

Invest in Sweden  
Venture Capital



*The cost-efficient way to access Swedish technology*

## Sweden

### Features of the Swedish private equity market

#### Portfolio companies, number of current investments:

- Buy-out 182 (Q2 2004)<sup>1</sup>
- Venture capital 1,007 (Q2 2004)<sup>1</sup>

#### Fund raising:

- Total private equity EUR 2.2/ USD 2.7 billion (2003)<sup>2</sup>
- Venture capital EUR 0.3/USD 0.4 billion (2003)<sup>1</sup>

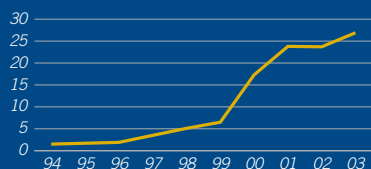
#### Total private equity exit level:

- 203 investments (2003)<sup>1</sup>
- EUR 1.7/ USD 2.1 billion (2003)<sup>1</sup>

<sup>1</sup> Swedish Venture Capital Association, SVCA  
<sup>2</sup> European Venture Capital Association, EVCA

### Assets under management

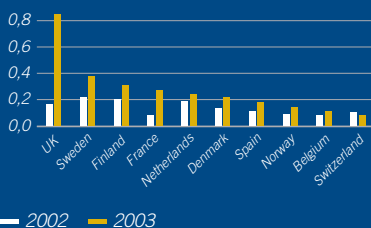
Swedish private equity (VC and buy-out)  
 USD billion, 1994–2003



Source: SVCA, 2004

### Venture capital investments

Venture investments in Europe 2002 and 2003, percent of GDP



Source: EVCA, 2004

## Venture capital at its best

*Swedish venture capitalists stand out relative to European peers. Benefiting from growth and experienced later-stage private equity firms, Swedish venture capital is ranked as a European leader in terms of activity (investments/GDP).*

Opportunities in venture capital are attracting large flows of funds to the Swedish market. During the past decade, overall funds in the private equity industry (including venture capital and buy-out) have increased from EUR 2.4/USD 3 billion to almost EUR 24/USD 30 billion. The rise of successful venture funds contributed to the substantial growth of the Swedish venture capital sector. Today, there are some 100 venture capital firms managing funds of EUR 9/USD 12 billion in the Swedish market, compared to almost none ten years ago.

Together with highly capitalized buy-out funds, represented by EQT, Industri Kapital and Nordic Capital among others, venture capital growth has contributed to Sweden's highly active and efficient private equity market. Activity in the entire private equity segment (investments/GDP) is ranked second in Europe only after the UK. Syndication levels, i.e. deals involving two or more investors in the private equity market, represent two-thirds of total investments.

Sweden's solid track record in technology innovations is one of the clear attractions. The proportion of investments in either the information and communication technologies (ICT) sector or in life science projects was 33 percent among European private equity funds during 2003. In comparison, the proportion of Swedish fund investments in these sectors amounted to 69 percent.

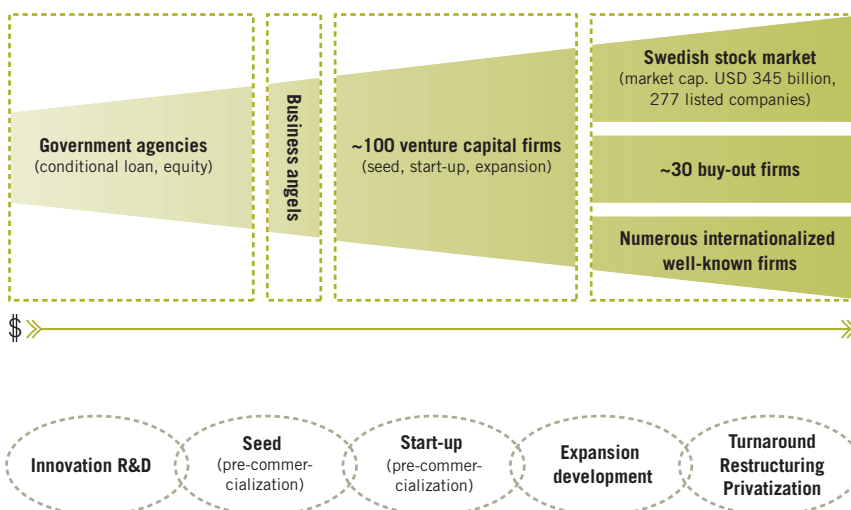
Since the strong start in the late 1980s, private equity has become an important complement to other sources of finance in Sweden. The private equity sector – alongside the stock market and traditional investment entities such as Investor and other corporations as well as government-initiated capital sources such as the 6th AP-fund – is one of the most influential owners of Swedish enterprise. Portfolio companies employ 6 to 8 percent of the country's private sector workforce.

