Annual Review 2008
Permira is a European private equity firm with a global reach. Our funds, raised from pension funds and other investors, make long-term investments in companies with the ambition of transforming their performance and driving sustainable value growth.

The Permira funds’ investment activity focuses on six core sectors: Chemicals, Consumer, Financial Services, Healthcare, Industrial Products and Services and Technology, Media and Telecommunications. The firm’s teams are based in Frankfurt, Guernsey, Hong Kong, London, Luxembourg, Madrid, Menlo Park, Milan, New York, Paris, Stockholm and Tokyo, advising funds with a total committed capital of approximately €20 billion. Since 1985, the Permira funds have completed over 190 private equity investments.

This year’s annual review is published in the midst of severe global economic turmoil. In 2008 we managed to realise significant sums for our investors. Throughout the year our portfolio companies took a number of steps to deal with the effects of the downturn while taking advantage of new opportunities when they did emerge.

This year’s review also highlights the results of Permira’s social investment programme, which has continued its success in applying the private equity skills at Permira to help scale-up social enterprise.
2008

+ €2.3 billion returned to investors (pages 13-14)

+ New investments in Arysta LifeScience (page 46) and Marazzi (page 64) completed; investment in NDS announced (page 68)

+ Management and staff at every portfolio company responding to pressures and opportunities with determined action, supported by Permira investment professionals (page 17; 38-87)

+ debitel and Jet Aviation sold to corporate buyers (pages 24-27)

+ Valuation of overall investment portfolio down by 36% on previous year, reflecting the fall in public markets and a tougher operating environment (page 14)

+ Permira IV fund reorganisation completed, addressing liquidity constraints being felt by a small number of investors (page 18)
Secure platforms

NDS (page 68), the Permira funds’ latest investment, allows media companies to deliver content securely to homes around the world. NDS’s solutions use ground-breaking technology: not that viewers will notice, they’re too busy enjoying the show.
In many ways, the nature of this downturn will play to our strengths. We have an established record of supporting transformation at businesses during difficult periods.

Looking back is a great deal easier right now than looking forward. In many respects, Permira had a strong year in 2008, with a string of successful company sales that generated €2.3 billion in returns for our investors (pages 13-14). We also completed two investments in market leading companies, Arysta LifeScience and Marazzi Group.

But the darkening financial crisis and accelerating economic decline began to affect our business on a number of fronts. It slowed our investment activity, impacted the operating performance of some of our companies and tested the resilience of some of our investors' own funding. It is for that reason that we took the unprecedented step of offering investors an opportunity to cap their future commitments to our latest fund (page 18). Although not an easy decision, we believe this was the right thing to do and we are grateful for the overwhelming support we received.

I have not experienced such a lack of clarity about the outlook in my career and there may be worse to come before we see a recovery. Our investments are well-diversified across geographies and sectors and yet they are all, to varying degrees, feeling the effects of this unusually synchronised downturn. So it calls for unrelenting action and focus. We are working harder than ever with the management and employees of our investee companies, dedicating more resources and adapting plans for the businesses to reflect the fast changing environment.

We have taken some difficult decisions over the last year and there will be more to come in the months ahead, as we seek to secure the long-term future of the Permira funds' companies. The same is true of any business right now, public or private.

We are prepared for this and we know from past experience that the private equity ownership model affords us the advantage of being able to act quickly and decisively. It will take some time to steer through this period towards recovery, but this suits our long-term investment horizon.

The short term outlook may be uncertain, but we can be sure that the current turmoil will bring lasting changes to our industry on a number of fronts. It will, for example, be a very long time before the prefix mega is applied again to the industry’s activity; investments will be smaller, albeit there will still be opportunities to invest in and transform many businesses. There may well be a higher degree of regulation than before, which will mean working even more closely with lawmakers and regulators. And private equity will have to live with a very different financing environment. It is also likely we will see the alignment of interests between private equity firms and their investors, a key strength of this industry, further reinforced.

