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## YEAR-END REPORT 2006

CEO ARNE KARLSSON COMMENTS ON THE REPORT AT [www.ratos.se](http://www.ratos.se)

- Profit before tax SEK 3,234m (2,645)
- Earnings per share SEK 15.50 (12.42)
- Proposed ordinary dividend SEK 5.50 per share (4.19) and extra dividend of SEK 5.50 per share
- Continued strong development in portfolio companies
- Lindab IPO contributed SEK 1,678m to the exit result
- Anticimex, Jøtul, Medifiq Healthcare and RH/RBM new holdings
- Total return on Ratos shares +85%
- Decision on a more growth-oriented strategy

### Important events during the year

Ratos completed four exits during the year with a good overall result. The sale of the entire holding in LRT/Tornet was completed in February. Since the original investment of SEK 670m in December 2003, Ratos has received a total of SEK 1,890m in distribution of capital and sales proceeds, which generated an IRR (Internal Rate of Return, annual average return) of 70%. The holding Gadelius was divested in the first quarter. The sale generated an exit result of SEK-14m and an IRR of +2%. Calculated in yen, the return (IRR) was +4%. In December an IPO was decided for Lindab. The offer was over-subscribed ten times and the price per share was set at SEK 110. Ratos sold 51% of its shares which provided an exit gain of SEK 1,419m and an IRR of 30% on the sold shares. Ratos's holding in Lindab following the stock market listing is 22.5%. Industri Kapital contributed SEK 73m to Ratos's earnings through sales.

Ratos concluded an agreement to sell the entire holding in Alimak Hek in December. The deal was completed in January and generated an exit gain of SEK 728m, which will be reported in 2007, and an IRR of 30%.

Four new holdings were added to the portfolio. Acquisition of 85% of the shares in Anticimex was completed in January. Ratos's investment amounts to SEK 535m. At the beginning of the summer, 63% of the Norwegian stove and fireplace company Jøtul was acquired where Ratos invested a total of SEK 276m. The Finnish company Medifiq Healthcare, which develops drug delivery and other medical devices, was acquired in December. Ratos invested SEK 280m in Medifiq Healthcare for a holding of 78%.

In February 2007 acquisition was completed of 85% of the office chair producers RH Form in Sweden and RBM in Denmark. Ratos's investment amounts to SEK 178m.

In May, SEK 1,510m was distributed to shareholders through a mandatory redemption combined with a split. Each Ratos share was divided into two new ordinary shares and one redemption share. Each redemption share was automatically redeemed by Ratos for SEK 19, following which the shareholder still held two Ratos shares. More information about the tax consequences of the redemption shares is provided on page 4.

During the period, Ratos received a total of SEK 1,577m from refinancing of Lindab (SEK 577m) and Hägglunds Drives (SEK 1,000m).

There was a high level of activity in the holdings in terms of both add-on acquisitions and divestments. Lindab, Inwido, Camfil, GS-Hydro and Arcus Gruppen made strategic add-on acquisitions. Superfos sold its Aerosols division, Overseas Telecom sold the portfolio company in MTN Uganda and Haendig sold HDF-Bolagen, HDF Gytterp Jakt and Penope.

### **Strategy and organisation**

Ratos's Board of Directors evaluates the conditions for the company's investment activities and organisation on an annual basis.

Against the background of the current conditions for Ratos's business, the Board has decided on a more growth-oriented strategy, although still within the framework of the chosen main strategic focus since 1999, implying a gradual and controlled expansion of the business. This growth means that Ratos will gradually increase the number of holdings in the portfolio and expand the investment organisation. As a result, two changes will be made to the investment strategy:

- Ratos's portfolio shall over time contain 20-30 (previously 15-20) companies
- an investment size of SEK 150-2 500m (previously SEK 150-1 500m).

The strategic adjustments now decided do not mean any change in Ratos's vision, mission, targets or other investment criteria, nor with regard to the dividend policy which will continue to be aggressive.

### **Business environment and market**

Ahead of 2006, Ratos's general assessment of the economic outlook was that the world would experience a limited mid-cycle downturn, i.e. a mild decline in the global economy but nevertheless with continued favourable growth in total terms. Following a very strong start to the year, the trend gradually became as Ratos had anticipated.

Development for Ratos's holdings in 2006 outperformed macroeconomic growth by a wide margin. Order bookings, sales growth and earnings trend were all a positive surprise. The combined sales for the underlying portfolio at the end of the period increased by 17% compared with the previous year. Taking Ratos's ownership stakes into account, sales rose 18%. The corresponding changes in operating profit were 51% and 51% respectively and for profit before tax 63% and 65% respectively.

At company level, most companies developed well or very well. However, a few holdings did not achieve their targets for the year.

Ahead of 2007, Ratos expects that the economic downturn will continue for a while. However, the US is now on the way towards levelling out prior to slowly gathering pace again, while large areas of the rest of the world still have a bit to go in the downturn cycle. Following this, prospects for continued growth are good. This, combined with the continued extensive efforts with growth and efficiency measures that are under way in our holdings, means that there are good prospects for a further improvement in earnings in the underlying portfolio in 2007.

