

"The only source  
of knowledge is  
experience."

– *Albert Einstein*

Swedfund 







”Swedfund’s investment enabled Scania to take an earlier and larger stake in Iraq. Together with Swedfund we were able to guide the company from the boardroom, following the long term business model we believe in, while the capital injection accelerated the investment in the company’s infrastructure and organization.”

**Gustaf Sundell**  
Country Manager Iraq,  
Scania





**The economic landscape** is changing at a faster pace than we have previously experienced. New countries become economic world powers while previously strong economies lose significance. According to economic forecasts by the IMF, the combined GDP from emerging and developing countries will exceed that of advanced countries by 2013. And the lead will increase annually in the foreseeable future.

Swedfund has operated actively in emerging markets since 1979. We invested in the first Swedish joint-venture company in China in the 1980's, which is now China's fourth largest pharmaceutical company.

Swedfund is primarily active on the African continent with about half of the portfolio located there. Swedfund's first international office was established in Nairobi, Kenya, 2009.

The knowledge bank, acquired over thirty years, provides a sturdy platform for a successful business venture together with Swedfund.



# ”The only source of knowledge is experience.” – Albert Einstein

An investment in an emerging country can sometimes feel like too great a challenge. The distances that need to be bridged are not only measured in kilometers, but in many cases can be seen as enormous cultural gaps. It often feels less risky to invest in a nearby and familiar environment.

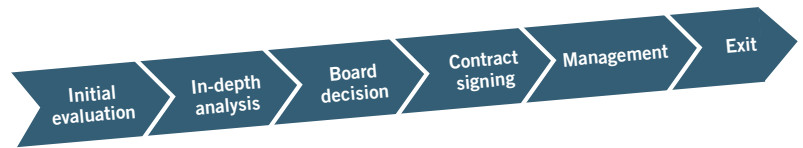
Swedfund is the Swedish government’s Development Finance Institution, DFI, for investments in emerging countries. More than thirty years of operations have given us the experience necessary to minimize risk and to help businesses establish successfully in new markets. Besides seventeen investment managers who have overall responsibility for the investments, Swedfund also employs four lawyers with specialized experience in international business law. In addition, our staff includes two ESG managers who advise and support in environmental and ethical issues.

## Extensive contact network

Swedfund’s contact network is extensive. We have a well established collaboration with organizations such as the IFC, other European DFI’s, Swedish embassies around the world and other Swedish stakeholders who work to promote business development in emerging countries.

## Do you want to invest together with us?

We co-invest with companies who have a documented experience from the field of business of the new company. Strong business leadership and financial stability are important conditions for success. Swedfund acts as a minority investor and our average share in the investment is usually about 25 – 35 per cent of the invested capital. We are a long term partner and exits only when the company has matured, usually after five to ten years.

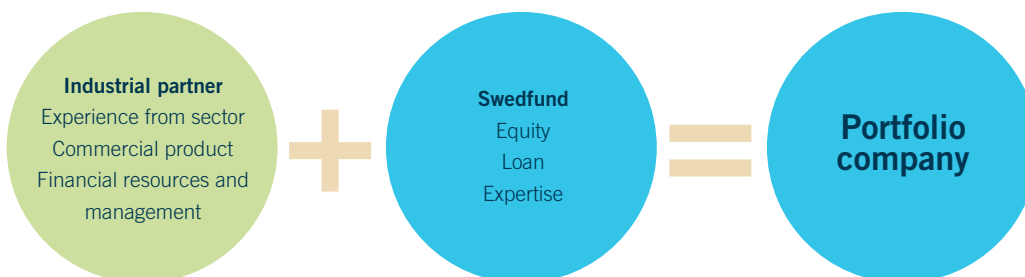


## How does it work?

When a company contacts Swedfund with an investment proposal, an initial evaluation is made by one of our investment managers. If the proposal meets our investment criteria, it is submitted to the investment committee who will decide whether an in-depth analysis should be made. After that, the plan is presented to Swedfund’s Board of Directors who makes the final investment decision. Swedfund has a short decision making process which enables us to make quick decisions.

## Swedpartnership for small and medium sized businesses.

Since 2009, Swedfund has offered small and medium sized businesses the opportunity to apply for financial support for investments involving the transfer of know-how and equipment in order to establish businesses in the countries in which we operate. We call this start-up support Swedpartnership. Swedfund’s ambition for this form of financial support is to enable more small and medium sized companies to invest and establish stable business ventures in new markets. The support is in the form of a loan which is amortized once the project has been carried out and its results approved.







