

Ratos

Interim Report January – June 1999

- Dahl bought out from the stockmarket, 49 per cent-owned.
- Holding in PriFast divested.
- Meto, Capona and Telelogic listed on the stockmarket.
- Result before taxes for the first six months amounted to SEK 1,103M (795).
- Net asset value amounted to SEK 101 per share on 30 June 1999, an increase of 20 per cent from the turn of the year.
- Net asset value amounted to SEK 104 per share on 20 August 1999, an increase of 24 per cent from the turn of the year.

RESULT SEK 1,103M

Ratos' consolidated result before taxes during the period, January-June, amounted to SEK 1,103M (795). The result of Active holdings amounted to SEK 567M, the result of Asset management to SEK 584M and Group overheads (financial income and expenses and management costs) were SEK -48M. Result excluding goodwill depreciation in the Group and associated companies amounted to SEK 1.145M.

In the first six months, Ratos' management costs amounted to SEK 42M. This includes transaction-related costs of SEK 19M. For the latest 12 months, Ratos' management costs, excluding transaction-related costs, amounted to 0.7 per cent of net asset value at the period-end.

NET ASSET VALUE +20%

At the period-end, Ratos' net asset value was distributed by 40 per cent on Active holdings, 56 per cent on Asset management and by 4 per cent on liquid assets, etc. Asset management's capital will be gradually transferred to Active holdings through investments in primarily unlisted companies. In the first half of the year, Ratos' share of unlisted assets increased to 14 per cent compared with 9 per cent at the turn of the year.

Ratos' net asset value amounted to SEK 101 per share at 30 June 1999, equivalent to a total net asset value of SEK 8,176M. Since the turn of the year, the net asset value including dividend has increased by 20 per cent. During the same period, the Findata Yield Index rose by 19 per cent. Total yield of the Ratos share in the first six months was 18 per cent. The net asset value discount rose

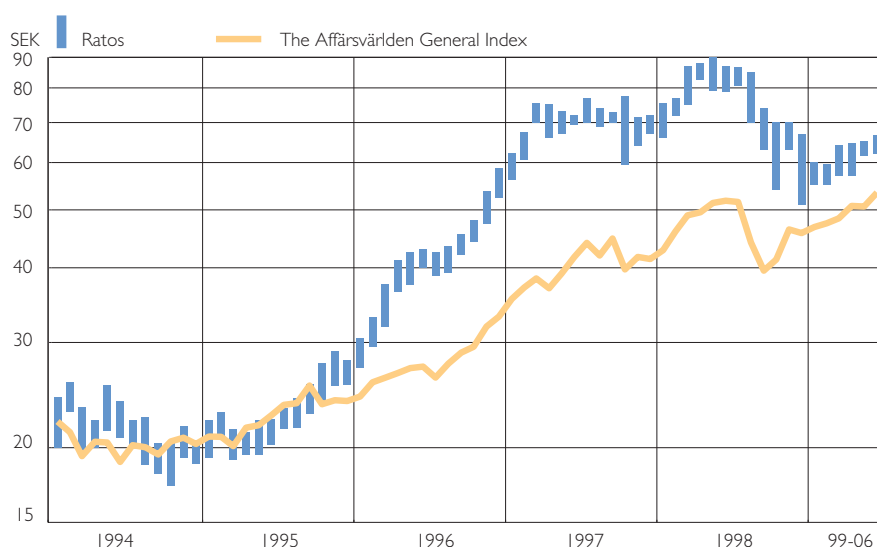
from 34 per cent to 37 per cent during the period.

Among the major holdings, especially Telelogic, Scania, Stora Enso, Svedala, Skandia and Capona reported a very positive price trend while Scandic, Meto, Gambro and Esselte developed less positively during the period.

On 20 August 1999, the net asset value was SEK 104 per share, an increase of 24 per cent since the turn of the year, and the net asset value discount 40 per cent. During the same period, the Findata Yield Index rose by 22 per cent. Total yield of the Ratos share was 16 per cent.