While the buy-out sector has endured the recent years of global economic stagnation well, amounts invested in venture capital projects have diminished by half. This can be partially explained by falling valuations and the need to increased emphasis on existing investments. While the total number of investments still remains at high levels, the venture landscape is, however, changing. Anticipation of a positive investment and exit climate in coming years encourages venture capital firms to plan new rounds of fund raising. The total amount of capital raised by private equity and venture capital funds in 2003 amounted to EUR 2.2/USD 2.7 billion, which represents a significant increase to the EUR 642/USD 789 million raised in 2002.

**“Sweden is the most important foreign country in our investment strategy. Many Swedish venture businesses have strong technological backgrounds.”**

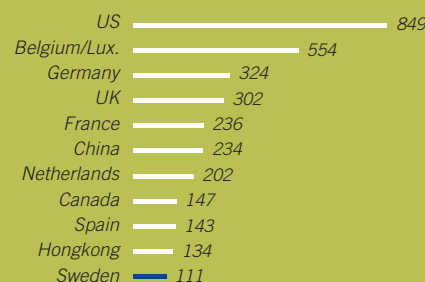
*Ikuo Nishioka, CEO  
 Mobile Internet Capital (MIC)*

### Financing in various maturity stages



### Sweden – Attractive destination for investments

#### Leading recipients of FDI, worldwide 1999–2003, USD billion



Foreign investors are discovering Sweden's many business and investment opportunities. As a result, Sweden has become one of the world's main recipients of foreign direct investment (FDI).

Note: Figures for Belgium/Luxembourg are not comparable since the registered capital flows to a large extent are channelled to other countries

Source: Unctad, 2004

## Efficient financial conditions

*With a flow of unique innovations and a well-functioning financial system to support them, Sweden has all the necessary ingredients to develop new ideas into healthy companies.*

**Innovations** Sweden's dedication to R&D with a total expenditure of 4.3 percent of GDP has resulted in one of the world's most knowledge-based economies. The country's leading edge in technology includes 500 wireless ICT companies and 200 biotech companies.

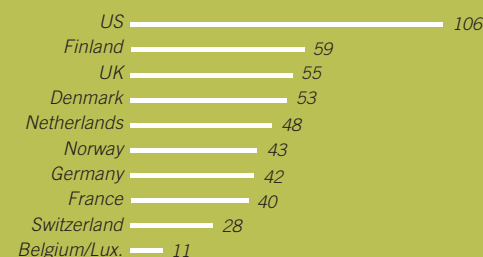
**International corporations** Numerous large international corporations are present in Sweden, as a result of large flows of foreign direct investments. Between 1999 and 2003, Sweden was the eleventh-largest recipient in the world, with inflows of EUR 90/ USD 111 billion according to Unctad. As one of the world's top foreign investment receivers, Sweden today hosts 10,100 foreign-owned companies providing the country with both money and international know-how.

**Stock exchange** The Stockholm stock exchange is renown for its high efficiency with 277 listed companies, a market capitalization of EUR 281/USD 345 billion (Sep 2004) and a foreign ownership of 35 percent. During September 2004, turnover to market value was 123 percent, which compares well with other top stock exchanges in Europe.

**Private equity** With 30 buy-out companies and 100 venture capital firms, Sweden offers an efficient private equity market within a broad-based financial system reinforced by the stock exchange and a strong investment influx.

#### Foreign-owned companies – important employers

2003, employees in thousand

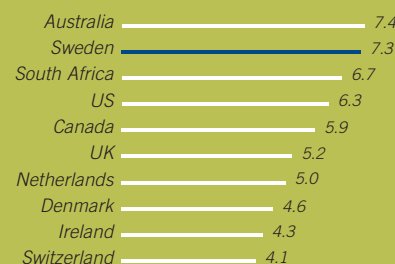


Sweden is an internationalized business community. The number of Swedish employees working in foreign-owned companies illustrates this fact. In 2003, 10,100 foreign-owned companies employed a total of 564,200 Swedes, or approximately 23 percent of all employees in the private sector.

