



LEDSTIERNAN

APPENDIX  
YEAR-END RELEASE 2000



## LEDSTIERNAN IN BRIEF

*Ledstiernan is building Europe's leading seed and venture capital company with a specific focus on Mobile Communication.*

The strategy has been developed on an American model, where the venture capital industry has been evolving in an intensely competitive environment for more than 30 years. The venture capital market is the sector of the market economy where the highest return can be expected, but also where the risks are highest. The challenge is to help the portfolio companies to develop into real winners, along with a number of other companies with more normal earnings. Some investments fail, which is a normal feature of the business.

Ledstiernan is a major shareholder in 37 portfolio companies, of which 53 per cent of the invested capital, are in the Mobile Communication sector, an area in which Sweden and Finland are world leaders in technical development. High-tech competence of the highest calibre has been developed in the Nordic countries, but the interest in what this competence generates is global.

It is important for Ledstiernan to be located in centres where the business potential is greatest. Ledstiernan has offices in Stockholm and Helsinki. Direct access to the financial market through the office in London is of great benefit when it comes to financing Ledstiernan's portfolio companies. Ledstiernan plays an active role in its portfolio companies, by providing members for their boards and by drawing on Ledstiernan's network of valuable international contacts. Ledstiernan is a long-term shareholder with a strong financial base, but with a clearly worked out exit strategy.



## PORTFOLIO COMPANIES' DEVELOPMENT PHASES

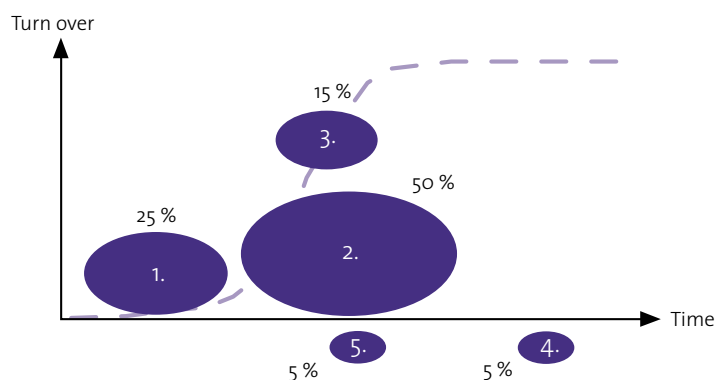
In order to provide an overall idea of changes in Ledstiernan's portfolio companies and invested capital, we have analysed the portfolio on the basis of each company's development phase.

Ledstiernan's portfolio has been built up successively since June 1999. Ledstiernan invests in and develops its portfolio companies with the object of bringing them to commercial maturity and profit. In the event of success, the companies are then either sold or floated on the stock market; in the event of failure they are wound up.

The status profile of Ledstiernan's portfolio (below) and the updates that will be made gradually illustrate the progress of the companies in Ledstiernan's portfolio. The classification in no way reflects the relative market capitalisation of the respective companies.

At present, companies representing just over 15% of our invested capital have achieved commercial maturity (Group 3). We hope to be able to show how more capital gradually moves into this group as the portfolio companies in turn move into their second and third year of operation.

Ledstiernan begins setting up its external financing facilities six months in advance, when it presents the company to international Venture Capital companies or what are known as "middle capital investors". The business concept of these companies is to invest in projects with good potential, which have mostly been started with help from seed and early Venture Capital companies such as Ledstiernan.



*The figures are rounded to the nearest 5% and are based on a total invested capital of MSEK 452.*

*Group 1: (approx 25%)* Developing companies that have not yet entered the commercial phase. The cash flow is negative and financing is often needed to bring them to the commercialisation phase. Most of companies in this group are technical development projects in mobile communication. Theoretically, this part of the portfolio has the highest risk, but the interest among external financiers and other players in the industry is considerable.

*Group 2: (approx 15%)* Companies that have begun their commercialisation phase but that have not yet reached balanced cash flow (in Q1 2001) and which will require further financing to bring their cash flow and result into balance. About half of these companies are in an early commercialisation phase. Many of the remaining companies have achieved a high enough turnover to become profitable with the aid of internal measures and the injection of a limited amount of capital. Part of this portfolio involves a high risk, and other parts a low risk.

