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# AXCEL ANNUAL REVIEW 2011

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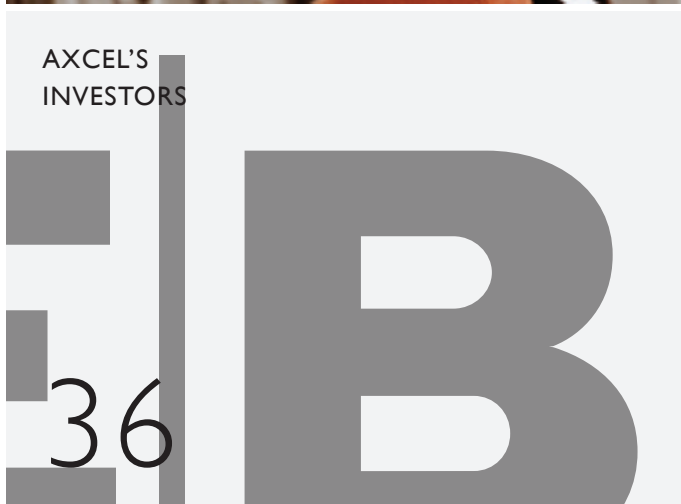
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# UPHEAVAL

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2011 was a year of upheaval – political, economic and financial. Global imbalances fuelled a debt crisis and instability in the euro zone, a slump in global stock markets and a weak growth outlook. On the other hand, Europe's politicians have taken the bull by the horns, and the new Fiscal Compact negotiated by the euro countries and backed by Denmark is expected to result in greater stability and so lift the European investment climate.

These uncertain times have also made their mark on Axcel. In last year's review we predicted that Axcel might report a negative investment result for 2011, following the extraordinary profit of more than DKK 11bn in 2010 due mainly to the flotation of PANDORA and subsequent surge in its share price. Unfortunately this turned out to be only too true, but PANDORA has worked hard to modify its strategy and improve execution, as discussed elsewhere in this review.

On a positive note, Axcel successfully exited three companies in 2011, enabling it to pay out DKK 1.4bn to investors. This is the very essence of the private equity model: returning investors' money through the development and subsequent sale of companies at a healthy profit. Axcel has now distributed a total of DKK 11.8bn to investors, giving them a highly attractive return on the capital they have invested.

With Axcel IV we also have an opportunity to continue to make a real difference by investing in Danish and Swedish companies, and the fund has already made good progress with three interesting buyouts.

## **Growth dependent on sound regulatory environment**

For a well-functioning investment environment, it is essential that the EU's AIFM Directive regulating private equity funds and various other unlisted asset classes is appropriately formulated by the time it is implemented in Danish law in 2013. The private equity industry has already worked hard across Europe to improve communication and transparency through self-regulation. In Denmark this has taken the form of corporate governance guidelines from the Danish Venture Capital and Private Equity Association (DVCA), of which all of the country's leading private equity firms have been members since 2008.

## **Important role for government**

It is crucial that the Danish authorities adopt the right approach when implementing the new rules. For example, Denmark should not be a first mover but wait and see what larger countries do. We must also avoid over-tightening the regulatory screw, because it will be even harder to attract capital to new funds if Danish regulatory conditions deviate markedly from those elsewhere, and this could exacerbate the country's investment deficit.

Instead we need to bring more capital into Denmark, and this will happen only if investors have confidence in the overall regulatory environment. This is an important task for the Danish government, especially if we are to save jobs in the private sector and the export industry.

Finally I would like to extend my thanks to Johannes Poulsen, who is stepping down from Axcel's board for age reasons after ten years. Johannes has made a massive contribution to Axcel, and I wish him the very best for the future. At the same time I would like to welcome former Nordea CEO Peter Schütze and current JP/Politikens Hus CEO Lars Munch onto the board. I am sure that they will be a major asset to Axcel.



Niels B. Christiansen  
Chairman





# PANDORA PULLS DOWN AXCEL'S INVESTMENT RESULT FOR 2011 BUT THREE GOOD EXITS RETURN MORE THAN DKK 1.4bn TO INVESTORS

Axcel's performance in 2011 was hit by the fall in PANDORA's share price, which led to a net investment loss of almost DKK 7bn.

Excluding PANDORA, there was an investment profit of almost DKK 100m, giving a return on invested capital of around 4%. By way of comparison, the Copenhagen Stock Exchange's OMXC20 blue-chip index fell 15% over the year. Dividend income and the sale of three companies at the beginning of 2011 enabled Axcel to pay out more than DKK 1.4bn to investors. In isolation, the recovery in PANDORA's share price from the beginning of 2012 restored more than DKK 500m to the value of Axcel's holding during the first two months of the year.

Axcel made an investment loss of DKK 6,927m in 2011, due largely to its holding in PANDORA, whose share price plummeted at the beginning of August after a profit warning was issued for 2011.

If we ignore the holding in PANDORA, a more nuanced picture of Axcel's investment performance in 2011 emerges. Portfolio companies heavily exposed to the Danish market were hit by the downturn in domestic demand, while the remainder coped well with turbulent market conditions. Excluding PANDORA, there was a net increase in the value of Axcel's portfolio companies of almost DKK 100m.

Axcel completed four transactions in the first half of the year: the acquisition of Cimbria and the sale of HusCompagniet, Netcompany and EskoArtwork. Thanks to these exits and dividend income from the holding in PANDORA, Axcel was able to pay out DKK 1,434m to investors. The new fund Axcel IV also reached its target of committed capital of DKK 3.6bn and has now made two investments (Cimbria and Nordic Waterproofing) and agreed on a third (Mita-Teknik).

As at 31 December 2011, Axcel had distributed DKK 11.8bn to investors, and the remaining 14 companies had a book value in excess of DKK 4bn.

A private equity fund's performance cannot be evaluated definitively until it has sold all its assets. Axcel III alone still has seven companies and a substantial stake in PANDORA, so there is some way to go before the fund's final return can be calculated.

There is therefore also reason to measure Axcel's performance on the basis of activity levels. Have we managed to develop and sell companies at a healthy profit, and will we be in a position to make the right investments in future?

## AXCEL'S INVESTMENT RESULTS – FIVE-YEAR SUMMARY

(DKKm)	2011	2010	2009	2008	2007
AXCEL I	1	-	13	2	-
AXCEL II	43	-1	-49	-132	465
AXCEL III	-6,971	11,588	1,889	517	88
TOTAL	-6,927	11,587	1,853	386	553

## AXCEL'S INFLOWS AND OUTFLOWS

to 31.12.2011

(DKKm)	AXCEL I	AXCEL II	AXCEL III	AXCEL IV	TOTAL
INVESTED CAPITAL	1,336	1,964	2,461	562	6,323
PAID OUT TO INVESTORS	2,107	2,691	7,035	0	11,833
VALUE OF COMPANIES	109	716	2,732	562	4,119
REMAINING COMPANIES	1	4	7	2	14

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Axcel is constantly on the lookout for new companies for Axcel IV, and we put considerable resources into developing the companies we already hold, as active ownership is the most important way of adding value to portfolio companies. Although 2011 did not bring a decrease in the number of buyouts in Denmark and Sweden, the size of the transactions was smaller. It was an unusual year where the first six months saw progress and high levels of activity, but the rest of the year brought renewed economic uncertainty due to the debt crisis and problems in the euro zone, which sent shockwaves throughout the financial sector and led to dwindling M&A activity.

Axcel completed four transactions in 2011, all in the first half of the year. The uncertain economic outlook in the second half made it harder to do deals, partly because financing was available only for quality companies with a very robust cash flow.

So far in 2012 Axcel has agreed to acquire 69% of family-owned company Mita-Teknik, and there have been a number of other transactions that may suggest that the market is picking up, but it is a slow process. Vendors can still remember the period in 2010 when the economy was getting back on track and companies could fetch good prices. The two previous years, on the other hand, were very difficult, so it is hard to predict how the market will fare.

If we see an extended period of stability and the problems in the euro zone abate, the market will open up again, as there is a backlog of companies that are effectively up for sale but where for various reasons a transaction is not currently possible. Buyers, vendors and financing partners may all have to get used to business cycles becoming shorter and more unpredictable.

Private equity funds are facing some competition from industrial buyers, which may have expectations of significant post-acquisition synergies that make them willing to pay a relatively high price for a company. However, there are still many companies where there are no obvious industrial buyers, and as a private equity firm Axcel has the advantage of being able to act quickly when an investment opportunity arises. When it comes to generation changes, we can generally also offer the existing owners greater flexibility than industrial buyers, for example by keeping them on board as co-owners.

Axcel will therefore continue to be a major player in the market in the coming years, making the most of our presence in both Denmark and Sweden to access a large market with numerous interesting investment opportunities.

#### **PE firms excel at change management**

We have seen downturns and uncertainty before, and it turns out that private equity firms are particularly good at coping in times of crisis. Axcel is not afraid to invest in companies simply because growth in the economy as a whole is slower than before. A healthy company can always be made even healthier if new owners can bring additional resources in the form of capital and strategic direction.

A recent study at the Copenhagen Business School of 34 Danish companies held by private equity funds found that they report significantly better earnings than their peers. They adjust costs to lower levels of activity more rapidly and make more management changes where necessary. The result is a rapid return to profitability, and not at the expense of jobs. It also emerges that private equity funds are happy to inject new capital and favour moderation when it comes to dividend payouts, which helps make companies more resilient when the economy falters.

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**“Axcel will therefore continue to be a major player in the market in the coming years, making the most of our presence in both Denmark and Sweden.”**

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This pattern can be seen at Axcel too, and it should be noted that we also develop our companies through strategic bolt-on acquisitions and spinoffs, as well as remuneration systems that ensure that management and shareholders pull in the same direction. This is one reason why Axcel expects to continue to deliver higher returns than the stock market. Read more about change management elsewhere in the review.





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### Organisation development and CSR at Axcel

A number of new faces joined Axcel in 2011 and early 2012. Casper Lykke Pedersen became a partner in Denmark, and the Stockholm office was boosted by the arrival of new partner Lars Österberg, previously a partner at Triton. Meanwhile former Nordea CEO Peter Schütze and current JP/Politikens Hus CEO Lars Munch joined Axcel's board. Both have formidable management experience and will be a major asset for Axcel.

We go to great lengths to ensure that our companies have skilled managers and directors with extensive industry experience and a knowledge of different markets. In this context a good relationship between management, directors and Axcel as owner at each individual company is critical. Axcel can draw on an extensive Nordic network built up over many years without which we would not be in a position to bring about changes for the better at our companies. The network currently comprises 70-80 experienced industrialists with very varied



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**“We go to great lengths to ensure that our companies have skilled managers and directors.”**

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skill sets, all helping to develop our companies together with their management and our staff.

Networking seminars were held in 2011 for all CEOs and chairmen of Axcel companies, and activity in this area will be stepped up in 2012. Representatives of all portfolio companies also attend an Axcel Company Day each year to network and draw inspiration, and an annual networking event in Stockholm is attracting a growing number of participants.

Part of our work on governance involves behaving responsibly in a wider sense than just financially. Axcel therefore signed up to the UN

Global Compact in 2010, with most portfolio companies following suit in 2011 and the remainder set to do so in 2012. Read more about concrete actions in the CSR field in our Communication on Progress elsewhere in the review.

### PANDORA's strategic transformation well under way

PANDORA is one of the world's three largest jewellery brands and has shown the way forward for the Danish design and lifestyle industry by creating a unique brand and taking it global. The cornerstone of the concept is the charm bracelet, which has created a very large group of loyal customers. The strength of the business model is that PANDORA has full control over the entire value chain in terms of production, distribution and marketing.

PANDORA has been successful in rapidly building a strong market position when entering new markets around the world. The company has only just begun to establish itself in growth markets such as Rus-



sia and China, where other players in the industry generate a much larger share of their revenue.