To facilitate analysis, an extensive table is provided on page 19 with key figures for all Ratos's holdings. A summary of income statements and balance sheets for Ratos's associated companies and subsidiaries is available at [www.ratos.se](http://www.ratos.se) in downloadable Excel files.

### **Ratos's results**

In 2006, the Ratos Group's profit before tax was SEK 3,234m (2,645) – the highest-ever result in Ratos's over 140-year history. This result includes profit from the holdings of SEK 3,394m of which exit gains SEK 1,678m (2,785, of which exit gains SEK 651m). Exit gains are mainly attributable to the sale of 51% of the shares in Lindab in conjunction with the IPO. Impairments were charged against earnings with SEK 188m.

**Ratos's results 2006**

SEKm	Ratos holding,%	2006	2005
Alimak Hek <sup>1)</sup>	50	88	37
Anticimex	85	54	
Arcus Gruppen	83	63	68
Bisnode	70 <sup>2)</sup>	283	113
Bluegarden	100	23	48
Camfil	30	73	79
DIAB	50	122	45
Gadelius	100	18	34
GS-Hydro	100	86	26
Haendig	100	29	32
Haglöfs	100	9	26
HL Display	29	26	16
Hägglands Drives	100	247	171
Inwido	95	265	196
Jøtul	63	56	
Lindab	22	379	233
Medifiq Healthcare	78	4	
Superfos	33	11	10
Other holdings <sup>3)</sup>		47	7
BTJ Infodata			38
Dynal Biotech			6
LRT/Tornet			941
Martinsson			1
<b>Total profit/share of profits</b>		<b>1,883</b>	<b>2,127</b>
<b>Exit gains/losses</b>			
Atle Industri/Envac			124
BTJ Infodata			127
Dynal Biotech			283
Gadelius		-14	
Lindab		1,419	
LRT/Tornet		198	
Martinsson			-17
Superfos			1
Other holdings		75	133
<b>Total exit gains</b>		<b>1,678</b>	<b>651</b>
Impairment loss, Bluegarden		-178	
Impairment loss, Other holdings		-10	-29
Dividends from Other holdings		21	36
<b>Profit from holdings</b>		<b>3,394</b>	<b>2,785</b>
Net expenses		-160	-140
<b>Consolidated profit before tax</b>		<b>3,234</b>	<b>2,645</b>

<sup>1)</sup> Entire holding sold after the end of the period.

<sup>2)</sup> Holding formally 80%, but 70% taking dilution into account

<sup>3)</sup> Other holdings include the subsidiary BTJ Group, associate Atle Industri and the holdings in Overseas Telecom and Industri Kapital.

**Central income and expenses**

Ratos's net income and expenses amounted to SEK -160m (-140) of which personnel costs were SEK 192m (118). The variable portion of personnel costs amounted to SEK 104m (58). Other management costs were SEK 83m (73). Net financial items amounted to SEK 115m (51).

**Tax**

Ratos's consolidated tax expense comprises subsidiaries' 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 3,126m (989) and the Group's cash and cash equivalents at the end of the period amounted to SEK 5,009m (3,677) of which short-term interest bearing investments accounted for SEK 3,969m (2,485). Interest-bearing debt totalled SEK 8,709m (6,006).

### **Parent company**

The parent company's pre-tax profit was SEK 4,466m (1,376). The parent company's cash and cash equivalents, including short-term interest-bearing investments, amounted to SEK 4,007m (2,513). Taking into account financial transactions agreed but not yet carried out, Ratos had an investment capacity of approximately SEK 5 billion at the end of the period without needing to utilise existing credit facilities.

### **Ratos shares**

Earnings per share amounted to SEK 15.50 (12.42). The total return on Ratos shares during the year amounted to +85%, compared with the SIX Return Index which rose by 28%. Between 1999 and 2006 the overall total return amounted to +860% while performance for the SIX Return Index was +134%.

Ratos shares are included on the LPX50 global index for listed private equity companies. During the period 1994-2006 the LPX50 Price Index (total return) rose 8% per year while Ratos increased by 26% per year measured in euros (33% measured in kronor).

### **Proposed ordinary and extra dividend**

The Board of Directors proposes an ordinary dividend for 2006 of SEK 5.50 (4.19) per class A and B share and an extra dividend of SEK 5.50 per share. The record date for dividends is estimated to be 16 April and payments from VPC are expected to be made on 19 April.

### **Tax consequences of redemption and split**

The sale of redemption shares and the mandatory redemption carried out on 22 May 2006 is subject to capital gains taxation. In June, the National Tax Board stipulated that 6.9% of the average cost amount (acquisition amount) shall be transferred to the redemption share and the remaining 93.1% of the cost amount shall be transferred to the two new shares received in conjunction with the split. Any capital gain/capital loss should be reported in the 2007 tax return.

