2013/2014 ANNUAL REVIEW

An industrial approach to private equity

PAI partners

2013/2014 ANNUAL REVIEW

An industrial approach to private equity


RUE
DE RIVOLI

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STEERING A STEADY COURSE

Navigating through the current headlines on Europe is not a simple task and it is easy to forget that we have come a long way since the depths of the sovereign debt crisis three years ago. While issues remain, the overriding mix of sensible budgets and supportive monetary policies have laid the foundations for recovery. Some imbalances have already been corrected quicker than expected with good trade surpluses reflecting gains in competitiveness and threats to liquidity having disappeared. In this context, corporate M&A activity and the corporate debt markets have been revived and the IPO market has blossomed.

Even the laggard, France, is now endorsing a policy mix combining stable domestic demand together with a gradual shift to export markets, supported by strong corporate profitability, reduced taxation and a more flexible labour market. The macro-economic dividends of this more pro-business mix of reforms should appear in the coming months.

However, while we can see the overall improvement in the current trading of our portfolio companies, we remain very prudent in our daily management. With formidable geopolitical challenges currently, high youth unemployment and the uncertain impact of the Central Bank's new quantitative easing programme on deflation, the political outlook remains uncertain. The growing contrast of inflation in asset prices and deflation in the prices of goods and services could damage returns on investments: the slow path to recovery requires discipline and selectivity in our acquisitions.

In this climate, PAI has focused on sourcing attractive deals outside of competitive processes and is pleased to have added five investments to its portfolio in recent months; all strong companies with clear value creation opportunities purchased at competitive entry multiples.

To achieve this, we have been prepared to source deals in more complex situations such as buying companies from a diversified group of selling shareholders, and working with sellers wanting to reinvest. PAI's strong network across Europe has been a decisive factor in securing these investments, and we have also benefited from our strong track-record and reputation of working with industrial and family shareholders in past deals.

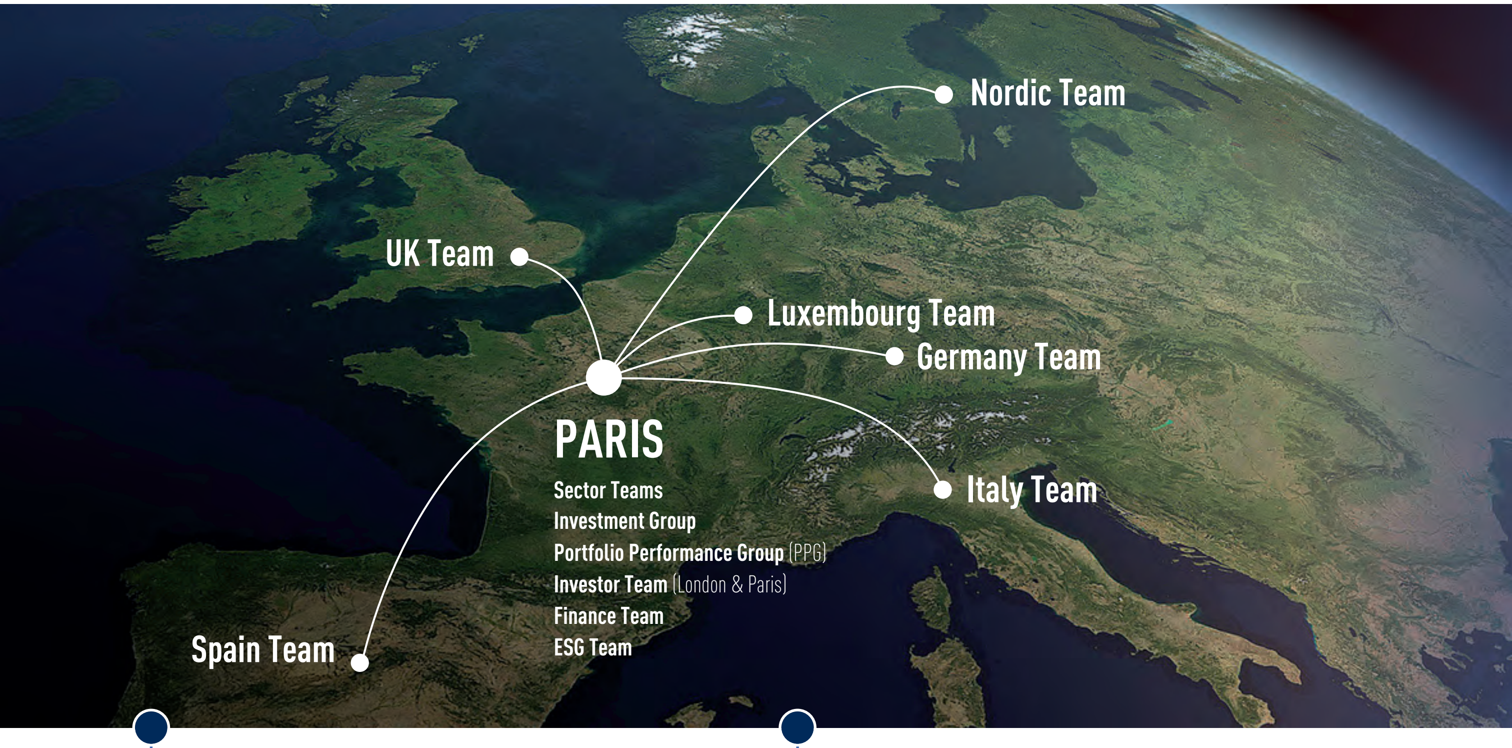
Meanwhile, the existing portfolio has continued to mature, benefitting from the more benign macro environment outlined above. But is also reaping the rewards of strong strategic decisions made in the early years of ownership, whether bolt-on acquisitions, targeted capex investment, changing or supplementing management, or focusing on operational improvements. A combination of these actions have helped to provide the first exits in PAI Europe V and we are very focused on generating further liquidity from both PAI Europe IV and V in the coming months.

We are grateful for the support shown by our existing as well as new investors. It is an exciting time to be investing in Europe, with a transformational approach. Many strong corporates deserve new and active shareholders.

Lionel ZINSOU
Chairman of the Executive Committee

Michel PARIS
Chairman of the Investment Committee

FIRM OVERVIEW



17
Partners

54
Professionals

72
Total staff

€6.5 billion
Current assets under management

Our sectors

PAI has always applied a sector-based approach to investing. This strategy has enabled PAI to develop extensive transaction and sectorial expertise in 5 core industries:

> Business Services
> Food & Consumer Goods
> General Industrials
> Healthcare
> Retail & Distribution

TO LEARN MORE ABOUT PAI:

INVESTMENT STRATEGY

€300 million to €1.2 billion
Target Enterprise Value

€100 million to €300 million
Target equity investment size (plus co-investment)

Western Europe, with a focus on Continental Europe
Geographic focus

Outperformance

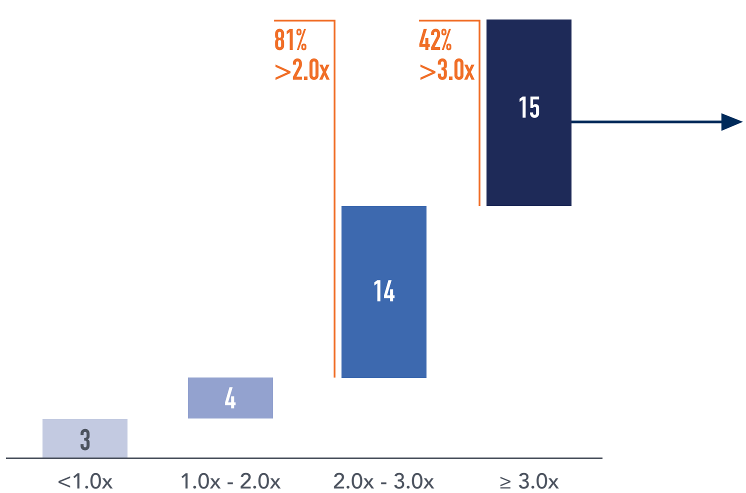
PAI's industrial approach to investing has consistently generated outperformance for investors. Since 1994, 36 of 55 buyout investments have been exited, with PAI generating an average multiple of cost ("MoC") of 2.9x and an IRR of 33%. This reflects the strong ownership mentality and PAI's objective to realise the full potential of its portfolio companies. PAI has a consistent track record of generating outperformance from its investments, while retaining a focus on value preservation. As a result:

> 42% of realised buyout investments have generated more than a 3x MoC

> 81% of realised buyout investments have generated more than a 2x MoC

> only 3 of 34 realised buyouts have returned less than cost

Notably, PAI has continued its strong historical performance through the challenging economic environment of recent years. Since 2011, PAI has exited nine investments, having returned in aggregate €5.7 billion to investors representing a MoC of 3.7x and a 34% IRR.



Exits >3x MoC

Amora - Maille
CEP
Ceva
Chr. Hansen
Homann
Mivisa
Nuance
Panzani
Saur
SBS
Sogeres
Spie
Vivarte
William Saurin
Yoplait

FUNDING HISTORY

55
buyouts investments since 1994

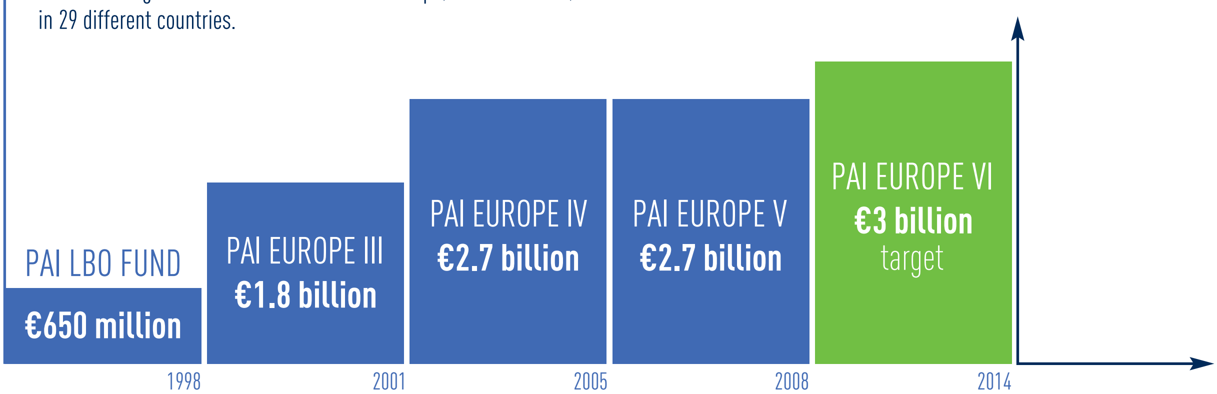
€38.4 billion
of aggregate Enterprise Value

€7.8 billion
of equity invested

€11.5 billion
of realised cash proceeds

Funds raised

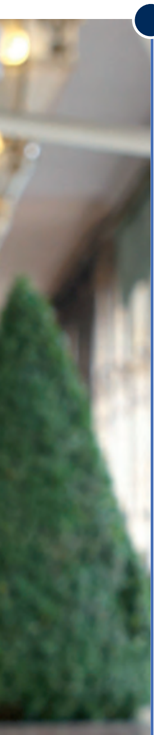
PAI is currently raising and investing the PAI Europe VI fund. Investors are primarily pension funds, insurance companies, governmental organisations, banks and high net worth individuals from Europe, North America, the Middle East and Asia. PAI funds have been sourced from over 150 investors in 29 different countries.