Source: Swedish Institute of Growth Policy Studies, 2004

#### Strong stock market return

Real annual return, 1900–2002



In the historical perspective, Sweden's stock market returns have been impressive.

Source: Dinson, Marsch, Staunton; London Business School, 2003

### Contacts

Swedish Private Equity and Venture Capital Association, SVCA [www.vencap.se](http://www.vencap.se)

Nordic Venture Network, NVN [www.nordicventure.net](http://www.nordicventure.net)

# Attractions of the Swedish venture capital sector

**Industrial focus** Of Sweden's approximately 100 venture capital firms, the majority focus on either the ICT sector or on projects related to biotech and medical equipment. Typically, management comprises experienced industrialists and entrepreneurs. Investment managers with a life science focus have a background in either the pharmaceutical industry or biotech research, while venture firms with a wireless edge consist of partners from the wireless industry to ensure the necessary technical insight.

**Size** Closeness to underlying industry and universities ensures a large deal flow. Swedish venture fund investments represent a major proportion of total European investments with 12 percent in the life science arena and 6 percent in ICT projects during 2003 (15 percent and 8 percent respectively in 2002).

**Transparency** The openness of Sweden's business environment definitely includes venture capital activities. The application of international standards for corporate governance has yielded transparent and straight-forward reporting to limited partners. The investor-relation emphasis includes representation on advisory boards and yearly investor meetings.

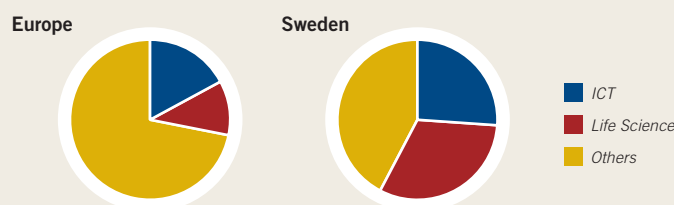
**International investors** Swedish buy-out funds have been dependent on international capital for at least a decade, and now greater international attention is turning toward Swedish venture capital. In 2002, 80 percent of private equity funds originated from investors outside Sweden. According to SVCA 66 percent of venture capital funds originated from investors outside Sweden in 2003.

**Scandinavian perspective** Several venture funds are broadening their investment focus from Sweden to include Norway, Denmark and Finland, enabling cooperation between Swedish venture capitalists and their colleagues in neighboring countries.

**Standardized terms** The wide use of standardized, Anglo-Saxon fund structures lowers the entry barrier for international investors into Swedish venture funds. Management fees in line with international standards and a broad spectrum of Swedish private equity legal advisors guarantee efficiency and reliability.

**New tax rules** Sweden has recently introduced new holding company legislation. According to international tax consultants the new tax laws, in combination with existing corporate-friendly taxation, have created one of the most favorable environments in Europe for holding companies.

## Comparison of high-tech investments 2003



Source: EVCA, 2004

## Major Swedish private equity firms

	Assets USD million	Invested USD million	Total no. of investments	Examples of portfolio companies	
<b>Life science</b>					
CapMan	1,600	1,000	75	Jolife, InDex Pharmaceuticals	www.capman.fi
H&B/Life Equity	200	120	17	Biovitrum, Gyros	www.hbcapital.se
HealthCap	850	420	41	Aerocrine, Karo Bio	www.healthcap.se
InnovationsKapital	240	n.a.	16	Jolife, Arexis	www.innkap.se
Scandinavian Life Science Vent.	300	150	25	A Carlsson Research	www.slsventure.com
<b>ICT</b>					
CapMan	1,600	1,000	19	Northlight Optronics	www.capman.fi
BrainHeart Capital	175	130	13	Maingate, Mobeon	www.brainheart.com
InnovationsKapital	240	n.a.	31	Sicon, Silecs, Spotfire	www.innkap.se
IT Provider	410	270	24	BlueFactory, Envov, Drutt	www.itprovider.com
Ledstiernan	150	120	23	ipUnplugged, Columbitech	www.ledstiernan.se
<b>Buy-out funds</b>					
Altor Equity Partners	820	230	3	Lindorff, Dynapac	www.altor.com
EQT	7,000	2,600	21	com hem, Duni	www.eqt.se
Industri Kapital	4,700	3,500	25	Sydsvenska Kemi	www.industrikapital.com
Nordic Capital	3,000	n.a.	16	Mölnlycke Health Care	www.nordiccapital.se
Ratos	1,100	880	18	Lindab, DIAB	www.ratos.se

Source: SVCA and ISA

## Reasons to invest in Swedish venture capital

### Access Swedish technology cost-efficiently.

- Sweden's focus on high-tech and innovations is reflected in its VC industry.
- The five largest ICT VC firms have invested in 100 portfolio companies.
- The five largest life science VC firms have invested in 130 portfolio companies.