In many ways, the nature of this downturn will play to our strengths. The business landscape will be different for all companies in the future and we have an established record of supporting transformation at businesses during difficult periods – debitel (page 26) is just one example of this – and we are ready to take a similar approach with new investment opportunities in the future.

Our industry is still relatively young and it will learn from today’s crisis, embrace these challenges and adapt successfully to the new environment. Indeed, private equity should play an important part in helping to rebuild economic activity. The combination of patient capital and engaged shareholders has rarely been in greater demand.

Finally, I would like to acknowledge all those at Permira who have been working on our Breakthrough initiative, which began in 2005, and other social investment programmes. It fell in 2008 that we had, after three years, finally achieved our objective of helping some of the enterprises we have backed to breakthrough. The success of Law For All and others in expanding their activities and maximising their social impact feels to us to have validated the model of marrying capital with business skills to support social enterprises. We look forward to continuing this partnership.

Damon Bufini
Chairman, Permira
The youth of today

All3Media (page 44) is leading the industry in creating high quality, compelling content for television and online platforms. The new cast of Skins (shown here) feature in the show’s third successful season. Skins is one of the highest-rated shows on UK multi-channel TV. It has been successful at attracting and retaining a younger audience, and is where Slumdog Millionaire star Dev Patel launched his career.
Throughout 2008 we remained focused on returning cash to our investors while supporting the performance of the businesses within our funds’ portfolio.

We deployed more resources than ever to work with the management teams of our portfolio companies, and while some faced a number of challenges, many demonstrated robust performance.
2008 was one of the most challenging periods yet experienced by private equity. Financial markets saw significant downward movement; credit was severely constrained; and for much of the year commodity prices remained high. As 2008 progressed global economic activity contracted while business and consumer confidence declined.

The more difficult trading environment was reflected in different ways in the performance of our portfolio companies. The valuation of our portfolio in aggregate fell by 36% on the year, primarily as a consequence of the decline of financial markets combined with some earnings pressure.

In these conditions, we remained focused on returning cash to our investors and building and defending value within the portfolio. We returned €2.3 billion to our investors from selling investments in 2008, while deploying more resources than ever to support the management of our portfolio companies as they took pre-emptive action to address the recession but also to continue driving growth.
In July, the Permira funds sold debitel (page 26), a mobile phone services company that had been in the Permira portfolio since June 2004, to German telecoms group Freenet, in a transaction valued at €1.6 billion. The debitel business was transformed by Permira funds’ ownership, almost doubling EBITDA and significantly growing sales by making a number of acquisitions, undergoing a strategic re-positioning and installing new management.

In November, the Permira funds sold the Swiss-based business Jet Aviation to defence and aviation group General Dynamics (page 24), in a transaction valued at €1.5 billion. Jet was acquired by the Permira funds in October 2005, following a three-year origination process. Since then, Jet has grown considerably, with the Permira funds backing a substantial capital expenditure programme to transform the company into a genuine world leader in the provision of services to the private aviation market. Jet’s sale demonstrates the enduring demand from corporate buyers for strategic assets.

The Permira funds also completed the sale of two other companies – Aearo and Intelsat – that were agreed in 2007 (page 23). A strong focus on returning cash to investors through a period of market liquidity and high valuations meant that we realised a total of €11.3 billion from 2005 onwards and €11.8 billion since the start of the decade. This meant that our three mature pan-European funds (Permira Europe I – PE1, Permira Europe II – PE2 and Permira Europe III – PE3) have all returned more capital than they have drawn from investors and there is still significant unrealised value in the portfolios of both PE2 and PE3.

2008 also saw the Permira funds commit to invest €2.0 billion to acquire a number of attractive companies and to support existing investments. The funds acquired Arysta Lifescience (page 46), a global agrochemicals business, in February in a transaction valued at €1.9 billion. Recent activity has focused on driving growth and improving the way Arysta manages its global supply chain.