152
investors

€1.8 billion
total investor co-investment

OUR HISTORY



1872
Formation of investment activity at heart of Paribas merchant bank.

1993
PAI refocuses on principal investment activities and starts buyout investments.

1998
First third-party fund raised, the PAI LBO Fund, targeting European LBOs in core sectors.

2001
PAI Europe III raised.

2002
Partner-backed buyout of the management company from BNP Paribas.

2005
PAI Europe IV raised.

2008
PAI Europe V raised.

2010
PAI signs the UN Principles for Responsible Investment.

2013/2014

has been a busy period for PAI with the exits of Atos and Nuance and the acquisition of five new companies, CST, EMG, DomusVi, Labeyrie and VPS.

PAI also executed 24 add-on acquisitions to accelerate the growth of its portfolio companies.

2013/2014 HIGHLIGHTS

Over the recent period, we have achieved two successful exits and completed five new investments, sourced through a combination of long-term tracking and deep sector knowledge.

EXITS

2
partial or full exits representing

€905 million
of realised proceeds

INVESTMENTS

5
new investments signed, representing over

€2.3 billion
of aggregate Enterprise Value and over

€500 million
of invested capital

PORTFOLIO

24
add-on investments representing over

€1.4 billion
revenues

€191 million
EBITDA

2013/2014 HIGHLIGHTS

<< 2013

JULY

Nordine Hachemi becomes CEO of **Kaufman & Broad**

Refinancing **GCS**

SEPTEMBER

Jan Secher becomes the new CEO of **Perstorp**

OCTOBER

Refinancing **Xella**

NOVEMBER

Partial exit from **Atos**

DECEMBER

Swissport acquires Servisair

Marcolin acquires Viva

PAI Sustainability Club

2014 >>

JANUARY

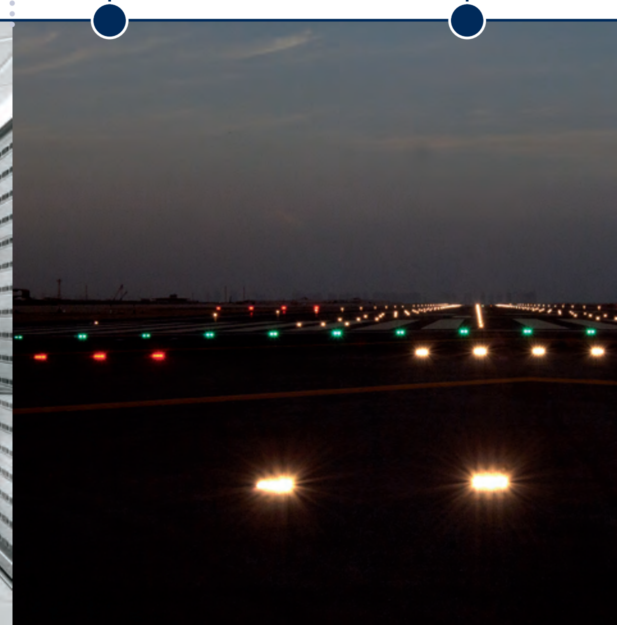
PAI Investor Days

Announcement of **PAI Europe VI**'s first closing

FEBRUARY

ESG & Large cap award by Private Equity Magazine

United Biscuits acquires A&P Foods



MARCH

ADB acquires Lucebit

APRIL

Acquisition of **CST**

Acquisition of **EMG**

Kaufman & Broad refinancing

Cerba acquires JS Bio

MAY

Atos takeover bid for Bull and sub-IPO of Atos Worldline

PAI HR Club

JUNE

Sale of **Nuance** to Dufry

Acquisition of **DomusVi**

Acquisition of **VPS**

Acquisition of **Labeyrie**

PAI Annual Meeting

R&R Ice Cream acquires Peters

MICHEL PARIS, CIO

SEIZING THE OPPORTUNITIES

How would you describe the current investment environment for European private equity, compared with a year ago?

The investment environment is certainly improving in Europe and we have seen a marked increase in terms of number of transactions done, but it is not without its challenges. There is still risk in terms of the macro environment and also increasing debt multiples on transactions. There is also the broader question of whether the stock market is overvalued. Certainly, asset valuations are high and in some cases hard to justify.

As you say, the IPO market has been on a hot streak, but do you sense that the balance is shifting in favour of trade sales?

The IPO market has certainly taken a large number of deals out of the market that would have been ideal M&A candidates. It has a negative impact on the deal-flow. But, yes, we are now seeing signs that the tide may be turning. IPO valuations are starting to come in at the lower end of price ranges so companies are now re-visiting the story from the perspective of an exit through M&A and that will start to provide opportunities for us.

So do you think the M&A recovery is here to stay?

Yes, the corporate M&A cycle is strong again and I believe that will continue. This is a positive sign because it means companies are feeling confident again, and that is an essential pre-requisite for a sustained revival in deal activity. Also, the uptick in M&A is a sign that company CEOs are making long overdue decisions in terms of optimising shareholder value, whether through buying assets for growth or selling underperforming ones. The return of big-ticket mergers is a positive factor for us because it leads to corporate disposals.

What is the outlook for private equity investment in Europe?

We don't see Europe as a market delivering growth per se. You can't rely on an equity market rebound alone to create value and drive growth, so as an investor you have to be very hands-on. You have two options to create value. Either you pursue acquisitive growth at the portfolio company, with big transformational add-on acquisitions that move the needle in terms of market share or exposure to new markets, or you have to be prepared to work through significant operational improvements. Either way, you have to be a very active investor and we have shown a consistent track record of doing this. For sure you need to have the right management team in place, and if not, you need to find the right team. But on top of this, it is important to build up the internal organisation capable of delivering add-on acquisitions and the subsequent integration of new businesses. This is something we have become very good at assisting our portfolio companies to do. It is not only about providing the capital to fund this type of growth, but also the expertise in implementing a consolidation strategy and network to source the larger end deals – for example in the last year, we were able to unlock the Servisair deal for Swissport and the Viva deal for Marcolin.

Which sectors do you find interesting at the moment?

We are active in the food industry, which is in a state of restructuring currently. The big players are reducing the complexity of their brand portfolios and that is giving rise to a number of deals. We also like healthcare services, such as nursing homes, clinics and biological labs. We are seeing consolidation in this sector across Europe and this provides a good opportunity for an active investor to drive value

SO FAR IN 2014, WE HAVE CONTINUED TO FIND PROPRIETARY SITUATIONS AND PAY ATTRACTIVE ENTRY MULTIPLES.

through add-on acquisitions. Business services is another very active sector for us and one in which we have had a lot of success historically – a number of business services assets have found exits in the IPO market recently and that has had a negative impact on deal-flow, but this has probably reached its peak. Industrials is providing a mixed bag of opportunities, but the sector is attractive for primary deal flow because it contains a lot of mid-sized privately owned companies.

And which countries do you find attractive?

Of course France, where we have strong home market status and continue to deliver proprietary deals. Despite a weaker macro environment, France is a large market with a large number of private equity owned companies and a wealth of large corporates in the process of reorganising their operations. This is clearly generating opportunities for us.

We like Italy particularly in the industrials sector, where there are lot of mid-sized family owned companies which need new capital. Importantly many of these companies are export-driven, so not reliant on the domestic macro environment. Given our strong track record in Italy and good ties with local families, we are able to get access to interesting, proprietary deals here. The two most recent, Marcolin and Nuance, are both companies with very international operations where the Italian market represents less than 10% of sales.

We are less optimistic about deal opportunities in Germany, because corporates there are doing well and profitability is strong. So valuations are either too high or companies are not for sale. Despite the larger size of the economy, Germany has always been behind France as a private equity market and I see no reason why that would change.

The UK is always active and here it is a question of being selective and choosing the right assets in our core sectors to focus on.

Spain is also a key market for us given our long-standing presence in the country. While there is a lot of hype around Spain at the moment, many of the value plays are in the real estate sector where we are not investing. This said, we have a growing pipeline in Spain and we do see clear signs of economic recovery.

With full valuations and primary assets at a premium, do you think the industry could be forced to lower its return expectations?

At current valuations, if firms are unable to originate deals, manage complexity and innovate then yes I think so. With interest rates close to zero you can't deliver 20% to

25% on many deals so returns have to be lower. Either that or you have to be smart and incredibly diligent to find off-market deals at competitive multiples or work very hard on transforming fully priced investments.

What are the qualities that have enabled PAI to make successful primary investments in this environment?

Patience, credibility and consistency. There are two different types of businesses in the current climate. There are very successful businesses with a good track record and these are fully valued. Then there are the other, complicated situations where there is value but you have to spot them and be very patient. As we recently showed with CST and Labeyrie, we are very focused on this second group. Labeyrie was owned by a French famers co-operative and we were only able to unlock this investment because we have unique experience given the situation with Yoplait. We were the only people to consider this. We struck a 50-50 deal where operational control is in our hands. It was a solution that they would never have thought about when they were looking to re-shape their business. Because of our experience with Yoplait and our track record this was a situation we were comfortable with Likewise, CST was four years of discussions with Schneider, it was a stop and go process but we delivered a consistent message and stayed close to them so that when Schneider finally made the decision to sell the business, we were there. We were credible and reasonable and sellers like that. So far in 2014, we have continued to generate proprietary situations and pay attractive entry multiples. We establish the right dialogue and are able to convince disparate shareholder groups to work with us. These are complex situations where we have proven we are able to deliver.

Atos

#2 EUROPE

PAI sector
Business Services

Investment date
July 2008

Exit date
November 2013 (partial)

Website
www.atos.net

Business description
IT services

Head Office
Paris, France

Number of employees
76,400

ATOS

A TRANSFORMATION STORY

November 2013

With the sale of half its shareholding in Atos in November 2013, PAI was able to distribute over €470 million to PAI Europe V investors, representing c. 20% of the fund total paid-in capital. The Atos story demonstrates the success of PAI's transformational approach to investing.

As a founding shareholder of Atos in the early 1990s, PAI had extensive sector and company specific knowledge when making the Atos investment through PAI Europe V. Atos had historically developed through a number of M&A operations enabling it to become one of the largest European IT services companies. In July 2008, PAI Europe V acquired a 25% stake in Atos and became the company's largest shareholder, joining the Board of Directors with a clear strategic plan to transform the company.

PAI's first decisive input was to recommend a change of management, which led in November 2008 to the recruitment of Thierry Breton as Chairman and CEO. Thierry had previously worked as CEO of Bull, Thomson and France Telecom as well as being a former French Finance Minister.

Under PAI's influence, the strategy of the group was redefined with the aim of transforming Atos into the European leader in Transactional Services (including Worldine, the payments division) and IT Outsourcing (Managed Services). These activities, which now represent more than three quarters of Atos' profits, are characterised by steady growth, good profitability and resilience economic downturn. The development of these activities was accelerated both organically, through new contracts, and through acquisitions. The most significant acquisition was that of Siemens IT solutions, SIS, in 2011 (€3.5 billion of sales).

