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YEAR-END REPORT 2005

CEO ARNE KARLSSON COMMENTS ON THE REPORT AT www.ratos.se
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- Highest earnings ever – pre-tax profit SEK 2,601m (2,325)
- Earnings per share SEK 26.27 (26.75)
- Proposed ordinary dividend SEK 9.00 per share (8.50)
- Proposed distribution of SEK 1,500m to shareholders, corresponding to SEK 19 per share
- Continued strong performance in portfolio companies
- Anticimex, Arcus and Bisnode new holdings
- Total return on Ratos shares +43%

Significant events during the year

Ratos completed four exits during the year with a good total result. The sale of Envac (within Atle Industri) was completed in May and provided Ratos with a total exit gain of SEK 124m. The investment in Envac thus provided an annual average return (IRR) of 26%. The holding in Dynal Biotech was sold in the first quarter to the American company Invitrogen, providing an exit gain of SEK 283m. The investment therefore provided an IRR of 24%. The sale of Martinsson, which was completed in March, generated a minor loss and a marginally negative IRR. In December, an agreement was concluded for the sale of the entire holding in LRT/Tornet to Fabege. This deal was finalised in February 2006. Since the original investment of SEK 670m in December 2003, Ratos has received a total of SEK 1,890m in equity distribution and sales proceeds, which led to an IRR of 70%. Through divestments, Industri Kapital made a positive contribution to Ratos's earnings of SEK 125m.

Three new holdings were added to the portfolio. In June, Ratos concluded an agreement with Bonnier Business Information on the formation of Bisnode (formerly BBI Infodata) through a merger with Infodata previously part of BTJ Infodata. The newly formed group is the European market leader within digital business information. Ratos has invested a net amount of SEK 136m in Bisnode and will invest an additional amount of approximately SEK 380m in the first half of 2006. Ratos owns 80% of the shares and 70% of the capital taking a shareholder loan into account. In July, Ratos acquired 83% of Norway's leading wine and spirits supplier Arcus Gruppen. Ratos's investment amounts to SEK 474m. Finally, an agreement was reached in December on acquisition of 85% of the shares in Anticimex which is a market-leading company within pest control. Ratos's investment is expected to amount to SEK 535m.

As part of continuing development work in Norway, a co-operation agreement was signed with the lawyer Henning Øglænd who will act as Ratos's representative in Norway.

Refinancing of Lindab will be carried out in the first quarter of 2006. This means that SEK 1.2 billion will be transferred to Lindab's shareholders, including SEK 577m to Ratos.

Proposed distribution to shareholders

The Board of Directors has decided to propose that the Annual General Meeting to be held on 4 April 2006 decides on a mandatory redemption combined with a share split. The redemption amount will amount to approximately SEK 1,500m, or SEK 19 per share. At the same time, the Board will propose an ordinary dividend of SEK 9.00 (SEK 8.50) per existing share.

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

Business environment and market

Ahead of 2005, Ratos's general assessment of the economic outlook was that the strong global economy in 2004 would flatten out at a high level during the current year. The general economic trend and development for Ratos's holdings during 2005 have well matched this scenario. Activity and order bookings have been good or very good for most holdings.

Combined sales for the underlying portfolio at year-end increased by 11% compared with the previous year. Taking Ratos's ownership stakes into account, sales rose 14%. Corresponding changes in operating profit were +34% and +38% respectively, and +40% and +47% respectively for profit before tax. These change figures exclude LRT/Tornet.

Earnings development during the year was partly benefited from positive factors affecting comparability. Adjusted for these, performance still exceeded the internal, positive expectations Ratos had at the start of the year.

Despite some signs that the strong business climate is weakening in some parts of the world, primarily in the US, our assessment is that any possible weakening will be relatively mild. In which case, as in the mid-1980s and mid-1990s we will experience a limited mid-cycle downturn.

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

To facilitate analysis, an extensive table is provided on page 20 with key figures for all the Ratos holdings. A summary of income statements and balance sheets for Ratos's associated companies and subsidiaries is available at www.ratos.se in downloadable Excel files.

