



Drottninggatan 2 Box 1661 SE-111 96 Stockholm Sweden  
 Org nr/Corp. Id no. 556008-3585 Phone +46 8-700 17 00 Fax +46 8-10 25 59 www.ratos.se

## YEAR-END REPORT 2004

CEO ARNE KARLSSON COMMENTS ON THE REPORT AT [www.ratos.se](http://www.ratos.se)  
 TELEPHONE CONFERENCE 3 p.m., tel. no. +46 8 505 20 114

- Pre-tax profit SEK 1,989m (812)
- Earnings per share SEK 22.69 (7.71)
- Proposed dividend SEK 8.50 (7.25)
- Continued strong development in portfolio companies
- Holdings Dahl and Q-Labs sold
- Two new Holdings: BTJ InfoData and Elitfönster
- Total return on Ratos shares +35%

### Important events

Ratos completed two exits during the year with overall favourable results. The sale of Dahl to the French Saint-Gobain Group was completed in May and provided a total exit gain of SEK 1,355m. The investment in Dahl thus provided an average annual return (IRR) of 35%. The holding in Q-Labs was sold in May to Det Norske Veritas and a member of the company's management. The sale of Q-Labs had no impact on Ratos's results. The investment provided a negative IRR.

Within Industri Kapital major divestments were made of shares in Nobia and Oriflame, which made a positive contribution to Ratos's results of SEK 92m. Ratos also sold 2,000,000 shares in the Norwegian hotel company Choice Hotels for a total of SEK 45m. This sale resulted in a loss for Ratos of approximately SEK 10m.

Two new holdings were added to the portfolio. BTJ InfoData, which was acquired in March, is a leading Swedish supplier of information services and media products. Ratos's investment amounted to SEK 252m for 49% of the share capital and a convertible which at possible future conversion will provide an additional holding of approximately 7%. On 4 November, an agreement was signed for acquisition of 95% of the shares in the Elitfönster Group. Ratos's investment amounts to SEK 473m. Elitfönster is Sweden's leading window manufacturer.

Add-on investments were made in Arcorus, Gadelius and Haendig for a total amount of SEK 313m. As a result of these acquisitions, the companies became wholly owned Ratos subsidiaries.

After year-end 2004, the holding company Arcorus will be dissolved. Arcorus's subsidiaries Häggglunds Drives and GS-Hydro will continue to be directly owned by Ratos and reported as separate holdings from 1 January 2005.

After the end of the period, the entire holding in Dynal Biotech was sold to the American company Invitrogen Corporation. This sale provided Ratos with an exit gain of approximately SEK 300m and an average annual return (IRR) of 24%.

### Business environment and market

Ahead of 2004, Ratos's general assessment of the economic outlook was that the "muddle-through plus" scenario we had been working with for some time was now firmly established, and that a classical, self-strengthening, cyclical economic upswing was on its way. This was reinforced by the fact that the world, for the first time in several years, appeared to be about to experience a relatively synchronised boom.

Development during the year came to confirm this scenario. Large parts of the global economy as well as several sectors and niches have performed well. According to the IMF the global economy grew by approximately 5% in 2004, the fastest growth for 28 years.

The positive macroeconomic development was also reflected in Ratos's portfolio companies. Combined with the effects of ongoing efforts to enhance efficiency and promote growth in all holdings, this has led to an overall strong earnings trend for Ratos's portfolio companies.

Combined sales for the underlying portfolio at the end of the period increased during the year by 4% compared with the previous year. Taking Ratos's different ownership stakes into account, sales rose by 4%. The corresponding changes in operating profit (EBITA = profit before net financial items, tax and goodwill amortisation) were +32% and +24% respectively, while profit before tax (EBT) increased by 83% and 75% respectively. The above change figures exclude LRT/Torner.

Ratos's main scenario for the global economy in 2005 is that growth will flatten out at a continued good level in addition to this it can be noted that the efficiency enhancement and growth programmes underway in the portfolio companies still have plenty left to give in many cases. Taken overall, conditions exist for a continued earnings improvement in the underlying portfolio in 2005.

To facilitate analysis, an extensive table is provided in Appendix 2 on page 22 with key figures for the Ratos holdings. A summary of income statements and balance sheets, etc., for Ratos's associated companies and subsidiaries is available at [www.ratos.se](http://www.ratos.se) in downloadable Excel files.

### Ratos's results

The Group's profit before tax amounted to SEK 1,989m (812). This result includes profit from the holdings of SEK 2,087m of which exits accounted for SEK 1,438m (846, of which exits SEK 444m). Exit gains are mainly attributable to the sale of Dahl. Industri Kapital also carried out exits which made a positive contribution to Ratos's result of SEK 92m.

#### Goodwill

Total goodwill amortisation – including Ratos's share of holdings' goodwill – amounted to SEK 290m (302). If Ratos had not carried out any goodwill amortisation, current earnings would increase by a corresponding amount as shown in Table 1. With effect from 2005, no goodwill amortisation will be carried out according to the new IAS/IFRS rules.

