

DIAB



High-performance core materials and sandwich composite solutions

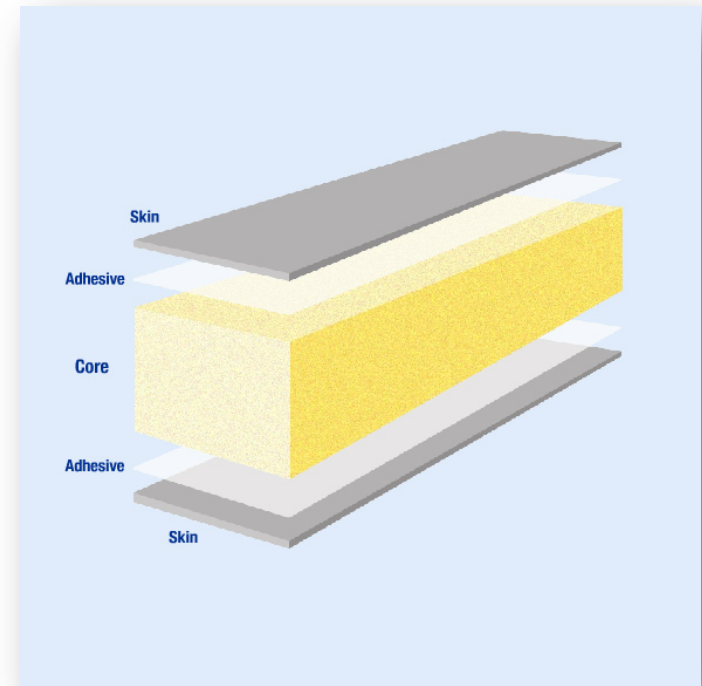
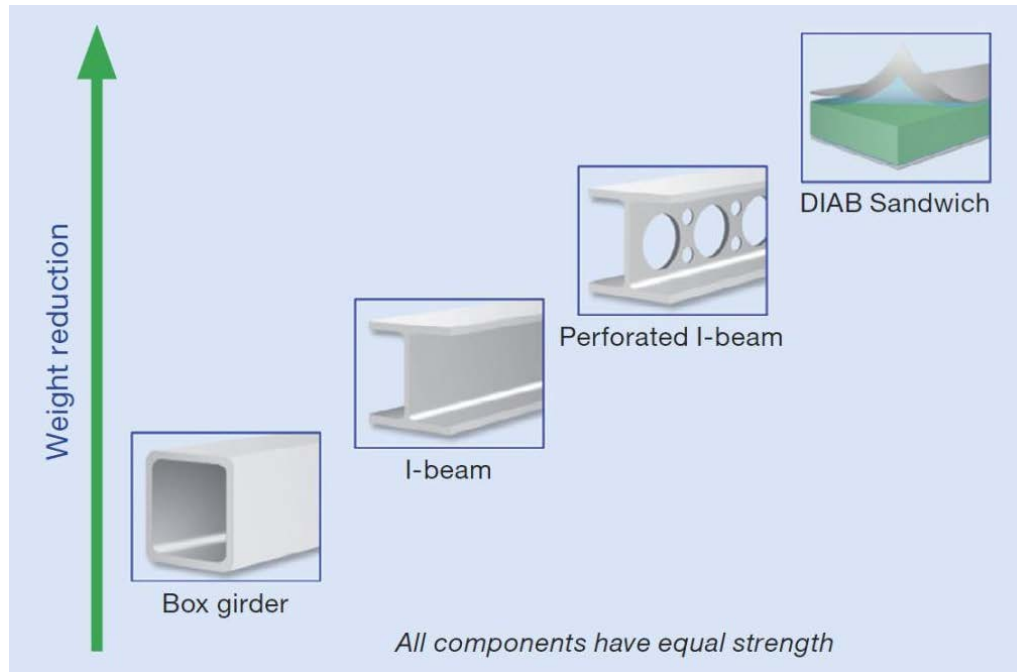
Lennart Hagelqvist, CEO

Ratos's Capital Market Day 2013-03-14



- **Introduction to DIAB**
- Development 2010-2012
- Actions taken and outlook

What is the sandwich composite concept?