However, Axcel's ownership of PANDORA has not been without its challenges. In August 2011 the company revised down its expectations to unchanged revenue and an EBITDA margin of at least 30%. PANDORA has since focused particularly on a return to growth by re-establishing its original "affordable luxury" positioning and improving operational execution.

When PANDORA announced its financial results for 2011 in February 2012, these were as expected, with consolidated revenue of DKK 6,658m, net profit of DKK 2,037m and an EBITDA margin of 34.3%.



## PANDORA BEFORE AXCEL AND IN 2011

	BEFORE BUYOUT	2011	PERCENTAGE INCREASE
FINANCIALS			
REVENUE	DKK 1.1bn	DKK 6.7bn	~ 500%
EBITDA	~ DKK 500m	DKK 2.3bn	~ 360%
CASH FLOW	–	DKK 1.7bn	–
LEVERAGE	–	VERY LOW FINANCIAL LEVERAGE IN THE REGION OF 0.1 TIMES EBITDA	–
SIZE			
EMPLOYEES	~ 1,200	MORE THAN 5,200 EMPLOYEES – 3,600 IN THAILAND, AND THE REST AT REGIONAL SALES OFFICES AND DANISH HQ	~ 333%
FACTORIES	1	5	400%
MARKET POSITION			
CUSTOMER CLUB	NONE	PANDORA'S CUSTOMER CLUB HAS MORE THAN 2.3M MEMBERS AND MORE THAN 1.3M LIKES ON FACEBOOK	–
MARKETS OWN STORES	PRESENCE IN 25 COUNTRIES <5	PRESENCE IN MORE THAN 55 COUNTRIES 672	~ 120% –
POINTS OF SALE	~ 8,000	MORE THAN 10,500	~ 25%

Bjørn Gulden took over as CEO of PANDORA on 1 March 2012. Bjørn comes from Deichmann, a global shoe retailer with annual revenue of EUR 4bn, some 30,000 employees and 3,000 stores where he served as managing director, and previously climbed the ranks at Adidas to become senior vice president responsible for sales of clothing and accessories. Axcel therefore has every confidence that PANDORA will progress under his leadership.

### Nordic growth still unevenly distributed

There is still considerable divergence in economic performance between Denmark and Sweden. While the former has stagnated, the latter has been expanding at more than 4%, driven by exports, investment and private consumption. This trend has emerged over a period of four to five years and made Sweden one of Europe's strongest economies.

This robust growth in Sweden is reflected in a higher number of buy-outs there in recent years than in Denmark, even allowing for it having the larger economy. This provides a better platform for growth, because new ownership often leads to a fresh strategic focus which can make companies healthier and create more value.

One reason why Sweden has fared better than Denmark during the crisis is that Sweden has pursued a restrictive economic policy and made far-reaching reforms in the public sector, giving private players greater scope to provide public welfare services. Axcel itself has participated in this process through its investment in JB Education, one of Sweden's largest school operators.

However, there are signs that growth in Sweden will be more moderate in 2012 and closer to that in Denmark. The global downturn has begun to hit Swedish exports, and households and businesses have become more cautious. This seems to have affected Axcel's Swedish logistics company LGT, where sales have been flat, although earnings

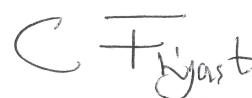
are still high. Drill pipe producer Driconeq, on the other hand, has fared well, because it has gone global and managed to benefit from the upswing in the extractive industries seen in recent years.

### Expectations for 2012

We believe that the current business cycle has bottomed out and that the expectations gap between buyers and sellers has narrowed, making this a good time to acquire companies. We therefore hope that 2012 will bring more and larger buyouts than of late.

With committed capital of DKK 3.6bn, Axcel IV can be expected to acquire a total of 10-12 companies, this being the number that best suits the size of the fund. Ideally these will be acquired during the first five years of the fund's life, which means by 2016. However, it is important to stress that Axcel invests only in quality companies, and that timing is critical for a good investment.

Axcel's results in 2012 will again be dependent on PANDORA, with every DKK 10 change in its share price increasing or decreasing Axcel's investment income by more than DKK 300m. Axcel's vision is to be one of Europe's strongest PE firms as measured by returns. We have come to achieve that with Axcel III, but much hard work will be needed to retain this position in the years ahead.



Christian Frigast  
Managing Partner

## NEW PARTNER AT AXCEL IN STOCKHOLM



APRIL 2012

Lars Österberg joined Axcel's Stockholm office as partner on 1 April 2012. The 41-year-old comes from Triton, a private equity firm with assets of around DKK 30bn under management, where he was a partner specialising in Nordic companies. Lars has also worked at Goldman Sachs and McKinsey, and helped start up the consulting firm Keystone Advisers. He holds degrees from the Royal Institute of Technology in Stockholm and the Stockholm School of Economics, and has also studied at the Graduate School of Business in Chicago.

## AXCEL FUTURE.dk

JANUARY 2012

Axcel's investment officers have decided to use part of their taxed investment income to set up Axcelfuture.dk, which aims to reach out to different groups in Danish society and discuss what can be done to improve the investment climate and safeguard the country's prosperity.



## AXCEL INVESTS IN CIMBRIA AND MITA-TEKNIK



JUNE 2011

**Cimbria** supplies equipment for processing grain and seed in the agricultural sector. Axcel's goal is to expand the business and its market position in Europe and beyond. The company generated revenue of DKK 863m and operating profit of DKK 98m in 2010/11 and anticipates significant growth in both sales and earnings. Cimbria has over 600 employees, production facilities in Denmark, Austria and the Czech Republic, and sales offices in Europe, Asia and Africa. Customers are mainly large industrial farms and multinational seed companies.



JANUARY 2012

**Mita-Teknik** supplies control systems to the wind turbine industry and other industries. The company was founded in 1969 by Holger and Connie Andersen and has since grown rapidly into one of the world's leading suppliers of control systems for wind turbines and wind farms. Mita-Teknik has its headquarters in Rødskær in Denmark and has a development division in Ukraine, sales and support divisions in China and India, and a sales division in the USA. The company has 230 employees.

## CASPER LYKKE PEDERSEN MAKES PARTNER AT AXCEL



SEPTEMBER 2011

Casper Lykke Pedersen has been made a partner at Axcel. He has been with the firm since 1998 except for a spell working in investment banking at Deutsche Bank in London in 2001-05. Casper was responsible for Axcel's investment in HusCompagniet, sold to FSN Capital in April 2011, and is currently responsible for the investment in Driconeq. He has also been involved in many of Axcel's other investments, including JB Education, EskoArtwork, Netcompany and LGT.

## PANDORA ISSUES PROFIT WARNING

AUGUST 2011

Axcel and PANDORA's founders decided in 2010 to take the company public, and at the beginning of August 2011 the company revised down its earnings expectations for the year after a sharp fall in revenue at the end of the second quarter and a deterioration in market conditions in July.

PANDORA is now focusing on a return to growth by re-establishing its "affordable luxury" positioning, and appointed Bjørn Gulden as its new CEO from 1 March 2012. He comes from global shoe manufacturer and retailer Deichmann Group, where he was managing director.

PANDORA generated revenue of DKK 6,658m in 2011, compared with DKK 6,666m in 2010. After-tax earnings climbed from DKK 1,871m to DKK 2,037m.

## PETER SCHÜTZE AND LARS MUNCH JOIN AXCEL'S BOARD



OCTOBER 2011

**Peter Schütze** was elected to Axcel's board of directors in 2011. The former CEO of Nordea Denmark was also involved in setting up Axcel back in 1994 while at Unibank. A former chairman of the Danish Bankers Association, Peter is currently chairman of Copenhagen Business School and rail company DSB. He was also a member of the Danish government's Growth Forum.



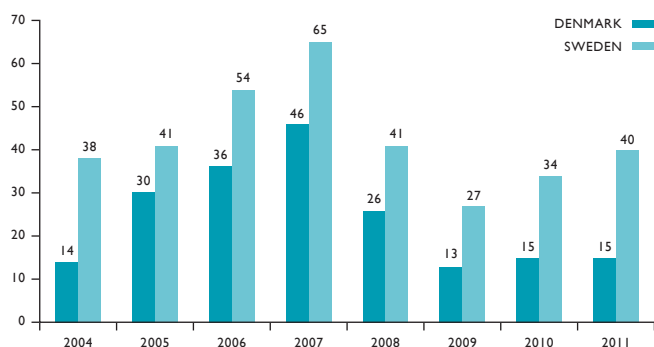
JANUARY 2012

**Lars Munch**, CEO of JP/Politikens Hus, was elected to Axcel's board of directors at the beginning of 2012. JP/Politikens Hus generated revenue of DKK 3.6bn in 2011, making it Denmark's largest and best-run newspaper publisher. Lars also has experience from publishers Bonnier and a degree from Copenhagen Business School, and is a director of SOS Children's Villages Denmark and various newspaper industry organisations.



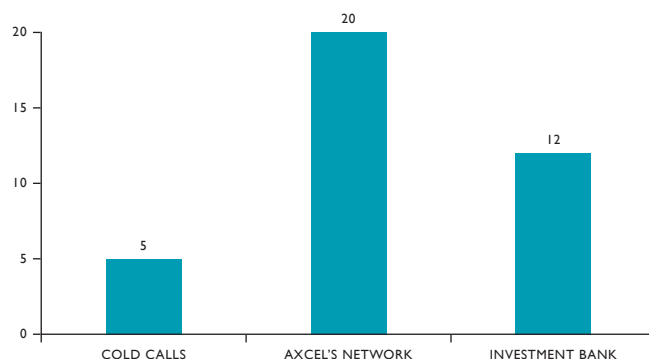
# AXCEL IN BRIEF

The charts below show the environment in which Axcel works, the companies in which it has invested, who has acquired them, and how long Axcel owned them.



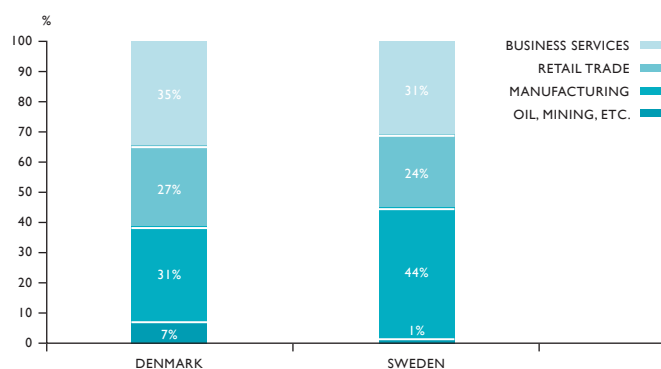
DANISH AND SWEDISH BUYOUTS  
IN AXCEL'S SEGMENT

Axcel's segment is defined as transactions involving a private equity fund where the company acquired has revenue above DKK 100m.



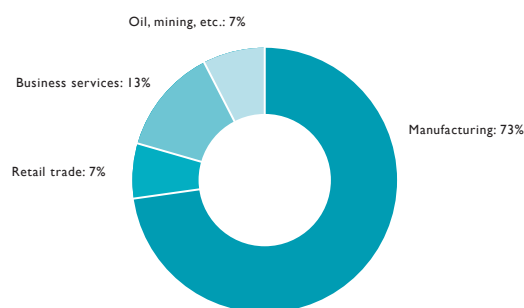
AXCEL'S DANISH  
AND SWEDISH ACQUISITIONS

Axcel's acquisitions are generated to a great extent through Axcel's network, but also through cold calls and through investment banks and advisers.