Ratos's results

In 2005 the Ratos Group's pre-tax profit amounted to SEK 2,601m (2,325) – the highest result ever. This result includes profits from the holdings of SEK 2,741m of which exit gains accounted for SEK 607m (2,423, of which exits SEK 1,438m). Exits gains are mainly attributable to the sale of Envac and Dynal Biotech. In addition, Industri Kapital carried out exits which made a positive contribution to Ratos's earnings of SEK 125m. LRT/Tornet, which was sold in December 2005, is the holding that contributed most to earnings through property sales and value appreciation of the property portfolio.

Ratos 2005 results

	Ratos's holding,%	2005	2004
Alimak Hek	50	37	31
Arcorus ¹⁾			59
Arcus	83	68	
Atle Industri	50	5	42
Bisnode	80	113	
Bluegarden	100	48	38

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

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

²⁾ Entire holding sold.

Central income and expenses

Ratos's net income and expenses amounted to SEK -140m (-98) of which personnel costs amounted to SEK 118m (108). The variable portion of personnel costs amounted to SEK 58m (54). Other management costs amounted to SEK 73m (53). Net financial items amounted to SEK 51m (63).

Tax

Ratos's consolidated tax expense currently comprises subsidiaries' tax and Ratos's share of tax in associates. The tax rate in the consolidated income statement is affected, among other things, by the parent company's investment company status.

Financial position

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

Parent company

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

Ratos shares

Earnings per share amounted to SEK 26.27 (26.75). The total return on Ratos shares during the year was +43%, compared with the SIX Return Index which rose 36%. In 1999-2005 the total return amounted to +420% while the SIX Return Index rose by +82%.

Since 1 July 2004, Ratos shares have been included in the new global index LPX50 VW intended for private equity companies. In 1994-2005 the LPX50 VW rose by 12% per year compared with the MSCI World Index which rose 8%. LPX50 VW includes 50 listed private equity companies worldwide. The index is updated on a weekly basis by LPX GmbH/Ltd in Basel. More information about LPX50 VW can be accessed at www.lpx.ch.

Proposed ordinary dividend

Ratos has an aggressive dividend policy. The Board of Directors proposes a dividend for 2005 of SEK 9.00 (8.50) per class A and B share. The record date for dividends is estimated to be 12 April and payments from VPC are expected to be made on 15 April.

Share buy-backs

The 2005 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 4 April 2006. Share buy-backs are to be effected on the Stockholm Stock Exchange. During the period until and including 23 February 2006, 17,400 Ratos shares were acquired. In total since 2000, 2,911,386 B shares have been repurchased of which 1,157,800 have been cancelled. During the year 277,500 shares were sold to option holders. Ratos thus owns 1,476,086 B shares, corresponding to 1.9% of the number of shares outstanding.

The Board has decided to propose that the 2006 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 2005	%
Alimak Hek	220	2
Arcus	508	5
Atle Industri	242	2
Bisnode	637 ¹⁾	6
Bluegarden	313	3
BTJ Nordic	35	0
Camfil	515	5
DIAB	648	6
Gadelius	191	2
GS-Hydro	159	1
Haendig	322	3

Haglöfs	155	1
HL Display	239	2
Hägglunds Drives	431	4
Industri Kapital	286	3
Inwido	721	7
Lindab	1,372	13
LRT/Tornet ²⁾	1,069	10
Overseas Telecom	27	0
Superfos	373	3
Total	8,463	78
Other net assets in central companies	2,479	22
Equity attributable to parent company shareholders	10,942	100

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

²⁾ Entire holding sold after the end of the period.

Shareholders' equity

At 31 December 2005 Ratos's shareholders' equity (attributable to parent company shareholders) amounted to SEK 10,942m corresponding to SEK 138 per outstanding share.

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. The credit facility was unutilised at the end of the period.

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 2005, 431,091 A shares had been submitted for conversion into B shares.

Nomination Committee's proposal

At the Annual General Meeting held on 6 April 2005, 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 2006 Annual General Meeting. Pernilla Klein (chairman), Olof Stenhammar, Jan-Erik Erenius, Jan Söderberg, Maria 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 2005.

Present members of Ratos's Board are Olof Stenhammar (chairman), Lars Berg, Staffan Bohman, Peggy Bruzelius, Göran Grosskopf, Jan Söderberg, Per-Olof Söderberg and Arne Karlsson (CEO). The Nomination Committee proposed re-election of all these Board members.