Furthermore, under PAI's ownership, Atos implemented two major operational improvement plans to significantly increase margins (taking the operating margin from 4.8% at acquisition to 7.5% today) and was able to unlock the strategic value of the payment services division, Atos Worldline, through a sub-IPO.

NUANCE

#3 WORLDWIDE

PAI sector
Retail & Distribution

Investment date
February 2011

Exit date
June 2014

Website
www.thenuancegroup.com

Business description
Travel retail & duty free

Head Office
Zurich, Switzerland

Number of employees
4,700

Enterprise Value at exit
CHF 1.55 billion

Acquirer
Dufry AG

NUANCE

STRATEGIC VALUE CREATION

June 2014

In June 2014, PAI agreed to sell The Nuance Group AG ("Nuance"), a leading player in the global travel retail and duty-free industry, to Dufry AG ("Dufry") for an Enterprise Value of CHF 1.55 billion.

INTERVIEW WITH
Raffaele Vitale, PAI

How did you source the Nuance investment?

We had been following the company for a number of years as it operates in one of our core sectors, Retail and Distribution, and travel retail is one of the fastest growing sub-sectors, so it was clearly on our radar. Through our Italian office, we knew the co-shareholder, Gruppo PAM well and had kept in touch over the years since their acquisition of Nuance. As a result of the debt restructuring taking place in Stefanel SpA (the other shareholder of Nuance) in 2010, we were told by several local banks that Stefanel would have to sell this investment in order to realise proceeds to reinvest in its core business. At this point, we approached PAM to see if they would contemplate owning the company alongside us. Once we came to an in-principle agreement on governance with PAM, we were able to start conversations with Stefanel and agree a deal to buy their stake without the company ever being auctioned.

What were the key attractions of the market Nuance operated in?

Nuance is present in air travel retail which is a very attractive market given the secular growth in air travel globally. Furthermore, retail within airports is becoming increasingly sophisticated with strong potential to increase conversion rates and spend per traveller. Nuance is at the forefront of these developments and is particularly well-positioned in emerging markets where the growth in air passenger traffic is at its highest.

"THE STRATEGIC VALUE OF THE SECTOR WAS INCREASINGLY BEING RECOGNISED BY BOTH THE PUBLIC MARKETS AND TRADE BUYERS."

What were the key developments at the company under your ownership?

There was quite a lot to do operationally at the company once we took ownership as it hadn't been a core focus of either of the previous shareholders. In the months following our acquisition, the management team was reinforced, adding a new CFO with extensive M&A experience as well as a new Head of Business Development. Nuance began to focus on operational excellence, introducing innovative new retail concepts in its flagship airports (Zurich, Antalya in Turkey and Toronto) and centralising its European Purchasing and Retail functions. The company acquired its JV partners in Turkey and Asia and won seven new concessions and extended three long-term contracts under our ownership. In addition, the company restructured its loss-making operations in the UK and France. It wasn't all plain sailing; we faced headwinds in the form of an increasingly competitive Asian market, with concession tenders being very aggressively bid for by competing operators. This led to the loss of the Hong Kong airport contract in 2012. But this competitiveness also signalled the high strategic value operators were increasingly putting on the sector, which ultimately underpinned our successful exit.

And why was this exit so successful?

In large part, as I just said, because the strategic value of the sector was increasingly being recognised by both the public markets and trade buyers. But also we were able to maximise the competitive tension on the sale by running both an IPO and trade sale exit process. Nuance is a strategic and highly complementary acquisition for Dufry, the #1 worldwide airport retailer and they were therefore very motivated to acquire the company. The overall return generated by the investment will be over 3x MoC, representing a gross IRR of over 40%.

NUANCE

WATCH THE VIDEO HERE:

Nuance milestones

1917

Ocean Trading begins operating on board cruise ships

1955

First duty-free sales on board Swissair

1961

First tax free shop opens at Zurich

1992

Nuance is born through merger of Swissair and Crossair duty-free

2002

GECOS and Stefanel become joint shareholders

2011

PAI Partners acquires Stefanel's stake in Nuance

2014

Nuance is sold to Dufry

A WORLDWIDE LEADER

PAI sector
General Industrials

Enterprise value
$900 million

Signing date
April 2014

Website
www.cstsensors.com

Business description
Sensor and control products

Number of employees
4,500

Head office
Moorpark, USA

CST

April 2014

In April 2014, PAI and Carlyle Europe signed an agreement with the French industrial group Schneider Electric to acquire on a 50-50 basis Custom Sensors & Technologies ("CST") for an enterprise value of $900 million. Schneider will reinvest in CST alongside PAI and Carlyle Group as a minority shareholder.

Headquartered in Moorpark, USA, CST is a high-quality, high-end global leader in the manufacture of sensors, controls and motion products for the industrial, aerospace and transportation markets. It enjoys leading positions in a number of its product lines, generates high cash flows and offers considerable growth opportunities.

The acquisition of CST, which makes sensors under the brands BEI, Crouzet and Newall was made possible by PAI's unique understanding of the business and the strong relationship it had built over a three-year period with both CST and Schneider management.

CST generated sales of $600 million in 2013, split between the US (47%), Europe (43%) and the rest of the world (10%). The company employs 4,500 people and has manufacturing plants in Mexico, Morocco, China, the US, France, Germany and the UK.

PAI originally initiated contact with CST in 2010 and after Schneider Electric initiated an auction process in 2011, PAI formed a consortium with Carlyle but was ultimately outbid by a strategic buyer. When that deal collapsed in 2012, PAI and Carlyle approached Schneider on a bilateral basis.

SENSING GREATNESS

INTERVIEW WITH

Eric Pilaud, CEO of CST

Can you tell us about CST's product offering and strategy?

CST was born from several acquisitions made by Schneider Electric between 2000 and 2006. All these companies make sensors and control systems for various systems in aerospace, transportation and industry. The sensors perform critical applications so we operate in very specialised sectors requiring high technology and high reliability. We have transformed CST into a company working in highly specialised niches where our products are mission-critical, such as in aerospace, nuclear power and transport. These niches have higher barriers to entry, and if you do a good job, high levels of customer stickiness and pricing power. As we are selling trust and speed to the customer, it is crucial to have our manufacturing, design and R&D facilities in close proximity to one another. Clients value this because we can create the first sample products quickly and modify them to their specific needs.

What is the background to the investment from PAI?

In 2010, Schneider decided the business was no longer part of its core offering, so we began sounding out potential partners. I was immediately impressed by PAI's sector knowledge and their focus on helping companies to grow. Although their first bid was unsuccessful, the time they had invested in the process and the relationship we had formed meant they were extremely well prepared by the time the opportunity came around again.

What made them successful the second time around?

Aside from PAI's knowledge and trust, the deal structure was critical, as they enabled Schneider to maintain a 30% shareholding and thereby share in the upside of the business.

“AS WE ARE SELLING TRUST AND SPEED TO THE CUSTOMER, IT IS CRUCIAL TO HAVE OUR MANUFACTURING, DESIGN AND R&D FACILITIES IN CLOSE PROXIMITY TO ONE ANOTHER.”

What is the potential of this business?

This is a company that is focused entirely on growth. After a three-year turnaround strategy in which we re-positioned the business, we are now a high-margin business where every additional dollar of growth has a huge impact on profitability. Our traditional strengths are in Europe and the US and we will benefit from our focus on cross-Atlantic synergies. We also see huge growth potential in our Asian business. In China, for example, we have gone from having six people to a manufacturing facility employing 350 people, a 20-strong R&D facility as well as a sales force of 40 people.

What opportunities do you see beyond organic growth?

CST has market-leading positions in highly fragmented industries and we see ourselves as a long-term consolidator in this business. Having a shareholder like PAI allows us to pursue a program of aggressive bolt-on acquisitions and we have identified targets already.

What benefits does ownership by PAI bring compared with being part of a bigger corporate entity as CST was before?

The clear message from PAI is to seize the many opportunities that we see in our business for growth. This was not the case under our previous shareholders as we were a non-core business for them. It is exciting for us as a management team to have shareholders who both fully support and challenge our strategy. Our interests are perfectly aligned.

CST
CUSTOM SENSORS & TECHNOLOGIES

WATCH THE VIDEO HERE:

Prior PAI experience in General Industrials

ADB
#1 Worldwide

Airfield ground lighting
(since 2013)

Xella
#1 Worldwide

Aircrete blocks
(since 2008)

FTE
#1 Worldwide

Automotive components
(2005-2013)

GCS
#1 Europe

Plastic packaging
(since 2005)

Perstorp
A worldwide leader

Specialty chemicals
(since 2005)

Antargaz
#2 France

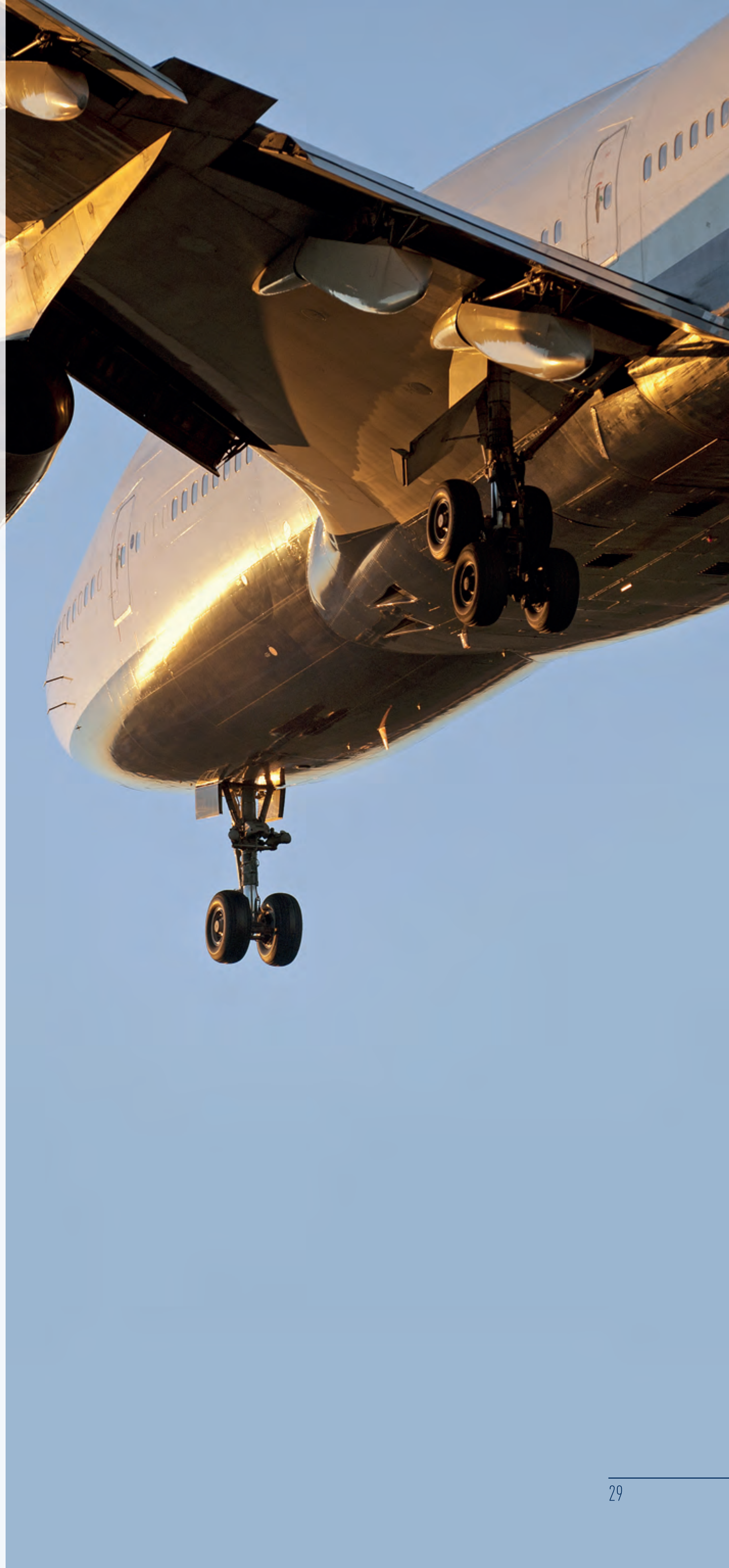
LPG distribution
(2001-2004)

