



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

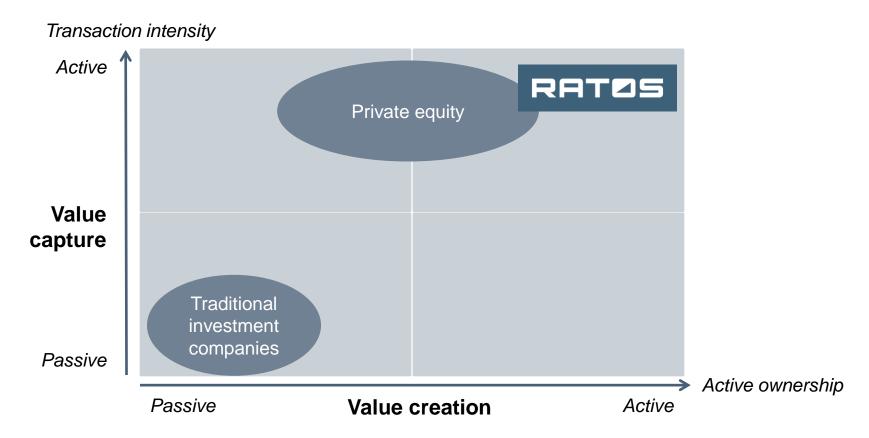
sales of SEK 38 billion

adj. EBITA SEK 2.7 billion and

21,000 employees



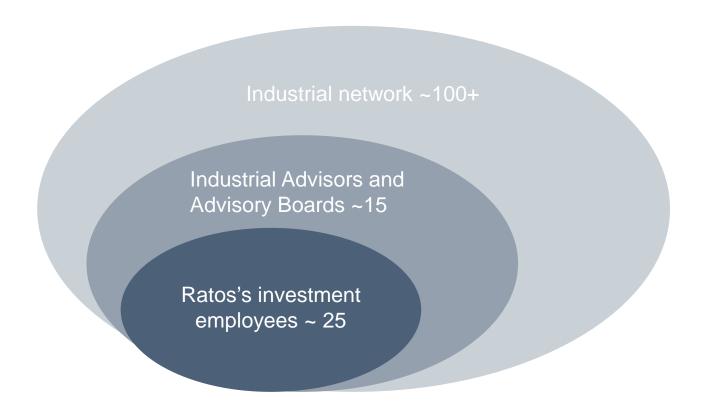
Active value creation and active value capture



We invest in mid-sized companies with development potential



Identifying and evaluating new acquisitions



Portfolio of companies with development potential

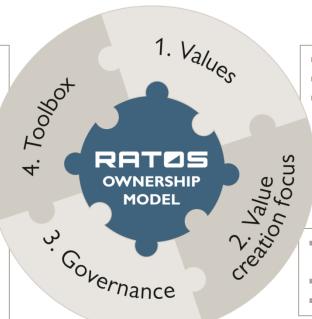
- Balanced portfolio
 - Industry exposure
 - Cyclicality
- Common attractions
 - Leading market position
 - Strong management team
 - Structural market growth



Ratos's ownership model is built on four corner stones

- Network broad industrial expertise
- Internal competencies
- Share experience between the holdings

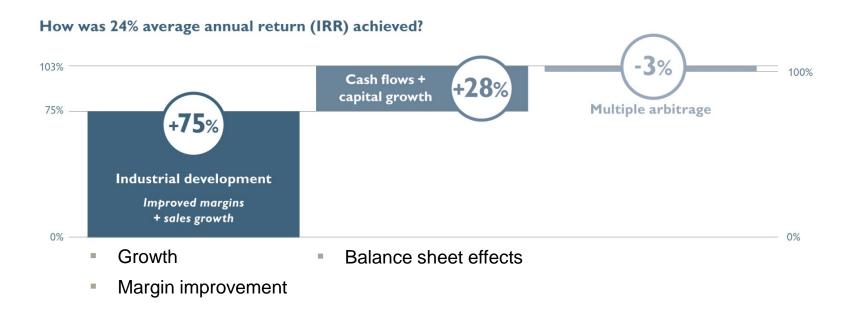
- Management a clear and complete operational mandate and responsibility
- Boards strategic expertise and industrial experience
- External chairman



- Professional
- Active
- Responsible

- Value creation throughout our entire holding period
- Long-term and sustainable effects
- Linked to Ratos's rate of return

