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PAI 2015 annual review | An industrial approach to private equity

2015 ANNUAL REVIEW

An industrial approach to private equity

PAI partners

2015
ANNUAL REVIEW

PAI partners


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DELIVERING PERFORMANCE IN CHALLENGING TIMES

How would you characterise the current market environment?

PAI has enjoyed a strong year in 2015 against a challenging backdrop of political and economic uncertainty and market volatility. But despite the world being complex and difficult to navigate, we have proved ourselves able to manage our portfolio effectively and pursue transformational deals using the strength of our industry knowledge and geographic network. Competition remained intense as private equity firms looked to deploy record amounts of dry powder against a shortage of primary investment opportunities, in a context of strong interest from trade buyers and the IPO markets.

What have been the investment highlights of 2015?

Just before Christmas we announced a new investment for PAI Europe VI with the acquisition of B&B Hotels, a European budget hotel chain with a very attractive brand positioning and great growth potential.

We also made two other investments during the year that both demonstrated our ability to originate proprietary transactions and underlined the strength of our pan-European network. In February we invested in AS Adventure, which is a fast-growing outdoor leisure company that is based in Northern Europe and the UK. Then we invested in Konecta, a Spanish outsourcing business, which is also a significant player in Latin America. On that deal we have partnered with Banco Santander, one of the largest banks in the world, again demonstrating our capacity to team up with large corporates.

In addition, we demonstrated our ability to grow our existing portfolio companies through transforming mergers and acquisitions. One of our most significant achievements was the announcement of a potential merger between R&R Ice Cream and the majority of the ice cream business of Nestlé, to create the number two player in the world. This transaction, which is currently under review, would mark the first time that Nestlé has worked with a private equity firm on a 50-50 basis, underlining PAI's ability to work in partnership with the world's leading corporates.

Another key transaction undertaken by a portfolio company in 2015 was the acquisition by DomusVi, our French nursing homes business, of Geriatros, the third biggest nursing home player in Spain. This follows the acquisition earlier in 2015 of DV Domicile, a leading homecare player in France.

The acquisition of Geriatros showed the strength of our network and the ability of our Spanish team to identify a proprietary opportunity and negotiate an exclusivity agreement with a management team. Expansion through M&A was part of the equity story for DomusVi when PAI bought it just over a year ago and our team has shown that we were true to our word. It's important for our investors that we display not only good performance, but also good transparency and consistency.

How would you define the environment for exits?

Equity markets once again proved highly supportive for private equity firms looking to exit investments via the public markets. But we were also able to achieve great results with M&A. In July, we signed the €2.7 billion sale of Swissport to Chinese conglomerate HNA, the crowning achievement of a great growth story. Since acquiring Swissport from Ferrovial of Spain in 2011, we have turned it into a global market leader through a number of successful acquisitions before selling it to HNA. That transaction was a clear demonstration of our ability to identify growth companies, take them to the next level and realise a strong return for our investors. This favourable exit environment has also been demonstrated more recently by the exits of Hunkemöller and GCS.

What is your outlook for European private equity in 2016?

Markets will continue to be volatile as they have been in 2015 but a lot of the factors underpinning the volatility will - in the absence of a big macro-economic shock - play into the hands of European companies looking for growth. For example, the divergence in monetary policy between Europe and the US, where the Federal Reserve has started to raise interest rates, will further weaken the exchange rate between the euro and the US dollar thereby helping European industry to be more competitive. Meanwhile a lower oil price creates additional consumption power and the dramatic sell-off in commodities and emerging markets should lead to a re-pricing of equities, and a potential reduction of entry multiples for private equity firms. The ECB's continuing programme of quantitative easing means financing will continue to be available at attractive rates.

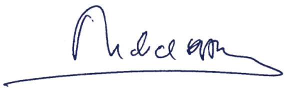
Europe has lagged behind the US in terms of M&A activity and I expect a stronger deal-making environment in 2016. As Europe's M&A market continues to recover, there will be more big-ticket transactions which in turn will lead to asset disposals and that is good news for the private equity industry.

What are the key qualities to succeed in this environment?

We've always been supportive of our portfolio companies in terms of M&A, where sector knowledge is key. Now, in an environment of zero rates, where organic growth is harder to find, firms have to be more aggressive in pursuing proprietary deals and executing them quickly. This has been a consistent strength of ours. We know that competition for assets will be as fierce as ever, whether from trade buyers, IPO markets or rival buyout firms. But we believe our consistent approach will win out.

What plans do you have for 2016?

We'll remain focused on our core strength of sourcing proprietary LBO opportunities within Europe. However, the businesses we invest in are more and more global. We will follow and support our portfolio companies with a new office opening in the United States and will strengthen the team across sectors and countries.



Michel PARIS
Chief Executive Officer

2015 HIGHLIGHTS

5
Partial or full exits announced

€1.6 BILLION
Of realised proceeds

3
New investments

€1.5 BILLION
Of transaction value

€500 MILLION
Of invested capital

IN 2015, PAI DEMONSTRATED ITS ABILITY TO EXECUTE DEALS, TO GROW EXISTING INVESTMENT PORTFOLIO AND TO SUCCESSFULLY EXIT FROM FIVE PORTFOLIO COMPANIES, THANKS TO A COMBINATION OF LONG-TERM TRACKING AND DEEP SECTOR KNOWLEDGE.

2015 HIGHLIGHTS

JANUARY

INVESTOR DAYS

ACQUISITION OF AKMO BY KILOUTOU

FEBRUARY

EXIT FROM ATOS

MARCH

FINAL CLOSING PAI EUROPE VI

ACQUISITION OF NOVESCIA BY CERBA

ACQUISITION OF MINETTI BY IPH

APRIL

ACQUISITION OF RENTECNIKA BY KILOUTOU

ACQUISITION OF AS ADVENTURE

MAY

ACQUISITION OF BROADCAST RF BY EMG GROUP

ANNUAL GENERAL MEETING

ACQUISITION OF SNOW & ROCK BY AS ADVENTURE

LAUNCH OF THE ESG REPORTING TOOL

ACQUISITION OF NESTLÉ SOUTH AFRICAN ICE CREAM OPERATIONS

JUNE

2015 ESG BEST PRACTICES HONOUR FROM SWEN CAPITAL PARTNERS

JULY

EXIT FROM SWISSPORT

SEPTEMBER

ACQUISITION OF NETCO SPORTS BY EMG

ACQUISITION OF GERIATROS BY DOMUSVI

NOVEMBER

LAUNCH OF INITIATIVE CARBONE 2020

DECEMBER

PARTIAL DISPOSAL OF CST

EXIT FROM HUNKEMÖLLER

ACQUISITION OF KONECTA

EXIT FROM GLOBAL CLOSURE SYSTEMS

ACQUISITION OF B&B HOTELS

WELCOME TO
A.S.Adventure®
OUTDOOR & ACTION

OUTDOOR PURSUIT

In April 2015, PAI acquired Europe's largest multi-brand retailer of outdoor equipment and clothing. AS Adventure enjoys strong #1 positions in Belgium, Netherlands and the UK and offers specialty knowledge, quality products and personal service, delivering each customer a unique shopping experience.

#1 EUROPE

207
Stores

2,600
Employees

The outdoor market is one of the most exciting segments in the European retail landscape, benefiting from the secular trend toward healthier living and increased outdoor activities (walking, cycling, climbing or camping). This is driven by favourable demographic dynamics of an ageing population, but also from the convergence between outdoor and fashion, leading to a very wide customer target ranging from hard-core athletes to everyday people rambling or walking their dog.

In this context, based on its long history of investing in growing subsets within the retail sector, PAI took the opportunity to acquire AS Adventure, the largest multi-brand outdoor retailer in Europe.

A unique concept mixing outdoor and lifestyle

Headquartered in Belgium, AS Adventure operates 151 stores under various fasciae including AS Adventure in Belgium, Luxembourg and France, Cotswold Outdoor in the United Kingdom and Bever in the Netherlands. AS Adventure enjoys extremely strong #1 positions in each of its core markets (Belgium, Netherlands and the UK).

AS Adventure is committed to offering specialty knowledge, quality products and personal service, delivering each customer a unique shopping experience. It is one of the very few outdoor retailers to widen its customer base beyond pure outdoor enthusiasts towards occasional practitioners, without compromising on heritage and values.

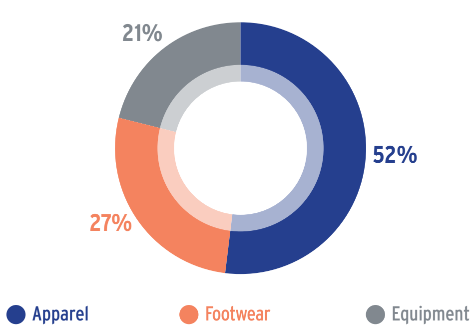
AS Adventure has reached the summit of the European outdoor market through excellence across the entire value chain, from a deep understanding of the needs of its customers to strong relationships with leading (but also emerging) brands and world class distribution – both through its stores and online.

Across the retail sector, there is a very clear trend towards omni-channel (i.e. convergence between store and e-commerce) as customers pick the channel that suits them, rather than being dictated to. AS Adventure grasped this concept early in its development and has created a seamless platform enabling customers to be "channel-agnostic" – whether the customer buys in-store or on-line does not matter as much as the fact that they get the product and service they need.

AS Adventure has created a virtuous circle with the brands it sells, protecting brand integrity with its attractive store environment and presentation. The outdoor market benefits from favourable structural dynamics whereby retailers enjoy greater scale than the companies which supply them, which creates pricing leverage for the retailer as well as a desire for the supplier to foster a partnership to preserve brand integrity.

An exciting journey ahead

The AS Adventure opportunity came through bilateral discussions, initially with the management of AS Adventure. Getting comfortable with management on their ambitious plan (and vice versa) was crucial for PAI to decide to pursue this acquisition. An important decision criterion on both sides was the ability to leverage on PAI's



European sales in 2014 (in value)

"Consolidation of the European market is a key pillar of PAI's equity story for AS Adventure."

retail expertise and contacts to accelerate the growth trajectory, both through store openings and targeted acquisitions.

Since signing the acquisition early in 2015 PAI has already stepped up AS Adventure's growth targets, launching an aggressive store roll-out program. Also, just a month after closing, PAI helped the group to become the UK's biggest outdoor leisure retailer with the acquisition of the Snow + Rock Group.

Expansion and consolidation

Consolidation of the European market is a key pillar of PAI's equity story for AS Adventure. The market remains young, with significant fragmentation and a large number of local, generally sub-scale players with attractive niche positions. Snow + Rock had been identified as a priority target in that respect during the AS Adventure due diligence phase.

