

RATOS



Owning and developing Nordic companies

Susanna Campbell

Capital Market Day 12 March 2015

Ratos owns and develops mid-sized companies in the Nordics

18 holdings with total

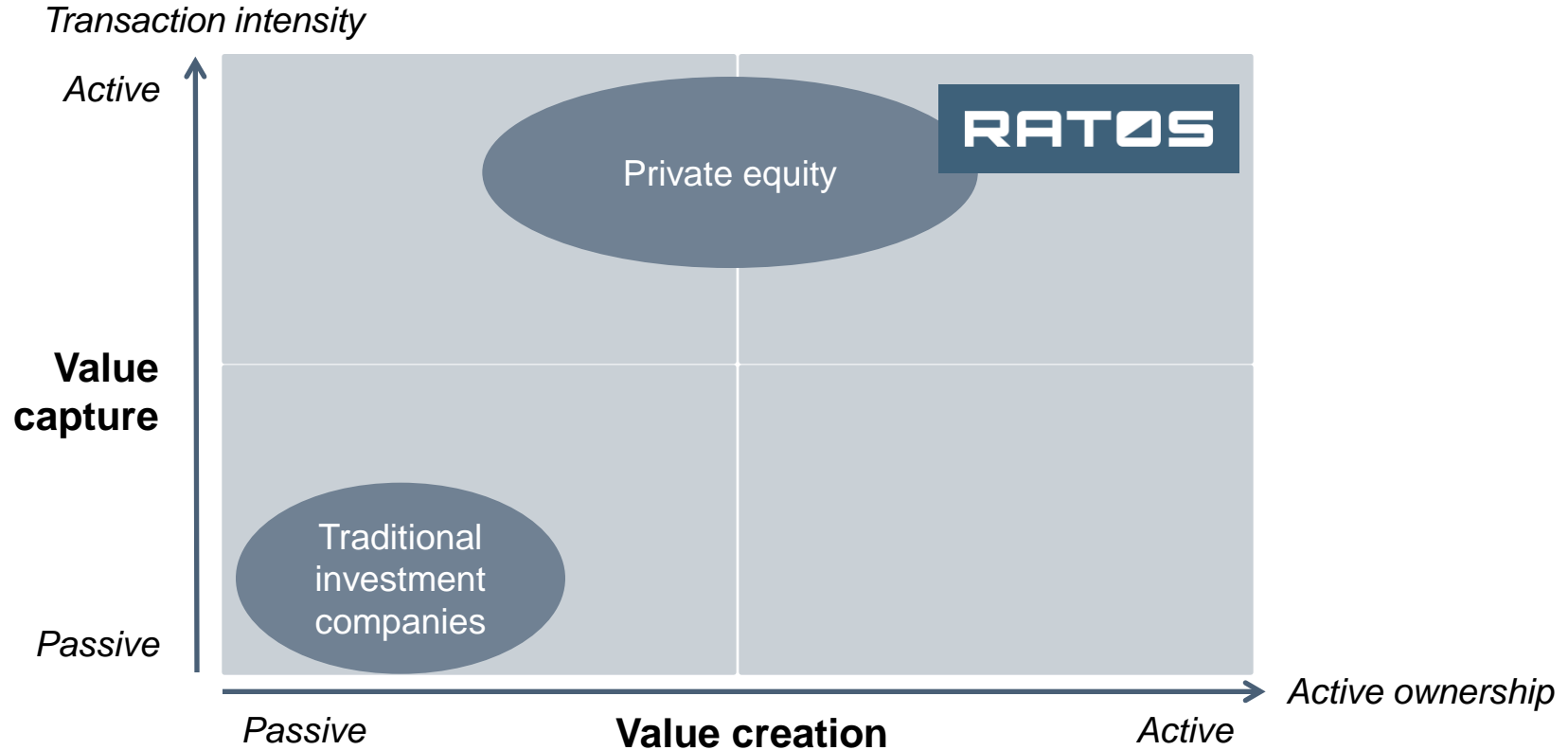
sales of SEK **38** billion

adj. EBITA SEK **2.7** billion and

21,000 employees



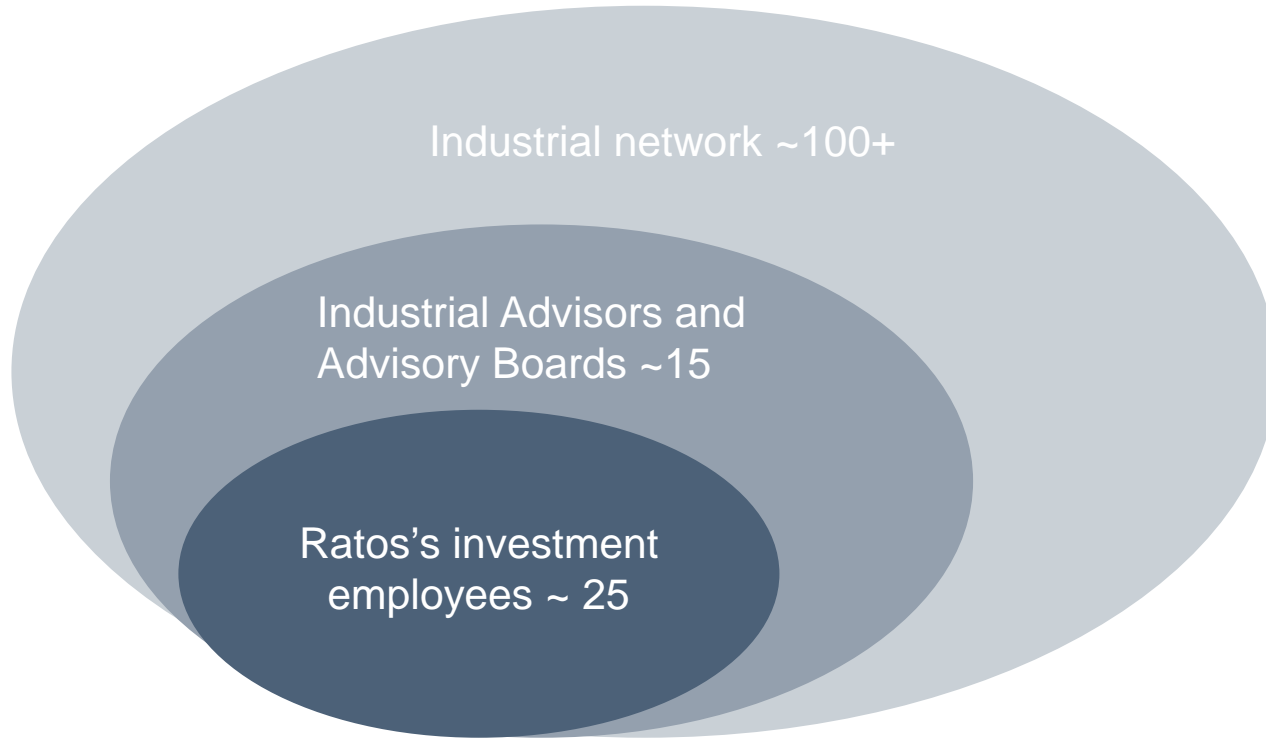
Active value creation and active value capture