A tailored value creation approach per holding



Transparent and clear governance structure

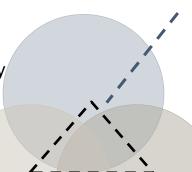
Company management

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

Value creating active ownership

Compliance and risk management

- Avoid fines
- Avoid damaged reputation and brand
- Qualify for tenders
- Better credit terms
- Orderliness: premium with investors

Systematic improvements

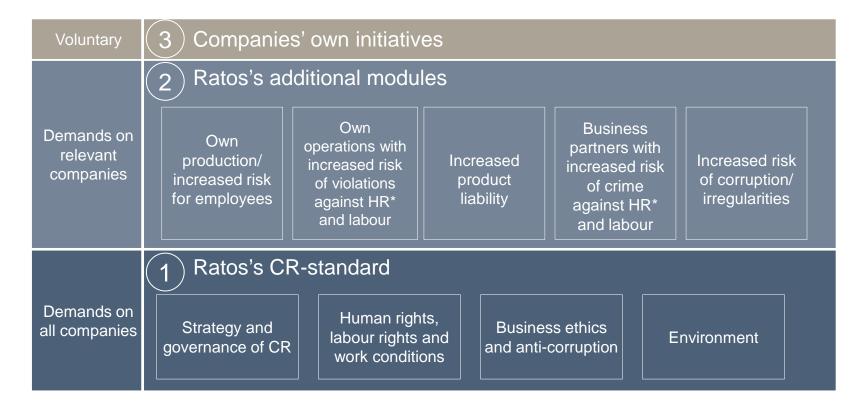
- Cost savings (energy efficiency, waste, recycling, transport)
- Lower turnover, less injuries, more satisfied employees
- Employee branding

Sustainable strategy

- Product development, innovation, new business models
- Increased sales by meeting demand from new customers and new needs in the market
- Help customers become more sustainable through innovation
- Positioning in relation to longterm global challenges



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

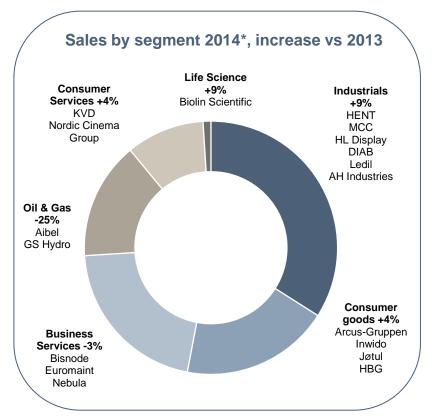
- 12 of 18 holdings increased their operating profit and margin in 2014
 - Strong Q4
- Successful exits: SB Seating and Inwido
- Acquisition of Ledil
- Good financial position, net cash approximately SEK 3.2 billion
- Proposed dividend SEK 3.25 per ordinary share (3)
- Adjusted return target

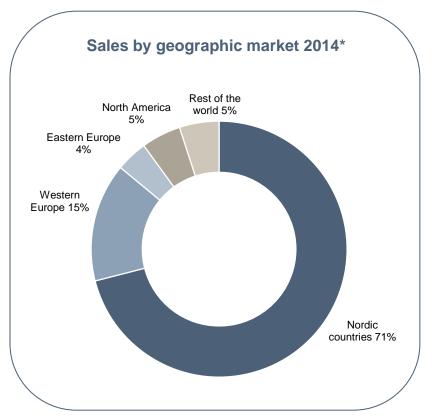






Increased market activity 2014





^{*} 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



Sales +9%
EBITA +12%
Adj. EBITA +16%
Adj. EBITA-margin +9,1% (8,5)

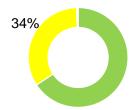


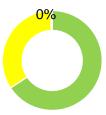
Sales -12% EBITA -42% Adj. EBITA -22% Adj. EBITA-margin +5,5% (6,2)



Sales -7%
EBITA +67%
Adj. EBITA +7%
Adj. EBITA-margin neg (neg)



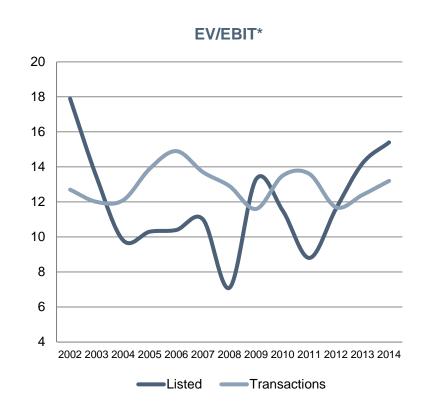




Adj. EBITA equals EBITA excluding items affecting comparability

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

2014

Sales: SEK 4.916m Adj. EBITA: SEK 502m



2004

Sales: SEK 1.235m EBITA: SEK 135m

Nordic expansion

- Acquisition of more than 30 local brands
- Purchasing synergies
- Selective presence on a number of European markets