The Snow + Rock Group is a leading multi-channel retailer renowned for offering premium brands and great customer service across the snow, outdoor, cycle and running markets. With 46 stores operating across the UK and Ireland, the group incorporates the Snow + Rock, Cycle Surgery and Runners Need brands. The combination of Snow + Rock and Cotswold Outdoor makes AS Adventure the undisputed leader in the UK premium outdoor market with a 12% market share and 116 locations. The acquisition has also enabled AS Adventure to extend its product range to the growth categories of snow, cycling and running, with complementary customer bases and seasonality profiles.

Having the right equipment is essential when embarking on a journey. Together PAI and AS Adventure have chartered a course that will deliver growth long into the future. The adventure is just beginning.

Adapting to the urban consumer

More consumers are trying to lead active lifestyles with an increasing focus on healthy living, and the demand for tech-wear is therefore growing quickly. Trends like "athleisure" and casual camping have emerged and drive the outdoor fashion trend. The millennial segment of the population is also eager to wear performance clothes, integrating technology in every aspect of their lives. Some outdoor brands and fashion-focused retailers have created ranges rooted in technical excellence, but designed for everyday living. Companies like Patagonia or the North Face maintain the heritage of their more technical products to outperform competition in this sector, based on their longstanding reputations and authenticity. AS Adventure is well-placed to meet this demand, offering multi-brand outdoor and fashion concepts to urban customers.

ANYWHERE, ANYTIME, ANY WAY

€331 MILLION
E-shoppers in Europe

€4 BILLION
Parcels delivered annually

Source: Ecommerce Europe

PAI HAS SUPPORTED THE TRANSFORMATION OF AS ADVENTURE AND HUNKEMÖLLER INTO OMNI-CHANNEL CONCEPTS.

With consumers wanting to shop across a combination of channels, it has never been more important for retailers to create an omni-channel experience.

Barriers have broken down between retailers' physical stores and their online presence, and PAI has invested in and supported companies that are leading this trend. Smart devices have put convenience at the top of the consumer agenda. Whether it is paying on a smartphone, shopping online or using a click and collect service, omni-channel has become a mainstream requirement for every customer – and they no longer tolerate retailers not meeting this requirement.

However one should not underestimate the complexity of creating this omni-channel platform – from logistic to transparent pricing to management of returns – all channels must work in tandem with one another and provide a unified shopping experience.

When PAI acquired Hunkemöller in January 2011 it was mainly a physical retailer focused on the Benelux region. By the time it sold the business in December 2015, it had been transformed into a pan-European omni-channel lingerie brand with more than 700 retail stores across Europe. The lingerie brand now holds not only pole position in Benelux but is #2 in Germany and is increasing its presence across France, Spain and Scandinavia – developing a seamless omni-channel integration, while at the same time leveraging on new digital marketing tools – Facebook, Twitter, Instagram, Youtube etc. Hunkemöller has been at the forefront of e-commerce in its markets (first to introduce click & collect and click & reserve in the Netherlands notably) and recently won the Lingerie Retailer of the Year award in all markets across Europe as well as the European Webshop and Cross Channel awards.

In April 2015, PAI acquired AS Adventure, Europe's leading outdoor retailer. As well as a physical presence across five European markets, AS Adventure has also developed a genuine omni-channel offering enabling to reach c. 15% of e-commerce sales in the Netherlands and the UK – Bever (AS Adventure's Dutch concept) winning this year the Best Multichannel Retailer award. AS Adventure provides click & reserve, click & collect, home delivery and return in stores, enabling it to connect with customers wherever they may be.

CLICK & COLLECT

- › **Order and pay online**
- › **Collect at local store or third-party location**

- + Reduces return costs
- + Enables to upsell in store
- + Requires highly precise inventory management at warehouse and store level

CLICK & RESERVE

- › **Order online**
- › **Pay and collect at local store**

- + Reduces return costs
- + Enables to upsell in store
- + Requires highly precise inventory management at warehouse and store level

HOME DELIVERY

- › **Order and pay in store when not available**
- › **Get delivered at home**

RETURN IN STORE

- › **Purchase online**
- › **Return at local store**

- + Reduces return costs
- + Enables to upsell in store

Konecta

MAKING
THE RIGHT CALL

In December 2015 PAI acquired a co-controlling stake in Grupo Konecta ("Konecta"), the leading provider of Outsourced Contact Centres ("OCC") and Business Process Outsourcing ("BPO") services in Spain with a 15% market share. PAI and Banco Santander each hold 40% of Konecta, with the remaining 20% minority stake held by founding members of the company.

17,000
Workstations

€400 MILLION
Sales in 2014

28%
CAGR since 2000

Since its formation in 1999 by Jose Maria Pacheco, Konecta has achieved uninterrupted growth of 30% CAGR and revenues have grown to €460 million. It operates 35 call centre platforms with 17,000 available seats across EMEA and Latin America. It now ranks among the top five OCC and BPO players as a global service provider, especially in the banking and insurance industries.

PAI reached an agreement with Konecta on a proprietary basis after building a close relationship with the company's management over a number of years.

Why is Konecta such an attractive proposition?

Konecta is a market leader in a young and fast-growing sector. Its business has evolved from the provision of call centre activities to higher value-added back-office and BPO services, which allow the group to offer a wider array of technical support to its clients. Konecta has a broad base of around 100 clients and enjoys very close relationships with its biggest customers. In particular it has followed and supported Santander and Vodafone in their expansion in Latin America. The outsourcing trend among large corporates is here to stay so there is great potential for organic growth.

Why is this a good fit for PAI?

As well as organic growth, there is great potential for expansion through acquisition. This sector is fragmented with a number of leading national champions, but as clients demand outsourcing on a global basis, there is a great opportunity for consolidation. This plays to PAI's proven track record in helping its portfolio companies to internationalise and grow through M&A. PAI also has considerable expertise in outsourcing through its successful involvement with Swissport.

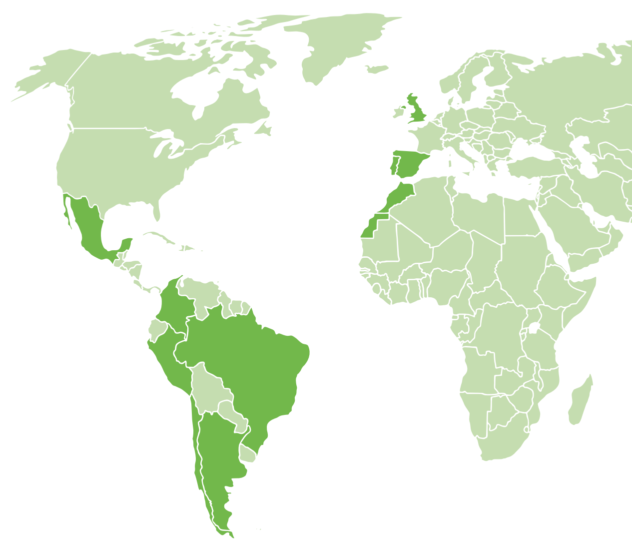
How did this transaction come about?

PAI identified Konecta as an exciting growth company a long time ago and we were among a small group of firms invited to bid for the business in 2014, when Santander was looking to sell down its stake. But when the top management of the bank changed, Santander saw the value in keeping the investment. We stayed in close contact and had a good relationship with the group executive chairman. We were able to demonstrate that co-ownership would be the best way to take the business to the next level.

What are your plans for the business?

The priority is to consolidate Konecta's position in Spain and we have already looked at five potential M&A situations and hope to announce something during the first quarter of 2016. Beyond that, we also see the potential to expand in other European countries, where Konecta's clients have a strong foothold.

RICARDO DE SERDIO,
PARTNER AT PAI



Konecta operates in 10 countries

B&B HOTELS

ROOM KEY TO EUROPE

In December 2015, PAI agreed to acquire B&B Hotels ("B&B"), a pan-European chain of c. 340 budget hotels. B&B has a leading position in France, Germany and Italy and a presence in Spain, Poland, and the Czech Republic. The group operates at the high end of the budget hotel segment, serving mainly business travellers.

28,500
Rooms

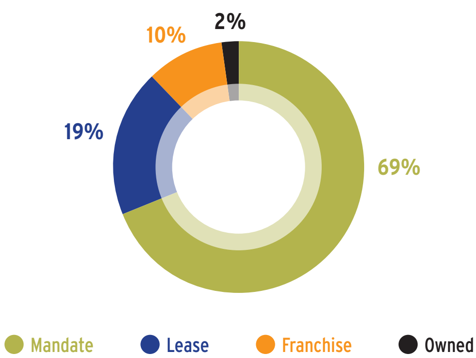
€320 MILLION
Sales in 2014

PAI has known the management team of B&B for nearly a decade and has built an intimate knowledge of the business as well as the French leisure sector generally. In conjunction with the management team, PAI will use its track record of building recognised brands as it looks to continue the group's expansion throughout Europe and improve its offering in its core home market.

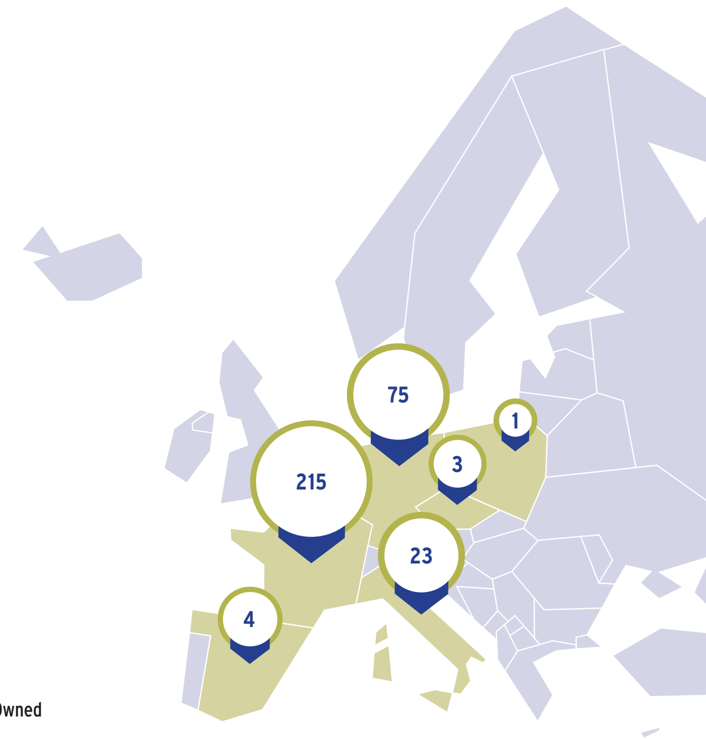
Frederic Stévenin, a Partner at PAI, said:

"The cornerstone of the growth strategy will involve opening around 40 new hotels across Europe, and in particular in the DACH region, as well as upgrading or slightly changing its economic model in France. PAI brings its expertise in building strong brands and the understanding of the value-for-money model and drivers. The budget sector is highly appealing because it is a standardised offering that is easy to replicate. But the key is to get the right relationship between price and service. We believe there is significant room for improvement in the service offering that will enhance the brands and drive better occupancy."