Incentive programme for key people

The Board has decided to propose that the Annual General Meeting decides on the issue of a maximum of 500,000 call options on repurchased Ratos class B shares. It is proposed that the call options be offered to a maximum of 15 key people working in the company who were not invited to participate in the three earlier option offerings implemented in 2001-2005 or who, due to the expiry of earlier option series, do not hold three different option series. The offer to subscribe for options comprises between 10,000 and 115,000 options per person. The exercise price will be set at 125% of the average closing price for Ratos B shares during the period 5-11 April 2006, although a minimum of SEK 20 and a maximum of SEK 400. The options will remain valid until and including 31 March 2011. 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 or shares acquired through options. 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 from 1 March 2006.

Annual General Meeting

Ratos's Annual General Meeting will be held on 4 April 2006 at 17.30 CET 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 29 March 2006, and notify their intention to attend no later than 30 March. 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. 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 from 21 March 2006. The notice of the Annual General Meeting will be published on 1 March 2006.

New accounting principles in accordance with IFRS

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The year-end report is prepared in accordance with RR 31, Interim reporting for groups and is therefore in accordance with IAS 34, Interim Financial Reporting.

New accounting principles mean that the comparative year is restated according to IFRS. New rules for financial instruments, IAS 32 and 39, are applied from 1 January 2005, without restatement of the comparative year.

Ratos's accounting principles are described below. Information on the effects of the transition to IFRS is provided on pages 14 and 16.

Associated companies

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

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

Available-for-sale holdings

A holding, i.e. a subsidiary or associate, is classified as an available-for sale holding since it is highly probable that a sale will take place. This means that the holding is recognised at the lower of carrying amount and fair value with a deduction for selling costs and is reported as a current asset on a separate line in the balance sheet. LRT/Torner is reported in accordance with this in the 2005 closing accounts.

Goodwill and intangible fixed assets

IFRS represents a significant increase in the requirement to identify intangible assets at acquisition. To the extent intangible assets can be measured, goodwill decreases correspondingly. Goodwill is not amortised but is subject to an annual test for impairment. Other intangible assets are amortised to the extent an amortisation period can be determined. In such cases, testing for impairment is only carried out when there is an indication of a decline in value. If amortisation period cannot be determined and amortisation is therefore not effected, an annual impairment test must be performed regardless of whether or not there is any indication of impairment.

In the Ratos Group, goodwill and intangible fixed assets are attributed to a holding, i.e. a subsidiary or associated company, where each holding comprises a cash-generating unit. Testing of carrying amounts is performed per holding, including the value of goodwill and intangible fixed assets attributable to the holding in question. Testing is conducted annually by calculating a recoverable amount regardless of whether or not there is any indication of impairment.

Financial instruments

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

Other fixed assets

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

Holdings

Alimak Hek

- Sales SEK 1,139m (956) and EBITA SEK 91m (85)
- Continued strong growth due to high demand, particularly in the US and Middle East
- All business areas showed improved earnings apart from Rental which was under pressure from a weak rentals market
- Acquisition of the US company Champion Elevators after year-end

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 220m at 31 December 2005.

Arcus

- Sales SEK 1,314m (1 163) and EBITA SEK 60m (84)
- Strong sales increase for the full year and record sales during the Christmas month
- Earnings charged with costs for restructuring and for the focus on export markets
- Continued favourable sales trend, primarily for spirits in Norway and tax-free shops

Arcus Gruppen is Norway's leading wine and spirits supplier. The company was formed in 1996 on the initiative of the Norwegian government and privatised in 1998. The group's best-known brands include Braastad Cognac, Vikingfjord Vodka, Løiten and Linie Aquavit. The largest production facilities are centrally located in Oslo and the company has 560 employees.

Ratos's holding in Arcus amounts to 83% and the consolidated book value in Ratos was SEK 508m at 31 December 2005.

