



Drottninggatan 2 P.O. Box 1661 SE-111 96 Stockholm Sweden
Telephone +46 8-700 17 00 Telefax +46 8-10 25 59 www.ratos.se

PRELIMINARY REPORT 1999

- **Result for the year SEK 1,761M (897)**
- **Profit per share SEK 20.95 (9.78)**
- **Proposed dividend SEK 4.50 (3.50)**
- **NAV growth in 1999 34% (7)**
- **NAV per share SEK 118 on 23 February 2000**

The Swedish Investment company Ratos has adopted a new strategy oriented forwards Private Equity investments. The Company's business concept is, as it always has been, based on creating values by actively developing owned companies.

During the 1990s, Ratos invested mainly in listed companies. The evaluation is now that the opportunities for creating values are greater outside the stockmarket. Ratos' assets will therefore be invested in a limited number of primarily unlisted companies. Thus, Ratos becomes a listed operator on the Private Equity market.

In accordance with the new strategy, the transfer of Ratos' assets was initiated during 1999. The proportion of unlisted, and therefore for the stockmarket unique holdings, now represents nearly 20 per cent of the Company's NAV compared with 8 per cent at the start of the year. Active holdings'

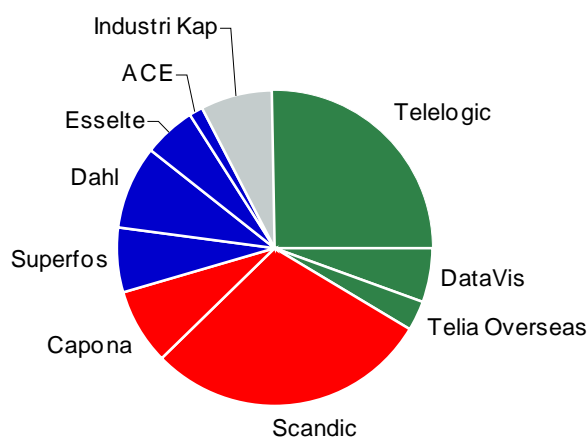
proportion of the assets has increased to more than 50 per cent.

Strong result improvement

Consolidated result before taxes amounted to SEK 1,761M (897). The figure includes results of Active holdings of SEK 824M (584) and results of Asset management of SEK 1,023M (397). Management costs amounted to SEK 81M (65) and net financial income and expenses to SEK -5M (-19). Total goodwill depreciation in the Group in associated companies for the year amounted to SEK 89M.

Result and share in result of the Active holdings amounted to SEK 128M (241). The subsidiaries, especially TV8 which was sold during the year, generated losses of SEK 49M in total. The positive shares in results of Dahl, Scandic Hotels, Capona, Meto and Superfos totalled SEK 216M. Shares in results of Esselte, PriFast and Telelogic were all negative and totalled SEK -39M. Shares in results include Ratos' depreciation of goodwill for the respective holding.

ACTIVE HOLDINGS



Exit results of Active holdings amounted to SEK 696M (343). The sale of PriFast's holding in Meto accounted in total for SEK 537M of the exit result. The Dahl transaction also generated a positive exit result of SEK 182M. The sale of TV8 during the autumn resulted in a capital loss of SEK 35M.

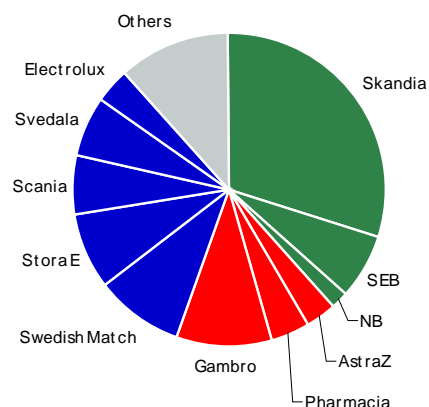
Asset management 46%

The yield of Asset management amounted to 46 per cent during the year. Dividends received amounted to SEK 102M (96) and net capital result was SEK 921M (301). Shares were acquired for SEK 1,446M and sold for SEK 2,022M. At the year-end, Asset management's portfolio excluding investments in Industri Kapital Private Equity funds of SEK 348M had a market value of SEK 5,002M (4,029). The hidden reserve in the portfolio was SEK 2,134M (1,386).