"We can improve the capital structure in particular through migrating some of the existing French locations to the franchise. We are using a more flexible leverage than before, which allows for an acceleration of openings. By changing the capital structure PAI will be able to support B&B through the next phase of its growth cycle."



Split by operational model



Number of hotels

SMOOTH TAKE-OFF,
GREAT LANDING

On 10 February 2016, PAI completed the sale of Swissport to the Chinese conglomerate HNA, representing the third exit from PAI Europe V.

> "As global market leader, Swissport was one of the most attractive targets."

During PAI's ownership period, the company grew rapidly through a series of transformational M&A deals that saw it double in size and cement its position as a clear global leader, as well as consolidating its strong leadership position in Western Europe and North America. The company also significantly increased its exposure to faster growing markets and developed strong positions in Latin America, the Middle East and Africa. Swissport serves 224 million passengers and handles 4.1 million tonnes of cargo a year on behalf of some 700 client-companies.

A long-term relationship

PAI acquired 100% of Swissport, the worldwide leader in ground handling and cargo services, from Spanish construction and infrastructure conglomerate Ferrovial in January 2011. The long-term sourcing story of Swissport was based on personal relationships and deep industry knowledge which helped PAI build trust and gain a unique insight into the asset. PAI had known the company since 2001 when Swissair entered bankruptcy. PAI followed the asset over the years and at the same time looked to acquire several competitors. That extensive research helped PAI complete its knowledge of the market.

Numerous deal catalysts

Swissport had all the elements PAI looks for in any investment. The company was a sector leader with a very strong brand name. Swissport was the #1 player in ground handling with a global footprint, strong local positions in the stations where it operates and an excellent reputation of quality and service. The industry also had compelling organic growth characteristics. Aviation travel as a sector has enjoyed a secular growth above the global GDP. Added to that, there is a global trend towards outsourcing by airlines and airports of their ground handling activities. As global market leader Swissport was seen as one of the most attractive targets in the sector. But perhaps more importantly, this was a highly fragmented industry. Swissport was #1 in the market with a 7% market share in 2011 so there was a clear opportunity to grow through acquisitions.

A transformation story

Under PAI's ownership, Swissport focused on bolt-on as well as transformational acquisitions. The company bought a number of smaller operators to gain faster access into new markets. These businesses would then get a re-rating because they became part of a bigger company with greater operating leverage and negotiating power with clients. The transformation came from two game-changing deals: Servisair, the world's #3 player, and Flightcare, a leading ground handling operator in Spain and Belgium. PAI managed to negotiate these transactions at highly attractive entry multiples because of strong relationships with the sellers, who were looking to reduce leverage and boost liquidity.

	At acquisition	At exit	2011 to 2015
Number of stations	176	271	+54%
Number of countries	37	48	11 new countries
Number of flights handled	2.5 million	4.1 million	+64%
Cargo handled	2.8 tons	4.1 tons	+ 46%
Millions of passengers handled	70	224	3.2x

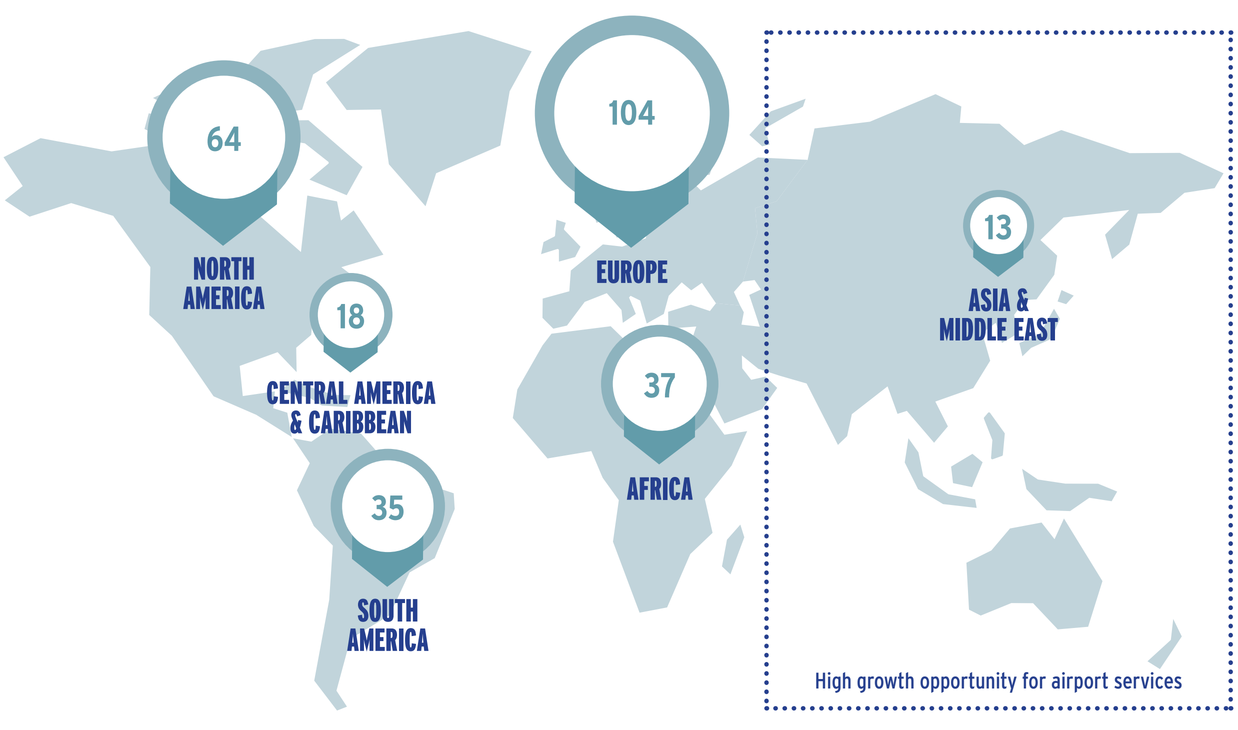
Swissport's transformation

"Asia represented the market with the greatest untapped potential."

Upon exit, HNA was the perfect partner because Asia represents the market with the greatest untapped potential for Swissport. Not only is it under-developed there but the region is also the world's fastest growing market in terms of aviation traffic.

Overall, this strong build-up story illustrates the depth of PAI's expertise and the strength of personal relationships which both enabled us to win a market leader at an attractive price and subsequently build it up to create the conditions for a highly successful exit.

Number of Swissport stations in 2015




Coordinato
swissport

global closure systems

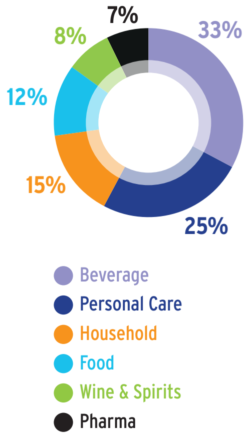
SEALING THE DEAL

PAI acquired in 2005 from Crown Holdings Inc. a collection of separate divisions active in metal and plastic closures and dispensing systems, which was subsequently renamed Global Closure Systems ("GCS"). In December 2015, PAI agreed the sale of 100% of the share capital of GCS to RPC Group PLC ("RPC").

2,000
Designs of closure and dispensing systems

34 BILLION
Units sold in 2014

1,800
Customers



2014 sales by end-market

LAURENT RIVOIRE,
PARTNER AT PAI

What was the original investment rationale for this transaction?

In the beginning GCS was a collection of five different autonomous businesses present in a wide range of metal and plastic closures, with some interesting market positions and a well-diversified geographic presence, but having been massively under managed and under invested by its parent company – a typical orphan asset within a diversified group.

We had identified the sector of plastic closures and dispensing systems for the FMCG industry as an attractive and growing market, benefitting in particular from the demand for convenient and safe products.

Our ambition with GCS was to create one of the world leaders dedicated to this packaging segment only. We saw an opportunity to put it back on a growth trajectory through a very large reinvestment program, and to extract substantial savings by improving its operational efficiency and leveraging its scale.

We also had in mind to use GCS as an acquisition platform for a build-up strategy in the fragmented closures market.

How did you deliver on the equity story?

We have supported a massive transformation of GCS around three main pillars.

First, we had to carve out the various divisions from Crown Holdings, and create a unified group with several central functions (finance, purchasing, key account management, etc); this was done whilst hiring over time a complete new management team (CEO, COO, CPO, etc).

Strategically, the group's perimeter has been streamlined and progressively refocused on the most attractive value-added plastic closures through the phase-out of the commodity metal business, the sale of the unprofitable US beverage activity and the closure of six non-competitive plants. At the same time, a heavy reinvestment program was undertaken, with significant capex and R&D spend, which ultimately enabled the group to deliver a positive volume/mix growth.

Operationally, a number of lean manufacturing and purchasing efficiency programmes were implemented throughout the group in order to improve productivity, reduce non quality costs and inventory levels.

Overall, we completed a very deep transformation of the business during our investment period, and GCS has become one of the world leaders and most profitable players in the closures & dispensing systems industry, with a 16.8% EBITDA margin in 2015.

This transformation journey has proven to be very difficult in its first few years as the business faced a combination of steep inflation in plastic resin, intense price pressure in the large beverage activity, and insufficient financial and operational control. EBITDA dropped from €82 million in 2005 to €68 million in 2009, resulting in the necessity to adjust the capital structure through debt renegotiation and equity injection. Ultimately, the turnaround was successfully completed with EBITDA reaching €103 million in 2015.

How did you identify RPC as a bidder?

Over the last few years, we had entertained a continuous dialogue with a number of players of the rigid plastic packaging industry, including RPC. On the back of the positive market backdrop and strong trading performance of GCS over the first 8 months of 2015, those discussions accelerated and an auction process was launched early September targeting mainly industrial players but also PE firms.

Eventually we secured a successful exit with the sale to RPC, concluding a long and sometimes difficult journey. This investment shows the value of long-term commitment and our ability to transform companies facing difficulties. Instead of exiting too early, we decided to support the company with fresh equity injections and we have been proved right.

RPC acknowledged, through the value they attributed to GCS, that it was indeed a well-managed and well-positioned business, with interesting development opportunities in particular in Asia.

hunkemöller

A STYLISH TRANSFORMATION

In December 2015 PAI sold 100% of Hunkemöller to the Carlyle Group, capping a five-year strategy that took it from being a local Dutch lingerie retailer to one of the leading omni-channel lingerie brands in Northern Europe, with 700 stores across the region and a strong presence in Germany.