### **Share buy-backs**

The 2006 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 11 April 2007. Share buy-backs are to be effected on the Stockholm Stock Exchange. During 2006, 646,000 Ratos shares were acquired. Acquisitions were made at an average price of SEK 110. At the end of the period Ratos owned 3,072,522 B shares, which corresponds to 1.9% of the total number of shares. No buy-backs have been made in 2007.

The Board has decided to propose that the 2007 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. This includes hedging of call options issued within the framework of Ratos's incentive programme.

<b>Equity, SEKm</b>	<b>31 Dec 2006</b>	<b>%</b>
Alimak Hek <sup>1)</sup>	275	3
Anticimex	567	5
Arcus Gruppen	505	5
Bisnode	1,151	11
Bluegarden	131	1
Camfil	520	5
DIAB	709	7
GS-Hydro	209	2
Haendig	343	3
Haglöfs	156	1
HL Display	251	2
Hägglands Drives	-505	-5
Inwido	869	8
Jøtul	288	3
Lindab	488	4
Medifiq Healthcare	273	3
Superfos	346	3
Other holdings <sup>2)</sup>	375	3
<b>Total</b>	<b>6,951</b>	<b>64</b>
Other net assets in central companies	3,924	36
<b>Equity attributable to equity holders of the parent</b>	<b>10,875</b>	<b>100</b>

<sup>1)</sup> Entire holding sold after the end of the period.

<sup>2)</sup> Other holdings include the subsidiary BTJ Group, associate Atle Industri and the holdings in Overseas Telecom and Industri Kapital.

### Equity

At 31 December 2006, Ratos's equity (attributable to equity holders of the parent) amounted to SEK 10,875m (10,958) corresponding to SEK 69 per outstanding share. The redemption and split carried out in May meant that SEK 1,510m was returned to Ratos's shareholders.

### 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 2006, a total of 953,484 A shares had been submitted for conversion into B shares.

### Incentive programme for key people

The Board has decided to propose that the Annual General Meeting decides on the issue of a maximum of 775,000 call options on repurchased Ratos class B shares. It is proposed that the call options be offered to a maximum of 30 key people working in the company who were not invited to participate in three earlier option offerings implemented in 2001-2006 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 100,000 options per person. The exercise price will be set at 125% of the average closing price for Ratos B shares during the period 10-18 May 2007, although a minimum of SEK 20 and a maximum of SEK 400. The options will remain valid until and including 31 March 2012. 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 remuneration, 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 published on 7 March 2007.

In addition, the Board intends to propose to the Annual General Meeting a synthetic option programme related to the company's investments in portfolio companies. Additional information on the option programme will be provided in the notice of the Annual General Meeting which will be published on 7 March 2007.

### **Annual General Meeting**

Ratos's Annual General Meeting will be held on 11 April 2007 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 2 April 2007, and notify their intention to attend no later than 4 April 2007. 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) under Investor Relations/Annual General Meeting. 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 28 March 2007. The notice of the Annual General Meeting will be published on 7 March 2007.

### **Accounting principles in accordance with IFRS**

The consolidated accounts are prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS). The interim report is prepared in accordance with RR 31, Interim reporting for groups and is therefore in accordance with IAS 34, Interim Financial Reporting. The Group's accounting principles are unchanged compared with the most recent annual report.

The key accounting principles applied by Ratos are described below.

#### *Associated companies*

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

IFRS requires uniform accounting principles within a group. This requirement applies to both subsidiaries and associates.

#### *Acquisition analyses*

An acquisition analysis is preliminary until it is adopted, which takes place within 12 months of the acquisition. In cases where an acquisition analysis is changed, income statements and balance sheets are adjusted for the comparative period. The acquisition analyses for Bisnode and Arcus were adjusted and handled as described above. The adjustment of Bisnode meant that the holding is reported taking dilution into account, i.e. 70%. Explanatory items are specified with change in equity. The value of Arcus's properties has been determined and a redistribution between goodwill and property values has therefore taken place.

Anticimex, Jøtul and Medifiq Healthcare were acquired during the period. In the preliminary acquisition analyses for Jøtul and Medifiq Healthcare the difference between the cost and fair value of acquired identifiable assets and liabilities is attributed to goodwill. In the final acquisition analysis for Anticimex, the contract portfolio was valued at SEK 116m.

Acquisitions were made in subsidiaries.

#### *Goodwill and intangible assets*

IFRS represents a requirement to identify and measure intangible assets at acquisition. To the extent intangible assets can be identified and 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 the 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 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. Testing is conducted between annual periods if there is any indication of impairment.

#### *Earnings per share*

Earnings per share is calculated in accordance with IAS 33. This means that the redemption combined with a split are taken into account.

#### *Changed accounting principle*

The parent company applies IAS 39 with effect from 1 January 2006. The comparative year 2005 has been restated.

