

## INTERIM REPORT January – June 2000

- Profit before tax rises to SEK 1,635m (1,103)
- Earnings per share up 52% to SEK 20.11 (13.22)
- Current profits from active holdings SEK 144m (37)
- Exit results SEK 833m (567)
- NAV per share increases 18% to SEK 129 on 30 June
- DataVis acquires technical consultant Systemintegration
- Ratos applies for UMTS licence with Teracom and Nomura

### Several new and follow-on investments

The work of re-investing Ratos' assets in accordance with the private equity strategy adopted 18 months ago continues. The focus is on investments in medium-sized and large, primarily unlisted companies and projects with good development potential. The size of Ratos' investment ranges from SEK 250m to SEK 1,500m.

Four new and follow-on investments were made during the period, totalling more than SEK 800m.

In the spring, Ratos invested a total of SEK 254m in the IT company DataVis which is based in Sundsvall. The aim is to create a nationwide total supplier of IT services through both organic growth and acquisitions. In June, DataVis announced the acquisition of the Gothenburg-based IT consultant Systemintegration with some 60 consultants and customers in the telecom and other sectors.

Ratos' investment in the mobile telephony company Telia Overseas was increased by SEK

82m. and now amounts to SEK 226m. The ownership stake remains unchanged at 9%.

Ratos' wholly owned air and sea freight company, ACE, acquired the Conmel Group's logistics divisions. ACE has thus taken a key step in its strategy to be a leading player in the Nordic air and sea freight sector. Ratos' investment in ACE now amounts to SEK 119m.

In the spring, through a wholly owned subsidiary, Ratos acquired the American air filter manufacturer Farr which was subsequently merged with the Swedish air filter manufacturer Camfil. It is the joint intention of Camfil's principal owner and Ratos to further strengthen Camfil's market position, among other things through additional acquisitions. Ratos' stake in Camfil is 30% with a total investment of SEK 450m.

### UMTS application

Ratos is the largest owner of the consortium which together with Teracom AB and Nomura Asset Investment Group, among others, intends to apply for one of the four licences to be issued for UMTS third-

generation mobile telephony in Sweden. Together with Teracom and Nomura, Ratos will be the consortium's largest owner and thus guarantee the business concept which is based on creating a neutral network, open to a larger number of service and content providers. One stake in the consortium has been reserved for those service providers

who wish to join. The actual application procedure is not expected to entail any significant cost for Ratos. If the Ratos-led consortium receives a licence, the build out of a UMTS network will involve substantial investments. In such case, Ratos' contribution is expected to remain within Ratos' preferred investment size, SEK 250m to SEK 1,500m.

## Ratos' results

SEKm	Ratos' ownership, %	Profit/share of profits 00 Q1-2	Of which Ratos' goodwill depreciation 00 Q1-2
<b>Active holdings<sup>1)</sup></b>			
ACE	100	17	-4
Capona	47	29	-1
Dahl	44	32	–
DataVis	49	-4	-2
Esselte	17	21	0
Scandic Hotels	24	46	-5
Superfos	33	3	-1
Telelogic	9	–	–
Telia Overseas	9	–	–
Total profit/share of profits		144	
Exit gain, Telelogic		602	
Exit result, exercise of option		-7	
Exit gain, DataVis <sup>2)</sup>		-1	
Exit gain, Scandic Hotels <sup>2)</sup>		39	
Industri Kapital		56	
Total exit result		689	
Profit from active holdings		833	
Profit from asset management		831	
Net expenses		-29	
Consolidated profit before tax		1,635	

<sup>1)</sup> Camfil is reported in the Ratos Group according to the equity method as from 1 July 2000.

<sup>2)</sup> Earnings impact of the completed new issue.

## Profit before tax SEK 1,635m

The Group's profit before tax amounted to SEK 1,635m (1,103). This result includes profit from active holdings of SEK 833m (567) and profit from asset management of SEK 831m (584). The Group's profit, including share of profits of associated companies, includes a bonus allocation from SPP totalling SEK 77m. The organisation's costs remained low and the Group's cash flow from operating activities

and investing activities was positive. Total consolidated goodwill amortisation in the Ratos Group and associated companies amounted to SEK 53m in the first six months of the year.