3,500
Products on sale

9.6 MILLION
Clients in 2015

235
Store openings

What was the rationale for the initial investment in Hunkemöller?

Hunkemöller was already a market leader in the Netherlands with a 14% market share when we bought it in 2011. It was a division owned by Maxeda, a Dutch retail conglomerate. We saw the growth potential to take the format into new markets and to grow it mainly in Germany and Austria.

In particular what we found compelling was that it had already built a presence in Northern Germany with 130 stores, so there was proof of concept that German consumers liked it. Still we conducted extensive market research and during that process we discovered that it had no real competitors serving its market segment of 20-to-50 year old women with stylish quality lingerie.

What was PAI's strategy for growth?

We encouraged the management team to be more ambitious in its growth plans, making rapid store expansion the cornerstone of our strategy. Our strong store roll-out led to building a 7% market share in Germany, but we also expanded strongly in Austria and Scandinavia (Sweden and Denmark).

At the same time as pursuing an ambitious expansion, we also implemented strong capex control, to reduce the payback time for new store openings. We achieved this by reducing the capital expenditure per square metre of each store, for example by using uniform materials sourced from lower cost producers in China whilst still improving the shopping experience. This combination of geographic expansion and cost focus enabled Hunkemöller to compensate for the significant recession experienced in Benelux between 2011-2013, which adversely affected all retailers in that region.

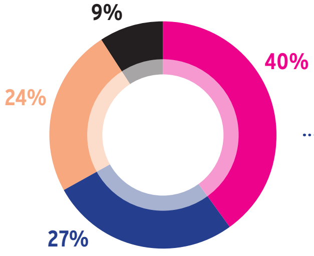
How did you embrace the shift towards online retailing?

PAI supported the transformation of Hunkemöller from a traditional retailer into an omni-channel lingerie brand, increasing marketing spend and investing to become one of the most advanced omni-channel players in its markets, growing significantly its e-commerce sales using all "click-to-brick" tools – click & collect, click & reserve, return to store, etc. Under the management team led by CEO Philip Mountford, Hunkemöller moved from being a physical retailer into becoming the leading European omni-channel lingerie brand. Online revenues still represent only 7% of overall sales, but they still grow with +30% a year on a like-for-like basis.

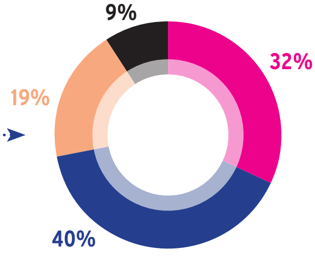
What was the catalyst for the exit?

The ongoing strong market penetration in Germany and Austria as well as the economic recovery in Benelux led to a sharp increase in Hunkemöller's EBITDA over the past 24 months. PAI launched a sale process in mid-2015 in order to exploit this strong trading performance and positive equity and debt markets. Given the appetite shown by financial sponsors, this process was mainly designed towards PE firms. Hunkemöller's EBITDA continued to grow strong over the course of the negotiations, providing momentum for its new owners.

MIRKO MEYER-SCHÖNHERR, PARTNER AT PAI



FY 2010 sales by country



FY 2015 sales by country

CONSOLIDATING MARKETS

PAI has a long-established track record in picking leading companies in the industries and regions it specialises in, then using these initial investments to build scale and consolidate industries.

112
Number of add-ons since acquisition[1]

€617 MILLION
Acquired EBITDA[1]

6.2x
Valuation multiple of add-on acquisitions[1]

15
Portfolio companies out of 17 have completed at least one add-on[1]

[1] *PAI Europe V and VI*

By investing in leaders in fragmented markets with scope for consolidation, PAI creates long-term value with bolt-on acquisitions that can be integrated to drive greater returns.

PAI's strategy is focused on industries where it has a long-established track record, and on identifying companies operating in markets where it boasts a strong local network. Through its commitment to support management over a multi-year timeframe, PAI can create value through buy-and-build strategies.

PAI's expertise in identifying consolidation opportunities to create local and regional champions creates a compelling growth story that ensures investments deliver attractive exit options.

Consolidating the lab industry in France

This approach has been particularly effective with PAI's investment in Cerba European Lab ("Cerba"), one of France's biggest laboratory testing businesses.

PAI acquired Cerba in 2010 and at the time said it planned to take advantage of a change in French regulation that allowed Cerba to acquire smaller rivals in the routine clinical pathology and clinical trials markets, which remain highly fragmented in France.

Cerba had revenues of €250 million and 34 sites across Europe, the US, South Africa, Australia and China when PAI bought it. Over the last five years, PAI has delivered the equity story by supporting Cerba in making 45 acquisitions for a total additional €360 million of sales, including five new platforms in France. In March 2015, PAI continued its buy-and-build strategy with the acquisition of 100% of Novescia, a major player in the French routine and emergency testing market. Novescia is one of the top five players in the French laboratory testing market and the acquisition re-affirmed Cerba's position as the market consolidator. The transaction gave Cerba the opportunity to extract meaningful synergies through network rationalisation, the streamlining of administration and support functions, and the optimisation of medical purchases. The opportunity to build a diversified leader in the French market was crucial in gaining the support of Novescia's management and shareholders.

Investing in fragmented industries and niche markets

In February 2015, PAI bought AS Adventure, the European leader in outdoor apparel, and grasped the opportunity to consolidate the market. In April 2015 it acquired Snow + Rock, a UK retailer, and by combining it with its existing in-market offering and expertise, achieved a leading market position.

PAI has adopted a similar buy-and-build strategy with Kiloutou, France's second-largest equipment rental company. Kiloutou has further consolidated the local market with the 2015 purchase of Akmo in France for example. The company is also building its footprint across Europe, in particular strengthening its presence in the growing Polish and Spanish equipment rental markets.

Examples of 2015 consolidation

BUILDING GLOBAL LEADERS

The cornerstone of PAI's investment philosophy is to identify strong companies in its core European markets and give management the support to develop them into global leaders.

> "Companies must look to place themselves on a global footing."

Nowhere is this more evident than in the Food & Consumer Goods sector where PAI has a long history of specialist expertise in turning local champions into global winners. In retail and in consumer goods in particular, brand strength and scale are key levers for success. In an environment of low GDP growth in established western markets, companies must look to place themselves on a global footing in order to boost revenues and profitability. And in order to capture market share and outperform, companies have to look beyond borders and organic growth strategies.

The key to success is to identify investment opportunities early and ensure fast execution to steal a march in today's competitive environment. PAI 's experience with R&R Ice Cream ("R&R") is a perfect example of how it can back an ambitious management team to achieve global success.

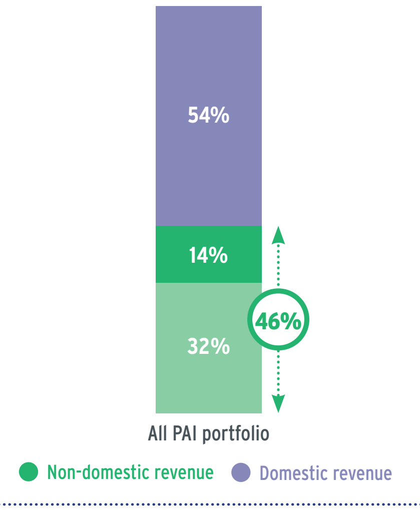
R&R has gone global

In 2013, PAI invested in R&R, a UK-based manufacturer and retailer of ice cream. The company operates on three pillars - it sells a number of leading brands, operates a licence to sell others and also supplies private label, a business mix which is ideal in the industry.

R&R supplies a wide range of own label products to nearly 40 supermarket groups in the UK and mainland Europe such as Tesco, Asda, Aldi, Edeka, Carrefour, Auchan, Lidl and Bedronka. The business is also well-known for leading licensed ice cream and lolly brands such as Nestlé, Mondelez, Kelly's of Cornwall, Landliebe, Oasis, Zielona Budka, Del Monte, and Vimto.

In just over two years, the company's ambitious management team has transformed R&R into the world's third biggest ice cream company, creating global brands to rival Unilever. It has achieved this through a series of acquisitions and other strategic initiatives. In 2014, the company moved beyond its European heartland for the first time with the acquisition of Peters Food Group, the former Australian branded ice cream business of Nestlé. The deal gave R&R access to one of the most attractive ice cream markets in the world and enabled it to boost sales of both chilled and frozen products. R&R has a powerful combination of high-end brands that are attractive to consumers making impulse purchases, as well as supplying private label ice cream to supermarkets, where value and scale are important differentiators. R&R has developed a strong relationship with Nestlé and in March 2015 it entered the South African market with the acquisition of Nestlé's branded ice cream business. Then in October 2015, R&R announced it was in advanced talks with Nestlé to establish a new joint venture covering ice cream based mainly in Europe and Africa, an initiative that would propel the company to become the world's second biggest ice cream maker. As well as using M&A and joint ventures to boost its standing on the global stage, R&R also has a licensing agreement with Mondẽlez International, formerly Cadburys, to sell its brands across Europe.

Ice cream is an attractive product that is associated with leisure so having the world's leading ice cream brands in its stable enables R&R to appeal to a diversified consumer base. A key success



2014 revenue breakdown in PAI portfolio

> "The deal gave R&R access to one of the most attractive ice cream markets in the world."

factor in ice cream is innovation – the ability to bring new products to a market that commands high margins. By having production facilities as well as marketing expertise, R&R is able to deliver new products from inception to point of sale seamlessly. The company also enjoys economies of scale from having a global footprint that enables it to quickly recognise synergies from each of its acquisitions. PAI has an intimate knowledge of the Food & Consumer Goods sector, having made 14 investments over 15 years, including Yoplait and United Biscuits, both of which PAI developed into global brands.

The ageing European market drives DomusVi's expansion

PAI is also applying this expertise to DomusVi, a chain of French nursing homes it bought in 2014. In September 2015, PAI helped DomusVi make its first step onto the international stage with the acquisition of Geriatros, Spain's #3 provider of nursing homes. As globalisation gathers pace, having the ability to successfully build an international business is no longer a luxury – it is an essential component for success. Retail businesses must move forward or they die, and PAI is committed to working with strong management teams to move quickly and capture growth opportunities.