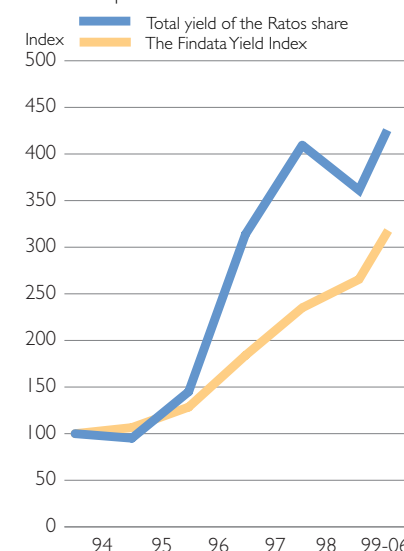
For the latest twelve-month period, total yield of the Ratos share amounted to -13 per cent while the Findata Yield Index rose by 6 per cent.

Ratos' market price



Total yield

Value development of SEK 100 invested 31 Dec 1993



Key figures

	1994	95	96	97	98	99 Q1-2
Net asset value per share, SEK	36	50	74	85	87	101
Market price, SEK	19	28	58	71	57	63.50
Net asset value discount, %	47	45	23	17	34	37
Net asset value development, %	6	42	51	17	7	20
Total yield of the Ratos share, %	-5	52	116	30	-12	18
The Findata Yield Index, %	7	21	43	28	13	19

ACTIVE HOLDINGS

At mid-year, Ratos' Active holdings consisted of Dahl, Esselte, Meto, Scandic Hotels, ACE, Capona, Telelogic, Telia Overseas and TV8. All companies except Meto and Telia Overseas are associated companies or subsidiaries.

During the period, investments for SEK 588M were made in Active holdings and sales for SEK 1,439M, mainly relating to sale/acquisition of Dahl and sale of PriFast.

DAHL – 49 PER CENT-OWNED

Following a buy-out from the stockmarket in April, Ratos and EQT own all the shares in Dahl. As a result, Ratos' ownership of 28 per cent in the "old" Dahl Group changed to a 49 per cent ownership in the "new" Dahl Group which has a higher debt ratio than the old Group.

In the first six months, sales in Dahl increased by 4 per cent and amounted to SEK 5,006M (4,798). The trend in Dahl is in line with Ratos' long-term expectations in connection with the buy-out from the stockmarket. Earnings after financial income and expenses for the period was SEK -15M and consists of the total of the result in the "old" Dahl during the first quarter and the result in the "new" Dahl during the second quarter. Due to the buy-out from the stockmarket, the result was negatively affected by increased interest expenses, goodwill depreciation and lump-sum costs of SEK 32M in total. On a full-year basis, interest expenses and depreciation are together expected to increase by more than SEK 80M. With a comparable structure, the result in the first six months was SEK 58M lower than in the corresponding period in the previous year. Operating margin was 0.8 per cent (2.3).

In Denmark, sales improved slightly during the first half of 1999 compared with the same period in the previous year, which is mainly explained by carried-out acquisitions. Market volume remained unchanged. Competition hardened which led to some fall in earnings.

The Norwegian market was characterised by a continued falling building trend and increased price pressure. Compared with the previous year, Dahl's sales were lower and earnings significantly reduced. Earnings were affected by costs in connection with implemented IT investments.

In Sweden, the market developed favourably which had some positive effect on sales and result.

In Finland, the market trend remained positive and both sales and result increased during the period.

Sales in Dahl's Polish operations increased, mainly due to carried-out acquisitions and earnings were unchanged compared with the previous year.

ESSELTE – STREAMLINED OFFICE PRODUCT COMPANY

Ratos owns 20 per cent of votes and 13 per cent of capital in Esselte and is thus the largest owner.

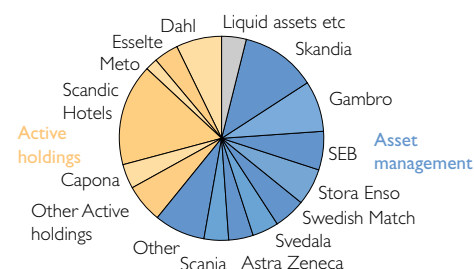
In June, Esselte's business area Meto was distributed to Esselte's shareholders. Esselte's transformation into a streamlined office product company has thus been completed.