## Earnings improvements in active holdings

Current profit and share of profits from the active holdings rose to SEK 144m (37). These

earnings amounted to SEK 197m (79) before amortisation of goodwill.

Ratos' subsidiary ACE contributed SEK 21m (-2) to this result. The associated companies Dahl, Scandic Hotels, Capona, Esselte and Superfos reported improved earnings while DataVis reported a loss of SEK 9m. Ratos' share of profits of associated companies includes goodwill amortisation for the holdings concerned.

The active holdings Telelogic and Telia Overseas are not reported as associated companies. Both companies performed well but report an operating loss due to growth-oriented investments.

Camfil and Farr are reported according to the equity method as from 1 July 2000.

### Exit gains 30%

The exit result from active holdings amounted to SEK 689m (530). This result was mainly due to a one-third reduction in the holding in Telelogic which provided an exit gain of SEK 602m. Divestments from Industri Kapital generated exit gains of SEK 56m in the second quarter of 2000. In the first six months of 1999, the exit result mainly comprised the sale of holdings in PriFast and the Dahl transaction.

### Low management costs

The organisation's costs amounted to SEK 41m (42), excluding income from SPP's surplus funds of SEK 11m. Staff costs amounted to SEK 13m (9). Other expenses, including costs in connection with acquisition

processes, amounted to SEK 28m (33).

Central expenses recomputed on a full-year basis thus amounted to 0.6% of net asset value at the end of the first half.

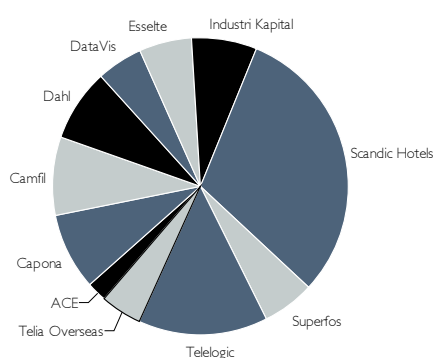
Net financial items amounted to SEK 1m (-6). Cash flow from operating activities and investment activities for the period was SEK 292m (1,103) and the Group's liquid assets amounted to SEK 67m (188) at the end of the period.

### Re-investments generate capital gains

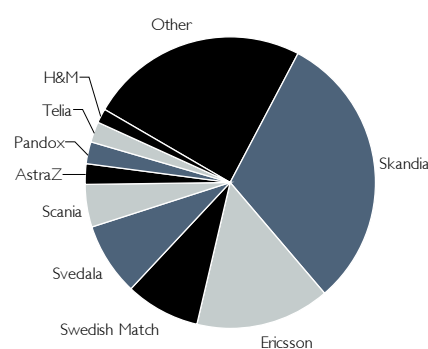
Asset management's profit for the first half of the year amounted to SEK 831m (584). As described in the previous interim report, the investment strategy for asset management has been changed to better reflect demands for greater liquidity and limited risk. The re-investments subsequently carried out provided capital gains of approximately SEK 450m. Taken as a whole, asset management generated capital gains of SEK 731m (484) in the first half of 2000 while dividends received amounted to SEK 100m (100). Shares were purchased for SEK 2,963m and sold for SEK 3,363m.

From the end of April to the present day, Telia was added to the largest holdings in the asset management portfolio while Gambro and Industrivärden were removed. Asset management's total value amounted to SEK 5,283m or SEK 66 per share on 30 June. The value of the portfolio on 25 August was SEK 4,892m or SEK 61 per share.

