

INDUSTRI KAPITAL

IK NEWS

:ISSUE NO 1 MAY 2001

:NEW TEAM MAKES IMMEDIATE IMPACT

Two landmark transactions have already put Industri Kapital firmly on the map in France.

INDUSTRI KAPITAL SIGNALLED its commitment to the French private equity market in March last year with the appointment of Christopher Masek (36) as the firm's Director in charge of investments in France.

Of French-US nationality, Masek began his financial career in 1990 with accountants KPMG. He joined the firm's corporate finance arm in Paris in 1992 and became a partner in 1996.

Masek says that his move into private equity was a very natural progression.

"Having worked on M & A deals in France for eight years, often selling to private equity houses, I was very familiar with what unquoted equity investors look for and how their transactions are structured," he explains.

In seeking an outlet for his entrepreneurial skills, Masek also wanted the opportunity for more 'hands-on' involvement with companies.

"As a consultant, relationships with companies usually end once a deal is done. I wanted to have long-term contact with businesses and really to be in a position to help them to create value. This is what successful private equity investing is all about," he continues.

"IK's genuine commitment to 'buy-and-build' strategies for its portfolio companies was very appealing and a major factor in my decision to join the firm."

In September last year Jean-Baptiste Wautier (30) also joined IK as an Associate Director covering the French market. Like Masek, Wautier began his career in accountancy – with Arthur Andersen in 1994 – and brings additional corporate finance experience to the party having been in the M & A department of Morgan Stanley Dean Witter in London for 3 years.

IK has continued to build its French team this year with Remi Buttiaux (26) who will join the team as an Associate in June. Buttiaux worked for the private equity arm of Paribas before joining Morgan Stanley Dean Witter in London as an M & A analyst.

"As well as having the requisite entrepreneurial streak, Remi will blend in well with our work-hard-play-hard approach," Masek comments.

Supporting the team is Sophie Goldstein who handles everything from secretarial and administrative duties to managing the unit's corporate database.

With this strong team in place, two 'trophy' deals already under its belt, and everything to

play for; Industri Kapital is well-placed to become a prominent participant in the French LBO arena.

Industri Kapital quickly made its mark in the French private equity market with the secondary buyout of Laho Equipement and the public-to-private buyout of Groupe Fives-Lille.

Laho Equipement, the second largest player in the highly-fragmented French construction equipment rental market and the number one player for the sale of new equipment, was acquired by the IK2000 Fund from Bridgepoint Capital in a € 76 million deal in June last year.

Consolidation and pan-European expansion opportunities for Laho plus the company's strong management team all helped make the deal look promising.

"As a secondary buyout, the management team was already very familiar with the MBO process and the information and reporting

requirements of private equity backers post-acquisition," says IK Director Christopher Masek.

IK was well versed in the dynamics of the construction equipment sector, having been an investor in Cramo, Sweden's leading construction equipment rental operator.

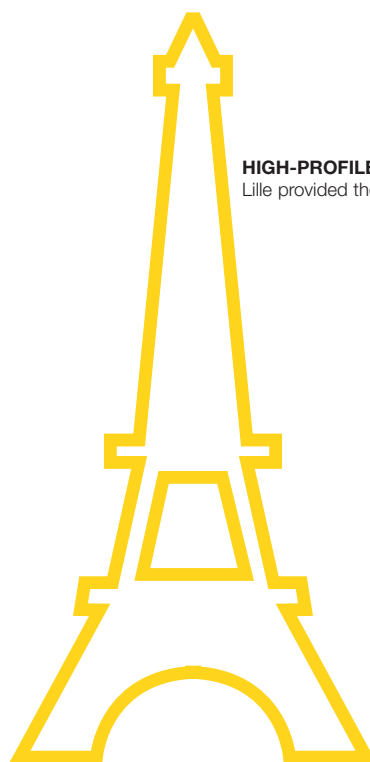
"Cramo was of a similar size to Laho and had also followed a build-up strategy so we had an extra level of comfort with the deal – we are now building on what we learned from Cramo," Masek says.

Laho was an auction sale with IK competing against four other prospective buyers.

