

RATOS

Ratos and value creation in challenging times

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Today's presentation

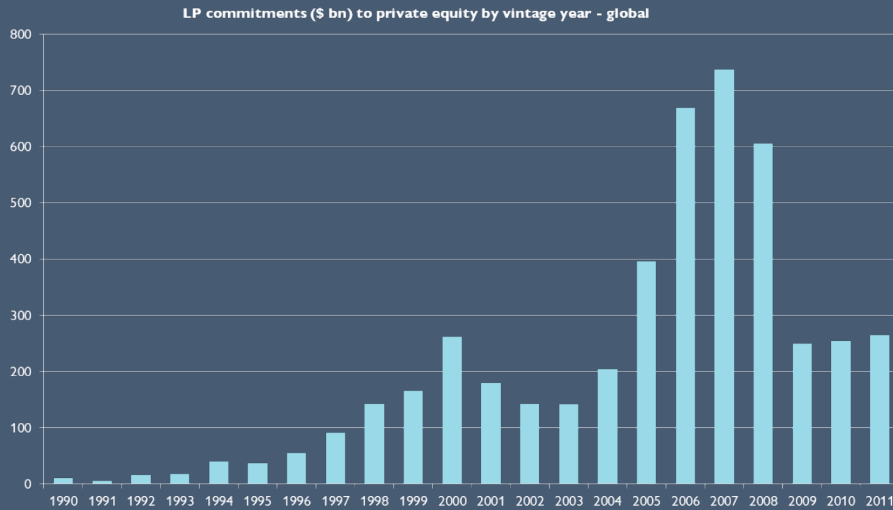
- Strategy: past and future
- 2012 for Ratos
- 2013

New CEO and Chairman: change but no drama

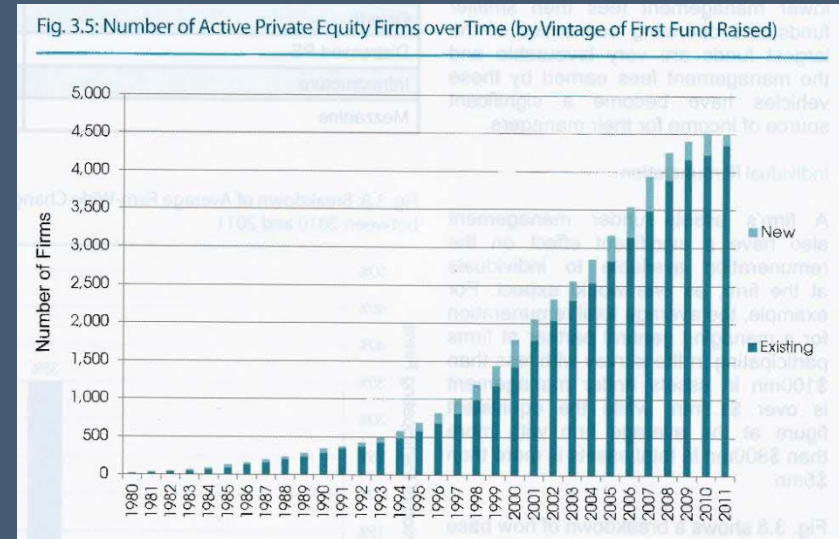
- CEO with focus on continuity
- However: continuous improvements key
 - Changing business environment
 - Ratos good, but can always get better
- Review of strategy
 - Interviews
 - Market overview
 - Review of Ratos's performance

PE – bright future or mostly cloudy?