### **Holdings**

#### *Anticimex*

- Sales SEK 1,373m (1,275) and EBITA SEK 140m (118)
- Continued good organic growth, + 8%, strong development for Norway in particular
- EBITA improved 19%
- Continued work to introduce new products and services

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

Ratos's holding in Anticimex amounts to 85% and the consolidated book value in Ratos was SEK 567m at 31 December 2006.

#### *Arcus Gruppen*

- Sales SEK 1,111m (997) and EBITA SEK 95m (42)
- Good sales trend for the spirits product area
- Acquisition of Swedish company Vingruppen increased sales in the wine product area
- Strong earnings trend primarily due to ongoing action programme. Sale of rectification plant in Hamar made a positive earnings contribution of SEK 21m
- Sale of Arcus Kjemi carried out in November

*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 Gruppen amounts to 83% and the consolidated book value in Ratos was SEK 505m at 31 December 2006.

#### *Bisnode*

- Sales SEK 3,389m (3,283) and EBITA SEK 528m (400)
- Strong earnings trend due to cost savings and improved product mix
- Extraordinary income had a positive impact on earnings
- Divestment of Pressdata and Prioinfo at the beginning of the year and six small add-on acquisition at the end of the year

*Bisnode is a leading European publishing house within digital business information with services within market, credit and product information. Operations are conducted in 19 countries. The group was formed through a merger between Bonnier Business Information (BBI) and Infodata. The group has over 2,500 employees.*

Ratos's holding in Bisnode at 31 December 2006 amounted to 70% and the consolidated book value of the holding was SEK 1,151m.

#### Bluegarden

- Sales SEK 491m (494) and EBITA SEK 34m (65)
- Decline in earnings due to weaker development in Sweden. Implemented action programme led to non-recurring costs
- Good inflow of new customers in Sweden
- Most of the contract with Norway Post terminates on 31 December 2007

*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 2006 amounted to 100% and the consolidated book value of the holding was SEK 131m.

#### Camfil

- Sales SEK 3,763m (3,083) and EBITA SEK 279m (290)
- Continued good sales trend in all product areas and regions, total +22% of which +11% organic
- Profitability from operations also improved, 2005 figures included positive extraordinary net income of SEK 54m and the 2006 result included extraordinary expenses of SEK 31m
- Three strategic acquisitions during the year: IF Luftfilter, Kaefer Raco and Australian Air Filter

*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 520m at 31 December 2006.

#### DIAB

- Sales SEK 1,205m (918) and EBITA SEK 258m (97)
- Continued strong order bookings due, among other things, to global expansion of the windpower industry
- Strong earnings improvement due to sales growth and higher productivity
- Decision to start a materials processing unit in Thailand

*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 709m at 31 December 2006.

#### GS-Hydro

- Sales SEK 985m (641) and EBITA SEK 101m (34)
- Strong sales and earnings trend due to strong market development and positive effects of ongoing action programme
- All subsidiaries report sales growth and improved earnings
- Add-on acquisitions of the Norwegian company Seth Service and Canadian company TD Pipefitting and Hydraulics

*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 and paper, metals and mining, automotive and 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 209m at 31 December 2006.

#### Haendig

- Sales (for continuing operations) SEK 727m (594) and EBITA SEK 62m (13)
- Streamlining through divestment of HDF-Bolagen, HDF Gyttorp Jakt and Penope as well as decision to discontinue operations in Sven Svenssons
- Positive growth and profit trend in remaining companies Hafa Bathroom Group and the interior companies Lundbergs Produkter and Duri
- Capital gain of SEK 21m from property sales in 2006

*Haendig is an active owner of wholesalers with a focus on strong brands to the Nordic building trade and the DIY market. The Group includes the subsidiaries Hafa Bathroom Group (with the brands Hafa Bathroom and Westerberg), and De Casa Interiör (Lundbergs Produkter and Duri) as well as Sven Svenssons.*

Ratos's holding in Haendig amounts to 100% and the consolidated book value in Ratos was SEK 343m at 31 December 2006.

#### Haglöfs

- Sales SEK 412m (328) and EBITA SEK 30m (30)
- Continued strong sales trend in all markets, +26%
- Sale of subsidiary Alfa Skofabrik
- Haglöfs received the "Outdoor Industry" prize for its Haglöfs Oz Pullover jacket at the Outdoor trade fair in Germany

*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 156m at 31 December 2006.

#### HL Display

- Sales SEK 1,448m (1,285) and EBITA SEK 107m (63)
- Continued favourable sales growth in most market. The growth markets in eastern Europe and Asia developed particularly well
- Strong earnings trend due to completed efficiency programme
- New production plant in China went into operation

*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, the UK, Sweden 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 251m at 31 December 2006.

