Permira is a private equity firm with a European heritage and a global reach. The Permira funds, raised from pension funds and other institutions, make long-term investments in companies to transform their performance and drive sustainable long-term growth. The firm advises funds with a committed capital of over €20 billion.
2009 Highlights

- Portfolio companies took early and appropriate action in response to the global recession
- Focus on controlling costs and strengthening their respective management teams, as well as continued investment in growth and innovation
- Performance stabilised and in most cases improving
- Rise in portfolio value by 22% over the past 12 months; 24% over the last six months

- Two new investments: Just Retirement (page 56) and NDS (page 62)
- Attractive businesses that offer strong prospects for growth
- Sourced through strong relationships with corporate partners and sector network; complex and lengthy acquisition processes which mobilised the full range of our teams’ skills and expertise
- Further investment in Permira team to increase our industry networks and deepen our local knowledge
- Cash returned to investors by divesting a number of minority stakes

- Market conditions showing some signs of improvement, though plans for 2010 based on very gradual recovery
- Financing environment for new investments significantly improved over the year
- Better conditions for realisations: exit options being evaluated by the Permira funds for a number of portfolio companies

Stabilised and improving portfolio

Attractive investment environment

Encouraging outlook
For 25 years the Permira funds have been delivering value to investors by building better businesses.

At the heart of Impact Investing is the ability to create a performance culture in which motivated entrepreneurs can drive change and sustainable growth. The Permira funds’ portfolio companies do this by securing the best management talent, developing value creation plans and setting clear priorities and responsibilities.

The past few years, characterised by a severe economic downturn, has emphasised the value of being able to respond quickly to a fast-changing environment. Private equity ownership has enabled the portfolio companies to adapt and ultimately thrive during this time. When conditions were especially challenging, management attention at portfolio companies was focused on driving the necessary change. The flexibility and effectiveness of this model means that today the portfolio is well positioned for recovery.

Impact Investing: How it works

1 Origination
- Identify a business with unrealised potential

2 Leadership
- Build a management team capable of driving change in the business

3 Development
- Management develops a transformational strategy

4 Targets
- Targets are set and a monitoring framework is created

5 Performance
- A performance culture is created in the business, allowing it to fulfil its potential
Permira used its networks to identify the investment in Just Retirement in December 2009. Knowledge of the financial services sector meant that potential could be identified in what is a complex business with exciting growth potential.

A strong business with market leadership in enhanced annuities and equity release mortgages

Benefiting from increasing need for individuals to save for their retirement through defined contribution pension schemes

Management will work to support the company’s continued growth, while helping to broaden its distribution and product range.
Initially, we had to work hard to put in place the right working relationships and to develop a shared culture within the business. This wasn’t always easy. The Permira funds’ investment encouraged us from the first day to go further and make changes in the business.

We wanted to strengthen the way we managed the business. We increased the size of our management committee, mainly with the appointment of a chief operating officer. It was the right thing to do and has been good for the business.

We also changed the way we organise our pet food division. As a result, the pet food division is much stronger.

The outcome is that we have grown much more quickly and in a more sustainable way.

In the three years we have been owned by the Permira funds, we have been able to do things that a public company or even most private companies would never have been able to do. It is now very much the natural propensity of our team to look for the optimum in the business and keep challenging the company to get there. At Provimi, we are constantly interested in finding new opportunities to build the business. We are a much stronger company as a result.

Ton van der Laan is the chairman and chief executive of Provimi. He joined Provimi from Unilever as chief operating officer in October 2005 and became CEO in June 2007. Here he talks to us about his experience of working under Permira funds ownership and the Impact Investing model.

“At Provimi, we are constantly interested in finding new opportunities to build the business. We are a much stronger company as a result.”

Ton van der Laan
Chief Executive Officer, Provimi

Since the company was acquired in 2007, Ton van der Laan has built and led a world-class management team at Provimi. It was further strengthened in 2009 with the appointment of Kurt Coffyn, the former operations and supply chain director in Europe for Barry-Callebaut.

www.provimi.com
www.provimipetfood.com

Improved management process and a focus on long-term growth
Managerial separation of Provimi’s pet food division, which is now a much stronger business
Continuing to identify and pursue new opportunities: new plants to be built in Russia, Brazil and China
Sale of the non-core fish feed business in 2008
TDC has developed and implemented a strategy that has transformed the business since it joined the Permira funds’ portfolio in 2005. It has focused on its core domestic business and is on course to become one of the best-performing incumbent telecom providers in Europe.

A new performance culture within the business, making the company more collaborative, fast-paced and customer-focused.

Innovative products brought to market including an unlimited music service for broadband users and video on demand.

Acquisitions to strengthen the mobile and broadband offering.
New Look has been transformed since joining the Permira funds portfolio, investing £400 million to target expansion. It has focused on growth and improving the quality of its product range. New Look is now the No.2 in the UK women’s clothing and accessories market.

Doubled its retail space in the UK while expanding into 10 new geographies

Opened a state-of-the-art, highly automated distribution centre; new online platform; relocation of buying, merchandise and design (BMD) to London

A renewed and refreshed product range and an obsessive customer focus: high-profile collections with leading designers; developed successful menswear and childrenswear lines; innovative use of social media to communicate with customers
Birds Eye Iglo Group has a world-class management team, led by Martin Glenn, that has developed and strengthened the business. Today it is a thriving business, with a reputation for producing healthy, nutritious and sustainable food.

Successful financial and physical separation of Birds Eye Iglo Group from Unilever including establishing a new IT infrastructure

Strengthening of the Birds Eye Iglo Group management team – chief financial officer Paul Woolf was appointed having been successful in the same role at another Permira funds’ portfolio company

Benefited from investment in a very strong management team and an exciting pipeline of new product innovations: ongoing innovation is key to generating long-term, sustainable top line growth
The portfolio companies rose to the challenges they faced in 2009 and emerged stronger. They have started to grow again and are well positioned for recovery.
The Permira funds' portfolio companies rose to the challenges they faced in 2009 and emerged stronger. The early and decisive action that was taken paid off and by the end of the year performance had stabilised and in most instances was improving. As a result these companies have started to grow again and they are well positioned for recovery.

The funds also completed two highly attractive investments last year, in NDS, a technology company which provides software to pay, satellite and cable TV platforms, and in Just Retirement, a UK financial services company with leading market positions in the specialist retirement market. Both are outstanding companies that have performed well since acquisition and serve as good examples of the kinds of opportunities the funds will be pursuing in the coming year.

The market conditions today are similar to those in the early 2000s. Back then, it took a long time to develop opportunities, the processes were generally highly complex, but the businesses had enormous potential for real transformation. These conditions play to the Permira funds' strengths – local knowledge and sector expertise.
Focused on long-term growth

Although 2009 was a challenging year for many of the funds’ portfolio companies, none of them lost sight of their long-term growth ambitions. Many adjusted their strategies to ensure that they were able to compete, maintain their market-leading positions in a recessionary environment and prepare to take advantage of the recovery. In particular they continued to invest and expand into new markets and geographies, organically or via strategic acquisitions, throughout the year.

World class leadership

Many portfolio companies strengthened or changed their management teams to reflect the need for a different set of skills or experience in what was a particularly unpredictable operating environment.

Birds Eye iglo Group
Birds Eye iglo Group appointed a new managing director for the iglo business and a general manager for Germany.

Maxeda
Maxeda brought in new leadership to head its Hunkemöller brand.

Provimi
Provimi appointed a new chief financial officer and chief operating officer.

Freescale Semiconductor
Freescale Semiconductor has taken the opportunity to refocus its research and development activity on its core markets – automotive and networking; core market segments – consumer and industrial; and key trends – clean tech, health & safety and connected devices.

NDS
NDS won a number of new international customers and laid the foundations to continue building its presence in new markets in 2010.

Galaxy Entertainment Group
Galaxy Entertainment Group invested in its StarWorld site, refurbishing and relaunching its mass gaming floor and creating a new large-scale poker offer.

ProSiebenSat.1
ProSiebenSat.1 restructured its leadership team; a new advertising model was implemented that has driven the business’s recovery.