**Table 1 Ratos's results and total goodwill amortisation**

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

In the same way, the aggregated results for Ratos's holdings at 31 December 2004 – without taking Ratos's holdings into account – would increase by SEK 470m if no goodwill amortisation was carried out in the holdings as shown in Table 2.

**Table 2 Holdings' aggregated results and goodwill amortisation**

SEKm	2004	2003
Profit before tax and goodwill amortisation (EBTA)	2,395	1,546
Total goodwill amortisation	-470	-464
Profit before tax (EBT)	1,925	1,082

**Ratos's results January-December 2004<sup>1)</sup>**

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

<sup>1)</sup> Ratos's reporting of subsidiaries' profits and share of profits from associates is affected, among other things, by changed accounting principles, ownership duration, ownership stake and financial structure, which makes comparability between the years difficult. To facilitate analysis of the holdings, a table is provided in Appendix 2 on page 22.

<sup>2)</sup> With effect from January 2005, Arcorus ceased to be a parent company. The subsidiaries Häggglunds Drives and GS-Hydro are subsequently reported as separate holdings.

<sup>3)</sup> Entire holding sold after end of period.

#### Central income and expenses

Ratos's net income and expenses amounted to SEK -98m (-34), of which personnel costs amounted to SEK 108m (60). The variable portion of personnel costs amounted to SEK 54m (18). Other management costs, including costs for acquisition and exit processes not carried out, amounted to SEK 53m (40). Net financial items amounted to SEK 63m (66).

#### Tax

Ratos's consolidated tax expense currently comprises the subsidiaries' and Ratos's share of tax in associated companies. The tax rate in the consolidated income statement is affected, among other things, by the parent company's investment company status and non-deductible goodwill amortisation.

#### Financial position

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

#### Parent company

The parent company's pre-tax profit amounted to SEK 1,224m (778). The parent company's cash and cash equivalents, including short-term interest-bearing investments, amounted to SEK 1,890m (1,500), i.e. scope for investments without utilising credit facilities.

#### Ratos shares

Earnings per share amounted to SEK 22.69 (7.71). The total return on Ratos shares during the period was +35% (+27). During the same period, the SIX Return Index rose 21% (+34).

Since 1 July 2004 Ratos shares have been included in the new global LPX50 VW index for listed private equity companies. During the period 1994-2004 the annual increase in the LPX50 VW was 9% compared with the MSCI World Index which rose 5%. LPX50 VW includes 50 listed private equity companies worldwide. The index is updated every week by the Swiss company Vescore Solutions AG in Basel. More information about LPX50 VW is available at [www.lpx.ch](http://www.lpx.ch).

#### Dividend

Ratos has an aggressive dividend policy. The Board of Directors proposes a dividend for 2004 of SEK 8.50 (7.25) per class A and B share. The record date for dividends will be 11 April and payments from VPC are expected to be made on 14 April.

#### Share buy-backs

The 2004 Annual General Meeting gave the Board a mandate to acquire up to 7% of the company's shares until the next Annual General Meeting on 6 April 2005. Share buy-backs are to be effected on the Stockholm Stock Exchange. In 2004 until and including 23 February 2005, 48,200 Ratos shares were acquired. In total since 2000, 2,893,986 B shares have been repurchased of which 1,157,800 have been cancelled. Ratos thus owns 1,736,186 B shares, corresponding to 2.2% of existing shares.

The Board has decided to propose that the Annual General Meeting gives the Board a renewed mandate to buy back shares in the company, during the period until the next Annual General Meeting. Share buy-backs are to be effected on the Stockholm Stock Exchange and are limited so that the company's holding of own shares at any time may not exceed 7% of the total number of shares in the company. The purpose of share buy-backs is to give the Board greater freedom of action in its efforts to create value for Ratos's shareholders.

**Equity**

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

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

<sup>2)</sup> The entire holding was sold after the end of the period.

**Equity/share**

With effect from 2004 Ratos reports equity instead of net asset value. Since approximately 90% of Ratos's assets comprise unlisted assets and are reported at consolidated book value, the measure net asset value had become less relevant to an external observer of Ratos. The measure net asset value can also mislead the observer to perceive the book values as market values, which is not the case. At 31 December 2004, equity per share amounted to SEK 114 (100).

**Credit facilities**

Since the beginning of 2005, the parent company has a rolling five-year credit facility amounting to SEK 1.3 billion including an overdraft facility. Normally, the parent company should be unleveraged. The purpose of the facility is to be able to use it when bridging financing is required for acquisitions, and to be able to finance dividends and day-to-day running costs in periods of few or no exits.

**New accounting principles in accordance with IAS/IFRS**

See Appendix 1 on page 19.

**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. At 31 December 2004, 412,071 A shares had been submitted for conversion into B shares.