Mivisa
#3 Spain

Metal packaging manufacturer
(2001-2005)

Gerflor
#2 France

PVC Flooring
(1998-2006)



euro media group
BROADCAST FACILITIES & SERVICES

#1 EUROPE

PAI sector
Business Services

Enterprise value
€170 million

Signing date
April 2014

Website
www.euromediagroup.com

Business description
Audiovisual technical services

Number of employees
1,400

Head office
Boulogne-Billancourt, France

EMG

April 2014

In April 2014, PAI signed an agreement with the founding Barry family, Ackermans & van Haaren, Bolloré Group, Banjijay Holding and Allianz Capital Partners to acquire Euro Media Group ("EMG"), the European leader in audiovisual technical services for an enterprise value of €170 million.

Headquartered in France, EMG has a leading presence in seven European countries. The company offers its customers – TV channels and production companies – a large range of services for the production and delivery of all media content, whether for broadcast or online distribution. EMG deals with the entire production process, handling every aspect from filming to content delivery.

EMG Group arose from a merger in 2007 of Euro Media and United Broadcast Facilities, a transaction which provided the group with unrivalled scale in Europe but also resulted in a complex shareholder structure.

The absence of a unified governance structure, and until recently of a professional management, hampered the group's development, ultimately resulting in the shareholders' decision to divest the business.

The investment rationale is based on strong underlying fundamentals in an industry where demand for video content is growing and where the industry is switching towards new formats, devices and delivery platforms. Given its strong market position, EMG is also well positionned to accelerate growth through acquisitions.

CREATING A SHARPER PICTURE

INTERVIEW WITH
Nicolas Holzman, PAI

What were the key factors in PAI executing this deal?

The acquisition of EMG underlines PAI's ability to source deal flow on a preferred basis within the French industrial landscape. PAI established a dialogue with the management and the shareholders on a confidential basis well ahead of a sale process, thanks to its knowledge of several shareholders. PAI's recognition as a value-added partner was instrumental in convincing a disparate shareholder base to accept the deal.

What made EMG stand out as an investment opportunity?

We like EMG because the company is already a European leader in broadcast services but also has strong potential to grow. It is the only service provider with a pan-European presence, owns the largest fleet of outside broadcasting trucks, and has the biggest studio capacity in Europe. It boasts a large base of established blue-chip clients, and is also responsible for the provision of content for the world's most prestigious live sporting events such as 2014 Sochi Olympic Games and the 2014 FIFA World Cup, where EMG's services are critical to broadcast the show to an audience of billions of people but constitute a small portion of the total event cost.

What makes this a particularly exciting opportunity is that there is significant upside potential. PAI considers that the group is underperforming as a result of its disparate shareholder structure, a lack of unified governance, with limited integration between subsidiaries and no focus on cost control or cash generation. It is more like a patchwork of different businesses currently, all of which have strong people and good ideas, but so far they have operated independently of one another, resulting in few synergies. PAI will have to change that in order to transform EMG into a truly global group.

“TECHNOLOGY AND INNOVATION WILL BE THE KEY TO THIS BUSINESS IN THE FUTURE.”

What are your priorities for the business?

To restore profitability to historical levels and to transform EMG into a truly global organisation. On the first point, our immediate priority is to put in place a new governance structure, launch the transformation plan in France, which is the company’s biggest market, and focus the company on costs and cash. On the second point, most of EMG’s subsidiaries are well managed and have successfully developed innovative offerings, but they are not shared with the rest of the group. These businesses are also well positioned to benefit from the ongoing sector consolidation in Europe.

What is the attraction of this market?

The audiovisual technical services market benefits from positive fundamentals, driven by the ever-increasing demand for video content with the emergence of new channels, notably online, and equipment. At the same time, TV channels increasingly focus on their role as a content editor and outsource technical tasks, a trend that EMG is set to disproportionately benefit from.

Technology and innovation will be the key to this business in the future. Bear in mind that by 2015, more than 90% of the Internet traffic will be video-based and by 2020 some 90 billion devices will be connected to the Internet in the world.

WATCH THE VIDEO HERE:

EMG milestones

1975

Creation of the Société Française de Production ("SFP")

1982

Creation of UBF Media Group in Holland

1983

Creation of Euro Média Télévision in France ("EMT")

2001

EMT acquires SFP

2007

Merger of UBF and EMT and creation of Euro Media Group

2010

Acquisition of ACS in England and 3Zero2 in Italy

2013

Acquisition of the assets of EMG's competitor Alfacam

2014

Acquisition of EMG by PAI

DomusVi

#3 FRANCE

PAI sector
Healthcare

Enterprise value
€639 million

Signing date
June 2014

Website
www.domusvi.com

Business description
Nursing homes

Number of employees
c. 10,000

Head office
Suresnes, France

DOMUSVI

June 2014

In June 2014, PAI announced the acquisition of DomusVi Dolcea Participations ("DomusVi"), the third biggest private player in France's nursing home sector. The transaction valued the company at €639 million and gave PAI Europe VI a 57% controlling stake.

Yves Journel, the founding shareholder, will reinvest alongside PAI to maintain a 25% stake. ICG, a historical investor in DomusVi alongside Mr Journel, will have 14% and the management will hold 5%. The transaction was completed in September 2014.

A HEALTHY FUTURE

A strong player in an industry with compelling fundamentals

Headquartered in Suresnes, a western suburb of Paris, DomusVi is the third biggest private player in the nursing home sector in France, operating 194 nursing homes generating sales of €647 million in 2013. The group is present in all areas of elderly care. As well as having 179 medicalised nursing homes including Alzheimer and Parkinson units, and 15 non-medicalised facilities, it also provides home care through a partnership with DomusVi Domicile.

PAI considers DomusVi to be a compelling investment because of a number of strong market fundamentals: (i) the French nursing home market is driven by favourable demographics (e.g. the population in France aged 85 or over is set to grow at 3% per year until 2018); (ii) the country's private nursing home sector operates a highly regulated, authorisation-controlled model. Under this model, the opening of new nursing homes is subject to a competitive tender process launched only when and where demand is in excess of supply, preserving the high occupancy rate of existing residences. The tender process tends to benefit to larger players with a good understanding of the regulations, providing high barriers to entry; (iii) France enjoys the most flexible pricing structure in Europe, with 65% of the price freely set by operators and paid directly by residents and (iv) private nursing homes represent a more cost-efficient solution than hospitals or public nursing homes.

Well-respected, with great potential

PAI selected DomusVi as an ideal acquisition opportunity after conducting an in-depth review of the healthcare services industry across Europe. DomusVi is a primary asset in the market for elderly care that PAI has been researching extensively over many years. France is PAI's natural heartland and it was able to forge a strong relationship with the founding shareholder a year in advance of the deal.

While DomusVi is a market leader with a highly-respected brand, the company offers considerable scope for operational improvements. After agreeing a merger in 2011 with Dolcea-GDP Vendôme, the company has suffered a challenging post-merger period during

> **WITH THE TOP THREE PRIVATE NURSING HOME PROVIDERS ACCOUNTING FOR LESS THAN 10% OF THE TOTAL MARKET, THE ELDERLY CARE MARKET IN FRANCE IS STILL TO BE CONSOLIDATED.**

which the management was focused on integration rather than on development and growth. Growth has also been marred by conflicts between the two former shareholders and thus PAI's acquisition will bring the necessary stability and focus to enable the experienced management team to flourish.

Meanwhile, with the top three private nursing home providers accounting for slightly less than 10% of the total market, the elderly care market in France is fragmented and DomusVi constitutes a solid platform for bolt-on acquisitions both in France and in other European markets.

Cross-selling opportunities

The company already has the critical mass to capture growth and the platform to develop a highly complementary offering between nursing homes and home care. DomusVi Domicile is the #1 French player in home care dedicated to disabled, elderly and dependent people. The division has enjoyed organic growth of c. 5% per annum in recent years and it is the perfect platform to extend the home care network through acquisitions.

This acquisition plays to PAI's deep knowledge of the French market in general, as well as its strong track record in the healthcare services sector, where it has a string of investments such as Cerba European Lab, Ipsen and Ceva Santé Animale.

Prior PAI experience in Healthcare

Cerba
A European leader

Biological laboratories
(since 2010)

Ceva
#1 France

Animal health
(1999-2003)

Ipsen
#1 France

Pharmaceutical laboratory
(1998-2005)

LABEYRIE FINE FOODS

#1 FRANCE

PAI sector
Food & Consumer Goods

Enterprise value
€567 million

Signing date
June 2014

Website
www.labeyrie-fine-foods.com

Business description
Gourmet food

Number of employees
4,100

Head office
Saint-Geours, France

LABEYRIE

June 2014

In June 2014, PAI saw the fruits of its negotiations ripen into a unique transaction – the acquisition of Labeyrie Fine Foods ("Labeyrie"). Headquartered in Saint-Geours, South-West France, Labeyrie is the leader in gourmet food in France and exporter to 40 countries.

PAI acquired the company from the cooperative Lur Berri and LBO France for an enterprise value of €567 million. On acquisition, PAI entered into a joint venture agreement with Lur Berri and will own the company on a 50-50 basis, with management also reinvesting significantly in the business.

A GOURMET DEAL

INTERVIEW WITH
Frédéric Stévenin, PAI

What attracted PAI to this opportunity?

PAI has a long-standing and successful track record of investing in food and consumer goods companies and that knowledge gave us the appetite and confidence to pursue this unique investment opportunity. We have a history of successfully supporting and developing market-leading global brands with investments such as Panzani-Lustucru, Yoplait and United Biscuits and we can take the lessons learnt from these investments to Labeyrie. We also like the food sector because it still needs to undergo a wave of consolidation. There are six times more food and consumer goods companies in Europe than in the US. In the case of Labeyrie, our experience of successful partnerships with industrial investors most notably through our joint ownership of Yoplait with the Sodiaal co-operative from 2002 to 2011, was especially relevant. Because of this mutually beneficial experience with a farmers' cooperative on Yoplait, Lur Berri had the confidence to enter into bilateral discussions with us instead of launching a competitive process to refinance LBO France's minority stake.