Acromas
Acromas completed a number of ‘bolt-on’ acquisitions including: Drivetech, a provider of driver training and assessment; Titan Travel, a UK-based tour operator that targets the 50+ market; and AutoWindshields, a British car glass repair and replacement business.

Maxeda
Maxeda brought in new leadership to head its Hunkemöller brand.

Sisal
Sisal introduced new lottery games, enlarged its retail network and started planning to introduce a new generation of slotmachines in 2010.

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A strong team, led by a stable partnership, has always been at the heart of the Permira business. Our 26 partners have been with the firm for, on average, over a decade. Our multinational and multilingual team, with professionals from 21 different countries who speak 22 languages, is an essential resource if the Permira funds are to maintain and develop further their extensive network of local and sector relationships.

Our team members come from a wide range of backgrounds and have considerable private equity, industrial, consulting, financial, legal and other business experience. This diversity is a defining characteristic of Permira. Throughout 2009 we built on this strength, appointing 13 new professionals.

Central to the Permira culture is the development of talent from within the organisation. This year three of our professionals who have excelled in the business have joined the partnership. Roberto Biondi, Richard Carey and Benoit Vauchy were elected as partners.

Roberto has worked in our Italian advisory business for eight years and is part of the financial services and financing teams. Richard has been with Permira since joining our London office in 2000, before moving to our New York office, which he helped to found, in 2002.

Benoit joined Permira’s London office in 2006 where he has worked on a number of transactions. He is part of the TMT and financing teams.

In 2010 Permira will complete the management transition to Kurt Björklund and Tom Lister we began several years ago. Damon Buffini will step down as chairman in June (as previously announced) but will remain a partner, a member of the investment committee and a member of the board. He has also recently joined the boards of two Permira funds’ portfolio companies, Hugo Boss and NDS. Damon will continue to play an important role within the business.

Permira would like to thank Damon for his successful leadership over more than a decade. In that period the Permira funds multiplied their assets under management almost tenfold and returned more than €15 billion of cash to investors.

The funds’ portfolio companies have maintained the positive progress they made in 2009. This progress will continue throughout the remainder of 2010.

The decisive action taken by portfolio companies continues to bear fruit, allowing all the companies to seek out new opportunities while maintaining their focus on long-term growth.

As for new investments, the environment today looks very much like the early 2000s in terms of the nature of the deal flow and the ability to finance transactions. It often takes a long time to develop these opportunities, but levels of competition are often lower and the investments themselves have significant potential for real business transformation.

The NDS and Just Retirement transactions are good examples of the kinds of investments that the Permira funds are likely to pursue over the next few years. Both were complex transactions where deep sector knowledge was essential to identify primary value. This played to the funds’ strengths and track record of Impact Investing – the focus on similar such deals will continue throughout 2010.

The financing environment also continues to recover. Both the revival of the high-yield markets and the gradual improvement in the availability of capital from banks has made access to debt financing easier recently. This trend is expected to continue although it will depend to some degree on the economic and interest rate policy that central banks and governments adopt in 2010; the uncertainty around sovereign debt positions in a number of geographies makes predicting such policy decisions difficult today.

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The strong progress made at the Permira funds’ portfolio companies in 2009, and the subsequent recovery in valuations, demonstrates the value of the Impact Investing approach.
The **decisive action** taken by portfolio companies continues to bear fruit, allowing all the companies to **seek out new opportunities** while maintaining their **focus on long-term growth**.
Investing in Society

Permira continued its successful social investment programme in 2009. In the UK the firm supports Breakthrough (see opposite page) – a social enterprise fund which provides a combination of financial investment and operational expertise from experienced professionals to the organisations it backs. Permira has made a significant contribution to the Private Equity Foundation (PEF) - which focuses on empowering young people who are not fulfilling their potential to re-enter the worlds of education, employment and training. In Germany, the firm supports an initiative launched by the charity Off Road Kids to fundamentally transform the German education system. As social enterprise takes on an increasingly important role in society, we are committed to continuing our support.

Permira is a member of the Private Equity Foundation (PEF), a leading venture philanthropy fund which works with carefully selected charities to empower young people to reach their full potential. Its investments address the NEET (young people not in education, employment or training) issue and include not just money but also pro bono expertise from the private equity community.

www.privateequityfoundation.org

www.offroadkids.de

ORK is a leading (non-profit) relief organisation for “Run-away Kids” in Germany. It has over 10 years experience in offering a second chance to over 1,000 German street kids, and is the only area-wide relief organisation with streetworkers in Berlin, Hamburg, Dortmund and Cologne.

Permira has been supporting a new project set up by CEO Markus Seidel, designed to overhaul the German education system. It will create the country’s first academy for youth workers, thereby addressing a gap in the education system and reinforcing the core of the organisation to charity work.

www.teachfirst.org.uk

Teach First’s mission is to address educational disadvantage by transforming exceptional graduates into effective, inspirational teachers and leaders in their fields.

Teach First was launched in July 2000 to encourage top graduates, who would not normally enter teaching, to teach for at least two years in challenging secondary schools in the UK. With tailored leadership training developed with over 100 employers, Teach First aims to develop the leaders of the future.

Teach First has achieved incredible scale in its short history and its social impact has been far-reaching. The organisation is poised for significant growth over the next few years and has already placed nearly 1,500 graduates into challenging secondary schools.

To meet the demand for their services and their ambitious growth plans, Permira is assisting Teach First in its work to strengthen its operational platforms, maintaining its impact while achieving significant nationwide scale.

Permira is providing significant unrestricted grant funding towards the cost of hiring a director of operations and a financial controller, as well as funding the appointment of a number of other members of the finance team. Furthermore, Permira is assisting in the formulation and implementation of an operations strategy, monitored by an oversight group and a roster of external advisers.

We are also providing support for the measurement of the social impact of Teach First’s programmes.

"Bringing together two strong sector leading organisations will mean that we are able to exert a greater force for positive change, ensuring that people have a voice that counts and rights that are respected.”

Jonathan Squires
Chief executive of Advocacy Partners and Craig Dearden-Philips, founder of Speaking Up

"The relationship with Breakthrough is helping Teach First to manage expansion and ensure our impact is sustained. Such managerial support and funding is invaluable to social enterprises like Teach First, which want to unlock their potential and achieve significant scale.”

Brett Wigdortz
Chief executive and founder of Teach First

www.breakthroughfund.org.uk

Speaking Up is a leading venture philanthropy fund which works with carefully selected charities to help organisations to understand their needs and represent their views or supporting them to speak up for themselves.

By 2009, Speaking Up supported and empowered people with learning difficulties, disabilities and mental health problems to speak up for themselves. It is one of the largest providers of advocacy services in the UK.

Speaking Up enables people who experience learning difficulties, mental health issues or other disabilities to find their voice and shape their own lives by creating positive choices for disadvantaged people. Helping organisations to understand their needs and representing their views or supporting them to speak up for themselves.

Speaking Up has a proven business model and has shown considerable growth over the last few years. In 2008/9 Speaking Up reached over 3,000 people through its advocacy services and over 6,500 people in total. Twenty per cent of Speaking Up staff are disabled or former users of its mental health services.

Throughout 2009, a number of Permira’s investment professionals worked to assist in the merger of Speaking Up with Advocacy Partners, which is also a leading provider of advocacy services to disabled people in the UK. The merger, which was completed in February 2010, will create a new organisation which will have the scale and scope to support service users across the UK. To further ensure services continue to be improved, investment is also being made in infrastructure that will help create an integrated organisation. A strategy for the new organisation will be rolled out in the year ahead.

www.teachfirst.org.uk

www.breakthroughfund.org.uk

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Strong corporate governance is critical to our ability to maintain the highest standards at Permira.

Permira Holdings Limited is the group holding company. The Board of Permira Holdings Limited is responsible for the management and operation of the group. It is comprised of the two co-managing partners, Kurt Björklund, Tom Lister and a further five Permira partners, Damon Buffini, Veronica Eng, Carlos Mallo, Jörg Rockenhäuser and Charles Sherwood, and three other directors, Nigel Carey, David Sullivan and Vic Holmes.