#### Häggglunds Drives

- Sales SEK 1,547m (1,175) and EBITA SEK 261m (176)
- Continued strong order bookings – SEK 1,735m (+27%) – in almost all markets and segments
- Strong improvement in earnings due to good demand and high capacity utilisation
- Refinancing carried out in November released SEK 1,000m to Ratos

*Hägglands Drives is an international supplier of complete hydraulic motors and drive systems. The largest customer segments are mining and materials handling and marine and offshore. The company has subsidiaries in approximately some 15 countries.*

Ratos's holding in Hägglands Drives amounts to 100% and the consolidated book value in Ratos following the refinancing in 2006 was SEK -505m at 31 December 2006.

#### Inwido

- Sales SEK 3,285m (2,197) and EBITA SEK 390m (300)
- Continued strong earnings trend and organic growth
- During 2006, Inwido made 14 add-on acquisitions with combined annual sales of SEK 1,200m and operating profit (EBITA) of approximately SEK 110m. Inwido paid SEK 715m for these 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 Poland. Inwido also exports outside the Nordic region. The Group's main brands are Elitfönster and Allmogefönster in Sweden, Storke and Outline in Denmark, Pihla and Eskopuu in Finland, Lyssand and Diplomatdörren in Norway and Sokolka in Poland.*

Ratos's holding in Inwido amounts to 95% and the consolidated book value was SEK 869m at 31 December 2006.

#### Jøtul

- Sales SEK 1,041m (898) and EBITA SEK 93m (56)
- Strong sales in the European market, primarily due to success for new products from both recently acquired Krog Iversen and Jøtul
- Less favourable development in the American market due, among other things, to higher natural gas prices and a moderate storm season
- Polish distributor acquired

*Jøtul is a Norwegian stove and fireplace manufacturer established in 1853. Production is carried out in Norway, Denmark, France, Poland and the US. The company's products are sold worldwide, primarily through speciality stores, but in some markets also through the DIY trade.*

Ratos's holding in Jøtul amounts to 63% and the consolidated book value was SEK 288m at 31 December 2006.

#### Lindab

- Sales SEK 7,609m (6,214) and EBITA SEK 903m (560)
- Continued strong sales and earnings trend in the Nordic countries as well as Eastern and Western Europe. Sales for comparable units rose 10%
- Strong earnings improvement within the two business areas Ventilation and Profile. The Building Systems product area showed strong development following the acquisition of Astron
- Acquisition of the British company CCL Veloduct expected to provide significant synergies
- Refinancing completed in May, Ratos received SEK 577m
- IPO carried out in December when Ratos sold 51% of its shares with an exit gain of SEK 1,419m

*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 80% of sales go to countries outside Sweden.*

Ratos's holding in Lindab amounts to 22.5% and the consolidated book value in Ratos was SEK 488m at 31 December 2006.

#### Medifiq Healthcare

- Sales SEK 491m (490) and EBITA SEK 21m (37)
- Weak sales trend due to delayed product launch
- Earnings charged with non-recurring costs related to the separation from Perlos OY

*Medifiq Healthcare (formerly Perlos Healthcare) is one of the world-leading players in development and manufacture of medical devices for delivery and administration of drugs, contraceptives, blood sampling equipment, and medical devices for healthcare providers within a range of applications. Medifiq Healthcare has some 500 employees in Finland, the UK and China.*

Ratos's holding in Medifiq Healthcare amounts 78% and the consolidated book value in Ratos was SEK 273m at 31 December 2006.

#### Superfos

- Sales SEK 3,170m (3,056) and EBITA SEK 119m (137)
- Positive development of operating profit (EBITA) adjusted for sold assets and non-recurring items
- Sale of Aerosols carried out
- New factory established in Poland
- Hans Pettersson became new CEO in September 2006

*Superfos is an international group with operations in 18 countries. Operations comprise Packaging which develops, produces and sells injection moulded packaging to the food and chemical-technical industries.*

Ratos's holding in Superfos amounts to 33% and the consolidated book value in Ratos was SEK 3446m at 31 December 2006.

#### Other holdings

- Atle Industri sold the companies Tempcold, Elpress, Pressmaster and Ekman
- Development of BTJ Group continues as planned
- Divestments within Industri Kapital contributed SEK 73m to Ratos's exit result
- Overseas Telecom sold the holding in Uganda which generated an exit gain of SEK 900m

*Other holdings comprise four holdings: Atle Industri, BTJ Group, Industri Kapital and Overseas Telecom.*

The consolidated book value of Other holdings in Ratos was SEK 375m at 31 December 2006.