"We saw Laho as the perfect bite-size deal with which to kick-off our French investment portfolio," says Masek.

"And, with Royal Bank of Scotland on the senior debt side we were able to put together an innovative structure with the inclusion of a pre-agreed acquisition finance line."

Laho employs some 750 people, had sales of



HIGH-PROFILE COMMISSION: Group Fives-Lille provided the elevators for the Eiffel Tower



OUR FRENCH TEAM: Jean-Baptiste Wautier, Sophie Goldstein and Christopher Masek.

€ 141 million in 2000 and a network of 75 branches across France. With the focus specifically on rental activity and the development of new rental products and clients, IK has already helped Laho make six add-on acquisitions and to expand its number of outlets to 85. The plan is to double the size of the business and the number of outlets over the next few years.

Groupe Fives-Lille – engineering a solid future

Public-to-private (PTP) buyouts are rarely straightforward and in France additional technical issues have to be overcome. But this did not stop Industri Kapital pushing back the frontiers with the successful € 235 million PTP of Groupe Fives-Lille (GFL) earlier this year.

Founded near Lille in 1812, GFL is one of France’s most established engineering conglomerates, best known for high-profile commissions such as making the elevators for the Eiffel Tower.

Despite its illustrious past, however, GFL’s value on the Paris stockmarket was depressed by lack of investment interest in mini-conglomerates, old economy stocks and small and medium-sized companies generally.

Headquartered in Montreuil, the company employs about 4,200 people with sales in 2000 of € 855 million. With some 30 companies structured into five divisions it designs, produces and sells equipment mainly for the automotive, steel, aluminium and cement sectors. GFL also has substantial international interests, particularly

in Asia and North America.

Having won the support of the company’s two major shareholders, BNP-Paribas and financier Allan Green who together accounted for 50.2 per cent of the shares and 52.2 per cent of the voting rights, IK launched its offer at the beginning of December.

Thanks to this commitment, the French authorities agreed that the bid for GFL could be subject to a minimum success rate of 66.67 per cent instead of the more standard 50 per cent. In the event, however, 95 per cent acceptances were received by the offer’s first closing. This in turn allows the company to launch a squeeze out bid as in France an acquiring shareholder technically needs to have reached that level in order to be able to launch a squeeze-out.

The deal completed in February this year supported by a € 150 million mezzanine and senior debt package led by Royal Bank of Scotland.

“Despite the technical difficulties inherent in launching a PTP, strategically we felt very comfortable with this deal from the outset,” says IK Director Christopher Masek. IK was already well-acquainted with the engineering sector having previously invested in Crispland and KCI Konecranes and having recently completed the buyout of Alfa Laval.

“We came with a good understanding of the business model and the sector’s business cycles,” Masek says.

GFL is seen to have a strong management team which had already done much to clean up the business.

“We felt we were buying a good base with good prospects and a coherent strategy to refocus and develop the business, particularly on the automotive side,” Masek continues.

“From an unloved stockmarket entity GFL can now be managed far more efficiently by a highly-motivated management team with the full support of its financial partners.”

:FRANCE – BIG DEALS LEAD THE WAY

The French private equity market continues to go from strength to strength. Preliminary figures from the French Venture Capital Association recorded a 65 per cent increase in capital invested in 2000 to € 4.6 billion. This comes hard on the heels of a 25 per cent increase in 1999.

Activity has been particularly intense at the top end of the market. Last year notably saw the € 850 million buyout of the buildings and equipment manufacturer Lafarge MS, the € 750 million secondary buyout of the electrical systems company MGE UPS Systems and the € 450 million public-to-private buyout of De Dietrich & Co.

The trend for larger deals carried through into 2001. The € 920 million LBO of Picard Surgelés and the € 235 million PTP of Group Fives-Lille both completed within the first three months.

Fuelled by the weight of new money raised

for investment recently and the increase in the number of private equity teams focused on the market, this level of activity looks set to continue in the medium-term.

Industrial groups will remain a major source of deals as, under pressure from the stockmarket to deliver shareholder value, they rationalise and restructure to achieve core focus. Private companies continue to seek solutions to succession problems.