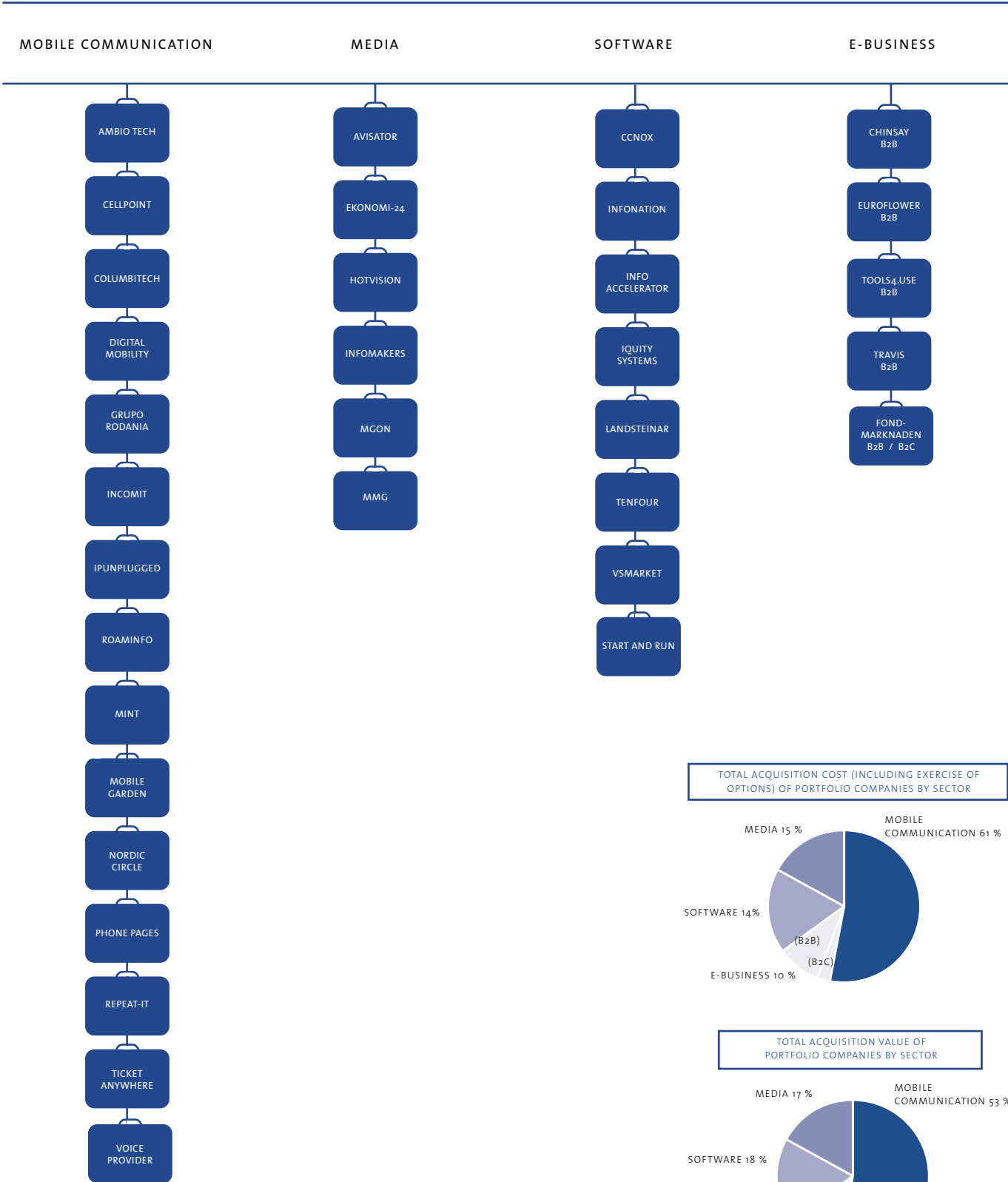
*Group 3: (approx 15%)* Companies that are in their commercial phase and are either profitable or with a balanced cash flow, or in which their current capitalisation is deemed sufficient to bring them to a state of cash flow and result balance. Certain companies can decide to broaden their business plan to include new markets or product areas, for which the company might seek additional capital. The risk is low in this part of the portfolio.

*Group 4: (approx 5%)* Investment companies whose operations do not belong to any one of the above categories.

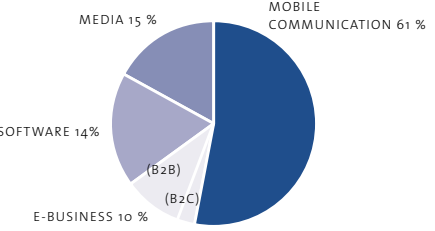
*Group 5: (approx 5%)* Companies in which Ledstiernan's investment has been written off and which are being wound up. The venture capital business also means that it might be necessary to close down a company. In such a case, a small proportion of the investment may be recoverable.



# PORTFOLIO HOLDINGS BY SECTOR



TOTAL ACQUISITION COST (INCLUDING EXERCISE OF OPTIONS) OF PORTFOLIO COMPANIES BY SECTOR



TOTAL ACQUISITION VALUE OF PORTFOLIO COMPANIES BY SECTOR

