio, %	45	49	45	48	52
Interest-bearing net debt, SEKm	48	35	53	61	47
Debt/equity ratio, gross, times	0.5	0.4	0.4	0.4	0.3
Cash flow after investments, SEKm	3	32	13	-8	-10
Average number of employees	975	925	855	773	706

Industri Kapital

Industri Kapital is an unlisted private equity company with assets under management of approximately EUR 3.5 billion. Since the start in 1989, the company has made almost 50 investments within different sectors in Europe, with the majority in the chemical, engineering, retailing & wholesaling, and service sectors. Investors in Industri Kapital's funds comprise major Nordic, European and American institutional investors.

Ratos's investment

Ratos has invested in four funds. Ratos invested SEK 50m in the 1989 fund, XEU 12m (c. SEK 100m) in the 1994 fund, ECU 17m (c. SEK 150m) in the 1997 fund, and EUR 21m (c. SEK 180m) in the 2000 fund. In the 1989 and 1994 funds Ratos invested directly in the portfolio companies, while investments in later funds were made via a British limited partnership. The 2000 fund is not yet fully invested. Remaining commitments for Ratos amount to EUR 4m. The market value of Ratos's holding in Industri Kapital's funds is estimated at SEK 452m. according to Industri Kapital's BVCA calculations. Thomas Mossberg is the Investment Manager for these investments.

The past year

The French company Ceva Santé Animale (animal health products) was acquired during the year. Follow-on investments were made in Citylink, CB Foods, Charles XIV (Labeyrie) and Telefos. Recapitalisation was effected in Oriflame Cosmetics and Fives-Lilles (Derek). The sale of Paroc Group was completed. Part sales were made of Alfa Laval and Nobia which made a positive contribution to Ratos's earnings. Dyno Nobel Holding completed the merger with The Ensign-Bickford Company. In accordance with commitments made, Ratos invested a total of SEK 5m in the 2000 fund in 2003. During the same period payments of SEK 65m were received from Industri Kapital.

Specification of Ratos's holdings in Industri Kapital's funds

31 Dec 2003	Number	Change during year	Book value, SEKm	Market value, SEKm
Industri Kapital 1994				
Viking Sewing Machines Holding AB	137,805		9.9	16.5
Nobia AB A	703,817	-359,856	7.0	52.8
Consolis Oy [1)]	222,740	280	4.1	20.6
Consolis Oy, Inv. loan [1)]	269,438	338	3.9	4.1
Enermet Group Oy	23,615		3.5	2.2
Enermet Group Oy, Inv.loan	55,564		8.2	10.2
Blocked liquidity [2)]				11.7
			36.6	118.1
Industri Kapital 1997			107.1	152.7
Industri Kapital 2000			174.6	181.0
Total holdings			**318.3**	**451.8**

1) Formerly Addtek International Oy.

2) Booked as long-term receivables in Ratos.

Intervect – re-focusing and streamlining

Ratos became an owner in Intervect in conjunction with the acquisition of Atle. Ratos's holding amounts to 50%. The co-owner is 3i with 50%.

Ratos has invested SEK 227m in Intervect. Consolidated book value in Ratos at year-end was SEK 177m. Ratos is represented on the Board by Bo Jungner who is also the Investment Manager for this holding.

Operations

The Intervect Group was formed in 2001 when the Swedish lift manufacturer Alimak merged with the Dutch work platform manufacturer HEK International. Intervect is a world leader in rack and pinion driven equipment for vertical access. The company develops, manufactures, sells and leases industrial hoists and platforms for customers in the construction and general industrial sectors. The customer base is global and comprises leasing companies and end users in the construction industry as well as users in other industries such as crane manufacturers, the power industry and ports. Intervect's operations are conducted in four business areas: Construction, Rentals, Industrial and After Sales. Sales, leasing and after sales are conducted in 15 sales subsidiaries as well as through some 30 agents.

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

Intervect has a very strong position in the global market for rack and pinion lifts and platforms which is estimated at EUR 700-800m. The competition is fragmented and mainly consists of national and regional companies. The market for Intervect's products is growing by 3-4% per year with a growing demand for leasing and aftermarket services. The technology changeover from scaffolding to platforms and hoists is also expected to stimulate growth.

Petter Arvidson, CEO

The past year

Sales amounted to SEK 990m (1,120). The weak construction market in Europe has led to reduced demand for Intervect's products. Most of the sales decrease, however, can be attributed to currency effects. Loss before goodwill amortisation (EBITA) was SEK 8m (loss 6). Loss after net financial items amounted to SEK 33m (loss 31). During the year extensive restructuring and efficiency enhancement programmes were carried out designed to achieve substantial improvements in earnings in 2004. Earnings were charged with items affecting comparability totalling SEK -29m (-25).

Future prospects

Taken overall, Intervect is judged to have a good strategic starting point as the market-leading supplier. The effects of the company's action programmes in 2003 are expected to lead to improved earnings in 2004.

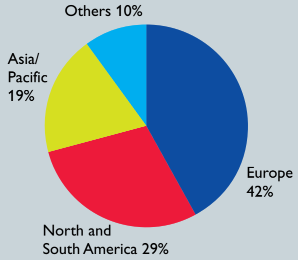
Board of Directors

Björn Kumlin	Chairman
Bo Jungner	Ratos
Hans Werner	3i
Petter Arvidson	CEO
Thomas Hofvenstam	Co-opted, Ratos

Management

Petter Arvidson	CEO
Nils-Erik Häggström	Vice President, CEO Alimak Product Company
Ernst van Hek	Vice President, CEO HEK Product Company
Stefan Petersson	CFO
Frank Klessens	Head of Rental business area

