



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

## **I N T E R I M R E P O R T January – March 2000**

- **Profit before tax rises to SEK 788m (724)**
- **Earnings per share SEK 9.48 (8.71)**
- **Holding in Telelogic reduced – exit gain SEK 602m**
- **Follow-on investment in Telia Overseas**
- **Ratos to own 30% in the merged Camfil/Farr**
- **NAV per share on 28 April 2000 SEK 124**
- **Board decides to use AGM buy-back mandate**

**Ratos has had a new strategic focus for just over a year. The company's business concept is based, as it always has been, on creating value through active development of wholly and partly owned companies. In the future the company's assets will be invested in a limited number of medium and large, primarily unlisted companies.**

### **SEK 810m in new and follow-on investments**

In the first quarter of 2000, three new and follow-on investments were made and one new investment was initiated. These deals involve a total investment for Ratos of SEK 810m.

At the end of January, Ratos invested a total of SEK 250m in IT consulting company DataVis, which is based in Sundsvall, Sweden. The aim is to create a nationwide total supplier of IT services through both organic

growth and acquisitions. Ratos' holding amounts to 48%.

In the spring, the telecom company Telia Overseas carried out new issues in which Ratos participated with SEK 75m. Ratos' investment in Telia Overseas has thus increased to SEK 219m.

On 30 March, Ratos' wholly owned air and sea freight company, ACE, concluded an agreement with the owners of the Conmel Group for acquisition of Conmel's logistics division. This marks a key step in ACE's strategy to be a leading player in the Nordic air and sea freight sector.

On 27 March, through a wholly owned subsidiary, Ratos made a bid totalling SEK 1.2bn for the American air filter manufacturer Farr. On 2 May, it was decided to complete this offer. Ratos' total investment amounts to SEK 450m. As soon as the acquisition is completed, Ratos will merge Farr with the Swedish air filter manufacturer Camfil, giving Ratos a 30% stake in the new group.

**Ratos' results**

SEKm	Ratos' ownership, %	Profit/share of profits 00 Q1	Of which Ratos' goodwill depreciation 00 Q1
<b>Active holdings</b>			
ACE	100	0	-2
Capona	47	13	0
Dahl	44	2	-
DataVis	48	-2	-1
Esselte	17	19	0
Scandic Hotels	25	14	-2
Superfos	33	-2	0
Telelogic	10	-	-
Telia Overseas	9	-	-
Total profit/share of profits		44	
Exit gain from Telelogic		602	
Exit result, exercise of option		-7	
Total exit result		595	
Profit from active holdings		639	
Profit from asset management		162	
Net expenses		-13	
Consolidated profit before tax		788	

**Profit before tax SEK 788m**

The Group's profit before tax amounted to SEK 788m (724). This result includes profit from active holdings of SEK 639m (517) and profit from asset management of SEK 162m (222). The organisation's costs remained low and the Group's cash flow is positive. Total consolidated goodwill depreciation in the Group and associated companies amounted to SEK 23m in the first quarter.

**Active holdings developed well**

Current profit and share of profits from the active holdings amounted to SEK 44m (6). Ratos' subsidiary ACE contributed SEK 0m (-4) to this result. The associated companies Dahl, Scandic Hotels, Capona, Esselte and Superfos reported improved earnings while DataVis reported a loss of SEK 2m in the first quarter. Another reason for this improved result was the sale of loss-generating TV8 in autumn 1999. Ratos' share of profits of associated companies includes goodwill depreciation for the holdings concerned.

The active holdings Telelogic and Telia Overseas are not reported as associated companies. The holding in Telelogic was reduced during the period while the investment in Telia Overseas was increased by

SEK 75m. Both companies show good growth but report an operating loss due to growth-oriented investments.

Both Camfil and Farr reported favourable earnings in the first three months of the year.

**Exit gains SEK 595m**

The exit result from active holdings amounted to SEK 595m (511). This result was mainly due to Ratos' divestment in March of just over one-third of the holding in Telelogic which provided an exit gain of SEK 602m. The exit result for the first quarter of 1999 mainly comprised the sale of PriFast and the capital gain from the Dahl transaction.