### **Nomination Committee's proposal**

At the Annual General Meeting held on 1 April 2004, the Chairman, announced that he had been assigned by Ratos's major shareholders to appoint, in consultation with them, a Nomination Committee ahead of the 2005 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 2004.

The Nomination Committee will propose to Ratos's Annual General Meeting that the Board be expanded by one member. Staffan Bohman, former President and CEO of Gränges and Sapa, is proposed as a new member of the Board.

Present members of Ratos's Board are Olof Stenhammar (Chairman), Lars Berg, Peggy Bruzelius, Göran Grosskopf, Jan Söderberg, Per-Olof Söderberg and Arne Karlsson (CEO). The Nomination Committee proposes that all these members be re-elected.

### **Incentive programme for key people**

The Board has today decided to propose that the Annual General Meeting decides on the issue of a maximum of 150,000 call options on repurchased Ratos class B shares. It is proposed that the call options be offered to a maximum of seven key people working in the company.

The offer to subscribe for options comprises between 10,000 and 50,000 options per person. The exercise price will be set at 125% of the average closing price for Ratos B shares during the period 7-14 April 2005, although a minimum of SEK 20 and a maximum of SEK 300. The options will remain valid until and including 31 March 2010. The price of the options will be determined as their assessed market value taking the share price during the measurement period into account. Purchasers of options will receive an extra compensation, allocated over five years, corresponding to 50% of the option premium, provided the person concerned is still working at Ratos and still holds options acquired from Ratos. Additional information on the options offer will be provided in the notice of the Annual General Meeting which will be available at [www.ratos.se](http://www.ratos.se) from 1 March 2005.

### **Annual General Meeting**

Ratos's Annual General Meeting will be held on 6 April 2005 at 5:30 p.m. in Berwaldhallen, Dag Hammarskjölds Väg 3, Stockholm. Shareholders who wish to participate in the meeting must be entered in the share register kept by VPC no later than 24 March 2005, and notify their intention to attend no later than 1 April. Notification of attendance may be made by writing to Ratos, Box 1661, SE-111 96 Stockholm, by telephoning +46 8 700 17 00 or via the website [www.ratos.se](http://www.ratos.se). Complete company documentation and basis for decision will be available at the company's offices at Drottninggatan 2 in Stockholm and on the company's website [www.ratos.se](http://www.ratos.se) from 18 March 2005. The notice of the Annual General Meeting will be published on 1 March 2005.

### **Holdings**

#### **Alimak Hek (formerly Intervect)**

- Sales SEK 1,021m (990) and EBITA SEK 67m (-8)
- Good sales trend due to some recovery in Europe and increased demand in the Middle East
- Extensive action programmes have contributed to a strong improvement in earnings and continued reduction in capital
- Change of name to Alimak Hek after the end of the period

*Alimak Hek is a world leader in development, manufacture, rentals 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 merged with the Dutch company HEK International.*

Ratos's holding in Alimak Hek amounts to 50% and the consolidated book value in Ratos was SEK 181m at 31 December 2004.

#### Atle Industri

- Sales SEK 2,084m (2,375) and EBITA SEK 97m (84)
- Strong earnings improvement for Atle Industri's largest holding Envac and positive earnings trend for Pressmaster, Jens S and Elektrolindningar. Negative earnings development for Moving and Tempcold – action initiated
- Bierregaard, Luma, Navigera, and Näsströms sold. The total exit gain in Atle Industri amounted to SEK 13m
- Ratos received approximately SEK 62m in the form of a dividend and loan repayment

*Atle Industri comprises a portfolio of 10 companies, of which 8 are wholly owned. The portfolio was created when Ratos acquired Atle. The companies in the portfolio operate in the engineering industry, trading and waste management. The largest companies are Elpress (electrical connectors), Envac (waste management systems), Moving (materials handling systems), Nordhydraulic (hydraulic valves), Pressmaster Tool (crimping tools) and Tempcold (distributes cooling products).*

Ratos's holding in Atle Industri amounts to 50% and the consolidated book value in Ratos was SEK 412m at 31 December 2004.

#### Bluegarden

- Sales SEK 360m (392) and EBITA SEK 40m (39)
- Lower sales mainly due to the weakening of the Norwegian krone
- Acquisition of the market leader in the large company segment in Sweden, Atos Origin PA-konsult (now Bluegarden PA-konsult)
- Strategic agreements signed with the Danish company Multidata and with Intenia

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

Ratos's holding at 31 December 2004 amounted to 100% and the consolidated book value of the holding was SEK 236m.

#### BTJ InfoData

- Sales SEK 1,980m (1,756) and EBITA SEK 188m (209)
- Continued strong development in InfoData while the BTJ Group experienced a weaker market
- New organisation and price model implemented for Bibliotekstjänst

*BTJ InfoData consists of the operating areas BTJ Group and InfoData. BTJ Group's operations include Bibliotekstjänst, Seelig and PriolInfo. InfoData is a leading supplier of database and direct marketing services in Sweden.*

Ratos's holding amounts to 49 % and the consolidated book value of the holding was SEK 261m at 31 December 2004.