Esselte's sales in the first six months amounted to SEK 5,699M (4,460). The sales growth is mainly an effect of the acquisition of Leitz. Sales increased by 2.4 per cent compared with the previous year, calculated in comparable currencies and excluding acquisitions and divestments. The cash flow was strong. Earnings before taxes were SEK 93M (353). The result was influenced by strategic investments in marketing and build-up of the global structure as well as launch of new products. Esselte's market price, after adjustment for distribution of Meto, was largely unchanged at mid-year compared to the beginning of the year.

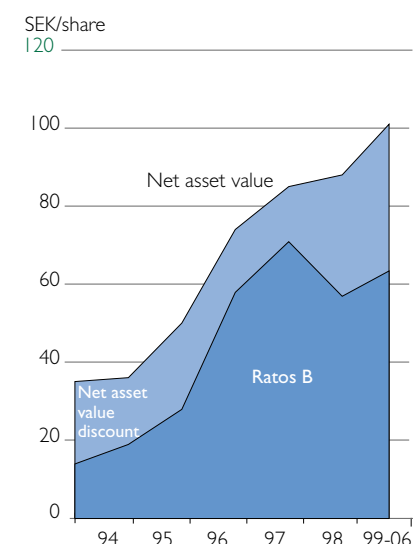
METO – STOCKMARKET LISTING

Ratos' ownership in Meto amounts to 13 per cent. The Meto share was listed on the Stockholm Stock Exchange on 17 June.

Ratos' assets distributed by holding 30 June 1999

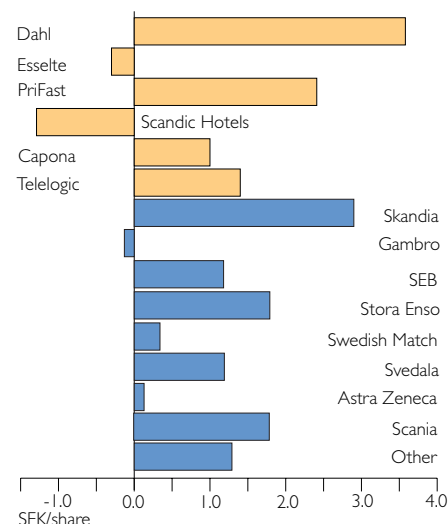


Net asset value



Contribution to change in net asset value, Q1-2 1999

Net asset value including dividend paid increased by SEK 14 per share.



Meto's sales rose by 5 per cent compared with the previous year and amounted to EUR 94M. Earnings before taxes were EUR 13.2M (12.2). On 11 August, the American company, Checkpoint Systems Inc., made a cash bid for all shares in Meto, equivalent to SEK 65 per share.

PRIFAST – SOLD

During the period, Ratos divested its entire shareholding in PriFast. The sale settlement amounted to SEK 681M and the capital gain to SEK 324M.

SCANDIC HOTELS – CONTINUED STRONG RESULT IMPROVEMENT

Ratos owns 23 per cent of votes and capital in the hotel chain, Scandic. During the first half of the year, the Scandic share fell by 9 per cent.

Market growth remains stable and positive. During the period, Scandic's sales rose by 15 per cent and amounted to SEK 2,602M (2,265). For comparable units, the increase was 7 per cent. Earnings after financial income and expenses rose by 45 per cent to SEK 148M (102). During the first six months, nine new hotels were put into service, of which four in Denmark, four in Estonia and one in Norway. Scandic ceased as operator at one hotel in Denmark and two in Sweden. Agreements have been signed for operation of an additional three hotels.

AIR CARGO EXPRESS

– WEAK MARKET

Ratos owns 100 per cent of the air forwarding company, Air Cargo Express (ACE). During spring, the company's operations in Asia were sold.

Freight volumes remain at a low level. In the first six months, ACE's sales amounted to SEK 249M (322) and the result to SEK -3M (3), of which the divested operation in Asia accounted for SEK -2M (-2).