At the beginning of 1999, eight development companies were sold to Visionalis AB for SEK 189m. In connection with this sale, Ratos received the right, under certain circumstances, to receive an additional purchase price. Since the claim against Visionalis, on which this right was based, was settled in the first quarter of 2000, an additional purchase price will no longer arise.

**Low management costs**

The organisation's costs amounted to SEK 14m (12). Staff costs amounted to SEK 7m (6). Other expenses, including costs in

connection with acquisition processes, amounted to SEK 7m (6). Central expenses recomputed on a full-year basis thus amounted to 0.6% of net asset value at the end of the quarter. Net financial items amounted to SEK 1m (-3). Cash flow from operating activities and investing activities for the period was SEK 496m (181) and liquid assets amounted to SEK 691m (19) at the end of the period.

**Changed investment focus in asset management**

Asset management’s profit for the first quarter amounted to SEK 162m (222). Dividends received amounted to SEK 1m (1) and the net capital gain was SEK 161m (221). Shares were purchased for SEK 446m and sold for SEK 532m.

Ratos’ private equity strategy has partly changed asset management’s role within the Group. The main role of asset management is to ensure that Ratos is prepared for acquisition of new active holdings. The objective is that the portfolio should meet the liquidity requirements that this entails and at the same time achieve a good return.

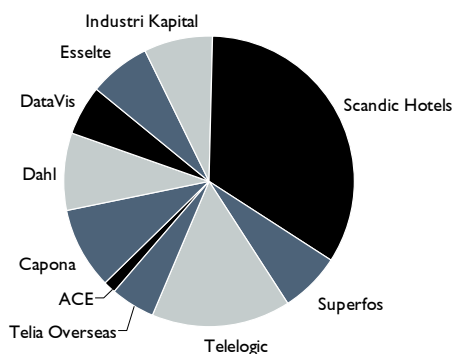
In April 2000, among other reasons because of the future demands on asset management, changes were implemented designed to improve liquidity and increase risk diversification in the portfolio. The number of holdings in the portfolio was therefore increased from 15 at the end of 1999 to 80 at the end of April. The ten largest holdings’ share of the portfolio was reduced from more than 90% to just over 80% and the number of sectors represented in the portfolio has increased from 10 to 20. The largest single change in the portfolio is the new holding in Ericsson which was built up during April.

The reinvestments carried out in April provided capital gains of approximately SEK 375m which will be included in the result for the second quarter of 2000. The total value of the portfolio on 28 April was SEK 5,095m.

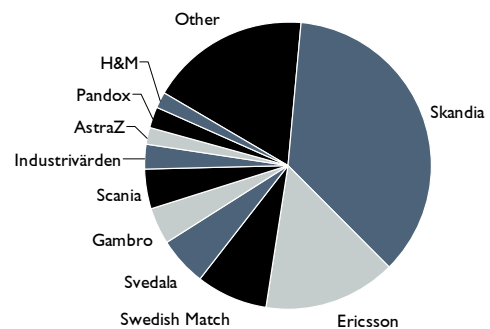
**Active holdings**

In the first three months of 2000, one new active holding was acquired – the IT consultant DataVis – and a public offer was made for the American air filter manufacturer Farr Company.

Active holdings 28 April 2000  
Market values and book values resp. 28/4 2000



Asset management 28 April 2000  
Market values 28/4 2000



## ACTIVE HOLDINGS

SEKm	Net sales			Profit after depreciation			Profit before tax			Of which goodwill	Of which other	Investments	Cash flow	Shareholders' equity	Interest-bearing net debt
	00	99	1999	00	99	1999	00	99	1999	deprecia- tion	deprecia- tion				
	Q1	Q1		Q1	Q1		Q1	Q1		Q1	Q1				
ACE	136	117	492	2	-2	-5	2	-2	-4	0	1	0	-16	36	-16
Capona	61	52	251	44	34	160	30	21	104	0	5	3	35	842	1,026
Dahl	2,449	2,350	10,531	32	-2	270	-3	-25	135	20	29	32	-80	1,262	2,291
DataVis	43	52	186	-3	3	-4	-2	3	-4	0	1	0	3	196	-169
Esselte	2,915	3,037	11,192	160	120	-131	133	134	-228	23	94	21	75	2,663	2,847
Scandic Hotels	1,270	1,257	5,253	59	45	354	65	46	372	12	74	154	-226	1,828	37
Superfos (DKKm)	668	n/a	3,648	35	n/a	199	-4	n/a	2,502	7	51	n/a	n/a	739	1,409
Telelogic	103	52	318	-32	-8	2	-30	-9	2	3	3	85	-97	669	-343
Telia Overseas	96	73	340	-232	-117	-617	-231	-132	-606	3	19	713	n/a	1,214	310

Cash flow pertains to cash flow from operating activities and investing activities.