Stockholm, 22 February 2007

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

11 April 2007

Interim report January-March

9 May 2007

Interim report January-June

21 August 2007

Interim report January-September

9 November 2007

**Consolidated income statement**

SEKm	2006 Q 4	2005 Q 4	2006 full year	2005 full year
Net sales	4,812	3,586	16,156	8,800
Other operating income	50	30	144	40
Change in inventories	10	-48	-35	-28
Raw materials and consumables	-1,891	-1,626	-6,735	-4,238
Personnel costs	-1,392	-1,114	-4,749	-2,379
Depreciation and impairment of tangible and intangible non-current assets	-379	-83	-666	-215
Other costs	-1,098	-406	-3,063	-1,277
Capital gain from the sale of group company	1	6	89	134
Share of profit of associates	1,587	717	2,350	1,744
<b>Operating profit</b>	<b>1,700</b>	<b>1,062</b>	<b>3,491</b>	<b>2,581</b>
Financial income	45	93	204	252
Financial expenses	-194	-99	-461	-188
Net financial items	-149	-6	-257	64
<b>Profit before tax</b>	<b>1,551</b>	<b>1,056</b>	<b>3,234</b>	<b>2,645</b>
Tax	-159	-242	-572	-464
<b>Profit for the year</b>	<b>1,392</b>	<b>814</b>	<b>2,662</b>	<b>2,181</b>
Attributable to				
Equity holders of the parent	1,346	771	2,527	2,113
Minority interests	46	43	135	68
Earnings per share, SEK				
- before dilution	8.50	4.53	15.50	12.42
- after dilution	8.44	4.51	15.41	12.37
Number of shares outstanding, recalculated taking split and redemption into account				
- average before dilution	158,266,868	170,173,630	163,005,841	170,062,755
- average after dilution	159,444,530	170,923,654	164,014,723	170,829,544

**Consolidated balance sheet**

SEKm

31 Dec 2006

31 Dec 2005

**ASSETS****Non-current assets**

Goodwill	9,199	5,948
Other intangible assets	1,207	876
Property plant and equipment	2,124	1,544
Financial assets	2,929	4,139
Deferred tax assets	187	135
<b>Total non-current assets</b>	<b>15,646</b>	<b>12,642</b>

**Current assets**

Inventories	1,696	1,463
Trade and other receivables	3,866	3,263
Cash and cash equivalents	5,009	3,677
Assets held for sale	445	1,048
<b>Total current assets</b>	<b>11,016</b>	<b>9,451</b>

Total assets

26,662

22,093

**EQUITY AND LIABILITIES**

Equity incl. minority interest	11,814	11,554
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## Non-current liabilities

- interest-bearing	6,878	4,220
- non-interest bearing	196	96
- pension provisions	577	365
- other provisions	264	80
- deferred tax liabilities	528	280
<b>Total non-current liabilities</b>	<b>8,443</b>	<b>5,041</b>

## Current liabilities

- interest-bearing	1,254	1,421
- non-interest bearing	4,574	3,842
- provisions	392	235
- liabilities attributable to assets held for sale	185	
<b>Total current liabilities</b>	<b>6,405</b>	<b>5,498</b>

Total equity and liabilities

26,662

22,093

**Statement of changes in consolidated equity**

	31 Dec 2006			31 Dec 2005		
	Equity holders of the parent	Minority interest	Total	Equity holders of the parent	Minority interest	Total
Opening balance	10,942	504	11,446	9,326	34	9,360
Change accounting principles				-124		-124
Change in acquisition analysis <sup>*)</sup>	16	92	108			
Adjusted equity	10,958	596	11,554	9,202	34	9,236
Change in translation reserve	-343	-39	-382	228	1	229
Fair value of reserve/hedging reserve after tax		4	4	66	4	70
Redemption of convertible programme, associates				-8		-8
Equity share of convertible debenture				16	4	20
Acquired minority interest		-44	-44		-7	-7
Minority interest in sold company		-2	-2			
Minority interest at acquisition		219	219		313	313
Other recognised directly in equity				3		3
<b>Total changes in income recognised directly in equity</b>	<b>10,615</b>	<b>734</b>	<b>11,349</b>	<b>9,507</b>	<b>349</b>	<b>9,856</b>
Profit for the year	2,527	135	2,662	2,079	58	2,137
<b>Total changes in income excluding transactions with equity holders</b>	<b>13,142</b>	<b>869</b>	<b>14,011</b>	<b>11,586</b>	<b>407</b>	<b>11,993</b>
Dividend	-715	-6	-721	-673		-673
Redemption	-1,510		-1,510			
Buy-back/divestment of own shares	-43		-43	26		26
Redistribution of capital contribution	-13	13				
Issue		63	63		97	97
Option premiums	14		14	3		3
<b>Closing equity</b>	<b>10,875</b>	<b>939</b>	<b>11,814</b>	<b>10,942</b>	<b>504</b>	<b>11,446</b>
Change in acquisition analysis <sup>*)</sup>				16	92	108
<b>Adjusted closing equity</b>				<b>10,958</b>	<b>596</b>	<b>11,554</b>
<sup>*)</sup> Specification of effects of changed acquisition analysis						
At acquisition				-15	79	64
Changes after acquisition, earnings				34	10	44
Changes after acquisition, reserves				-3	3	0
				<b>16</b>	<b>92</b>	<b>108</b>