CAPONA – RESULT IMPROVEMENT

With an ownership of 47 per cent, Ratos is the principal owner in the hotel real estate company, Capona. The Capona share rose by 25 per cent during the first half of the year.

During the period, the hotel trend in the Nordic countries continued to develop positively with rising room prices. In the first six months, Capona's rental income increased by 14 per cent to SEK 120M (105) and the earnings after financial income and expenses increased by 37 per cent to SEK 48M (35). In May, two hotel properties were acquired for SEK 74M, which raised the result by approximately SEK 4M on an annual basis.

TELELOGIC – PRICE RISE

Ratos owns 20 per cent of the IT company, Telelogic. The Telelogic share was listed on the Stockholm Stock Exchange in March. By mid-year, the price had risen by 74 per cent, a rise which was 138 per cent in mid-August.

In the first six months, Telelogic's sales amounted to SEK 116M, an increase of 61 per cent compared with the same period last year. The result amounted to SEK -12M (0). The company received a strategically-important breakthrough order from the American company, Cisco.

Major changes in shareholdings

	Change during the period Number	Holding 30 Jun 1999 Number
Active holdings		
Dahl ordinary (new)	1,108,109	1,108,109
Dahl preference (new)	2,216,205	2,216,205
Meto	4,450,780	4,450,780
Scandic Hotels	9,886,000 ¹⁾	14,829,000
Telia Overseas	262,582	1,251,639
Dahl B	-5,824,000	–
PriFast	-9,334,452	–
Asset management		
Astra Zeneca	-154,800	1,000,000
Electrolux	500,000	500,000
Föreningssparbanken	400,000	400,000
Haldex	199,720	820,000
JM Bygg	600,000	600,000
SEB	-410,000	4,760,000
Scania B	822,180	1,390,980
Skandia A	-733,200	6,063,800
Stora Enso R	899,326	5,095,000
Swedish Match	711,130	14,000,000
Svedala	-100,000	2,300,000
Crisplant Industries	-152,488	–
C-Technologies	-369,231	–
Epani	-3,650	–
Eurona	-35,000	–
Micronic	-1,121,438	–
Netch Technologies	-333	–
PyroSequencing	-180,000	–
Scania A	-822,180	–
Stora Enso A	-2,261,214	–
TeleTrade	-1,418,575	–
Teligent	-2,853,552	–

¹⁾ Split 3:1

TELIA OVERSEAS

Ratos owns 9 per cent of the internationally-oriented telecommunications company, Telia Overseas. Telia owns 65 per cent of the company.

The company was awarded mobile telephone licences in Brazil in 1998 and in Slovenia in 1999. Both networks are in operation and the inflow of customers sound.

TV8

Ratos owns 80 per cent in the TV channel, TV8. Operations are in a phase of development. With the objective of strengthening the company's future development opportunities, work is underway to link an industrial stakeholder to the company.

TV8's sales and result during the period amounted to SEK 7M (5) and SEK -27M (-27), respectively. Transmissions via the digital network started on 1 April.

ASSET MANAGEMENT – YIELD 21%

The market value of Asset management's holdings was SEK 4,615M at the period-end (31 December 1998: 4,243). Asset management's yield (increase in value including dividend) for the first half of the year was 21 per cent and for the latest twelve months 0 per cent. The corresponding values for the Findata Yield Index are 19 per cent and 6 per cent, respectively.

During the six months, shares within Asset management were sold for SEK 1,136M and shares bought for SEK 735M. Large sales were made in Stora Enso and Skandia. Large acquisitions were made in Electrolux and JM Bygg.

During February, eight minor investments in development companies were divested for SEK 189M. The sale involved a capital gain of SEK 41M with an opportunity for an additional purchase price in the future.

Asset management – major holdings

30 June 1999	Number	Market value, SEK M
Skandia	6,063,800	964
Gambro	7,500,000	641
SEB	4,760,000	471
Stora Enso	5,095,000	466
Swedish Match	14,000,000	421
Svedala	2,300,000	352
Astra Zeneca	1,000,000	331
Scania	1,390,980	327
Other		642
Total		4,615

Asset management's capital gains net amounted to SEK 484M during the period and dividends received amounted to SEK 100M.