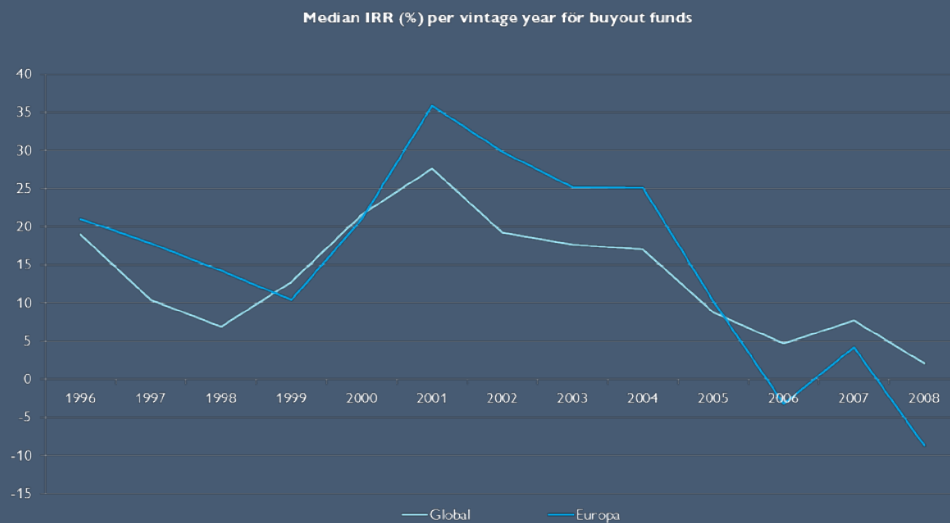
Increased committed capital



Record high number of PE companies

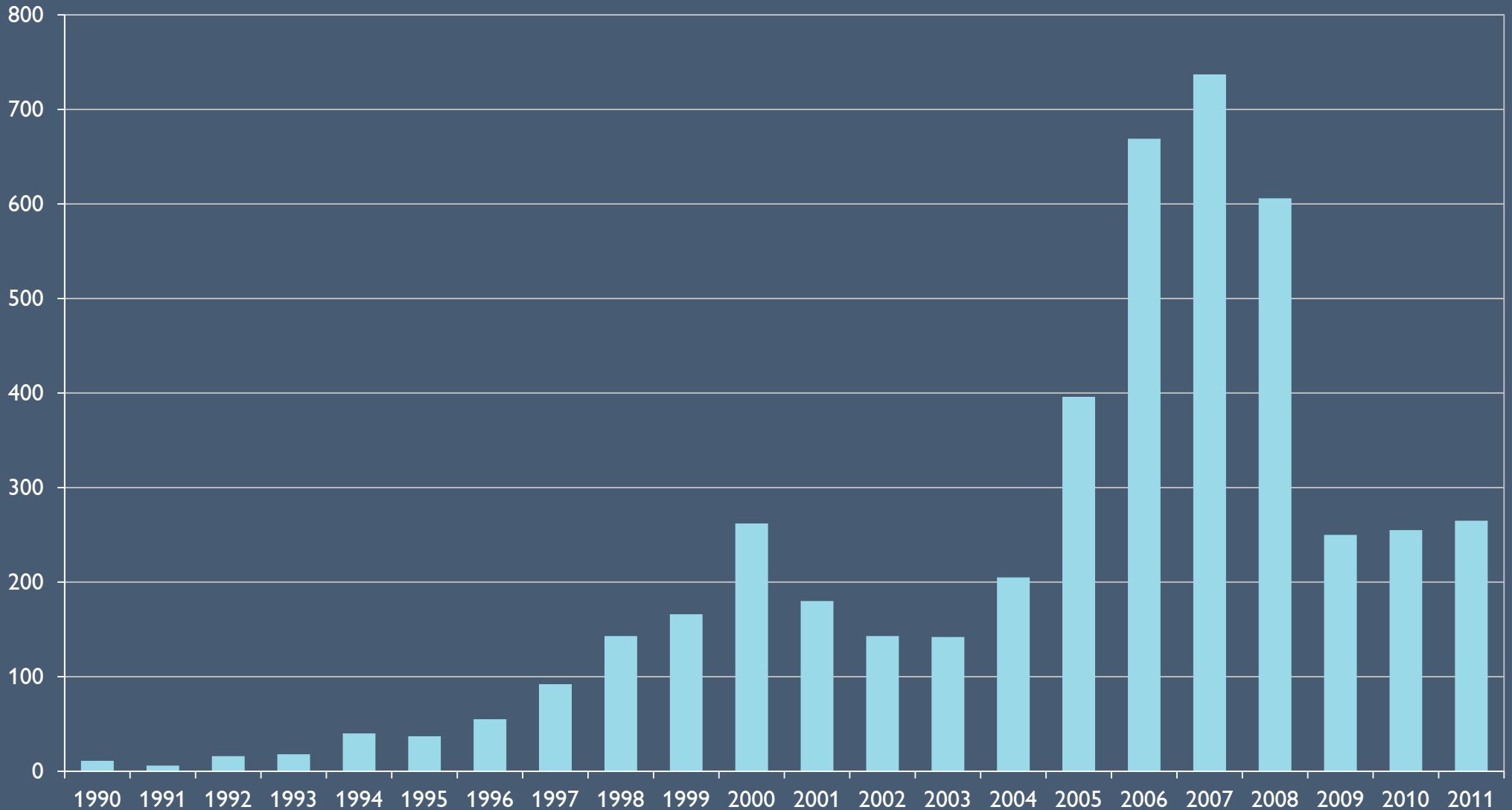