Central income and expenses

The organisation's costs amounted to SEK 81M (65), of which transaction-related costs relating to investments in Industri Kapital's funds constituted SEK 23M. Personnel costs

ASSET MANAGEMENT



amounted to SEK 27M (32) and other costs, including costs in connection with acquisition processes, to SEK 31M (29). The central income and expenses therefore amounted to 0.6 per cent of the average NAV during the year. The financial net amounted to SEK -5M (-19).

Liquidity and cash flow

The cash flow from the current operations and the investment operations for the period amounted to SEK 1,149M (156) and liquid assets amounted to SEK 227M (36) at year-end.

Active holdings

During the year, three Active holdings (PriFast, TV8 and Meto) were divested, whereas Capona and Superfos were added. In December 1999, Ratons announced its intention to invest approximately SEK 250M in yet another Active holding – the IT consulting company, DataVis. The investment was carried out at the end of January 2000.

Telelogic

At the turn of the year, Ratos' holding in the software company, Telelogic, was equivalent to an ownership of 20 per cent. The market value of the holding is currently approximately SEK 1.2 billion. Telelogic's strong growth continued in 1999 and sales increased by 78 per cent during the year. The organic growth amounted to 54 per cent. The company's earnings after financial income and expenses amounted to SEK 2.2M. The recruitment rate was high and the number of employees has more than doubled to 450 at the year-end.

The acceptance increased for the company's products, which are used to rationalise the development of software for

real time applications within mainly the telecom sector. Several new orders were received from customers such as NEC, Motorola, Ericsson and Nokia. At the end of the year, Telelogic acquired Verilog by issuing new shares. Through the acquisition, the customer base is expanded to the automotive and aircraft industries. With the aim of preparing for further expansion the company made another new share issue at the beginning of the year 2000, which was mainly directed at US investors. Following the issue, Ratos' ownership before exercising outstanding warrants amounts to approximately 17 per cent.

ACTIVE HOLDINGS

	Net sales	Res a depreciation	Res bef. taxes	of which goodwill depreciation	of which other depreciation	Investments	Cash flow ¹⁾	Shareholders equity	Interest-bearing net liability
	1999	1999	1999	1999	1999	1999	1999	1999	1999
ACE	492	-5	-4	0	-3	1	-5	34	-32
Capona	251	160	104	-	21	128	1	822	1,068
Dahl	10,531	270	135	75	101	158	186	1,304	2,250
DataVis	186	-4	-4	1	3	us	us	26	us
Esselte	11,192	-131	-228	314	402	399	1,265	2,599	2,897
Scandic Hotels	5,320	354	372	43	305	529	241	1,765	-155
Telelogic	318	2	2	4	10	-54	-61	109	-5
Superfos (MDKK)	3,648	199	2,502	4	193	us	us	746	1,945
Telia Overseas	340	-617	-606	2)	80 ²⁾	us	us	499	us

1) Cash flow of current operations and investment operations

2) SEK 80M equals total depreciations

Scandic Hotels

Ratos' holding in the hotel operator, Scandic Hotels, is equivalent to an ownership of approximately 25 per cent. The holding currently has a market value of SEK 1.3 billion. Scandic enjoyed a positive development during the year with increasing market shares on all markets. Occupancy and room prices increased both in the Nordic operations and operations outside the Nordic countries. Sweden had the strongest development. In 1999, earnings after financial income and

expenses amounted to SEK 372M (274), an improvement of 36 per cent. For comparable units the improvement between the years amounted to 28 per cent. Sales amounted to SEK 5,320M (5,004), equivalent to an increase of 6 per cent. The increase for comparable units also amounted to 6 per cent. Operating result amounted to SEK 354M (308), equivalent to an operating margin of 6.7 per cent (6.2). The cash flow remained strong.