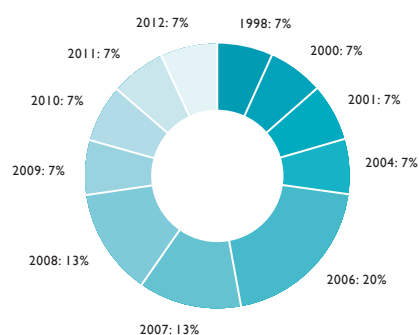
DANISH AND SWEDISH INDUSTRIAL STRUCTURE

The industrial structure in Denmark and Sweden is broadly similar, but Sweden has a larger share of manufacturing companies, whereas industry in Denmark is more evenly distributed between business services, the retail trade and manufacturing.



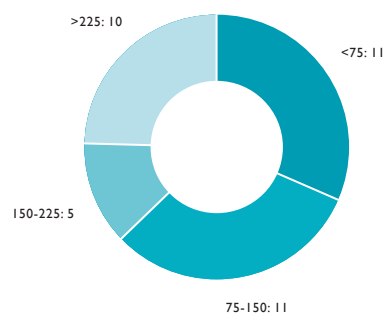
AXCEL'S COMPANIES BY SECTOR

Axcel has mainly acquired companies in the manufacturing and business service sectors.



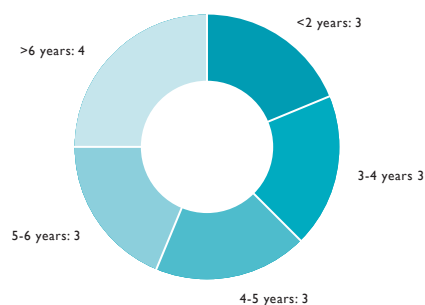
#### AXCEL'S EXISTING INVESTMENTS BY YEAR OF INVESTMENT

The majority of Axcel's existing companies have been acquired since 2005.



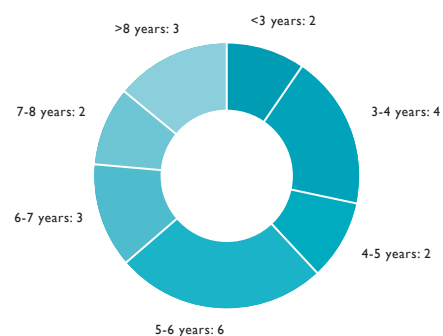
#### AXCEL'S INVESTMENTS BY SIZE (EQUITY IN DKKm)

Axcel invests in medium-sized Danish and Swedish companies. The values in the chart are the size of Axcel's equity investment.



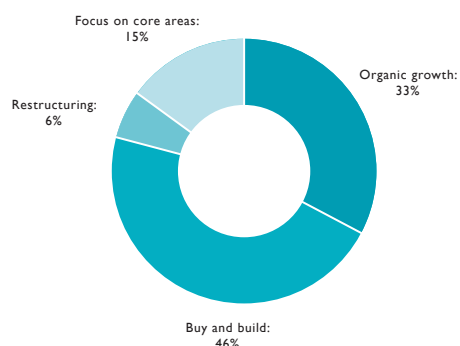
#### EXISTING COMPANIES BY LENGTH OF OWNERSHIP

The majority of Axcel's existing companies have been owned for less than five years.



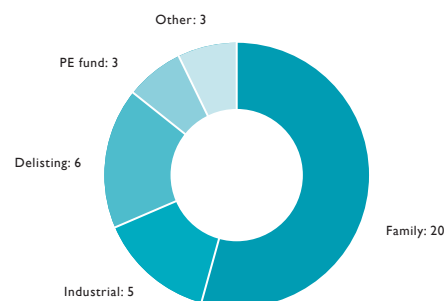
#### EXITS – HOW LONG AXCEL HELD THE COMPANIES

Axcel has sold a total of 22 companies, the majority of which were owned for at least five years (excluding PANDORA, which was floated on 5 October 2010).



#### AXCEL'S STRATEGIES FOR VALUE CREATION (BY VALUE OF INVESTMENT)

Almost half of Axcel's investments are buy-and-build cases, where value is created through organic growth and through acquisitions and realisation of synergies.



#### WHO AXCEL ACQUIRED ITS COMPANIES FROM

Axcel has mainly acquired its companies from families.

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# CSR AT AXCEL AND ITS COMPANIES

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We have made a commitment to behave responsibly towards the companies we own and in the way we do business by signing up to the UN Global Compact and having our portfolio companies do the same.

Axcel joined the UN Global Compact in 2010, and most of our companies followed suit in 2011, with the remainder set to do so in 2012. This means that Axcel supports the UN's efforts to get governments, civil society, businesses and others to pull together behind ten principles of sustainable business in the fields of human rights, labour, environment and anti-corruption.

Axcel is only interested in investing in companies which behave responsibly, as this will ensure the best possible risk profile in relation to our companies. Corporate social responsibility (CSR) is also increasingly becoming a key competitive parameter. We therefore carry out environmental, social and ethical due diligence reviews of the companies in which we invest.

## CSR at Axcel's companies

Axcel expects its companies to:

- comply with relevant laws, rules and internationally recognised principles
- consider risks relating to CSR issues and address them proactively
- be in a position to meet the requirements and expectations of customers and business partners concerning supply chain management and codes of conduct
- consider future business opportunities and positioning in relation to CSR
- comply with the DVCA's guidelines on openness and transparency

Axcel is keen for its companies to recognise that CSR work can create value. In this context, the implementation of a CSR programme must be based on an individual assessment of critical focus areas, and these must then be balanced against the resources available to the company.

Axcel has gradually developed CSR policies based on our view of corporate governance, which includes dialogue with stakeholders and transparent communications and reporting.



Axcel implemented the following CSR initiatives in 2011:

- We set up a network of CSR officers at our companies so that they can draw on both external expertise and each other's experience. Meetings were held where topics such as anti-corruption and the practical aspects of producing a Communication on Progress (COP) were on the agenda.
- A seminar was held for CEOs and chairmen where CSR was one of the key topics.
- CSR issues were considered at board level at Axcel's companies.
- Axcel's four companies in Sweden – Driconeq, JB Education, LGT and Nordic Waterproofing – embarked on a systematic CSR process at the beginning of 2012 with a view to joining the Global Compact during the first quarter.
- CSR was on the agenda of Axcel's industrial boards.



Axcel Management has donated DKK 100,000 to LøkkeFonden in 2012, a charity set up to help give troubled boys a better chance of completing their education, gaining employment and contributing to society.



“There’s a problem with some boys in Denmark, and we need to do something about it.”

Lars Løkke Rasmussen,  
former Danish PM and founder and  
chairman of LøkkeFonden

### Axcel’s companies and the Global Compact

Axcel’s companies made considerable progress in joining and implementing the Global Compact in 2011. Axcel monitors the companies’ work and makes recommendations for improvements. Several companies have already published a first COP, and all are expected to have signed up to the programme by June 2012. Those publishing a second COP have also improved on the year before in line with the UN’s aims.

The table below shows that the majority of Axcel’s companies are now actively addressing the various components of the Global Compact, while the pages that follow look at three examples of how Axcel-owned companies have been working on the programme.

	GLOBAL COMPACT – STATUS		GLOBAL COMPACT – PRINCIPLES			
	JOINED GLOBAL COMPACT	COP PUBLISHED	HUMAN RIGHTS	LABOUR RIGHTS	ENVIRONMENT	ANTI- CORRUPTION
BALL GROUP	•	•	•	•	•	•
BB ELECTRONICS	•	•	•	•	•	•
DRICONEQ	•					
GEORG JENSEN	•	•	•	•	•	•
IDDESIGN	•		•	•	•	•
JB EDUCATION	•					
JUNCKERS	•	•	•	•	•	•
LGT	•					
NOA NOA	•		•	•	•	•
NORDIC WATERPROOFING	•					
PANDORA	•	•	•	•	•	•
ROYAL COPENHAGEN	•		•	•	•	•
TCM	•	•	•	•	•	•
CIMBRIA*	AXCEL DID NOT INVEST IN CIMBRIA UNTIL MID-2011					
MITA-TEKNIK*	AXCEL ENTERED INTO AN AGREEMENT TO ACQUIRE MITA-TEKNIK AT THE BEGINNING OF 2012					
VPG	•					

\* COMPANY HAS 12 MONTHS TO JOIN THE GLOBAL COMPACT.



## BB ELECTRONICS

BB Electronics believes that a sustainable approach to business is crucial and is making great efforts to reduce its energy consumption and use of hazardous chemicals. Ambitious targets have been set, and the company has already shown that it can produce electronics in ways that do not harm the environment.

**BB Electronics is concentrating on three aspects of sustainability: employees, suppliers and environment.**

1. Besides customers, employees are the company's most important asset, and their health and welfare are a key management focus area. Projects aimed at promoting wellbeing are being run in conjunction with the works council and safety representatives, and performance reviews are being used to create personalised development programmes for all employees.

2. BB Electronics is working on cutting energy consumption in buildings and production processes, and is also looking at recycling and reducing paper consumption.

3. It is essential that the company's suppliers meet its requirements and expectations. BB Electronics aims to respect human rights, uphold workers' rights, protect the environment and avoid corruption, and has drawn up a code of conduct with requirements in these areas based on the Global Compact's ten principles. Suppliers must agree to this code of conduct when contracts are awarded.



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## IDDESIGN

As one of Denmark's largest home furnishing companies, IDdesign has a duty to make proper, responsible and active use of its market position. The company aims to do business considerably – it is important that customers, employees, investors and society approve of its conduct.

### **IDdesign's CSR work has three focus areas:**

#### **Personnel**

All employees at IDdesign have the right to join a trade union, and the company is working to reduce staff turnover.

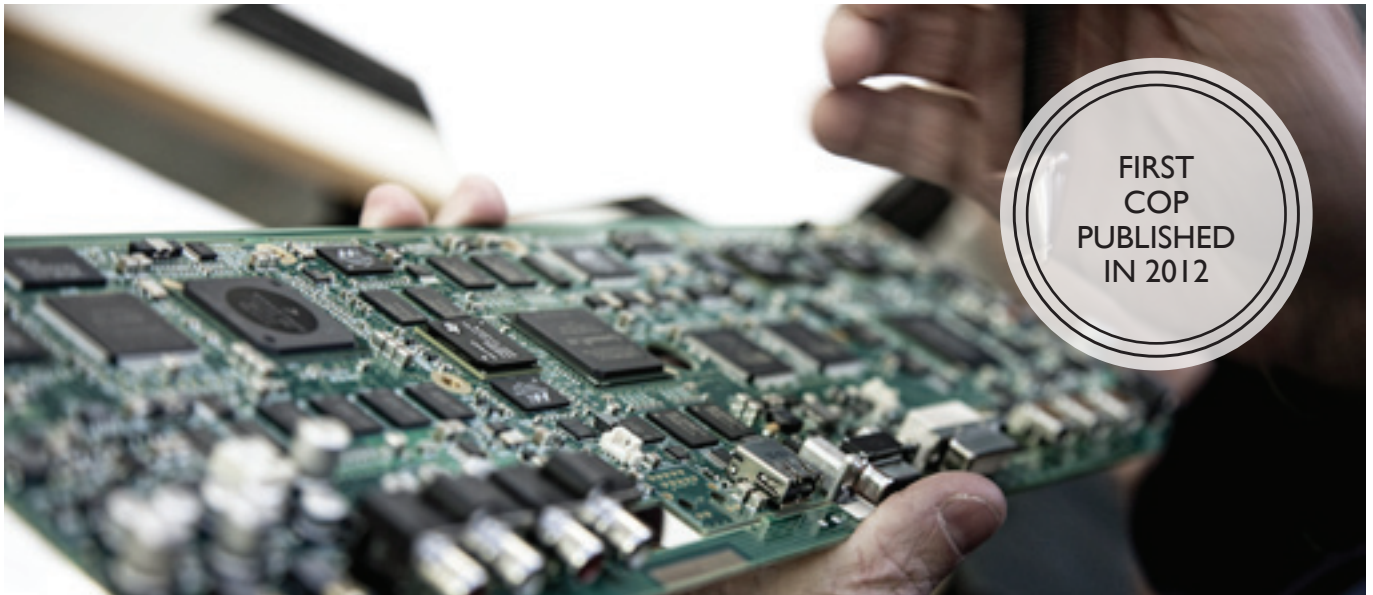
#### **Energy consumption**

IDdesign is an environmentally-aware business and is doing what it can in this area. The company aims to reduce unnecessary transport and is striving to cut its energy consumption.