In addition there is an Executive Group comprising Kurt Björklund, Tom Lister, Damon Buffini, Veronica Eng, Carlos Mallo, Jörg Rockenhäuser and Charles Sherwood; and a Management Group which comprises the seven individuals from the Executive Group and also Martin Clarke, Mike Garland, Ian Sellers and Nicola Volpi.

The Board has overall responsibility for the operations of Permira. The Executive Group is the forum for day-to-day aspects of firm management and the Management Group considers firm strategy and long-term planning.

The seven individuals who comprise the Executive Group also comprise the Investment Committees of the Permira funds which are responsible for advising the respective fund general partners on investment and divestment decisions and the overall monitoring of the funds' investments.

Conflicts of interest
We have in place internal policies and guidelines which seek to reduce the instances when conflicts of interest arise and address conflicts that do arise in a way that protects and deals fairly with the interests of all those involved.
Our Portfolio
Throughout 2009, the funds’ portfolio companies maintained their focus on long-term growth and adjusted their strategies to ensure that they were well positioned for recovery.
Acromas is the holding company for The AA and Saga, two of the UK’s most iconic brand names with long traditions that inspire high levels of customer loyalty. With 15 million members, The AA is the UK’s market leader in roadside assistance, attending over 3.5 million breakdowns every year. The AA is also one of the UK’s biggest names in insurance. Saga provides financial services to people aged over 50 in the UK, including motor and home insurance as well as personal financial products. Saga also offers a broad range of holidays and other travel services to its customers, including the famous Saga world cruises.

2009 was a strong year for the Acromas group with many of the actions taken as a result of the 2007 merger showing significant benefits. The group demonstrated solid growth in customer and policy numbers, coupled with improving rates of product cross-selling and cost efficiency. The group experienced a general strengthening of the motor and home insurance cycle during the second half of 2009; in addition, Acromas saw the benefits of responding early to the rise in personal injury fraud, which began in late 2008 and has strongly affected competitor profitability.

The AA Roadside business won several key B2B contracts in 2009, while new service offerings were well received by customers, further strengthening the AA’s reputation for service and innovation leadership (e.g. ‘best buy’ from ‘Which?’ magazine for the third year running).

The Saga business saw a number of positive developments, such as the introduction of a panel of insurers for Saga home and motor insurance. This strengthens the product offering and gives Acromas the option to underwrite chosen risks. Saga Travel also acquired a new vessel to replace the Saga Rose, which will go into service summer 2010 and was refurbished in Swansea, Wales.

Acromas completed three ‘bolt-on’ acquisitions in 2009: Drivetech, a leading provider of driver training and assessment; Titan Travel, a UK-based tour operator that targets the 50+ plus market; and AutoWindshields, which is a leading player in the UK car glass repair and replacement market.

Acromas strengthened its management team over the course of the year; a new CEO for the Saga Travel division joined the business and was instrumental in the acquisition of Titan Travel.

The group proved resilient during the recession in 2009, achieving earnings growth and a reduction in its leverage multiple in a testing economic environment. An area where significant potential remains is Saga Personal Finance and Saga Independent Living, where there is an opportunity to provide Saga customers with valuable advice and products to assist in their retirement planning and ‘at home’ healthcare needs. Furthermore, Acromas expects good momentum from the launch of its new cruise ship, the Ruby II, and has already recorded an improvement in travel bookings for the 2010/2011 season. The capital investment programme of 2008 and 2009 should also deliver further benefits.
All3Media is one of the largest independent TV production businesses in the UK, comprising a group of 13 production companies. The group also includes a digital media producer, a next generation advertising agency, an international distribution company and a talent management business.

All3Media is based in the UK and has an expanding international presence with significant production activities in the Netherlands, Germany and New Zealand, as well as growing TV production companies in the US (in New York and Los Angeles) and Australia.

The group’s key programmes include: Hollyoaks; Wild at Heart; Midsomer Murders; Shameless; The Cube; Peep Show; Undercover Boss; Skins; How To Look Good Naked; Shortland Street; and “Are You Smarter Than A Fifth Grader?”.

All3Media has a strong heritage and production base in the UK, allowing it to sell its English language and international format content worldwide.

In 2009, the market backdrop became much more challenging as a sharp advertising downturn began to put significant pressure on broadcaster programming budgets resulting in increased pressure on content producers. Despite these more difficult trading conditions, the company’s earnings were stable. All3Media has benefited from the high quality and size of its programme portfolio and a cost savings initiative addressing both production costs and overheads.

Overall, the company has continued to make progress on its strategy of diversifying its geographic base and genre mix and improving the quality of its portfolio. During 2009 the group made further progress in the US with the integration of Zoo and several successful commissions from other All3Media production companies, such as Undercover Boss by Studio Lambert (on CBS) and the Skins pilot by Company Pictures (on MTV). The group also made continued progress in growing its income from secondary revenue sources such as repeats, DVD, digital, video on demand and syndication: the share of the group’s revenue from these sources grew from 18% in 2008 to 21% in 2009.

In 2009, All3Media’s international distribution business received the Queen’s award, recognising its outstanding achievement in international trade. All3Media also won four BAFTAs, including the public’s award for Skins and an award for online content.

In terms of outlook, the group is well positioned to take advantage of improvements in the commissioning environment when the advertising market recovers. The group aims to boost growth by driving further expansion in the US, continuing to grow entertainment formats, increasing high-margin secondary revenue and through further high-growth acquisitions.
Arysta was acquired by Industrial Equity Investments Limited, an international investment company backed by the Permira funds, in March 2008.

Arysta is a global business with exposure to agrochemical markets in North America, South America, Europe/Africa/Middle East and Asia. The company is also diversified by crop type.

Arysta operates through two units – Agriscience and Lifescience. The Agriscience unit produces a range of over 60 products, which include market-leading insecticides, fungicides and herbicides such as SELECT®, EVEREST®, and DINAMIC®.

Arysta’s Lifescience unit produces more than 90 different products including pharmaceutical additives and health food products, veterinary medicines and animal feed additives.

After a record 2008, the crop protection market experienced pricing pressures and weaker demand in 2009. These factors, combined with a strong Yen for most of 2009 resulted in significant pressure on earnings. However, Arysta took a series of positive steps in 2009 including the hiring of 20-year GE veteran Wayne Hewett as COO who assumed the President and CEO positions in January 2010. The company also appointed new heads of Global Marketing and Supply.

After a challenging 2009, analysts expect a more stable market for crop protection products in 2010. Under the leadership of Wayne Hewett, Arysta is focused on accelerating a number of gross margin improvements and supply chain initiatives. Revenue opportunities will be exploited in emerging markets and for the company’s market-leading products. Arysta also expects to pursue add-on opportunities in key markets and product areas.

Arysta LifeScience (‘Arysta’) is an agrochemicals and pharmaceuticals company that produces a range of insecticides, fungicides and herbicides as well as a number of products for the healthcare and veterinary medicine markets. Created through the consolidation of the life-science divisions of Tomen Corporation and Nichimen Corporation, Arysta is the world’s largest, privately held agrochemical business, marketing a portfolio of more than 150 crop protection products in over 125 countries.
Birds Eye iglo Group ('BEIG') is a branded European frozen food company that produces fish, vegetables, poultry and ready meals, including a number of iconic products such as Fish Fingers and Schlemmer Filets. Around half of the company’s business is in the UK where it operates under the Birds Eye brand. The remainder operates in continental Europe, particularly Germany and Austria, where products are sold under the iglo brand. BEIG was acquired by a company backed by the Permira funds from Unilever in November 2006.

BEIG demonstrated resilient performance despite a challenging consumer environment and achieved EBITDA growth of 4% on a constant currency basis in 2009. Since acquisition, the ambition of the business has been to restore growth in core product categories whilst maintaining strong profitability levels. In 2009, BEIG’s core categories continued to perform well, driven by new product innovation as well as renovation of existing products in the fish and poultry categories. 2009 saw a significant new launch in the UK with the ‘Bake to Perfection’ range of ‘bake in a bag’ oven-cooked fish which has already delivered strong results. Product innovation successfully launched in one market (e.g. ‘Bake to Perfection’ in poultry) is now being rolled out into other BEIG geographies.