<b>Consolidated cash flow statement</b>		
SEKm	2006	2005
<b>Operating activities</b>		
Consolidated profit before tax	3,234	2,645
Adjustment for non-cash items	-1,531	-1,651
	1,703	994
Income tax paid	-325	-120
<b>Cash flow from operating activities before change in working capital</b>	<b>1,378</b>	<b>874</b>
Cash flow from change in working capital		
Increase (-)/Decrease (+) in inventories	-84	-27
Increase (-)/Decrease (+) in operating receivables	-265	-524
Increase (+)/Decrease (-) in operating liabilities	-68	579
<b>Cash flow from operating activities</b>	<b>961</b>	<b>902</b>
<b>Investing activities</b>		
Acquisitions, group companies	-1,542	-2,252
Sales, group companies	513	1,116
Acquisition of shares in associates and other holdings	-10	-12
Sale and redemption, shares in associates and other holdings	3,897	1,136
Acquisition of other intangible/tangible assets	-445	-279
Change in financial assets	-248	378
<b>Cash flow from investing activities</b>	<b>2,165</b>	<b>87</b>
<b>Financing acquisitions</b>		
Share buy-backs	-71	-3
Transfer of treasury shares	28	29
Option premiums	12	3
Minority interest in issue		97
Dividend paid	-715	-673
Redemption	-1,510	
Dividends paid to minority interests	-6	
Increase (+) in interest-bearing liabilities	506	1,071
<b>Cash flow from financing activities</b>	<b>-1,756</b>	<b>524</b>
<b>Cash flow for the year</b>	<b>1,370</b>	<b>1,513</b>
Cash and cash equivalents at the beginning of the year	3,677	2,160
Exchange differences in cash and cash equivalents	-38	4
Cash and cash equivalents at the end of the year	5,009	3,677
<b>Consolidated key figures</b>		
Return on equity, %	23	21
Equity ratio, %	44	52
Interest-bearing liability (-)/receivable (+)	-3,604	-2,256
<b>Key figures per share taking split and redemption into account</b>		
Total return, %	85	43
Dividend yield, %	3.4 <sup>1)</sup>	4.6
Market price	162.50	91
Dividend (actual dividend 2005 SEK 9.00 prior to split)	5.50 <sup>2)</sup>	4.19
Extra dividend	5.50 <sup>2)</sup>	
Equity attributable to equity holders of the parent	69	64
<b>Total number of shares (registered 161,349,252 and 80,674,626 respectively)</b>		
Number of shares outstanding	158,276,730	79,198,540

<sup>1)</sup> Including extra dividend of SEK 5.50, dividend yield amounts to 6.8%.

<sup>2)</sup> Proposed.

**Parent company income statement**

SEKm	2006 Q 4	2005 Q 4	2006 full year	2005 full year
Other operating income	1	1	5	5
Other external costs	-28	-19	-77	-63
Personnel costs	-135	-75	-192	-118
Depreciation of property, plant and equipment	-1		-2	-2
Other operating expenses	-1		-3	-2
<b>Operating profit/loss</b>	<b>-164</b>	<b>-93</b>	<b>-269</b>	<b>-180</b>
Result from participations in group companies	1,610		2,851	832
Result from participations in associates	1,684	-22	1,704	487
Result from other securities and receivables accounted for as fixed assets	17	91	160	204
Other interest income and similar profit/loss items	25	12	71	52
Interest expenses and similar profit/loss items	-18	-5	-51	-19
<b>Profit/loss after financial items</b>	<b>3,154</b>	<b>-17</b>	<b>4,466</b>	<b>1,376</b>
Tax	-	-	-	-
<b>Profit/loss for the year</b>	<b>3,154</b>	<b>-17</b>	<b>4,466</b>	<b>1,376</b>

**Parent company balance sheet**

SEKm	31 Dec 2006	31 Dec 2005
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	14	13
Financial assets	8,032	7,148
Total non-current assets	8,046	7,161
<b>Current assets</b>		
Trade and other receivables	192	160
Cash and cash equivalents	4,007	2,513
Total current assets	4,199	2,673
Total assets	12,245	9,834

**EQUITY AND LIABILITIES**

Shareholders' equity	11,712	9,504
Provisions		
- provisions for pensions	3	3
Non-current liabilities		
- non-interest bearing	78	48
- interest-bearing	141	139
Current liabilities		
- non-interest bearing	192	93
- interest-bearing	119	47
Total equity and liabilities	12,245	9,834

**Parent company statement of changes in equity**

SEKm	31 Dec 2006	31 Dec 2005
Opening equity	9,504	8,768
Changed accounting principles		5
Adjusted opening balance	9,504	8,773
Profit for the year	4,466	1,376
<b>Total change in income excluding transactions with equity holders of the company</b>	<b>13,970</b>	<b>10,149</b>
Dividend	-715	-673
Redemption	-1,510	
Share buy-backs	-71	-3
Call options exercised	28	29
Option premiums	10	2
<b>Closing equity</b>	<b>11,712</b>	<b>9,504</b>