Many of Swedfund's portfolio companies have experienced good growth over time.



## INVESTMENT CRITERIA

**Geographic:** Emerging markets in Africa, Asia, Latin America and Eastern Europe.

**Sector:** All economic sectors except weapons, tobacco or alcohol.

**Proven technology:** No technical risk.

**Partners:** Companies with a sound financial base and experience from the relevant sector. We do not work with private persons.

**Financial instruments:** Focus on shares and equity-like capital.

**Size:** Our share is 20 – 100 MSEK per investment.

**Share:** Always a minority shareholder, usually 25 – 35% of total investment.

**Risk exposure:** Equal to or lower than that of the co-investor/partner.

**Return on investment:** A commercial return which reflects our risk. We do not provide grants.

**Board representation:** Yes, in the case of equity investment.

**Investment horizon:** 5 – 10 years.

# The new economic map

The world economic map is undergoing a rapid and complete transformation. New countries are moving quickly into a leading role in the world economy. At the same time, many OECD countries are wrestling with complex problems. The problem of debt, primarily in Europe, will have consequences for growth for a long time. Large public deficits and/or household debt will suppress demand. At the same time, other parts of the world economy show strong growth. Asia continues to be the world's economic steam engine, together with other fast growing economies. Added to that is the positive development in Africa. Asia has moved from its position as a supplier of commodities, to a diversified economy and this development is evident even in Africa where, for example, the ITC sectors in Ghana and Kenya are growing at record speed.



Emerging countries set high standards for reforming the business climate.

## Poverty is decreasing and the middle class is growing

In 2013 emerging and developing countries will have a greater combined GDP than the old established economies. Poverty in emerging and developing countries is decreasing faster now than ever before in history. A new middle class is growing rapidly and with it comes an increase in purchasing power. But perhaps even more important is the worldwide distribution of population; by 2030 about 85 percent of the world's population will be in Africa, Asia and Latin America.

### Fact Box

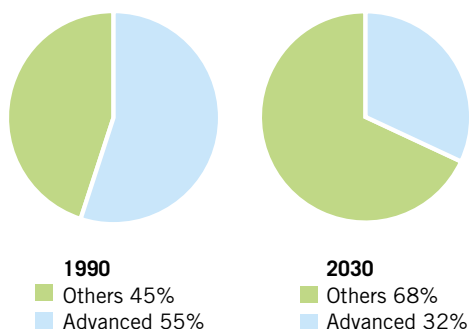
	2013	2014	2015	2016	2017
<b>GDP growth</b>					
Advanced countries	2.0	2.4	2.6	2.7	2.7
Others	6.0	6.2	6.3	6.3	6.3
<b>Investment ratio</b>					
Advanced countries	19.4	19.8	20.1	20.5	20.8
Others	32.7	32.9	33.0	33.1	33.2
<b>Public debt</b>					
Advanced countries	109.5	110.2	110.1	110.0	108.7
Others	32.0	30.9	29.9	28.6	27.3
<b>Balance of trade</b>					
Advanced countries	-0.2	-0.2	-0.2	-0.4	-0.5
Others	1.3	1.0	0.8	0.8	0.7

Source: IMF

## Start your company where the conditions are best!

Globalization and the communication society have accelerated reforms in both political systems and economies and the macroeconomic conditions in emerging countries are better now than ever before. As a matter of fact, in many areas, emerging countries have a better business climate than OECD countries. The return on an invested Swedish crown is often higher in an emerging country than in Sweden or other OECD countries.

World GDP – "Advanced" and "Others" share 1990 – 2030



# Sub-Saharan Africa

Sub-Saharan Africa is the region displaying the most exciting development. Growth has been high and stable over a long period. During the recent global financial crisis, Sub-Saharan Africa fared better than many other regions and the outlook for the future is good. Years of tight fiscal policies have started to give results; the countries' economies are being diversified more rapidly and it is no longer just commodities that account for revenue, other sectors have become increasingly important. Growth in ICT has been fastest in Sub-Saharan Africa and in certain areas, such as mobile banking, development has out-paced Europe.

The business climate has improved considerably during the last ten years in Sub-Saharan Africa. It is easier to start a business and investors have better protection in many of these countries than they would have in more advanced OECD countries. The eagerness to reform is still intense and wide-spread reforms await the region.