BEIG also entered two new markets in 2009—Turkey and Russia. The Turkish frozen food market is relatively underdeveloped, which presents a good opportunity for BEIG to grow the overall category by introducing ‘classic’ products such as Fish Fingers. In Turkey, BEIG has achieved leading market shares in less than a year. In Russia, BEIG has just launched its first major TV campaign to support the business’s entry into the market. These two new geographies are an important step in consolidating BEIG’s position as a truly pan-European platform for frozen food and should provide an attractive source of top line growth going forward.

2009 saw continued strengthening of the executive management team with several key new hires to complement the existing team. New hires included Achim Eichenlaub (previously with Reckitt Benckiser) as MD for the iglo business and Martina Sandrock (previously with Sara Lee) as General Manager for Germany.

The business is now well positioned to benefit from the investment in a very strong management team and an exciting pipeline of new product innovations. The recent launch of ‘Field Fresh’ vegetables in the UK is an example of the innovation that is expected to contribute to growth in 2010. This level of ongoing innovation is key to generate long-term, sustainable top line growth.
BorsodChem ('BC') is a European producer of isocyanate-based chemicals and PVC, headquartered in Kazincbarcika, Hungary. BorsodChem’s core products are toluene diisocyanate (‘TDI’) and methylene diphenyl diisocyanate (‘MDI’), which are used in the production of rigid and flexible polyurethane foams.

The key determinant of 2009 performance was the TDI product, which is sold mainly to the furniture and bedding industry. BorsodChem management implemented a strategy focused on broadening the customer base, increasing its product range and expanding geographically, especially into the Middle East and Africa. This strategy was also applied to the MDI and PVC products, where strong management attention and focused sales initiatives enabled the company to perform ahead of its revised plan.

BorsodChem has also taken important steps to strengthen its management team. The newly appointed CEO Wolfgang Büchele has been successful in providing strategic guidance and driving operational excellence. The sales strategy that he has developed with Rik de Vos, the new business unit head for isocyanates, provided positive 2009 results and puts the business in a strong position for the future.

BorsodChem has achieved an operational turnaround and is positioned to benefit from an expected market recovery in 2010/2011. However, the return to and outperformance of historical profitability levels is only expected in the medium term upon a full recovery of the chemical industry and the completion of the significant capacity expansion projects, which are currently on hold.

The economic downturn in 2009 resulted not only in a need for an operational restructuring but also a financial restructuring to stabilise operations, provide further financial flexibility and establish a solid platform for long-term growth. A consensual restructuring of BorsodChem’s capital structure has been recently agreed, subject to debt holder approval.
Cognis is a worldwide supplier of specialty chemicals and nutritional ingredients with leading expertise in renewable raw materials and surface technology. It produces a range of consumer-oriented and industrial products that combine top performance with the requirements for environmental compatibility. Its main focus is on serving growth markets with products that provide wellness and sustainability. Cognis was formed in 1999 as a ‘carve-out’ from the German DAX-listed group Henkel before being acquired by a company backed by the Permira funds and other financial sponsors in 2001.

Cognis operates three strategic business units:
• Care Chemicals is a global leading supplier of innovative, environmentally sound products and formulations for the personal and home-care markets as well as for industrial cleaning solutions. These are in tune with contemporary consumer demands for well-being, convenience and sustainability.
• Nutrition & Health develops forward-looking products, formulations and concepts for food, beverages, functional food and dietary supplements. Its ingredients deliver real health, quality and convenience benefits.
• Functional Products creates specific solutions for a wide spectrum of industrial sectors. Its ingredients and formulations deliver a superior performance profile while at the same time responding to the demand for sustainable practices and environmentally friendly products.

During 2009, Cognis’s innovative product portfolio and strong market positions have proved to be resilient to the effects of the economic downturn. With full year 2009 EBITDA ahead of 2008 results, Cognis has shown a strong performance overall and especially in relation to the chemicals sector. The earnings growth has been driven by the company’s efforts in strengthening operations and counterbalancing weak demand. In addition, the company reacted early on to the crisis by implementing a comprehensive cost reduction programme. Furthermore, Cognis has worked to reduce its level of debt by pursuing a debt buy-back programme, taking advantage of opportunities to acquire its own debt at a substantial discount to par. This was partly financed by cash in the company from the sales of Oleochemicals and Pulcra in 2008. The business has also focused on effective working capital management including the implementation of a receivables factoring programme, which began in Q3 2009.

2010 is expected to be another demanding year with a volatile operating environment. Cognis is, however, well positioned to face these challenges given its strong product portfolio and continuous investments in innovation and growth, especially in its emerging markets operations.
In 2005, a company financed by Permira funds, CVC funds and PAI funds agreed to acquire 100% of the share capital of the Group, listed on the Madrid Stock Exchange. Shareholders representing 87% of the share capital accepted the offer in September 2005. Subsequently this percentage increased to 92% and the Group was delisted in March 2006.

The Cortefiel brand (‘CTF’) enjoys strong market recognition in Spain and offers a range of classic clothing for men and women over 30. CTF has 333 own stores (primarily in the Iberian market) and 33 franchises which together account for 37% of group sales. Springfield (‘SPF’) targets the 18-30s with a casual, contemporary look at value prices. It has 499 own stores together with 207 franchises and constitutes 40% of group sales. women’secret (‘WS’) is the leading lingerie retailer in Spain with its 299 stores and 182 franchises, which together contribute 18% to group sales.

The Group took a series of steps to address 2009’s difficult market conditions. The business closed both of its manufacturing facilities and outsourced production to East Asia. Headcounts at CTF, SPF and WS were also reduced.

The Group continued to gain market share from competitors in 2009, demonstrating the strength of its broad product portfolio, premium store locations and management focus on driving sales through promotional activity. CTF continued to be the brand of reference for the classic mature customer, SPF strengthened its offering through the extensions and expansion and WS completed its turnaround by successful brand repositioning.

In September 2009, the Group completed a refinancing of its capital structure, including a reverse dutch auction to buy back debt at a discount. This transaction included a reset of covenants, which should give the Group additional flexibility going forward.

The outlook for 2010 remains cautious given the slow recovery in Spain, as unemployment continues to put downward pressure on private consumption. The Group’s return to growth will be supported by the following top line initiatives: launching an online business; bringing in an in-store excellence execution programme; introducing line extensions; the turnaround of CTF Women; the restructuring of outlet brand Fifty Factory and continuous expansion of SPF and WS in smaller locations.
DinoSol Supermercados (‘DinoSol’) is a leading Spanish food retailer, operating two brands: HiperDino and SuperSol. The company currently has around 450 stores with a total selling space of c.400,000 square metres. While the supermarket format represents over 60% of total group sales, the company also operates convenience stores (formerly under the Netto brand in the Canary Islands, recently rebranded as HiperDino and HiperDino Express), cash & carry (under the CashDiplo brand) and hypermarket formats.

DinoSol enjoys strong market positions in the south of Spain: it is the market leader in the Canary Islands and a key player in Andalucía, with a particular strength in the Costa del Sol. More than 60% of the company’s sales are concentrated in regions where DinoSol has a strong market share.

As a result of the 2009 recession, consumer spending was negatively affected in a number of areas. In food retail, consumers reduced spending overall, traded down to cheaper categories and, within each category, focused on private labels. This reduction in consumer spending led to a significant increase in price competition. In this context, DinoSol’s sales have severely deteriorated across all formats. Netto and CashDiplo formats were particularly affected given their exposure to tourism, while the performance of supermarket formats was somewhat better.

In response to this more difficult environment, DinoSol has reduced costs by more than €30 million, while focusing on protecting cash. Furthermore, the management team was strengthened in 2009 with the hiring of Javier Perez de Leza as chief executive and Luis Gil took over as chairman.

A series of initiatives has been put in place to strengthen sales in the group, including commercial pilots in the supermarkets, the rebranding of the Netto stores as HiperDino supermarkets and the targeting of the hospitality segment by the cash & carry business. These initiatives are yielding positive results and are the basis of a business plan that the management team will be rolling out between 2010 and 2012. In Q4 2009, the sales underperformance when compared to Q4 2008 was less acute than in the previous nine months, which was driven by specific management initiatives.