Active holdings 25 August 2000  
Market values and book values resp. 25/8 2000



Asset management 25 August 2000  
Market values 25/8 2000



## ACTIVE HOLDINGS

SEKm	Net sales		1999	Profit after depreciation			Profit before tax			Of which good-	Of which	Invest-	Cash	Share-	Interest-	Goodwill
	00	00		00	00	00	00	00	00	will depre-	other depre-		flow <sup>1)</sup>	holders'	bearing	
	Q1-2	Q1-2		Q1-2	Q1-2	1999	Q1-2	Q1-2	1999	Q1-2	Q1-2	Q1-2	Q1-2	Q1-2	Q1-2	Q1-2
ACE	439	238	492	9	-2	-5	21	-2	-4	1	2	60	-74	92	7	54
Camfil	911	743	1,531	60	60	103	40	54	90	5	30	424	24	965	980	923
Capona	124	111	251	92	75	160	63	48	104	0	11	44	30	796	1,104	0
Dahl	5,023	5,006	10,531	137	42	270	65	-15	135	39	57	72	3	1,335	2,249	1,503
DataVis	95	104	186	-11	7	-4	-9	6	-4	1	0	92	-68	191	-97	102
Esselte	5,486	5,699	11,192	205	113	-131	148	93	-228	77	165	56	253	2,579	2,856	1,270
Scandic Hotels	2,633	2,568	5,253	198	142	354	207	148	372	24	147	590	-406	1,888	575	1,037
Superfos <sup>2)</sup>	1,390	u.s.	3,648	76	u.s.	199	10	u.s.	2,502	13	103	u.s.	u.s.	737	1,491	514
Telelogic	243	116	318	-68	-12	2	-65	-12	2	11	7	209	-232	741	-330	358
Telia Overseas	201	151	340	-293	-369	-617	-341	-363	-606	5	46	883	23	1,693	296	19

<sup>1)</sup> Cash flow pertains to cash flow from operating activities and investing activities.

<sup>2)</sup> DKKm.

### Active holdings

Two new active holdings were acquired in the first half of 2000 – the IT consultant DataVis and the air filter manufacturer Camfil. The investment in Telia Overseas was increased and follow-on investments were made in ACE and DataVis.

#### Scandic Hotels

Ratos' holding in the hotel operator Scandic Hotels corresponds to ownership of approximately 24%. Today, the market value of this holding is approximately SEK 1.5bn. Scandic's development was favourable during the period. Sales totalled SEK 2,633m (2,568) and operating profit rose 39% to SEK 198m (142). Earnings for the first half of 2000 include a SEK 39m allocation from SPP's surplus funds. The profit margin for comparable operations (excluding funds from SPP) rose from 5.6% to 6.2%.

The demand trend remained positive in all Scandic's markets except Norway. At the same time as demand is rising, additional new capacity is limited in the majority of Scandic's markets. Both the occupancy level and room rates are increasing.

During the period, Scandic acquired its Swedish competitor Provobis with 16 high-standard, inner city hotels. These operations were taken over at the end of June 2000 and

are therefore not included in Scandic's half-year result.

The annual general meeting held in the spring authorised Scandic's Board to buy-back shares. Approximately 3% of outstanding shares had been repurchased at 25 August 2000.

#### Telelogic

Ratos' holding in the software development company Telelogic has a market value of approximately SEK 700m. As a result of new issues, exercise of options and a part sale in March, Ratos' holding in Telelogic decreased from nearly 20% at year-end 1999 to approximately 8% after the new issue now in progress.

Telelogic's high growth continues and sales rose a full 109% compared with the first half of 1999. Licence revenues accounted for approximately 60% of sales and consulting revenues for the remainder. The company's gross profit amounted to SEK 166m (85) while the operating loss rose to SEK 68m (-12).

At the beginning of August, Telelogic signed a deal with the US company QSS, the world's leading provider of requirements management solutions. The purchase price amounts to more than SEK 1bn. An acquisition of QSS, which employs more than 100 salespersons and consultants in the US

and Canada, more than doubles Telelogic's North American sales force. The acquisition will be financed through a new issue of a maximum of 14.7 shares, corresponding to a dilution of approximately 12%.

#### Camfil

The 30% stake in Camfil is reported according to the equity method as from 1 July 2000. The holding is included in Ratos' net asset value at the book value of SEK 450m. The Camfil Group's earnings, however, are not included in Ratos' half-year results.

Camfil's sales during the period (excluding Farr) amounted to SEK 911m (743) and the gross profit amounted to SEK 298m (267). Farr reports sales of USD 60m (59) for the first half of 2000. The profit margin was 7.5%.

The plans for the Camfil Group include further strengthening its market position through additional acquisitions with the main focus on Europe and Asia.

#### Dahl

Ratos owns 44% of the heating and sanitation wholesaler Dahl. The consolidated book value of this holding rose to SEK 417m due to the positive earnings trend.

Market development was slightly weaker than expected while the Swedish krona strengthened. Sales for the first half amounted to SEK 5,023m (5,006). Operating profit in the operating part of the Group improved by SEK 107m to SEK 157m, including items affecting comparability totalling SEK 34m attributable to SPP's bonus allocation in Sweden, capital gains from the sale of subsidiaries and provisions for an action programme in Norway.