What was particularly interesting about Labeyrie?

Labeyrie is the market leader across a number of gourmet food segments in France, where its smoked salmon, foie gras and blini brands are seen as "category captains" and indispensable partners to the retailers in high margin, premium categories. In the UK, it also has a #1 offering in shrimps, and is #2 in salmon as Tesco's exclusive private label supplier. These strong market positions mean that the company is well-entrenched with the all-important retailers but has scope to further develop its product range in the gourmet segment, leveraging on its existing well-recognised brands.

"THERE IS GOOD SCOPE TO LEVERAGE LABEYRIE'S UNIQUE POSITIONING IN FRANCE AND THE UK WITH STRONG RECOGNISED BRANDS AND ESTABLISHED CUSTOMER RELATIONSHIPS."

What is the growth potential of this business?

As part of the discussions with Lur Berri and management prior to the acquisition, we agreed on a common growth plan. As I said, we are clear that there is good scope to leverage Labeyrie's unique positioning in France and the UK with strong recognised brands and established customer relationships. We want to accelerate the expansion strategy into other premium food categories such as frozen and ready-to-cook meals.

We will also look to pursue certain acquisition opportunities to boost the international presence of the group. As the company has grown through acquisitions, there is still quite a bit of scope to improve the cost structure by increasing the sharing of resources between the different business units. All in all, a lot to do, but we are excited to work alongside management on some great opportunities for the company.

Prior PAI experience in the food sector

R&R Ice Cream #2 Europe

Ice Cream
(since 2013)

UB #2 Europe

Biscuits
(since 2006)

Chr. Hansen #1 Worldwide

Natural food ingredients
(2005-2012)

Yoplait #2 Worldwide

Fresh dairy products
(2002-2011)

Panzani #1 France

Pasta & sauces
(2000-2005)

William Saurin #1 France

Canned ready meals
(2000-2001)

Amora - Maille #1 France

Sauces & condiments
(1998-2000)

Seda #2 Spain

Instant coffee
(1997-1999)

Diana A European leader

Natural food ingredients
(1990-2004)

#1 EUROPE

PAI sector
Business Services

Enterprise value
£161 million

Signing date
June 2014

Website
www.vpsspecialists.com

Business description
Vacant property services

Number of employees
900

Head office
Borehamwood, UK

VPS

June 2014

In June 2014, PAI signed the acquisition of VPS Holdings ("VPS"), Europe's leading vacant property specialist, for an enterprise value of £161 million.

With full-year 2014 sales of £77 million and pro-forma operating EBITDA of £19 million, VPS is the undisputed leader in its field across the life cycle of the vacant property market.

Based in Borehamwood in the UK, VPS serves social housing and commercial customers with a full suite of products from security solutions, such as alarms, CCTV, screens, manned guard and live-in guardian, to property management services such as cleaning, waste disposal and maintenance.

The vacant property market currently stands at £600 million, with potential to reach £1.7 billion, while the company is a clear market leader, occupying #1 positions in the UK, France and the Netherlands, and enjoys a growing presence in Germany, Italy and Spain.

SITUATION VACANT, OPPORTUNITY GREAT

INTERVIEW WITH
Mark Silver, CEO of VPS

What is the background to the investment from PAI?

The company's previous owner, TDR Capital, demerged the European business from its US counterpart in 2013. VPS Europe was seen as the more focused entity and as such was put up for sale. I was introduced to Colm O'Sullivan, the UK Partner of PAI at the start of 2014 and was impressed with PAI's emphasis on European growth and affinity for blue-collar business services companies like VPS. They quickly gained "preferred" status, at least as far as management were concerned, in the competitive sale process.

What attributes do they bring to your business?

Aside from being thoroughly decent people who encourage businesses to grow, PAI brings an incredibly impressive network across Europe, particularly in France, where they are market leaders and we have a strong presence, but also in Germany, Italy and Spain. Their expertise and scope mirrors our own and their size makes them a powerful partner in helping grow our business.

Can you give an insight into your growth objectives?

We are looking to double in size in terms of revenue and EBITDA within the next three years - both organically and through acquisition. We provide security and property management solutions to clients in a full range of industries, from pubs and retail to insurance and finance. Overall, we expect the industry to show single digit growth but we believe we can grow faster with the support of PAI, both by having greater potential to invest in our products and

“WE EXPECT THE INDUSTRY TO SHOW SINGLE DIGIT GROWTH BUT WE BELIEVE WE CAN GROW FASTER WITH THE SUPPORT OF PAI.”

services and through additional firepower to make acquisitions. We also see great untapped potential to partner with manned guarding companies. One of our key organic initiatives over the last year has been the development of our Towers business, providing security through industry-leading CCTV and alarms to construction sites. From a standing start, we have 100 or so Towers installed on sites across Europe in six months.

How will your development be split between organic growth and M&A?

Broadly, we envisage a 50-50 split. Our development is in different stages in each country. In the UK and France, currently our biggest markets, we're looking to expand through a combination of organic growth and M&A, while in the Netherlands we are looking at more M&A opportunities. We are particularly excited about our businesses in Germany and Spain, where we have started an exercise immediately to focus on organic growth. We also see a number of possible upsides in Italy.

How do you get comfortable with the challenges of operating in Southern European economies such as Italy and Spain, compared with the UK, where the economic recovery is stronger?

Because VPS offers vacant property services, we are a good defensive play in harder economic times. That said, we're not a counter-cyclical business. We prefer a better economic environment where there is a greater turnover of vacant properties and less pricing pressure. With PAI, we are really looking forward to the next exciting stage in the evolution of VPS.

Prior PAI experience in Business Services

IPH
A European leader

Industrial supplies distribution
(Since 2013)

Kiloutou
#2 France

Equipment rental services
(Since 2011)

Atos
#3 Europe

IT Services provider
(Since 2008)

Spie
#2 France

Multi-technical services
(2006-2011)

CEP
#1 France

Loan insurance brokerage
(2005-2011)

Saur
#3 France

Water and waste management
services (2005-2007)

Elis
#1 Europe

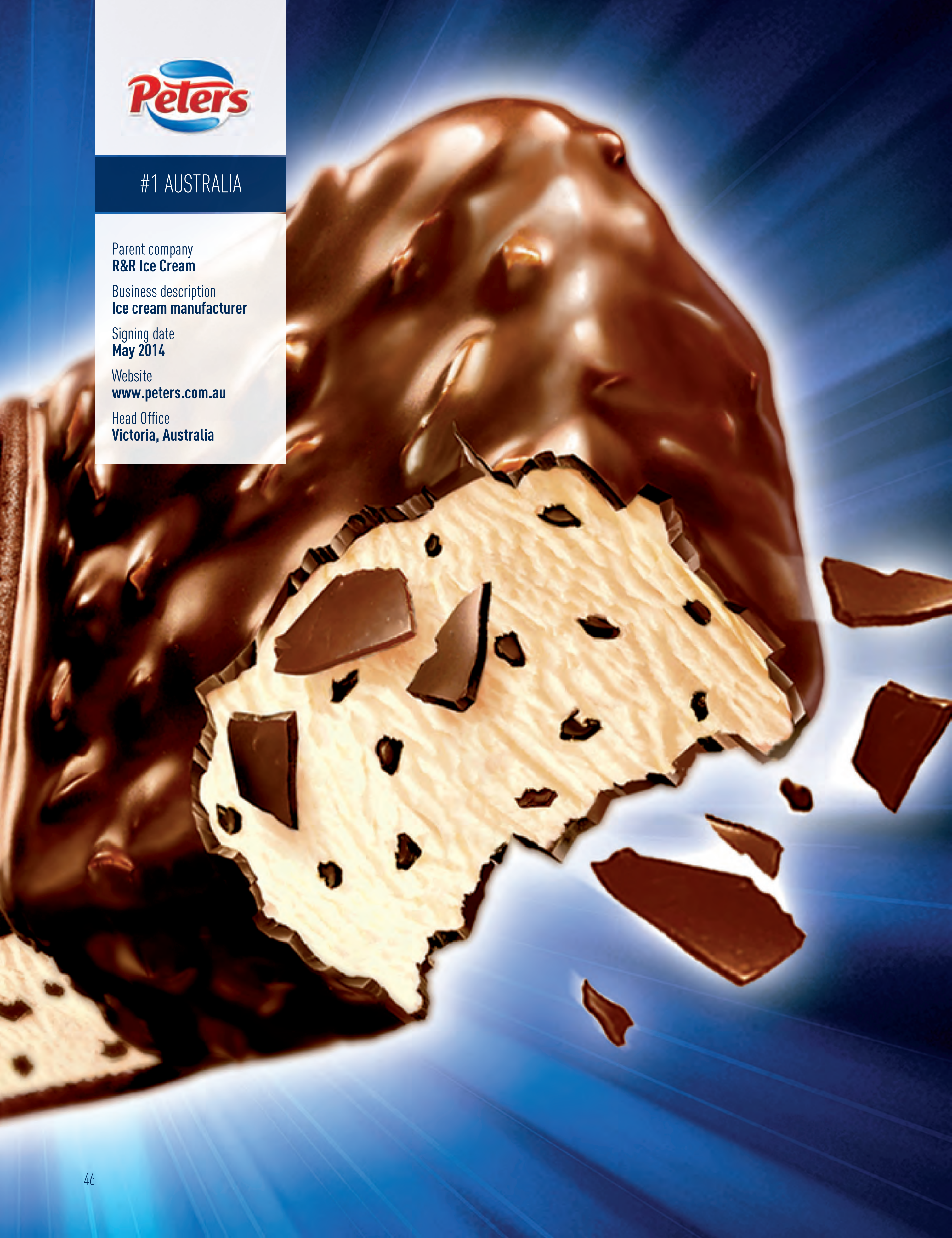
Textile rental & hygiene
(2002-2007)

Elior
#3 France

Catering and concession services
(1997-2001)

Sogeres
#4 France

Contract catering services market
(1994-2001)



Peters

#1 AUSTRALIA

Parent company
R&R Ice Cream

Business description
Ice cream manufacturer

Signing date
May 2014

Website
www.peters.com.au

Head Office
Victoria, Australia

PETERS

May 2014

PAI-backed R&R is building a global ice-cream empire following a transformational Australian acquisition

In May 2014, R&R Ice Cream ("R&R"), a company based in the UK and owned by PAI, signed an agreement to acquire 100% of Peters Ice Cream, Australia's leading domestic ice cream company, from Pacific Equity Partners. Historically part of the Nestlé group, Peters is the leading ice-cream manufacturer in Australia. It manufactures, sells and distributes a range of products under iconic Australian brands including Drumstick, Connoisseur, Peters Original, Maxibon, Skinny Cow and Frosty Fruits.

The acquisition fits very well with R&R's equity story. Peters is a unique opportunity for R&R to reinforce its branded offering, gain scale and exposure to Asia and accelerate growth.

The transaction closed in June 2014.

A WORLD-BEATING COMBINATION

INTERVIEW WITH
Stephen Audsley,
CEO Peters Ice Cream

How did the transaction with R&R come about and what made them the ideal partner?