In 2010, DinoSol will roll out the pilots on commercial offerings that were successfully tested in 2009 to recover customer volumes and sales, as well as maintaining a disciplined review of its cost base and cash position through centralisation of warehouses, reduction of rents and energy costs, and simplification of administration.

At the beginning of 2010, DinoSol reached an agreement with its financing banks and adjusted its capital structure to provide the company with new covenant and liquidity headroom to give more flexibility in terms of the business plan over the next few years.
The years 2008 and 2009 were difficult ones for Freescale as three adverse events concurrently affected operations and financial results:

• The exit from the wireless business after the rapid decline of Motorola handsets in the market
• Decline in Freescale’s largest end-market (US automotive) demand by over 30%
• Deep global recession affecting overall semiconductor demand, down by over 15%

However, the response by the management team led by CEO Rich Beyer (who joined in March 2008) has been excellent in the face of these challenges:

• The company successfully implemented a cost reduction plan delivering more than US$1 billion of savings ahead of schedule
• It completed the largest debt exchange of its kind in the capital markets which reduced net debt by US$2.0 billion and interest expense by US$150 million
• It achieved year-on-year growth in design wins in its core segments including some key wins in the automotive powertrain, Netbooks and e-books (such as the Kindle), Digital Signal Processor (DSP) and sensor products
• It signiﬁcantly strengthened its management team with the hiring of experienced industry leaders, now in place to drive the future growth of the business

In addition, in its strategic plan, the management team has positioned Freescale for above-market growth by refocusing its R&D efforts around two core (automotive, networking) and two select (consumer, industrial) segments focused on three key trends (cleantech, health & safety and the proliferation of the internet and connected devices).

These efforts, coupled with the expected recovery of the end-markets, are anticipated to provide positive momentum for 2010. Market growth is estimated to be in the 10-15% range with a significant improvement in proﬁtability driven by the cost reduction actions taken in 2009.
In November 2007, companies backed by the Permira funds acquired c.20% stakes in Galaxy. Two directors representing the Permira funds were appointed to the board of Galaxy. In addition, the Permira funds benefit from detailed information rights, anti-dilution rights and a number of veto rights with regard to the strategy and operation of the business.

The restrictions on Chinese resident visas to Macau negatively impacted visitation in 2009. This, combined with the weak global economic conditions, caused a slowdown in the growth in Macau's gaming revenue to about 9% for 2009 from 31% in 2008.

Despite the market slowdown, Galaxy's flagship casino and hotel, StarWorld, reported very strong trading improvement in 2009. The Q4 2009 revenue at StarWorld was an all-time record and marked the sixth consecutive quarter of growth. The 2009 earnings have shown a significant improvement on 2008 due to:

- The revenue growth achieved in the important VIP market, where the number of tables and VIP relationships increased in 2009.
- The refurbishment and successful relaunch of the main mass gaming floor and reconfiguration of a new mass Poker King Club.
- Cost saving initiatives realised through an operational efficiency programme.

Management are positive about the outlook for StarWorld in 2010, as the market shows continued signs of growth.

The four 'City Club' casinos operated by Galaxy also contributed to earnings well in excess of 2008, due to improved revenue generation and tight cost control.

Construction continued on Galaxy's Macau casino, hotel and leisure resort through 2009. The exterior was largely complete by the end of 2009 and internal fit out will continue in 2010. The resort is currently scheduled to open in the first half of 2011.

During 2009 Galaxy successfully implemented a debt buy-back programme. A refinancing to repay existing debt and recapitalise the company to complete the Cotai development is due to be finalised in the first half of 2010.
Hugo Boss and Valentino

Investment overview

Red & Black Lux is the indirect owner of a controlling stake in the publicly listed German company Hugo Boss and 100% of the Italian businesses Valentino Fashion Group (VFG), including Valentino and its licences division Marlboro Classics and M Missoni (together the ‘three business units’). They operate in the fashion and luxury goods market, with a presence in more than 100 countries, with over 1,600 single-brand boutiques and over 430 directly managed shops.

For all three business units 2009 has been a difficult year, as the global economic downturn has led to a decline in sales. Hugo Boss is targeting growth through retail expansion, including geographic expansion, new product categories and by offering more flexible customer service initiatives. This includes a restructuring of the supply chain strategy, logistics and retail competence. Similarly VFG has also focused on improving its product range and design team.

In Q4 2009 steps were taken to strengthen the financial position of the group and in December 2009 the business completed a recapitalisation and restructuring of VFG and the Permira funds’ stake in Hugo Boss. The transaction, which was consensually agreed with the group’s lenders, means that VFG’s debt has been reduced by one third; as part of this process additional equity was injected by the Permira funds and co-investors.

The terms of the remaining VFG debt facilities were amended to provide the financial flexibility to support the long-term growth plans of the businesses. Furthermore, the group structure was reorganised by separating the ownership of the Hugo Boss stake from VFG. Hugo Boss and VFG now continue to be held by Red & Black Lux through two separate ownership chains. These changes represent a positive step forward for the business. Hugo Boss and VFG now have appropriate financing structures, which will allow both businesses to work towards restored growth as the global economic climate recovers. Consequently, Hugo Boss and VFG will be able to focus on growth in 2010, building on successful expansion in 2009. Hugo Boss will target retail expansion with a shift towards directly operated stores and building on womenswear while accelerating growth internationally; while VFG will expand its range of accessible products at attractive price points.

Global fashion and luxury goods group, operating in more than 100 countries

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<tr>
<th>Sector</th>
<th>Consumer (Retail)</th>
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<tr>
<th>Permira Contacts</th>
<th>Martin Weckwerth</th>
<th>Paolo Colonna</th>
<th>Fabrizio Carretti</th>
<th>Damon Buffet</th>
<th>Christoph Rotteler</th>
<th>Niklas Einsfeld</th>
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<th>Origin</th>
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<th>Total size of transaction</th>
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<td>Hugo Boss</td>
<td>Valentino</td>
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<td>Sales 2009</td>
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1 Total Group sales: Consolidated Annual Report
Just Retirement

Just Retirement (JR) is a specialist financial services business that provides financial solutions to clients in or approaching retirement. It was acquired by a company backed by the Permira funds in November 2009.

Over the past year Just Retirement has demonstrated strong performance in the face of the global financial crisis and subsequent recession. In the year to December 2009, the company reported annuity sales of £668 million, up 19% on the previous year, and equity release mortgage sales of £178 million, up 6%. Over the last six months, the group experienced considerable and growing demand for its enhanced annuities product, posting record months in September and November 2009. Sales of equity release mortgages in H1 2009/2010 also represent a record for JR. The underlying strength supports the Permira funds’ investment rationale for the business.

Since launching in August 2004, JR has established market leadership in enhanced annuities – an annuity is a financial product that provides a secure way of converting personal pension savings into a guaranteed regular income during retirement. JR has strong underwriting data that allows it to offer better annuity rates (an ‘enhanced annuity’) relative to standard annuities for customers who have a medical condition and shortened life expectancy.

JR also has a strong presence in equity release mortgages. These products release the value tied up in a customer’s home to provide additional income in retirement. JR also has a strong presence in equity release mortgages. These products release the value tied up in a customer’s home to provide additional income in retirement. With the widely publicised lack of mortgage funding available in the market during the year, JR has been in a strong position through its self-financing business model to consolidate its position and generate attractive margins. The business has a strong reputation within the independent financial adviser (IFA) sector for providing first class service and high-quality products to its customers, being awarded the highest honour of ‘Company of the Year’ amongst all life insurers, asset managers and mortgage lenders in 2009.

JR is expected to benefit from the ageing population in the UK and the increasing need for individuals to save for their retirement through personal and corporate defined contribution pension schemes. Under UK regulations at least 75% of pension funds must be used to purchase an annuity on retirement (before the age of 75) and currently about £12 billion is annuitised each year, growing at approximately 15% per annum. Enhanced annuities are a niche segment comprising just over 10% of the annuity market, but penetration is growing as IFAs and customers gain awareness of the product. Beyond their pension savings, a significant proportion of retirees’ wealth is tied up in their home, and JR helps customers access this money through equity release mortgages. This market is also expected to grow as customers seek additional income to fund their retirement.