Lower returns over time



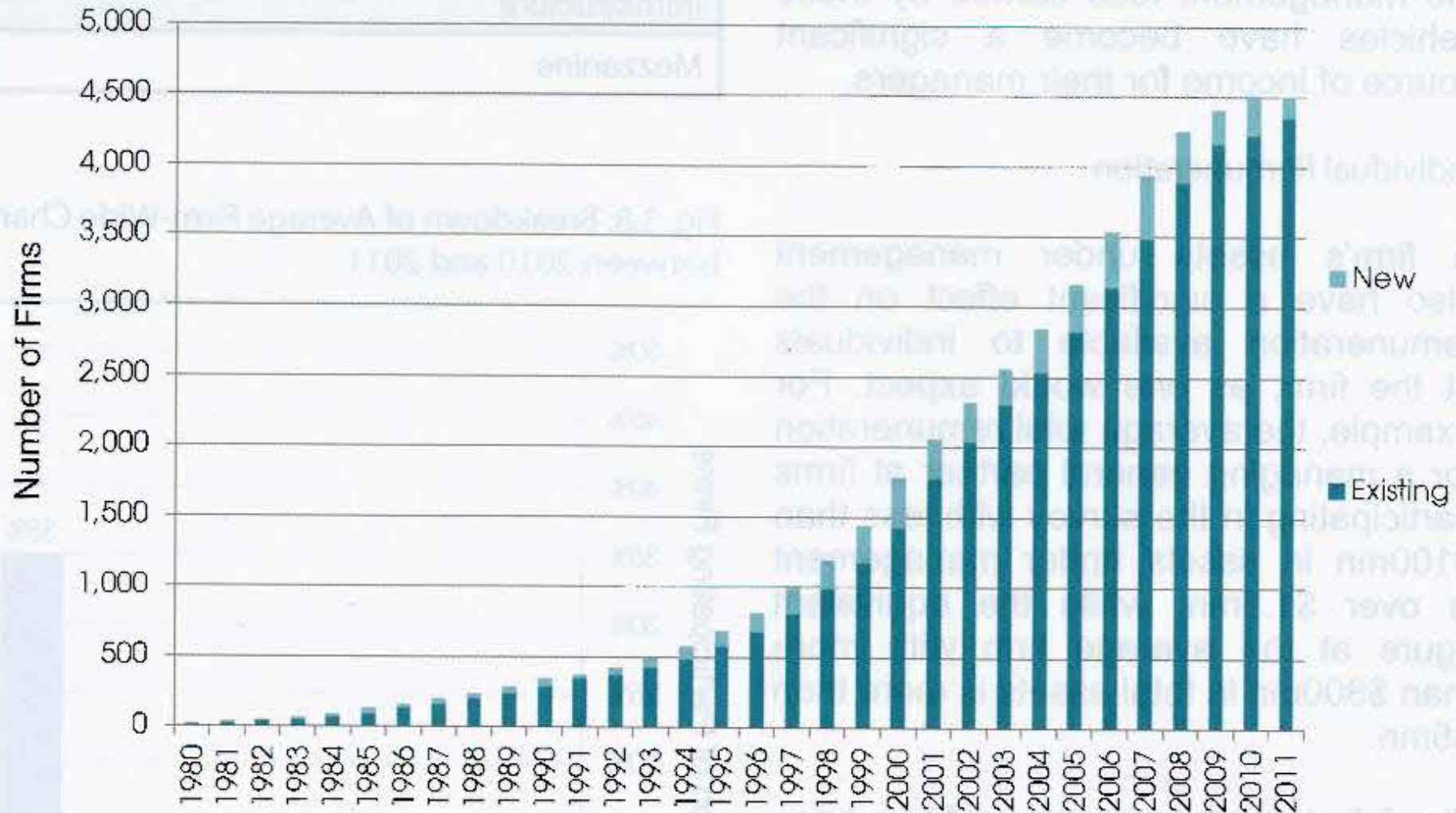
Capital committed to PE has increased substantially