## Scandic Hotels

Ratos' holding in the hotel operator Scandic Hotels corresponds to ownership of approximately 25%. Today, the market value of this holding is approximately SEK 1.4bn. Scandic's development was favourable during the period. Sales totalled SEK 1,270m and operating profit rose 31% to SEK 59m (45). The market trend remained positive in Sweden, Germany, the Benelux countries and the UK. Development was weaker, however, in Norway and Finland. In Denmark, demand is starting to rise following a weak autumn in 1999. The occupancy level rose in both the Nordic and non-Nordic operations and amounted to 57.8%. Average revenue per room also increased.

At the beginning of April, Scandic made a public offer of approximately SEK 600m for its Swedish competitor Provobis, which has a total of 3,115 rooms in Sweden. An acquisition is expected to provide major synergy gains and to have a positive impact on earnings per share as early as 2001. The number of hotel rooms would increase by approximately 13% to over 25,600. In the first quarter, Scandic sold its holding in the hotel property company Hotellus, after which Scandic became the owner of 21% of the purchaser – the listed hotel property company Pandox.

## Telelogic

Ratos' holding in the software development company Telelogic was reduced from approximately 20 to 9.9% during the quarter. This decrease is due partly to Ratos' sale of Telelogic shares and partly to dilution through new issues and exercise of options. Ratos' holding is currently worth approximately SEK 660m. Telelogic's growth continued in the first three months of the year and sales increased a full 96% compared with the same period in 1999. Sales totalled SEK 102m (52) with licence revenues accounting for approximately 60% and consulting revenues for the remainder. The company's gross profit amounted to SEK 69.9m (41.1) while the operating loss rose to SEK 31.5m (-8.2). The company has strengthened its market position both organically and through acquisitions. The acquisition of the French company Verilog broadened the Group's customer base to include the automotive and aircraft industries. The acquisition of Sterling's UML operations in the spring, makes Telelogic the second largest vendor in the world of the UML programming tool. The loss for the first quarter was in line with the company's expectations. The priority given to continued growth is expected to affect the full-year result which may be negative.

### Capona

Ratos' stake in the hotel property company Capona amounts to 47%. This holding has a present market value of approximately SEK 400m. During the period, Capona's rental income increased by 17% to SEK 61m (52). This increase was partly due to acquisitions. The increase in rental income for comparable properties was 8%. Since Capona's rental agreements are mainly sales-based, the company is benefiting from the continued favourable hotel market. The operating surplus rose 17% to SEK 48m compared with the previous year. Profit after net financial items rose to SEK 30m (21). The current yield from the properties is 9.8%.

### Dahl

Ratos owns 44% of the heating and sanitation wholesaler Dahl. This holding has a consolidated book value of SEK 384m. Dahl's sales in the first quarter amounted to SEK 2,449m (2,350). Operating profit in the operating part of the Group amounted to SEK 40m (-2) and profit after net financial items was SEK 21m 0(-25). In the Group as a whole, including the leveraged parent company, the loss after net financial items was SEK 2m (-25). Improved earnings were noted in Sweden, Norway and Finland, while earnings in Denmark and Poland were largely unchanged. The IT installations carried out in 1998 and 1999 are now working satisfactorily.

### Esselte

In the first quarter of the year, Ratos increased its holding in Esselte to 17% of the capital and 27% of the votes. The holding has a market value of nearly SEK 320m. Today, Esselte is a focused, world-leading supplier of office products. First-quarter sales amounted to SEK 2,915m (3,037). This decrease is due to sales and closures of operations that lay outside the core business or failed to meet profitability targets. The Group's gross margin continues to improve and amounted to 28.5% (25.9). Operating profit also improved and reached SEK 160m (120) while the profit after financial items of SEK 133m was on a par with the corresponding period in 1999.