Atle Industri

- Sales SEK 1,433m (2,084) and EBITA SEK 392m (96)
- The companies Envac, Jens S Transmissioner and Elektrolindningar were sold for a total amount of SEK 649m
- Improved earnings in Tempcold, Nordhydraulic, Evert Johansson and Elpress while Moving and Ekman showed weak development
- The sale of Envac and dividend from Atle Industri gave Ratos SEK 310m

Atle Industri comprises a portfolio of 7 companies, of which 6 are wholly owned. The portfolio was created when Ratos acquired Atle. The companies in the portfolio operate in the engineering industry and trading. The companies are Ekman (trading house), Elpress (electrical connectors), Evert Johansson (systems solutions), Moving (materials handling systems), Nordhydraulic (hydraulic valves), Pressmaster Tool (crimping tools) and Tempcold (distributes cooling products).

Ratos's holding in Atle Industri amounts to 50% and the consolidated book value in Ratos was SEK 242m at 31 December 2005.

Bisnode (formerly BBI Infodata)

- Sales SEK 3,283m (3,126) and EBITA SEK 400m (398)
- New holding since 5 September 2005
- Strong earnings trend during the year compared with plan and for comparable units
- New organisation put in place with five business units

Bisnode is a leading European company within digital business information with services within market, credit and product information. Operations are conducted in 18 countries. The group was formed through a merger between Bonnier Business Information (BBI) and Infodata (formerly within BTJ Infodata). The newly formed group has over 2,300 employees.

The holding at 31 December 2005 amounted to 80% and the consolidated book value of the holding was SEK 637m.

Bluegarden

- Sales SEK 490m (360) and EBITA SEK 65m (40)
- Good earnings development due to completed efficiency enhancements and new and extended customer contracts
- Integration of acquired operations in Sweden is under way

Bluegarden is one of the three largest players in payroll and human resources management in Scandinavia. 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 in Bluegarden at 31 December 2005 amounted to 100% and the consolidated book value of the holding was SEK 313m.

BTJ Nordic

- Sales SEK 1,328m (1,206) and EBITA SEK -19m (-4)
- Weak earnings due to lower margins for book sales to libraries and the book trade in Sweden. Continued weak development for the Danish operations
- New efficiency programme initiated

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

Ratos's holding in BTJ Nordic amounts to 59% and the consolidated book value was SEK 35m at 31 December 2005.

Camfil

- Sales SEK 3,083m (2 855) and EBITA SEK 290m (243)
- Improved sales mainly due to very good growth in North America
- Earnings improvement partly explained by extraordinary net income
- Work continues with extensive programme to boost growth and improve profitability

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 in 19 plants 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 515m at 31 December 2005.

DIAB

- Sales SEK 918m (759) and EBITA SEK 97m (87)
- Very strong demand in most of DIAB's markets
- Positive earnings trend due to strong sales increase
- Introduction of new product programme almost completed
- Deliveries start from new production plant in Lithuania and decision to set up operations in China

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 648m at 31 December 2005.

Gadelius

- Sales SEK 699m (595) and EBITA SEK 35m (13)
- Improved Japanese economy contributed to positive order bookings and improved earnings
- Merger between the subsidiary Manson and the Gadelius Medical division is expected to have a positive impact in 2006
- Continued strong cash flow

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 2005 amounted to 100% via a Dutch holding company. The consolidated book value in Ratos was SEK 191m at 31 December 2005. This figure excludes the holding company.

GS-Hydro

- Sales SEK 641m (480) and EBITA SEK 37m (-1)
- Substantial improvement in earnings due to strong market development and positive effects of ongoing action programme
- All subsidiaries report sales growth and the majority improved earnings

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.

Ratos's holding in GS-Hydro amounts to 100% and the consolidated book value in Ratos was SEK 159m at 31 December 2005.

Haendig

- Sales SEK 1,286m (1,291) and EBITA SEK 38m (70)
- Sales decrease due to the sale of Markt in 2004. For comparable units sales rose 6%
- Earnings were charged with the costs of redemption of incentive programmes. Operating earnings trend for comparable units was positive
- Acquisition of Lundbergs Produkter and Westerbergs Badrum

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, Hafa, Duri, Lundbergs Produkter, Westerbergs Badrum, Sven Svenssons and Penope.

Ratos's holding in Haendig after add-on investments amounts to 100% and the consolidated book value in Ratos was SEK 322m at 31 December 2005.