We invest in mid-sized companies with development potential

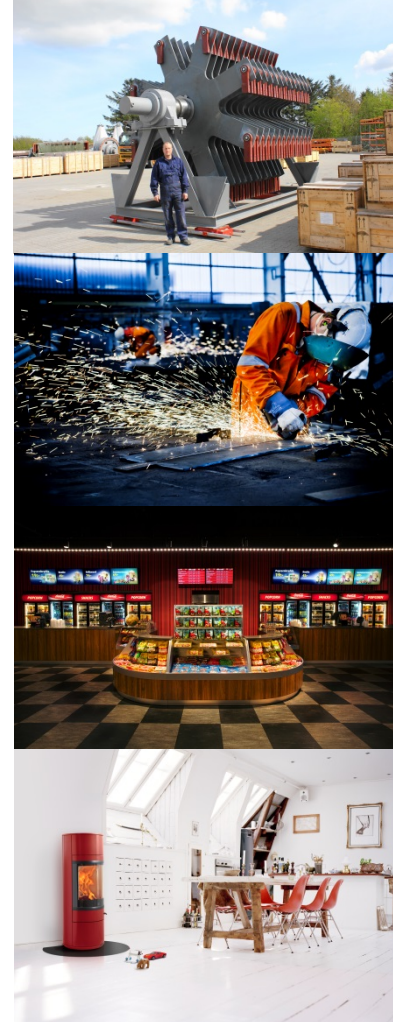


Identifying and evaluating new acquisitions

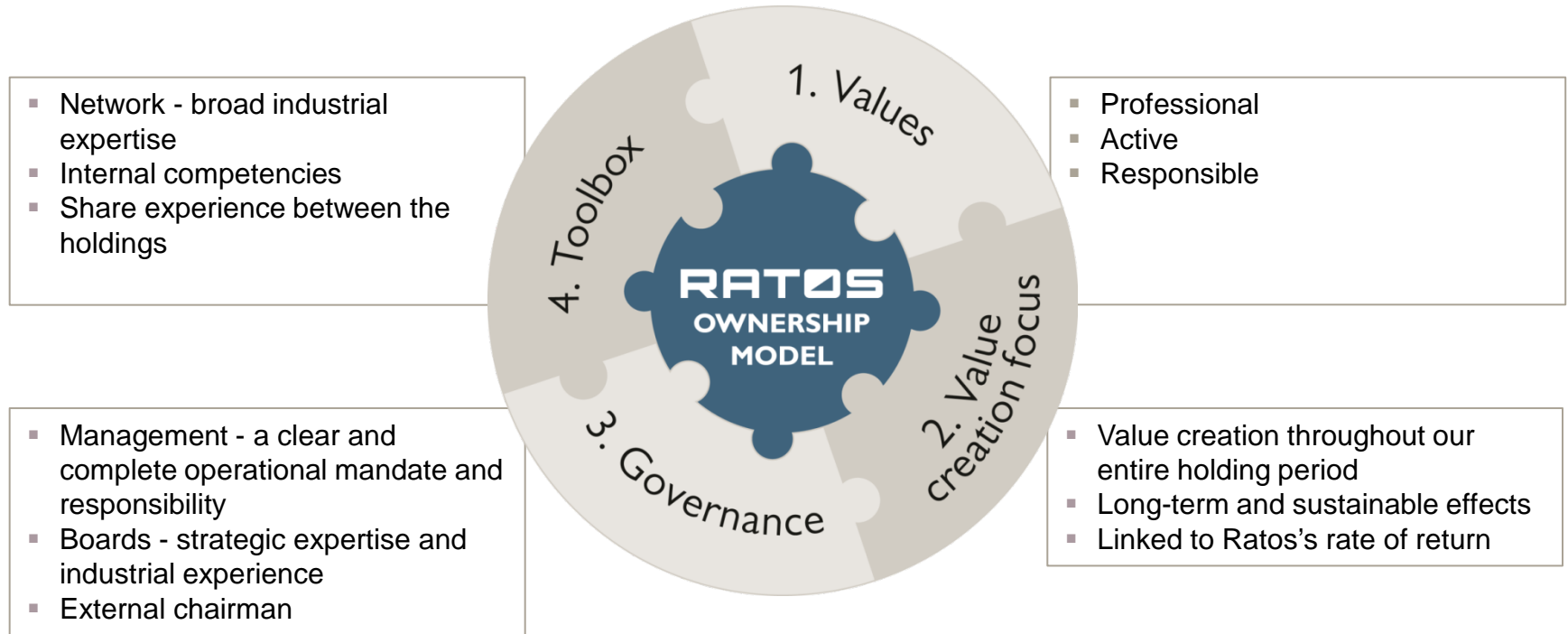


Portfolio of companies with development potential

- **Balanced portfolio**
 - Industry exposure
 - Cyclicity
- **Common attractions**
 - Leading market position
 - Strong management team
 - Structural market growth