Sales by market



SEKm	2003	2002	2001	2000 1)	1999
Income Statement					
Net sales	990	1,120	1,166	1,106	
Operating expenses	-930	-1,051	-1,105	-932	
Other income	0	0	11	0	
Items affecting comparability	-29	-25	0	0	
EBITDA	31	44	72	174	
Depreciation	-39	-50	-75	-72	
EBITA	-8	-6	-4	102	
Goodwill amortisation	-6	-2	-3	-1	
EBIT	-14	-8	-7	101	
Financial income	9	12	14	10	
Financial expenses	-28	-35	-42	-38	
EBT	-33	-31	-35	73	
Tax	8	12	-2	-24	
Minority interests	0	0	0	0	
Net loss/profit for the year	-25	-19	-37	49	
Balance Sheet					
Goodwill	44	45	45	10	
Other intangible fixed assets	12	5	4	0	
Tangible fixed assets	173	213	303	291	
Financial fixed assets	41	19	5	9	
Total fixed assets	270	282	357	310	
Inventories	175	222	291	284	
Current receivables	295	336	447	430	
Cash, bank, short-term investments	52	35	41	19	
Total current assets	522	593	779	733	
Total assets	792	875	1,136	1,043	
Shareholders' equity	255	285	313	305	
Minority interests	0	0	0	0	
Interest-bearing provisions	54	46	50	0	
Non-interest bearing provisions	14	16	31	69	
Interest-bearing liabilities	308	350	491	479	
Non-interest bearing liabilities	161	178	251	190	
Total shareholders' equity and liabilities	792	875	1,136	1,043	
Cash Flow Statement					
Cash flow from operating activities	82	102	134	-7	
of which change in working capital	38	93	42	-48	
Cash flow from investing activities	-38	80	-74	-1	
of which investments	-78	-61	-157	-80	
of which sales	40	141	83	79	
Cash flow from financing activities	-25	-185	-19	47	
of which change in loans	-27	-185	-19	47	
of which capital contribution	2	0	0	0	
of which dividends	0	0	0	0	
Cash flow for the year	19	-3	41	39	
Key figures					
EBITA margin, %	neg	neg	neg	9.2	
EBT margin, %	neg	neg	neg	6.6	
Return on equity, %	neg	neg	neg	–	
Return on capital employed, %	neg	0.5	0.9	–	
Equity ratio, %	32	33	28	29	
Interest-bearing net debt, SEKm	310	361	500	460	
Debt/equity ratio, gross, times	1.4	1.4	1.7	1.6	
Cash flow after investments, SEKm	44	182	60	-8	
Average number of employees	766	840	854	863	

1) Pro forma.

Lindab – successful efforts in Eastern Europe

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 1,061m in Lindab. Consolidated book value in Ratos amounted to SEK 1,066m at year-end.

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

Leader in ventilation products

Lindab is a leading manufacturer of building materials made from thin-sheet metal, in its two business areas Ventilation and Profile. Manufacture takes place in 21 countries. Approximately 70% of sales go to countries outside Sweden. The Ventilation business area accounts for 56% of Lindab's sales. Ventilation ducting systems can be circular or rectangular. Lindab has concentrated on circular ducting systems since they have major advantages including lower manufacturing costs, faster assembly times and circular systems operate with lower energy losses. Lindab is the world's leading producer and is the market leader in ventilation ducting systems in Sweden, Norway, Denmark, Germany and the US. Sweden accounts for one-third of total sales.

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

The year in brief

Total sales amounted to SEK 5,302m (5,235), of which Sweden accounted for 28%. The sales increase excluding currency effects was 4%.

Ventilation's main markets, the Nordic region and Western Europe, showed weak development which resulted in lower sales. Lindab has not lost markets shares, however. On the other hand, the company had a breakthrough in Eastern Europe where sales of ventilation products rose by 34%. In the US, sales of ventilation products increased by 6% measured in dollars. Profile reports a similar sales trend. Last year's acquisition of Butler contributed to growth. Lindab has had good sales growth in the last five years with an average annual increase of approximately 12%.

Profit before goodwill amortisation (EBITA) amounted to SEK 305m (326). Profit before net financial items for the Lindab Intressenter Group amounted to SEK 187m (211). The EBITA margin amounted to 5.8% (6.2).

Kjell Åkesson, CEO

Future prospects

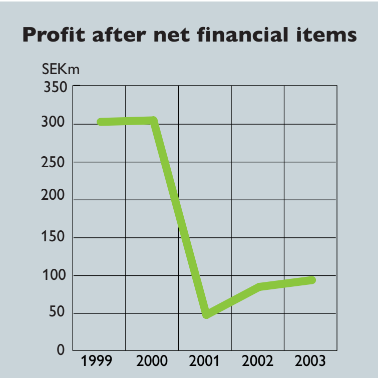
Lindab's leading market position, strength within distribution and excellent economies of scale, make the company well placed to grow faster than its competitors. The company plans to continue its growth strategy in Eastern Europe and the US and measures to optimise the production structure are planned during the year.

Board of Directors

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

Management

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



SEKm	2003	2002	2001 [1]	2000	1999
Income Statement					
Net sales	5,302	5,235	5,160	4,415	3,569
Operating expenses	-4,830	-4,724	-4,698	-3,937	-3,122
Other income	0	0	56	34	18
Items affecting comparability	0	0	-26	0	0
EBITDA	472	511	492	512	465
Depreciation	-167	-185	-174	-148	-127
EBITA	305	326	318	364	338
Goodwill amortisation	-118	-115	-134	-22	-15
EBIT	187	211	184	342	323
Financial income	14	14	18	13	10
Financial expenses	-109	-142	-156	-52	-32
EBT	92	83	46	303	301
Tax	-66	-62	-32	-100	-90
Minority interests	0	0	0	0	0
Net profit for the year	26	21	14	203	211
Balance Sheet					
Goodwill	1,991	2,121	2,231	146	70
Other intangible fixed assets	21	23	23	29	35
Tangible fixed assets	1,180	1,284	1,566	1,406	1,139
Financial fixed assets	72	81	70	47	41
Total fixed assets	3,264	3,509	3,890	1,628	1,285
Inventories	856	853	818	811	585
Current receivables	838	828	820	742	562
Cash, bank, short-term investments	220	108	150	89	152
Total current assets	1,914	1,789	1,788	1,642	1,299
Total assets	5,178	5,298	5,678	3,270	2,584
Shareholders' equity	2,210	2,252	2,232	1,307	1,256
Minority interests	0	0	0	0	0
Interest-bearing provisions	61	57	54	52	47
Non-interest bearing provisions	144	166	181	149	128
Interest-bearing liabilities	1,950	1,982	2,469	1,077	620
Non-interest bearing liabilities	813	841	742	685	533
Total shareholders' equity and liabilities	5,178	5,298	5,678	3,270	2,584
Cash Flow Statement					
Cash flow from operating activities	252	127	333	129	402
of which change in working capital	-39	-212	-48	-257	47
Cash flow from investing activities	-113	19	-285	-474	-354
of which investments	-195	-193	-286	-474	-364
of which sales	82	212	1	0	10
Cash flow from financing activities	-27	-186	-8	282	-45
of which change in loans	-27	-186	70	469	6
of which capital contribution	0	0	54	-96	0
of which dividends	0	0	-71	-72	-48
Cash flow for the year	112	-40	40	-63	3
Key figures					
EBITA margin, %	5.8	6.2	6.2	8.2	9.5
EBT margin, %	1.7	1.6	0.9	6.9	8.4
Return on equity, %	1.2	0.9	0.8	15.8	17.7
Return on capital employed, %	4.7	5.0	5.6	16.3	17.9
Equity ratio, %	43	43	39	40	49
Interest-bearing net debt, SEKm	1,791	1,931	2,373	1,040	515
Debt/equity ratio, gross, times	0.9	0.9	1.1	0.9	0.5
Cash flow after investments, SEKm	139	146	48	-345	48
Average number of employees	3,920	3,766	3,635	3,356	2,929

[1] Pro forma.

LRT/Tornet – the biggest property deal of the year

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

Ratos has invested a total of SEK 670m in LRT Acquisition AB. Consolidated value in Ratos amounted to SEK 663m at year-end.