Benefits of sandwich composites

- **Light & strong**
 - Reduced weight and increased stiffness while still maintaining the strength
- **Freedom of design**
 - Freedom to adapt both form and function to specific application needs
- **Improved production, performance and productivity**
 - Excellent strength-to-weight ratio gives: Higher speed, longer range, greater payload capacity and reduced power demand
- **Added value**
 - Fire resistance, noise and heat loss reduction



Solutions for minimum environmental impact in transportation, power generation and more

Broad range of applications



- **Wind power**

- Blades
- Nacelles

- **Marine**

- Pleasure boats & mega yachts
- Marine vessels (coast guard etc.)
- Commercial (ferries, fishing & supply boats, rescue boats etc.)

- **Transportation**

- Buses
- Trucks and trailers
- Train & metro

- **Industry**

- Sub sea
- Buildings
- Ice hockey sticks
- LNG tankers
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- **Aero**

- Commercial airline interior
- Trolleys
- Private jets

DIAB



Complete offering in core materials

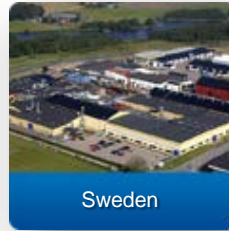
- Leader in PVC core material
- Balsa supply as complement
- Unique (PES) product for aerospace
- PET-offering

Unique in-house competence:

- Customer technical support in design and manufacturing processes
- Market & application development
- Sandwich constructions offered as consultancy service