LP commitments (\$ bn) to private equity by vintage year - global



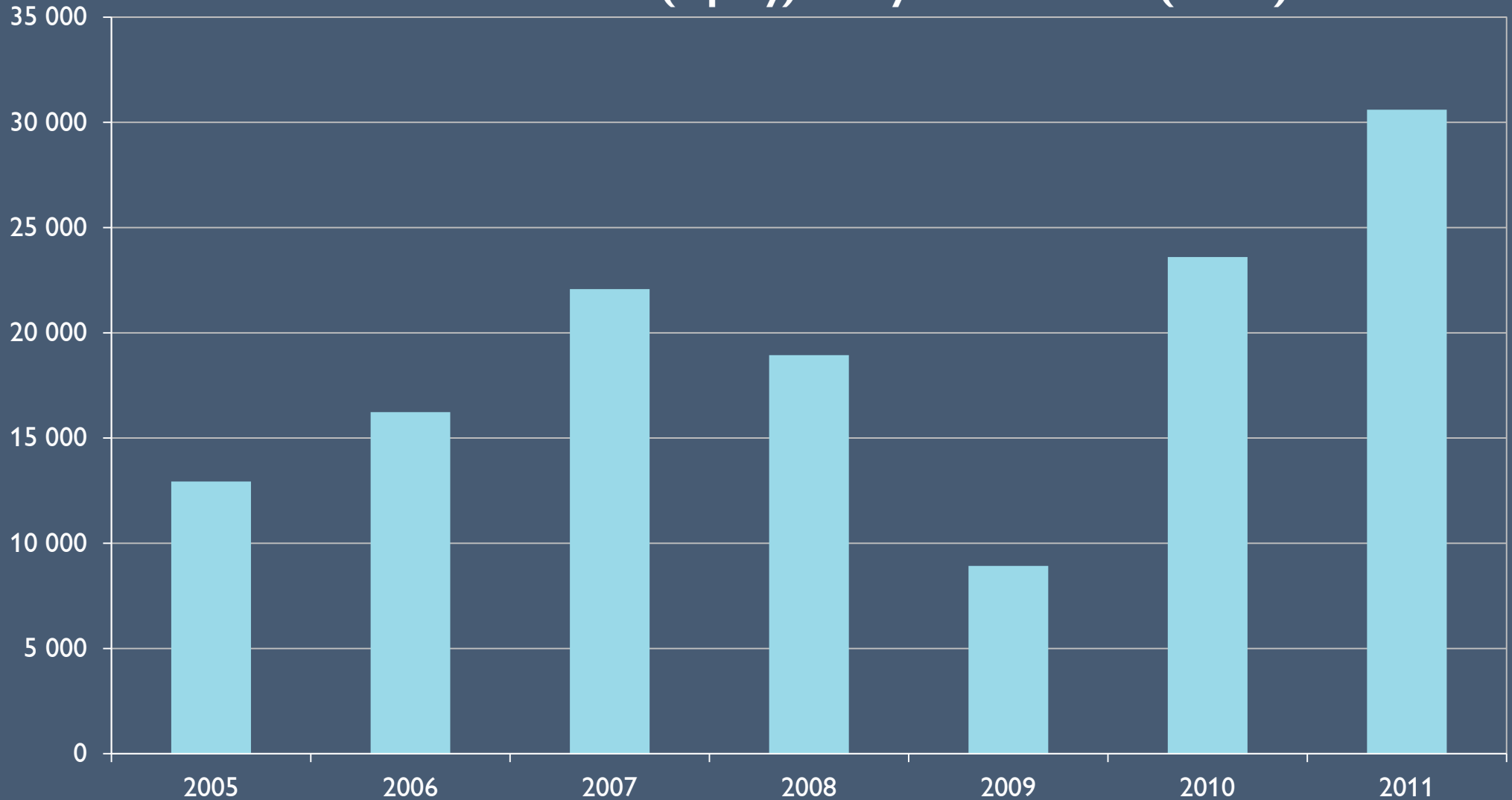
Number of PE companies at continued record high