Ratos is represented on LRT Acquisition's board by Mats Lönnqvist and Per Frankling, and on Fastighets AB Tornet's board by Bo Jungner, Mats Lönnqvist and Per Frankling.

Sverker Lerheden, CEO

Operations

Tornet is one of Sweden's largest property companies. The real estate portfolio comprises 412 properties mainly concentrated in Sweden's six largest cities as well as Karlstad and Norrköping. The book value of the property portfolio amounted to SEK 18,860m at 31 December 2003. The portfolio has rentable space of 2.7 million square metres. Broken down by book value, residential properties comprise 17% of the portfolio, commercial properties 49%, retail properties 8%, industrial/storage properties 11% and other properties 15%. Compared with other major Swedish property companies, Tornet has a smaller proportion of properties in Stockholm, which account for 23% of the book value.

The past year

Tornet carried out a number of major structural deals during the year involving the sale of large parts of the residential portfolio in Sweden's three largest cities. 83 properties (48) were sold with a book value of SEK 1,870m and a capital gain of SEK 417m. Four properties were acquired for a total purchase price of SEK 1,041m.

The property market weakened during the year, particularly in Stockholm. The occupancy ratio in Tornet's property portfolio, measured in space, amounted to 89.4% (91.3%). Of this decrease, 0.6 percentage points were due to changes in the composition of the portfolio. The financial occupancy ratio was 91.6% (93.1%).

Rental income amounted to SEK 2,403m (2,367), the operating profit was SEK 1,426m (1,403) and profit before tax amounted to SEK 740m (536). Pre-tax profit was affected by items affecting comparability of SEK 294m (65), comprising capital gains, net write-downs of properties, and interest rate subsidies and lease termination costs.

Future prospects

Due among other things to LRT Acquisition's acquisition of 82.4% in Tornet, the board of the company has decided to draw up a revised strategic plan, which will be presented in spring 2004.

Board of Directors

LRT Acquisition

Mark H. Newman	Chairman, LBREP
Per Frankling	Ratos
Mats Lönnqvist	Ratos

Fastighets AB Tornet

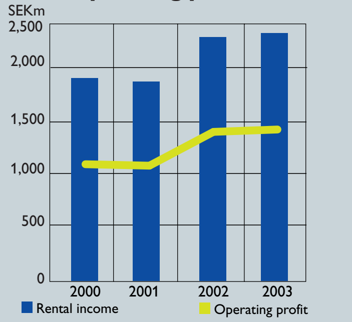
Mark H. Newman	Chairman, LBREP
Göran Collert	formerly CEO FöreningsSparbanken
Per Frankling	Ratos
Bo Jungner	Ratos
Sverker Lerheden	CEO
Mats Lönnqvist	Ratos
Edward Williams	LBREP

Management

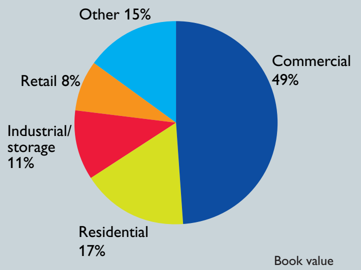
Fastighets AB Tornet

Sverker Lerheden	CEO
Christel Armstrong Darvik	Deputy CEO, CEO SkansTornet
Kent Karlsson	CFO
Arne Skoglund	CEO ArosTornet
Roger Nyberg	CEO MälarTornet
Rune Nämberg	CEO Malmstaden
Sören Andersson	Chief Accountant
Åsa Fredriksson	Financial Manager

Rental income and operating profit



Breakdown of property portfolio by category



Properties by region, number

Stockholm	51
Göteborg	81
Öresund	27
Uppsala	17
Linköping	73
Västerås	27
Norrköping	54
Karlstad	28
North Region	35
Rest of Sweden	16
International	3
	412

SEKm	2003 [1]	2003 [2]	2002 [2]	2001 [2]	2000 [2]
Income Statement					
Rental income	–	2,403	2,367	1,933	1,969
Operating expenses	–	-863	-856	-775	-786
Property tax	–	-114	-108	-83	-94
Operating profit	–	1,426	1,403	1,075	1,089
Depreciation	–	-210	-183	-148	-152
Gross profit from property operations	–	1,216	1,220	927	937
Central administrative expenses	–	-28	-27	-20	-17
Profit from other operations	–	0	25	0	0
Items affecting comparability	–	294	65	414	60
Operating profit	–	1,482	1,283	1,321	980
Financial income	–	0	36	31	34
Financial expenses	–	-742	-783	-562	-583
Profit before tax	–	740	536	790	431
Tax	–	141	-2	-179	-85
Minority interests	–	0	0	0	0
Net profit for the year	–	881	534	611	346
Balance Sheet					
Properties	18,187	18,860	19,346	14,021	14,278
Equipment	48	48	61	31	33
Financial fixed assets	397	209	315	206	111
Total fixed assets	18,632	19,117	19,722	14,258	14,422
Other current assets	640	561	420	563	982
Short-term investments	121	121	135	43	18
Cash and bank balances	306	207	213	105	127
Total current assets	1,067	889	768	711	1,127
Total assets	19,699	20,006	20,490	14,969	15,549
Shareholders' equity	1,661	5,528	4,876	4,051	3,918
Minority interests	986	0	0	0	0
Interest-bearing provisions	0	0	9	8	8
Non-interest bearing provisions	209	209	452	89	69
Interest-bearing liabilities	15,760	13,230	14,092	9,653	10,290
Non-interest bearing liabilities	1,083	1,039	1,061	1,168	1,264
Total shareholders' equity and liabilities	19,699	20,006	20,490	14,969	15,549
Cash Flow Statement					
Cash flow from operating activities	–	681	844	64	449
of which change in working capital	–	55	214	-450	-14
Cash flow from investing activities	–	-96	-960	699	-526
of which investments	–	-1,606	-1,566	-1,347	-1,072
of which sales	–	1,510	606	2,046	546
Cash flow from financing activities	–	-590	222	-792	78
of which change in loans	–	-361	329	-318	613
of which capital contribution	–	-110	0	-369	-358
of which dividends	–	-119	-106	-105	-177
Cash flow for the year	–	-5	106	-29	1
Key figures					
Direct yield excl. central administr., %	–	7.4	7.7	7.6	7.5
Profit ratio, %	–	59.3	59.3	55.6	55.3
Return on equity, %	–	16.9	12.0	15.3	8.6
Return on capital employed, %	–	7.9	8.1	9.7	7.2
Equity ratio, %	13	28	24	27	25
Interest-bearing net debt, SEKm [3]	15,235	12,804	13,623	9,383	10,098
Debt/equity ratio, gross, times [4]	5.7	2.3	2.8	2.3	2,6
Cash flow after investments, SEKm	–	585	-116	763	-77
Average number of employees	–	259	265	252	250

[1] LRT/Tornet's new group structure at 31 December 2003.
[2] Figures relate to Fastighets AB Tornet.
[3] Interest-bearing liabilities minus interest-bearing assets.
[4] Net liabilities in relation to the sum of shareholders' equity and minority interests.