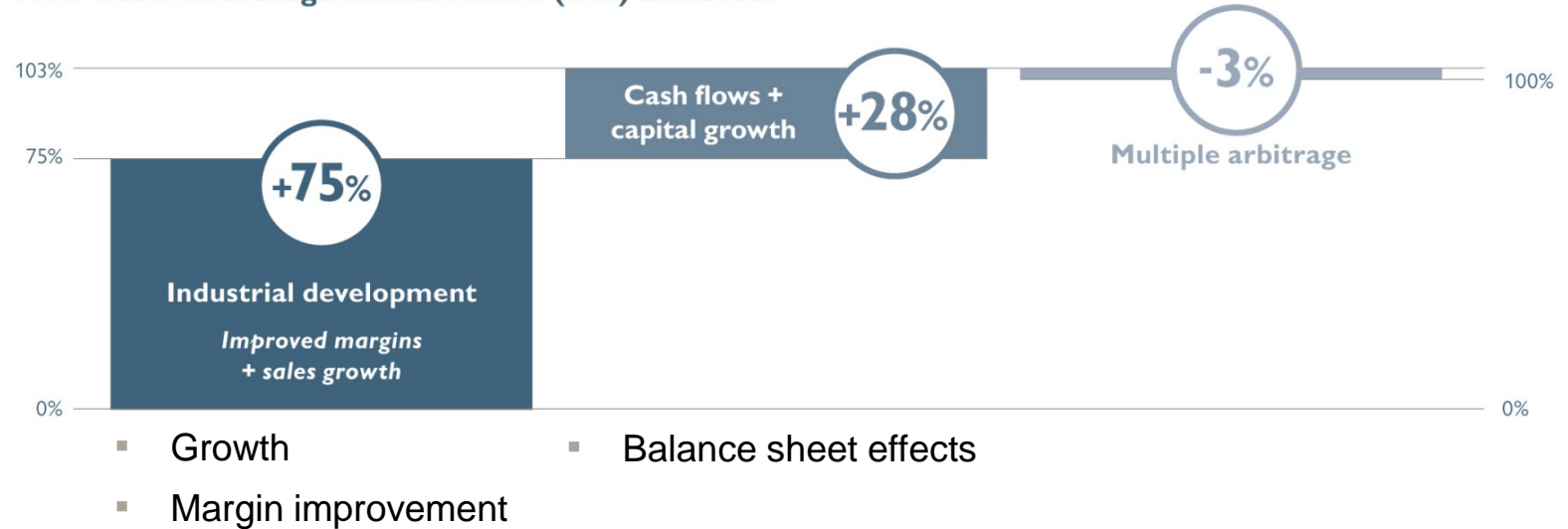


Ratos's ownership model is built on four corner stones



A tailored value creation approach per holding

How was 24% average annual return (IRR) achieved?



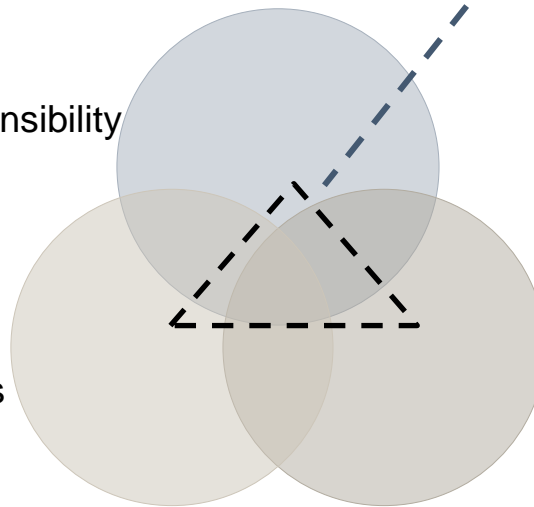
Transparent and clear governance structure

Company management

- Prepares and implements the strategies
- Undisputed operational responsibility

Board of Directors

- Decides on targets, strategies and investments
- Contributes with energy and industrial experience
- Ensures control and follow-up



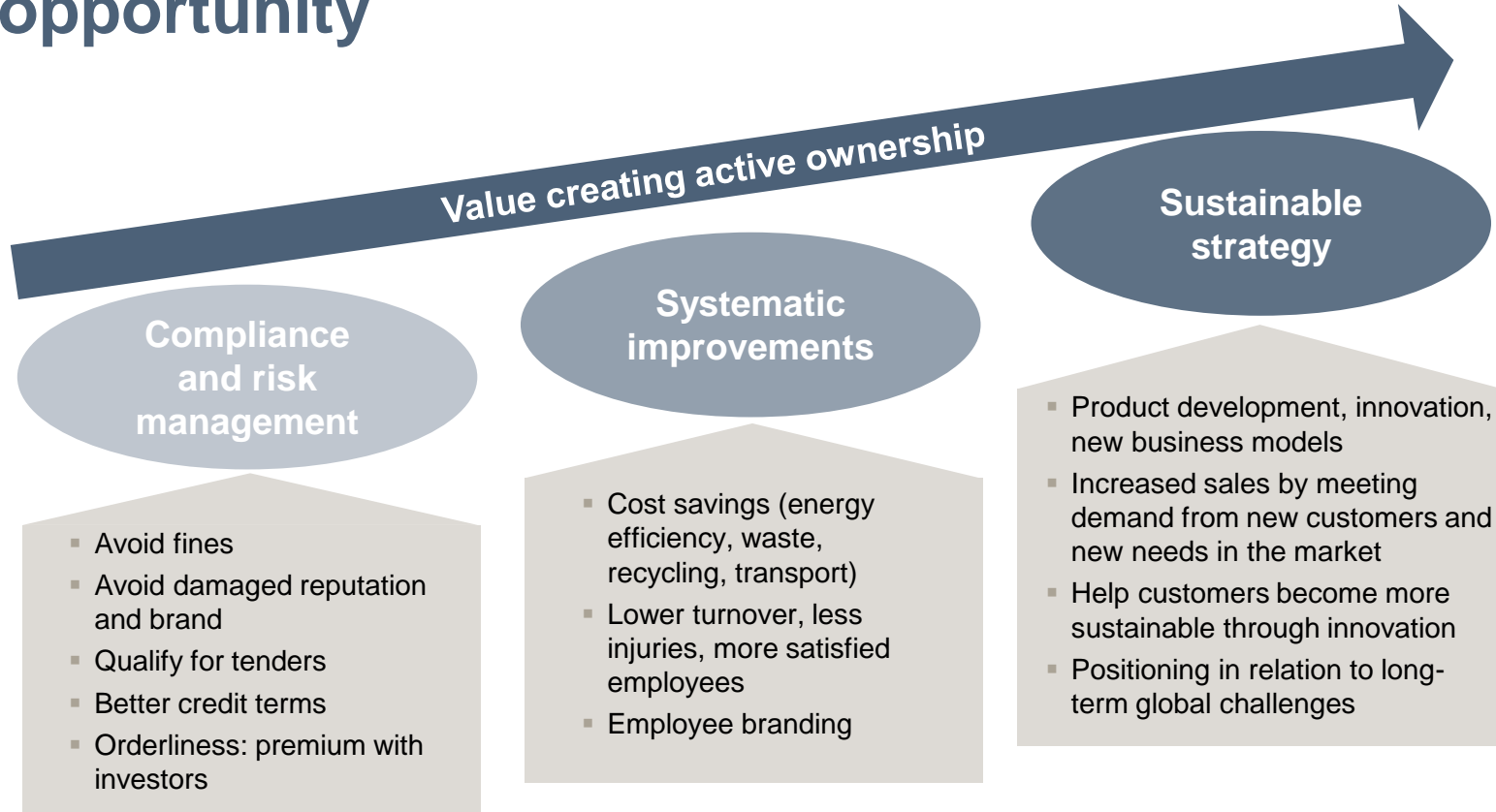
“Troika”