## MTC – Mobile telephones in Namibia – a success story

Swedfund's investment in the Namibian telecoms operator Mobil Telecommunications (MTC) is a success story which, in barely ten years, led to 90 percent of the population having access to a mobile phone. MTC started in 1995 as a joint venture between Namibia Post & Telecom Holding (NPTH), Telia International and Swedfund. At a time when there were only a few telecom operators in Africa, MTC built the first GSM network in Namibia and one of the first in the whole of Africa.

Swedfund sold its shares in MTC in 2004 to the largest shareholder NPTH. MTC was, by that time, a mature company with a favorable future outlook. At the time of Swedfund's exit, the company had 220 base stations that covered nearly half of the country. Even though the fixed telephone network is relatively well established in Namibia, consumers prefer mobile telephones. Fluctuating incomes mean that they prefer pre-paid mobile services rather than locking their telephone costs several months in advance. Today, MTC is Namibia's largest mobile telecoms operator with over two million subscribers.

When Swedfund entered into the investment, it was judged to be a high risk venture, but the level of success that MTC achieved reached the highest expectations and the venture became a success.



## GMI – Cancer clinics together with Elekta

In 2009 Swedfund and Elekta decided to start a joint investment and project development company, Global Medical Investments GMI AB (GMI), in order to set up modern and efficient cancer clinics in developing countries, using equipment from Elekta and other leading suppliers. The decision to start a joint company was the result of experience acquired from a previous joint venture, the Gamma Knife Center, in Cairo, Egypt in 1999.

GMI sets up clinics together with local partners, for example leading private hospitals and private practitioners associated with teaching hospitals, specialist physicians, insurance companies and other private investors. Today, GMI has five clinics in operation: Ghana, Ecuador, Chile, Dominican Republic and Indonesia.

GMI's principal owners are Swedfund (48%) and Elekta (48%). Swedish banks and internationally oriented financial institutions, among them Swedish Export Credit Corporation (SEK) have granted loans and several of these loans have received bank guarantees from The Swedish Export Credits Guarantee Board (EKN).



# Asia

Emerging countries in Asia have, for many years, been of interest to western companies. Most of these countries have had strong economic growth, even during the recent economic crisis in the West. In order to sustain this high growth rate it will be necessary to strengthen domestic demand and to expand trade relations with other fast growing economies.

One clear development, is that Asian countries have evolved from being suppliers of commodities and now benefit from diversified economies. The possibilities for foreign investment in the largest economy, China, are still considerable, in part because of the growing middle class which creates a substantial domestic demand for goods and services. The other large economy, India, has a young population and a rapidly growing middle class which provide many opportunities for a company to operate in the country. The need for investment in various sectors, such as infrastructure, healthcare and education, is enormous.



## Artheon Battery Company – new battery technology in India

Swedfund and Northstar Group/Sitetel invested jointly in the battery manufacturing company, Artheon Battery Company in March 2010. The investment involved modernizing and extending a factory for telecom batteries in Nashik, Maharashtra in western India.

India's mobile telephone market is one of the fastest growing in the world and the demand for high performance batteries is significant. Production in the new factory allowed the company to introduce battery technology from the US and Sweden, which meant a more environmentally friendly manufacturing process and batteries that can take high temperatures and recurring power failures.



## SSPC – first Swedish joint venture in China

In 1982 Swedfund invested in the first Swedish joint venture company ever in China. Together with five Swedish pharmaceutical companies (such as Kabi/Pharmacia) and a Chinese state owned company, a company was established in Wuxi, called Sino-Swed Pharmaceutical Corporation Ltd. The purpose of the company was to produce liquid pharmaceuticals, primarily IV-solutions.

During the first years, the company operated at a loss as a result of pharmaceutical price regulation by the Chinese government. The problem became so acute that the Swedish partners considered ending their involvement in the company. But shortly thereafter the market was opened up and the company was able to continue development. After the successful sale of Swedfund's shares in 1994, the company has grown and today it is China's fourth largest pharmaceutical company. Astra (former owner of Kabi) decided to spin-off part of the company and set up an ultra-modern factory for dry pharmaceutical products in another part of Wuxi. This company has also had a positive development.



## Other emerging markets

In Eastern Europe, the area around the Black Sea is of high interest for businesses. Georgia is one of several countries that has had good economic growth in recent years. In addition, the country has a strategically important position between Europe and Central Asia and has become a hub for companies that have interests in the area and wish to establish business in the region. Georgia has a well established work force and business-friendly laws and tax policies which put it in sixteenth place (out of 186) in IFC's Doing Business report.

In the Middle East, the rebuilding of Iraq offers a large potential for Swedish companies. The country needs investments in practically every area. Currently the majority of consumer goods in Iraq are imported. This provides a golden opportunity to establish a company that produces and sells to the domestic market.