JR’s strategy is to continue to take advantage of the underlying growth in the annuity and equity release mortgage markets, while investing in a scalable infrastructure of the business to create scalability.

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www.justretirement.com

Sector Financial Services
Date of Investment November 2009

Chief Executive Officer Mike Fuller1
Group Chief Actuary Shayne Deighton
Senior Management
Chairman Tom Cross Brown
Group Financial Officer Simon Thomas
Permira Contacts
Charles Sherwood
James Fraser
Wouter Snoeijers

Company Information
Origin Public Company
Sales 2009 £846m
Financial Year End 30 June

Results for the last half of 2009 were strong with growing demand for both enhanced annuities and equity release mortgages

Specialist financial services business selling investment products to clients in or approaching retirement

Focus on growing the business through broadening distribution and products, and investing in a scalable infrastructure

1 On 17 February 2010 Mike Fuller announced his retirement with effect from July 2010, after which Rodney Cook will take over as Chief Executive Officer.
Marazzi Group is a worldwide leader in the design, manufacturing and distribution of ceramic tiles. The company is a technological leader in the tiles sector and has a strong track record in design and innovation. The group sells into 130 countries, with leadership in most of the markets in which it operates and has manufacturing facilities in all of its key areas of activity (Europe, the US and Russia) as well as direct distribution in Russia and the US.

The Permira funds’ investment in Marazzi was motivated by the company’s international leadership, which makes it well positioned to capture market opportunities through organic growth and acquisitions, as well as the proprietary nature of the deal and the fact that the management were well known to Permira. Marazzi’s offering extends to both residential and commercial customers, and includes products ranging from floor and wall tiles to solutions for exterior wall coverings.

Marazzi has experienced challenging market conditions since the business was acquired by the Permira funds. All of the company’s key markets experienced sales declines of between 20% and 40% by volume, while a devaluation of the Rouble (Russia is one of Marazzi’s key markets) placed further pressure on the business. The nature of the tiles industry, which operates with long lead times and a continuous manufacturing process, means that Marazzi and its peers in the sector have a high operating leverage. The combination of these factors meant that the company’s profitability came under significant pressure throughout 2009.

The company took quick and appropriate action in response to this pressure. Marazzi’s management focused on reducing manufacturing and administrative costs while maximising cash generation. The business also successfully reduced its level of debt through effective management of net working capital. In addition, debt covenants were renegotiated in 2009 and Marazzi now has adequate financial flexibility to pursue its strategic objectives in the coming years. Marazzi also strengthened its management team in 2009, appointing a new CEO and a new country manager for Italy. Having successfully finalised the restructuring, Marazzi is now focusing on developing its top line and exploring further growth opportunities.

Management team strengthened: new CEO and country manager for Italy

2010 focus on top line growth development and further growth opportunities
Maxeda is the largest non-food retailer in the Netherlands, with strong positions in both the DIY and fashion markets. The group owns nine different brand formats and operates 1,360 stores in seven European countries. Maxeda’s DIY formats include Praxis and Formico in the Netherlands and Brico and Plan-It in Belgium. Maxeda’s fashion business includes leading department store formats, such as DeBijenkorf, a luxury department store chain in the Netherlands, and V&D, a department store aimed at the mid-market, as well as womenswear brand M&S Mode and the lingerie brand Hunkemöller.

Despite a challenging retail environment in 2009 the group showed a resilient performance with only modest top line declines. This compares favourably with many European retail peers and direct competitors in Maxeda’s local markets. In addition, management maintained its strong focus on cost and cash control, executing a highly successful and comprehensive cost saving programme across all formats and markets without compromising the core customer proposition of its retail formats.

The group made good progress during 2009 on its value creation plan. DeBijenkorf continued to build further on its high-end department store proposition by selected store refits and assortment upgrades. It also benefited from its unique market position in the Netherlands and its well-invested asset base. V&D made good progress on its turnaround plan with two-thirds of the store portfolio having undergone a remodeling programme by the end of 2009. This supports the ongoing repositioning of the format’s branding and product portfolio. M&S continues to benefit from its attractive niche positioning, whilst Hunkemöller is benefiting from a new and strong management team. The disposal of two formats (the underperforming Claudia Sträter brand and a small local jewellery chain Schaap & Citroen) has further allowed management to focus on the core of the retail portfolio. The Belgian DIY business continued to perform well with stability in its core Brico format and very attractive growth from the successful Plan-It format. The Dutch DIY formats experienced a more difficult consumer and competitive environment and responded with strong cost and cash control as well as a renewed focus on commercial programmes supported by a strengthened management team.

Whilst the outlook for consumer demand remains challenging in 2010, the group’s resilience in 2009 with its further strategic progress leaves the group well positioned.
NDS Group (‘NDS’) creates technologies and applications that enable pay-TV operators, telcos and mobile operators to deliver digital content securely to TV set-top boxes, digital video recorders (‘DVRs’), personal computers, mobile phones and other multimedia devices. Over 70 of the world’s leading pay-TV platforms rely on NDS solutions to protect and enhance their businesses. In August 2008, the Permira funds agreed to acquire NDS in a public-to-private transaction. The acquisition of NDS was carried out in partnership with News Corporation, which maintains a significant interest in the business.

NDS offers solutions for satellite, cable, internet protocol television (‘IPTV’), terrestrial and mobile networks as well as hybrid systems which combine broadcast and internet technology. NDS has strong relationships with key customers including DIRECTV, BSkyB, Sky Italia, Viasat, Sky Deutschland, CANAL+, Astro, Tata Sky, CCTV and Cox Communications.

NDS VideoGuard® is the world’s leading conditional access and digital rights management technology. It is deployed on more than 119 million active devices. VideoGuard protects the operators’ service as well as their content. It safeguards pay-TV service revenues exceeding US$40 billion.

NDS middleware is deployed in 143 million TV set-top boxes, enabling a host of advanced services for subscribers including EPGs (Electronic Program Guides), interactive applications and convergence solutions. NDS’s DVR technology leads the industry with 28 million units deployed worldwide.

Despite the adverse economic environment in 2009, the pay-TV industry has been resilient and most NDS clients have continued to grow and roll out new services. NDS has experienced solid volume growth in FY June 2009, offset by adverse foreign exchange effects. In addition, FY 2008 sales benefited from one-off items that were not repeated in FY 2009. Profitability and cash flow generation remained strong, reducing the leverage materially.

In FY 2009, NDS added a number of new customers including KDG (the largest German cable operator), Vodafone Europe and ZON (the largest Portuguese cable operator). It also expanded the scope of its products and services range.

In 2010, the NDS management team will continue to grow the business by strengthening existing client relationships while targeting new applications and services, and seeking out further growth opportunities in emerging markets and in the cable, IPTV and other market segments.

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New Look is a European high-street apparel retailer with a strong presence in the UK and own brand stores in Ireland, France, Belgium, Netherlands and the Middle East. The company is positioned as a fast fashion value retailer with a broad product offering that focuses on womenswear, but also includes footwear and accessories as well as an expanding menswear offer.

New Look has a broad retail network comprised of 652 stores in the UK and 55 stores in Europe (Ireland, France, Belgium and the Netherlands). Through its franchise partners New Look has opened 35 franchise stores with 27 in the Middle East (Saudi Arabia, UAE, Kuwait and Bahrain), two in Egypt, four in Russia with one in each of Singapore and Poland. The group also operates 304 stores across France and Belgium which trade under the Mim brand. New Look was acquired by a company backed by the Permira funds and another financial sponsor in April 2004.

New Look has continued to grow in a tough economic environment during 2009, building on the company’s strong performance the previous year. During the key Christmas trading period (14 weeks to 2 January 2010), UK LFL sales rose by 5.9%, while total group sales grew by 14.4% over the same period.