- Chairman, CEO and Ratos
- Ensures transparency and close communication
- Ensures well-prepared decisions

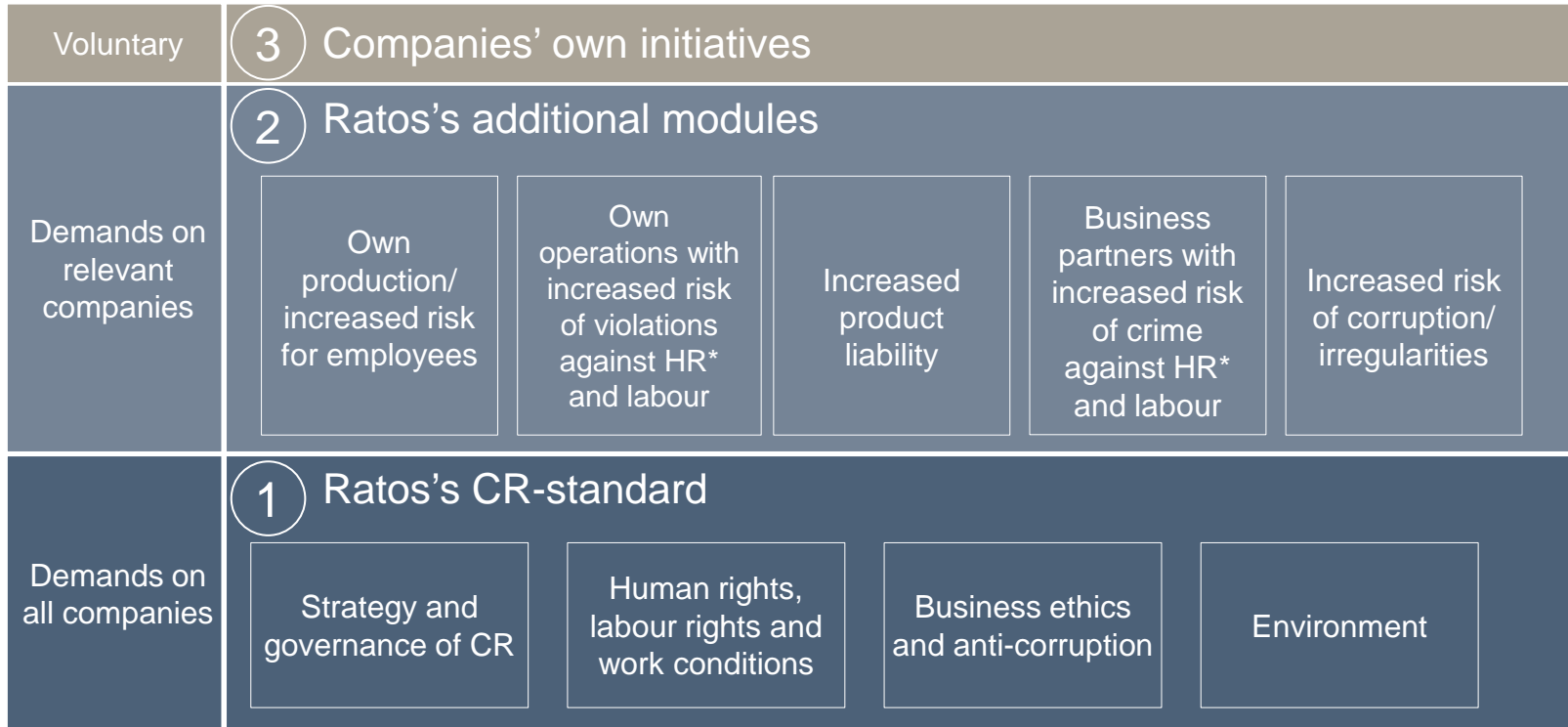
Ratos

- Appoints the Board
- Decides on financial structure
- Decides on ownership changes
- Ensures common incentives

Secure and create value through CR – from risk to opportunity



Ratos's CR framework being implemented



* Human rights

Examples of CR activities in 2014

- Implementation of CR framework
- Nordic Cinema Group: 100% renewable energy for 40 SF Bio cinemas
- Mobile Climate Control: won order for New York's public transport due to reduction in fuel consumption (~10%)
- Inwido: reduced energy consumption per unit by 4.5%
- Whistleblowing system procured: available to all holdings and launched at Ratos AB and HL Display
- Updated code of conduct: implemented and internal training held at KVD, Biolin Scientific and Euromaint, among others



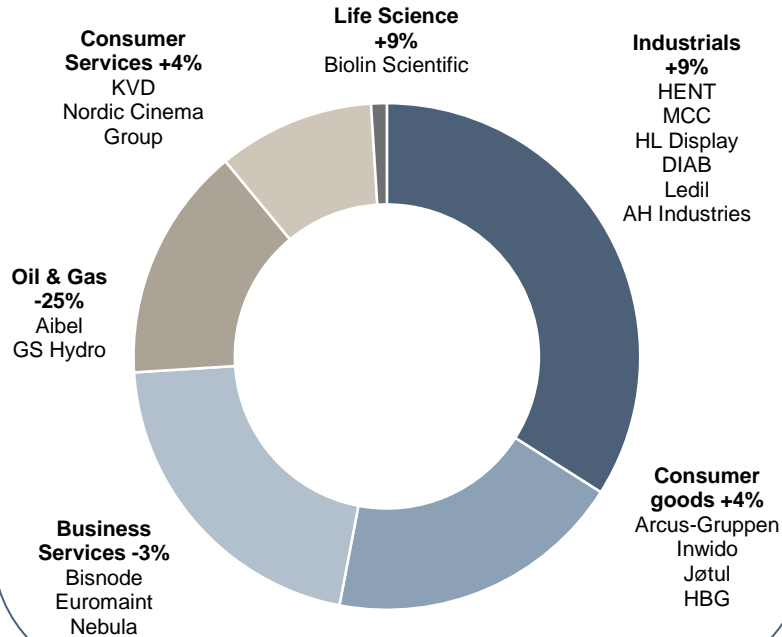
2014: High level of transaction activity and gradual improvement in the holdings

- 12 of 18 holdings increased their operating profit and margin in 2014
 - Strong Q4
- Successful exits: SB Seating and Inwido
- Acquisition of Ledil
- Good financial position, net cash approximately SEK 3.2 billion
- Proposed dividend SEK 3.25 per ordinary share (3)
- Adjusted return target