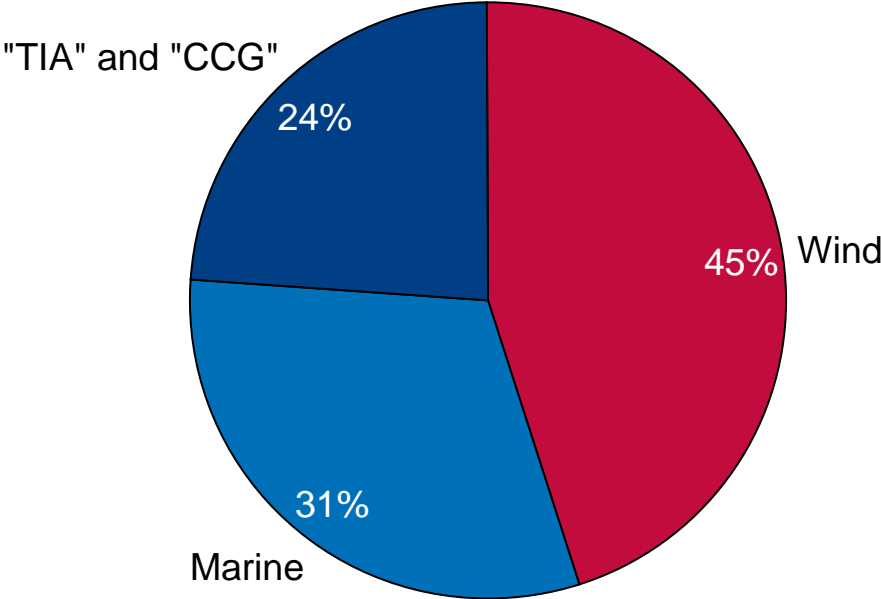
Unique market position vs. competition

Global reach

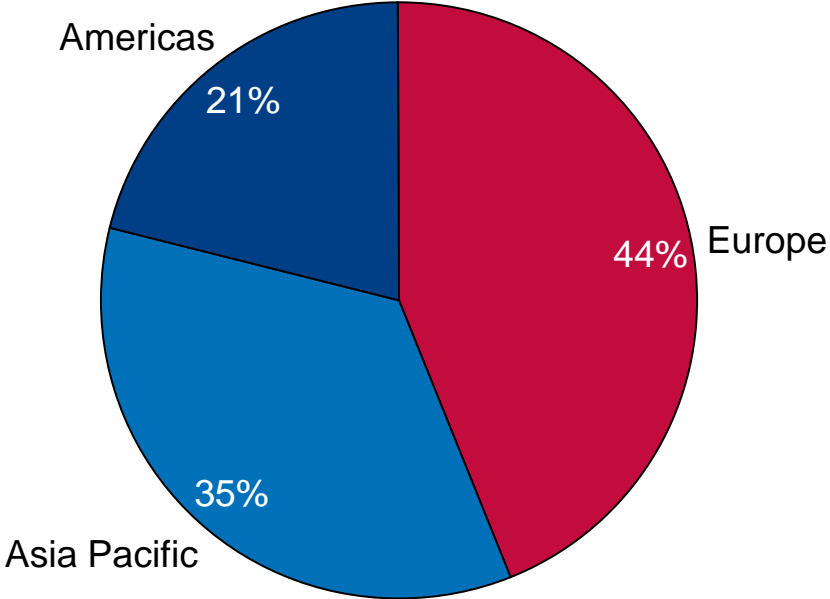


Business mix 2012

By customer segment



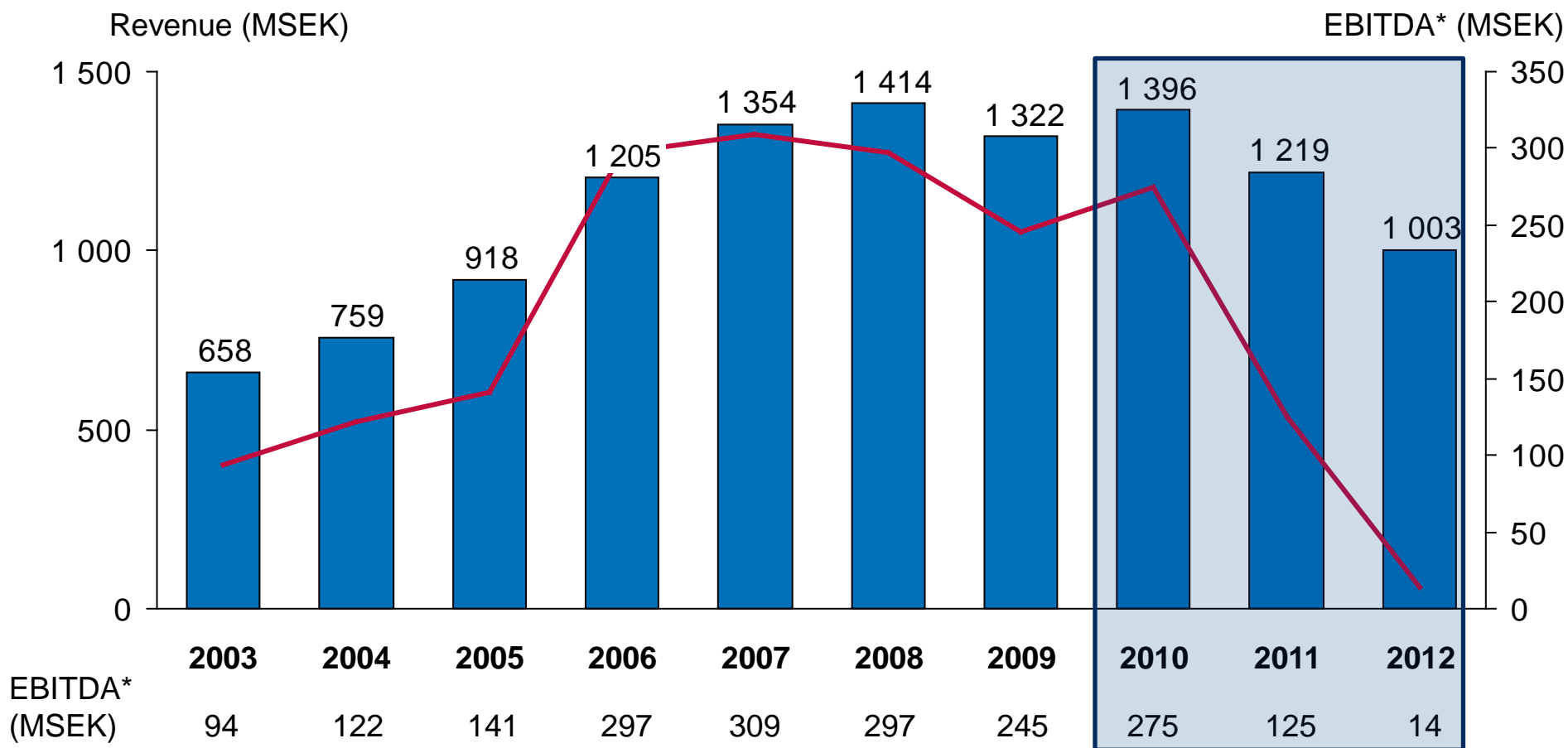
By geography



"TIA" – Transportation, Industry & Aerospace