FINANCIAL POSITION

At the end of the first six months, Ratos' liquid assets (net) amounted to SEK 266M compared with SEK -811M at the turn of the year. Consolidated cash flow from current operations and investment operations were SEK 1,103M (155). Net sales during the period amounted to SEK 1,252M (-240). Redemption of C shares was made at SEK 115M in accordance with a resolution by an Extraordinary General Meeting on 1 October 1998.

PARENT COMPANY

The Parent Company's result before taxes amounted to SEK 1,417M (831) for the period. The result includes capital gains of SEK 1,274M (705), dividend received of SEK 186M (168), financial income and expenses of SEK -5M (-11) and other expenses of SEK -38M (-31). The Parent Company's net sale of shares during the first six months amounted to SEK 1,265M. Liquid assets have increased since the turn of the year and amounted to SEK 167M at the period-end.

THE RATOS SHARE

The market price of the Ratos B share rose by 11 per cent during the period, excluding dividend paid of SEK 3.50, from SEK 57 to SEK 63.50. The total trading in Ratos shares amounted to 26 million shares, equivalent to a value of SEK 1,550M. The trading rate for the Ratos B share was 89 per cent during the period compared with 95 per cent for the A list of the Stockholm Stock Exchange. At mid-year, the number of shareholders was 16,500 – an increase of 12 per cent since the turn of the year.

WARRANTS

Ratos' Annual General Meeting on 24 March decided to issue and transfer not more than 530,000 warrants to key staff in Ratos. Valuation of the options was carried out by two independent valuation institutions. Transfer of a total of 410,000 warrants was made to seven people.

DIVIDEND

Ratos' dividend policy means that at least 3 per cent of the net asset value will be paid in dividend. Ratos' AGM on 24 March 1999 decided that the dividend for 1998 would be SEK 3.50 (3.00) per share which is equivalent to 4 per cent of the net asset value at 31 December 1998.

Stockholm, 23 August 1999



Arne Karlsson

President

This Report has not been the subject of special examination by the Auditors of Förvaltnings AB Ratos (publ).

GROUP

STATEMENT OF INCOME ¹⁾ , SEK M	1997 Full-year	1998 Full-year	1997 Q 1-2	1998 Q 1-2	1999 Q 1-2
Active holdings					
Results of subsidiaries	-61	-69	-18	-36	-34
Exit result, subsidiaries	—	201	—	230	-2
Shares in results of associated companies	179	452	79	102	71
Exit result, associated companies	—	—	—	142 ²⁾	532
Result of Active holdings	118	584	61	438	567
Asset management					
Dividends	77	96	77	96	100
Capital gains	109	301	42	301	484
Result of Asset management	186	397	119	397	584
Central income and expenses					
Financial income and expenses	53	-9	44	-7	-9
Exchange rate differences	0	-10	-1	-3	3
Management costs	-72	-65	-37	-30	-42
Group overheads	-19	-84	6	-40	-48
Consolidated result before taxes	285	897	186	795	1,103
Tax from associated companies	-67	-103	-32	-35	-25
Taxes	-1	1	-2	0	-3
Consolidated result after tax	217	795	152	760	1,075
BALANCE SHEET ¹⁾, SEK M	31 Dec 1997	31 Dec 1998	30 Jun 1997	30 Jun 1998	30 Jun 1999
Assets					
Active holdings	2,372	2,170	2,345	1,988	1,791
Asset management	2,664	2,767	1,965	2,909	2,851
Liquid assets	522	36	1,759	286	188
Other	67	83	180	110	308
Total assets	5,625	5,056	6,249	5,293	5,138
Shareholders' equity and liabilities					
Shareholders' equity	4,404	4,174	5,092	4,891	4,848
Minority interest	1	—	1	—	—
Provisions	211	88	215	109	87
Long-term liabilities					
— interest-bearing	141	96	57	55	—
— non-interest-bearing	1	—	15	3	2
Current liabilities					
— interest-bearing	38	519	120	56	65
— non-interest-bearing	829	179	749	179	136
Total shareholders' equity and liabilities	5,625	5,056	6,249	5,293	5,138

¹⁾ From Q1 1999, Ratos reports its Consolidated Income Statement and Balance Sheet exclusively in accordance with the equity method with no quarterly delay. Balance brought forward for shareholders' equity in 1999 has thus been amended and comparative figures recalculated.