#### **Supply chain**

IDdesign does not have its own production facilities and so buys in all its products.

The company has issued a code of conduct, which all suppliers had signed by the end of 2011.



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## TCM

TCM has been working on sustainability for many years but introduced a more structured approach in 2010, including work at board level on the annual report for 2010 and broader FSC certification. The Svane and Tvis brands were awarded the Danish Indoor Climate Label in 2011.

### **TCM has five CSR focus areas for the next three to five years:**

1. All timber (the company's main raw material) is to come from sustainable sources by 2015. Timber recycling is also to be increased.
2. TCM aims to cut electricity consumption per unit of revenue by 10% by 2020.
3. All suppliers are to sign the company's code of conduct.
4. The company aims to improve the working environment and minimise the number of accidents.
5. TCM wishes to take social responsibility in the local area by taking on more young people as trainees.



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# CHANGE MANAGEMENT – RESPONDING TO A NEW BUSINESS CLIMATE

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The word “crisis” has evolved in recent years from meaning a threat to a company’s very existence to signifying almost any market development requiring significant management input. The result is that most companies are in a state of constant flux.

When economic growth was running at 3-4%, even poorly managed companies could survive. Today the situation is very different, and few companies can count on a helping hand from the market to boost their growth. This new world order can sometimes result in pressure to make cutbacks in order to increase productivity, but this has both pros and cons.

Although it can help maintain earnings in the short term, there is a risk of losing the ability to win market share and strengthen the business if significant development initiatives are abandoned. This has been the situation since 2008 and could remain so for some time to come, because there is nothing to suggest that either Denmark or the global economy is about to return to high rates of growth. Business leaders need to adapt to this turbulent climate with its stop-start markets, and many have already turned over every stone in a bid to increase efficiency wherever possible.

The best companies are looking to develop new markets and products in order to safeguard their future. This is not without its risks, because going global requires resources and strategic insight. Labour is another dilemma with which business leaders must grapple. While they need to streamline their workforce, it is also crucial to retain the best people so that the company remains competitive and is ready to pounce once the climate improves.

Change necessitated by significant shifts in market conditions are a strategic affair that concerns both the owners and the managers of a company. It may involve complex decisions that stretch far into the future and can therefore have a major impact on sales and earnings.

Axcel’s companies have not been immune to recent upheavals. But how does Axcel as a shareholder view these challenges? How are the companies dealing with them? And what effect have they had on their finances?

The following looks at four of Axcel’s portfolio companies which have experienced major changes in market conditions and have therefore been forced to think along new lines.

## TWO KEY FIGURES

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### EBITDA

EBITDA stands for earnings before interest, tax, depreciation and amortisation and is a measure of a company’s ability to generate cash.

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### WORKING CAPITAL

Working capital is money tied up in receivables, payables and inventories. It should be kept as low as possible so that money is available for investment.

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#### SELECTED KEY FIGURES FOR IDDESIGN

DKKm	2008/09 PRO FORMA	2011
SALES	1,950	1,660
CONTRIBUTION MARGIN	690	666
OVERHEADS	-841	-749
EBITDA	-151	-83
EBITDA MARGIN	-7.7%	-5.2%
WORKING CAPITAL TURNOVER	2%	-2%
MARKET SHARE	16%	15%
SIZE OF MARKET (INDEX, BEFORE AXCEL = 100)	100	80

Note: As ILVA was not acquired until 2009, the figures for 2008/09 include ILVA on a pro forma basis.

Note: IDdesign's sales have fallen by more than DKK 300m since 2008/09 due to the general decline in demand for furniture, but the contribution margin has been largely unchanged. Overheads have been cut by almost DKK 100m and working capital is negative, due largely to a constant focus on optimising trade receivables and payables.

## IDEMØBLER AND ILVA (IDDESIGN)

### PARTNER SØREN LINDBERG

We invested in home furnishing retailer IDdesign in 2007 because the company had a strong market position in Denmark and exciting growth potential. The plan was to transform the business from a consortium of independent stores into a centrally owned chain, just like a number of other well-known Danish retailers. We also saw potential in consolidating a fragmented industry at Nordic level and an opportunity to develop an international franchise concept.

As part of this strategy, Axcel decided in 2008 to acquire furniture retailer ILVA to achieve considerable synergies and strengthen the chain's market position.

IDdesign has since been hit hard by the financial crisis, which triggered a slump in consumer spending in Denmark and a substantial decline in demand for home furnishing products. The furniture market is estimated to have shrunk by more than 20% from its peak in 2007, and IDdesign's sales have fallen by roughly the same degree. This is a major blow for a retailer with high operational leverage, which is hard to change in the short term.

Axcel has continued to back IDdesign because it is a fundamentally sound business with a strong position in consumers' minds. By adjusting the cost base, we are building strong foundations for when sales start to pick up again.



### CEO MICHAEL CHRISTIANSEN

ILVA and IDEmøbler are household names in Denmark, but we are heavily reliant on consumer confidence and activity in the housing market, which are currently much lower than for many years.

We cannot therefore count on the market to help us in the short term – with the housing market in the doldrums and consumers downbeat, we need to generate our own growth while also cutting costs. This is why we have introduced a series of measures to stop us from losing money. We are making all our processes simpler and more efficient, and we have managed to shave more than DKK 100m off our costs in just one year, which is a reduction of almost 15% and comes on top of a similar level of savings in previous years.

We expect a significant improvement in earnings in 2011/12, as sales have stabilised and costs have fallen. We now need to generate growth by focusing on the in-store experience and our product range.



#### SELECTED KEY FIGURES FOR TCM

	BEFORE AXCEL (2005 FIGURES)	2011
SALES	DKK 487m	DKK 319m
EBITDA MARGIN	-1%	8% (10% NORMALISED)
WORKING CAPITAL TURNOVER	16%	4%
MARKET SHARE	12%	15%
SIZE OF MARKET (INDEX, BEFORE AXCEL = 100)	DKK 4,000m	INDEX 55
CONTRIBUTION MARGIN RATIO	34%	41%

TCM comprises three brands – the exclusive lines Svane and Tvis, and Concepta private-label sales to builders' merchants.

## TCM GROUP

### PARTNER PER CHRISTENSEN

Kitchen, bathroom and wardrobe producer TCM Group was created through the acquisition of TMK in Tvis and Concepta Skabe in Horsens. We started out with two management teams, three factories and weak profitability despite a healthy market. Working capital was also very high compared to the top performers in the sector. Under new management, this structure was greatly simplified with a decrease in the number of managerial and office staff, the closure of one factory, and a focus on improving the contribution margin and reducing working capital.

Despite the sharp decline in the kitchen market in the years following the buyout, TCM Group is reporting good results. Earnings are now healthy, thanks to a higher contribution margin and efficient workers, and the combination of improved profitability and a massive decrease in working capital from 20% to just 4% of sales has generated considerable free cash flow for the company in recent years.

We are in no doubt that a broad-based incentive programme has been one of the keys to success in a very tough market. Management have thought like shareholders throughout the period of co-ownership, constantly looking to make improvements, both large and small.



### CEO OLE LUND ANDERSEN

The kitchen market collapsed in the wake of the financial crisis, so we faced an enormous challenge given that the company was already performing poorly. Far-reaching changes were made, and this asked a lot of our employees, who were extremely understanding and flexible throughout the period.

TCM Group is now growing again and winning market share, thanks to a concerted effort to develop the store network both domestically and especially abroad. Focused product development has also enabled us to stand out from the competition. The market still features excess capacity and price pressure, which makes product innovation and the in-store experience even more important.

TCM Group stands stronger now than before the crisis in terms of both production and distribution, and is therefore well-equipped to deliver solid financial results once the market regains some of its former strength. Not that we are sitting back and waiting for the market to lift sales – we plan to grow even in a slow market.





#### SELECTED KEY FIGURES FOR DRICONEQ

	2007	2011
SALES, SEKm	175	272
EBITDA MARGIN	26%	27%
WORKING CAPITAL TURNOVER	10%	11%
MARKET SHARE	<5%	>5%

## DRICONEQ

### PARTNER CASPER LYKKE PEDERSEN

Axcel invested in Driconeq, a Swedish producer of drill pipes and accessories for construction, energy and mining companies, at the end of 2007. The idea was to generate growth by expanding sales internationally and creating a market leader in the global drill pipe market, given a background of underlying growth in demand for raw materials and energy.

Sweden has a long mining tradition and is still an important market for Driconeq, but in 2009 it became clear that domestic demand for drill pipes was not sufficient to sustain growth, and that there was considerable potential to be tapped in larger markets such as South America, Africa and Australia. Driconeq therefore decided to sharpen its focus on the mining industry and move into these new markets with its own sales force.

The fruits of our labours have been annual organic sales growth of 10% and EBITDA growth of more than 70%.

We have encountered various challenges along the way. Exports of pipes require transportation over great distances, and business practices in these new markets differ from those we are familiar with in Europe. This can sometimes mean longer credit periods and so increased working capital, so we are constantly looking to keep working capital at sensible levels so as to provide even greater scope to invest in the business.



### CEO MATS BLACKER

Over the past five years Driconeq has gone from being primarily a locally based business to a global player. In 2007 we had just two sales representatives at head office in Sunne, whereas now we have more than 15 travelling around the world to sell our products, and we have established a foothold in markets such as Chile, Australia, Russia and West Africa.

We have expanded our production capacity and can offer customers more products.

We are continuing to grow rapidly because we have developed our sales force and upgraded our skills. This has made it possible for us to enter the exploration market, which is far more development-oriented and therefore provides a basis for higher earnings.



WORKING CAPITAL TURNOVER



## ROYAL COPENHAGEN

### PARTNER NIKOLAJ VEJLSGAARD

Founded 236 years ago, Royal Copenhagen is one of Denmark's oldest companies. The 11 years since Axcel's buyout may therefore be a relatively short chapter in the company's history, but this is a long ownership period for a private equity fund. This does, of course, have its reasons – Royal Copenhagen has had to make big changes since the turn of the millennium to keep up with consumer preferences. This has required considerable input and flexibility from management and other staff, which can be a challenge at a company with such a long heritage.

When Axcel acquired Royal Copenhagen in 2001, it was an integral part of the Royal Scandinavia group with numerous traditions and values that needed to be preserved, because they are what makes the company special. But it also needed to move forward – or die with its customers. This was a major undertaking, and Axcel possibly underestimated the scale of the task of changing so many parts of the business simultaneously.

The product range needed rejuvenating to appeal to a younger target group; production itself needed to be made profitable, which could only happen outside Denmark; bloated inventories needed scaling back; and the company's reputation with retailers needed to be restored after years of neglect – all while carefully guarding its long track record of quality and craftsmanship. Ultimately Royal Copenhagen will live or die by its brand, which means so much to so many both in Denmark and around the world.

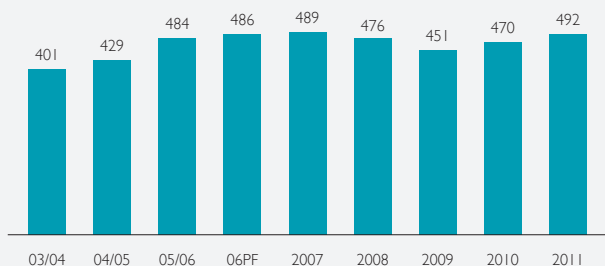


The period through to 2007 was eventful: the smash-hit Mega Mussel range was launched; the company greatly enlarged its factory in Thailand and expanded its market presence; the business grew despite the severe negative impact on demand for luxury goods of events such as 9/11 and the SARS epidemic; and the bottom line was brought back into the black from deep in the red.