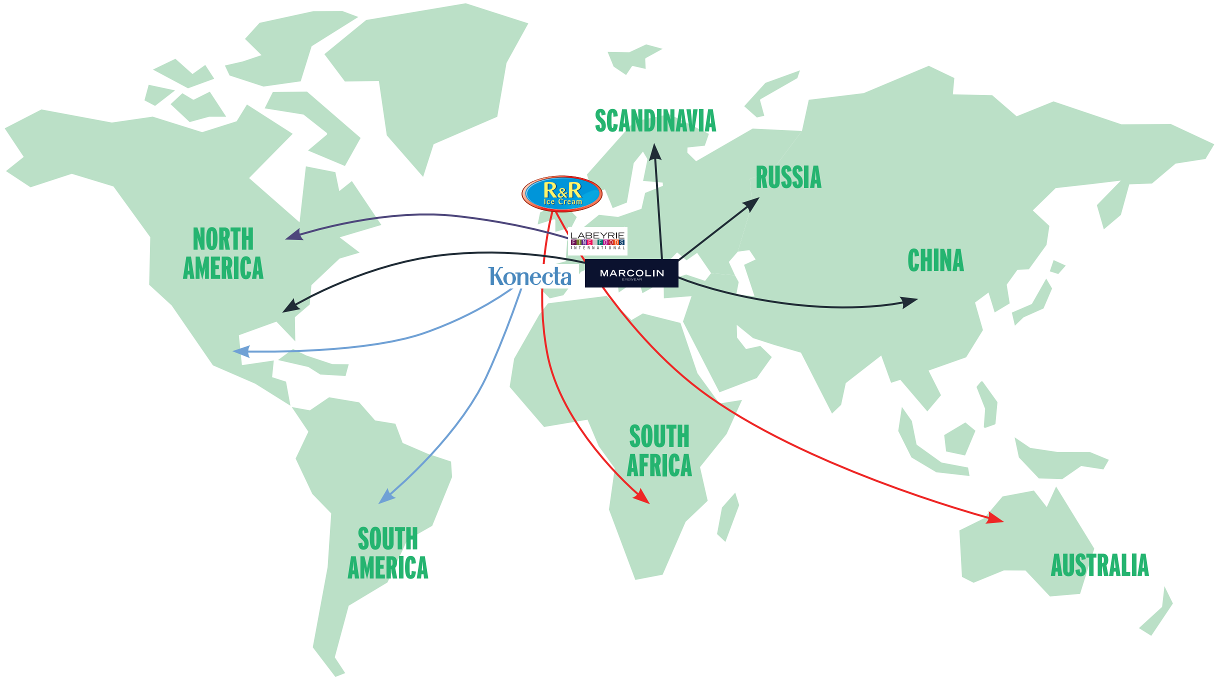
Marcolin is now half-American

This has also been the case with Marcolin, a worldwide leader in the design, manufacture and wholesale distribution of branded luxury eyewear. PAI acquired Marcolin and in 2013 it boosted its international footprint with the acquisition of Viva Optique Inc. ("Viva"), a US retailer with a brand portfolio of both international and American licensed brands, notably Guess, Gant and Harley Davidson. The acquisition of Viva provided a unique opportunity for Marcolin to gain scale and accelerate its growth in the US, which represents 40% of the total sales of the combined entity. Equally, Viva brands already benefited from Marcolin's strong distribution capabilities in Europe while the combination of the two brands made the company more attractive to Asian distributors, making this growth story even more exciting.

GLOBAL AND EUROPEAN EXPANSION TO FIND GROWTH

European expansion of PAI portfolio companies

Global expansion of PAI portfolio companies



FIRM OVERVIEW

50
professionals

7
European offices

150
institutional investors

PAI IS ONE OF THE LONGEST-ESTABLISHED PRIVATE EQUITY FIRMS IN EUROPE. THE FIRM IS ORGANISED AROUND FIVE CORE SECTORS AND SEVEN COUNTRIES.

FIRM OVERVIEW

16
PARTNERS

50
PROFESSIONALS

€8.1 BILLION
CURRENT ASSETS UNDER MANAGEMENT

FUNDING HISTORY

58
BUYOUT INVESTMENTS SINCE 1994

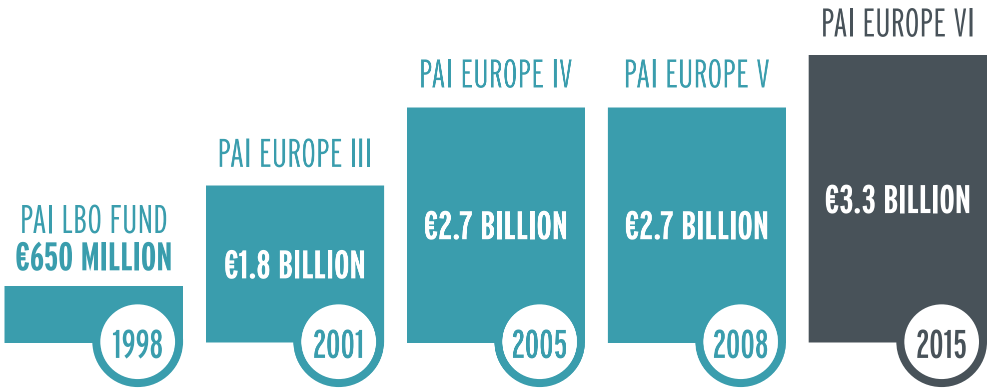
€39.9 BILLION
OF AGGREGATE ENTERPRISE VALUE

€8.4 BILLION
OF EQUITY INVESTED

€13.9 BILLION
OF REALISED CASH PROCEEDS

PAI AT A GLANCE

FUNDS RAISED



150
INVESTORS

1.9 BILLION
TOTAL INVESTOR CO-INVESTMENT

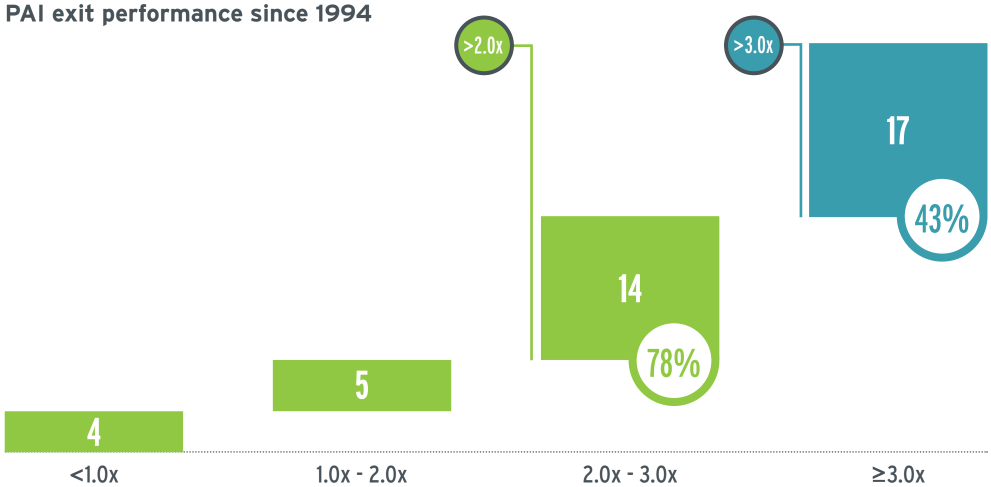
OUTPERFORMANCE

PAI's industrial approach to investing has consistently generated outperformance for investors. Since 1994, 40 out of 58 buyout investments have been exited, with PAI generating an average multiple of cost ("MoC") of 2.8x and an IRR of 32%. 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.

- **43% of realised buyout investments have generated more than a 3x MoC**
- **78% of realised buyout investments have generated more than a 2x MoC**

Notably, PAI has continued its strong historical performance through the challenging economic environment of recent years. Since 2011, PAI has exited 14 investments, having returned in aggregate €8 billion to investors representing a MoC of 3.1x and a 28% IRR.

PAI exit performance since 1994



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.

OUR INVESTORS

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.

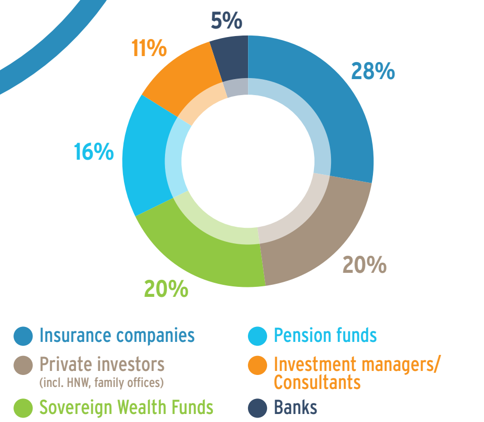
All investors are fully informed about PAI and the portfolio companies through a variety of different channels, including annual and mid-year investor meetings (in Paris, London and New York), quarterly financial reporting and deal-by-deal presentations. There is a continuous programme of individual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

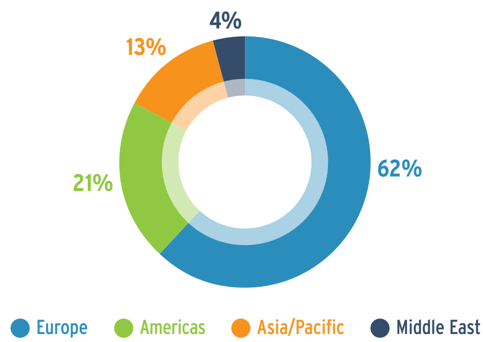
PAI has developed a large and diversified investor base across its five successive private equity funds, and manages over €8 billion for these investors.

For PAI Europe VI, capital was sourced from 108 investors from 27 countries.

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.



PAI Europe VI by type (in value)



PAI Europe VI by region (in value)

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.

€1.3 BILLION

Of equity co-investment placed with 38 investors

€520 MILLION

Of mezzanine debt placed with 13 investors

INTERVIEW WITH STEPSTONE

Joe Topley is a Managing Director at StepStone, a global private markets specialist with 11 offices in seven countries overseeing US$75 billion of private capital allocations, including over US$14 billion of assets under management.

How did your relationship with PAI start?

I met with PAI at the SuperReturn conference in Berlin in 2013 as PAI was starting to raise its sixth European fund. We then followed up with a series of meetings and onsite diligence sessions which eventually led to a positive investment recommendation for a number of clients.

How did your first co-investment with PAI come about?

PAI contacted us early on in the R&R process in 2013 and we were able to work closely with them ahead of signing the deal. This helped to align our interests. We were comfortable working with PAI on this deal as they probably know the food and beverage sector better than any other large European buyout group.

What do you look for in co-investment opportunities?

We look for a combination of things: the company in question should be a market leader with clear growth opportunities and operating in a sector which is well understood by the GP. In addition, we want to be sure that the profile of the deal in terms of value creation is consistent with the GP's strengths and experience. Overall, we look for an asymmetric return probability where the upside case is more likely than the downside case. In the case of R&R, we felt very comfortable that PAI really understood the sector and would be able to assist the company in its buy-and-build strategy. We weren't wrong.

What do you like about PAI?

Aside from the returns themselves, we place a high value on transparency and communication. PAI scores highly on all of the above. They are very responsive and great at providing both regular updates on the existing portfolio and information on new deals. Their Investor Days in January are also great networking events and a good way to catch up outside the annual meeting season.