²⁾ Change of equity in Scandic Hotels in connection with the Scandic Hotels acquisition of the Finnish hotel chain Arctia.

CASH FLOW ANALYSIS, SEK M	31 Dec 1997	31 Dec 1998	30 Jun 1997	30 Jun 1998	30 Jun 1999
Cash flow before change in working capital	115	43	151	32	26
Change in working capital	-98	9	-199	363	-175
Cash flow of current operations	17	52	-48	395	-149
Cash flow of investment operations	-790	104	-206	-240	1,252
Cash flow of financing operations	-965	-642	-247	-391	-951
The year's cash flow	-1,738	-486	-501	-236	152
Liquid assets at start of period	2,260	522	2,260	522	36
Liquid assets at period-end	522	36	1,759	286	188

KEY FIGURES ¹⁾	1997 Full-year	1998 Full-year	1997 Q 1-2	1998 Q 1-2	1999 Q 1-2
Return on shareholders' equity, %	5	19			
Return on capital employed, %	6	21			
Cash flow of current operations and investment operations, SEK M	-773	156	-504	155	1,103
Equity ratio					
– visible, %	78	83	81	92	94
– including hidden reserve, %	87	90	88	96	96
Interest-bearing net receivables, SEK M	277	-594	1,551	161	109
Market value of stock portfolio, SEK M	7,592	7,824	6,525	9,143	7,850
Net asset value, SEK/share	85	87	84	104	101
Shareholders' equity SEK/share	49	46	56	54	60
Result after tax, SEK/share	2.40	8.81	1.68	8.42	13.22
Dividend paid, SEK/share	3.00	3.50			
Market price SEK/share	71	57	70.50	82	63.50
Number of shares	90,277,604	81,320,508 ²⁾	90,277,604	90,277,604	81,320,508

¹⁾ From Q1 1999, Ratos reports its Consolidated Income Statement and Balance Sheet exclusively in accordance with the equity method with no quarterly delay. Balance brought forward for shareholders' equity in 1999 has thus been amended and comparative figures recalculated.

²⁾ Excluding C shares.

From 1999, Ratos reports its consolidated result exclusively in accordance with the equity method. Ratos' result includes shares in results of associated companies. This method reflects more accurately Ratos' strategy with an increased proportion of unlisted holdings.

According to the Annual Accounts Act, the equity method is to be applied for associated companies. An associated company is a company in which the ownership is so extensive that it involves considerable influence over the company. A number of votes of 20 per cent or more means that the holding is as a rule to be regarded as a holding in an associated company.

Briefly, the equity method means the following: The result during a period is arrived at by multiplying the ownership participation for the holding by its result. This figure is reported in the Statement of Income

as result from associated company before tax. Share in the tax expense of the associated companies is included in the consolidated tax expense. In the Balance Sheet, the value of Participations in associated companies is changed with the value of accumulated shares in the results of the associated companies after tax. A dividend from an associated company is thus not reported in the Statement of Income but only in the Balance Sheet as a change from restricted to non-restricted equity.

Where the acquisition value of an associated company exceeds the company's shareholders' equity, the differences are assigned to goodwill and depreciated according to plan.