The Permira funds also acquired Marazzi Group (page 64), a worldwide leader in the design, manufacture and distribution of ceramic tiles, in July; the transaction was valued at €1.4 billion. The plan for Marazzi is to drive growth over the long term and shift the company towards more high value products.

In the same month we announced that the Permira funds had agreed to acquire NDS Group (page 68), a supplier of encryption technologies for television and other media platforms, in a public-to-private transaction. The acquisition of NDS was carried out in partnership with News Corporation, which founded NDS and maintains a significant interest in the business. The transaction was completed in February 2009, at a value of €2.4 billion.

The result of the increasingly difficult economic environment was a decline in the valuation that we place on the Permira funds’ portfolio companies. The value of the overall investment portfolio fell by 36% in 2008 compared with the previous year (see chart below). Although the valuation of our investments fell this year, the Permira funds make long-term investments and we are working with all of our portfolio companies to build value over the holding period lasting, on average, five years.

**Background: 2008**

2008 began much as 2007 ended. In the first half of 2008 there was a continuation of the sharp slowdown in private equity investment activity that began in the final two quarters of 2007 (see chart below). The volume of private equity investment in Europe in the first half of 2008 fell to €62.7 billion compared to €138.0 billion in the same period in 2007. Activity in Asia and North America showed similar trends.

The failure of Lehman Brothers, in September 2008, accelerated the crisis by delivering a hard blow to already fragile confidence in corporate and financial markets. By the final quarter of the year, many businesses were coming under extreme pressure, brought about by a collapse in confidence and closed credit markets. The amount of private equity investment fell further, from its already low levels (see chart below), during this period.

**Outlook: 2009**

2009 will present even more significant challenges. It is now clear that we are in a global recession which is causing severe pressure on all businesses, be they publicly or privately owned. Our focus in these times remains firmly on supporting the management of our portfolio companies through this period. We are working closely and constructively with management teams to address the challenges caused by the recession, and importantly to focus on building businesses that will be successful in the long term. Most of our funds’ portfolio companies are leaders in their markets and the current environment will, in many cases, present attractive opportunities for them to gain market share.

Although new investment activity is likely to remain subdued throughout the year, we expect that attractive new opportunities will emerge over the coming 6 to 24 months. Our geographic and sector teams are active in the marketplace so that we are well-positioned to take advantage of such opportunities. History has shown that times of economic turbulence can, over the long term, yield strong returns.

---

**Permira Funds Investments and Realisations, 2005-2008 (€bn, cumulative)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquired</th>
<th>Realised</th>
<th>Net</th>
<th>Cumulative Realised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1.8</td>
<td>2.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2006</td>
<td>7.6</td>
<td>6.5</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>2007</td>
<td>5.1</td>
<td>5.2</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>2008*</td>
<td>8.9</td>
<td>11.3</td>
<td>-2.4</td>
<td>-2.4</td>
</tr>
</tbody>
</table>

*Not including NDS acquisition, completed 2009 (Source: Permira)

**Permira Annual Review 2008**
In 2009 the focus continues to be on improving liquidity, preserving cash, controlling costs, ensuring the right management is in place and supporting growth and innovation.

In 2008, building and protecting value in our portfolio meant working with the management and staff of portfolio companies to identify positive opportunities as well as taking early and decisive action to respond to deteriorating trading conditions. In 2009 the focus will continue to be on improving liquidity, preserving cash, controlling costs, ensuring the right management is in place and supporting growth and innovation. We are closely monitoring the balance sheets of the funds’ companies, and when appropriate, working pro-actively to restructure balance sheets, reducing the overall level of debt to reflect the current market.

Detailed plans have been formulated at every one of our portfolio companies. They deal with maximising efficiency as well as targeting growth initiatives so attention is given both to protecting and growing the funds’ investments. ProSiebenSat.1 (page 74), for example, is driving a process of reducing costs and strengthening its position as a European broadcasting champion. Actions include relocating the headquarters of the Sat.1 channel from Berlin to Munich, where the rest of the group’s channels are based, as well as streamlining a number of other group assets. At HUGO BOSS, part of Valentino Fashion Group (page 86), Claus-Dietrich Lahr, the former managing director of Christian Dior Couture, was appointed as chief executive. More details of work in the portfolio are contained in the ‘Our Portfolio’ section (pages 38-87).