### Superfos

Ratos owns 33% of the Danish industrial group Superfos. As a result of currency effects, the consolidated value of Ratos' holding has decreased from SEK 313m to SEK 296m. In the operating sections of the Group, profit before financial items amounted to DKK 41.7m in the first quarter. Profit before tax amounted to DKK 405m. This result includes capital gains of approximately DKK 346m, generated by the sale of the Chemicals business area and of the property that previously housed a large part of the Group's central functions. Earnings in Superfos Industries Group, which includes the parent company Superfos Industries A/S, amounted to DKK 35.1m and the loss before tax was DKK 3.8m. Capital gains in the Group were used to write down goodwill, giving a zero net effect on earnings.

The divestments carried out in the opening months of the year have concentrated Superfos' operations still further. The Group's main operations are now packaging manufacture where Superfos Packaging holds a market leading position in Europe in injection-moulded plastic packaging. Superfos Packaging's sales amounted to DKK 551m (477) in the first quarter of 2000 and operating profit amounted to DKK 33m (46). Rising raw material prices had a negative impact on earnings in the first quarter of 2000. The Group also includes Superfos Aerosol with sales of DKK 117m (116) during the period. Operating profit amounted to DKK 13M (12).

### DataVis

At the end of January, Ratos subscribed for a directed new issue in the IT consulting company DataVis. At the same time, Ratos subscribed for a convertible debenture loan in the company and purchased a limited number of outstanding shares. Ratos' total investment amounted to SEK 250m and Ratos owns 48% of DataVis. After full dilution, Ratos' ownership would rise to 51%. The convertible debenture loan amounts to SEK 63m and matures on 31 January 2003. Conversion may take place at a price of SEK 174 per share. The loan carries 5% interest.

In the first three months of 2000, DataVis' sales amounted to SEK 43m (quarterly

accounts were not prepared in 1999). Loss before goodwill depreciation was SEK 2.9m. The loss after net financial items amounted to SEK 2.2m. The loss was partly due to the build-up currently taking place mainly in Linköping and Stockholm. New investments in broadband and the launch of regional portals in co-operation with Norrporten and Sundsvalls Tidning also had a negative effect on earnings. Measures to strengthen earnings are currently being taken including reinforcement of the marketing and sales organisation as well as other parts of the Group.

#### Telia Overseas

At the end of the period, Ratos owned 9% of Telia Overseas. The investment in Telia Overseas was increased by SEK 75m in the first quarter and the book value of this holding now amounts to SEK 219m. The funds obtained by the company through new issues are intended to be used in the operations in Brazil.

Telia Overseas' sales amounted to SEK 97m (73) during the period. The loss after depreciation was SEK 231.8m (-117.2). Growth in the number of subscribers and market penetration are good in the majority of markets where the company has licences today.

Development in Telia Overseas' Brazilian associated company TESS remains favourable. The number of subscribers has risen since year-end 1999 and amounted to 448,000 in March. Market share of new sales lies at 50% and share of the total market has increased.

#### 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 65m. ACE reported an operating profit of SEK 1.7m (-0.9) for the first three months of the year. The Group's sales rose to SEK 136m (117) while sales costs and administrative expenses decreased.

The acquisition of Conmel's logistics division takes place in the second quarter of

2000. This acquisition is expected to make a substantial contribution to the Group's earnings in 2000.

#### Net asset value

On 31 March 2000, Ratos' net asset value amounted to SEK 10,415m, corresponding to SEK 128 per share. Listed shares accounted for 79% of net asset value and unlisted assets (including liquid assets and other assets minus liabilities) accounted for 21%. The unlisted assets are included in net asset value at consolidated book value. Net asset value on 28 April amounted to SEK 10,084m corresponding to SEK 124 per share.

#### Decisions at the AGM

The Annual General Meeting held on 13 April, approved the dividend proposed by the Board of SEK 4.50 (3.50) per A and B share. Olof Stenhammar, Peggy Bruzelius, Harry Faulkner, Göran Grosskopf and Arne Karlsson were re-elected as members of the Board. Lars Berg, Jan Söderberg and Per-Olof Söderberg were elected as new members of the Board. Mikael Lilius, Lars Söderberg and Sven Söderberg had declined re-election. The Meeting approved the Board's proposal to change the name of the company from Förvaltningsaktiebolaget Ratos to Ratos AB. The Meeting also decided to authorise the Board to buy-back the company's own shares.