The financial crisis at the end of 2008 changed all this. A new world order meant that many growth initiatives had to be shelved, and plans to increase productivity and streamline customer, market and product portfolios had to be accelerated. It was tough, but the company had strong foundations thanks to the steps taken in previous years.

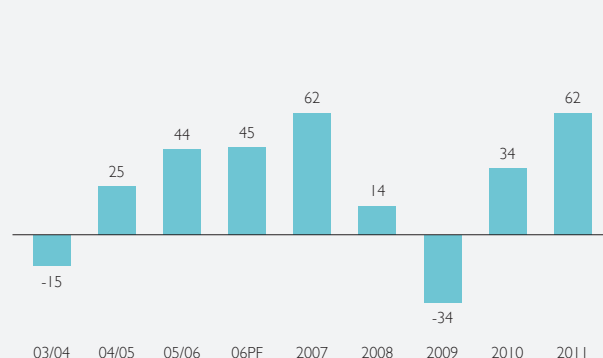
Had we not acted, I believe that the company would not have survived the financial crisis, and a number of competitors did indeed fall by the wayside during this period. Our previous work on bringing down production costs meant that we could continue to offer competitive prices during this period. For example, a plate retailing at

SALES (DKKm)



Note: The limited sales growth since 2003 should be seen in the light of a substantial reduction in the number of products and markets, which has contributed to increased profitability.

EBITDA (DKKm)



DKK 450 would cost at least twice as much if we were to produce it in Denmark with the same margin as we make today – and at that price we would not have many customers.

Royal Copenhagen has always been an internationally renowned brand with exclusive products featuring the highest standards of craftsmanship and design, and I am proud to have been associated with its development. With the changes made over the past 11 years and still being made today, I am convinced that this is a very strong and healthy business which can continue to supply porcelain to future generations of Danes, Japanese, Americans and other nationalities with continued respect for its long tradition of quality and craftsmanship.

“Royal Copenhagen reported its best results for a decade in 2011.”



#### CEO MADS RYDER

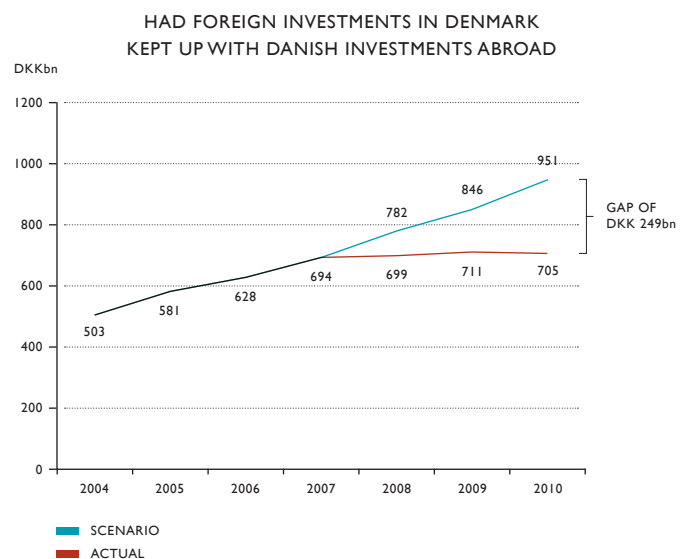
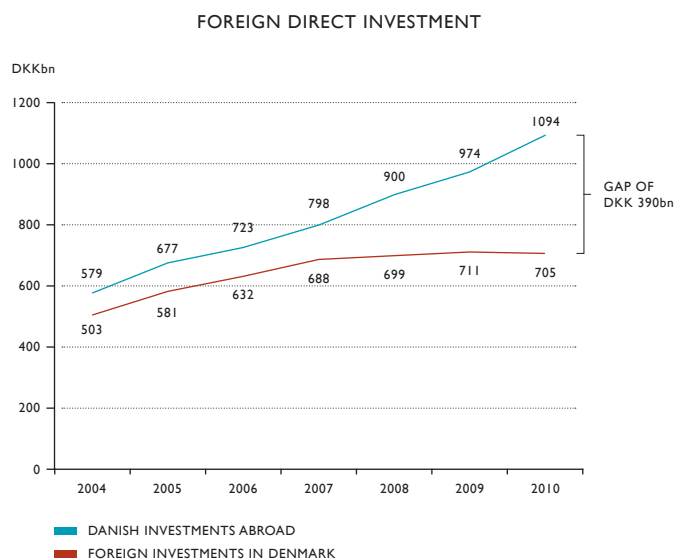
Royal Copenhagen reported its best results for a decade in 2011. Although we were able to build solid foundations over a number of years, in a period of uncertainty like that prevailing since 2008 it has become more important than ever to concentrate on a smaller number of areas and improve these even more. Since 2009 we have significantly pruned our product range, improved our supply chain and focused on fewer markets. We chose quite simply to pick our fights. The increase in our sales is therefore a result of strong growth in the current range and priority markets, and we are delighted with this. Overall, we have delivered double-digit growth in our two principal markets of Denmark and Japan, despite the latter being hit by both earthquake and tsunami.

This growth is largely down to the Mix & Match strategy we launched in 2010. This concept makes it possible to mix different sets from Royal Copenhagen in different price ranges, which has appealed to a larger and younger target group than before. The strategy has been such a success that it will be rolled out globally from 2012. Our products now appeal to multiple generations, which is crucial for sales.

# AXCELFUTURE.DK

## – CAN WE IMPROVE THE INVESTMENT CLIMATE?

While Danish companies' investments abroad have grown with unbridled vigour in recent years, foreign investment in Denmark has stalled since 2007, and investment in Danish companies is falling. Axcelfuture.dk aims to find out why and encourage debate on how to stimulate interest in investing – and so creating jobs – in Denmark.



Not only is Denmark running a current account deficit, but net fixed investment has turned negative for the first time since World War II. In other words, Danish companies are writing off more than they are investing in new machinery, technology and buildings. Since 2007 gross fixed investment in Danish industry has declined by almost DKK 100bn, or more than a quarter, and investment levels in 2010 were lower than for many decades.

The production apparatus underlying jobs and prosperity in Denmark is not being properly maintained. It is inevitable that these low levels of investment will eventually come at the cost of jobs and welfare in Denmark unless things are turned around, especially if the investment climate and investment opportunities in Denmark are substantially worse than in the countries around us.

### What is the challenge?

If the Danish economy is to continue to expand, it is important that exports continue to grow. As can be seen from the table on p. 25, things have moved in the wrong direction over the past decade when it comes to strengthening our most important export industries, agriculture and manufacturing. The number of people employed in manufacturing was up around 500,000 in 1980 but is now rapidly approaching just 300,000 (see chart on p. 25). As manufacturing jobs are lost, so is the basis for many related jobs in other industries. The public sector and domestic services, on the other hand, have grown. This trend naturally gives cause for concern.



Axcelfuture.dk aims to shed more light on the investment climate in Denmark and to recommend ways of improving it.

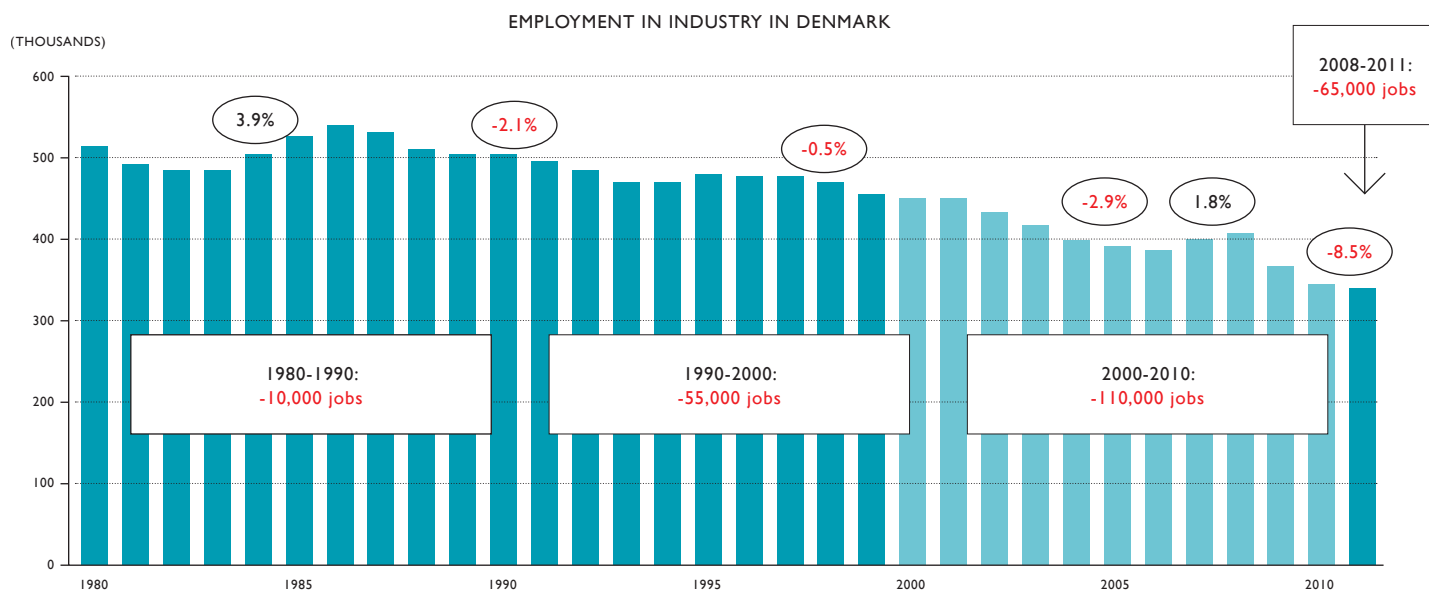
Our large international companies are generally performing well in a competitive global climate and are also investing in the future. It is small and medium-sized companies that are facing challenges, and they cannot grow unless the tide turns and investment increases. It is also mainly these smaller companies that are the basis for job creation in Denmark, not to mention Axcel's investment activities.

Axcel's investment officers have therefore decided to use part of their taxed investment income to set up Axcelfuture.dk, which aims to reach out to different groups in Danish society and discuss what can be done to improve the investment climate and safeguard the country's prosperity.

The overall approach will involve a combination of theory and practice. Axcel can draw on its own experience as an investor, but is also keen to team up with top macroeconomic and microeconomic expertise.

### GROSS VALUE ADDED IN THE DANISH ECONOMY IN CURRENT PRICES

	2000 (DKKbn)	2011 (DKKbn)	2000 (%)	2011 (%)
PUBLIC ADMINISTRATION AND SERVICES	245	359	22	23
AGRICULTURE	28	23	3	2
EXTRACTIVE	34	63	3	3
MANUFACTURING	171	171	15	12
OTHER	633	921	57	60
TOTAL	1.110	1.510	100	100



Source: Copenhagen Economics based on national accounts data from Statistics Denmark.

Note: Manufacturing accounts for more than 90% of employment in industry (industry = manufacturing + utilities + extractive).



## WHAT ARE OUR CHILDREN GOING TO LIVE OFF IN THE FUTURE?

It is hard to predict the future, but we have done some calculations. Since 2007, gross investment has declined by almost DKK 100bn, and Danish companies are writing off more than they are investing in new machinery, technology and buildings. The production assets creating jobs and welfare in Denmark are not being properly maintained.

Is this what we want our children to inherit? Axcelfuture.dk is a new independent forum encouraging debate and collaboration on how we can create a better and healthier investment climate for businesses in Denmark. Our goal is to create more jobs in Denmark – both now and for future generations.