Fig. 3.5: Number of Active Private Equity Firms over Time (by Vintage of First Fund Raised)



PE investments in Sweden were "all-time-high" 2011

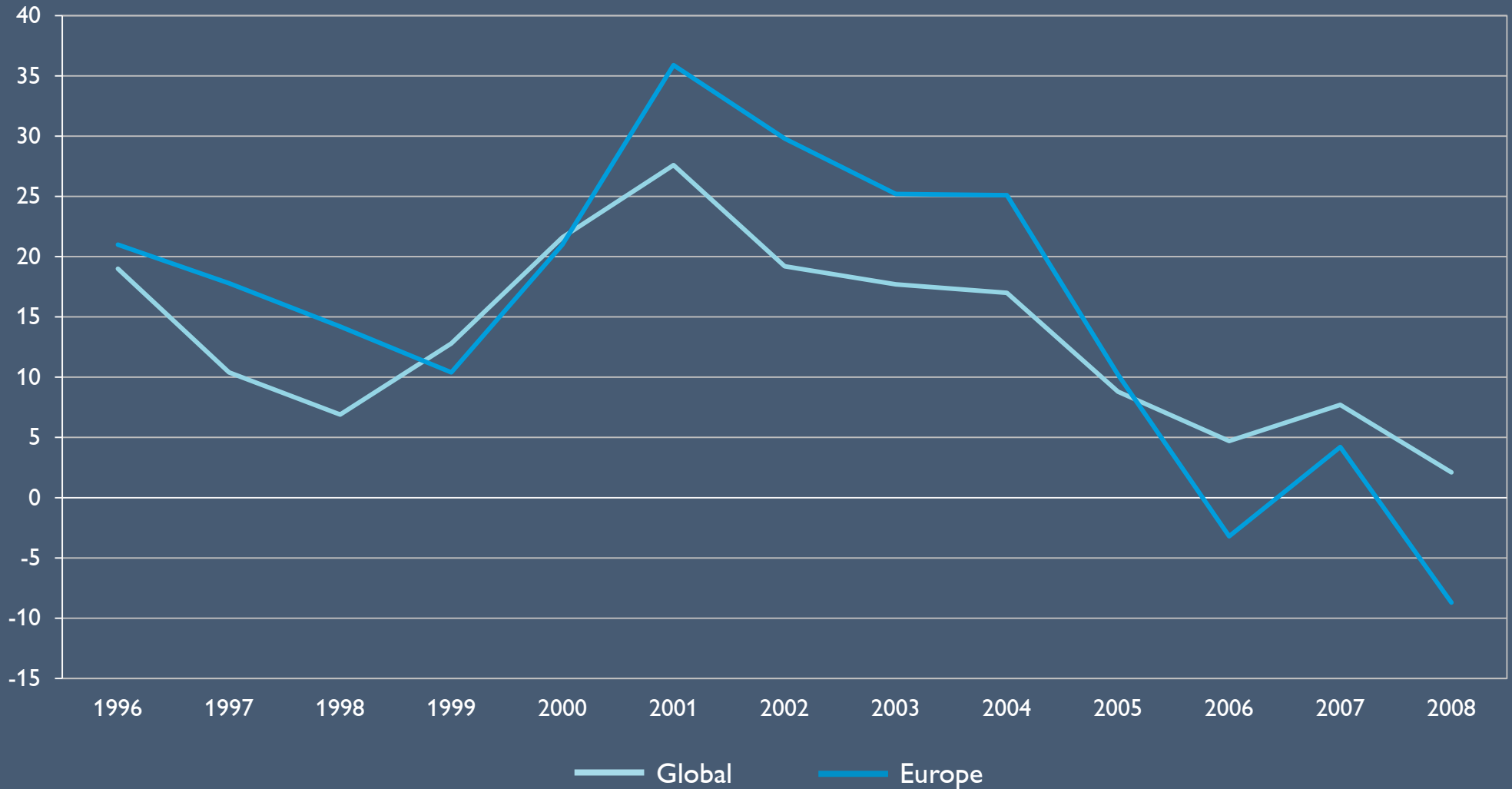
Invested amount (Equity) in buyout in Sweden (MSEK)