Martinsson – strengthened market position

Ratos became a shareholder in Martinsson in 2001 in conjunction with the acquisition of Atle. Ratos's holding amounts to 50%. The co-owner is 3i with 50%.

Ratos has invested a total of SEK 110m in Martinsson. Consolidated book value in Ratos after the restructuring was SEK 107m at year-end.

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

Operations

Martinsson is the leading retailer in Sweden of server-related IT infrastructure and number two as a retailer of personal computers to companies. Revenues come from product sales (80%) and related consulting services (20%). Martinsson is established at 18 locations in Sweden and is the only nationwide player in its field.

The year in brief

The integration of IMS which was acquired in 2002 was completed in 2003 and a new organisation established. At the beginning of the year Giga's operations within Windows infrastructure and project management were acquired. These operations have been fully integrated and strengthened Martinsson's position in Stockholm. The market for IT products stabilised during the autumn, volumes rose and price pressure eased. Martinsson succeeded in maintaining a high rate of chargeable time for its consultants. Martinsson's focus with its combination of products and consulting services provides a strong competitive advantage.

Improved earnings

Sales increased by 46% and amounted to SEK 1,247m (856), due mainly to the acquisition of IMS. IMS was consolidated in Martinsson with effect from 1 July 2002.

Profit before goodwill amortisation (EBITA) improved by 7% and amounted to SEK 15m (14). Loss after net financial items was SEK 4m (profit 2). Earnings include non-recurring costs for the change of business system of SEK 4m. Cash flow was good, SEK +11m.

Lars Pettersson, CEO

Future prospects

The market for IT products stabilised to some extent in the second half of 2003. Martinsson has established itself as a leading player in its sector. Opportunities exist to further strengthen local presence through complementary acquisitions.

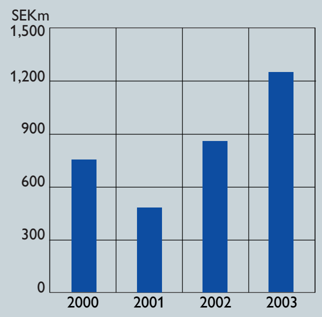
Board of Directors

Kenth-Åke Jönsson	Chairman, Saab
Jan-Åke Kark	former CEO Telia
Wille Laurén	formerly ABB
Stig Karlsson	Ratos
Åke Plyhm	Deputy CEO Tieto Enator
Lars Pettersson	CEO

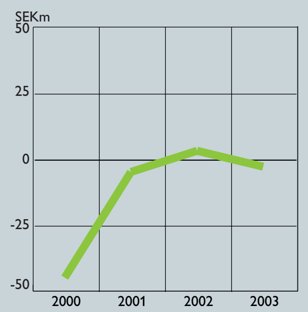
Management

Lars Pettersson	CEO
Björn-Erik Karlsson	Deputy CEO, COO
Jens Andresen	CFO

Sales



Profit/loss after financial items



Local offices

SEKm	2003 [1]	2003 [2]	2002 [2]	2001 [2]	2000 [2]
Income Statement					
Net sales	–	1,247	856	480	750
Operating expenses	–	-1,231	-841	-479	-785
Other income	–	3	3	1	9
Items affecting comparability	–	0	1	0	7
EBITDA	–	19	19	2	-19
Depreciation	–	-4	-5	-7	-10
EBITA	–	15	14	-4	-29
Goodwill amortisation	–	-19	-14	-8	-12
EBIT	–	-4	0	-12	-41
Financial income	–	2	4	7	5
Financial expenses	–	-2	-2	-1	-10
EBT	–	-4	2	-6	-46
Tax	–	-1	-2	5	8
Minority interests	–	0	0	0	0
Net loss/profit for the year	–	-5	0	-1	-38
Balance Sheet					
Goodwill	52	120	134	37	45
Other intangible fixed assets	0	0	0	1	0
Tangible fixed assets	11	11	14	13	21
Financial fixed assets	10	14	15	3	7
Total fixed assets	73	145	163	54	73
Inventories	7	7	11	5	5
Current receivables	297	297	296	218	301
Cash, bank, short-term investments	11	104	93	54	21
Total current assets	315	408	400	277	327
Total assets	388	553	563	331	400
Shareholders' equity	58	223	229	229	259
Minority interests	0	0	0	0	0
Interest-bearing provisions	0	0	0	0	2
Non-interest bearing provisions	0	0	0	0	3
Interest-bearing liabilities	25	25	24	4	5
Non-interest bearing liabilities	305	305	310	98	131
Total shareholders' equity and liabilities	388	553	563	331	400
Cash Flow Statement					
Cash flow from operating activities	–	17	-2	52	-108
of which change in working capital	–	1	-24	44	-83
Cash flow from investing activities	–	-6	55	6	-8
of which investments	–	-6	-59	-8	-29
of which sales	–	0	100	14	21
Cash flow from financing activities	–	0	-14	-25	-4
of which change in loans	–	0	-14	0	-4
of which capital contribution	–	0	0	0	0
of which dividends	–	0	0	-25	0
Cash flow for the year	–	11	39	33	-120
Key figures					
EBITA margin, %	–	1.2	1.6	neg	neg
EBT margin, %	–	neg	0.3	neg	neg
Return on equity, %	–	neg	0.1	neg	neg
Return on capital employed, %	–	neg	1.6	neg	neg
Equity ratio, %	15	40	41	69	65
Interest-bearing net debt, SEKm	14	-79	-69	-50	-14
Debt/equity ratio, gross, times	0.4	0.1	0.1	0.0	0.0
Cash flow after investments, SEKm	–	11	53	58	-116
Average number of employees	–	487	353	218	385

[1] New group structure at 31 December 2003.

[2] Figures relate to old group structure.

Overseas Telecom
– good growth in portfolio companies

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 2002 with a total amount of SEK 328m. In 2002, Ratos received a repayment of SEK 264m of this investment and a further SEK 56m was received in 2003, following reduction of the share capital in the company. Part of the repayment in 2003 did not affect book value. Consolidated book value in Ratos at year-end thus amounted to SEK 27m.

Ratos is represented on the board by Thomas Mossberg and Susanna Högberg Campbell (deputy). Thomas Mossberg is the Investment Manager for this holding.

Operations

Overseas Telecom acquires, develops and sells telecom licences, mainly for mobile telephony and communications networks in developing countries. The company goes in as a partner together with local partners. Since the start in 1996, eight investments have been made, of which four have been sold. The company's remaining portfolio consists of holdings in companies in Sri Lanka, Hong Kong, Uganda and Namibia.

Development within mobile telephony in the mature mobile markets, including Hong Kong, is still characterised by intense competition. Development in the developing countries remains strong with regard to the number of subscribers and penetration figures are still relatively low compared with mature markets. The use of pre-paid services is rising, since this simplifies the payment process for the customer while eliminating customer credit risks for the operator. This also provides the operator with a good source of financing.