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### Axcelfuture.dk wants to spark debate about the investment climate

Axcelfuture.dk has asked Copenhagen Economics to perform a number of analyses of the investment climate in Denmark. Axcelfuture.dk is also inviting unions and other important stakeholders to discuss both the diagnosis and the cure.

#### These analyses aim to:

1. Map the causes of dwindling investment in Denmark
2. Assess the consequences for jobs and welfare in Denmark if things are not turned around in time

3. Recommend ways of turning things around
4. Stimulate open debate with different groups in society

This work is already in full swing, and Axcelfuture.dk will contribute actively to the debate about the investment climate in Denmark and the Nordic region.

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“Manufacturing companies play a key role in our prosperity. New jobs in manufacturing create a wide range of follow-on jobs in retailing, transport and services, but new office jobs do not have the same effect. Much of Denmark’s R&D takes place close to production, so decreased industrial production will eventually also mean less R&D. Furthermore, manufacturing accounts for more than half of Denmark’s exports. North Sea oil will not last forever, and it is only manufacturing and to a lesser extent services and agriculture that can fill the gap. We therefore have a duty to find out what we can do to increase investment in Denmark.”

**Peter Schütze on Axcelfuture.dk**

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### BOARD OF DIRECTORS OF AXSELFUTURE.DK

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# AXCEL'S COMPANIES – STRATEGY AND KEY FIGURES

HOW DID AXCEL'S COMPANIES PERFORM IN 2011? WHAT DO THEY DO, AND WHAT IS OUR DEVELOPMENT STRATEGY? FIND OUT ALL THIS AND MORE IN THE PROFILES AND KEY FIGURES BELOW.

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## BALL GROUP

Ball Group manufactures women's fashions aimed at two segments: plus-size clothing and standard-size clothing. Ball Group markets such brands as Zizzi, Zizzi Jeans and Zay in the plus-size segment and Culture and Pulz in the standard-size range.

## DEVELOPMENT STRATEGY

Axcel's development strategy involves continued geographical expansion, more shops and increased wholesale revenue. In the plus-size segment, the goal is to consolidate the company's position in the Nordic countries and move into selected European markets in the longer term. In the standard-size segment, Ball Group has been successful in establishing new brands aimed at independent multibrand stores.



## BB ELECTRONICS

BB Electronics is one of Scandinavia's leading service companies in electronics production. The company provides a wide range of services in sourcing, design for manufacturing, production, test, box build, system integration, distribution and after-sales service. BB Electronics' products are used in numerous sectors, such as telecommunications, IT, medical technology, industry and transport.

## DEVELOPMENT STRATEGY

Strengthen the company's market position and improve competitiveness by focusing on quality, price, delivery capacity and service.



## CIMBRIA

Cimbria is a leading player in equipment for processing grain and seeds for industry and big agriculture. The company sells its products worldwide, with Eastern and Western Europe as its largest markets. Cimbria has its headquarters in Thisted in Denmark and production facilities in Denmark, Austria and the Czech Republic.

## DEVELOPMENT STRATEGY

Axcel's objective is to exploit the good market conditions for further growth, develop or acquire complementary products and implement ongoing efficiency improvements in production.



## DRICONEQ

Driconeq is a world-leading manufacturer of drill pipes and equipment for the mining and construction sectors, water wells and geothermal energy. Its products are known throughout the industry for their high quality and sold through distributors, drilling rig manufacturers and business partners worldwide.

## DEVELOPMENT STRATEGY

Develop the company's market position through a stronger sales organisation, geographical expansion and acquisitions of competitors.



## GEORG JENSEN

Silversmith, sculptor and designer Georg Jensen founded his company in Copenhagen in 1904. A key feature of his work was his unique design language, supreme craftsmanship and unparalleled quality. These characteristics have been successfully incorporated into five different product categories: silverware, jewellery, watches, living products, and Christmas and Easter decorations.

## DEVELOPMENT STRATEGY

Axcel's development strategy includes increasing profitability and value growth by streamlining the product range, developing new products and strengthening marketing and branding strategy. The goal is to become the world's leading "Scandinavian Luxury Lifestyle Brand".



## IDDESIGN

IDdesign is one of Denmark's leading home furnishing retailers with three different brands/concepts: IDEmøbler has 31 stores of its own and five jointly-operated stores in Denmark, while ILVA has seven stores of its own in Denmark and Sweden and a franchised store in Iceland, and IDdesign has 22 franchised stores in the Middle East and Southern and Eastern Europe.

## DEVELOPMENT STRATEGY

Improve profitability through further optimisation of operations and sales and continued expansion.



## JB EDUCATION

JB Education has operated private upper secondary schools since 1999 and now has schools in 29 different places in Sweden with around 12,000 students aged 16–19. The company also runs primary and lower secondary schools and adult education programmes.

## DEVELOPMENT STRATEGY

JB Education's goal is to be the preferred choice of Swedish students, their parents and teachers. Axcel's strategy seeks to improve the quality of education, which in turn will ensure a greater influx of students and enhance student well-being, thus boosting programme completion rates.





#### JUNCKERS

Junckers is one of Europe's leading companies in the production, marketing, sale and distribution of solid wood floors as well as lacquers and oils for treating wooden flooring. The product range can be split into solid parquet flooring and plank flooring, laminated floors and lacquers and oils for treating wooden floors.

#### DEVELOPMENT STRATEGY

Axcel's goal is to strengthen Junckers' current market position in high-quality wooden flooring and lacquers and oils. This will be achieved by focusing on solid wood floor solutions aimed at the commercial, private and sports segments.



#### LGT

LGT is one of Europe's leading transporters of furniture and other large items, mainly for furniture manufacturers and furniture stores. The company, which is strongly positioned in the Nordic market, provides a range of storage, order processing and distribution services.

#### DEVELOPMENT STRATEGY

The goal is to generate growth through geographical expansion and by extending the company's service offering, in part by strengthening the company's activities across the Nordic region.



#### MITA-TEKNIK

Mita-Teknik is a world-leading producer of control concepts for the wind turbine industry and other industries. The company offers a unique control concept for the wind turbine industry which can be tailored to the individual customer's needs and spans the control, management and monitoring of components, turbines and entire wind farms alike.

Axcel has entered into an agreement to acquire Mita-Teknik.



#### NOA NOA

Noa Noa is an international fashion brand for women and children. Its clothing is sold to fashion-conscious women under the Noa Noa brand and to girls aged 0 to 12 under the Noa Noa miniature brand. Both brands feature feminine, Bohemian-inspired style at affordable prices.

#### DEVELOPMENT STRATEGY

Axcel aims to continue Noa Noa's international expansion by moving into new markets, in particular Eastern Europe. Noa Noa has also chosen a multi-channel distribution solution via branded concept stores including both franchised and company-owned stores. Finally, Noa Noa intends to move into related products, the latest example of this being the company's baby collection launched in 2010.



#### NORDIC WATERPROOFING

Nordic Waterproofing is a leading player in roofing solutions in Sweden, Denmark and Finland. The company produces an innovative range of bitumen- and polymer-based products used in sealing and waterproof elements for the construction industry. The company's products and services are marketed under such well-established brands as Matak, Trebolit, Phonix Tag, Hetag Tagmaterialer, Elastoseal and Kerabit.

#### DEVELOPMENT STRATEGY

Axcel's goal is to create a leading Northern European player in the roofing sector. This requires integration of the Swedish, Danish and Finnish divisions, improvements in production and geographical expansion.



#### ROYAL COPENHAGEN

Royal Copenhagen was founded in 1775 by the Danish Royal Family when the first porcelain dinner service – featuring a blue fluted design – was created. Since then Royal Copenhagen has manufactured products that combine respect for tradition, innovation and world-class design. Each and every product design is rooted in the company's long-standing craftsmanship tradition.

#### DEVELOPMENT STRATEGY

In recent years Royal Copenhagen has undergone a major turnaround process. The aim has been to retain the company's strong brand position established over more than 230 years while building a modern, contemporary product range. The company continually develops new products to ensure growth in younger, broader consumer segments.



#### TCM GROUP

TCM Group produces kitchens, bathrooms and wardrobes under such brands as Svane Køkkenet and Tvis Køkkenet.

#### DEVELOPMENT STRATEGY

Organic growth through further expansion of the chains in Denmark and especially the other Nordic countries, along with a focus on developing the industry's best and most efficient value chain from production through to retail.



#### VITAL PETFOOD GROUP

Vital Petfood Group (VPG) comprises two business areas: Vital Petfood Group and Best Friend. VPG develops, produces and sells wild bird products, including seed balls, and balanced diets and snacks for cats and dogs. Customers include major Nordic retail chains.

#### DEVELOPMENT STRATEGY


Axcel's strategy is to develop Vital Petfood Group and Best Friend into market leaders in their respective segments.



#### PANDORA

PANDORA designs, manufactures and markets hand-finished and modern jewellery made from genuine materials at affordable prices. Products are sold in more than 65 countries on six continents through over 10,500 points of sale, including more than 670 PANDORA-branded concept stores.

PANDORA is a listed company – for further information please see [www.pandoragroup.com](http://www.pandoragroup.com).

AXCEL-OWNED COMPANIES	REVENUE (DKKm)		EBITDA (DKKm)		NIBD* (DKKm)		TAX** (DKKm)		NUMBER OF EMPLOYEES		INVESTMENT YEAR	INVESTMENT OFFICER	REGISTERED OFFICE
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010			
 <b>BALLGROUP</b>	613	535	65	62	125	134	13	13	319	308	2007	JØRGEN LINDHOLM LAU	BILLUND DENMARK
 <b>BB ELECTRONICS</b> EMS – from idea to solution	705	703	66	43	90	138	1	-1	696	696	1999	SØREN LINDBERG	HORSENS DENMARK
	863 <sup>3</sup>	688 <sup>3</sup>	98 <sup>3</sup>	66 <sup>3</sup>	259 <sup>3</sup>	N/A <sup>3</sup>	20 <sup>3</sup>	12 <sup>3</sup>	610 <sup>3</sup>	541 <sup>3</sup>	2011	PER CHRISTENSEN	THISTED DENMARK
 <b>DRICONEQ</b>	272	198	74	37	105	155	14	1	81	77	2007	CASPER LYKKE PEDERSEN	SUNNE SWEDEN
<b>GEORG JENSEN</b>	914	847	61	83	N/A <sup>2</sup>	N/A <sup>2</sup>	3	16	1,195	1,149	2001	NIKOLAJ VEJLSGAARD	FREDERIKSBERG DENMARK
<b>IDdesign a/s</b>	1,660 <sup>3</sup>	1,669 <sup>3</sup>	-83 <sup>3</sup>	-105 <sup>3</sup>	381 <sup>3</sup>	422 <sup>3</sup>	-49 <sup>3</sup>	-21 <sup>3</sup>	950 <sup>3</sup>	979 <sup>3</sup>	2007	SØREN LINDBERG	SABROE DENMARK
 <b>education</b>	1,404	1,282	92	111	435	449	14	20	1,410	1,285	2008	VILHELM SUNDSTRÖM	JÖNKÖPING SWEDEN
 <b>JUNCKERS</b>	450	463	-1	19	187	152	2	2	393	378	2004	JACOB THYGESEN	KØGE DENMARK
 <b>LGT</b>	683	685	64	68	171	65	15	17	286	306	2009	HENRIK RAMMER	TIBRO SWEDEN
 <b>Mita-Teknik</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2012	N/A	RØDKÆRSBRO DENMARK
 <b>NOA NOA</b>	537	555	28	78	620	547	7	-8	333	298	2007	JACOB THYGESEN	KVISTGÅRD DENMARK
 <b>NORDIC WATERPROOFING</b>	1,487	N/A	117	N/A	468	N/A	-16	N/A	623	N/A	2011	VILHELM SUNDSTRÖM	HÖGANÄS SWEDEN
 <b>ROYAL COPENHAGEN</b> PORCELAIN TO INSPIRE THE WORLD OF DESIGN	492	470	62	34	N/A <sup>2</sup>	N/A <sup>2</sup>	-1	-2	707	705	2001	NIKOLAJ VEJLSGAARD	GLOSTRUP DENMARK