#### Camfil

- Sales SEK 2,855m (2,691) and EBITA SEK 242m (208)
- Strong earnings trend due to a high demand in the cleanroom market
- Stable development within the Comfort Market
- EBITA margin 9% (8)
- New long-term business plan adopted with clear financial targets and activities

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

Ratos's holding in Camfil amounts to 30% and the consolidated book value was SEK 422m at 31 December 2004.

#### DIAB

- Sales SEK 759m (658) and EBITA SEK 87m (58)
- Substantial improvement in earnings due to strong demand for DIAB's products, mainly in North America and Asia/Australia
- Implementation of an improved product programme had a negative impact on profitability during the introductory period
- Ratos received a dividend of SEK 72m

*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.*

Ratos's holding in DIAB amounts to 50% and the consolidated book value was SEK 580m at 31 December 2004.

#### Dynal Biotech

- Sales SEK 661m (595) and EBITA SEK 184m (161)
- Continued growth within the Molecular Systems business area
- EBITA margin 28%
- Agreement on sale of all shares to the American Invitrogen Corporation after the end of the period. Exit gain for Ratos amounts to approximately SEK 300m and will be reported in the first quarter of 2005

*The Norwegian company Dynal Biotech is a world leader in research, development and manufacture of magnetic and non-magnetic micro particles, Dynabeads® and Dynaspheres®. Applications for the products include separation of biological material such as cells, DNA and proteins.*

Ratos's holding in Dynal Biotech amounted to 25% and the consolidated book value was SEK 273m at 31 December 2004. The holding was sold after the end of the period.

#### Elitfönster

- Sales SEK 1,235m (1,080) and EBITA SEK 136m (108)
- New holding since year-end 2004
- Strong earnings trend due to good underlying window market
- The remaining shares in Norsjöfönster were acquired after the end of the period

*The Elitfönster Group develops, manufactures and sells windows to the building trade, construction companies and modular home manufacturers. In addition to Elitfönster, the Group's brands include Allmogefönster, Norsjöfönster, Överumsfönster and Fönsterinstallatören. The Group also includes Elitdörren which manufactures and sells entrance doors, mainly to the consumer market.*

Ratos's holding in the Elitfönster Group amounts to 95% and the consolidated book value was SEK 473m at 31 December 2004.

#### Gadelius

- Sales SEK 595m (620) and EBITA SEK 11m (25)
- Sales decrease due to low order backlog at the beginning of the year and a weak Japanese yen

- Good order bookings ahead of 2005
- Continued strong cash flow
- Add-on investment of SEK 65m made Gadelius a wholly owned Ratos subsidiary

*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.*

Ratos's holding in Gadelius at 31 December 2004 amounted to 100% via a Dutch holding company. The consolidated book value in Ratos was SEK 144m at 31 December 2004. This figure excludes the holding company.

#### GS-Hydro

- Sales SEK 482m (503) and EBITA SEK 1m (25)
- Continued weak Norwegian marine market contributed to a reduction in sales and a sharp fall in earnings
- Action taken to improve profitability
- Separate holding from January 2005 following the dissolution of the Arcorus group

*GS-Hydro is a leading supplier of non-welded piping systems. Products are mainly used in the marine and offshore industries as well as in the pulp & paper, metals & mining, automotive & aerospace and defence industries. The head office is located in Finland. GS- Hydro was previously part of Arcorus but is a separate Ratos holding with effect from January.*

Ratos's holding in GS-Hydro amounts to 100% and the consolidated book value in Ratos was SEK 129m at 31 December 2004.

#### Haendig

- Sales SEK 1,291m (1,194) and EBITA SEK 70m (65)
- Increased sales due to improved demand and two minor acquisitions
- Sale of the subsidiary Markt and the Hitachi agency in Finland released SEK 140m
- Add-on investment of SEK 108m made Haendig a wholly owned Ratos subsidiary
- Agreement concluded after the end of the period for acquisition of Lundbergs Produkter AB

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

Ratos's holding in Haendig after the add-on investment amounts to 100% and the consolidated book value in Ratos was SEK 309m at 31 December 2004.

#### Haglöfs

- Sales SEK 340m (341) and EBITA SEK 20m (19)
- Continued success for Haglöfs brand particularly in textiles and export markets
- Earnings charged with restructuring costs of approximately SEK 5m within Alfa

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

Ratos's holding in Haglöfs amounts to 100% and the consolidated book value in Ratos was SEK 124m at 31 December 2004.

#### HL Display

- Sales SEK 1,311m (1,129) and EBITA SEK 81m (-2)
- Strong improvement in earnings mainly due to lower costs and other efficiency enhancements
- Good sales development in the largest European markets. Development was also positive in the Scandinavian and Asian markets
- New sales companies set up in China, South Korea and Indonesia

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

Ratos's holding in HL Display amounts to 29% and the consolidated book value was SEK 226m at 31 December 2004.