RATOS' ACTIVE HOLDINGS

Company information

SEK M	Net sales			Result after depreciation			Result before taxes			Of which, goodwill depreciation	Of which, other depreciation	Invest- ments	Cash flow ²⁾	Share- holders' equity	Interest- bearing net liability ³⁾
	99 Q1-2	98 Q1-2	1998	99 Q1-2	98 Q1-2	1998	99 Q1-2	98 Q1-2	1998	99 Q1-2	99 Q1-2	99 Q1-2	99 Q1-2	99 Q1-2	99 Q1-2
Active holdings															
Dahl	5,006	4,798	10,431	42 ¹⁾	110	344	-15 ¹⁾	75	262	35	54	107	-293	1,168	2,822
Esselte	5,699	4,460	9,110	113	370	1,235	93	353	1,167	52	202	139	1,330	2,942	2,796
Meto	1,633	1,499	3,074	128	112	218	119	106	205	12	43	48	-51	523	258
Scandic Hotels	2,602	2,265	5,004	142	108	308	148	102	274	22	156	290	99	1,581	99
ACE	249	322	610	-4	2	3	-3	3	4	0	1	1	-15	36	-22
Capona	120	105	220	75	63	130	48	35	74	—	10	90	-13	777	1,087
Telelogic	116	72	178	-12	1	2	-12	0	1	1	3	5	-10	90	-63
Telia Overseas ⁴⁾															
TV8	7	5	9	-26	-26	-52	-27	-27	-53	—	1	1	-24	16	3

RATOS' RESULT

SEK M	Ratos' ownership, %	Result/ share in result 1999 Q1-2	Of which Ratos' goodwill depr. ⁶⁾ 1999 Q1-2
Active holdings			
Dahl	49	-2	—
Esselte	13	10	-2
Meto ⁵⁾	13	15	—
Scandic Hotels	23	34	0
ACE	100	-6	-3
Capona	47	22	-1
Telelogic	20	-5	-2
Telia Overseas ⁵⁾	9	—	—
TV8	80	-28	-1
PriFast	—	-3	-1
		37	-10
Exit result from Dahl		195	
Exit result from PriFast		324	
Exit result from Telelogic		13	
Exit result from other		-2	
Exit result total		530	
Result of Active holdings		567	
Result of Asset management		584	
Central overheads		-48	
Consolidated result before taxes		1,103	

RATOS' NET ASSET VALUE

SEK M	Book value in Parent Company 30 Jun 1999	Groupwise book value/ Market value	
		30 Jun 1999	31 Dec 1998
Active holdings			
Dahl	562	562	466
Esselte	298	378	574
Meto ⁵⁾	140	187	—
Scandic Hotels	90	1,331	1,458
ACE	100	100	100
Capona	224	309	247
Telelogic	30	140	30
Telia Overseas ⁵⁾	125	125	99
TV8	103	103	103
PriFast	—	—	504
		3,235	3,581
Market value Asset management		4,615	4,243
Liquid assets and other		326	-751
Net asset value		8,176	7,073

In Active holdings, unlisted companies – Dahl, ACE, Telia Overseas and TV8 – are entered at book values in the Parent Company.

¹⁾ Total of the result in "old" Dahl in the first quarter and the result in "new" Dahl in the second quarter.

²⁾ Cash flow of current operations and investment operations.

³⁾ Interest-bearing liabilities less liquid assets.

⁴⁾ Information not published.

⁵⁾ Not associated company or subsidiary. Meto is regarded as an associated company to 30 Jun 1999 inclusive.

⁶⁾ For associated company is intended the portion of goodwill depreciation which has reduced the share in the result.

Ratos' operations

Business concept

Ratos is an owner company whose business concept, over a period of time, is to create the highest possible yield for its shareholders through professional, active and responsible exercising of the owner role in a number of selected companies and investment situations in which Ratos creates a unique investment opportunity for the players on the stockmarket. Added values are to be created in connection with acquisition, development and sale of companies.

Objective

The objective is that the total yield of the Ratos share will be higher than the average for the companies on the Stockholm Stock Exchange.

The dividend policy will be aggressive.

Ratos is to be perceived as one of Sweden's best owner companies.

Strategy

Ratos' holdings will consist of 10-20 companies of varying size with an increased proportion of unlisted holdings. Ratos will normally be the largest owner with 20-50 per cent ownership.

Operations are focused on Active holdings with positive market and development potential in which Ratos as an owner is able to contribute to added value. Listed shares, which are not included among Active holdings, are regarded as a liquidity reserve.

Information regarding Annual and Interim Reports and other press releases is available at Ratos' website on the Internet, www.ratos.se

FUTURE INFORMATION DATES

Interim Report Jan - Sep, 1 Nov 1999

Preliminary Accounts Report 1999, 25 Feb 2000

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