Anders Ekman, CEO

Realisation of values continued

Overseas Telecom is working according to a strategy of realising built-up values in the company's portfolio holdings through successive divestment. The sale of the holding in India was completed in 2003. The holdings in Brazil and Slovenia were sold in 2001.

The year in brief

The portfolio companies in Hong Kong, Namibia and Uganda showed strong development during the year, and the holding in Sri Lanka had a relatively stable year despite a slightly weaker initial period. At year-end 2003 the total number of subscribers in the companies amounted to approximately 1.9 million. The number of subscribers in relation to the stake in each holding increased by 36% in 2003 to 347,000. Growth in the subscriber base is expected to remain good.

Continued good financial development

Consolidated sales for 2003 amounted to SEK 307m (389). In 2003 the Group included consolidation of the subsidiary in Sri Lanka and the associated companies in Namibia and Uganda. Operating profit after goodwill amortisation was SEK 214m (196). Liquid assets in the company amounted to SEK 180m. During the year a total of SEK 635m was paid to owners following a decision to reduce the company's restricted equity. As a result of this, Ratos received SEK 56m. The financial development in Overseas Telecom's portfolio holdings remained favourable during 2003, particularly in the African holdings.

Future prospects

By direct representation on boards and follow-up of operating and financial developments, Overseas Telecom is pushing forward the development of the remaining holdings. Following completion of the sale of the portfolio company in India, a restructuring of the organisation was carried out. Anders Ekman (formerly responsible for investments) was appointed as the new CEO. The number of employees at the end of the year amounted to two. The work of realising built-up values will continue in 2004. No new investments will be carried out in Overseas Telecom. On the other hand, follow-on investments may be made in existing holdings.

Portfolio companies, 31 December 2003

Country	Company	Holding	Population, millions	Subscribers (000s) 2001	2002	2003	Sales SEKm 2003	EBITDA SEKm 2003	Net debt SEKm 2003
Hong Kong	Peoples Phone	8%	7.4	642	806	1,049	1,428	631	108
Namibia	MTC	26%	1.9	122	159	269	589	330	20
Sri Lanka	Suntel	55%	19.7	73	67	67	287	167	126
Uganda	MTN	32%	25.6	202	344	480	1,006	483	258

SEKm	2003	2002	2001	2000	1999
Income Statement					
Net sales	307	389	418	445	340
Operating expenses	-152	-189	-238	-299	-319
Other income	22	1	2,370	32	701
Share of profits of assoc. companies	117	85	-136	-818	-1,259
Items affecting comparability	0	0	0	0	0
EBITDA	294	286	2,414	-640	-537
Depreciation	-79	-87	-100	-92	-70
EBITA	215	199	2,314	-732	-607
Goodwill amortisation	-1	-3	-9	-10	-10
EBIT	214	196	2,305	-742	-617
Financial income	59	119	347	83	26
Financial expenses	-79	-211	-192	-128	-15
EBT	194	104	2,460	-787	-606
Tax	-19	-1	-720	-217	-1
Minority interests	-19	-12	-1	20	-1
Net profit/loss for the year	156	91	1,739	-550	-608
Balance Sheet					
Goodwill	2	3	2	12	25
Intangible fixed assets	14	18	24	26	31
Tangible fixed assets	319	444	618	574	558
Financial fixed assets	371	398	398	1,902	651
Total fixed assets	706	863	1,042	2,514	1,265
Current assets, other	96	140	137	345	212
Cash, bank,other short-term investm.	180	684	3,692	108	147
Total current assets	276	824	3,829	453	359
Total assets	982	1,687	4,871	2,967	1,624
Shareholders' equity	654	1,198	449	2,288	822
Minority interests	109	113	122	123	72
Interest-bearing provisions	14	12	10	8	6
Non-interest bearing provisions	6	14	3	8	9
Interest-bearing liabilities	155	273	384	357	432
Non-interest bearing liabilities	44	77	3,903	183	283
Total shareholders' equity and liabilities	982	1,687	4,871	2,967	1,624
Cash Flow Statement					
Cash flow from operating activities	266	100	409	158	-265
of which change in working capital	55	10	66	-240	-292
Cash flow from investing activities	412	-474	3,217	-2,219	-555
of which investments	-42	-474	-151	-2,253	-570
of which sales	454	0	3,368	34	15
Cash flow from financing activities	-761	-3,046	-43	2,023	902
of which change in loans	-125	-3,772	3,700	-76	388
of which capital contribution	0	726	-3,743	2,099	514
of which dividends	-636	0	0	0	0
Cash flow for the year	-83	-3,420	3,583	-38	82
Key figures					
EBITA margin, %	70.0	51.2	553.6	neg	neg
EBT margin, %	63.2	26.7	588.5	neg	neg
Return on equity, %	15.0	9.7	116.6	neg	neg
Return on capital employed, %	21.6	24.6	141.8	neg	neg
Equity ratio, %	78	78	12	81	55
Interest-bearing net debt, SEKm	-11	-399	-3,298	257	291
Debt/equity ratio, gross, times	0.3	0.2	0.9	0.2	0.5
Cash flow after investments, SEKm	678	-374	3,626	-2,061	-820
Average number of employees	406	392	393	385	368

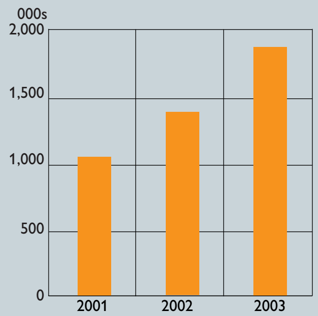
Board of Directors

Per Eric Fylking	Chairman, formerly Telia
Håkan Jansson	TeliaSonera
Niklas Johansson	Skandia
Thomas Mossberg	Ratos
Per Thunell	TeliaSonera
Ola Uhre	Orkla
Susanna Högberg Campbell	Deputy, Ratos
Helena Krook-Kilander	Deputy, TeliaSonera
Ole Christian Söhoel	Deputy, Orkla
Caroline af Ugglas	Deputy, Skandia

Management

Anders Ekman	CEO
Gunnar Andersson	Accounting/Finance

Subscriber growth



Q-Labs – improved earnings

Ratos became a co-owner in Q-Labs in December 2000 and has owned 48% since the beginning of 2002. Det Norske Veritas (DNV) owns 48%.

Ratos has invested a total of SEK 188m in Q-Labs. Consolidated book value in Ratos amounted to SEK 38m at year-end.

Ratos is represented on the board by Bo Jungner and Per Frankling. Bo Jungner is the Investment Manager for this holding.

Services in software development

Q-Labs is a consulting company which provides services related to quality assurance of software development processes. The company has operations in Sweden, Germany, France and the US.