Earnings improved in all countries except Poland where market growth was very weak. The earnings trend was particularly strong in Sweden and Finland. Profit after net financial items in the operating part of the Group amounted to SEK 120m (6). In the Group as a whole, including the leveraged parent company, profit after net financial items

amounted to SEK 67m (-15). The interest-bearing net debt amounted to SEK 2,249m at the end of the first half, which was SEK 573m lower than at the same time in 1999.

#### Capona

Ratos' stake in the hotel property company Capona amounts to 47%. This holding has a present market value of approximately SEK 420m. Since more than 90% of Capona's rental agreements are sales-based, the company benefited from the strong Nordic hotel market. Rental income rose 12% to SEK 124m (111) during the period. Excluding acquisitions, the increase was 8%.

The operating surplus amounted to SEK 97m and the current yield totalled 9.9%. Profit after net financial items, excluding non-recurring income of SEK 5m, was SEK 58m, an increase of 21% compared with the same period in 1999.

#### Esselte

Ratos' holding in Esselte amounts to 17% of the share capital and 27% of the voting rights. The present market value of this holding is approximately SEK 300m.

Since year-end 1999, the company's new president, Anders Igel, has pursued a strategy aimed at restoring Esselte's profitability. Action taken includes the sale and liquidation of non-priority and unprofitable operations. The company has also been reorganised into clearer profit units.

In the first half of 2000, sales fell by nearly 4% to SEK 5,486m (5,699) while the gross margin continued to improve and now amounts to 28.1%. Operating profit improved by 81% and amounted to SEK 205m (113) which is on a par with the company's internal target. Added to this is a SEK 168m allocation from SPP's surplus funds. Profit after financial items also improved and amounted to SEK 148m (93).

Esselte's management earlier announced a future need of provisions of SEK 300-500m for continued restructuring as soon as

earnings permitted. Within this framework, a SEK 168m provision was made relating to European manufacturing.

#### Superfos

Ratos owns 33% of the Danish industrial group Superfos. The consolidated value of Ratos' holding amounts to SEK 298m. The Superfos Group's core business is now packaging manufacture where Superfos Packaging holds a market leading position in Europe in injection-moulded plastic packaging.

In the operating sections of the Group, sales amounted to DKK 1,390m (1,223) in the first six months of the year. Profit before financial items amounted to DKK 89m.

Earnings in Superfos Industries Group, which includes the parent company Superfos Industries A/S, amounted to DKK 76m and profit before tax amounted to DKK 10m.

Following divestments, consolidated goodwill decreased from DKK 872m at the beginning of the year to the present DKK 514m. Interest-bearing net debt amounts to DKK 1,491m, which represents a decrease of DKK 455m since year-end 1999.

Superfos Packaging's sales totalled DKK 1,151m (984) in the first half of 2000 and operating profit amounted to DKK 171m (168). Rising raw material prices continue to put pressure on profit margins. The Group also includes Superfos Aerosol with sales of DKK 239m (241) during the period. Operating profit amounted to DKK 34m (36).

#### DataVis

Ratos owns 49% of the IT consulting company DataVis. The book value of the holding is SEK 246m.

DataVis' sales amounted to SEK 95m (104) in the first half of 2000. Most of this decline was due to the hardware-related operations where sales almost halved during the period to SEK 17m (31). Demand for traditional consulting services weakened compared with the same period a year ago. In the second quarter, however, orders received increased

slightly in all except hardware-related operations. Loss before goodwill amortisation was SEK 10m (9) while the loss after net financial items amounted to SEK 9m (6).

At the beginning of June, DataVis acquired the Gothenburg-based technical consultant Systemintegration. The company, which employs some 60 consultants, has operations in Gothenburg, Linköping, Karlskrona, Malmö, Trollhättan and Stockholm. This acquisition broadens DataVis' customer base, mainly towards the telecom sector.

Systemintegration is expected to boost DataVis' earnings in the current year.

#### Telia Overseas

At the end of the period Ratos owned 9% of Telia Overseas. The investment in Telia Overseas was increased by SEK 82m during the year and the book value of this holding now amounts to SEK 226m.