Dahl

During spring 1999, EQT and Ratos bought-out Dahl from the stockmarket. The buy-out was implemented via a leveraged company which is now the Parent Company of the new Dahl Group. In practice this meant that Ratos' ownership in Dahl increased from 28 to 49 per cent. The holding is included in Ratos' NAV at SEK 400M. After Dahl's management had been offered a stakeholding in the company on terms equivalent to Ratos and EQT, Ratos' ownership amounted to 44 per cent at year-end 1999.

In 1999, Dahl's sales amounted to SEK 10,531M (10,431). Earnings after financial income and expenses were SEK 138M (262). Increased interest expenses, goodwill depreciation and other acquisition costs connected with the buy-out from the stockmarket affected the result negatively by SEK 80M. The operations in Sweden, Finland and Poland improved the result compared with 1998. Earnings in Denmark were negatively affected by a weak development in newly-acquired subsidiary operations. In Norway, earnings fell as a consequence of a significant market decline and costs for the implementation of a new IT system.

Capona

The hotel real estate company, Capona, was listed on the stockmarket in March 1999. Ratos' ownership in the company amounts to 47 per cent and the holding currently has a market value of SEK 380M. During the year, Capona's rental income rose by 14 per cent to SEK 251M (220). As a rule, Capona signs sales-based rental agreements which meant that the continued sound hotel trend provided the company with significantly increased income. Implemented acquisitions of hotel properties and sales-increasing investments also contributed to the increased income. For comparable hotel properties

rental income increased by 10 per cent. Operating surplus rose by SEK 32M to SEK 200M compared with the previous year. Earnings after financial income and expenses were SEK 104M (74) which is an increase of more than 40 per cent compared with 1998. Earnings after tax rose to SEK 89M (64).

Superfos

At the end of 1999, Ratos and Industri Kapital jointly acquired the Danish industrial group, Superfos. Ratos' investment is equivalent to an ownership of 33 per cent and was included in Ratos' year-end NAV at SEK 312M. In direct connection with the acquisition, Superfos' US construction operations were sold to the US company, Ashland Inc. Remaining in the Group are the three Business Areas: Packaging, Aerosol and Chemicals. Superfos' operating profit for 1999 for the remaining three Business Areas amounted to DKK 203M. Earnings improved both in Packaging and Aerosol, whereas Chemicals' result was on a par with the previous year.

Esselte

After implemented streamlining which included, among other things, the sale of Nielsen&Bainbridge and the demerger of Meto during 1999, Esselte is now a focused world-leading supplier of office products. Ratos' share of the capital in the company amounts to 14 per cent and to 24 per cent of the votes. The holding is currently worth approximately SEK 270M. Sales in 1999 amounted SEK 11,192M for comparable units (9,110). The increase was a consequence of the acquisition of Leitz in November 1998. For comparable units and adjusted for exchange rate fluctuations, sales fell by 1.3 per cent. The gross margin continued to improve quarter by quarter during 1999. The improvement is mainly due to the favourable development of the product mix and of cost

rationalisations. Operating profit before restructuring items was SEK 252M (344), a fall of 26 per cent compared with 1998. After restructuring items, the operating loss amounts to SEK -131M (344). The loss before taxes was SEK -228M. In November 1999, Anders Igel took over as President and CEO.