Over the course of the last year New Look continued its new store openings programme, opening 25 stores across the UK during the year creating over 800 new jobs as well as securing a new 26,000 sq ft flagship store in Oxford Street, which was opened on 5 February 2010.

In existing stores, the company has successfully trialled and launched its ‘Look and Feel’ upgrade and refurbishment programmes, improving the shopping experience for its customers and generating LFL sales growth. Internationally, New Look entered four new markets with an owned store in the Netherlands and franchise stores in Egypt, Singapore and Poland.

Sales of the group’s online business continue to grow strongly. Visitor numbers rose to over 1.5 million per week in the Christmas period and 95% of store ranges are now available online. The website www.Newlook.com currently services 24 countries worldwide and based on the number of visitors, New Look has an estimated 3.4% market share (source: Hitwise). New Look launched a second generation website in March 2010 and has plans to integrate its multi channel model further through its EPOS roll-out.

In January 2010, New Look appointed John Gildersleeve as non-executive Chairman replacing Phil Wrigley who stepped down after nine years with New Look. John has held senior roles and board positions in leading international blue-chip companies spanning a wide variety of sectors including retail, property, telecoms and media.
Principal Hayley Group is a hotel and conference centre group operating in the UK. Principal Hotels was originally acquired by a company backed by the Permira funds in September 2006 and since then has grown substantially. In May 2007, supported by the Permira funds, Principal Hotels acquired Hayley Conference Centres, creating Principal Hayley. Today the group includes 22 UK sites and two European sites.

Principal Hayley has taken a strategic approach to geographical expansion. The portfolio is located in key city centres and other regional markets with strong corporate and leisure demand. Principal Hayley is focused on building value by creating a strong brand and offering in the highly fragmented UK hotels and conferencing sector. The group’s locations have undergone substantial refurbishment, positioning them as leading corporate, conference and leisure destinations.

The management team, led by Tony Troy, has extensive experience of successfully integrating and improving underperforming, underinvested assets. This is a key element of the value creation strategy of Principal Hayley. The management team was strengthened during 2009 with the addition of Tim Doubleday as CFO.

2009 was a challenging year for the UK hotels and conference market and along with its competitors, Principal Hayley faced significant trading pressure. In response to reduced demand from the corporate segment, the group successfully drove volume into alternative segments including leisure. As a result, the group sold more rooms across the estate in 2009 compared to 2008. However, room sales were achieved at a lower room rate and as a result revenue for the group ended the year 8% down.

The challenging market environment in 2009 did, however, present Principal Hayley with the opportunity to acquire two complementary properties at attractive valuations. The Grand Connaught Rooms and Glasgow Central Hotel, both of which have prime central city locations, were bought out of administration by Principal Hayley in June 2009. Following the acquisition, the Grand Connaught Rooms were closed for an eight-week period whilst refurbishment work was undertaken and were successfully relaunched in September 2009. At the time of acquisition the Glasgow Central Hotel had ceased trading. The property remains closed whilst extensive development work is undertaken and the reopening of the property is expected to take place late in 2010/early 2011.
ProSiebenSat.1 Media AG (‘P7S1’) is the second-largest broadcasting group in Europe, reaching 78 million households. The company is present in 14 countries in Northern, Central and Eastern Europe. Its core business is broadcasting free-to-air television. The company owns Germany’s largest family of commercial TV stations and its channels also occupy the number two and number three market positions in other key European markets. P7S1 is based in Munich and has more than 5,000 employees across Europe. The company is included in the German MDAX.

P7S1 distributes its programmes across a growing range of media platforms, increasing the availability of its content and opening up new markets and revenue sources. Beyond free TV the company is active in a number of related areas: it owns numerous internet brands; runs pay TV stations; has stakes in radio, print and new media companies; and owns music, live event and artist management businesses. European TV advertising declined in most markets at over 10% against 2008, yet P7S1 was able to offset this decline in revenue with a consistent focus on controlling costs. The group’s recurring EBITDA (EBITDA adjusted for non-recurring effects) grew 6.1% in 2009 to reach €697 million (2008 adjusted for CMore disposal: €657m; 2008 reported: €675m) and the recurring EBITDA margin improved by 2.8% to 25.2%.

Throughout 2009, P7S1 continued to benefit from the decisive action that the group took in the previous year to control costs. In addition, the group relocated the Sat.1 channel and a significant part of P7S1’s Berlin operations to Munich. This integration of the German Free TV channel family means a more effective use of the group’s knowledge and resources to operate more efficiently, and make even better use of its stations’ creative potential. Sat.1, ProSieben, kabel eins and N24 increased their aggregate viewer market share by 0.7% to 30.1% in 2009, driven by improved coordination of programmes among the group’s stations. Furthermore, TV stations in the Netherlands, Denmark and Romania also achieved good market shares.

In March 2009, Thomas Ebeling joined as the new CEO (announced in 2008). Building on this positive development, there have also been further management changes at the level of the COO, the Head of Sales, the Sat.1 leadership and as of May 1, a new Head of Media. Despite a recent market improvement, visibility is still limited. However, a challenging market environment also offers opportunities. Over the past few months, various initiatives to generate additional revenues beyond the traditional core business have been launched with the main goal of using the group’s existing programming assets better by launching new stations and extracting maximum value from unsold advertising space.
Provimi is a world leader in the growing market of animal nutrition, focusing on the high value-added segments of the market. Provimi produces a range of products and feed solutions serving the nutritional and health needs of many animals including: premix; specialty products for young animals; and animals with special dietary needs. Provimi is headquartered in Rotterdam, the Netherlands and operates 87 production centres in 30 countries.

Provimi demonstrated resilient performance during 2009. The business embarked on a targeted strategy to pursue profitable and cash generative growth. Provimi’s new chief operating officer Kurt Coffyn (former operations and supply chain director in Europe for Barry-Callebaut) is leading a programme to integrate the firm’s operations and supply chain, while the business as a whole has focused on a number of defensive measures to reduce the cost base, strengthen cash flow and improve working capital. The appointment of Coffyn supplements broader management and organisational change throughout the business. Provimi also successfully rolled out the SAP software platform across certain group operations; this programme is expected to complete by early 2011.

Throughout 2009 Provimi developed a strong and attractive M&A pipeline in Latin America, Asia and Europe, with the business expecting to close some acquisitions over the course of 2010 and 2011.

Provimi Pet Food has been fully separated, managerially and legally, and is being run by an independent management team. The Pet Food business achieved a substantial improvement in earnings, capitalising on new capacity and a competitive cost structure.

2009 saw a broadly benign commodity environment and Provimi has closely managed prices for its key commodity purchases. The internal risk control environment is being developed to ensure superior performance in even the most volatile commodity environments.

In November 2009, the squeeze-out of the remaining minority shareholders and subsequent delisting of Provimi S.A. was completed. The Permira funds now fully control the business. Provimi experienced an improvement in the trading environment during the second half of 2009.

For 2010 the focus is on profitable volume and market share growth. This will be facilitated by Provimi’s Feed Solutions initiative, which covers all animal species served by Provimi, bringing together the previously fragmented innovation, sales and marketing efforts into a unified structure. 2010 will also see building of new plants in China and Russia and an increase in capital expenditure in growth regions.

Provimi also launched a new group-wide branding strategy in April to integrate and coordinate the group’s previously separate brands.
Seat Pagine Gialle is the leading directory advertising provider in Italy with a market share in print and online advertising of about 84%. The group also has a significant presence in the UK, where the subsidiary TDL is the number three in classified directories with an estimated market share of 10% and in Germany, where the subsidiary Telegate is the number two provider of directory assistance services with a market share of 33%. The group employs around 6,000 people.

After several years of moderate growth the Italian advertising market declined by approximately 18% in 2009 with traditional local advertising declining by 26% versus online marketing which grew by 18%.

Seat PG has coped with this difficult environment, common to all directories businesses, by enlarging its offer of online products and reducing costs. Notwithstanding the general market decline, Seat PG was able to limit the decrease of its revenues to 11% in 2009.

The decline in the printed directories market is also expected to continue in 2010 as advertisers’ demand is expected to continue to migrate to online directories and services driven by continuing increase of broadband penetration and online usage.