Telia Overseas' sales amounted to SEK 201m (151) during the period. The loss after depreciation was SEK 293m (-369). Growth in the number of subscribers and market penetration are good in all seven markets where the company has licences today. The total number of subscribers rose from 900,000 at year-end 1999 to 1.3 million at the end of the period. More than half a million of these subscribers are in Brazil.

#### ACE

The air freight company ACE is 100% owned by Ratos, making it the only subsidiary among the active holdings. This holding is included in Ratos' net asset value with SEK 119m. The SEK 55m increase in book value since year-end 1999 is explained by a new issue in conjunction with the complementary acquisition of the Conmel Group's logistics division during the year and by the good earnings trend.

The earnings improvement shown by ACE in the first quarter continues. Sales totalled SEK 439m (238). The sales increase for comparable units was 24%. Profit after net

financial items amounted to SEK 21m (-2). Earnings for the period include a bonus allocation from SPP of SEK 13m. Since earnings only include the operations acquired from the Conmel Group for May and June, the improvement is mainly attributable to comparable units.

ACE's strategy is based on creating a leading position in sea and air freight in the Nordic region. Opportunities for follow-on Nordic acquisitions are therefore evaluated continuously.

### **Net asset value up 18%**

At the end of June, Ratos' net asset value amounted to SEK 10,363m, corresponding to SEK 129 per share – an increase in value of 18% since year-end 1999, including the dividend payment of SEK 4.50 per share.

Listed shares accounted for 80% of net asset value and unlisted assets (including liquid

assets and other assets minus liabilities) accounted for 20%. The unlisted assets are included in net asset value at consolidated book value. Net asset value on 25 August amounted to SEK 10,008m corresponding to SEK 125 per share.

### **Share buy-back**

The Board was authorised by the Annual General Meeting to acquire up to 10% of the company's shares on the stock market in order to improve the company's capital structure and thus raise shareholder value. This authorisation applies until the next Annual General Meeting. The AGM's authorisation does not include the right to sell repurchased shares.

Up until 25 August Ratos had acquired 1,540,000 of its B shares. The acquisitions were made at an average price of SEK 80.76.

Stockholm, 29 August 2000  
RATOS AB (publ)

Arne Karlsson, CEO

This interim report has not been the subject of special examination by the auditors of Ratos AB (publ).

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Financial calendar:

9 November 2000 - Interim Report January-September

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*Ratos, one of Sweden's oldest and largest private equity companies, is listed on the OM Stockholm Exchange. Ratos' business concept is to maximize shareholder value through the professional and responsible management of its investments, including an active involvement in the governance of its portfolio companies. The net asset value of Ratos' investments exceeds SEK 10bn. The company's current holdings include: ACE, Camfil, Capona, Dahl, DataVis, Esselte, Scandic Hotels, Superfos, Telelogic and Telia Overseas.*

**Consolidated Profit and Loss Account**

SEKm	2000 Q 1-2	1999 Q 1-2	1999 full year
<b>ACTIVE HOLDINGS</b>			
Profit/loss from subsidiaries	17	-34	-49
Exit results, subsidiaries	-	-2	-37
Share of profits of associated companies	127	71	177
Exit results, associated companies	633	532	733
Exit results, other active holdings	56	-	-
Profit from active holdings	833	567	824
<b>ASSET MANAGEMENT</b>			
Dividends	100	100	102
Capital gains	731	484	921
Profit from asset management	831	584	1,023
<b>CENTRAL INCOME AND EXPENSES</b>			
Management costs	-30	-42	-81
Financial income and expenses	1	-6	-5
Net expenses	-29	-48	-86
Profit before tax	1,635	1,103	1,761
Tax	-30	-28	-57
Profit after tax	1,605	1,075	1,704

**Consolidated Balance Sheet**

SEKm	30 June 2000	30 June 1999	31 Dec 1999
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible	81	43	31
Tangible	28	30	19
Financial	6,427	4,638	5,257
Total fixed assets	6,536	4,711	5,307
<b>Current assets</b>			
Inventories	-	13	-
Current receivables	253	165	120
Short-term investments	66	61	195
Cash and bank balances	62	188	109
Total current assets	381	427	424
Total assets	6,917	5,138	5,731
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	6,517	4,848	5,437
Provisions	82	87	81
Long-term liabilities			
- non-interest-bearing	3	2	3
- interest-bearing	-	-	-
Current liabilities			
- non-interest-bearing	235	136	151
- interest-bearing	80	65	59
Total shareholders' equity and liabilities	6,917	5,138	5,731