Source: SVCA Årsrapport 2011

Lower returns over time

Median IRR (%) per vintage year for buyout funds



Source: The 2011 Prequin Private Equity Performance Monitor

Impact on the industry and Ratos

- PE ownership increasingly common
- Expect tough competition going forward
- Only the best can attract new capital
- Easy money is gone (for good?)
- Need to bring more to the table than financial engineering
- Ratos and our business model (even more) competitive

Ratos in a very good position

- First – many strengths
 - Well functioning and successful strategy
 - Brand and values
 - Ownership structure and long-term view
 - Organisation with deep business knowledge and drive
- Also
 - Financing – not for everybody and definitely not on the same terms
 - Active ownership even more important going forward
- Challenging market = an opportunity for Ratos

Nevertheless: challenges lie ahead

- Macro environment
- Competition: acquisitions / transactions
- Pressure on returns
- Capital – need for flexibility

Strategic framework stands

- Many opportunities remain
- Focus on development within current strategic framework
- Broaden strategy in the future?

PEC 2.0

1999



2013



Introducing
MacBook Pro
with 13-inch Retina display

Over 4 million pixels. Under 3.6 pounds.
It's impressive by any measure.

PEC 2.0: priorities

1. Further develop active ownership
2. Increase focus on transactions
3. Increase efficiency in the organisation
4. Ensure flexible access to financing

20% IRR target stands

- Benchmarking: Ratios in line with top performers
- The effect of the financial crisis
- 20% realistic target going forward
- All things equal: tougher to achieve now

Objectives

- Excellence in industrial development and active ownership
- High transaction activity
- Continued high returns
- Growth

2012: the first step on Ratos's new journey

1. Focus on profit growth in the portfolio
2. High transaction activity
3. New organisational structure
4. Flexible access to financing

1. Active ownership in a challenging market

- Existing portfolio key
- Not "one-size fits all"
- Flexibility
- High level of preparedness
- Cost focus
- Selective growth focus
 - Offense after defence fixed
 - Take market share

1. Active ownership – the portfolio in 2012

- Weak economic climate
- Mixed performance
 - Half of companies performing better than 2011
 - Three companies with strategic issues
- Significant action programs
- Stabilisation of profits in Q4
 - Action programs have effect

1. Overall view of development 2012



Arcus-Gruppen

Bisnode

Finnkino

GS-Hydro

HL Display

KVD Kvarndammen

Mobile Climate

Control

Stofa



Biolin Scientific

Contex

Euromaint

Hafa Bathroom Group

Inwido

SB Seating



AH Industries

DIAB

Jøtul

2. Well functioning bank market

- Increasing bank activity through 2012
- Selective banks
- Ratos has strong position

