



**FOR IMMEDIATE RELEASE
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**PALAMON CAPITAL PARTNERS ACQUIRES ESPRESSO HOUSE AND COFFEE CUP TO
CREATE SWEDEN'S LEADING BRANDED COFFEE BAR OPERATOR**

Palamon Capital Partners ("Palamon"), one of Europe's leading mid market private equity firms, has acquired a 94% stake in Espresso House Sweden AB and 100% of the shares in Coffee Cup AB, two principal operators of branded coffee bars in Sweden. The combined purchase price is €10.9 million (SEK 103 million).

Espresso House (www.espressohouse.se) was established in Lund in 1996 by Charles and Elisabet Asker. Espresso House today operates 22 coffee bars and has sales of approximately €10.7 million (SEK 100 million). Coffee Cup (www.coffeecup.se) was started in 1997 by Johan Wellander and Magnus Källström and today it operates 15 units and has sales of around €4.3 million (SEK 40 million).

The combined entity, which will be re-branded in the future, currently has 37 units, making it Sweden's largest operator of branded coffee bars. The business plans to be operating 50 units by the end of year. Palamon intends to invest up to €15 million (SEK150 million) over the coming two to three years to finance the future growth of the business.

The Swedish market for branded coffee bars is growing rapidly at 20 - 25% per annum and there is strong potential for further growth. Despite the fact that coffee consumption per capita is four times higher in Sweden than in the UK, the density of branded coffee bars per capita in Sweden is four times lower than in the UK. The combined business of Espresso House and Coffee Cup represents Sweden's only chain of wholly-owned units as all other competing chains are franchise-based. All of its high quality outlets are mostly located on high streets, near transport hubs and in shopping malls. The business has its own bakery and the coffee is imported directly from Italy.

The combined business will be led by a newly appointed CEO, Björn Krasse, and newly appointed Chairman, Christian Beck. Mr Krasse was the former CEO of 7-Eleven in Sweden who led the successful roll-out of 7-Eleven stores in the Swedish market during the 1990's. More recently, Mr Krasse was CEO of ICA Meny, a leading food services company. Mr Beck was former CEO of 7-Eleven's Nordic operations during the 1990s.

Commenting on the transactions Mr Björn Krasse, incoming CEO of the combined Espresso House and Coffee Cup business said, "The Swedish market for branded coffee bars is at a very exciting stage in its development. With two leading concepts and a strong financial backer, we are set to grow rapidly and should reach 150 units in the medium term."

Erik Ferm, Partner of Palamon Capital Partners said: "With its knowledge of the Scandinavian market and the coffee bar sector, Palamon was able to identify Espresso House and Coffee Cup as high quality businesses that met its investment criteria. The penetration of branded coffee bars in Sweden is still low compared to more mature markets and growth is set to continue apace. The combination of a market leading position and a very experienced management team provides the business with a strong platform for development."

This marks Palamon's third investment in Scandinavia, and is indicative of the Firm's commitment to the region. Palamon's first investment in Denmark was in February 2001 when it invested in Zensys A/S, a business in control networking technology. Its second investment was in Sweden in November 2003 when it invested €27 million on Nordax Finans AB, a Nordic personal loans provider. With this third investment in Scandinavia, a total amount of €58.1 million has now been invested by Palamon in the region.

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About Palamon Capital Partners

Palamon Capital Partners, LP is an independent private equity partnership founded in 1999, which is focused on providing equity for European growth services companies. Palamon, as a pan-European investor, originates, executes and manages investments in the UK, Italy, Spain, Denmark, Belgium, Sweden, France, and Germany. The Firm targets investments in companies where it can be the lead private equity provider and where the partnership's experienced principals can provide strategic direction and support to help build equity value.

With funds under management of approximately €1 billion, the Firm has one of the largest pools of private equity capital dedicated to growth investment opportunities in Europe's mid market arena. Investors in the Palamon funds are based in the US, Europe and the Middle East and are among the most significant investment institutions in the world.

To find out more about Palamon Capital Partners visit <http://www.palamon.com>