**Parent company cash flow statement**

SEKm	2006	2005
<b>Operating activities</b>		
Profit before tax	4,466	1,376
Adjustment for non-cash items	-4,435	-1,359
	31	17
Income tax paid	-	-
<b>Cash flow from operating activities before change in working capital</b>	<b>31</b>	<b>17</b>
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-23	-4
Increase (+)/Decrease (-) in operating liabilities	124	34
<b>Cash flow from operating activities</b>	<b>132</b>	<b>47</b>
<b>Investing activities</b>		
Acquisition of shares, subsidiaries	-2,309	-2,226
Sale of shares, subsidiaries	3,700	1,958
Acquisition, shares in associates and other holdings	-5	-13
Sale and redemption, shares in associates and other holdings	2,674	1,138
Acquisition of other property, plant and equipment	-1	-1
Change, financial assets	-513	346
<b>Cash flow from investing activities</b>	<b>3,546</b>	<b>1,202</b>
<b>Financing activities</b>		
Share buy-backs	-71	-3
Transfer of treasury shares	28	29
Option premiums	10	1
Dividends paid	-715	-673
Redemption	-1,510	
Increase (+) in interest-bearing liabilities	74	20
<b>Cash flow from financing activities</b>	<b>-2,184</b>	<b>-626</b>
<b>Cash flow for the year</b>	<b>1,494</b>	<b>623</b>
Cash and cash equivalents, opening balance	2,513	1,890
Cash and cash equivalents, closing balance	4,007	2,513

## Ratos's holdings at 31 December 2006

SEKm	Net sales		EBITA		EBT		Invest- ments** 2006	Cash flow*** 2006	Equity **** 31 Dec 2006	Interest- bearing net debt *****		Average no. of employees 31 Dec 2006	Consoli- dated value 31 Dec 2006	Ratos holding 31 Dec 2006
	2006	2005	2006	2005	2006 <sup>1)</sup>	2005 <sup>1)</sup>				31 Dec 2006	31 Dec 2006			
Almark Hek	1 617	1 139	219	91	177	73	117	116	470	574	884	275	50%	
Anticimex <sup>1)</sup>	1 373	1 275	140	118	84	58	52	96	660	930	1 021	567	85%	
Arcus Gruppen <sup>1)</sup>	1 111	997	95	42	77	13	35	80	625	354	435	505	83%	
Bisnode <sup>1)</sup>	3 389	3 283	528	400	366	267	147	93	2 054	1 691	2 527	1 151	70%	
Bluegarden	491	494	34	65	30	48	25	33	320	200	381	131	100%	
Carril	3 763	3 083	279	290	246	265	131	129	1 330	676	2 949	520	30%	
DIAB	1 205	918	258	97	244	90	139	144	409	145	892	709	50%	
GS-Hydro	985	641	101	34	86	26	19	-19	209	274	404	209	100%	
Haendig	727	594	62	13	59	9	7	0	286	12	258	343	100%	
Haglöfs	412	328	30	30	28	29	12	16	96	30	72	156	100%	
HL Display	1 448	1 285	107	63	92	62	32	88	388	48	949	251	29%	
Häglunds Drives <sup>2)</sup>	1 547	1 175	261	176	254	171	42	144	1 381	1 129	638	-505	100%	
Inwido	3 285	2 197	390	300	272	198	177	119	1 087	1 826	2 123	869	95%	
Jøtul <sup>1)</sup>	1 041	898	93	56	49	19	n/a.	n/a.	421	623	821	288	63%	
Lindab	7 609	6 214	903	560	797	484	146	728	2 190	2 602	4 438	488	22,5%	
Mediq Healthcare <sup>1)</sup>	491	490	21	37	10	27	n/a.	n/a.	348	181	493	273	78%	
Supertos <sup>3)</sup>	3 170	3 056	119	137	33	43	241	41	1 005	1 209	1 525	346	33%	
Other holdings <sup>4)</sup>	1 825	2 381	119	-23	112	-37	30	55	340	-73	882	172	-	
<b>TOTAL</b>	<b>35 489</b>	<b>30 448</b>	<b>3 759</b>	<b>2 486</b>	<b>3 016</b>	<b>1 845</b>								
<b>Change</b>	<b>17%</b>		<b>51%</b>		<b>63%</b>									

\* Excluding interest expenses on shareholder loan.

\*\* Investments excluding company acquisitions.

\*\*\* Cash flow refers to cash flow from operating activities and investing activities excluding acquisition and divestment of companies and before financing activities.

\*\*\*\* Equity includes any shareholder loan.

\*\*\*\*\* Interest-bearing net debt excludes any shareholder loan.

<sup>1)</sup> A new parent company was formed in conjunction with the acquisition, which partly loan-financed the acquisition. Earnings for the acquisition year and the comparative year are pro forma taking this leverage into account.

<sup>2)</sup> Earnings figures and cash flow and investments relate to the Group before new financing while balance sheet items show the group with a new capital structure.

<sup>3)</sup> Figures for 2005 are calculated pro forma excluding the sold Pharma division and impairment of goodwill in 2005.

<sup>4)</sup> "Other holdings" include the subsidiary BTJ Group and the associate Atle Industri.