Newer deal sources include PTPs – mid-cap companies frustrated by their low stockmarket ratings seeking to buy back their shares, and secondary buyouts. Secondary buyouts are being fuelled, in part, by the inability under French law to achieve partial exits through leveraging and are replacing IPOs as favoured exit routes for unquoted equity investors.

IK Director Christopher Masek notes that with auction sales now prevalent in France and

stiff competition for the best companies, pricing pressure is increasing.

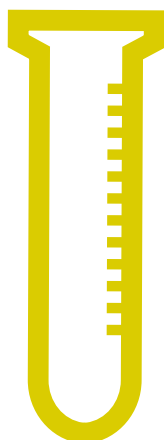
“Deal quality and levels of return are an issue and in this environment you have to pay top dollar for the best companies. The real skill comes in what one does with these companies post-acquisition,” he says.

But with pricing also being driven by the stockmarket, the market is not seen to be overheating.

In addition, with sellers, their advisors and management teams themselves now all far more comfortable with the LBO concept more deals are finding their way to the surface.

“In the past investment bankers handling divestments tended to favour trade sales but they now see financial buyers as very credible bidders. This change in attitude and approach is all helping to grow the market,” Masek concludes.

:TRANSACTIONS



SYDSVENSKA KEMI ANNOUNCES OFFER FOR PERSTORP AND PARTIAL OFFER FOR SHARES IN PERGO

The Board of Directors of Sydsvenska Kemi AB, which is owned by the IK2000 Fund, has decided to make a public offer to the shareholders and holders of convertible debentures issued by Perstorp AB.

The offer is inter alia conditional upon a Perstorp AGM resolu-

tion to execute a spin-off of the laminate flooring business within Pergo AB to the shareholders in Perstorp and on all regulatory approvals being obtained from the relevant authorities.

INDUSTRI KAPITAL ACQUIRES EIGHT COMPANIES FROM TELIA'S ENTERPRISES DIVISION.

The IK2000 Fund and Telia have reached an agreement over the acquisition of a group of eight



companies and their respective affiliates within the Telia Enterprises division.

Telia, the Swedish-based telecoms giant, will retain a minority interest in the businesses.

Björn Savén said that IK "sees great potential for these businesses to develop in a fast-growing and highly dynamic market. We also look forward to working together with Telia in further developing these companies."



AMAS SOLD TO TMI

The recently announced merger between Amas and TMI has now been completed, creating one of the largest forwarding and logistics service providers in Benelux. The Industri Kapital 1994 Fund, the Gilde Buy Out Fund and the management of Amas have sold their complete interests in the Amas group to TMI in connection with the merger.



PIETERS SOLD TO FJORD SEAFOOD AND DOMSTEIN

The IK1994 Fund has sold Pieters NV to the Norwegian companies Fjord Seafood ASA and Domstein ASA.

Gustav Öhman, Director of Industri Kapital, said that Pieters has been a successful investment.

"Pieters' sales and profits have doubled since we first invested in January 1998. The company has experienced substantial organic growth, and has made five add-on acquisitions."

:KNOWLEDGE DEVELOPMENT

KRÄGGA CONFERENCE

Investment professionals from all IK offices spent two crisp but sunny March days at Krägga Manor, situated in a wintery landscape by Lake Mälaren in Sweden. As well as the standard IK monthly meeting agenda concerning portfolio, deal flow, transactions, market intelligence and so on, time had been set aside for sharing views with outside speakers.

Half a day was spent with members from PwC's mobile Internet team on recent developments and trends within e-business and wireless versus fixed line technology as well as trying to assess future and potential business opportunities within the mobile internet sector.

Carl-Henric Svanberg, CEO of Assa Abloy AB, joined the meeting for a few hours on the second day to share his views on how to

successfully implement a global consolidation and growth strategy. To develop their creative talents further, the IK professionals were divided into teams with the objective of catching in oil on canvas the motto of "Creating Value in Partnership with Management".

An enormous amount of creativity and hard labour were put into play and the results were as varied and colourful as the participants. It was a close vote when the winning painting was chosen.