Testing and process improvement

The market for quality assurance for software comprises services designed to test that the software meets set specifications and eliminate any errors (testing), as well as services designed to improve software development processes so that software is inherently error-free (process improvement).

Q-Labs is a world leader in process improvement of software engineering. Q-Lab has customers in several sectors. Since the 1980s the most software-intensive industries, such as aircraft and telecom equipment manufacturers, have been working to improve their software engineering processes in order to achieve higher quality. Many companies in these sectors have had internal departments working on these matters.

Rising use of software

In recent years there has been a dramatic increase in software intensity in sectors such as the automotive industry and its suppliers and industrial automation. Demands for systems to function in real time have increased since systems increasingly reach end users, for example through web applications in electronic commerce and banking services. This has made many companies in these sectors very dependent on high quality software. In the automotive industry, for example, a programming error can lead to high costs for a product recall.

By a strong focus on the automotive industry Q-Labs has succeeded in winning key customers and major assignments in this sector. Based on its experience from the most software-intensive sectors, Q-Labs can help vehicle manufacturers and others to improve their software development processes.

Peter Rodholm, CEO

Stabilised earnings

2003 was a year of stabilisation after extensive restructuring in 2001-2002. Profitability improved in all countries in which Q-Labs operates. The operations in the UK were closed at the end of 2002. The operations in Germany, where Q-Labs serves a number of major car manufacturers, showed good sales and earnings development. Development in France was stable. The market in Sweden remains sluggish which led to price pressure. Profitability in the US has stabilised.

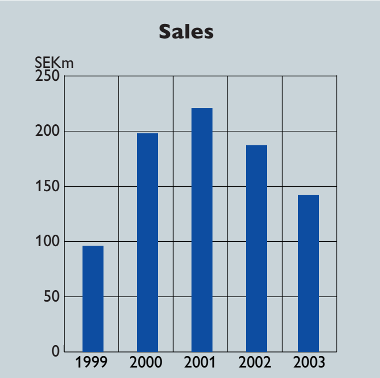
Total sales amounted to SEK 142m (187). Operating profit (EBIT) amounted to SEK 4m (-19). Profit before tax (EBT) amounted to SEK 5m (-23).

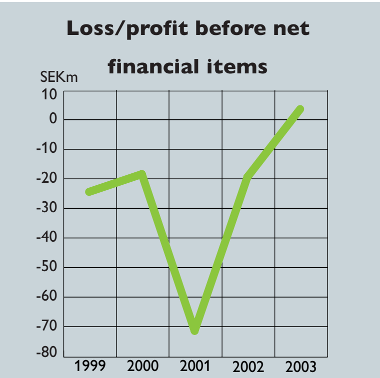
Board of Directors

Lars-Olof Norell	Chairman former Deputy CEO Cap Gemini
Per Frankling	Ratos
Bo Jungner	Ratos
Iain Light	DNV
Wolfgang Wagner	formerly Booz Allen Hamilton
Trond Øverland	DNV

Management

Peter Rodholm	CEO
David Sutcliffe	CFO
Nicolás Martín-Vivaldi	Manager Sweden
Horst Degen-Hientz	Manager Germany
Annie Combelles	Manager France
Ron Lear	Manager USA





SEKm	2003	2002	2001	2000	1999
Income Statement					
Net sales	142	187	221	198	96
Operating expenses	-136	-185	-236	-207	-114
Other income	0	0	0	0	0
Items affecting comparability	0	-14	-31	0	0
EBITDA	6	-12	-46	-9	-18
Depreciation	-2	-7	-7	-3	-3
EBITA	4	-19	-53	-12	-21
Goodwill amortisation	0	0	-18	-6	-3
EBIT	4	-19	-71	-18	-24
Financial income	1	4	8	1	1
Financial expenses	0	-8	-4	-2	-1
EBT	5	-23	-67	-19	-24
Tax	1	1	-1	-1	0
Minority interests	0	0	0	0	0
Net profit/loss for the year	6	-22	-68	-20	-24
Balance Sheet					
Goodwill	0	0	0	19	24
Other intangible fixed assets	0	3	0	0	0
Tangible fixed assets	3	0	9	8	4
Financial fixed assets	0	0	2	2	2
Total fixed assets	3	3	11	29	30
Inventories	0	0	0	0	0
Current receivables	54	46	61	55	54
Cash, bank, other short-term investm.	60	63	134	178	13
Total current assets	114	109	195	233	67
Total assets	117	112	206	262	97
Shareholders' equity	88	83	105	174	15
Minority interests	0	0	5	0	0
Interest-bearing provisions	0	0	0	0	0
Non-interest bearing provisions	2	0	0	0	0
Interest-bearing liabilities	0	0	32	31	31
Non-interest bearing liabilities	27	29	64	57	51
Total shareholders' equity and liabilities	117	112	206	262	97
Cash Flow Statement					
Cash flow from operating activities	-1	-19	-33	-7	-22
of which change in working capital	–	-11	-4	6	-3
Cash flow from investing activities	-2	-10	-8	-6	-22
of which investments	-2	-11	-8	-6	-29
of which sales	0	1	0	0	7
Cash flow from financing activities	0	-43	0	180	20
of which change in loans	0	-43	0	1	20
of which capital contribution	0	0	0	179	0
of which dividends	0	0	0	0	0
Cash flow for the year	-3	-72	-41	167	-24
Key figures					
EBITA margin, %	2.8	neg	neg	neg	neg
EBT margin, %	3.8	neg	neg	neg	neg
Return on equity, %	7.5	neg	neg	neg	–
Return on capital employed, %	6.4	neg	neg	neg	–
Equity ratio, %	75	74	53	66	15
Interest-bearing net debt, SEKm	-60	-63	-102	-147	18
Debt/equity ratio, gross, times	0.0	0.0	0.3	0.2	2.1
Cash flow after investments, SEKm	-3	-29	-41	-13	-44
Average number of employees	94	151	197	171	97

Superfos
– restructuring charged against earnings

At the end of 1999, Ratos joined forces with Industri Kapital and acquired the 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 a follow-on investment of SEK 81m in 2002. Consolidated book value at year-end 2003 amounted to SEK 335m.

Ratos is represented on the board by Thomas Mossberg who is also the Investment Manager for this holding.

Market leader in thermoformed plastic packaging

Superfos is a Danish industrial group with international operations and two operating areas: Packaging and Aerosols.

Packaging, which accounts for just over 95% of sales, has a market-leading position in plastic packaging. Packaging develops, produces and sells thermoformed plastic packaging to customers in the food, chemical-technical and pharmaceutical industries. Packaging has 13 factories in Europe and one in the US. The main markets are the Nordic countries, Southern and Central Europe and the UK. The products are also marketed in selected parts of the American market. The company is the market leader in the Nordic countries and also has strong positions in the European market within a number of product areas.