Despite the worsening economic environment, many of the Permira funds’ portfolio companies are showing robust performance. Clothing retailer New Look (page 70), for example, has performed well and in the 14 week period to 3 January 2009 grew like-for-like sales by 3.8%, which made it one of the best-performing fashion names on the UK high street. Similarly, Telepizza (page 84) performed well in 2008 with revenues increasing to €640.1 million from €577 million in 2007, driven by a strong brand and a well-regarded product and service offering. Birds Eye iglo’s performance has also improved. Sales of the ‘Birds Eye’ brand grew by 5.5% in 2008, driven by new product launches and investment in marketing.

Elsewhere, TDC (page 82) has launched new, innovative broadband services while strengthening its cost position resulting in EBITDA growth of 6% and Sisal (page 80) has increased sales by 17%.

The process of strengthening the portfolio is being supported by the newly created Permira Portfolio Group, which is made up of a number of highly qualified executives with substantial experience of business transformation at some of the world’s leading companies.

A responsible approach...

We have a robust set of Business Principles to guide the behaviour of all our professionals and underpin the way we operate. All Partners and employees of Permira are expected to conduct their activities in accordance with both the letter and the spirit of these principles. Furthermore, we expect our portfolio companies to adopt their own appropriate business principles.

Once an investment has been made, the performance of portfolio companies is closely monitored by members of the investment teams, supported by our Portfolio Group and the Investment Committees (page 36). The focus is on creating sustainable operational improvement, as well as monitoring the effect of management of risk, therefore delivering returns to our investors.

Permira is currently a member of the steering group for the United Nations-backed Principles for Responsible Investments Private Equity work stream, which gives us the opportunity to guide and inform our sector’s approach to responsible investment. This initiative is still ongoing but earlier this year resulted in the US Private Equity Council, of which we are a member, developing a set of comprehensive responsible investment guidelines, to which we have become a signatory. They cover environmental, social, labour and governance issues and we believe they are a considerable step forward in demonstrating our commitment to responsible behaviour in our investment activity.
We have taken steps to ensure that Permira is well-placed to thrive as we move towards our third decade. We have strengthened our team by appointing Henry Chen to lead our Hong Kong office and John Coyle as head of our New York office. We also appointed Brian Ruder as a partner based in our office in Menlo Park, California.

We launched two new sector teams in 2008. Our new Financial Services team is being led by James Fraser, who has joined us from L.E.K. Consulting where he was co-head of the Global Financial Services Practice. Permira has also launched a Healthcare sector team, led by Sally Flanagan, an existing member of the Permira team. Prior to joining Permira in 2006, Sally spent six years at another private equity firm where she was a director responsible for investment in healthcare opportunities.

Throughout 2008, we maintained our approach of close contact with our investors (page 34), mindful of the shifting state in financial markets and across asset classes. It became clear early in the fourth quarter that a small number of them were experiencing liquidity constraints as a result of the global financial crisis. Consequently we offered the investors in our latest fund, Permira IV, the opportunity to cap their outstanding commitments to the fund at the cost of accepting a reduction in their entitlement to future distributions.

In December we announced that we had successfully completed the reorganisation of the fund and 90% of investors elected to maintain fully their commitment. The outcome saw a reduction in the size of the fund from its original €11.1bn to €9.6bn, ensuring we have a solid funding base and capital to invest in the attractive opportunities that we anticipate in the coming years.

In our role as a private equity firm it is to transform the performance of the businesses we back and, in doing so, grow their value and generate strong returns for our investors. This happens over the long term; it takes time to implement positive and sustainable change at a company. On average we hold businesses for approximately five years and our funds have a life of 10 years or more. It is on this basis that we will work with our portfolio companies.