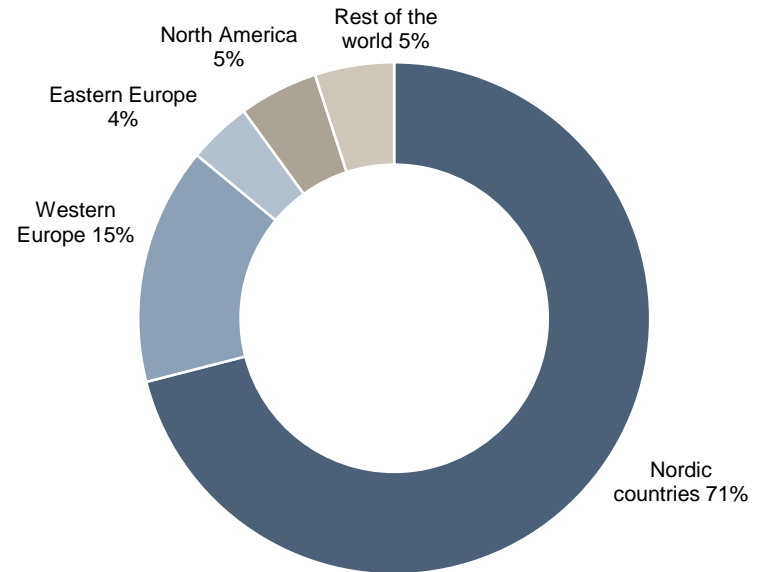


Increased market activity 2014

Sales by segment 2014*, increase vs 2013



Sales by geographic market 2014*

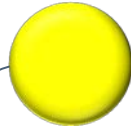


* Holdings' sales to 100%, except for Aibel and Inwido which are included with Ratos's holding

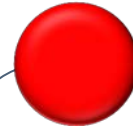
Overall view of performance in the holdings



Arcus-Gruppen
Biolin Scientific
GS-Hydro
HENT
Inwido
KVD
Ledil
Mobile Climate Control
Nebula
Nordic Cinema Group



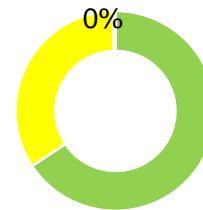
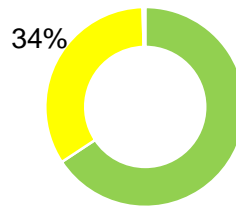
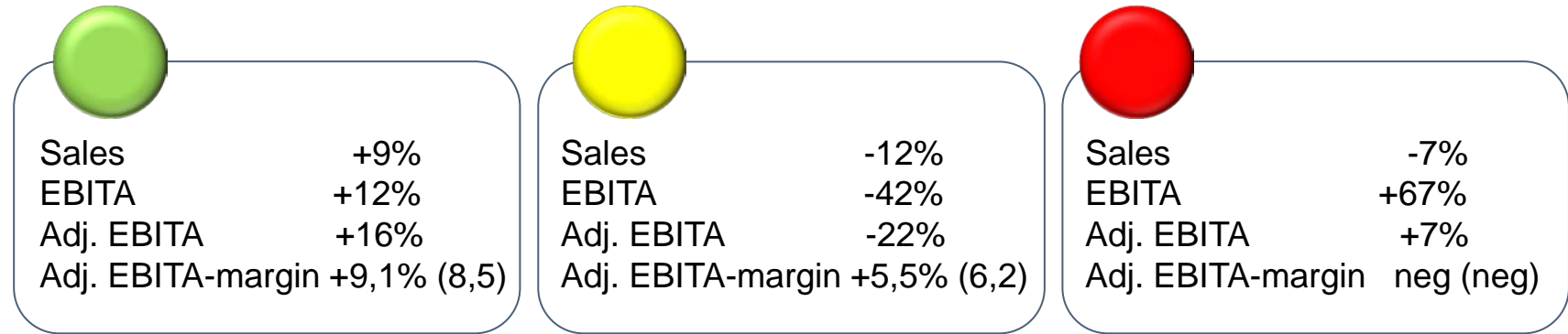
Aibel
Bisnode
DIAB
Euromaint
HL Display