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.

OUR TEAM

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

50
PROFESSIONALS

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, and is run on a consensual basis with eight 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.

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 Michel Paris and comprises six other Partners.

Supervisory Board
The Supervisory Board of PAI Partners is an independent body comprised of seven 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.

Investment appraisal
Supplements the deal teams' input with an independent assessment and analysis of potential investment opportunities, including key transaction highlights and risks

OUR SECTORS

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

EMG	p.54	Konecta	p.57
IPH	p.56	VPS	p.60
Kiloutou	p.57		

14 BUYOUTS

€760 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.

CURRENT PORTFOLIO

B&B Hotels	p.53	Marcolin	p.58
Labeyrie	p.58	R&R Ice Cream	p.59

18 BUYOUTS

€625 MILLION Average Enterprise Value

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

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.

CURRENT PORTFOLIO

ADB	p.52	Perstorp	p.59
CST	p.55	Xella	p.60

11 BUYOUTS

€730 MILLION
Average Enterprise Value

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.53	DomusVi	p.54

4 BUYOUTS

€637 MILLION
Average Enterprise Value

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

AS Adventure	p.52	Grupo Cortefiel	p.55

8 BUYOUTS

€780 MILLION
Average Enterprise Value

PAI AND THE COMMUNITY

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.

THE ESG JOURNEY

PAI has always sought sustainable growth for the companies in which it has invested. It has always considered the long-term needs of its investors. Since 2010, it has worked to formalise its commitment to responsible investment, and fully integrate ESG management into its policies and processes.

2010

SIGNING OF THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

2011

Creation of the PAI Sustainability Club

FIRST ESG AUDIT OF THE PORTFOLIO

Planetworkshops conference in Evian

2012

Keynote speaker at the Planetworkshops and the AFIC & PwC ESG conferences

Integration of ESG matters into PAI's Annual Review for the first time

Launch of philantropic initiative: PAI Human Capital

2013

FORMAL INTEGRATION OF ESG CRITERIA INTO PAI'S INVESTMENT PROCESS

PRI reporting framework completed for the first time

Disclosure of ESG relevant information to investors and on PAI's website

2014

SYSTEMATIC ESG DUE DILIGENCE FOR NEW INVESTMENT OPPORTUNITIES

PRI in Person – roundtable on innovative practices

APPOINTMENT OF A DEDICATED ESG TEAM

Contribution to the UN PRI Guide for GPs and the AFIC's ESG documentation

PUBLICATION OF FIRST DEDICATED ESG REVIEW

13
ESG DUE DILIGENCES
ON TARGET INVESTMENTS

5
ESG AUDITS
PERFORMED AFTER ACQUISITION

2015

MAY

ITALIAN FORUM FOR RESPONSIBLE INVESTMENT
PAI was a keynote speaker at the ESG roundtable

THE NEW PAI ESG REPORTING TOOL LAUNCHED ACROSS THE PORTFOLIO

JUNE

SWEN Capital Partners awarded ESG Honours to PAI

Responsible Investment Forum, London (PRI-PEI International)

JULY

PLANETWORKSHOPS
PAI moderated a responsible investment roundtable

8TH PAI SUSTAINABILITY CLUB

SEPT

PAI BECAME CHAIR OF THE AFIC ESG COMMISSION

NOV

LAUNCH OF INITIATIVE CARBONE 2020

14
ETHICS IN BUSINESS POLICIES

15,000
TONNES OF NON-HAZARDOUS WASTE RECYCLED

81%
PERMANENT EMPLOYEES

OUR ESG VISION

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

PAI puts the focus on integrating ESG directly into the investment process. ESG due diligence is carried out before each investment, in order to assess the risks and opportunities that may arise from the operations of the company. The ESG team provides 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 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. PAI systematically reports to its investors on how responsible investment is integrated in its investment processes and portfolio management.

ESG REVIEW

PAI's latest ESG Review was published in November 2015 and reports on the ESG achievements of PAI for the year. It is the outcome of a long and in-depth initiative, which was first reported on in 2014.

It puts the focus on PAI's achievements in the last 12 months, that add up to the implementation of ESG criteria in the investment and the portfolio monitoring processes:

This year, and this report, is about the result of the work the Firm has undertaken to embed ESG into how it invests, manages and creates value. ESG due diligence and post-acquisition audits now take place as standard practice. PAI's portfolio companies regularly meet to share their experience around sustainability issues. The Firm seeks to contribute to the industry's ESG debate, too.

Perhaps most significantly, PAI has launched in 2015 its new ESG reporting tool. It collects consistent ESG information across its portfolio, allowing PAI's investment managers, portfolio companies and investors to measure, monitor and understand the ESG performance of the entire portfolio. Ultimately, the demand for ESG information is only headed in one direction: transparency and accountability must be at the heart of sustainable private equity investment.

Discover PAI's ESG review

INITIATIVE CARBONE 2020

iC20

PAI COOPERATES WITH OTHER PRIVATE EQUITY FIRMS TO FIGHT AGAINST CLIMATE CHANGE.

Sustainable development has been considered vital to the investment policies of French private equity players for several years. The concrete application of ESG (Environment-Social-Governance) processes to their activity as shareholders is now widespread.

Voluntary pledges in France, such as the Charter of Commitments for Investors in Growth or, at the international level, the Principles for Responsible Investment, are being signed each year by a growing number of management companies (more than 80 to date in France). The 2015 publication of the AFIC's second annual ESG report demonstrates the willingness of these players to make their commitment public.

Wishing to proceed further with one of the major sustainable development challenges, five private equity firms (namely PAI, Apax France, Ardian, Eurazeo and LBO France) have decided to launch the Initiative Carbone 2020, also known as the IC20.

Conscious of their responsibility as shareholders, the IC20 signatories have decided to unite on these issues, in order to make their contribution to the COP21 objective of limiting global warming to two degrees Celsius. They thus recognise that climate change will have a material impact on the global economy, society and ecosystems. They believe that these consequences will generate both risks and opportunities for the companies in which they invest.

The IC20 signatories have taken a long-term committment to reducing the greenhouse gas emissions of their portfolio companies and securing sustainable performance.

PUBLIC, CONCRETE AND MEASURABLE COMMITMENTS

The signatories of the Initiative Carbone 2020 have decided to:

- **Measure the direct and indirect carbon footprint (scopes 1, 2 and 3) based on a sample of 30 portfolio investments using an accessible and effective estimation methodology.**
- **Include the climate issue in their investment process as of 2016, so as to gradually extend a climate strategy to all the companies they control.**
- **Publish the carbon footprint of these same companies as of 2020.**

The signatories hope to share both the methodology and the commitments with all sector players that wish to participate in the fight against global warming. The Initiative Carbone 2020 is an integral part of the pledges that were undertaken by the Paris financial market and co-signed by the AFIC. The signatories wish to make this pragmatic and operational contribution so that the private equity asset class, a major growth player in France, can be a driving force in building an eco-conscious world.

"French private equity players officially recognise that climate change will have material impacts on the global economy, human societies and ecosystems."

PAI HUMAN CAPITAL IN 2015

PAI's philanthropic initiative, PAI Human Capital, has supported non-profit organisations in the countries where PAI has offices since 2012.

This foundation has chosen to target actions closely linked to PAI's purpose, namely job creation and the development of economic activity by supporting organisations active in the fields of professional integration and re-integration, such as education and training, job creation and social entrepreneurship.

This focus allows the foundation to contribute more than money. PAI's staff gives time and guidance to organisations that the foundation supports – helping, for example, with budgeting and reporting processes or structuring fund-raising activities.

LULU DANS MA RUE, FOSTERING LOCAL SOCIAL COHESION

Whether they need to install a smoke detector, to have shopping delivered at home or croissants on Sunday morning, cleaning or ironing, watering the plants during the holidays, elderly people, overbooked executives, overwhelmed mothers always need someone they can rely on!

"Lulu dans ma rue", a kiosk installed in April 2015 in the center of Paris, now enables them to find the person they need. "The idea is to offer a neighbourhood concierge service. A "Lulu", someone who wants to offer a service, just needs to register with us. We put them in contact with people who are interested in their service," explains Charles Edouard Vincent, the founder of the project.

Residents can go there for information, request a service or register as a micro service provider with one of the three "concierges", all employed by the association, and join the "Lulu" community. When it opened, about fifteen "Lulus" signed up. They all have a self-employed status, are aged between approximately 20 and 60 and are students, unemployed persons, workers, young retirees, etc. Although they provide their services for money (some "Lulus" make over €1,000 per month), they also aim to "spread good cheer", stresses Charles-Edouard Vincent. Indeed the main goal is to create social cohesion in the city, to make it more human and to reduce social exclusion.

The system is still in a one-year trial phase in the Marais district but its founder is already looking to the future: his aim is to set it up in other districts in Paris and ultimately outside the capital.

RUNNING THE 20 KM OF PARIS FOR FLEUR DE COCAGNE

Fleurs de Cocagne

Paris Cocagne helps people in great need of social and professional integration, especially women. They launched the first organic horticultural farm in Île-de-France with the "Fleurs de Cocagne“ project, offering fresh bouquets and floral arrangements to companies as well as private clients. PAI Human Capital supported the opening of "Fleurs de Cocagne". In May 2014, 12 employees joined the Avrainville project, including 8 women in a professional integration process. It provides a dynamic, rewarding and fulfilling job as well as professional rehabilitation for people suffering from social exclusion.

On Sunday 11 October 2015, 20 PAI employees ran the race to raise money for Fleurs de Cocagne. The firm raised €20,000 to buy a refrigerated truck which will be used to deliver flowers in the Paris region. PAI Human Capital topped-up the amount raised to double it. It is the start of a new commercial development and increased business impact for Fleurs de Cocagne.

2,633
Entrepreneurs supported by Adie

4
Laureates of "La France s'engage" are supported by PAI Human Capital

11
Incubator final assessment of the BGE association held in PAI's office

PORTFOLIO OVERVIEW

18	50	€11.4 BILLION	72,500
Companies	Countries	Aggregated revenue	Employees

PAI INVESTS IN MARKET LEADERS, WITH A VIEW TO BUILDING FUNDAMENTALLY BETTER COMPANIES WITH SIGNIFICANT STRATEGIC VALUE FOR SUBSEQUENT OWNERS.

40%
Of sales in emerging markets

€300m
Combined ADB / Safegate sales

FUND
PAI Europe V

INVESTMENT DATE
May 2013

TRANSACTION VALUE
€208 million

OWNERSHIP
97%

HEAD OFFICE
Zaventem, Belgium

NUMBER OF EMPLOYEES
529

Founded in 1920, ADB Airfield Solutions is the world leader in airfield ground lighting ("AGL"), with installed products in c. 2,000 airports in 175 countries. The company supplies lights and signs located on airfield runways and taxiways, power supply products for airports' electrical substations, and lighting control and monitoring systems in airport control towers or substations. AGL products and systems are critical to airport safety since they guide pilots during take-off, landing, approach and taxiing.