**Consolidated Cash Flow Statement**

SEKm	2000 Q 1-2	1999 Q 1-2	1999 full year
<b>Operating activities</b>			
Consolidated profit before tax	1,635	1,103	1,761
Adjustment for items not included in cash flow	-1,471	-1,074	-1,694
	164	29	67
Paid tax	-2	-3	-4
Cash flow from operating activities before change in working capital	162	26	63
Cash flow from change in working capital			
Decrease (+) in inventories	-	4	4
Increase (-) in operating receivables	-39	-135	-195
Decrease (-) in operating liabilities	-11	-44	-
Cash flow from operating activities	112	-149	-128
<b>Investing activities</b>			
Acquisition and sale of shares, active holdings	-221	851	701
Acquisition and sale of shares, asset management	401	401	576
Cash flow from investing activities	180	1,252	1,277
<b>Financing activities</b>			
Share buy-back	-98	-	-
Redemption of shares	-	-115	-115
Decrease (-) in interest-bearing liabilities	12	-551	-558
Dividends paid	-366	-285	-285
Cash flow from financing activities	-452	-951	-958
Cash flow for the period	-160	152	191
Liquid assets, opening balance	227	36	36
Liquid assets, closing balance	67	188	227

**Consolidated key figures**

	2000 Q 1-2	1999 Q 1-2	1999 full year
Return on equity, %	-	-	35
Return on capital employed, %	-	-	35
Equity ratio, %			
visible	94	94	95
including hidden reserves	96	96	97
Net receivable (+), SEK m	-25	109	155
<b>Key figures per share</b>			
Total return, %	17	18	34
Earnings, SEK	20.11	13.22	20.95
Dividend paid, SEK	-	-	4.50
Market price, SEK	79.00	63.50	72.00
Yield, %	-	-	6.25
Net asset value <sup>1)</sup> , SEK	129	101	113
Number of shares <sup>2)</sup>	80,120,426	81,320,426	81,320,426

<sup>1)</sup> Unlisted holdings are included in net asset value at consolidated book values.

<sup>2)</sup> At 30 June 2000 Ratos had repurchased 1,200,000 shares which are not included in the number of shares reported.

## Shareholdings

August 25, 2000		Number	Market value SEKm	SEK per Ratos-share
<b>ACTIVE HOLDINGS</b>				
Wholesale	Dahl A	1,108,109	417 <sup>1)</sup>	5
	Dahl B	2,216,205		
Office products	Esselte A	5,163,207	303	4
	Esselte B	611,600		
Property	Capona	9,334,452	420	5
Service	Scandic Hotels	15,685,964	1,565	20
Transport	Air Cargo Express (db)	150,000	119 <sup>1)</sup>	1
Manufacturing	Camfil	3,379,310	450 <sup>1)</sup>	6
	Superfos	2,805,000	298 <sup>1)</sup>	4
IT	Telelogic	10,000,000	725	9
	DataVis	1,601,850	246 <sup>1)</sup>	3
	Telia Overseas A	2,263,007	226 <sup>1)</sup>	3
Private Equity Funds	Industri Kapital	-	373 <sup>2)</sup>	5
Total Active holdings			5,142	65
<b>ASSET MANAGEMENT</b>				
	Skandia	8,062,035	1,508	19
	Ericsson	3,870,695	724	9
	Swedish Match	14,172,587	415	5
	Svedala	2,300,000	397	5
	Scania	1,047,023	227	3
	Pandox	1,499,500	120	1
	AstraZeneca	260,795	113	1
	Telia	1,464,785	99	1
	H&M	510,746	88	1
	Haldex	820,000	77	1
	Nordbanken	1,166,806	75	1
	Handelsbanken	359,346	69	1
	Sandvik	61,156	66	1
	Nokia	136,579	53	1
	ABB	44,978	48	1
Fixed-income investments			188	2
Other shareholdings			625	8
Asset management's portfolio			4,892	61
Liquid assets, etc			-26	-1
NAV			10,008	125

<sup>1)</sup> Consolidated book value per 30 June 2000

<sup>2)</sup> According to external valuation