AH Industries
Hafa Bathroom Group
Jøtul

Overall view of performance in the holdings

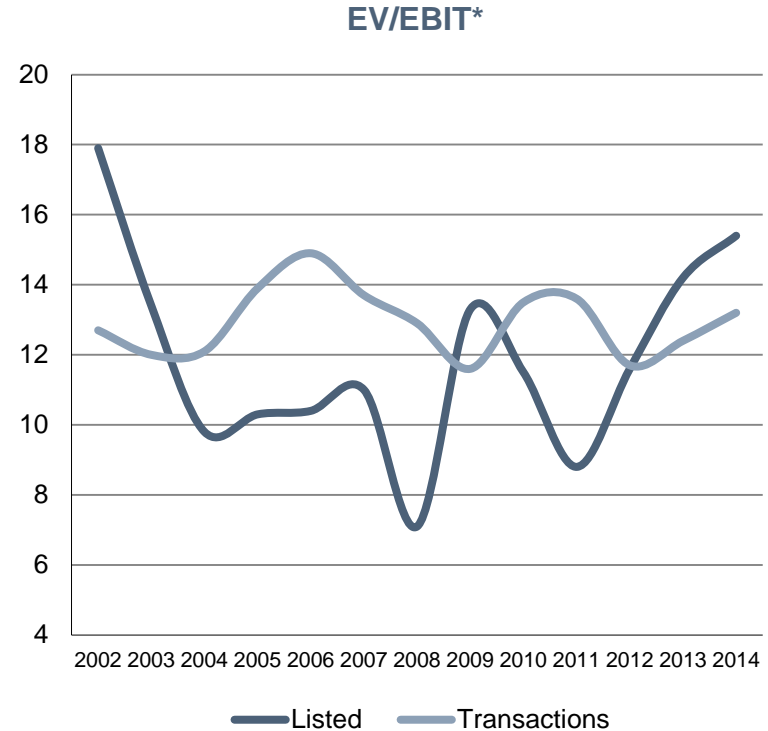
2014, Ratos's holding



Adj. EBITA equals EBITA excluding items affecting comparability

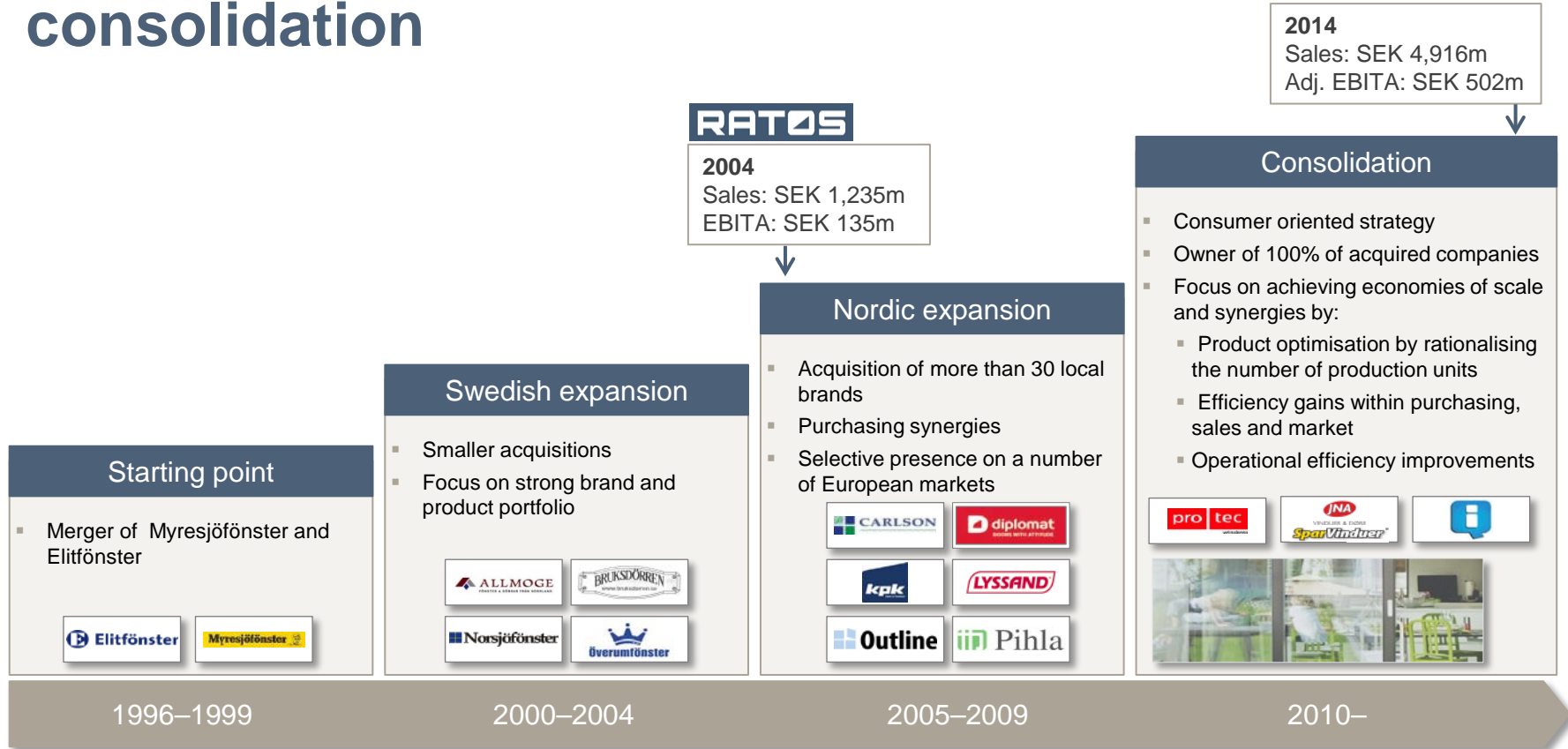
Strong transaction market

- High level of activity
- IPO market functioning well
- Very good access to bank financing
- No signs of slowdown
- For Ratos
 - Opportunities
 - More challenging to find good acquisitions



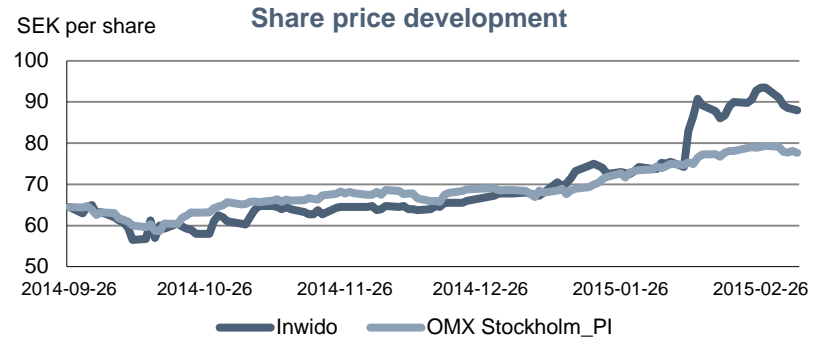
*EV/EBIT for Nordic listed companies and transactions. Source: SEB research and Mergermarket

Inwido – acquisition based expansion followed by consolidation



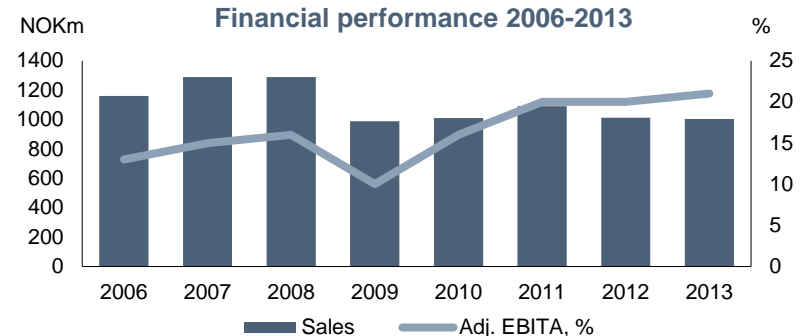
Inwido IPO – Europe’s leading window manufacturer

- First trading day 26 September
 - Ratos’s holding today 31%
- Value creation approx. SEK 2.6 billion for Ratos
 - Exit gain approx. SEK 1,174m
 - IRR 15%, Money multiple 3.3x
- Share price up +36% since IPO
- Strong 2014, including strongest ever Q4