SECRETARIAL CONFERENCE

All IK assistants spent a hard working weekend at Skovshoved, just outside of Copenhagen, working pro-actively at finding ways to enhance inter- and intra-office communications, improve stress management and share knowledge of the development of private equity and IK's role therein.

After a full working day the participants were not even allowed to enjoy the luxury of settling down to a pre-cooked dinner but had to spend another three hours on creating a ten-course gourmet dinner for themselves.

Just think of the timing issues involved... Of course this was no problem for these very adaptable professionals displaying the

utmost co-ordination skills and teamwork spirit. What a fantastic evening!

The next morning saw a very active working session spent dissecting the terminology used in presentations and reports including all "buzz-words" frequently in use at the moment. All too soon it was time to fly home and prepare for a new week of work... **IK**





STRONG FOLLOWING FOR OUR LARGEST FUND YET

IT IS A DELIGHT to welcome you to the first issue of IK News. As a showcase for new deals, realisations and other news from Industri Kapital we plan to publish this newsletter three times a year, in addition to an annual up-date.

Producing a newsletter is a new development for Industri Kapital – hitherto we have tended to keep our profile, and that of our transactions, a bit more low-key. But we have to move with the times and, in keeping with the higher profile now required of the private equity industry as a whole, put the spotlight onto our achievements and those of our portfolio companies.

The highlight of recent months has been, of course, the closing of the IK2000 Fund. At € 2.1 billion this is one of the largest private equity funds ever to be raised in Europe and a major advance on our € 750 million 1997 fund.

The new larger fund enables us to continue

“IK2000 is off to a flying start and we are confident that this momentum for IK will continue, and look forward to a healthy stream of realisations and returns in 2001 and beyond.”

to pursue our expansion programme and actively seek investment opportunities in all of continental Europe. As a consequence we are now strengthening our investment teams in all offices.

Initially we set out to raise € 1.5 billion but the response from prospective investors was so strong that, following a first closing at the end of November 1999, we increased our target significantly to € 2.0 billion.

The collapse of NASDAQ and volatility in European capital markets in the early part of 2000

invoked investor caution but, given IK's track record and investment strategy, the fund still reached its final closing on 29 November 2000 with commitments of € 2.1 billion in total.

We are particularly pleased to have attracted such a well-balanced spread of investors with a shift from our traditional Nordic base towards the rest of Europe. Nordic institutions account for 39 per cent of IK2000, the rest of Europe for 31 per cent, the US for 21 per cent and the rest of the world for 9 per cent. Nordic investors accounted for 56 per cent of our 1997 fund, other European countries for 18 per cent, and the US institutions for 23 per cent with 3 per cent coming from the rest of the world.

But our investment strategy remains much the same – to acquire and develop medium to large-sized divisions or subsidiaries of larger groups and family businesses as well as tackling suitable public-to-private opportunities.

We also remain a generalist, cashflow investor, successful at investing in a variety of companies and not pre-occupied with 'old economy' versus 'new economy' decisions.

To this end our dealflow has been, and remains, strong. At the final closing of IK2000 we had already completed six investments representing 36 per cent of the new capital. These deals – the buyouts of Alfa Laval in Sweden, CPS Color in Finland, Fortex in the Netherlands, Laho Equipement in France, Dynea in Finland/ Norway and the public-to-private buyout of Dyno Nobel in Norway – were recently joined by the successful public-to-private

buyout of Groupe Fives-Lille in France. Together these deals represent an equity participation of approximately € 880 million.

Industri Kapital now has more than € 3 billion of original commitments under management in four funds. Since 1989, more than 40 investments have been made in Nordic and European companies in a wide range of industries. The current portfolio comprises 24 companies whose combined sales in 2000 exceeded € 9 billion.

IK2000 is off to a flying start and we are confident that this momentum for Industri Kapital will continue, and look forward to a healthy stream of realisations and returns in 2001 and beyond. ◀

Björn Savén, Chief Executive



:NEW RECRUITS

MARTIN BACKMAN

Finnish. Associate Director – Finnish team. Based in Stockholm.

ANDREW CRANKSHAW

British. Investment Accountant. Based in London.