2015 HIGHLIGHTS

May 2015: ADB signed an agreement to acquire Safegate, a transformational combination with strong product complementarity and strategic rationale.

The transaction closed in February 2016.

10%
Sales CAGR since 2011

14%
Online sales in 2015

FUND
PAI Europe VI

INVESTMENT DATE
April 2015

TRANSACTION VALUE
€393 million

OWNERSHIP
98%

HEAD OFFICE
Hoboken, Belgium

NUMBER OF EMPLOYEES
c. 2,600

AS Adventure is the leading multi-brand retailer of outdoor clothing and equipment in Europe, operating a network of 158 stores in Belgium, Luxembourg and France, the United Kingdom, and the Netherlands as well as digital retail platforms in each market. AS Adventure offers a mix of branded outdoor clothes, footwear, accessories (camping, bike, hardware etc.) and, specifically in Belgium, casual apparel. AS Adventure focuses on quality and service by offering a best-in-class customer experience within authentic outdoor retail theaters.

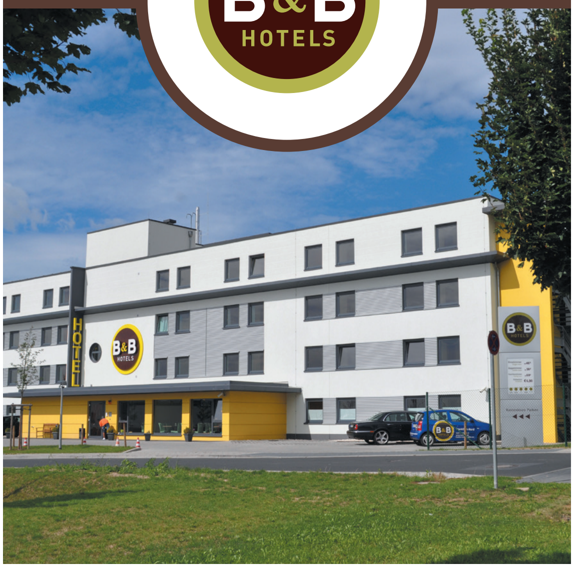
2015 HIGHLIGHTS

May 2015: AS Adventure completed the acquisition of Snow + Rock, a premium multi-brand outdoor retailer in the UK.
The combination with Cotswold created the undisputed leader in the UK in premium outdoor.

28,500
Rooms

36%
Online sales in 2014

B&B HOTELS



FUND
PAI Europe VI

SIGNING DATE
December 2015

TRANSACTION VALUE
€789 million

OWNERSHIP
96% (including co-investors)

HEAD OFFICE
Brest, France

NUMBER OF EMPLOYEES
c. 650

B&B Hotels is a pan-European chain of c. 340 budget hotels. B&B benefits from leading positions in France, Germany and also operates in Spain, Poland and the Czech Republic.

The group operates at the high end of the budget hotel segment, serving mainly business travellers.

2015 HIGHLIGHTS

December 2015: PAI announced it had signed an agreement to acquire B&B Hotels from the Carlyle Group and Montefiore.

The plan is to expand B&B's coverage of the European and international markets.

45
Acquisitions completed since closing

400
Collection centres

Cerba HealthCare

FUND
PAI Europe V

INVESTMENT DATE
July 2010

TRANSACTION VALUE
€551 million

OWNERSHIP
75%

HEAD OFFICE
Saint Ouen l'Aumône, France

NUMBER OF EMPLOYEES
c. 4,100

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 Specialised, Routine and Central Lab, following the model of the large US players.

2015 HIGHLIGHTS

March 2015: the acquisition of Novescia enabled Cerba to become the #1 player of the French routine market.

Novescia has been successfully integrated over 2015 with most of the synergies already secured.

21%

EBITDA in Spain

21,000

Beds

DomusVi

FUND	TRANSACTION VALUE	HEAD OFFICE
PAI Europe VI	€639 million	Suresnes, France
INVESTMENT DATE	**OWNERSHIP**	**NUMBER OF EMPLOYEES**
September 2014	56%	12,500

Created in the 1980s by Yves Journel, DomusVi is the #3 private player in French nursing homes operating 198 residential homes for the elderly and c. 15,600 beds. The group is present in all areas of elderly care including Alzheimer and Parkinson units and home care. The group has also become #3 in Spain through the acquisition Geriatros.

2015 HIGHLIGHTS

July 2015: DomusVi completed the acquisition of Geriatros, the #3 nursing home operator in Spain. This strategic move represents a meaningful geographic diversification for DomusVi and increases the group's growth potential.

December 2015: Aymar Hénin was appointed CEO of DomusVi to accelerate implementation of value creation levers including the group's geographic diversification strategy.

2

Acquisitions completed in 2015

12

Games serviced by EMG at the UEFA Euro 2016

euro media group
UNITED BROADCAST FACILITIES

FUND	TRANSACTION VALUE	HEAD OFFICE
PAI Europe VI	€170 million	Boulogne-Billancourt, France
INVESTMENT DATE	**OWNERSHIP**	**NUMBER OF EMPLOYEES**
July 2014	60%	1,465

EMG is the leader in the European audiovisual technical services market. The Group offers to its customers (TV channels and producers) a large range of services for the production and delivery of media content: studios, outside broadcasting trucks, cameras and specialised services (ultra-slow motion, aerial cameras, digital content management, playout, etc). EMG holds the #1 position in France, the UK and Belgium, and #2 in Holland.

2015 HIGHLIGHTS

May 2015: EMG acquired Broadcast RF, thus becoming the worldwide leader for radio-frequency solutions.

September 2015: EMG acquired Netco Sports, the leading provider of sport mobile applications, enabling EMG to offer an end-to-end service from captation to content delivery on all devices.

2080
Points of sale worldwide

€1bn
Sales in 2014

GRUPO CORTEFIEL

FUND	TRANSACTION VALUE	HEAD OFFICE
PAI Europe IV	€1,452 million	Madrid, Spain
INVESTMENT DATE	**OWNERSHIP**	**NUMBER OF EMPLOYEES**
September 2005	31%	11,250

Grupo Cortefiel ("Cortefiel") is the #2 apparel retailer in Spain. The group operates a multi-format network with three main store concepts: Cortefiel, Springfield and Women' Secret. The group has developed its international presence mainly through franchises. In total, Cortefiel has c. 7,000 direct employees and operates 2,092 points of sale.

2015 HIGHLIGHTS

2015 has been a very positive year for the company. Cortefiel is now experiencing strong momentum due to its successful brand and store repositioning and cyclical recovery in Spain, with proven results of 11% sales growth, and significant margin expansion.

1,500
Employees

140
Countries

CST became INNOVISTA SENSORS

FUND	TRANSACTION VALUE	HEAD OFFICE
PAI Europe VI	$900 million	Thousand Oaks, USA
INVESTMENT DATE	**OWNERSHIP**	**NUMBER OF EMPLOYEES**
September 2014	35%	1,300

CST, renamed Innovista, is a sensor and control manufacturer, now focused around 2 blocks:
(i) the North-American defense-related businesses, specialised in high precision inertial sensors and military and space encoders and
(ii) Crouzet, a French-headquartered European business which at the inception of the CST group specialised in aero and industrial switches, motors and control products with manufacturing sites in France, Morocco and China.

2015 HIGHLIGHTS

December 2015: the Pressure, US industrial and US commercial divisions of CST have been sold to Sensata, a US listed global sensor company for $1.0 billion.

[1] *Post disposal of the Pressure, US industrial and US commercial aero divisions of CST, the group was renamed to Innovista Sensors.*

100,000
Clients

200
Agencies in France

FUND PAI Europe V	**TRANSACTION VALUE** €465 million	**HEAD OFFICE** Lyon, France
INVESTMENT DATE February 2013	**OWNERSHIP** 59%	**NUMBER OF EMPLOYEES** 4,000

Industrial Part Holding ("IPH") is a leading B2B distributor of industrial supplies in France, Germany, Italy and Benelux. The company operates in six major product categories including technical segments and more generalist ones. IPH is a market leader in the geographies where it operates notably in France (#1 distributor), in Italy (#1 distributor), in Holland (#2 distributor) and in Germany (#1 in the power transmission segment).

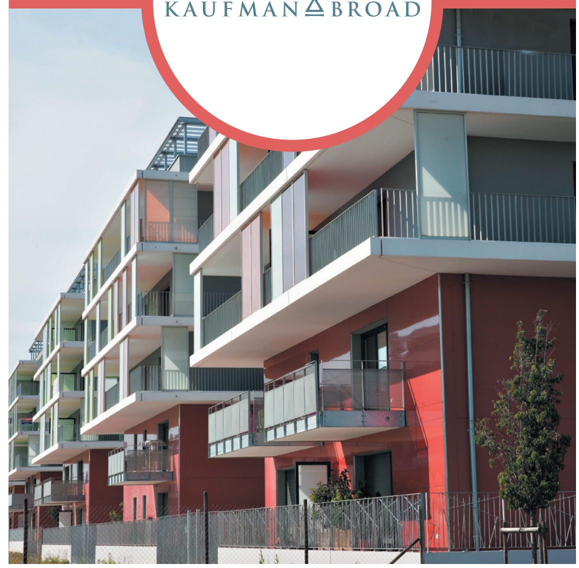
2015 HIGHLIGHTS

March 2015: IPH acquired 50% of Minetti, the leading distributor of industrial supplies in Italy.

August 2015: IPH acquired a stake in Kistenpfennig, a technical distributor active in Germany, Poland, Romania and Luxembourg.

720
Employees

€1bn
FY 2015 sales



FUND PAI Europe IV	**TRANSACTION VALUE** €1,455 million	**HEAD OFFICE** Neuilly sur Seine, France
INVESTMENT DATE July 2007	**OWNERSHIP** 89%	**NUMBER OF EMPLOYEES** 720

Kaufman & Broad ("K&B") is a leading French developer and builder of homes and apartments, focused on middle-end to high-end construction. K&B operates in major French cities where there is a large residential market. The company manages every stage of real estate development, from identifying the land for acquisition to the sale of the homes. The company has been listed on the Paris stock exchange since 2000.

2015 HIGHLIGHTS

Kaufman & Broad significantly increased its reservations in 2015 (+17%) supported by the strong development of the land portfolio over the last two years.