#### Share buy-back

At present, Ratos' capital requirement for implementation of the new strategy has been met. 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 is intended to apply until the next Annual General Meeting and does not include the right to sell repurchased shares.

At today's meeting the Board decided to use the AGM's authorisation.

Arne Karlsson, CEO

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

**Financial calendar:**  
 29 August 2000 - Interim Report January-June  
 9 November 2000 - Interim Report January-September  
[www.ratos.se](http://www.ratos.se)

**Consolidated Profit and Loss Account**

SEKm	2000 Q 1	1999 Q 1	1999 full year
<b>ACTIVE HOLDINGS</b>			
Profit/loss from subsidiaries	0	-18	-49
Exit results, subsidiaries	-	-	-37
Share of profits of associated companies	44	24	177
Exit results, associated companies	595	511	733
Profit from active holdings	639	517	824
<b>ASSET MANAGEMENT</b>			
Dividends	1	1	102
Capital gains	161	221	921
Profit from asset management	162	222	1,023
<b>CENTRAL INCOME AND EXPENSES</b>			
Management costs	-14	-12	-81
Financial income and expenses	1	-3	-5
Net expenses	-13	-15	-86
Profit before tax	788	724	1,761
Tax	-17	-16	-57
Profit after tax	771	708	1,704

**Consolidated Balance Sheet**

SEKm	31 March 2000	31 March 1999	31 Dec 1999
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible	30	46	31
Tangible	20	31	19
Financial	5,503	4,364	5,257
Total fixed assets	5,553	4,441	5,307
<b>Current assets</b>			
Inventories	-	15	-
Current receivables	120	818	120
Short-term investments	419	241	195
Cash and bank balances	337	18	109
Total current assets	876	1,092	424
Total assets	6,429	5,533	5,731
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	6,174	4,773	5,437
Provisions	81	87	81
Long-term liabilities			
- non-interest-bearing	3	3	3
- interest-bearing	-	122	-
Current liabilities			

- non-interest-bearing	143	136	151
- interest-bearing	28	412	59
Total shareholders' equity and liabilities	6,429	5,533	5,731



**Consolidated Cash Flow Statement**

SEKm	2000 Q 1	1999 Q 1	1999 full year
<b>Operating activities</b>			
Consolidated profit before tax	788	724	1,761
Adjustment for items not included in cash flow	-798	-752	-1,694
	-10	-28	67
Paid tax	-	-	-4
<b>Cash flow from operating activities before change in working capital</b>			
Cash flow from change in working capital	-10	-28	63
Decrease (+) in inventories	-	2	4
Increase (-) in operating receivables	195	-871	-195
Decrease (-) in operating liabilities	-8	-41	-
Cash flow from operating activities	177	-938	-128
<b>Investing activities</b>			
Acquisition and sale of shares, active holdings	233	876	701
Acquisition and sale of shares, asset management	86	243	576
Cash flow from investing activities	319	1,119	1,277
<b>Financing activities</b>			
Redemption of shares	-	-115	-115
Decrease (-) in interest-bearing liabilities	-32	-83	-558
Dividends paid	-	-	-285
Cash flow from financing activities	-32	-198	-958
Cash flow for the period	464	-17	191
Liquid assets, opening balance	227	36	36
Liquid assets, closing balance	691	19	227

**Consolidated key figures**

	2000 Q 1	1999 Q 1	1999 full year
Return on equity, %	-	-	35
Return on capital employed, %	-	-	35
Equity ratio, %			
visible	96	86	95
including hidden reserves	98	91	97
Net receivable (+), SEK m	650	-529	155
<b>Key figures per share</b>			
Total return, %	13	7	34
Earnings, SEK	9.48	8.71	20.95
Dividend paid, SEK	-	-	4.50
Market price, SEK	81.00	57.50	72.00
Yield, %	-	-	6.25
Net asset value <sup>1)</sup> , SEK	128	95	113
Number of shares	81,320,426	81,320,426	81,320,426

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