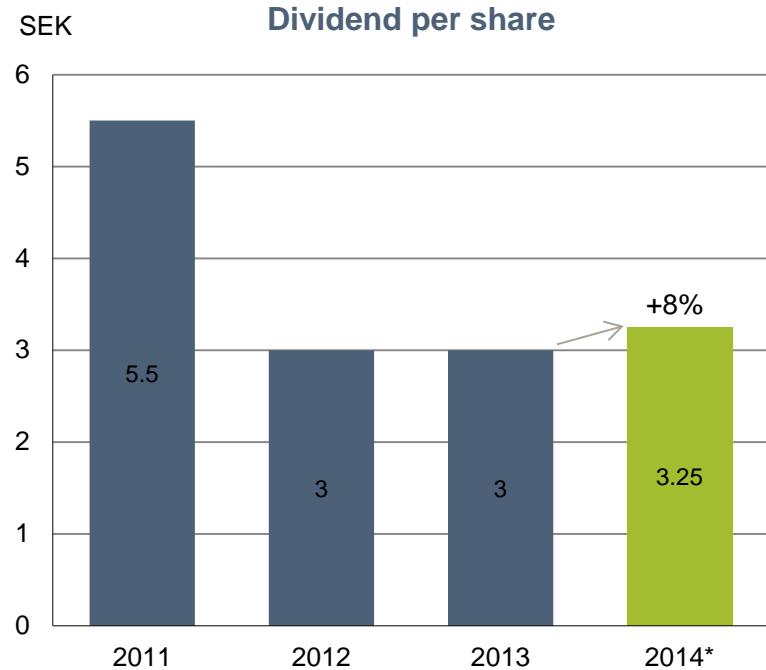
Exit SB Seating – Scandinavia’s leading and most profitable office chair manufacturer

- Sale to Triton – EV approx. NOK 1,925m
 - EV/EBITA LTM approx. 10x (Ekornes c. 8x)
- Value creation of approx. SEK 1 billion for Ratos
 - Exit gain approx. SEK 200m, IRR 14%, Money multiple 2.3x
- Active ownership, skilled management and own efforts
 - Merger of three companies
 - Efficiency improvements in purchasing, production and sales
 - Product development
 - Strong improvement in profitability – EBITA margin from 13% to 21%



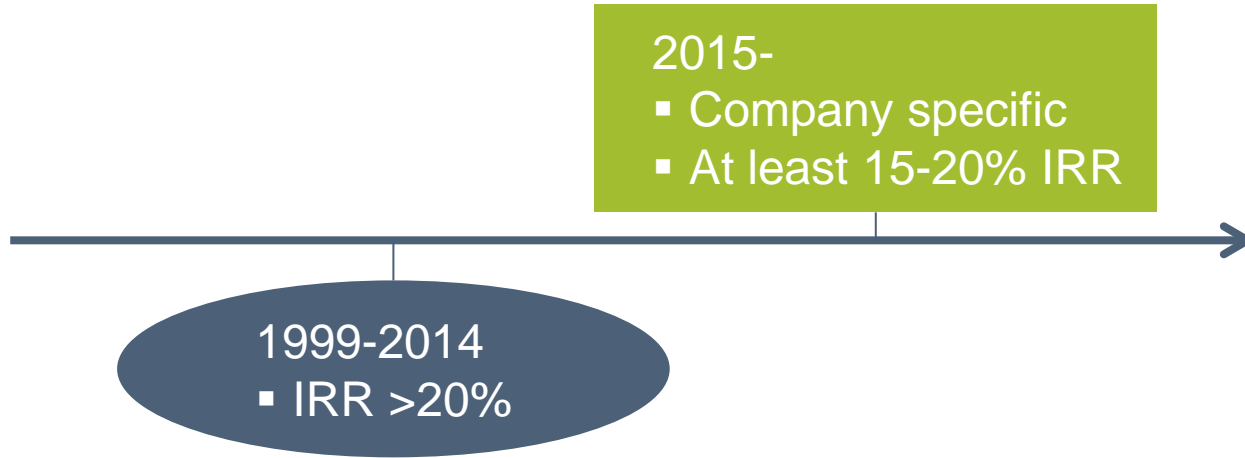
Increased dividend (proposed)

- The dividend over time shall reflect the actual earnings development in Ratos
- Historically an average of over 50% of profit after tax has been distributed as a dividend
- The aim is for an even dividend development