AXCEL-OWNED COMPANIES	REVENUE (DKK m)		EBITDA (DKK m)		NIBD* (DKK m)		TAX** (DKK m)		NUMBER OF EMPLOYEES		INVESTMENT YEAR	INVESTMENT OFFICER	REGISTERED OFFICE
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010			



319	303	26	26	106	137	3	-1	263	244	2006	PER CHRISTENSEN	HOLSTEBRO DENMARK
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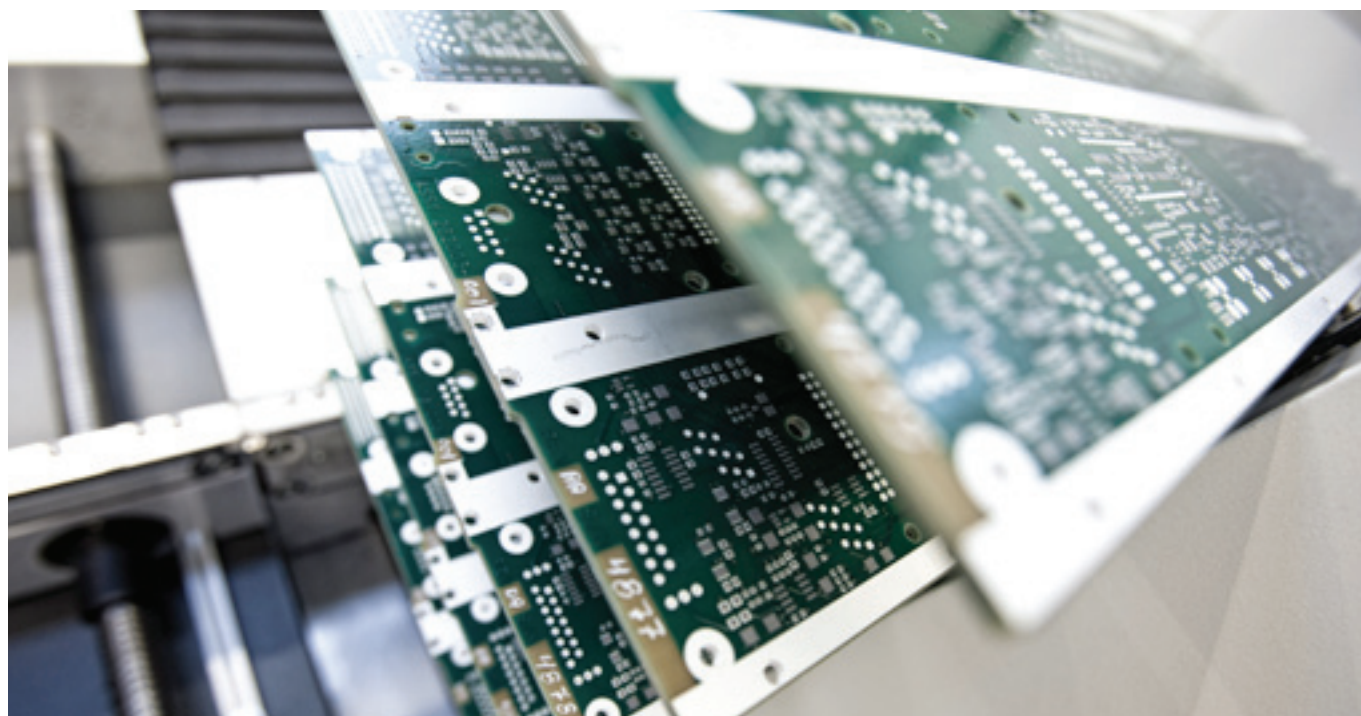


625	619	57	82	399	383	17	9	236	234	2000	PER CHRISTENSEN	HASSELAGER DENMARK
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AXCEL-OWNED COMPANIES	REVENUE (DKK m)		EBITDA (DKK m)		NIBD* (DKK m)		TAX** (DKK m)		NUMBER OF EMPLOYEES		INVESTMENT YEAR	INVESTMENT OFFICER	REGISTERED OFFICE
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010			



6,658	6,666	2,281	2,684	209	1,102	332	381	5,186	4,336	2008	NIKOLAJ VEJLSGAARD	GLOSTRUP DENMARK
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\* Net interest-bearing debt.

\*\* As stated in each company's income statement.

<sup>1</sup> Amount in SEK.

<sup>2</sup> Total NIBD at Royal Scandinavia (Georg Jensen and Royal Copenhagen) was DKK 288m in 2010 and DKK 323m in 2011.

<sup>3</sup> 2010/11 and 2009/10 financial years.

# KEY FIGURES FOR AXCEL'S FUNDS

Over the past two years, Axcel has generated a net investment profit of DKK 4,660m. PANDORA accounts for around DKK 4bn of this, breaking down into a write-down of around DKK 7bn in 2011 due to the fall in its share price, and a gain of DKK 11bn from the IPO in 2010. Excluding PANDORA, Axcel generated a return of around DKK 675m during the period, or 26% of the companies' weighted market value, mainly through the sale of HusCompagniet, Netcompany and EskoArtwork in 2011.

As at 31 December 2011, Axcel owned 14 companies and a substantial shareholding in PANDORA. The market value of the investment in PANDORA is based on its share price at the end of the year, while the market value of the other 14 investments – all unlisted companies – is based on movements in their earnings and debt relative to earnings multiples for comparable listed companies. Four of Axcel's investments were written up in value in 2011, six were unchanged, and

four were written down. The write-downs were mainly at companies exposed to the Danish market.

The total market value of Axcel's investments was DKK 4.1bn at the end of 2011, compared with DKK 11.8bn a year earlier. The decrease of DKK 7.7bn was due primarily to the lower value of PANDORA and the funds' three exits in 2011. Axcel IV also invested DKK 0.6bn in two new companies in 2010/11: Cimbria and Nordic Waterproofing.

Selected figures from the funds' income statements and balance sheets are shown below. Axcel I and II are limited companies and are therefore required to publish annual reports under the Danish Financial Statements Act. Axcel III and IV are limited partnerships, which are not obliged to publish annual reports, but Axcel has decided to produce reports for them anyway, available on request.

(DKKm)	Axcel I		Axcel II		Axcel III		Axcel IV	Total	
	2011	2010	2011	2010	2011	2010	2011*	2011	2010
Investment profit/loss	1.0	0.0	43.3	-0.6	-6,972.2	11,588.7	0.0	-6,927.9	11,588.1
Other operating revenue	13.0	14.8	0.3	0.2	0.0	0.0	0.0	13.3	15.0
<b>Gross profit/loss</b>	<b>14.0</b>	<b>14.8</b>	<b>43.6</b>	<b>-0.4</b>	<b>-6,972.2</b>	<b>11,588.7</b>	<b>0.0</b>	<b>-6,914.6</b>	<b>11,603.1</b>
Other external costs	-13.6	-15.3	-26.1	-29.6	-45.2	-56.1	-108.9	-193.8	-101.0
<b>Operating profit/loss</b>	<b>0.4</b>	<b>-0.5</b>	<b>17.5</b>	<b>-30.0</b>	<b>-7,017.4</b>	<b>11,532.6</b>	<b>-108.9</b>	<b>-7,108.4</b>	<b>11,502.2</b>
Financials	0.2	0.2	0.2	2.6	0.0	0.0	0.0	0.4	2.8
<b>Profit/loss before tax</b>	<b>0.6</b>	<b>-0.3</b>	<b>17.7</b>	<b>-27.4</b>	<b>-7,017.4</b>	<b>11,532.6</b>	<b>-108.9</b>	<b>-7,108.0</b>	<b>11,504.9</b>
Tax	0.0	0.0	0.4	-0.8	0.0	0.0	0.0	0.4	-0.8
<b>Net profit/loss for the year</b>	<b>0.6</b>	<b>-0.3</b>	<b>18.1</b>	<b>-28.2</b>	<b>-7,017.4</b>	<b>11,532.6</b>	<b>-108.9</b>	<b>-7,107.6</b>	<b>11,504.1</b>
Market value of Axcel's investments	109.4	109.4	716.3	674.8	2,731.5	11,040.5	562.7	4,119.9	11,824.7
Other assets	25.0	34.2	52.5	55.7	0.1	0.2	0.3	77.9	90.1
<b>Total assets</b>	<b>134.4</b>	<b>143.6</b>	<b>768.8</b>	<b>730.5</b>	<b>2,731.6</b>	<b>11,040.7</b>	<b>563.0</b>	<b>4,197.8</b>	<b>11,914.8</b>
Equity	134.3	133.7	754.4	723.4	2,721.7	11,035.7	545.1	4,155.5	11,892.8
Other liabilities	0.1	9.9	14.4	7.1	9.9	5.0	17.9	42.3	22.0
<b>Total liabilities</b>	<b>134.4</b>	<b>143.6</b>	<b>768.8</b>	<b>730.5</b>	<b>2,731.6</b>	<b>11,040.7</b>	<b>563.0</b>	<b>4,197.8</b>	<b>11,914.8</b>

\* Covers the 18-month period from 1 July 2010 to 31 December 2011.





# AXCEL'S FUNDS

## AXCEL INDUSTRIINVESTOR

Launch	1995
Status	Investment period expired
Geographical focus	Denmark
Investments	14
Exits	13
Committed capital	DKK 1.1bn
Legal structure	Limited company
Averaged ownership period	6.6 years
Board	Niels B. Christiansen Bent Pedersen Peter Damgaard Jensen Lars Johansen Jens Moberg Hanne B. Sørensen Peter Schütze Lars Munch

Investments	Acquisition year	Exit year
-------------	------------------	-----------

Everton Smith	1995	1997
Monarflex	1995	2000
Tvilum Scanbirk	1996	2000
Føvling	1997	2002
GraphX	1997	2003
Rational Vinduer	1998	2003
Svenska Fönster	2000	2003
Kwintet	1999	2005
LOGSTOR	1999	2006
Bekaert Handling Group	1997	2006
Laundry Systems group	1998	2006
Thygesen Textile Group	1998	2006
KILROY travels International	1998	2006
BB Electronics	1998	

## AXCEL II

Launch	2000
Status	Investment period expired
Geographical focus	Denmark
Investments	9
Exits	6
Committed capital	DKK 2.5bn
Legal structure	Limited company
Averaged ownership period	6.5 years
Board	Niels B. Christiansen Bent Pedersen Peter Damgaard Jensen Lars Johansen Jens Moberg Hanne B. Sørensen Peter Schütze Lars Munch

Investments	Acquisition year	Exit year
-------------	------------------	-----------

Glud & Marstrand	2001	2005
NetTest	2002	2005
Aalborg Industries	2000	2005
Vest-Wood	2002	2006
Icopal	2000	2007
Vital Petfood Group	2000	
Royal Scandinavia	2001	
Junckers	2004	
Ellipse	2004	2010

### AXCEL III

Launch	2005
Status	Investment period expired
Geographical focus	Denmark/Sweden
Investments	11
Exits	3
Committed capital	DKK 3.0bn
Legal structure	Limited partnership
Averaged ownership period	4.5 years
Axcel Industrial Board	Niels B. Christiansen Bent Pedersen Peter Damgaard Jensen Lars Johansen Jens Moberg Hanne B. Sørensen Peter Schütze Lars Munch

Investments	Acquisition year	Exit year
EskoArtwork	2005	2011
Netcompany	2006	2011
TCM Group	2006	
HusCompagniet	2007	2011
Ball Group	2007	
Noa Noa	2007	
Driconeq	2007	
IDdesign	2007	
PANDORA	2008	Listed
JB Education	2008	
LGT	2009	