Consolidation

- Consumer oriented strategy
- Owner of 100% of acquired companies
- Focus on achieving economies of scale and synergies by:
 - Product optimisation by rationalising the number of production units
 - Efficiency gains within purchasing, sales and market
 - Operational efficiency improvements



Swedish expansion

- Smaller acquisitions
- Focus on strong brand and product portfolio





Outline ii Pihla

1996-1999

Starting point

Merger of Myresjöfönster and

Myresiöfönster

2000-2004

2005-2009

2010-



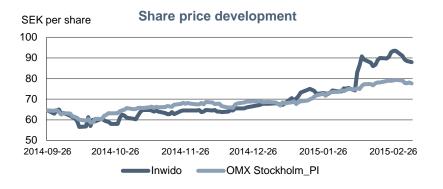
Elitfönster

(D) Elitfönster

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



Adjusted return target

2015-

- Company specific
- At least 15-20% IRR

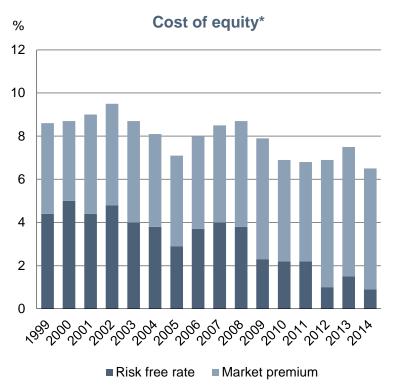
1999-2014

■ IRR >20%



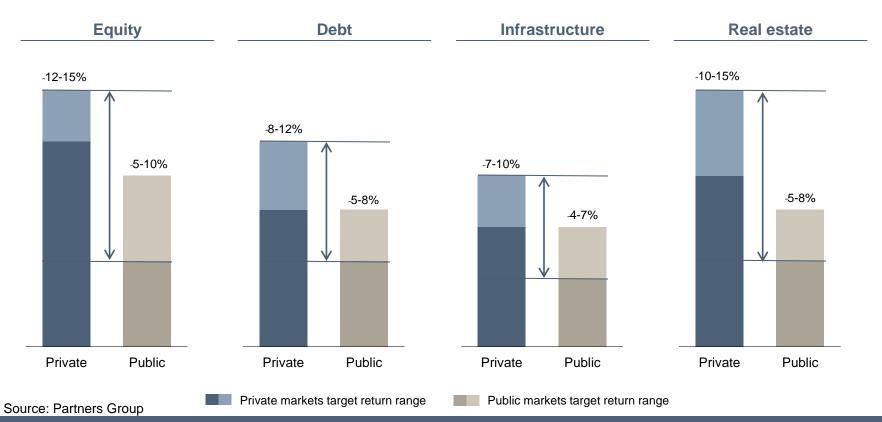
Why adjust return target?

- 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

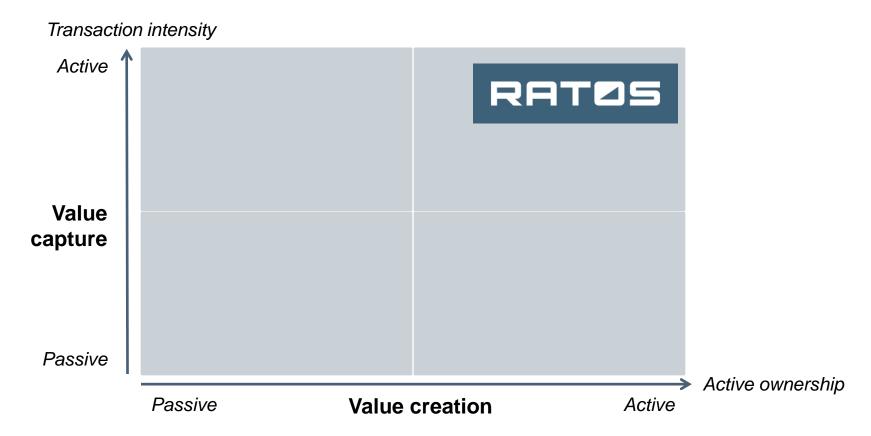
General return requirements for alternative assets



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





Q&A