In Latin America, Colombia is showing a strong and stable growth. IFC's Doing Business ranks Colombia as the most business friendly country in Latin America. There are interesting investment opportunities in agriculture and manufacturing. In addition, the Colombian government has recently made improvements for businesses which have attracted several foreign direct investors to the country.



### Melon – one of the biggest fashion chains in Russia

In 2002, together with the Swedish fashion company Kellerman Scandinavia and East Capital, Swedfund invested in the jointly owned Russian company, Melon Fashion Group (Melon). Swedfund sold its shares in 2011.

During the time that Swedfund was part owner of Melon, there was a tremendous transformation in the company. What started as a production company with only one brand and about 20 boutiques, became a market leading company for fashion in the Russian market.

As of Swedfund's exit, Melon had four own brands, two master franchises and sales in over 500 boutiques as well as professional design and purchasing organisations.



### Scania re-establishes in Iraq

Scania has been in Iraq since the 1960's. At the beginning of the 1980's it was the company's single biggest market. But during the wars in 1990 and 2003, sales declined sharply.

In 2010, Swedfund and the general agent Al Wifaq Automotives established a joint company, Qanadeel al Rafidain (Qanadeel), to rebuild the Scania sales and service network in Iraq. The focus is on sales of trucks, services and parts. At the end of 2010 Qanadeel began operations in Erbil.

In 2011 a framework agreement was reached with the public sector involving 4,000 vehicles during the next five years at an order value of 3 billion Swedish crowns. In connection with this agreement, Qanadeel set up service centers in Erbil and Basra. In May 2012, Scania became the majority owner of Qanadeel.

# Portfolio\*

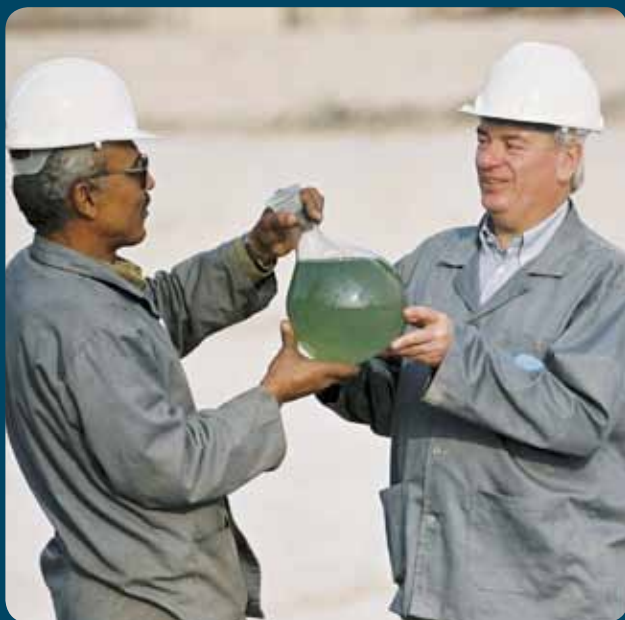
COMPANY	BUSINESS	SECTOR	COUNTRY	YEAR	INSTRUMENT
<b>Sub-Saharan Africa</b>					
AfriCap	Microfinance Fund	Finance	Africa	2007	Equity
Afrinord	Hotel	Infrastructure	Africa	2005	Equity and Debt
AMSCO	Employment Agency	Services	Africa	1990	Equity
ECP Africa Fund I	Fund	Infrastructure	Africa	1999	Equity
ECP Africa Fund II	Fund	Various	Africa	2006	Equity
ECP Africa Fund III	Fund	Various	Africa	2008	Equity
EFP IV	Co-Financing Facility	Various	Africa	2006	Debt
Interact Climate Change Facility	Co-Financing Facility	Various	Africa	2010	Debt
Raffia	Cement bags manufacturing	Industrials	Africa	2005	Equity and Debt
Cimbenin	Cement Production	Industrials	Benin	1991	Equity
Addis Cardiac Hospital	Hospital	Healthcare	Ethiopia	2006	Equity
Addis Quarry Development	Quarry	Natural Resources	Ethiopia	2008	Equity
Radisson Emerald Addis Hotels	Hotel	Infrastructure	Ethiopia	2008	Equity and Debt
Sweden Ghana Medical Center	Cancer clinic	Healthcare	Ghana	2008	Debt
Acacia	Fund	Various	Kenya	1997	Equity
Athi River Steel Plant	Steel Plant	Industrials	Kenya	2009	Equity and Debt
Deacons Kenya	Retail chains	Consumer	Kenya	2010	Equity
Radisson Nairobi	Hotel	Infrastructure	Kenya	2008	Equity
Ilac Hotel Uvira	Hotel	Infrastructure	Congo (DRC)	2010	Debt
Addax Bioenergy	Production of ethanol	Energy and agriculture	Sierra Leone	2011	Equity
Somalia Telecom Group	Telecom operator	ICT	Somalia	2007	Equity and Debt
Energy Access Partnership	Model for energy production	Energy	South Africa	2010	Equity
Geratech	Zirconium Production	Chemical industry	South Africa	2005	Equity
Small Enterprise Foundation	Microfinance Institution	Finance	South Africa	2006	Debt
<b>Asia</b>					
Green Investment Asia Sustainable Fund I	Fund	Cleantech	Asia	2007	Equity
Haripur Power	Power plant	Energy	Bangladesh	2003	Debt
Bhutan Dairy	Dairy	Agriculture	Bhutan	2004	Debt
CEF III	Fund	Various	China	2008	Equity
HSF Wuxi	Components	Industrials	China	2006	Equity
Karlsson Spools	Hydraulic Valves	Industrials	China	2005	Equity and Debt
Oatly Hong Kong Holding Co	Dairy	Agriculture	China	2011	Equity
Prestando	Vehicle industry	Industrials	China	2007	Equity and Debt
Recupero	Aluminium Recycling	Cleantech	China	2007	Equity and Debt
Sichuan Investment Fund	Fund	Various	China	2001	Equity
Artheon Battery Company	Battery manufacturing	Industrials	India	2010	Equity and Debt
Baring India Private Equity Fund II Limited	Fund	Various	India	2005	Equity
Belstar	Microfinance	Finance	India	2010	Equity
Jacobi Carbons	Chemical industry	Industrials	India	2008	Debt
Polygenta	Textile industry	Industrials	India	2009	Debt
Sanghi Industries	Heating plant	Energy	India	2007	Debt
Radisson Blu Ulaanbaatar	Hotel	Infrastructure	Mongolia	2010	Equity
Engro Energy	Gas power plant	Energy	Pakistan	2007	Debt
Jacobi Carbons Lanka	Chemical industry	Industrials	Sri Lanka	2010	Debt
Vietstar	Waste Recycling	Cleantech	Vietnam	2008	Debt
Sacom Bank	Bank	Finance	Vietnam	2011	Debt