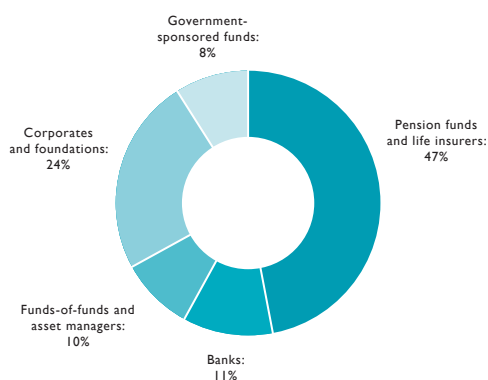
### AXCEL IV

Launch	2010
Status	Actively investing
Geographical focus	Denmark/Sweden
Investments	3
Exits	0
Committed capital	DKK 3.6bn
Legal structure	Limited partnership
Averaged ownership period	0.6 years
Axcel Industrial Board	Niels B. Christiansen Bent Pedersen Peter Damgaard Jensen Lars Johansen Jens Moberg Hanne B. Sørensen Peter Schütze Lars Munch

Investments	Acquisition year	Exit year
Nordic Waterproofing	2011	
Cimbria	2011	
Mita-Teknik	2012	

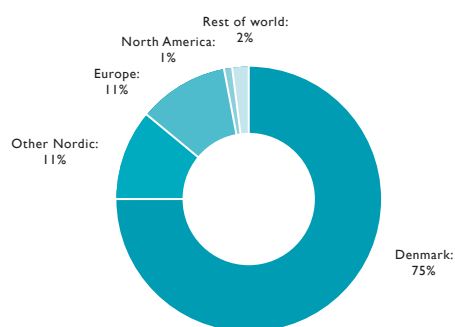
# AXCEL'S INVESTORS

Axcel is backed by a large number of leading Nordic and international investors with a broad affiliation with industry and the financial sector. This provides Axcel with an extensive contact base and the financial resources needed to develop the companies in which Axcel invests.



INVESTORS BY TYPE

Investors have committed total capital of around DKK 10bn across four funds.



INVESTORS BY REGION

Axcel's investors are mainly Danish, especially with the first two funds but less so with the latest fund Axcel IV where around 30% of committed capital is from foreign investors.



## BANKS

**FIHIERHVERVSBANK**  
ALLE FORMER FOR KAPITAL

**Nordea**

## PENSION FUNDS AND LIFE INSURERS

atp pep=

**FSP**  
PENSION  
bedre råd, bedre liv

 Industriens Pension

 LD

**PenSam**

**SEB**



**PFA**  
PENSION

**pka**



Sjätte AP-fonden

PensionDanmark

## CORPORATES AND FOUNDATIONS

  
BESTSELLER\*

**WAGRAM**

**PRIMO**

GSA Invest

**FEAS**  
Fagbevægelsens  
Erhvervsinvestering A/S

**Realdania**

*Danfoss*

HOFFMANN  HOLDING

Investeringsselskabet  
af 30.4.1992

**JYSK**

**AVR**

**LINAK**  
WE IMPROVE YOUR LIFE

**NOWACO**

 Ernstströmgruppen

MERIFIN CAPITAL

 KIRKBI

Investeringsselskabet Elkær Invest A/S



A/S af 3. juni 1986



BIKUBENFONDEN

## FUNDS-OF-FUNDS, ASSET MANAGERS AND GOVERNMENT-SPONSORED FUNDS



Private Equity  
Corporate Finance  
Asset Management  
**EQ**

Equity Partners

 Private Equity  
An AXA Investment Managers Company

**Amundi**  
ASSET MANAGEMENT

 Partners Group  
Passion for Private Markets

**DnB NOR**

**idininvest**  
PARTNERS

 VON BRAUN & SCHREIBER  
PRIVATE EQUITY PARTNERS

 ARGENTUM

  
**akina**  
Active investors across borders

**Kuwait**  
Investment Authority

Not all investors are shown above.

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# AXCEL'S MANAGEMENT AND INDUSTRIAL BOARDS

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## PARTNERS



CHRISTIAN  
FRIGAST



SØREN  
LINDBERG



JACOB  
THYGESEN



NIKOLAJ  
VEJLSØGAARD



PER  
CHRISTENSEN



VILHELM  
SUNDSTRÖM



CASPER LYKKE  
PEDERSEN



LARS  
ØSTERBERG



LARS  
THOMASSEN

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## BOARD OF DIRECTORS/ INDUSTRIAL BOARD\*



NIELS B.  
CHRISTIANSEN  
CHAIRMAN



BENT  
PEDERSEN  
VICE CHAIRMAN



PETER  
DAMGAARD  
JENSEN



LARS  
JOHANSEN



JENS W.  
MOBERG



HANNE B.  
SØRENSEN



PETER  
SCHÜTZE



LARS  
MUNCH

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## SWEDISH INDUSTRIAL BOARD



LARS  
WESTERBERG  
CHAIRMAN



BENGT  
LEJSVED



ARNE  
BERNROTH



MATS  
NORDLANDER



LOTTA  
LUNDÉN

**Christian Frigast** holds an MSc in Economics and has been managing partner at Axcel since its inception in 1994. Prior to that he was employed by Incentive A/S (1993-94), Unibank A/S, Merchant Bank (1990-92) and Unibank (1973-90). Christian Frigast is a member of the board of PANDORA, Royal Scandinavia, Nordic Waterproofing, Torm and the Danish Venture Capital and Private Equity Association (DVCA), among others.

**Søren Lindberg** holds an MSc in Economics and Business Administration and joined Axcel in 1996. Previously he was employed at EuroNordic Corporate Finance (1994-96) and PwC (1989-94). Søren Lindberg is a member of the board of BB Electronics, IDdesign, Cimbria and Lithium Balance.

**Jacob Thygesen** holds an MSc in Economics and Business Administration and joined Axcel in 1998. Previously he was employed at Nordic Private Equity (1996-98), Conair (1994-96), Codan (1993-94) and Hafnia (1990-93). Jacob Thygesen is a member of the board of Juncers and Noa Noa and is a board observer at Ball Group.

**Nikolaj Vejlsøgaard** holds an MSc in Economics and joined Axcel in 1998. Prior to that he was employed by the Superfos group (1996-98). Nikolaj Vejlsøgaard is a member of the board of Georg Jensen, Royal Copenhagen, Royal Scandinavia, PANDORA and IP Holding A/S.

**Per Christensen** holds an MSc in Economics and joined Axcel in 2000. He was previously employed at Maersk Medical (A.P. Møller Group, 1996-2000) and as a consultant at McKinsey & Co. (1992-96). Per Christensen is a member of the board of Cimbria, TCM Group and Vital Petfood Group.

**Vilhelm Sundström** holds an MSc in Economics and joined Axcel in 2006. He was formerly a director at Merrill Lynch International in London, where he was responsible for M&A activities in the Nordic region. Prior to that, he worked for such companies as D. Carnegie AB (2002-05), Morgan Stanley (1995-97 and 1999-2002) and Nordic Capital (1997-99). Vilhelm Sundström is the head of Axcel's office in Stockholm, is a member of the board of JB Education and Nordic Waterproofing and is a board observer at Driconeq.

**Casper Lykke Pedersen** holds an MSc in Economics and Business Administration and has been with Axcel since 2005. Previous employers include Deutsche Bank in London (2001-05) and Axcel (1998-2001). Casper Lykke Pedersen is a member of the board of Driconeq.

**Lars Österberg** holds an MSc in Engineering Physics from the Royal Institute of Technology in Stockholm and an MBA from the Stockholm School of Economics, and has also studied at the Graduate School of Business in Chicago. Previous employers include Triton (2001-11), Keystone Advisers (2000-01), McKinsey (1999-2000) and Goldman Sachs (1997-99).

**Lars Thomassen** holds an MSc in Economics and Business Administration and joined Axcel in 2002. Previously he was employed by the GN Store Nord Group (1994-2002) and ISS (1989-94). Lars Thomassen has overall responsibility for Axcel's finance functions, fund management and investor relations, and is a member of the board of Capidea.

#### BOARD OF DIRECTORS AND INDUSTRIAL BOARD

\* Johannes Poulsen will step down at the annual general meeting in May 2012.

#### Niels B. Christiansen – chairman

CEO of Danfoss, one of Denmark's largest privately owned companies with sales in excess of DKK 33bn and approx. 24,000 employees worldwide. Niels B. Christiansen is a member of a number of boards, including Danske Bank (vice chairman) and William Demant Holding.

#### Bent Pedersen – vice chairman

Former CEO of Kirkbi, a financing and investment company owned by the family behind the LEGO Group. Bent Pedersen is a member of the board of Eksport Finansiering (chairman) and Vækst-Invest Nordjylland (chairman), among others.

#### Peter Damgaard Jensen

CEO of PKA, which administers labour market pensions for eight independent pension funds with more than 200,000 members. Peter Damgaard Jensen is a member of the board of Forca (vice chairman) and Maj Invest Holding (vice chairman), among others.

#### Lars Johansen

Former CEO of FIH, Denmark's leading business and investment bank and among the five largest Danish banks. Lars Johansen is a member of the board of Victoria Properties, among others.

#### Jens W. Moberg

CEO of Alectia, former CEO of Better Place Denmark and a former corporate vice president at Microsoft. Jens W. Moberg is a member of the board of Grundfos (chairman) and KMD, among others.

#### Hanne B. Sørensen

CEO of Maersk Tankers, having been with A.P. Møller - Maersk since 1994. Previous positions include chief commercial officer at Maersk Line and financial director in both Europe and the Far East.

#### Peter Schütze

CEO of Nordea Denmark until 2011 and now chairman of Copenhagen Business School and DSB. Formerly a member of the Danish government's Growth Forum.

#### Lars Munch

CEO of JP/Politikens Hus. Lars Munch is a member of the board of the Louisiana Museum of Modern Art (chairman), BRF-kredit, WWF Denmark, SOS Children's Villages Denmark, Europa Nostra, WAN-IFRA and the Danish Newspaper Publishers' Association.

#### SWEDISH INDUSTRIAL BOARD

#### Lars Westerberg – chairman

Former CEO of Autoliv Inc., a world-leading supplier of safety equipment for carmakers with revenue of around USD 8bn and 48,000 employees at 80 production plants in 30 countries. Lars Westerberg is a member of a number of boards, including Volvo AB, SSAB, Sandvik and Husqvarna (chairman). He is also the link to Axcel's industrial board in Denmark.

#### Bengt Lejvsd

Nordic Partner at CMI, and founder and chairman of Senior Work Interim Management. Formerly head of executive search company Heidrick&Struggles' activities in EMEA, and vice chairman and director of Heidrick&Struggles International.

#### Arne Bernroth

Formerly regional director for Nordea in southern Sweden and senior vice president at Skandia in Sweden. Arne Bernroth is a member of the board of JB Education, Biolin Scientific, Aquiles Invest and Nordax Finans, among others.

#### Mats Nordlander

Executive vice president at Stora Enso. Mats Nordlander is a member of the board of Inventia (chairman), the Swedish Forest Industries Federation (vice chairman) and Industrikraft.

#### Lotta Lundén

Is a member of the board of Bergendahls Food, Bergendahls Fashion, Twilfit, Statoil Fuel & Retail, Swedol, Lammhults Design Group, MultiQ, JB Education and LGT Logistics. Previously worked at IKEA in various senior positions, including business area manager at IKEA of Sweden and commercial director at IKEA Singapore/Malaysia, and was CEO at Guldfynd/Hallbergs Guld.

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# FURTHER INFORMATION ABOUT AXCEL

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Additional information about Axcel and its companies and the latest financial statements can be found on Axcel's website, [www.axcel.dk](http://www.axcel.dk).

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