### Invest in a very efficient venture capital market.

- Sweden's private equity investments in relation to GDP outperform the rest of Europe, apart from the UK.
- Two-thirds of all private equity deals include two or more investors.
- 14 percent of all deals made by Swedish private equity firms during 2003 were syndicated with an international investor, according to EVCA.

### Sweden's private equity market has been successful despite a sluggish stock market.

- 80 percent of private equity funds originated from international investors during 2002 (EVCA).
- 66 percent of venture capital funds originated from international investors during 2003 (SVCA).
- Six seed funds in the early venture stages managed to raise capital during 2002–2003.

### 2005 will see the start of large fund raising programs for numerous Swedish VC firms.

## Selected examples of portfolio investments

**InnovationsKapital's investment in Carmen Systems** Carmen, a software company specializing in resource optimization solutions for airlines and railways, has 190 employees in offices around the world. Solutions consist of applications based on the latest research combined with services such as analysis, simulation, development and support of clients' business processes. The client list includes many of the world's largest transport companies. Carmen is experiencing rapid growth and its revenues amount to approximately EUR 22/USD 27 million with increasing profit margins.

**BrainHeart Capital's investment in Mobeon** Experts in telecom software, Mobeon, was created in May 2003 by BrainHeart Capital (70 percent) and Ericsson (30 percent) through a spinout of Ericsson's Unified Messaging Product. Mobeon is the leader in the market for mobile voice-mail replacement with a market share in excess of 50 percent. Since the launch, the number of contracted subscribers has grown by 700 percent, to more than 32 million. Customers include leading mobile operators such as Cingular, Vodafone and Hutchison Whampoa. Revenues for 2004 are expected to surpass EUR 19/USD 23 million.

**InnovationsKapital's investment in Jolife** The medical instrument company Jolife is providing an innovative and patented new medical device for chest compression for use in the intensive care sector. The product, named Lucas, is targeted at patients suffering from sudden cardiac arrest. Jolife has released the first units on the market in Sweden, UK, and Norway. The foremost purpose of Lucas is to increase the probability of survival as well as help ensure a higher quality of life.

**Ledstiernan's investment in Columbitech** The wireless communication security software provider Columbitech operates primarily on the US market selling to among others the defense industry and the retail market, nationwide. Columbitech is the market leader in its field and the company's 2004 software solution is used by approximately 200,000 subscribers.

### Examples of Swedish deals attracting international VCs

#### Life science

Arexis	3i (UK)
Biolipox	Sofinnova (France), Apax (UK), Crédit Lyonnais Private Equity (France), Auriga Partners (France)
Biovitrum	ABN Amro Ventures (Netherlands), MPM BioEquities (US), Alta Partners (US), HBM Bioventures (Switzerland)
Global Genomics	ABN Amro (Netherlands), Nordic Biotech (Denmark)
Gyros	3i (UK), Schroder Ventures Life Sciences (UK), Bankinvest (Denmark)
A+ Science Invest	Biofund (Finland)
Xcounter	Abingworth (UK)

#### ICT

Appium	Nordic Venture Partners (Denmark), Innovacom (France)
Carmen Systems	Gilde Investment Management (Netherlands), GE Capital (US)
Spotfire	Atlas Venture (US), Sprout (US), Cooper Hill (US), Pequot (US), Quantum (US)
Visual Wireless	Vision Capital (US)
ipUnplugged	MIC (Japan), NEC (Japan)
Essnet	Nordic Venture Partners (Denmark)
Xelerated	Atlas Venture (US), Alta Partners (US)



## ***ISA – Business facilitator***

Invest in Sweden Agency (ISA) is the government agency responsible for informing about business and investment opportunities in Sweden. Companies planning to establish or expand operations in Sweden can, free of charge, obtain information and assistance from ISA and its regional and international network.

With headquarters in Stockholm, ISA has international operations and representation in major European, North-American and Asian cities. The vast majority of ISA staff has a background in the corporate sector and expertise in the investment process. These attributes help ensure professional guidance for successful business launches in Sweden.

***Welcome to the ISA web site at [www.isa.se](http://www.isa.se)***

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