After spinning out as an independent company from Nestlé, Pacific Equity Partners had taken the business up to a point where they were ready to exit and launched a competitive process at the start of the year. R&R was the ideal outcome in terms of the future management of the company and in terms of the market opportunities we both see. But crucially it's a great combination of two complementary businesses which are culturally and operationally aligned.

How is Peters benefitting from being part of the larger group?

Prior to the acquisition by R&R, Peters had undergone a transformation which provided a strong base from which to continue growing in Australia, where we are already clear leader in the take-home market with a 32% market share and number two in the buy-to-eat-now market. We also see a great opportunity with R&R to gain exposure to fast-growing markets in Asia, where there is a growing middle-class looking to participate in western brands. The uptake of dairy products in Asia is growing exponentially and over time that will have a positive effect on ice-cream consumption in those markets.

Aside from a strong macro-picture, we are also seeing some exciting near-term opportunities with R&R as our marketing and product development teams work closely together. Our enhanced scale strengthens our bargaining position with buyers, while we also see a number of quick wins in terms of cross-selling between Australia and Europe, where R&R has a strong market position. For example, we already see great scope for our premium Connoisseur brand in Germany.

"WE SEE A NUMBER OF QUICK WINS IN TERMS OF CROSS-SELLING BETWEEN AUSTRALIA AND EUROPE, WHERE R&R HAS A STRONG MARKET POSITION."

What are the key attractions of the Australian ice cream market and how does it compare with Europe?

Australians are the third highest per capita consumers of ice cream in the world, behind the US and New Zealand and it's a very robust category. Australian's love their ice cream to the extent that they spend more on ice cream each year than they do breakfast cereal.

By way of a comparison, Australians consume 14 litres of ice cream per capita per annum, compared with an average of eight litres in Europe.

The ice cream category in Australia is enjoying robust growth, having grown in value by an average of 6% p.a. over each of the past five years. This compares favourably with growth rates in Europe. In Australia we have a large impulse market and our products are available in around 50,000 points of purchase across the country.

Globally there is a trend to more premium products and both Europe and Australia are benefitting from the shift by consumers to buy more premium ice cream.

With the addition of the Peters business in Australia to the R&R group we see a fantastic opportunity to build a truly global ice cream player.

And finally, what's your favourite ice-cream?

We've launched our Connoisseur brand onto a stick in 2013 and it's been a fantastic success. The Murray River salted caramel is a particular favourite.

TO LEARN MORE ABOUT R&R:

R&R milestones

1932
Creation of Roncadin in Germany

1985
Creation of Richmond in the UK

2001
Richmond acquires Nestlé's business in the UK

2006
Merger of Richmond and Roncadin into R&R Ice Cream

2010
R&R acquires Rolland in France

2011
R&R enters into a licencing agreement with Mondelēz International

2012
R&R acquires Eskigel in Italy

2013
Acquisition of R&R by PAI

2013
R&R acquires Fredericks Dairies

2014
R&R acquires Peters Ice Cream


ROTHSCHILD
PAI

FIRM OVERVIEW

PAI is one of the longest established private equity firms in Europe. The firm is organised around five core sectors and sources deals in these sectors through its strong local networks in France, Germany, Italy, Spain, the UK and the Nordic region.

OUR SECTORS

Business Services
Food & Consumer Goods
General Industrials
Healthcare
Retail & Distribution

OUR TEAM

54
professionals representing

9
nationalities based in

7
European offices

OUR INVESTORS

€11 billion
of funds raised since inception from

152
institutional investors from

29
countries

OUR SECTORS

PAI INVESTS IN SECTORS IN WHICH IT HAS DEEP KNOWLEDGE AND INVESTMENT EXPERIENCE, PROVEN BY ITS STRONG TRACK RECORD ALL OVER EUROPE.

BUSINESS SERVICES

The Business Services industry in Europe has generally experienced good growth in recent years as a result of the increased outsourcing of non-core activities by a number of key operators.

The outsourcing trend across Europe has driven a professionalisation of many business services and strong consolidation opportunities as companies seek to build critical mass and scale by acquiring smaller, regional operators.

PAI has an exceptionnal track record of supporting business services companies to further professionalise their operations and to consolidate their markets.

CURRENT PORTFOLIO

13 buyouts
since 1994

€799 million
average Enterprise Value

FOOD & CONSUMER GOODS

PAI is a leading private equity investor in the European Food & Consumer Goods industry and has contributed to the growth of a number of Europe's leading brands.

The Food & Consumer Goods industry is characterised by its relative stability across economic cycles. In Europe, PAI has been able to generate attractive investment returns due to its ability to identify opportunities for industrial consolidation in the sector, as well as its strategy to reinvigorate underinvested brands and drive market share through product innovation.

In the broader consumer sub-sector, PAI's focus is on growing niche categories (such as affordable luxury and baby and child products).

CURRENT PORTFOLIO

17 buyouts
since 1994

€616 million
average Enterprise Value

GENERAL INDUSTRIALS

Within the wide spectrum of the General Industrials sector, PAI has built specific industry knowledge and investment experience in certain sub-sectors.

PAI focuses on a number of specific subsectors in the General Industrials space and is looking for investment opportunities typified by one or more of the following characteristics: manufacturers strongly positioned in under-exploited niche markets; companies which represent strong platforms from which to pursue a consolidation strategy; non-core assets from large industrial companies which require refocus and re-energisation and market-leading European-headquartered industrial companies which are exposed to strong global growth particularly in Asia and emerging markets. In all cases PAI invests to grow the businesses.

CURRENT PORTFOLIO

ADB p.64
CST p.26
GCS p.65
Perstorp p.69
Xella p.71

11 buyouts
since 1994

€731 million
average Enterprise Value

HEALTHCARE

PAI's interest in the European Healthcare market stems from the favourable demographics and the generally non-discretionary nature of the expenditure and consequent low cyclicality.

In healthcare services, attractive investment opportunities are driven by capacity expansion, consolidation amongst service providers and value creation through industrialisation and service improvement in what continues to be a fragmented and inefficient market. In pharmaceuticals, PAI is focused on off-patent or branded generic product portfolios with limited margin pressure, while in medtech PAI looks primarily at consumables businesses, rather than capital goods.

CURRENT PORTFOLIO

Cerba p.65
DomusVi p.34

4 buyouts
since 1994

€637 million
average Enterprise Value

RETAIL & DISTRIBUTION

PAI has built strong expertise in the Retail & Distribution industry. Through multiple investments in the sector, PAI has been able to generate strong returns by applying retail best practice across a number of underinvested or previously undermanaged retail companies.

PAI has supported retail companies by growing them into national leaders through consolidation, investing in the repositioning of brands and rejuvenating store concepts to drive sales, and assisting in the reconfiguration and expansion of store networks. Furthermore, PAI has made a number of investments in the value apparel retailing segment and benefited from the strong long-term growth in this segment.

CURRENT PORTFOLIO

Grupo Cortefiel p.66
Hunkemöller p.66

7 buyouts
since 1994

€835 million
average Enterprise Value

OUR TEAM

PAI'S DEDICATED TEAM WORKS ACROSS ITS SEVEN EUROPEAN OFFICES IN PARIS, LONDON, LUXEMBOURG, MADRID, MILAN, MUNICH AND STOCKHOLM TO SUPPORT ITS PORTFOLIO COMPANIES AND TO FIND NEW INVESTMENT OPPORTUNITIES.

AN INTEGRATED EUROPEAN TEAM

Sector Teams

Many years of experience investing in businesses in their target industries with a pan European perspective

Country Teams

Developing deep ties and relationships with the business community in their target markets

Investment Group

A centrally based, flexible resource that can be leveraged across regions to assist in deal execution

Portfolio Performance Group

Assisting in the identification, delivery and monitoring of specific operational improvements at the portfolio companies

Investor Team

Managing all interactions with the Funds' investors and coordinating fundraising, co-investment and capital markets activity

Finance Team

Providing comprehensive financial information to investors on a regular basis and responsibility for the legal, tax and regulatory structuring of the funds' vehicles

Compliance & ESG Team

Providing the framework and monitoring of the firm's approach to responsible investment

HIGHEST LEVELS OF GOVERNANCE AND TRANSPARENCY

Investment Committee

PAI's Investment Committee ("IC") is the core engine for all investment and exit related decisions. It is chaired by Michel Paris, the CIO, and run on a consensual basis with nine Partner members, with meetings or calls held at least weekly and open to the whole Partner group and the Investor Team. Sector and Country Teams report to the IC, which oversees the Firm's investment strategy and approach for all investment matters (including significant portfolio developments, acquisitions, refinancings etc).

The deal teams put forward transaction opportunities to the IC which is responsible for making the investment decisions. A proposal will not go ahead if two or more IC members vote against it.

The IC is also assisted by the Investment Appraisal function, which supplements the deal teams' input with an independent assessment and analysis of potential investment opportunities, including key transaction highlights and risks.

Executive Committee

The Executive Committee ("Comex") oversees the management (non-investment decisions) of PAI Partners SAS, including all decisions relating to the strategy, operations and general administration (e.g., strategic planning, investor relations, human resources, finance and budgeting).

The Comex is chaired by Lionel Zinsou and comprises seven other Partners. Decisions are made on a simple majority basis.

Supervisory Board

The Supervisory Board of PAI Partners is an independent body comprised of six senior professionals from outside the Firm, all with long and distinguished careers. Its members are elected by the Partners of PAI. It is chaired by Amaury de Seze, former Chairman & CEO of PAI.

The Supervisory Board provides governance oversight, including validation of Partners' compensation and carried interest allocations.

OUR INVESTORS

PAI'S INVESTORS INCLUDE PENSION FUNDS, INSURANCE COMPANIES, GOVERNMENTAL ORGANISATIONS, BANKS, FUND OF FUNDS AND HIGH NET WORTH INDIVIDUALS FROM EUROPE, THE AMERICAS, THE MIDDLE EAST AND ASIA.

INVESTOR RELATIONS

Building strong relationships with investors is an essential part of PAI's business. PAI has developed a well-resourced, open and transparent investor relations programme to execute this.

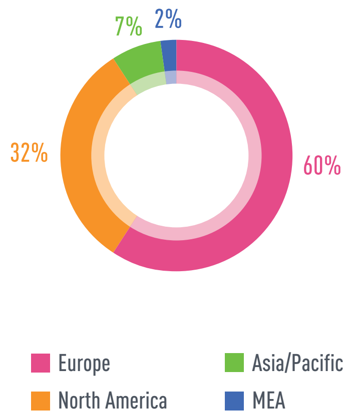
All investors are fully informed about PAI and the portfolio companies through a variety of different channels, including annual and mid-year investor meetings (in Paris, London and New York), quarterly financial reporting and deal-by-deal presentations. There is a continuous programme of individual meetings throughout the year.

PAI is also fully coordinated around the broader investment activities of its Limited Partners, whether in the form of co-investment, mezzanine or senior debt.