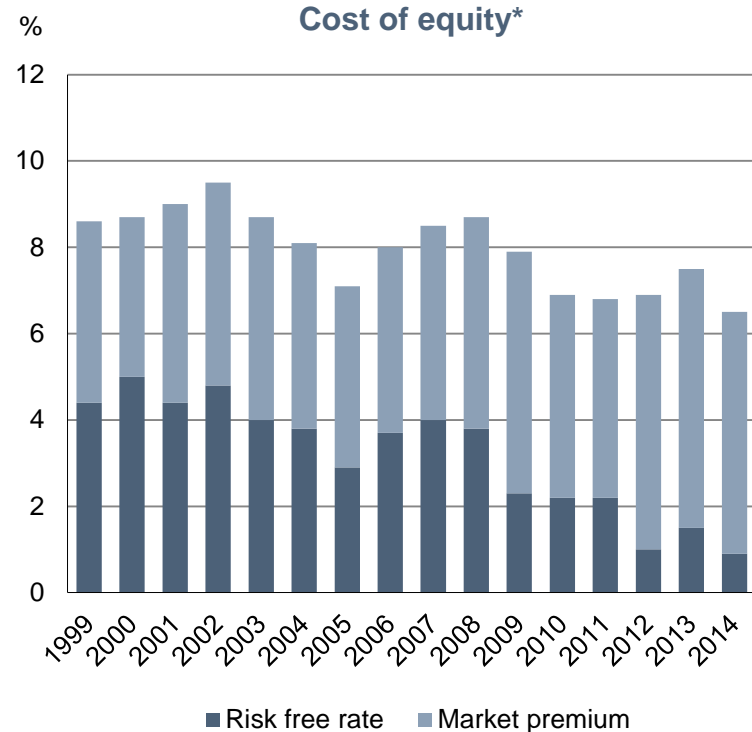
* Proposed dividend

Adjusted return target



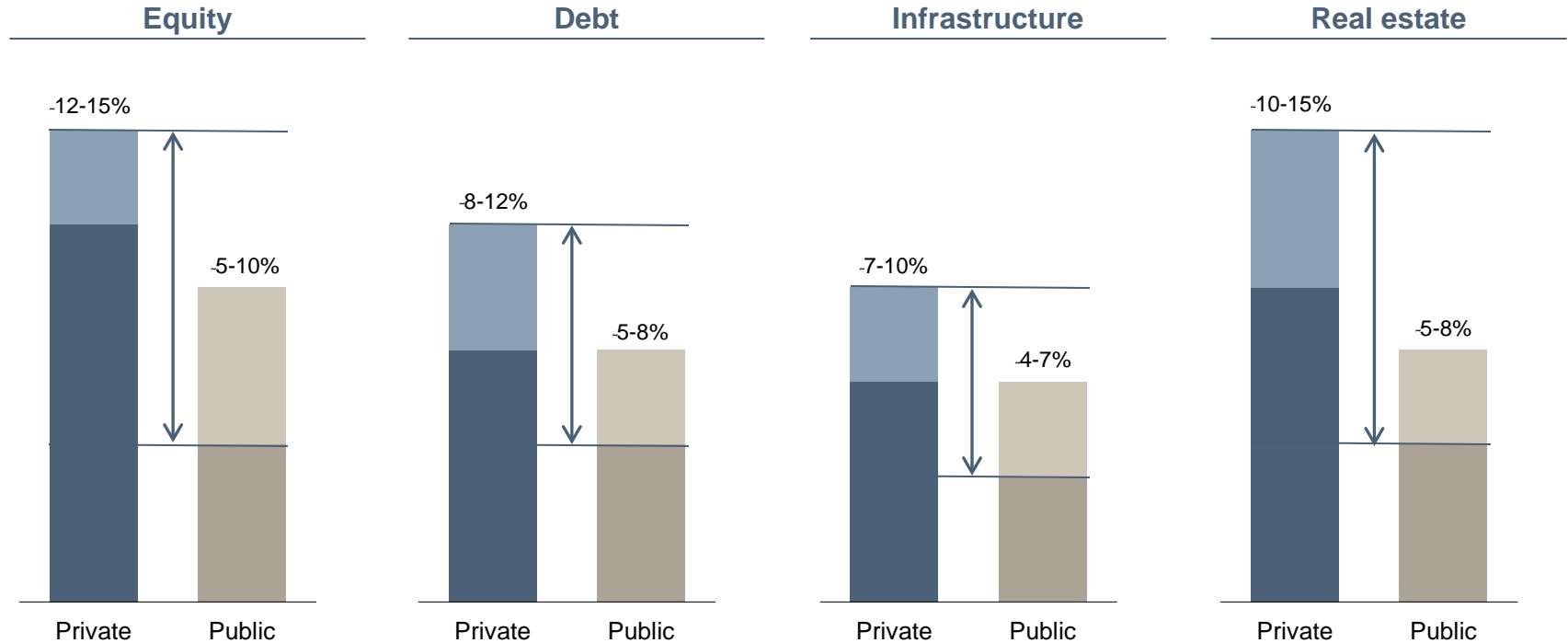
Why adjust return target?

- Low growth world
- Private equity industry more mature
- Improved opportunity to make the right investments



Source: PwC's "Riskpremien på den svenska aktiemarknaden" reports 1998-2013, Riksbanken
*Computed as risk free rate (5 y bond) plus risk premium according to PwC report. Given index beta of 1

General return requirements for alternative assets



Source: Partners Group

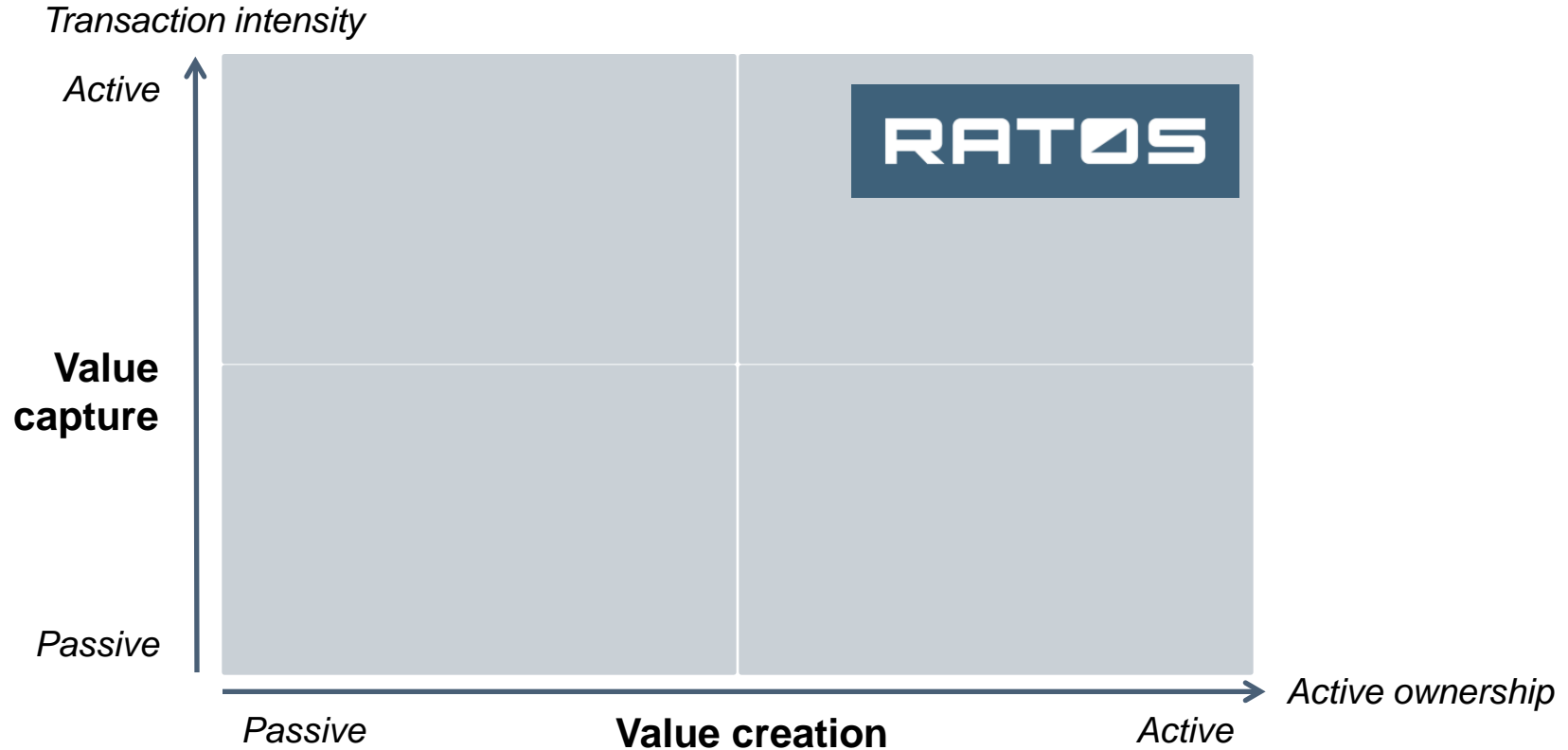
■ Private markets target return range

■ Public markets target return range

2015 – an exciting year ahead

- Strong financial position
- Adjusted return target
- No expectations for strong macro recovery
 - Shifting market development
- Strong transaction market creates opportunities (and a challenge)
- Conditions exist for current portfolio of companies to increase operating profit in 2015
- Strong position

Active value creation and active value capture



RATOS

Q&A