REMKO HILHORST

Dutch. Associate – Benelux team. Based in London.

SUSANNA ERIKSSON

Swedish. Assistant Accountant. Based in London.

KRISTINA LINDGREN

Swedish. Human Resource Manager. Based in Stockholm.

MARIA NEUMAN

Swedish. Secretary – Swedish team. Based in Stockholm.

ANNA LINDBERG

Swedish. Office Assistant. Based in Stockholm.

BEVERLEY FRASER

British. Secretary – Fund Administration. Based in London.

ERIC VAN DROOGENBROECK

Belgian. Associate Director – Benelux Team. Based in London.

:PORTFOLIO COMPANY NEWS

ALFA LAVAL GETS A NEW LOOK

Alfa Laval, the Swedish international engineering company, has a new look – developed in partnership with Landor Associates, the global branding company.

A world leader in separation, heat transfer and fluid handling



technology and engineering, 118-year old Alfa Laval has undergone a fundamental reorganisation and was acquired by the IK2000 Fund in August 2000 – the largest Scandinavian buyout to date.

The brand has been built around a central concept – “the security of change”. This concept, or “Brand Driver™”, reflects a shift towards more customer-focused operations and away from being a process-driven operation.

The new word marque represents a strong, precision-engineered structure rotating through 360 degrees. This suggests an adaptable, forward-thinking and evolving world-class organisation in a constantly changing world, as well as a heritage of engineering excellence.

“We have re-engineered the way in which our business is organised in response to changing market conditions,” says

Peter Torstensson, Vice President of Corporate Communication at Alfa Laval.

“Until now we have effectively operated as three relatively self-contained divisions which have appeared to function as separate companies.

“This repositioning will demonstrate that we are a truly integrated organisation ready to provide total solutions across a wide range of market sectors.”



NEW NAME, NEW IDENTITY AS NORDKEMI BECOMES DYNEA

On March 6th, the global business operations of the Nordkemi group – Neste Chemicals and the chemicals business of Dyno ASA – were united under a single name: Dynea.

The name reflects the company's strategy of being a world leader in the industrial adhesives and coatings markets. As Georges Marzloff, Dynea's President and CEO says, a single identity will show customers around the world that, wherever they see Dynea, they can expect the highest standards of people, products and technical solutions.

“We also believe that a single identity will strengthen the unity

between our 2,600 employees in 22 countries across the world,” he added.

HAYS AND ARCA SYSTEMS CREATE NEXT GENERATION CONTAINER SYSTEM FOR WAL-MART

Arca Systems and Hays Container Services have been selected as a Reusable Plastic Container (RPC) provider to US retailing giant Wal-Mart, the largest user of RPCs in the US.

Fresh produce packed in RPCs is now welcomed at Wal-Mart outlets throughout the US, allowing a single container to be used from field to retail display. This allows Wal-Mart to ensure better product quality, reduce wastage and increase retail produce sales.

RPC demand in the US is expected to be over 200 million containers. Arca and Hays expect to capture a major share of this market following the bridgehead it has established with Wal-Mart. Arca Systems will initially invest more than € 5 million in its US operation to secure the increased demand.

ORIFLAME APPOINTS NEW CHIEF EXECUTIVE

The board of Oriflame, the leading direct sales company in Central and Eastern Europe, has appointed Sven Mattson to the position of Chief Executive Officer with effect from January 1st, 2001.

The previous holder of the post, Robert af Jochnik, has become Chairman of the Board of Directors.

:CALENDAR

MAY 16TH PM

US Investor Meeting, New York, N.Y., USA

MAY 29TH PM

Advisory Council Meeting London, ENGLAND

European Investor Meeting London, ENGLAND

BY END JUNE

March 31, 2001 reports distributed to Investors

DURING SEPTEMBER

Next IK News

DECEMBER 5TH PM

Advisory Council Meeting Stockholm, SWEDEN
Annual Investor Meeting Stockholm, SWEDEN

DURING DECEMBER

Next IK News

BY END DECEMBER

September 30, 2001 full year reports including valuations distributed to investors.



INDUSTRI KAPITAL

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