+67%

EBITDA increase since acquisition

16

Add-ons since acquisition

FUND	TRANSACTION VALUE	HEAD OFFICE
PAI Europe V	€535 million	Marcq-en-Barœul, France
INVESTMENT DATE	**OWNERSHIP**	**NUMBER OF EMPLOYEES**
June 2011	61%[1]	3,630

Kiloutou is the #2 player in equipment rental services in France and offers a full range of equipment to a broad customer base of construction, industrial and service companies as well as individuals. The company operates 416 outlets in France, 7 in Spain and 32 in Poland.

2015 HIGHLIGHTS

January 2015: Kiloutou entered the strategic and high margin segment of module rental with the acquisition of Akmo.

April 2015: The company develops in Spain with the acquisition of Rentecnika.

December 2015: Kiloutou signed an agreement to acquire regional leader Aquiloc.

January 2016: Kiloutou presented its new brand identity.

[1] *61% is the ownership of the controlling holding, the equity interest of PAI by transparency being 34%.*

10m

Calls handled/year

30%

CAGR since foundation

FUND	TRANSACTION VALUE	HEAD OFFICE
PAI Europe VI	€324 million	Madrid, Spain
INVESTMENT DATE	**OWNERSHIP**	**NUMBER OF EMPLOYEES**
December 2015	40%	19,000

Konecta is the #1 business process outsourcing ("BPO") and contact centre service provider in Spain. The company operates 35 call centre platforms with 19,000 employees and 17,000 workstations across 10 markets in EMEA (Spain, Portugal, UK and Morocco) and LatAm (Peru, Brazil, Chile, Colombia, Argentina and Mexico). The group enjoys a consolidated position as supplier for the banking and insurance industry, where it is ranked among the top five players globally.

2015 HIGHLIGHTS

During the first half of 2015 Konecta completed an acquisition in Chile and signed another one in Mexico.

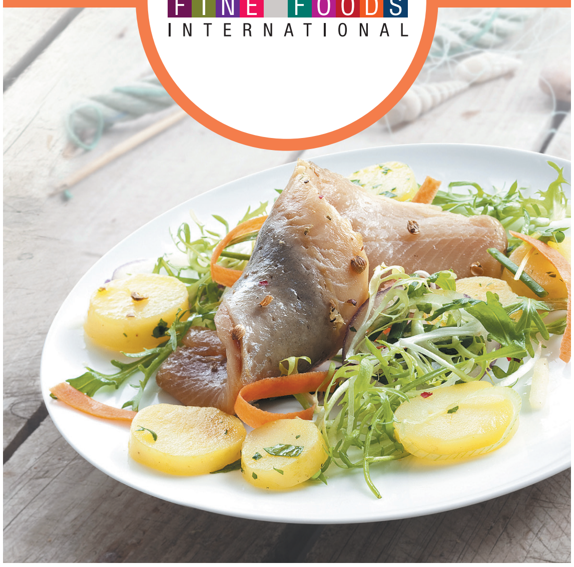
31%

Market share in smoked salmon in France

+9.4%

Organic growth

LABEYRIE FINE FOODS INTERNATIONAL



FUND PAI Europe VI	**TRANSACTION VALUE** €567 million	**HEAD OFFICE** Saint-Geours, France
INVESTMENT DATE July 2014	**OWNERSHIP** 41%	**NUMBER OF EMPLOYEES** 3,700

Labeyrie Fine Foods is a leading gourmet food company with #1 positions in France and the UK. The company is active in three main segments: festive food (smoked salmon, foie gras and frozen delicatessen), everyday gourmet ingredients (shrimp, white fish and duck meat) and snacking & convenience (blini and spreadables). The company operates in over 40 countries worldwide.

2015 HIGHLIGHTS

January 2015: Labeyrie closed the acquisition of Les Pecheries Marinard.

July 2015: The company acquired Salés Sucrés.

November 2015: Aqualande, a trout producer, joined the group. The company also launched the Atelier Blini Snacking product line.

14m

Units sold

12

Direct subsidiaries

MARCOLIN EYEWEAR

FUND PAI Europe V	**TRANSACTION VALUE** €482 million	**HEAD OFFICE** Longarone, Italy
INVESTMENT DATE December 2012	**OWNERSHIP** 80%	**NUMBER OF EMPLOYEES** 1,700

Marcolin is a worldwide leader in the design, manufacturing and wholesale distribution of branded luxury eyewear (both prescription frames and sunglasses) with distribution in more than 100 countries. Marcolin is active in the eyewear wholesale business with most of its revenues coming from the licensed business. Following the acquisition of Viva in December 2013, Marcolin's portfolio now includes 21 licensed brands with an average life of 7 years due to the long maturity of its largest licenses.

2015 HIGHLIGHTS

In 2015 Marcolin has completed the integration of Viva, started strategic JVs in China, Russia and Scandinavia, set-up a new manufacturing plant in Italy to accommodate growth in the luxury made-in-Italy segment and secured a new 5 year license with Moncler.

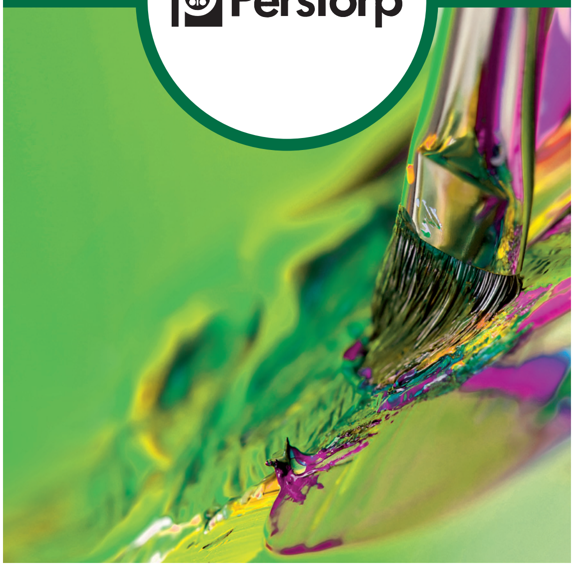
2

Add-ons closed

25%

EBITDA growth in 2015

Perstorp



FUND
PAI Europe IV

INVESTMENT DATE
December 2005

TRANSACTION VALUE
SEK 9,185 million

OWNERSHIP
97%

HEAD OFFICE
Malmö, Sweden

NUMBER OF EMPLOYEES
1,455

Perstorp is the world leader in the production of added value chemical additives mainly for the resin and coatings industry, which impart essential properties such as gloss, scratch resistance, flexibility and durability to end-products. Perstorp's main markets include a number of fast growing segments of the coatings industry such as powder, radiation cured or waterborne. Headquartered in Sweden, with a global customer base split between EMEA (66%), the Americas (20%) and APAC (14%), Perstorp operates 9 manufacturing entities in 8 countries across Europe, the Americas and Asia, and employs around 1,500 people.

2015 HIGHLIGHTS

Q1 2015: Perstorp started the new Valerox plant producing green plasticizers. Its successful start enabled the plant to quickly reach its maximum capacity.

46%

Branded sales

25%

Sales outside Europe

R&R Ice Cream

FUND
PAI Europe V

INVESTMENT DATE
July 2013

TRANSACTION VALUE
€158 million

OWNERSHIP
95%

HEAD OFFICE
Leeming Bar, UK

NUMBER OF EMPLOYEES
4,069

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. R&R has acquired Peters Ice Cream, Australia's leading take-home ice cream manufacture, and Nestlé's South African ice cream business, deals which provide the group with an exposure to the fast-growing Asian and African markets.

2015 HIGHLIGHTS

May 2015: R&R completed the acquisition of Nestlé South African ice cream operations, entering the high growth African market.

October 2015: in line with its strategy to build a global ice cream challenger to Unilever, R&R announced that it was in discussions with Nestlé to create a global ice cream partnership.

90,000
Properties under management

3
Add-on acquisitions

FUND PAI Europe VI	**TRANSACTION VALUE** £161 million	**HEAD OFFICE** Borehamwood, UK
INVESTMENT DATE July 2014	**OWNERSHIP** 83%	**NUMBER OF EMPLOYEES** 485

VPS is the leading European vacant property specialist (#1 in the UK, France and Netherlands), providing security solutions and vacant property management services. First established in the UK in 1993, VPS has grown through acquisitions (six in the last decade) to become the leading operator in the industry.

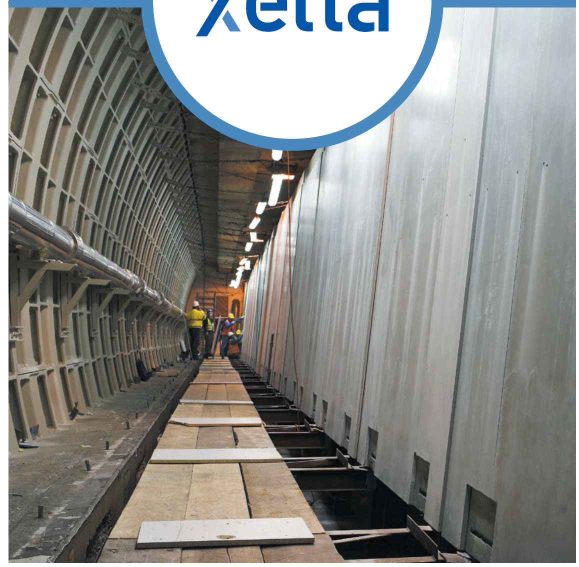
2015 HIGHLIGHTS

June 2015: VPS acquired the Bristish landscaping company Redfields/Lotus.

November 2015: VPS acquired the French construction site security services leader Prodomo.

€1.3bn
Sales

6,200
Employees



FUND PAI Europe V	**TRANSACTION VALUE** €1,628 million	**HEAD OFFICE** Duisburg, Germany
INVESTMENT DATE August 2008	**OWNERSHIP** 47%	**NUMBER OF EMPLOYEES** 6,200

Xella is the world's largest manufacturer of aerated concrete blocks (aircrete) and calcium-silicate blocks. The company is also a leading supplier of lime and limestone (#2 in Germany and Czech Republic) and a leading manufacturer of gypsum fiber wallboard (#1 in Europe). Under its key product brands Ytong, Hebel, Silka, Multipor and Fermacell, Xella provides state-of-the-art solutions for energy efficient construction activities. Headquartered in Germany, Xella operates 97 production plants in 20 countries and employs c. 6,200 people.

2015 HIGHLIGHTS

The X-celerate programme already enabled Xella to make gross cost savings above €70 million through a set of 1,750 measures.

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NOTES

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Photos
ADB Airfield Solutions, AS Adventure, B&B Hotels, Cerba Healthcare, DomusVi, Euromedia Group, Global Closure Systems, Grupo Cortefiel, Innovista, IPH, Kauman & Broad, Kiloutou, Konecta, Nicolas Tronc, Labeyrie Fine Foods, Marcolin, Perstorp, Peters Ice Cream, R&R Ice Cream, Swissport, VPS, Xella.
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