The market for Packaging's products grows by 3-4% a year. Plastic packaging makes up over 30% of the total west European packaging market. The trend among customers is to change from other packaging materials, such as glass and metal, to plastic. Both among customers and raw material suppliers a consolidation is taking place towards fewer and larger players, which also operate increasingly on the global stage. The packaging industry is relatively fragmented and is currently undergoing a consolidation in which Superfos is taking part.

Aerosols is a European player in contract filling of aerosols, primarily with chemical-technical and pharmaceutical products. The main customer base is the pharmaceutical industry.

Kim R. Andersen, CEO

Extensive action programme implemented in 2003

An extensive action programme designed to improve profitability within Packaging was started at the end of 2002. Closure of factories and considerable relocation of production between the factories was carried out during the first half of 2003. In connection with the changed factory structure, internal problems arose which led to disruptions to deliveries and higher operating expenses in the company's largest divisions, Consumer and Industrial. This situation steadily improved in the third and fourth quarters and was normalised by the end of 2003. High and fluctuating raw material prices in the first half of the year also had a negative impact on the company's earnings. Packaging's other two divisions, Pharma and USA, developed well with increased sales and operating profit.

Delayed approval from the authorities of a new product to replace one that has been phased out, and the weak Germany economy, had a negative effect on Aerosols' earnings compared with 2002.

Superfos reports sales of EUR 352.6m (373.4). Operating profit before goodwill amortisation (EBITA) amounted to EUR 13.2m (15.2). Loss after net financial items was EUR 5.7m (loss 7.1).

Prospects for 2004

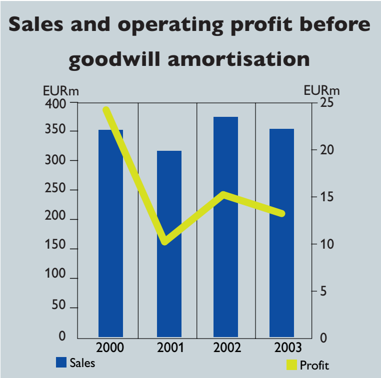
The streamlining in recent years to a focused packaging company and implementation of measures to raise profitability create good opportunities for improved profitability. As a leading player, Superfos is well positioned for continued growth.

Board of Directors

Waldemar Schmidt	Chairman, Board Member Group 4Falk, Alfa Laval and others
Jens Erik Karlskov Jensen	formerly Superfos
Thomas Mossberg	Ratos
Per Møller	CEO Høigaad Holding
Kjeld Ranum	Chairman Aarhus United
Mads Ryum Larsen	Industri Kapital
Per Skov	DSV, Kemp & Lauritzen and others
Kim Wahl	Industri Kapital
Kim R. Andersen	CEO
Thomas Hofvenstam	Co-opted, Ratos
Jacob Møller-Jensen	Co-opted, Industri Kapital

Management

Kim R. Andersen	CEO
René V. Frederiksen	CFO



EURm	2003	2002	2001	2000	1999
Income Statement					
Net sales	352.6	373	316	351	
Operating expenses	-308.7	-312	-283	-307	
Other income	0	0	0	0	
Items affecting comparability	0	-15	0	3	
EBITDA	43.9	46	33	47	
Depreciation	-30.7	-31	-23	-23	
EBITA	13.2	15	10	24	
Goodwill amortisation	-6.0	-6	-4	-4	
EBIT	7.2	9	6	20	
Financial income	0.2	1	0	10	
Financial expenses	-13.1	-17	-19	-25	
EBT	-5.7	-7	-13	5	
Tax	-0.3	-1	-1	2	
Minority interests	0	0	0	0	
Net loss/profit for the year	-6.0	-8	-14	7	
Balance Sheet					
Goodwill	99.7	106	74	78	
Other intangible fixed assets	0.4	0	0	0	
Tangible fixed assets	190.8	199	163	163	
Financial fixed assets	14.7	13	8	10	
Total fixed assets	305.6	318	245	251	
Inventories	37.6	41	35	40	
Current receivables	69.9	67	73	72	
Cash, bank, short-term investments	8.7	21	3	10	
Total current assets	116.2	129	111	122	
Total assets	421.8	447	356	374	
Shareholders' equity	105.9	113	95	108	
Minority interests	0	0	0	0	
Interest-bearing provisions	2.2	2	0	0	
Non-interest bearing provisions	9.5	19	12	12	
Interest-bearing liabilities	246.7	252	201	204	
Non-interest bearing liabilities	57.5	61	48	50	
Total shareholders' equity and liabilities	421.8	447	356	374	
Cash Flow Statement					
Cash flow from operating activities	24.7	40	29	1	
of which change in working capital	5.8	-1	11	-20	
Cash flow from investing activities	-31.7	-105	-28	69	
of which investments	-33.6	-126	-31	-35	
of which sales	1.9	21	3	104	
Cash flow from financing activities	-5.2	83	-3	-378	
of which change in loans	-5.2	56	-3	-379	
of which capital contribution	0	27	0	1	
of which dividends	0	0	0	0	
Cash flow for the year	-12.2	18	-2	-308	
Key figures					
EBITA margin, %	3.7	4.0	3.2	6.8	
EBT margin, %	neg	neg	neg	1.4	
Return on equity, %	neg	neg	neg	–	
Return on capital employed, %	2.1	3.0	2.0	–	
Equity ratio, %	25	25	27	29	
Interest-bearing net debt, EURm	240	233	198	194	
Debt/equity ratio, gross, times	2.4	2.2	2.1	1.9	
Cash flow after investments, EURm	7.0	-65	1	70	
Average number of employees	2,150	2,359	2,268	–	

Group summary

	2003	2002	2001	2000	1999
Key figures					
Earnings per share before dilution, SEK	7.71	4.60	22.07	23.50	20.95
Dividend per share, SEK	7.25 [1)]	6.75	6.25	5.50	4.50
Dividend yield, %	6.4	7.1	6.7	7.0	6.3
Total return, %	27	8	27	16	34
Market price, 31 December, SEK	113	95.50	93.50	79	72
Net asset value per share, 31 December, SEK	102	106	108	125	113
Net asset value, SEKm	8,015	8,368	8,495	9,896	9,192
Return on equity, %	8	4	23	31	35
Equity ratio, %	91	90	95	95	95
Average number of shares before dilution	78,610,824	78,867,216	79,029,299	80,350,723	81,320,426
Number of shares outstanding	78,554,640	78,645,440	78,958,226	79,155,626	81,320,426
Income statement, SEKm					
Holdings					
Profit/loss from subsidiaries	91	71	-27	14	-49
Exit gains/losses, subsidiaries	–	90	–	-37	201
Share of profits of associated companies	297	326	230	306	177
Exit gains, associated companies	412	206	1,722	638	733
Write-downs, associated companies	-7	-45	-248	–	–
Dividends, other companies	21	14	10	–	–
Exit gains, other companies	32	68	130	38	–
Profit from holdings	846	730	1,817	1,046	824
Asset management					
Dividends	–	–	16	103	102
Capital gains	–	–	218	905	921
Profit from asset management	–	–	234	1,008	1,023
Central income and expenses	-34	-96	-125	-77	-86
Consolidated profit before tax	812	634	1,926	1,977	1,761
Tax including minority interests	-206	-271	-182	-89	-57
Consolidated profit after tax	606	363	1,744	1,888	1,704
Balance sheet, SEKm					
Intangible fixed assets	693	335	127	75	31
Tangible fixed assets	217	224	43	29	19
Financial fixed assets	5,119	5,419	7,882	6,684	5,257
Current assets	2,729	2,947	589	366	474
Total assets	8,758	8,925	8,641	7,154	5,731
Shareholders' equity including minority interests	7,934	8,155	8,177	6,778	5,437
Provisions	83	85	14	41	81
Interest-bearing liabilities	393	363	200	91	59
Non-interest bearing liabilities	348	322	250	244	154
Shareholders' equity and liabilities	8,758	8,925	8,641	7,154	5,731

1) Proposed by the Board of Directors.