Telia Overseas

Since 1996, RatOS has owned 9 per cent in Telia's subsidiary, Telia Overseas which was established with the aim of acquiring telecommunications licences, mainly mobile, and build up communications networks in developing countries. The investments are carried out in collaboration with local partners. During the year, RatOS participated in new share issues in the company, following which the holding is booked at SEK 144M. At the present time, Telia Overseas' investments in Brazil account for approximately 40 per cent of the company's undertakings. In Sri Lanka, the company invested an additional approximately 25 per cent. The inflow of customers to Telia Overseas' Brazilian associated company, TESS, was high and the number of subscribers in the licence area, which comprises a population of around 17 million, amounted to approximately 345,000 (18,000) at the year-end. The market share of new sales therefore amounted to approximately 50 per cent and the share of the total market to more than 20 per cent. TESS invoiced for SEK 840M in 1999 of which SEK 250M was attributable to sales of telephones. The 1999 result before taxes, including share in associated companies result, amounted to SEK -606M (-304).

ACE

The airfreight company, ACE, is wholly-owned by RatOS and is therefore the only subsidiary among the Active holdings and is entered at its book value, SEK 64M. Over many years,

the company has reported very high profitability. As a result of the economic crisis in Asia the business volume fell substantially in a short space of time on a market which is important for the company and in the past two years the result was unsatisfactory. The 1999 result amounted to SEK -4M (7). An improved market and implemented measures have created criteria for turning the trend.

DataVis

At the end of January, RatOS subscribed a directed new share issue in the data consulting company, DataVis. At the same time, RatOS subscribed a convertible subordinated loan in the company and acquired a limited number of outstanding shares. In total, the RatOS investment amounted to SEK 250M and RatOS' ownership in DataVis thereafter amounts to 48 per cent. In 1999, DataVis reported sales of approximately SEK 186M (161) in 1999 and result before taxes of SEK -4.4M (3.2). The result in 1999 was charged with items affecting comparison of SEK -4.2M, including acquisition and integration costs. The ambition for the future is that DataVis, via both organic growth and acquisition, will establish itself as a nationwide full-range supplier of IT services.

Net asset value

RatOS' net asset value amounted to SEK 9,192M at the year-end, equivalent to SEK 113 per share. The net asset value growth including dividend paid therefore amounted to 34 per cent. As of year-end 1999 non-listed holdings are included in NAV at consolidated book values. As of 1 January 2000 RatOS NAV will be disclosed quarterly.

Parent Company

The Parent Company's result after tax amounted to SEK 1,840M (643). Active holdings accounted for SEK 914M (375) and

Asset management for SEK 1,011M (365) of the result. Management costs amounted to SEK 76M (62). Financial items (net) were SEK -7M (-31).

The Ratos share

Total yield of the Ratos share amounted to 34 per cent in 1999. During the corresponding period, the Findata Yield Index rose by 70 per cent.

Dividend

Ratos' dividend policy shall continue to be aggressive. The Board of Directors propose a dividend for 1999 of SEK 4.50 (3.50) per A and B shares.

Share buy-backs

Ratos' need for capital to implement its new strategy is currently considered to be satisfied. With the objective of improving the Company's capital structure and thus increase

the value for its shareholders, the Board of Directors is now asking for authorisation to acquire the Company's own shares. The authorisation is intended to apply until the next Annual General Meeting. The Board does not intend to resell acquired shares via the market.

Ratos' organisation

Mats Lönnqvist has been appointed Senior Investment Manager as from 1 May 2000. Mr. Lönnqvist presently holds the position of CFO at Esselte Group. Berit Lind has been appointed Head of Ratos Asset Management. Ms. Lind will assume her position at the beginning of April 2000.

AGM and Annual Report

Ratos' Annual General Meeting will be held at Grand Hotel in Stockholm on 13 April at 5.30pm.

Stockholm 25 February 2000
FÖRVALTNINGS AB RATOS (publ)

Board of Directors

Future information dates:

Around 10 March 2000	Annual Report
13 April 2000	Annual General Meeting
9 May 2000	Interim Report January-March
29 August 2000	Interim Report January-June
9 November 2000	Interim Report January-September

For further information, please contact:

Arne Karlsson, President, +46 8-700 17 00

Anna-Karin Eliasson, IR Corporate Communications, +46 70-399 62 39

New logotype

During spring 2000, Ratos will start to apply a newly-adopted style and design programme. In this connection, the Company's logotype will be changed. The new logotype is shown on the previous page.