The world is faced with greater turbulence than we have ever before experienced in our careers. Businesses under all forms of ownership are facing the need for rapid and dramatic adjustment to a new set of commercial realities. This adjustment is a necessary precondition, in many cases, for survival, but it is also an opportunity for all businesses to build long-term value in a new marketplace.

Our business has been built over 25 years on the basis of successfully transforming the companies the Permira funds have backed. We believe that our skills in business transformation, our focus on operational improvement and the patient but direct governance model of private equity are more relevant in the current environment than ever before. It is our view that private equity will have an important role in taking many companies through this recession. We will be working in partnership with other owners, management teams, employees and governments to bring to fruition the necessary change and new strategies critical to operating in this changed world.

We will have to adapt to a new economic, regulatory and competitive environment. Private equity is, however, an extremely entrepreneurial commercial activity and we will adjust to the environment as we have many times before – but value creation through positive transformation of businesses will always remain at the core of what we do.

We will adjust to the environment as we have many times before, but value creation through positive transformation of businesses will always remain at the core of what we do.
Towards the sun

Arista LifeScience (page 46) is the world’s largest privately held agrichemicals business. Since being acquired by the Permira funds Arysta has focused on growth and operational excellence, growing and developing, much like the crops its products protect.
## Realisations 2008

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of Realisation</th>
<th>Business transformation under Permira funds’ ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jet Aviation</td>
<td>November 2008</td>
<td></td>
</tr>
</tbody>
</table>
  • Transformed Swiss-centric family company into a global leader in business aviation  
  • Acquisitions and alliances supported expansion into the US, Russia and China  
  • Improved performance: sales grew at a CAGR of 25%; EBITDA almost doubled  
  • Workforce grew by 70% |
| debitel          | July 2008           |  
  • Grew substantially under Permira funds’ ownership; value creation plan based on growth through acquisition and management team renewal  
  • Actively drove consolidation of German telecoms market through acquisition of _dug_  
  • Became number one distribution platform of mobile phone services in Germany  
  • Substantial sales and EBITDA growth |
| Aearo Technologies | April 2008 (Announced 2007) |  
  • Manufacturer of personal protection equipment  
  • Strong growth, driven by expansion into European markets  
  • Sales grew by 23% over the course of Permira funds’ ownership; EBITDA increased by €23 million  
  • Initiative to expand technological capabilities supported by alliances and joint ventures |
| Intelsat         | February 2008 (Announced 2007) |  
  • Provider of fixed satellite services  
  • Growth organically and through acquisition  
  • Merger with PanAmSat to form the world’s largest commercial fixed satellite service provider  
  • Number of satellites operated by Intelsat grew from 27 to 53  
  • Sales grew from €792 million to €1,137 million |
Jet Aviation

Jet Aviation (Jet) is a Swiss-based international business aviation services company. The company provides service, completions and refurbishment, engineering and fixed base operations, along with related aircraft management and charter services.

In October 2005, after a three-year origination process, a company backed by PE3 acquired Jet from the company’s founding family. Following acquisition, the Permira funds backed an ambitious value creation plan, transforming a Swiss-centric family company into a global leader for business aviation services. The Permira funds helped Jet become more focused and efficient, establish a world class management team and invest significant capital to support growth. Carl Hirschmann, a member of the family that founded Jet (and a minority investor alongside the Permira funds), explains:

“Permira allowed Jet to grow at a speed and with a determination which we could not have managed as a family-owned company. Furthermore, Permira supported the professionalisation of the business as a key enabler for the rapid expansion.”

Immediately following acquisition, a programme office was established that focused on industrialisation and scalability of existing processes in the organisation, adding €35 million to EBITDA after only two years. To expand capacity, more than €600 million was invested in new facilities, leading to the construction of one of the largest aircraft hangars in Europe. Located at Basel’s EuroAirport, the new 9,600 square metre wide-body hangar was opened in May 2008 and took just seven months to complete.