Haglöfs

- Sales SEK 399m (340) and EBITA SEK 28m (17)
- The strong earnings development is mainly due to continued success in export markets and for the Haglöfs brand
- EBITA margin 7% (5)
- Earnings charged with restructuring costs for Alfa of approximately SEK 3m

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

Ratos's holding in Haglöfs amounts to 100% and the consolidated book value in Ratos was SEK 155m at 31 December 2005.

HL Display

- Sales SEK 1,285m (1,249) and EBITA SEK 63m (108)
- Decline in earnings attributable to weak sales in the first half particularly in Western Europe
- New production plant in China and new sales office in Serbia
- Action programme initiated to improve the production flow, reduce production costs, raise quality and improve profitability

HL Display is a global, market leading supplier of products and systems for merchandising and in-store communication. The company has subsidiaries in 28 countries. Manufacture takes place in China, 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 239m at 31 December 2005.

Hägglunds Drives

- Sales SEK 1,175m (970) and EBITA SEK 176m (112)
- The strong earnings development is due to good demand trend in most geographic markets and customer segments
- Strong order bookings 2005, +35%
- Launch of newly developed high-effect system with deliveries from 2006
- Sales companies set up in China and Mexico to improve handling of after market. Acquisition of Swedish company GW Hydraulik

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 431m at 31 December 2005.

Industri Kapital

- Investment in Finnish company Tradeka (retailer) and the Danish company Kwintet (work wear)
- Divestments including Dyno Nobel, Intrum Justitia, Consolis, Sydsvenska Kemi, Arca Systems, Alfa Laval, MacGREGOR, Laho Equipement and Fortex provided Ratos with exit gains of SEK 125m

Industri Kapital is an unlisted private equity company with assets under management of almost EUR 4 billion. Since its formation in 1989, Industri Kapital has completed more than 50 investments in five 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 was SEK 286m at 31 December 2005.

Inwido

- Sales SEK 2,197m (1,235) and EBITA SEK 282m (135)
- Continued very strong growth due to Nordic acquisitions and good organic growth
- Improved profitability, EBITA margin 13% (11)
- Ratos provided SEK 140m in conjunction with acquisitions

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

Ratos's holding in Inwido amounts to 95% and the consolidated book value was SEK 721m at 31 December 2005.

Lindab

- Sales SEK 6,214m (5,477) and EBITA SEK 560m (384)
- Good sales and earnings trend with favourable growth primarily in Central and Eastern Europe and the Nordic region. The market situation in Western Europe improved
- Completed action programme for Ventilation led to clear improvement in profitability
- Newly acquired Astron, Europe's leading manufacturer of steel buildings, developed well and will provide significant synergy gains
- Refinancing carried out in first quarter of 2006 with transfer of SEK 1.2 billion to Lindab's shareholders, of which SEK 577m to Ratos

Lindab is a leading manufacturer of building materials in sheet metal and steel and is established in 28 countries. Operations are conducted in two operating areas: Ventilation which focuses on the ventilation sector with circular ducting and indoor climate systems, and Profile which manufactures building components and complete steel building systems. Approximately 70% of sales go to countries outside Sweden.

Ratos's holding in Lindab amounts to 48% and the consolidated book value in Ratos was SEK 1,372m at 31 December 2005.

Overseas Telecom

- Good performance for the two portfolio companies in Sri Lanka and Uganda
- Total number of subscribers up 43% compared with 2004
- Ratos received a SEK 36m dividend

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 2005.

Superfos

- Sales SEK 3,292m (3,140) and EBITA SEK 266m (267)
- Superfos Pharma sold during the year

- Weak earnings trend before capital gains mainly due to high raw material prices and a weak European market. Continued good earnings trend in the US
- Board member Torben Bjerre-Madsen new acting CEO since 19 January 2005

Superfos is a Danish international group with operations in 18 countries. Operations comprise two areas. Packaging develops, produces and sells thermoformed plastic packaging to the food, chemical-technical and pharmaceutical industries. Aerosols offers contract filling of aerosols.

Ratos's holding in Superfos amounts to 33% and the consolidated book value in Ratos was SEK 373m at 31 December 2005.