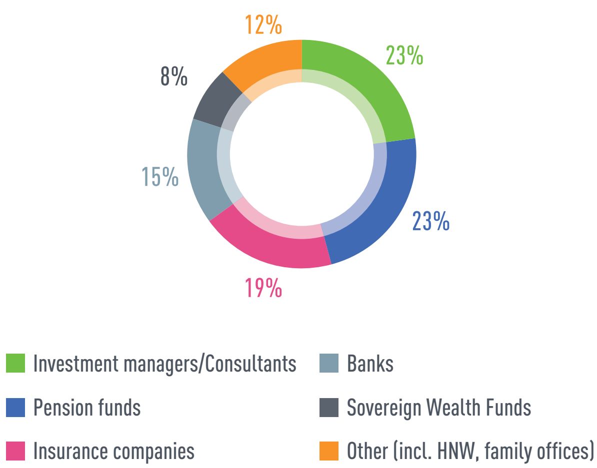
PAI has developed a large and diversified investor base across its five successive private equity funds, and manages over €6 billion for these investors.

For PAI Europe V, capital was sourced from over 150 investors in 23 countries.

PAI Europe III, IV and V by region (in value)



PAI Europe III, IV and V by type (in value)



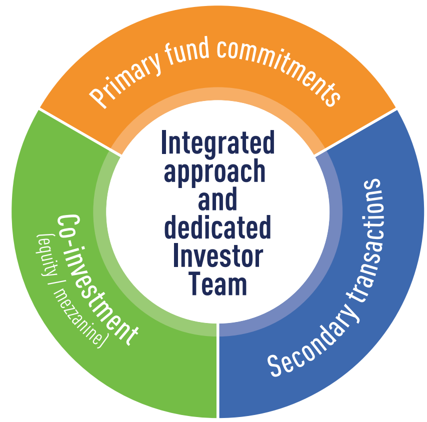
PAI has a global view on its relationship with investors, not only taking care of the primary fund relationship, but also facilitating secondary transactions and managing co-investment opportunities.

€1.3 billion

of equity co-investment placed with 38 investors[1]

€520 million

of mezzanine debt placed with 13 investors[1]



PAI's co-investment programme

In response to increased appetite from its investors for access to direct investment opportunities, PAI has sought to lead the market in the development of a comprehensive co-investment programme that is fully integrated into the Firm's investment process.

The Investor Team works closely with its investors to identify appetite for different sectors, transaction types and securities.

In aggregate, since 1998, PAI has placed c. €1.8 billion of equity and mezzanine co-investment, representing c. 25% of PAI fund investments.

Recent co-investment activity (PAI Europe V)

Company	Cerba	Hunkemöller	Swissport	IPH	R&R
Year	2010	2011	2011	2012	2013
Co-investment type	Equity/ Mezzanine	Mezzanine	Equity	Equity/ Mezzanine	Equity
Number of LP co-investors	9	1	9	7	12

INTERVIEW JOHN SCHUMACHER, CHAIRMAN OF GOLDPOINT PARTNERS

(FORMERLY KNOWN AS NEW YORK LIFE CAPITAL PARTNERS)

How important is co-investment to you?

At GoldPoint Partners, we seek to develop deep, long lasting relationships with our GPs. We do this by first seeking to partner with top quartile managers who deliver superior investment returns for our limited partnership investments. We then seek to leverage these relationships as a source of high quality, proprietary deal flow for our direct equity co-investment and mezzanine platforms. Co-investment is very important to us given the alpha it generates on our underlying fund investments through the combination of direct deal returns with lower fees. It also allows us to improve our manager selection process by developing deeper insights into a GP's due diligence and value creation processes while working alongside them on a transaction in real time.

Is PAI's approach different?

Over our 15 year relationship with PAI, they have always recognized the importance of co-investment to limited partners. PAI runs an efficient and transparent co-investment process that provides high levels of access to their IR professionals, transaction deal teams, and even portfolio company management. The transparency continues well after a co-investment has closed through regular performance update calls and detailed reporting packages. PAI is among the best GP performers in our co-investment portfolio, which is why they have received our Core Partner Award for "European Sponsor of the Year" four times since 2000.

GoldPoint PARTNERS

EUROPEAN SPONSOR OF THE YEAR PAI 2004, 2005, 2007, 2011

[1] Since 1998.

ENVIRONMENT, SOCIAL & GOVERNANCE

PAI has a long-term approach to investing and is committed to growing businesses. PAI's investment strategy naturally engenders a responsible approach to its portfolio companies.

PAI'S ESG VISION

Fulfilling our social and environmental responsibilities as an investor is fundamental to the success of our business activities. These activities impact a wide range of stakeholders. Taking these impacts into account and contributing to the wider communities in which we operate is fundamental to the Environment Social and Governance ("ESG") roadmap we have adopted at PAI.

In the past twelve months, PAI has put the focus on integrating ESG directly into the investment process. ESG due diligence is now carried out before each investment, in order to assess the risks and opportunities that may arise from the operations of the company.

An ESG team is now in place, providing PAI and the portfolio companies with expertise and guidelines on ESG matters.They provide the framework for the integration of ESG topics within PAI but also in the industry, by taking part in various committees and think tanks, as well as to the elaboration of reference charters and handbooks for GPs.

The portfolio companies are regularly audited and report on their ESG performance at least once a year.

In February 2014, PAI's ESG Programme won Private Equity Magazine's Sustainability Award.

PAI systematically reports to its investors on how responsible investment is integrated in its investment processes and portfolio management. This year, PAI decided to report and disclose its ESG practices to the broader public and published its first dedicated ESG Review.

PAI's first ESG review

PAI SUSTAINABILITY CLUB

Since 2011, PAI has organised a biannual meeting, the PAI Sustainability Club, to encourage dialogue between managers responsible for ESG in our portfolio companies.

These meetings provide ESG managers with expertise, either from external consultants or from their peers. They also allow portfolio companies to discuss common issues and learn from the experiences of their peers whose ESG strategies are already in place.

The Sustainability Club is a privileged channel of communication between PAI and portfolio companies. PAI's ESG strategy is presented during the meetings, and portfolio ESG policies are also introduced and discussed within the group and with PAI in order to ensure continuous improvement.

ESG managers choose the topic of the meetings and are provided with specialist expertise from external consultants and from PAI professionals. Presentations, workshops and lessons allow for creative interaction and brainstorming.

Recent topics discussed

December 2013

Human resources management & corporate responsibility

June 2014

ESG reporting: integrated reporting and the Global Reporting Initiative

SUSTAINABILITY PAI CLUB

PROJECTS SUPPORTED

PAI Human Capital offers funding to specific projects rather than organisations, ensuring the maximum impact for funds committed.

In 2013 and 2014, PAI Human Capital identified and supported projects run by six new organisations. This brings to thirteen the number of projects across France, Germany, Italy and Spain, in which PAI Human Capital has been involved.

2013 / 2014 projects

> Adie

> Apprentis d'Auteuil

> Arès (including Log'ins)

> Aurore

> BGE

> Clubhouse

> Emmaüs Défi

> Fleur de cocagne

> Fundación Juan XXIII

> Joblinge

> Lazare

> Permicro

> Société nouvelle face au chômage

PAI HUMAN CAPITAL

In 2012, PAI launched a philanthropic initiative – PAI Human Capital – that supports not-for-profit organisations in countries where PAI has offices. PAI Human Capital supports themes around professional integration and re-integration, such as education and training, job creation and social entrepreneurship.

Rather than pursuing a wider range of social and environmental objectives, it was decided to focus on themes with a close connection to PAI – namely supporting economic activity and therefore creating employment.

This focus also allows the foundation to contribute more than simply money. PAI's staff offer advice and encouragement to organisations that PAI supports – helping, for example, with budgeting and reporting, and with professionalising their fund-raising activities.

PAI has structured its initiative as a 'Fonds de dotation' endowment fund, overseen by a committee of 12 PAI team members. Membership of the committee – which is responsible for screening, selecting and monitoring projects – is open to all PAI employees, and all PAI staff are encouraged to propose projects or organisations for the initiative to support.

PORTFOLIO

PAI invests in market leaders, with a view to building fundamentally better companies with significant strategic value for subsequent owners.

CURRENT PAI INVESTMENTS

20
companies, with operations in over

50
countries, representing

€23 billion
in revenues and employing over

184,000
employees

2014 HIGHLIGHT

As part of its build-up strategy, **ADB acquired Lucebit,** a highly complementary business of €26 million of sales with a strong presence in Central & Eastern Europe. This acquisition is expected to generate synergies notably through cross-selling, purchasing and manufacturing savings.

ADB Airfield Solutions

#1 WORLDWIDE

Fund
PAI Europe V

Investment date
May 2013

Ownership
94.4%

Transaction value
€208 million

Head Office
Zaventem, Belgium

Number of employees
400

ABD Airfield Solutions ("ADB") is the world leader in airfield ground lighting. ADB has installed products in 2,000 airports across 175 countries and is the #1 player globally, with undisputed leadership in North America and Europe and c. 44% of sales realised in emerging markets.

2014 HIGHLIGHT

In June 2014, **Atos carved-out Worldline,** its payment and merchant transactional activity through an IPO on Euronext Paris. Atos also launched a **public offer for Bull,** reinforcing its presence in cybersecurity and cloud-computing services. This successful offer enhances Atos' offerings in mission critical solutions for Manufacturing, Healthcare and Public Sector and reinforces the group's footprint in France, Spain, Poland, Africa and Brazil.

Atos

#2 EUROPE

Fund
PAI Europe V

Investment date
July 2008

Ownership
9.5%

Transaction value
€2.8 billion

Head Office
Paris, France

Number of employees
76,400

Atos is one of Europe's largest IT services companies, with annual revenues of c. €8.6 billion. Atos offers a full range of services through four business lines: Managed Services, Systems Integration, High-Tech Transactional Services (HTTS) and Consulting & Technology Services. Atos is listed on the Paris Eurolist Market.

Cerba European Lab

A EUROPEAN LEADER

Fund
PAI Europe V

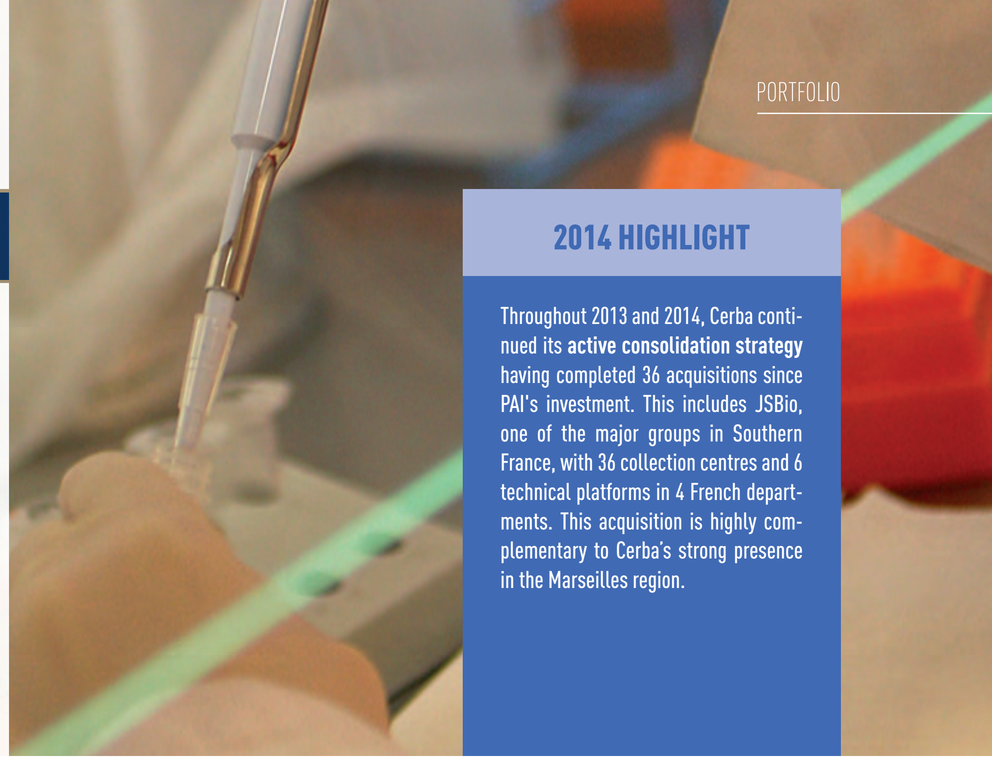
Investment date
July 2010

Ownership
75%

Transaction value
€551 million

Head Office
Saint Ouen l'Aumône, France

Number of employees
1,900



2014 HIGHLIGHT

Throughout 2013 and 2014, Cerba continued its **active consolidation strategy** having completed 36 acquisitions since PAI's investment. This includes JSBio, one of the major groups in Southern France, with 36 collection centres and 6 technical platforms in 4 French departments. This acquisition is highly complementary to Cerba's strong presence in the Marseilles region.