To adapt and take advantage of this new environment, Seat PG will focus on a number of big priorities. The key strategic priorities for Seat PG in 2010 are:

- Continuous development of online offer to support usage and lead generation:
  - Focused content enrichment and development of new search engine functionality by exploiting key commercial agreements (such as the one with Google)
  - Creation of online verticals, e-commerce and internet mobile offers
  - Provision of online services (including web agencies) to take advantage of the limited presence of Italian SMEs on the web and fragmented industry offer
  - Alignment of commercial strategy to the new advertisers’ needs through the creation of multimedia packages (print, online and voice) which are expected to be an attractive and cost-effective solution for Italian companies and restructuring the sales force to include online consultants to support field sales
  - Focus on cost reduction by aligning cost structure to the new business mix and by focusing continually on cost reduction to preserve profitability and support cash generation
  - Proactively manage and improve the maturity profile of debt. A €550 million seven-year senior secured note was issued in January 2010 to refinance part of the senior bank debt.

- Repositioning business from print-centric to multimedia-centric with key focus on online directories and web services
- Revising cost base to adapt to the new business paradigm and responding to a tougher business environment
- Revising cost base to adapt to the new business paradigm and responding to a tougher business environment

As of 31 March 2010
Sisal is the number two gaming operator in Italy. The company operates in all segments of the gaming market including lotteries, betting, slot machines and bingo. Sisal employs approximately 1,000 people and has a network of 38,000 retailers in Italy.

The company has a long history of innovation in the Italian gaming market including the launch of Italy’s first ‘pool betting’ game and the relaunch of the Italian lottery as SuperEnalotto, which is now operated under an exclusive concession from the Italian State Treasury that will continue until 2018.

Since acquisition in 2006, the business has grown significantly and diversified away from lotteries into the new sports gaming segments (betting and slot machines) and has reported an approximate EBITDA compound annual growth rate of 13% between 2007 and 2009.

The Italian gaming market has historically exhibited strong and sustained growth driven by the introduction of innovative formulas in the traditional lottery business (such as SuperEnalotto), the launch of slot machines and the increasing popularity of sports betting.

In 2009, despite a recession, the Italian gaming market is estimated to have reached €54 billion, a 14% increase on 2008 and is expected to grow further as operators and government have aligned incentives given the significant tax revenues generated by the gaming industry.

The strong performance of SuperEnalotto; the introduction of new lottery games (’Win for Life’); growth in betting and slots and the enlargement of the retail network by about 10,000 points has allowed Sisal to increase market share from 10.4% in 2008 to 12.3% in 2009 while EBITDA increased by 8% year-on-year. This latter result has also been achieved through increased focus on costs by the new CFO who joined in June 2009.

The key focus areas for the company in 2010 are:

- Introduce new Videolotteries (VLTs) terminals (a new generation of slot machines) into the market and develop a dedicated retail network. A new head of division was hired in mid-2009.
- Exploit the new lottery licence by introducing new games and adding new features to the existing ones.
- Expand the distribution network.
- Continue to exploit the cross-selling of services on retail network (payments, mobile and pay-TV recharges), by drawing on the enlarged network, new agreements on payments and the introduction of new payment categories.
- Continue to implement the value creation plan in 2010 based on launching new products (video-lotteries), exploiting new lottery licences and expanding distribution network.
The Danish telecoms market has become increasingly competitive with the entry of low-cost operators and electrical utilities. TDC’s position as the Danish incumbent operator is strong, providing residential, business and wholesale customers with a full suite of communications services. In the Nordic region, TDC is a leading provider of data communication services to large and small businesses and to wholesale customers through its pan-Nordic infrastructure.

A holding company, Nordic Telephone Company (‘NTC’), backed by a consortium of financial sponsors, including the Permira funds, acquired TDC in December 2005. At the time of acquisition, TDC was a relatively slow-moving business in a rapidly changing industry. The company has since refocused on its core domestic business through the sale of non-core subsidiaries including Bité, One, Talkline, Polkomtel, Invitel. TDC also carried out a real estate sale and leaseback. In addition TDC has seen a significant strengthening of the management team. The new team have worked to change substantially the corporate culture, making the company more collaborative, fast-paced and customer-focused, as well as placing a greater emphasis on controlling costs.

In 2009, TDC built on its robust performance of the year before to deliver a strong set of results. Group revenue remained stable in a challenging economic environment, while EBITDA increased by more than 7%. 2009 also saw TDC continue to focus on its core Nordic markets as part of its value creation programme through the disposal of Invitel. In addition, TDC has made several acquisitions in the Danish market to strengthen its domestic position in broadband and mobile including Fullrate, A+, Dong Fibernet, Unotel and M1.

TDC’s performance in 2009, and its strong track record while in the Permira funds’ portfolio, positions the business to achieve its objective of becoming one of the best-performing incumbent telecom providers in Europe.
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Telepizza is a Spanish home delivery and take away pizza business that was founded in 1987 in a small Madrid pizza restaurant. Today, Telepizza operates around 650 outlets in Spain (both owned and franchised) that reach 12 million households. The company also has a presence in Portugal, Chile, Poland and Central America, where it operates over 400 stores. According to DBK, Telepizza is the market leader in the pizza delivery market in Spain, with a 70% share.

The global economic downturn meant that 2009 was a relatively tough year for Telepizza. Private consumption was severely impacted in most markets. The Spanish food service market declined by 6%, while the quick service sector declined by 9%. Outside of Spain, Telepizza has experienced a combination of falling consumer demand and foreign exchange pressures.

In Spain, Telepizza took a series of important steps to combat the effects of the recession. A new product range, which includes burgers, pastas and salads, was launched to increase customer spending and to target new consumption events – weekday lunch and dinner as well as weekend lunch. Furthermore, Telepizza's Spanish outlets have introduced individual menus as well as new pricing and promotions. As a result of these changes, Telepizza continued to gain market share and strengthen its leadership position in the Spanish home delivery market.

Telepizza has proven resilient in the face of this severe downturn; it is now well positioned for growth as the economy starts to recover. The business has appointed a new chief executive, Pablo Juantegui, who has extensive experience in marketing, sales and management in the consumer sector. In 2010, Mr. Juantegui will focus on rolling out an updated business plan with a focus on new price positioning and store-by-store price differentiation, leveraging of the take away channel as a low-cost option for customers, reinforcing positioning in weekdays by targeting ‘convenience customers’ and office delivery; a new CRM strategy with the aim of generating customer retention and up-selling opportunities and reinforcing leadership through product innovation.

In 2010, Telepizza will also continue its process of international expansion. The Polish business will be restructured while new stores will be opened in Chile and Portugal. Telepizza will also examine new opportunities to enter new markets that offer attractive growth prospects.
Appendix

Walker ‘Guidelines for Disclosure and Transparency in Private Equity’.

Enhanced disclosure by a portfolio company
Walker stipulated thresholds to identify the companies that would be covered by its enhanced reporting guidelines in the UK. The Permira funds’ portfolio companies covered by these thresholds will report on a ‘comply or explain’ basis as detailed by the guidelines.

A number of other Permira funds’ portfolio companies in the UK that do not qualify will also, nonetheless, report as recommended by the Walker Guidelines.

Communication by a private equity firm
This annual review forms the basis of Permira’s compliance with Walker’s guidelines for communication by private equity firms. As requested by Walker, it outlines the firm’s investment approach and history. It also details the holding period for our investments.

The review also clearly identifies the leadership of the firm globally. The UK office of Permira is headed by Ian Sellars. The Governance section of the document confirms that arrangements are in place to deal appropriately with conflicts of interest. The source of our funds’ capital is detailed on our website www.permira.com. UK institutions account for approximately 34% of our most recent fund, post reorganisation.

Each of Permira Advisers, Permira Advisers (London) Limited, Permira Advisers LLP and Permira Debt Managers Limited are regulated in the United Kingdom by the Financial Services Authority. These entities, alongside the different entities in each of the geographies in which Permira is active, each individually act as advisers or consultants in relation to the Permira funds.

Permira also provides data to the BVCA to enable it to conduct enhanced research into the private equity industry.

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