Ratos is a listed Private Equity 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 ownership role in a number of selected companies and investment situations in which Ratos creates a unique investment opportunity for the operators on the stockmarket. The value of Ratos' assets amounts to more than SEK 9 billion. Ratos' Active holdings are Scandic Hotels, Telelogic, Dahl, Superfos, Capona, Esselte, DataVis, Telia Overseas and ACE.

Consolidated Statement of Income

SEK M	1999	1998
ACTIVE HOLDINGS		
Results of subsidiaries	-49	-69
Exit results, subsidiaries	-37	201
Shares in results of associated companies	177	310
Exit results, associated companies	733	142
Result of Active holdings	824	584
ASSET MANAGEMENT		
Dividend	102	96
Capital gains	921	301
Result of Asset management	1,023	397
CENTRAL INCOME AND EXPENSES		
Management costs	-81	-65
Financial items	-5	-19
Central income and expenses	-86	-84
Consolidated result before taxes	1,761	897
Taxes	-57	-102
Net result for the year	1,704	795

Consolidated Cash Flow Analysis

SEK M	1999	1998
CURRENT OPERATIONS		
Consolidated result before taxes	1,761	897
Adjustment for items that are not included in the cash flow, etc	-1,694	-856
	67	41
Paid tax	-4	2
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGE IN WORKING CAPITAL	63	43
Cash flow from changes in working capital		
Decrease (+) in inventories	4	-3
Increase (-) in operating receivables	-195	579
Decrease (-) in operating liabilities	-	-567
Cash flow from current operations	-128	52
INVESTMENT OPERATIONS		
Acquisitions and sales of shares, Active holdings	701	24
Acquisitions and sales of shares, Asset management	576	80
Cash flow from investment operations	1,277	104
FINANCING OPERATIONS		
New share issue	-	113
Redemption of shares	-115	-869
Decrease (-) in interest-bearing liabilities	-558	385
Dividend paid	-285	-271
Cash flow from financing operations	-958	-642
The year's cash flow	191	-486
Liquid assets on 1 January	36	522
Liquid assets on 31 December	227	36

Consolidated Balance Sheet

SEK M	31 Dec 1999	31 Dec 1998
ASSETS		
Fixed assets		
Intangible	31	48
Tangible	19	32
Financial	5,257	4,733
Total fixed assets	5,307	4,813
Current assets		
Inventories	-	17
Current receivables	120	143
Short-term investments	195	47
Cash and bank	109	36
Total current assets	424	243
Total assets	5,731	5,056

SEK M	31 Dec 1999	31 Dec 1998
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	5,437	4,174
Provisions	81	88
Long-term liabilities		
Non-interest-bearing	3	-
Interest-bearing	-	96
Current liabilities		
Non-interest-bearing	151	179
Interest-bearing	59	519
Total shareholders' equity and liabilities	5,731	5,056

Consolidated key figures

SEK M	1999	1998
Return on shareholders' equity, %	35	19
Return on capital employed, %	35	21
Equity ratio, %		
visible	95	83
including hidden reserve	97	90
Net liability/receivable	155	-594
Average number of employees (incl. ACE)	155	242
Key figures per share	1999	1998
Total yield, %	34	-12
Profit	20.95	9.78
Dividend paid, SEK	4.50 ¹	3.50
Market price on 31 December	72	57
Yield, %	6.25	6.1
Net asset value ²	113	87
Number of shares	81,320,426	81,320,426

¹⁾ Board of Directors' proposal

²⁾ Non-listed holdings are included in NAV at consolidated book values

Parent Company Statement of Income

SEK M	1999	1998
Exit results, subsidiaries	-148	303
Dividends from associated companies	86	72
<u>Exit results, associated companies</u>	<u>976</u>	<u>-</u>
Result of Active holdings	914	375
Result of Asset management	1,011	365
Central income and expenses	-83	-93
<u>Taxes</u>	<u>-2</u>	<u>-4</u>
Net result for the year	1,840	643