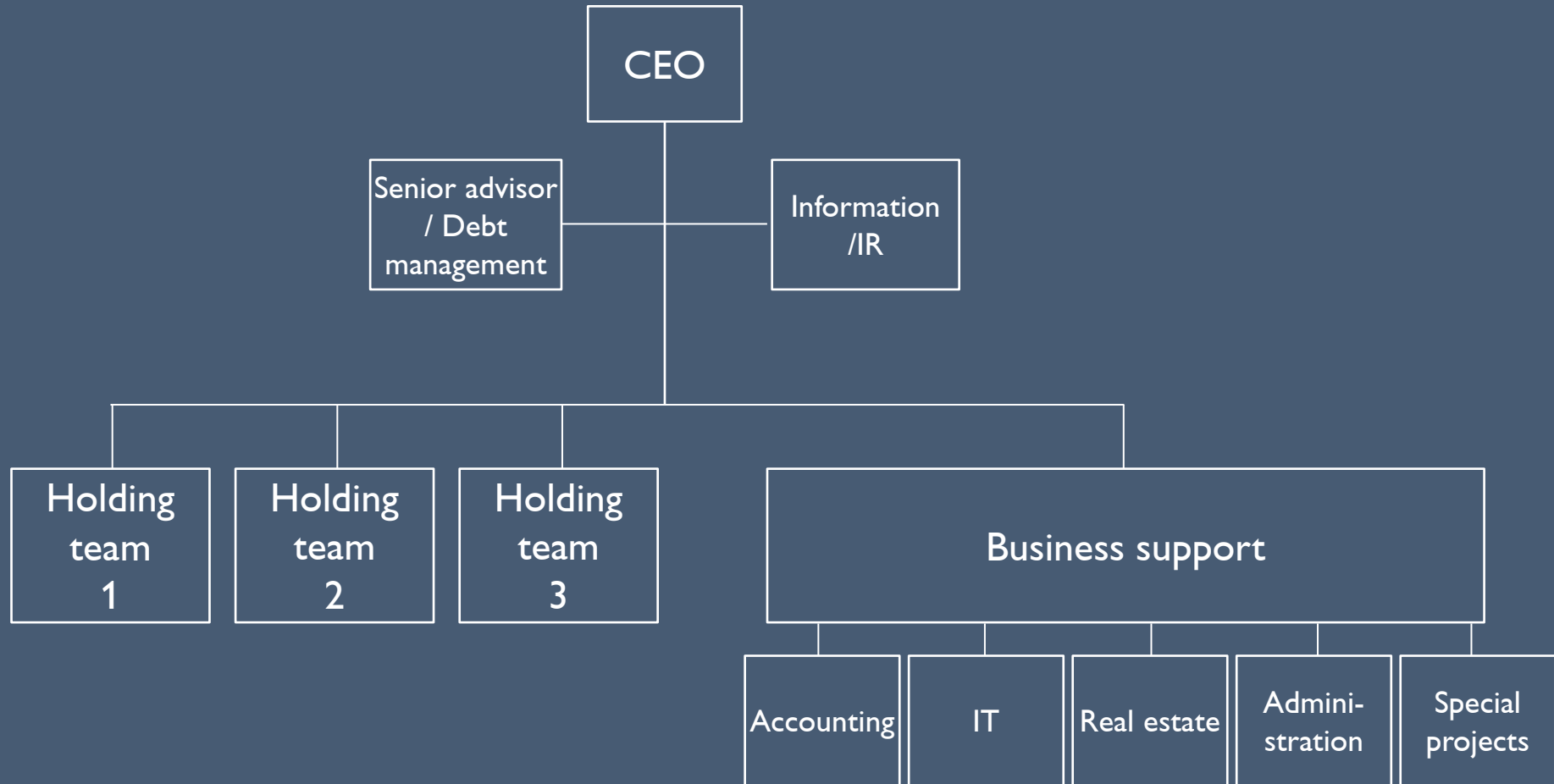
2. Increased internal focus on transactions

- High deal flow
- Own initiatives balance structured processes
- PE funds need to sell
- Bilateral discussions
- Increasing quality in deal pipeline through 2012

2. High transaction activity

- Exits
 - Anticimex: 24% IRR
 - Contex: -16% IRR
 - Lindab: 23%/11% IRR
 - Stofa: 55% IRR
- Acquisitions
 - Arcus-Gruppen's add-on
 - Aibel

3. New organisational structure



4. Flexible access to financing

- Ratos's business model different
 - Big flows of capital difficult to forecast
- Timing important
- Need to make acquisitions when they are available
 - The “smörgåsbord” of financing
- Overall risk – no leverage in holding company
- Increasingly interesting acquisition opportunities in 2012

4. Flexible access to financing - how?

- Lowered dividend
 - Maximise value creation long term
 - Dividend a priority for Ratos
 - Updated dividend policy
- Existing mandate to issue B-shares
- Suggested new mandate to issue preference shares
 - Handles in- and outflows
 - Debt-like equity

Macro 2013

- Brighter signals
 - Emerging markets
 - US
- Gradual global recovery 2013
- Downside risks
- Europe lags
- Means continued tough macro environment for 2013 – at least first half

2013 for Ratos

- Significant exposure to Nordics and Western Europe
- Brighter towards the end of 2013?
- High level of preparedness
- Conditions for improved results in the holdings – mainly in H2

Increased transaction activity 2013?

- Nordic banking market continues to function well
 - High capital availability
 - Selective banks
 - Transactions focus
- Indications on higher activity 2013
 - More stable market conditions
 - Closure?
- Many companies in pipeline

Ratos well positioned for the future!

- Strategic framework stands
- Room for development: PEC 2.0
- Interesting acquisition opportunities
- 20% IRR requirement stands
- Flexible access to financing is key
- Challenging 2013 (at least the first half)
- Focused and motivated organisation

RATOS