Jet also expanded by making strategic acquisitions. In March 2006, it acquired Midcoast, a US-based aircraft maintenance and modification company, which expanded significantly the company’s presence in North America. More recently, in January 2008, Jet acquired US-based maintenance and completions company Savannah Air Center to strengthen further Jet’s position as a full business aviation service provider in North America. In total the Permira funds backed an investment of US$300m in Jet’s US business.

Throughout its period in the Permira funds’ portfolio, Jet expanded into new fast-growing markets. The company set up line maintenance operations in Moscow’s Vnukovo International Airport and moved forward with plans to open new facilities at Beijing’s Capital International Airport in partnership with Beijing-based Deer Air.

On a reported basis, sales grew at a CAGR of 25% from 2006 to 2007 and the value of the order pipeline at Jet increased from €50 million at the date of the fund’s investment to €1.2 billion by June 2008. The company’s workforce also grew by 70% to around 5,600 employees. Jet is now one of the leading business aviation services companies in the world.

In August 2008, despite the global economic downturn, it was announced that Jet was to be acquired by global defence and aviation group General Dynamics.

The sale of Jet shows the resilience of demand from trade buyers for strategically important assets, especially when the impact of operational change has been to transform the asset’s performance and market position.

<table>
<thead>
<tr>
<th>Sector</th>
<th>IPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>Family Owner</td>
</tr>
<tr>
<td>Employees</td>
<td>5,600</td>
</tr>
<tr>
<td>Ownership</td>
<td>Majority</td>
</tr>
<tr>
<td>Date of Investment</td>
<td>October 2005</td>
</tr>
<tr>
<td>Date of Realisation</td>
<td>November 2008</td>
</tr>
<tr>
<td>Permira Representatives</td>
<td>Jörg Rockenhäuser, Torsten Vogt</td>
</tr>
</tbody>
</table>

Transformed Swiss-centric family company into a global leader for business aviation
Value creation plan based on investing significant capital to support growth
Acquisitions and alliances supported expansion into the US, Russia and China
Improved performance: substantial increase in sales and EBITDA
debitel is a mobile phone services provider based in Germany. The company serves over 14 million customers and is the number one distribution platform for mobile phones in Germany. The company offers a wide range of telecommunication products, including mobile and fixed-line telephony as well as internet services.

debitel covers all German operators (T-Mobile, Vodafone, eplus and O2) and has a number of exclusive relationships with German retailers. debitel operates a retail network of more than 6,000 sites in Germany alone.

debitel was acquired by a company backed by PE3 from Swisscom in June 2004. The value creation was based on three major levers:

• Restructuring and cost leadership – debitel came out of a period of uncertainty, with a failed participation in the German UMTS auction, a poor operational situation with many loss-making divisions and unstable relationships with its partners. After the investment by the Permira funds, debitel re-established reliable long-term partnerships with its key business partners, i.e. mobile network operators as well as large retailers. In parallel, significant cost reduction was implemented through the establishment of the programme office. This programme office implemented three far-reaching operational improvement programmes resulting in an annual EBITDA contribution of €160 million in 2008. To drive this, a ‘best in the industry’ management team was introduced.

• Focus and evolution of business model – a strong regional focus was placed on the German core market with the sale of debitel’s international sub-scale subsidiaries in Denmark, France and Slovenia. At the same time, the company improved its business model in Germany by instituting higher margin contracts with features typical of mobile virtual network operators and broadening the product spectrum through the inclusion of DSL and original MNO-products.

• Consolidation and market leadership - the company actively drove the consolidation of the German mobile telephony market. The acquisition of ‘_dug’, the largest independent retailer of mobile telephony products in Germany, was key to growing debitel’s retail chain from around 80 at the time of the initial investment to more than 500 owned outlets by 2008. This growth allowed debitel to reduce significantly its dependence on indirect distribution channels. In July 2007, debitel acquired Talkline, the third largest mobile service provider, giving debitel 3.8 million additional customers. As a result debitel achieved market leadership, becoming the number one distribution platform of mobile phone services in Germany, ahead of Vodafone and T-Mobile. The full integration of Talkline, _dug and debitel is expected to deliver another €100 million of savings, which will contribute strongly to the high cashflow performance of the company.