Definitions

Capital employed
Total assets minus non-interest bearing liabilities.

Debt/equity ratio
Interest-bearing liabilities in relation to shareholders' equity.

Dividend yield
Dividend expressed as a percentage of market price.

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.

EBITDA
(Earnings before interest, tax, depreciation and amortisation.) Profit before net financial items, tax, depreciation and goodwill amortisation.

EBT
(Earnings before tax.) Profit before tax.

Equity ratio
Reported shareholders' equity expressed as a percentage of total assets. Minority interests are included in shareholders' equity.

Equity ratio including hidden reserve
Reported shareholders' equity plus 100% of hidden reserve in listed shares and investment properties expressed as a percentage of total assets including hidden reserves. Minority interests are included in shareholders' equity.

Exit result
Exit result is the capital gain or loss which arises when a holding is sold.

Holding
A holding is a company in which Ratos, usually as the largest owner, exercises significant owner influence and is represented on the board.

Net asset value
Net asset value is the difference between the company's assets and liabilities.

Net asset value is calculated from the Parent Company's perspective. Liquid assets (net) in central companies are added. Central companies are treated as if they were part of the Parent Company. Items whose market value differs from the book value in the Parent Company are the shareholdings and the Parent Company's property.

Market values are official market prices for listed holdings. Consolidated book values are applied for unlisted holdings. Unlisted holdings in Industri Kapital are stated at their value according to valuations performed by Industri Kapital.

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

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

Operating margin
Operating profit expressed as a percentage of net sales.

Partial exit
A partial exit refers to divestment of part of a holding.

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 on Ratos shares
Price development of Ratos B shares including reinvested dividends.

Ratos AB

Drottninggatan 2
Box 1661
SE-111 96 Stockholm
Tel: +46 8 700 17 00
Fax: +46 8 10 25 59
www.ratos.se

Holdings

ARCORUS AB
Sveavägen 33
Box 3507
SE-103 69 Stockholm
Tel: +46 8 545 187 50
Fax: +46 8 545 187 59
www.arcorus.com

ATLE INDUSTRI AB
Birger Jarlsgatan 25
Box 7847
SE-103 99 Stockholm
Tel: +46 8 506 101 80
Fax: +46 8 506 211 80
www.atleindustri.se

BLUEGARDEN A/S
Rådhusgaten 24
Postboks 476, Sentrum
N-0105 Oslo
NORWAY
Tel: +47 24 08 75 00
Fax: +47 24 08 75 02
www.bluegarden.no

CAMFIL AB
Industrigatan 3
SE-619 33 Trosa
Tel: +46 156 536 00
Fax: +46 156 167 24
www.camfil.com

DAHL INTERNATIONAL AB
Karlsbodavägen 2
Box 11076
SE-168 11 Bromma
Tel: +46 8 764 22 00
Fax: +46 8 21 28 15
www.dahlinternational.com

DIAB AB
Box 201
SE-312 22 Laholm
Tel: +46 430 163 00
Fax: +46 430 163 95
www.diabgroup.com

DYNAL BIOTECH ASA
Postboks 114 Smestad
N-0309 Oslo
NORWAY
Tel: +47 22 06 10 00
Fax: +47 22 50 70 15
www.dynalbiotech.com

GADELIUS K.K.
Entsuji Gadelius Bldg.
5-2-39, Akasaka Minato-KU
Tokyo 107-8302
JAPAN
Tel: +81 3 3224 3411
Fax: +81 3 3224 3431
www.gadelius.com

HAENDIG AB
Svarvaregatan 5
Box 525
SE-301 80 Halmstad
Tel: +46 35 15 44 00
Fax: +46 35 15 45 48
www.haendig.com

HAGLÖFS SCANDINAVIA AB
Box 520
SE-774 27 Avesta
Tel: +46 226 670 00
Fax: +46 226 571 59
www.haglofs.se

HL DISPLAY AB
Horisontvägen 26
SE-128 34 Skarpnäck
Tel: +46 8 683 73 00
Fax: +46 8 683 73 01
www.hl-display.com

INDUSTRI KAPITAL
Birger Jarlsgatan 4
SE-114 34 Stockholm
Tel: +46 8 678 95 00
Fax: +46 8 678 03 36
www.industrikapital.com

INTERVECT AB
Brunkebergstorg 5
SE-111 51 Stockholm
Tel: +46 8 402 14 40
Fax: +46 8 402 14 59
www.intervect.com

LINDAB AB
SE-269 82 Båstad
Tel: +46 431 850 00
Fax: +46 431 850 10
www.lindab.com

LRT/TORNET
Fastighets AB Tornet
Karlsrovägen 2A
Box 623
SE-182 16 Danderyd
Tel: +46 8 544 905 00
Fax: +46 8 544 905 30
www.tornet.se

MARTINSSON
INFORMATIONSSYSTEM AB
Box 18
SE-164 93 Kista
Tel: +46 8 477 47 00
Fax: +46 8 477 47 01
www.martinsson.se

OVERSEAS TELECOM
Nybrogatan 7
SE-114 34 Stockholm
Tel: +46 8 456 16 00
Fax: +46 8 456 16 95
www.telia.se

Q-LABS AB
Southbank House
Black Prince Road
London
SE1 7SJ
ENGLAND
Tel: +44 207 735 8171
Fax: +44 207 735 1555
www.q-labs.com

SUPERFOS A/S
Skimmedevej 10
Box 186
4390 Vipperød
DENMARK
Tel: +45 59 111 110
Fax: +45 59 111 179
www.superfos.com

Production: Ratos in co-operation with
Bouvier Information and Frankfeldt Grafisk Form

Photographs Board of Directors, CEO and Management: Leif Hansen

Translation: Morton Communications

Printing: Tryckindustri Information, 2004

Paper: Profistar Silk

Drottninggatan 2 Box 1661 SE-111 96 Stockholm Sweden
Tel +46 8-700 17 00 Fax +46 8-10 25 59 www.ratos.se Corp ID No. 556008-3585