Parent Company Cash Flow Analysis

SEK M	1999	1998
Cash flow from current operations	-164	43
Cash flow from investing operations	1,304	272
<u>Cash flow from financing operations</u>	<u>-946</u>	<u>-758</u>
The year's cash flow	194	-443
Liquid assets on 1 January	-	443
Liquid assets on 31 December	194	-

Parent Company Balance Sheet

SEK M	31 Dec 1999	31 Dec 1998
Fixed assets		
Tangible	14	15
Financial	5,094	4,452
Total fixed assets	5,108	4,467
Current receivables	53	15
Bonds and other securities	113	-
<u>Cash and bank</u>	<u>81</u>	<u>0</u>
Total current assets	247	15
Total assets	5,355	4,482
Shareholders' equity	5,105	3,665
Provisions	22	29
Long-term liabilities	69	157
<u>Current liabilities</u>	<u>159</u>	<u>631</u>
Total shareholders' equity and liabilities	5,355	4,482

Shareholdings

31 Dec 1999		Number	Book value, SEK M	Market value, SEK M	Share of capital, %	Share of votes, %
ACTIVE HOLDINGS						
Trading	Dahl A	1,108,109	} 400.7	} 400.7 ¹⁾	43,8	46,1
	Dahl B	2,216,205				
Office products	Esselte A	4,558,207	} 338.9	} 306.8	14,0	23,8
	Esselte B	233,500				
Real estate	Capona	9,334,452	313.5	345.4	46.6	46.6
Service companies	Scandic Hotels	15,721,100	476.4	1,234.6	24.7	24.7
Transport	Air Cargo Express (subsidiary)	150,000	64.2	64.2 ¹⁾	100.0	100.0
Industrial	Superfos Industries A/S	2,805,000	312.4	312.4 ¹⁾	33.0	33.0
Telecom	Telelogic	1,612,000	33.9	728.6	19.9	19.9
	Telia Overseas A	1,438,948	143.9	143.9 ¹⁾	8.8	12.0
Total Active holdings			2,083.9	3,536.6		
Total Active holdings, excl subsidiaries			2,019.7	3,472.4		
ASSET MANAGEMENT						
Pharmaceuticals	AstraZeneca	550,000	204.6	198.0	0.0	0.0
	Pharmacia & Upjohn	500,000	213.0	193.0	0.0	0.0
Medical technology	Gambro A	7,100,000	267.4	543.2	2.1	2.7
Engineering	Haldex	820,000	95.9	81.2	3.7	3.7
	Electrolux B	780,000	131.2	166.9	0.2	0.2
	Svedala	2,300,000	241.0	358.8	4.8	4.8
Investment companies	Industrivärden C	607,400	79.0	107.5	0.4	0.0
Construction	JM	800,000	104.9	131.2	2.4	1.8
Hotels	Pandox	1,499,500	79.2	101.2	10.0	10.0
Automotive	Scania B	1,347,380	294.8	413.0	0.7	0.1
Banking	SEB, A	5,012,880	330.0	431.1	0.7	0.7
Insurance	Skandia	4,650,000	134.6	1,189.0	0.9	0.9
Forest	Stora Enso R	3,900,000	209.0	567.4	1.1	0.3
Consumer products	Swedish Match	14,953,000	391.3	441.6	3.5	3.5
			2,775.9	4,923.1		
Private Equity Funds	Industri Kapital		225.0	348.1 ²⁾		
Other			15.5	1.3		
			3,016.4	5,272.5		
<u>Stock portfolio, current assets</u>			<u>76.9</u>	<u>77.7</u>		
Total Asset management			3,093.3	5,350.2		
Total holdings, Group			5,113.0	8,822.6		

¹⁾ Consolidated book value²⁾ According to external valuation