Cerba European Lab ("Cerba") is a European leader in the clinical pathology business and the only operator in Europe covering all three market segments, namely Specialty (from France, serving 45 countries), Routine (in France and Benelux, with over 150 labs) and Central lab (from sites over four continents).

global closure systems

#1 EUROPE

Fund
PAI Europe IV

Investment date
October 2005

Ownership
97%

Transaction value
€583 million

Head Office
Paris, France

Number of employees
3,500

2014 HIGHLIGHT

In November 2013, GCS successfully issued a €350 million high-yield bond and a new second lien tranche to **refinance in full its existing senior and mezzanine facilities.** This was made possible by the solid trading of GCS and gives the company additional time and flexibility to continue implementing its strategy.

GCS further streamlined its portfolio of activities with the winding down of its non-core metal crown operations in Italy and of its loss-making operations in Russia.

Global Closure Systems ("GCS") is one of the largest worldwide designers and manufacturers of plastic closures and dispensing systems acting in a growing industry. GCS is the market leader in Europe, and holds niche positions in the Americas and Asia.

GRUPO CORTEFIEL

#2 SPAIN

Fund
PAI Europe IV

Investment date
September 2005

Ownership
31%

Transaction value
€1,452 million

Head Office
Madrid, Spain

Number of employees
8,000

2014 HIGHLIGHT

The company's strategy to **rebalance its portfolio outside Spain** has proven successful as the share of non-domestic EBITDA has grown from 22% in 2007/08 to 50% 2013/14. This has enabled Cortefiel to mitigate the consequences of a challenging Spanish retail market.

Grupo Cortefiel is the #2 apparel retailer in Spain and operates three main store concepts through 1,994 outlets: Cortefiel, aimed at men and women over the age of 35; Springfield, for younger men and women; and Women' Secret, the leading underwear retailer in Spain.

hunkemöller

#1 BENELUX AND GERMANY

Fund
PAI Europe V

Investment date
January 2011

Ownership
97%

Transaction value
€265 million

Head Office
Hilversum, the Netherlands

Number of employees
2,018

2014 HIGHLIGHT

In 2014, Hunkemöller has grown up to nearly 600 stores and achieved some landmark openings : its largest flagship store in Antwerp with 500 sqm retail space and the first Sexy concept store in Amsterdam.

This successful network expansion was acknowledged by many industry awards, including Best lingerie chain in the Netherlands, Belgium, Germany and Austria.

Hunkemöller is a vertically integrated women's lingerie specialist retailer with number one positions in Benelux and in Germany. The brand offers "value for money" lingerie, both fashionable and affordable.

iph

A EUROPEAN LEADER

Fund
PAI Europe V

Investment date
February 2013

Ownership
59%

Transaction value
€465 million

Head Office
Lyon, France

Number of employees
3,019

2014 HIGHLIGHT

Since PAI's acquisition in February 2013, IPH has completed **11 add-on acquisitions** representing over €55 million in sales.

IPH's gross margin rate has improved from 30.2% to 30.8% in the year following PAI's investment, mainly driven by increased penetration of IPH's private label products.

IPH is a major B2B distributor of industrial supplies in Europe. The company provides a logistics link between fragmented customer and supplier bases as well as value added services and technical advice.

KAUFMAN & BROAD

#2 FRANCE

Fund
PAI Europe IV

Investment date
July 2007

Ownership
91%*

Transaction value
€1,455 million

Head Office
Neuilly-sur-Seine, France

Number of employees
730

2014 HIGHLIGHT

Kaufman & Broad and its holding company announced the refinancing of its senior debt in March 2014 at very attractive conditions providing increased operating flexibility and ability to make new acquisitions.

Concomitantly, PAI has been able to renegotiate the terms of the waterfall of proceeds at exit with the former mezzaneurs increasing its ability to capture economic upside.

Kaufman & Broad is a leading French developer and builder of homes and apartments, focused on middle-end to high-end construction. The company manages every stage of real estate development, from identifying the land for acquisition, to the sale of the homes.

** Financière Gaillon 8 ownership in Kaufman & Broad S.A.*

2014 HIGHLIGHT

Kiloutou has continued its development plan in Poland with the **acquisition of EWPA,** the #3 local player, adding 22 outlets to the two acquired in 2012. Poland had been identified as one of the most promising market to roll-out the Kiloutou model abroad, which is a key pillar of the company's equity story.

PAI has also acquired four French players in 2013/2014, bringing to 11 the number of add-on acquisitions since PAI's investment.

#2 FRANCE

Fund
PAI Europe V

Investment date
June 2011

Ownership
57%

Transaction value
€535 million

Head Office
Marcq-en-Barœul, France

Number of employees
3,400

Kiloutou is the #2 equipment rental company in France operating 450 outlets, with a large product offering focused on light equipment. It serves a wide range of customers including construction and services groups, small and medium size enterprises and individuals.

2014 HIGHLIGHT

In December 2013, **Marcolin acquired Viva,** a major North American eyewear manufacturer. With the acquisition of Viva, Marcolin expands its global footprint and further strengthens its revenue mix, both in terms of products and geographies. The combined entity is well positioned to capture growth in emerging markets through new contracts and existing joint ventures in Turkey, the Middle-East, Russia, China and Korea.

#3 WORLDWIDE

Fund
PAI Europe V

Investment date
December 2012

Ownership
80%

Transaction value
€282 million

Head Office
Longarone, Italy

Number of employees
1,200

Marcolin is the global #3 player in the design, manufacture and wholesale distribution of branded luxury eyewear. Marcolin's portfolio includes highly regarded brands such as Tom Ford, Guess, Diesel, Swarovski, Montblanc, Tod's, Balenciaga, Cavalli, Timberland, Harley Davidson and Gant.

Perstorp

A WORLDWIDE LEADER

Fund
PAI Europe IV

Investment date
December 2005

Ownership
97%

Transaction value
SEK 9.185 billion

Head Office
Malmö, Sweden

Number of employees
1,500

2014 HIGHLIGHT

Following the appointment of Jan Secher as CEO in September 2013, the company has implemented some structural changes to drive cost savings through a more streamlined organisation and to better address the company's end-markets. This has involved the reinforcement of senior management (through both promotions and new hires), the reorganisation into a functional set up and some headcount optimisation.

Headquartered in Sweden, Perstorp is the world leader in the production of added value chemical additives mainly for the coatings and resin industry. Perstorp's main markets include a number of fast growing segments within powder, radiation cured or waterborne coatings, as well as niches within adhesives and plasticiser segments.

R&R Ice Cream

#2 EUROPE

Fund
PAI Europe V

Investment date
July 2013

Ownership
53%

Transaction value
€929 million

Head Office
Leeming Bar, UK

Number of employees
2,700

2014 HIGHLIGHT

In June 2014, **R&R acquired Peters,** Australia's leading domestic ice cream company, formerly part of the Nestlé Group. R&R's deep knowledge of both the Branded and Private Label segments of the ice cream market, coupled with its strategy to build a global ice cream challenger to Unilever, were crucial in gaining the support of Peters' management. This transformational acquisition represents a unique opportunity to increase its branded offering, gain scale and exposure to Asia, and to accelerate growth.

R&R Ice Cream ("R&R") is the second largest take-home ice cream manufacturer in Europe with strong #1 positions in private label ice cream in the UK, France and Italy, a solid #2 position in private label ice cream in Germany and a growing portfolio of branded ice cream products.

swissport

2014 HIGHLIGHT

In December 2013, **Swissport acquired Servisair,** the #3 global player in ramp and passenger handling with a presence in 120 stations in 20 countries. It is a transformational acquisition that enables Swissport to compete more efficiently in certain key countries (UK, USA), diversifies its service offering, presents significant cost synergies and reinforces the Swissport management team with high-quality professionals.

#1 WORLDWIDE

Fund
PAI Europe V

Investment date
February 2011

Ownership
56%

Transaction value
CHF 1,196 million

Head Office
Zurich, Switzerland

Number of employees
55,000

Swissport is the world's #1 provider of ground and cargo handling services to airlines. The company operates in 255 airports across 44 countries and handles c. 224 million passengers and 4 million tonnes of cargo annually. Headquartered in Switzerland, it has strong market positions in many of its locations including Europe, North America, Latin America and Africa.

UB

2014 HIGHLIGHT

As part of its **emerging market expansion,** United Biscuits completed the acquisitions of Rana Confectionery Products in Saudi Arabia in October 2013 and A&P Foods, one of Nigeria's largest biscuit manufacturers, in February 2014. UB sells products in 100 countries, with one third of sales outside the UK.

#2 EUROPE

Fund
PAI Europe IV

Investment date
December 2006

Ownership
50%

Transaction value
£1,658 million

Head Office
Hayes, Middlesex, UK

Number of employees
6,600

United Biscuits ("UB") is a leading European manufacturer and marketer of biscuits including major brands such as McVitie's Digestives, Penguin, Jaffa Cakes, Go Ahead!, BN, Verkade and Delacre. UB holds the #1 position in the UK and the #2 position across Europe.

Xella

A WORLDWIDE LEADER

Fund
PAI Europe V

Investment date
August 2008

Ownership
47%

Transaction value
€1,628 million

Head Office
Duisburg, Germany

Number of employees
6,800

2014 HIGHLIGHT

In 2013 and 2014, Xella focused on refinancing its debt on the high-yield market. Xella repaid the vendor loan at a 30% discount after the issue of a PIK toggle note in October and refinanced in June 2014 the existing €300 million bond with €325 million floating-rate note, leveraging its strong results and the good financing market conditions, thus gaining financial flexibility.

Xella is a global leader in the building materials market. Present in more than 20 countries, it is the world's largest manufacturer of aerated concrete (aircrete) and calcium-silicate blocks. In lime and limestone, Xella is the second largest manufacturer in Germany.

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