Stockholm, 23 February 2006
Ratos AB (publ)

Arne Karlsson
CEO

This report has not been reviewed by Ratos's auditors.

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Financial calendar:

Annual General Meeting

4 April 2006

Interim report January-March 2006

11 May 2006

Interim report January-June 2006

24 August 2006

Interim report January-September 2006

10 November 2006

Consolidated income statement

SEKm	2005 Q 4	Comparative year 2004 Q 4	2005 full year	Comparative year 2004 full year
Net sales	3,586	1,061	8,800	3,904
Other operating income	30	5	40	20
Change in inventories	-48	4	-28	17
Raw materials and consumables	-1,355	-688	-4,238	-2,361
Personnel costs	-1,130	-281	-2,412	-1,008
Depreciation and impairment losses tangible and intangible fixed assets	-83	-26	-215	-87
Other costs	-670	-124	-1,251	-417
Other operating expenses	-23	-1	-26	-4
Capital gain from sale of group companies	6		91	-
Share in profits of associates	717	262	1,744	2,091
Operating profit	1,030	212	2,505	2,155
Financial income	96	17	252	225
Financial expenses	-71	-21	-156	-55
Net financial items	25	-4	96	170
Profit before tax	1,055	208	2,601	2,325
Tax	-242	12	-464	-210
Net profit for the year	813	220	2,137	2,115
Attributable to				
Parent company shareholders	778	220	2,079	2,111
Minority interests	35	0	58	4
Earnings per share, SEK				
- before dilution	9.83	2.79	26.27	26.75
- after dilution	9.78	2.78	26.16	26.68
Number of shares outstanding				
- average before dilution	79,181,790	78,938,440	79,130,200	78,902,245
- average after dilution	79,530,776	79,153,118	79,486,987	79,122,799
- at the end of the period	79,198,540	78,938,440	79,198,540	78,938,440

Consolidated balance sheet

SEKm	31 Dec 2005	Comparative year 31 Dec 2004	Transition IFRS	Previous principles 31 Dec 2004
ASSETS				
Fixed assets				
Intangible assets	6,648	1,824	65	1,759
Tangible assets	1,728	602	-1	603
Financial assets	4,139	5,455	240	5,215
Deferred tax assets	135	45	-2	47
Total fixed assets	12,650	7,926	302	7,624
Current assets				
Inventories	1,463	915		915
Current receivables	3,263	1,255	-3	1,258
Cash and cash equivalents	3,677	2,160		2,160
Available for sale holdings	1,048			
Total current assets	9,451	4,330	-3	4,333
Total assets	22,101	12,256	299	11,957
EQUITY AND LIABILITIES				
Shareholders' equity including minority interests	11,446	9,360	300	9,060
Long-term liabilities				
- pension provisions	365	108		108
- other provisions	80	15	1	14
- deferred tax liabilities	331	43		43
- non-interest bearing	96	39		39
- interest-bearing	4,285	1,012		1,012
Current liabilities				
- provisions	235			
- non-interest bearing	3,842	1,004	-2	1,006
- interest-bearing	1,421	675		675
Total equity and liabilities	22,101	12,256	299	11,957

Changes in equity

	31 Dec 2005			31 Dec 2004		
	Parent company shareholders	Minority	Total	Parent company shareholders	Minority	Total
Opening balance	9,326	34	9,360	7,786	107	7,893
Changed accounting principles, IAS 39	-124		-124			
Adjusted opening balance	9,202	34	9,236	7,786	107	7,893
Dividends paid	-673		-673	-573		-573
New issue				35		35
Sale +/Buy-backs -, own shares	26		26	-5		-5
Option premiums	3		3	2		2
Translation difference associates and subsidiaries	228	1	229	-30	2	-28
Fair value reserve/hedging reserve	66	4	70			
Redemption of convertible programme, associates	-8		-8			
Equity share of convertible debenture	16	4	20			
Minority share acquired during the period		-7	-7		-165	-165
Issue of minority in group company		97	97			
Acquired minority		313	313		86	86
Other	3		3			
Net profit for the period	2,079	58	2,137	2,111	4	2,115
Closing equity	10,942	504	11,446	9,326	34	9,360