"CCG" – Composite Consulting Group

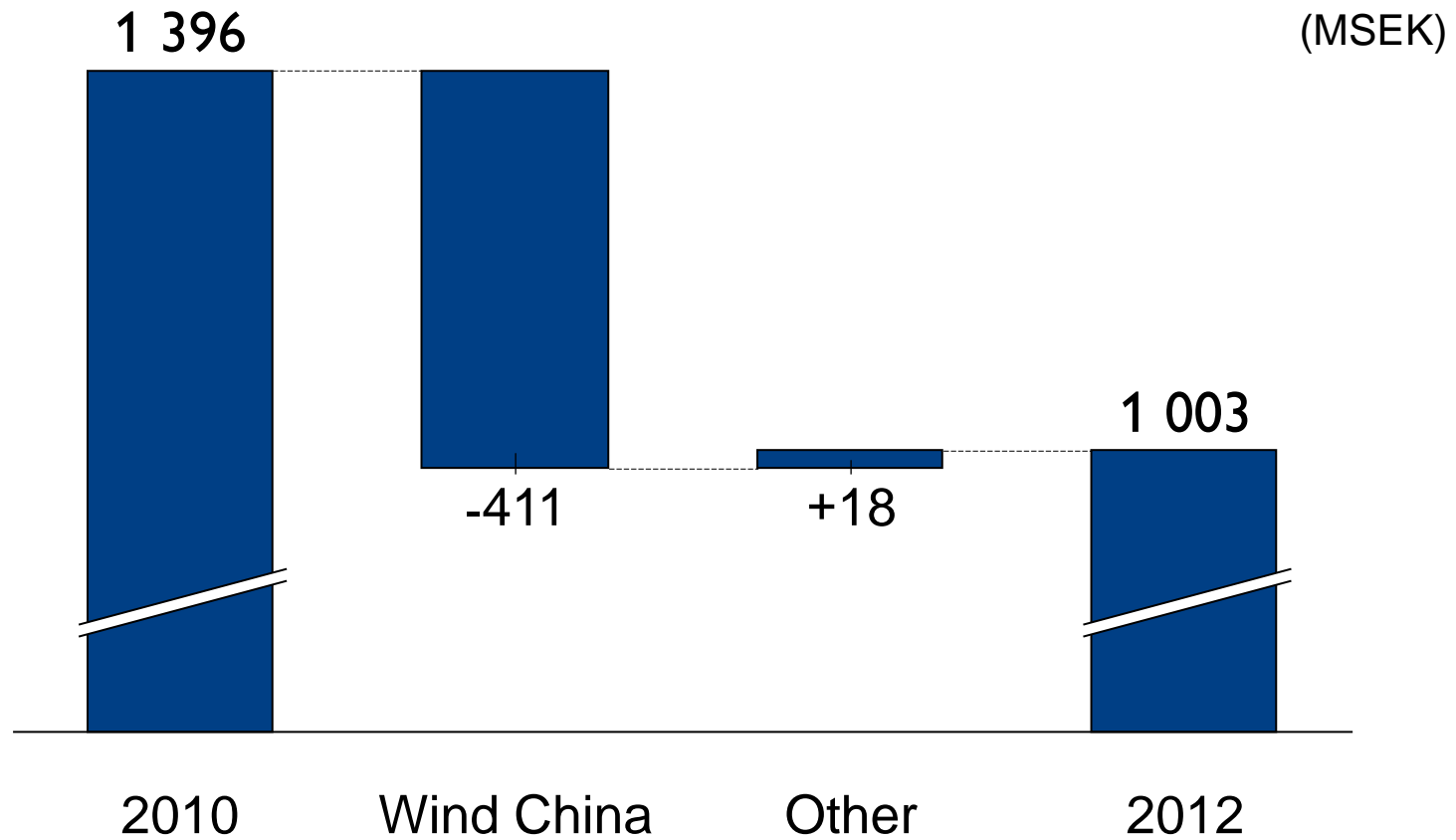
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DIAB's financial development 2003-2012



*Excluding Extraordinary items

Sales development 2010-2012



What happened in China?