#### Hägglunds Drives

- Sales SEK 970m (887) and EBITA SEK 114m (89)
- Improved earnings due to favourable demand trend in most markets
- Strong order bookings – exceed SEK 1 billion for the first time
- Separate holding from January 2005 due to dissolution of the Arcorus Group

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

Ratos's holding in Hägglunds Drives is 100% and the consolidated book value in Ratos was SEK 332m at 31 December 2004.

#### Industri Kapital

- Acquisition of the French company IDEX and the Norwegian company Ekstrem Lavpris
- Divestment of Groupe Fives-Lilles and Labeyrie
- Oriflame Cosmetics IPO and major divestments of Nobia and Alfa Laval

*Industri Kapital is an unlisted private equity company with assets under management in excess of EUR 3 billion. Since its formation in 1989, Industri Kapital has completed more than 40 investments in four funds within different sectors in Europe, mainly in the engineering, wholesale & retail and service industries. Ratos has invested in four funds: 1989, 1994, 1997 and 2000.*

The consolidated book value of Ratos's holding in Industri Kapital amounted to SEK 330m at 31 December 2004.

#### Lindab

- Sales SEK 5,477m (5 302) and EBITA SEK 374m (305)
- Continued weak construction market in the Nordic region and Western Europe with a stronger business climate towards the end of the year
- Strong development within Profile with good growth particularly in Eastern Europe
- Sharply rising prices for sheet metal compensated by price increases

*Lindab is a world leader in circular ventilation ducts and accessories and is also a leading manufacturer of sheet metal building materials. Production takes place in 21 countries and is concentrated to sheet metal products. Approximately 70% of sales go to countries outside Sweden. In 2001, together with companies including Skandia Liv and the Sixth Swedish National Pension Fund, Ratos implemented a buyout of Lindab from the stock exchange via a buyout company, Lindab Intressenter.*

Ratos's holding in Lindab amounts to 48% and the consolidated book value in Ratos was SEK 1,115m at 31 December 2004.

## LRT/Tornet

- Rental income SEK 2,223m (2,403) and EBITA SEK 1,808m (1,488) in Fastighets AB Tornet
- New strategy and business plan adopted under which Tornet will liquidate all assets
- A total of 158 properties were sold during the year for a value of SEK 4,997m

*LRT Acquisition AB owns approximately 82.4% of Fastighets AB Tornet which is one of Sweden's largest listed property companies. The properties are concentrated to Sweden's four largest cities as well as Västerås and Karlstad. At year-end 2004 Tornet owned 257 properties.*

Ratos's holding in LRT Acquisition AB amounts to 40% and the consolidated book value in Ratos was SEK 848m at 31 December 2004.

## Martinsson

- Sales SEK 1,522m (1,247) and EBITA SEK 34m (15)
- Strong improvement in earnings mainly attributable to favourable developments in the service sector
- Acquisition of industry colleague Lindahl & Rothoff in Lund. This acquisition strengthens Martinsson's position as a nationwide player

*Martinsson is a nationwide player within servers and server-related services. The company offers consulting services and products from world-leading suppliers.*

Ratos's holding in Martinsson amounts to 50% and the consolidated book value in Ratos after restructuring was SEK 117m at 31 December 2004.

## Overseas Telecom

- Favourable development for the remaining two portfolio companies in Sri Lanka and Uganda
- Total number of subscribers increased by 43% compared with the previous year
- Sale of portfolio companies in Namibia and Hong Kong. The total capital gain amounted to SEK 366m
- Dividend and reduction of capital gave Ratos SEK 28m

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

Ratos's holding in Overseas Telecom amounts to 9% of the capital and 19% of the voting rights. The consolidated book value in Ratos was SEK 27m at 31 December 2004.

## Superfos

- Sales SEK 3,139m (3,217) and EBITA SEK 267m (121)
- Improvement in earnings mainly due to action programmes
- Continued favourable earnings trend in the USA, Pharma and Aerosols divisions

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

Ratos's holding in Superfos amounts to 33% and the consolidated book value in Ratos was SEK 341m at 31 December 2004.