Consolidated cash flow statement

SEKm	2005	2004
Operating activities		
Consolidated profit before tax	2,601	2,325
Adjustment for non-cash items	-1,623	-2,032
	978	293
Paid cash	-120	-54
Cash flow from operating activities before change in working capital	858	239
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in inventories	-27	-67
Increase (-)/Decrease (+) in operating receivables	-524	-109
Increase (+)/Decrease (-) in operating liabilities	579	179
Cash flow from operating activities	886	242
Investing activities		
Acquisitions, group companies	-2,252	-643
Sales, group companies	1,116	
Acquisition of shares, holdings	-12	-189
Sale of shares, holdings	1,136	1,625
Acquisition of other intangible/tangible fixed assets	-279	-81
Change, financial assets	378	48
Cash flow from investing activities	87	760
Financing activities		
Share buy-backs	-3	-5
Transfer of own shares	29	
Option premiums	3	1
New issue		35
Issue of minority	97	
Convertible in group company	16	
Dividend paid	-673	-573
Increase (+) in interest-bearing liabilities	1,071	71
Cash flow from financing activities	540	-471
Cash flow for the year	1,513	531
Cash and cash equivalents, opening balance	2,160	1,632
Exchange differences in cash and cash equivalents	4	-3
Cash and cash equivalents, closing balance	3,677	2,160
Consolidated key figures		
Return on equity, %	21	25
Equity ratio, %	52	76
Interest-bearing liability/receivable, SEKm	-2,270	1,127
Key figures per share		
Total return, %	43	35
Yield, %	4.6	5.9
Market price, SEK	196.00	143.50
Dividend	9.00 ¹⁾	8.50
Equity attributable to parent company shareholders	138	118

¹⁾ Proposed by the Board of Directors.

Comparative year restatement

SEKm	Comparative year 2004 Q 4	Effects of transition to IFRS	According to previous principles 2004 Q 4	Comparative year Full year 2004	Effects of transition to IFRS	According to previous principles 2004
Net sales	1,061	-3	1,064	3,904	-3	3,907
Other operating income	5		5	20		20
Change in inventories	4		4	17		17
Raw materials and consumables	-688		-688	-2,361		-2,361
Costs of employee benefits	-281		-281	-1,008		-1,008
Depreciation and impairment losses on tangible and intangible fixed assets	-26	17	-43	-87	61	-148
Other expenses	-124	-4	-120	-417	-3	-414
Other operating expenses	-1		-1	-4		-4
Capital gains from sale of group company				-		-
Share of profits of associates	262	61	201	2,091	281	1,810
Operating profit	212	71	141	2,155	336	1,819
Financial income	17		17	225		225
Financial expenses	-21		-21	-55		-55
Net financial items	-4	0	-4	170		170
Profit before tax	208	71	137	2,325	336	1,989
Tax	12	1	11	-210	-13	-197
Net profit for the year	220	72	148	2,115	323	1,792
Attributable to						
Parent company shareholders	220	71	149	2,111	321	1,790
Minority owners	0	1	-1	4	2	2
Earnings per share, SEK						
- before dilution	2.79		1.89	26.75		22.69
- after dilution	2.78		1.88	26.68		22.62
Number of shares outstanding						
- average before dilution			78,938,440			78,902,245
- average after dilution			79,153,118			79,122,799
- at the end of the period			78,938,440			78,938,440
Specification of changes on transition to IFRS						
Goodwill, IAS 38		69			290	
Restructuring reserves IAS 37		-1			-2	
Leases IAS 17		2			1	
Revenue IAS 18		-2			-2	
Investment properties IAS 40		<u>3</u>			<u>49</u>	
Total effect on profit before tax		71			336	

Parent company income statement

SEKm	2005 Q 4	2004 Q 4	2005 full year	2004 full year
Other operating income	1	1	5	8
Other external costs	-19	-10	-63	-43
Personnel costs	-75	-71	-118	-107
Depreciation of tangible fixed assets	0	-1	-2	-3
Other operating expenses	0	-1	-2	-4
Operating profit	-93	-82	-180	-149
Result from participations in group companies		-23	832	51
Result from participations in associates	-21	-191	487	1 111
Result from other securities and receivables accounted for as fixed assets	91	3	204	167
Other interest income and similar profit/loss items	15	13	52	53
Interest expenses and similar profit/loss items	-9	-2	-19	-9
Profit after financial items	-17	-282	1 376	1 224
Tax	-	-	-	-
Net profit for the year	-17	-282	1 376	1 224