1. Market driven volume decline

- Governmental directives and quality issues have temporarily, but significantly, decreased the wind installations in China
- Inventory reductions in the value chain

2. Fierce price competition during a period of overcapacity

- Decreased demand led to increased competition on price and payment terms

3. DIAB has “turned down” unprofitable volumes

- Will not accept orders “at loss” or unreasonable payment terms

**A combination of factors, in an immature market,
led to a short term market collapse**

- Introduction to DIAB
- Development 2010-2012
- **Actions taken and outlook**

DIAB's focus

- **Cost reductions to maintain competitiveness:**
 - Fixed cost savings of 130 MSEK
 - Reduce Working Capital with 80 MSEK
 - Improved production efficiency
 - Secure profitability in China also on current market price level
- **Secure the capabilities required for growth:**
 - Maintain global footprint
 - Secure DIAB's strong customer relations
 - Improve sales effectiveness
 - Develop a more competitive offering for PET products

Cost adaptation necessary – but with continued capabilities to capture the market opportunities

Summary of cost savings

1. Resized production capacity
2. Restructuring of labor intensive operations to lower cost countries
3. Reduction of supply chain costs
4. Increased organizational efficiency and overhead reduction
5. Development of production productivity, sourcing strategy and yield improvements

Run rate savings of
~100 MSEK *fully
implemented by*
Q4 2013.
Additional ~30 MSEK
fully implemented
in 2014

Additional productivity
improvements are
expected

Savings are presently ahead of plan

Market outlook in Wind

- **China:** Recovery likely by end of 2013 and the long term view is positive
 - Chinese authorities committed to wind
 - However, the system lacks liquidity and recovery so far has been slow
- **US:** PTC now extended for 2013 – but so far the wind industry lacks long term commitment
- **Europe:** Negative macro economical impact short term?

**Recovery towards end of 2013?
Cost competitiveness critical for long term success**

Market outlook in Marine



CREDIT: SUNSEEKER INTERNATIONAL

- Production of pleasure boats currently at “low-point” – recovery expected
 - Recovery has started in the US
 - Development in Europe is dependent on macro
 - Growth expected in Asia Pacific (from low levels)
- Increased penetration of core materials is expected to continue
- Huge growth opportunities outside pleasure boats
 - Marine vessels
 - Commercial boats

Positive growth prospects in Marine

Market outlook in “TIA”



- Interest in composites and sandwich concept continually increasing – project pipe line is strong and growing
- Success is dependent on market creation through focused sales approach
- Growth prospects for coming years are strong - some highlights:
 - LNG tankers
 - Aerospace (seats, trolleys and aircraft interiors)
 - Transportation (buses, trucks, trailers, metro, trains)
 - Subsea
 - Construction, building, bridges etc.

Double digit growth expected

Summary

- DIAB is well positioned in a long term attractive market
- Downturn in 2010-2012 due to the turbulent wind market in China
- Short term focus on cost reductions with a target to reach break-even on EBITA in 2013
- Growth expected in 2014 and thereafter based upon underlying market prospects and DIAB's sales opportunities
- With costs adapted and with future growth – DIAB shall once again reach double digit EBITA-margin



**Thank you for
your attention!**

RATOS

DIAB

Henrik Blomé

14 March 2013

Ratos' investment in DIAB

- **96% ownership**
 - Initial investment of 48% from 2001
 - 4% ownership with DIAB's Management and Board of Directors
- **Total net investment of ~ SEK 750m**
 - + ~ SEK 710m investments in 2001-2008
 - + ~ SEK 480m add-on investment in 2009-2010
 - + ~ SEK 170m in capital contributions during 2011-2012
 - ~ SEK 605m dividends and refinancing
- **Book value 31 December 2012: SEK 1,021m**
- **Ratos' team**
 - Henrik Blomé (responsible)
 - Johan Pernvi

View on DIAB's situation

- 2011-2012 has deviated from investment hypothesis
 - Chinese market turbulence and competitive dynamics
 - DIAB was geared for growth
- Manageable, also in a challenging market
 - Cost reductions are being executed
 - TIA & Marine developing well
 - Strong foundation with leading market position, great products, excellent capabilities and strong brand
- Market at a low point – still uncertain - but light at end of the tunnel

Ratos's investment case for DIAB

Current Focus – Long-term attractions

1. Support required cost adaption
2. Support continued growth in TIA-segments
3. Provide financial means to handle market turbulence
4. Stay close to market in order to assess potential structural opportunities

Ratos's investment case for DIAB

Current Focus – Long-term attractions

- Several drivers of organic growth
 - Growing customer applications
 - Continued growing penetration of composites
 - New applications
 - Asia
- Strong fundamentals for profitability improvement
 - Restructuring initiatives
 - Attractive market position
 - Unique customer value proposition

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