Stockholm, 23 February 2005  
Ratos AB (publ)

Arne Karlsson  
CEO

This report has not been reviewed by Ratos's auditors

For further information, please contact:  
Arne Karlsson, CEO, +46 8 700 17 00  
Clara Bolinder-Lundberg, IR, +46 8 700 17 63

Financial calendar:	
Annual General Meeting	6 April 2005
Interim report January-March 2005	12 May 2005
Interim report January-June 2005	24 August 2005
Interim report January-September 2005	11 November 2005

**Consolidated income statement**

SEKm	2004 Q4	2003 Q4	2004 full year	2003 full year
<b>Holdings</b>				
Profit from subsidiaries	7	40	113	91
Share of profits of associates	220	66	525	297
Exit gains, associates	1	220	1 356	412
Impairment loss, associates	-17	-7	-17	-7
Dividends, other companies	-	-	28	21
Exit gains, other holdings	-11	23	82	32
Profit from holdings	200	342	2,087	846
<b>Central income and expenses</b>				
Management costs	-91	-31	-161	-100
Financial items	28	15	63	66
Net expenses	-63	-16	-98	-34
Profit before tax	137	326	1,989	812
Tax	11	-34	-197	-193
Minority share of net profit	1	-7	-2	-13
Profit after tax	149	285	1,790	606
Earnings per share, SEK				
- before dilution	1.89	3.63	22.69	7.71
- after dilution	1.88	3.62	22.62	7.69
Number of shares outstanding				
- average before dilution	78,938,440	78,554,640	78,902,245	78,610,824
- average after dilution	79,153,118	78,726,307	79,122,799	78,834,535
- at the end of the period	78,938,440	78,554,640	78,938,440	78,554,640

**Consolidated balance sheet**

SEKm

31 December 2004

31 December 2003

**ASSETS****Fixed assets**

Intangible	1,759	693
Tangible	603	217
Financial	5,249	5,119
<b>Total fixed assets</b>	<b>7,611</b>	<b>6,029</b>

**Current assets**

Inventories	950	365
Current receivables	1,223	705
Short-term investments, shares	13	27
Short-term investments, other	1,866	1,462
Cash and bank balances	294	170
<b>Total current assets</b>	<b>4,346</b>	<b>2,729</b>
<b>Total assets</b>	<b>11,957</b>	<b>8,758</b>

**EQUITY AND LIABILITIES**

Shareholders' equity	9,026	7,827
Minority interests	34	107
Provisions	165	83
Long-term liabilities		
- non-interest bearing	39	1
- interest-bearing	1,012	87
Current liabilities		
- non-interest bearing	1,006	392
- interest-bearing	675	261
<b>Total equity and liabilities</b>	<b>11,957</b>	<b>8,758</b>

**Statement of changes in equity**

	2004	2003
Opening equity according to previously adopted balance sheet	7,827	8,037
Effect of changed accounting principles	-24	-
Restated opening balance	7,803	8,037
Dividend paid	-573	-531
New issue	35	6
Option premiums	0	3
Buy-back of own shares	-5	-15
Option premiums, associates	1	-
Effect of associates' buy-back of own shares	-	1
Translation difference in associates and subsidiaries	-24	-308
Effect of currency hedging	-	11
Accumulated translation difference in sold associate	-1	17
Net profit for the period	1,790	606
<b>Closing equity</b>	<b>9,026</b>	<b>7,827</b>

**Consolidated cash flow statement**

SEKm	2004	2003
<b>Operating activities</b>		
Consolidated profit before tax	1,989	812
Adjustment for items not included in cash flow	-1,696	-569
	293	243
Paid tax	-54	-39
Cash flow from operating activities before change in working capital	239	204
Cash flow from changes in working capital		
Increase (-) in inventories	-67	-7
Increase (-) in operating receivables	-109	-66
Increase (+) in operating liabilities	179	0
Cash flow from operating activities	242	131
<b>Investing activities</b>		
Acquisitions, subsidiaries	-643	-352
Sales, holdings	1,625	1,398
Acquisitions, holdings	-189	-681
Acquisition of other intangible/tangible fixed assets	-81	-53
Change, financial assets	48	701
Cash flow from investing activities	760	1,013
<b>Financing activities</b>		
Buy-back of own shares	-5	-15
Option premiums	1	3
New issue	35	6
Dividend paid	-573	-531
Increase (+) in interest-bearing liabilities	71	-53
Cash flow from financing activities	-471	-590
Cash flow for the period	531	554
Cash and cash equivalents, opening balance	1,632	1,084
Exchange difference in cash and cash equivalents	-3	-6
Cash and cash equivalents, closing balance	2,160	1,632
<b>Consolidated key figures</b>		
Return on equity, %	21	8
Equity ratio, %	76	91
Interest-bearing receivable	1,127	1,858 <sup>1)</sup>
<b>Key figures per share</b>		
Total return, %	35	27
Yield, %	5.9	6.4
Market price, SEK	143.50	113
Dividend, SEK	8.50 <sup>2)</sup>	7.25
Equity, SEK	114	100

<sup>1)</sup> Excl. receivable from Woodrose/DIAB Intressenter for non-transferred Atle companies.

<sup>2)</sup> Board's proposal to 2005 AGM.