Parent company balance sheet

SEKm	31 Dec 2005	31 Dec 2004
ASSETS		
Fixed assets		
Tangible assets	13	13
Financial assets	7,148	6,998
Total fixed assets	7,161	7,011
Current assets		
Current receivables	160	144
Short-term investments	2,477	1,866
Cash and bank balances	31	24
Total current assets	2,668	2,034
Total assets	9,829	9,045
EQUITY AND LIABILITIES		
Shareholders' equity	9,499	8,768
Long-term liabilities		
- pension provisions	3	3
- non-interest bearing	48	34
- interest-bearing	139	130
Current liabilities		
- non-interest bearing	93	74
- interest-bearing	47	36
Total equity and liabilities	9,829	9,045
Changes in equity		
	2005	2004
Opening equity according to previously adopted balance sheet	8,768	8,087
Dividend paid	-673	-573
New issue		35
Divestment/Buy-back of own shares	26	-5
Option premiums	2	0
Net profit for the period	1,376	1,224
Closing equity	9,499	8,768

Parent company cash flow statement

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

Ratos holdings 31 December 2005

SEKm	NET SALES		EBITA		EBT		Depreciation	Investments	Cash flow*	Equity**	Interest-bearing net debt	Average no. employees	Consolidated	
	2005	2004	2005	2004	2005	2004							value	Holding, %
Alimak Hek	1 139	956	91	85	73	60	66	113	48	338	453	698	220	50
Arcus ^{1) 2) 3)}	1 314	1 163	60	84	39	66	48	1 006	-955	611	532	592	508	83
Atle Industri ⁴⁾	1 433	2 084	392	96	384	90	33	52	535	409	97	858	242	50
Bisnode (formerly BBI/Infodata) ^{1) 5) 6)}	3 283	3 126	400	398	194	194	58	176	210	1 847	1 935	2 450	637	80 ⁹⁾
Bluegarden ^{1) 7)}	490	360	65	40	48	35	24	218	-136	311	239	366	313	100
BTJ Nordic ¹⁾	1 328	1 206	-19	-4	-25	-6	14	166	-84	80	39	527	35	59
Carnil	3 083	2 855	290	243	265	210	87	206	30	1 312	582	2 693	515	30
DIAB	918	759	97	87	90	81	39	78	-17	288	247	734	648	50
Gadellius	699	595	35	13	34	10	4	2	18	118	111	180	191	100
GS-Hydro	641	480	37	-1	26	-10	14	20	-18	159	247	315	159	100
Hændig ⁸⁾	1 286	1 291	38	70	32	55	11	86	-12	266	278	437	322	100
Häglöfs	399	340	28	17	26	14	4	2	-15	95	62	119	155	100
HL Display	1 285	1 249	63	108	62	93	47	42	1	342	108	933	239	29
Häggblunds Drives	1 175	970	176	112	171	106	24	60	36	282	145	554	431	100
Inwido ^{1) 9)}	2 197	1 235	282	135	196	81	44	1 042	-780	898	1 459	1 615	721	95
Lindab	6 214	5 477	560	384	484	296	191	947	19	2 853	1 854	3 844	1 372	48
LRT/Tornet ¹⁰⁾	1 330	2 223	3 634	1 956	2 872	917	7	245	7 520	3 237	5 488	146	1 069	40
Overseas Telecom	393	287	184	353	168	501	133	131	114	715	-85	545	27	9
Superfos	3 292	3 140	266	267	31	148	284	181	551	1 085	1 462	1 669	373	33
TOTAL excl LRT/Tornet ¹¹⁾	30 176	27 286	2 861	2 134	2 130	1 523								
Change	11%		34%		40%									
TOTAL incl LRT/Tornet ¹¹⁾	31 506	29 509	6 495	4 090	5 002	2 440								
Change	7%		59%		105%									

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

** Equity including minority according to IFRS

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

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

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

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

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

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

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

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

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

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

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