COMPANY	BUSINESS	SECTOR	COUNTRY	YEAR	INSTRUMENT
<b>Other emerging markets</b>					
Askembla Growth Fund	Fund	Various	Baltics	2003	Equity
Entel	Telecom operator	ICT	Bolivia	2011	Equity
Belarusian Bank for Small Business	Microfinance Institution	Finance	Belarus	2007	Equity and Debt
VMG Industry	Wood industry	Industrials	Belarus	2011	Debt
CAIF	Fund	Various	Central America	1996	Equity
Al Quseir Hotel	Hotel	Infrastructure	Egypt	2001	Debt
Gamma Knife Center	Radisurgery clinic	Healthcare	Egypt	2000	Equity
Fors MW	Engineering industry	Industrials	Estonia	1995	Equity
KurdMed	Eye Hospital	Healthcare	Iraq	2008	Equity and Debt
Quanadeel al Rafidain	Components	Industrials	Iraq	2010	Equity and Debt
Troll Nursery	Nursery furniture	Consumer	Latvia	2004	Equity and Debt
Pieno Zvaigzdes	Dairy	Agriculture	Lithuania	2001	Equity
Swedmilk Makedonija	Dairy	Agriculture	Macedonia	2006	Debt
Global Medical Investments	Project development and investment company	Healthcare	Multiregional	2009	Equity and Debt
Advakom	Data cables	ICT	Russia	2001	Debt
FJ Holding AB	Vehicle components	Industrials	Russia	2011	Equity
Izma Reindeer Meat	Foods factory	Agriculture	Russia	2004	Debt
Mint II	Fund	Various	Russia	2004	Equity
Nordrus Hotel	Hotel	Infrastructure	Russia	2003	Equity
Komercijalna Banka	Bank	Finance	Serbia	2009	Equity
Ambiente Furniture	Furniture factory	Industrials	Ukraine	2005	Equity
Eskaro	Paint factory	Industrials	Ukraine	2010	Equity
Ontur International	Port	Infrastructure	Uruguay	2005	Equity

\*as of October 2012







Swedfund 

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