**Parent company income statement**

	2004	2003	2004	2003
SEKm	Q4	Q4		
<b>Holdings</b>				
Dividends, subsidiaries	-22	-	51	56
Exit gains, associates	-29	346	1 261	634
Dividends, associates	-	-	12	44
Impairment loss, associates	-162	-29	-162	-30
Dividends, other companies	-	-	28	21
Exit gains, other holdings	-10	24	83	33
Profit from holdings	-223	341	1 273	758
<b>Central income and expenses</b>				
Management costs	-84	-31	-150	-95
Financial items	25	34	101	115
Net expenses	-59	3	-49	20
Profit before tax	-282	344	1 224	778
Tax	-	-	-	-
Profit after tax	-282	344	1 224	778

**Parent company balance sheet**

SEKm

31 December 2004

31 December 2003

**ASSETS****Fixed assets**

Tangible	13	15
Financial	6,998	6,499
Total fixed assets	7,011	6,514

**Current assets**

Current receivables	144	266
Short-term investments	1,866	1,462
Cash and bank balances	24	38
Total current assets	2,034	1,766
Total assets	9,045	8,280

**EQUITY AND LIABILITIES**

Shareholders' equity	8,768	8,087
Provisions	3	3
Long-term liabilities		
- non-interest bearing	34	-
- interest-bearing	130	128
Current liabilities		
- non-interest-bearing	74	58
- interest-bearing	36	4
Total equity and liabilities	9,045	8,280

**Statement of changes in equity**

	2004	2003
Opening equity according to previously adopted balance sheet	8,087	7,846
Dividend paid	-573	-531
New issue	35	6
Buy-back of own shares	-5	-15
Option premiums	0	3
Net profit for the period	1,224	778
Closing equity	8,768	8,087

**Parent company cash flow statement**

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

### **New accounting principles in accordance with IAS/IFRS**

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

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

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

### **Accounting principles—significant differences**

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

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

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

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

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

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

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

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

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

*Property, plant and equipment (tangible fixed assets)* must either be valued at fair value or recognised at historical cost with deduction for depreciation and impairment losses. In both cases attention must be paid to component depreciation. This means that tangible fixed assets must be divided into

components which in many cases means a new classification. Application of component depreciation must be made retrospectively from the historical acquisition date which makes this application very complicated. Investment properties may be either valued at fair value or recognised at cost. Ratos will report investment properties at fair values.

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

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

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

Minority shares will be included as part of equity.

#### Equity 1 January 2004 after transition to IFRS

Opening equity according to previously adopted balance sheet	7,827
Effect of changed accounting principles	-24
<b>Restated opening balance</b>	<b>7,803</b>

#### Transition to IFRS

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

<b>Income statement</b>	<b>Note</b>	2004	Transition to IFRS	Comparative year 2004
<b>Holdings</b>				
Profit from subsidiaries	a,b	113	55	168
Share of profits of associates	a,b,c,d	525	281	806
Exit gains, associates		1,356		1,356
Impairment loss, associates		-17		-17
Dividends, other companies		28		28
Exit gains, other companies		82		82
<b>Profit from holdings</b>		<b>2,087</b>	<b>336</b>	<b>2,423</b>
Central income and expenses				
Management costs		-161		-161
Financial items		63		63
Net expenses		-98		-98
<b>Profit before tax</b>		<b>1,989</b>	<b>336</b>	<b>2,325</b>
Tax	a,b,c,d	-197	-13	-210
Minority interests	a	-2	-2	-4
<b>Net profit for the year</b>		<b>1,790</b>	<b>321</b>	<b>2,111</b>
Earnings per share, SEK				
- before dilution		22.69		26.75
- after dilution		22.62		26.68

Number of shares outstanding		
- average before dilution	78,902,245	78,902,245
- average after dilution	79,122,799	79,122,799
-at the end of the period	78,938,440	78,938,440

Effect on profit for the year before tax and minority		
a) Goodwill, IAS 38		290
b) Restructuring reserves IAS 37		-3
c) Leases IAS 17		1
d) Investment properties IAS 40		48
Total effect on profit		336

### Consolidated balance sheet

SEKm		31 Dec 2004	Transition to IFRS	Comparative year 2004
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible	a	1,759	65	1,824
Tangible	e	603	-1	602
Financial	a,b,c,d,e	5,249	238	5,487
<i>Total fixed assets</i>		7,611	302	7,913
<b>Current assets</b>				
Inventories		950		950
Current receivables	f	1,223	-3	1,220
Short-term investments, shares and participations		13		13
Short-term investments, other		1,866		1,866
Cash and bank balances		294		294
<i>Total current assets</i>		4,346	-3	4,343
<i>Total assets</i>		11,957	299	12,256

SEKm		31 Dec 2004	Transition to IFRS	Comparative year 2004
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity	a,b,c,d,e,f	9,026	300	9,326
Minority interests		34		34
Provisions	b, e	165	1	166
<b>Long-term liabilities</b>				
Non-interest bearing liabilities		39		39
Interest-bearing liabilities		1,012		1,012
<b>Current liabilities</b>				
Non-interest bearing liabilities	b	1,006	-2	1,004
Interest-bearing liabilities		675		675
<i>Total equity and liabilities</i>		11,957	299	12,256

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

## Ratos's holdings at 31 December 2004

SEKm	Net sales		EBITA		EBT		Items affecting comparability		Goodwill	Other	Invest-	Cash flow*	Interest-bearing			Average no. Ratos's consoli-		Ratos's		
	2004	2003	2004	2003	2004	2003	2004	2003	2004	depreciation	ments		2004	Equity	net debt	Goodwill	employees	dated value	Investment	share of
Alimak Hek (formerly Intervet)	1 021	990	67	-8	50	-33	0	-29	3	35	34	63	285	253	41	721	181	2001	50	Alimak Hek (formerly Intervet)
Atle Industri <sup>1)</sup>	2 084	2 375	97	84	59	36	0	0	32	31	45	129	595	66	61	1 161	412	2001	50	<sup>1)</sup> Atle Industri
Bluegarden <sup>2)</sup>	360	392	40	39	26	25	-13	-11	11	21	20	-4	236	101	274	281	236	2003	100	<sup>2)</sup> Bluegarden
BTJ InfoData <sup>3)</sup>	1 980	1 756	188	209	85	126	-6	-11	67	21	38	237	301	406	806	935	261	2004	49	<sup>3)</sup> BTJ InfoData
Camfil	2 855	2 691	242	208	166	139	0	-1	44	80	110	106	1 025	443	517	2 619	422	2000	30	Camfil
DIAB	759	658	87	58	81	52	-3	0	0	35	53	46	209	211	0	788	580	2001	50	DIAB
Dynal Biotech	661	595	184	161	67	38	0	0	92	38	55	140	1 101	344	1 102	425	273	2001	25	Dynal Biotech
Elitfönster <sup>4)</sup>	1 235	1 080	136	108	97	42	1	0	14	29	40	91	500	688	863	995	473	2004	95	<sup>4)</sup> Elitfönster
Gadelius <sup>5)</sup>	595	620	11	25	9	23	-1	2	1	4	2	19	96	122	3	192	144	2001	100	<sup>5)</sup> Gadelius
GS-Hydro <sup>6)7)</sup>	482	503	1	25	-18	6	0	0	10	12	16	-21	129	218	115	307	129	2001/2005	100	<sup>6)7)</sup> GS-Hydro
Haendig	1 291	1 194	70	65	44	39	0	0	10	13	11	48	251	257	107	391	309	2001	100	Haendig
Haglöfs	340	341	20	19	16	15	0	0	1	4	1	11	73	42	3	123	124	2001	100	Haglöfs
HL Display	1 311	1 129	81	-2	68	-9	-6	-33	1	45	45	48	325	18	0	996	226	2001	29	HL Display
Hägglands Drives <sup>6)</sup>	970	887	114	89	107	84	0	0	1	23	44	73	198	149	7	514	332	2001/2005	100	<sup>6)</sup> Hägglands Drives
Lindab	5 477	5 302	374	305	180	92	0	0	121	172	250	265	2 311	1 552	1 880	4 011	1 115	2001	48	Lindab
LRT/Tornet <sup>8)</sup>	2 223	2 403	1 808	1 488	769	450	0	-123	-	196	531	1 914	2 253	11 136	-	240	848	2003	40	<sup>8)</sup> LRT/Tornet
Martinsson <sup>9)</sup>	1 522	1 247	34	15	26	9	0	0	7	4	27	-28	72	49	64	523	117	2001	50	<sup>9)</sup> Martinsson
Overseas Telecom	287	307	353	196	501	194	0	0	1	69	50	700	763	-394	1	492	27	1996	9	Overseas Telecom
Superfos	3 139	3 217	267	121	93	-52	0	0	55	277	255	198	985	1 948	845	1 800	341	1999	33	Superfos
Total incl. LRT/Tornet <sup>10)</sup>	28 305	27 380	3 821	3 009	1 925	1 082														
Total excl. LRT/Tornet <sup>10)</sup>	26 082	24 977	2 013	1 521	1 156	632														
Change incl. LRT/TORNET	3%		27%		78%															
Change excl. LRT/TORNET	4%		32%		83%															

\* Cash flow refers to cash flow from operating activities and investing activities

<sup>1)</sup> Atle Industri is not a legal group.

<sup>2)</sup> EBT 2003 is pro forma taking the new group structure into account. Investments and cash flow relate to the operating activities.

<sup>3)</sup> Income statement items are pro forma since Infodata, which was acquired in the spring, is included from the beginning of the year.

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

<sup>5)</sup> Gadelius is owned by a Dutch holding company. Figures exclude the holding company.

<sup>6)</sup> The companies are part of the Arcorus Group until 31 December 2004.

<sup>7)</sup> Comparative figures are pro forma.

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

<sup>9)</sup> EBT 2003 is pro forma taking the new group into account.

<sup>10)</sup> Excluding Overseas Telecom which is not an associated company.