After becoming the clear market leader in the German mobile market, debitel attracted the interest of the Freenet Group, which was the second largest mobile service provider at that time. Following the clear industrial logic of continued market consolidation, debitel was sold to Freenet in July 2008.

<table>
<thead>
<tr>
<th>Sales and EBITDA at debitel over the course of Permira funds’ ownership – €m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
</tr>
<tr>
<td>2,796</td>
</tr>
</tbody>
</table>

2007 figures pro forma for acquisitions/realisations
(Source: Permira)
Feed them and they will come

Animals in more than 100 countries (including these cows) eat Provimi (page 76) food every day. Although Provimi, like any other business, is feeling the effects of the economic downturn, it is continuing with its plans to focus on higher value-added segments of animal nutrition that offer attractive growth prospects.
Investing in society

We invest in a number of enterprises that operate on a not-for-profit basis. We have found that our skills and experience can be used to help strengthen the voluntary sector, allowing charities and social enterprises to improve this effectiveness, and therefore maximise their social impact.

We have a social investment programme because we want to contribute to our community, but we also benefit. Members of the Permira team who work with our social enterprises find that they learn a lot from our partners in the voluntary sector.

Our goal is to help the social enterprises that we invest in scale up their activity and maximise their impact. The challenges incumbent with such expansion – maintaining high quality and cost effective social welfare law services to clients of limited means.

Scaling up social impact: the Breakthrough funds

In the UK, we invest in and work with social enterprises through the Breakthrough funds, which were founded in partnership with CAN (Community Action Network). The Breakthrough funds’ focus is on investing in social enterprises with a record of sustainable performance that have the capacity and potential to scale up their operations.

The Breakthrough funds provide equity-like funding, mentoring from Permira professionals, and business support through tailored projects; the close interaction between the social enterprises and the Permira team is as important as the funding. Breakthrough does not provide start-up funding, but concentrates its efforts on supporting established social enterprises – with a minimum of three years’ trading history and a profitable, scalable business model.

The first Breakthrough fund, Breakthrough I (B1) was launched in June 2005 and has invested in five social enterprises. As a result the social enterprises’ revenue has grown by 20% and their social impact (based on relevant social impact metrics, e.g. amount of furniture recycled) has grown at around 45% a year. The second Breakthrough fund, Breakthrough II (B2), launched in October 2007, and made two new investments while making a number of follow-on investments in existing Breakthrough social enterprises.

The Private Equity Foundation

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.

Permira joined forces with ORK in 2007 to support this goal by helping to strengthen and formalise its activity. Having identified possible areas of improvement, Permira helped ORK to set up a professional management team including hiring a new chief operating officer and chief financial officer, appointments which Permira has committed to fund over a three-year period.

Permira has also helped ORK fulfil its ambition of founding and funding a university department dedicated to raising the standard of support for homeless young people in Germany. In October 2008, the first students began studying at the Institute for Pädagogikmanagement (IfPM) – the Institute for Educational Management – which operates from ORK’s base in Bad Duerenheim in the Black Forest in partnership with Steinbeis-University, Berlin. The students will graduate with a Bachelor of Business Administration (BBA) after three years and with the benefit of learning from ORK’s experienced and dedicated team.

Investing in Germany’s future: Off Road Kids

In Germany, Permira supports Off Road Kids (ORK), a social enterprise which works to help and support homeless young people across Germany. ORK operates a nationwide network of social workers who have helped get more than 1,400 children off the streets and into more fulfilling lives over the last 15 years. One of ORK’s goals is to raise the standard of youth care in the German education system. As many as 250,000 educators working in German primary schools in a social care setting are without formal qualifications. ORK is seeking to correct this deficiency by transferring the charity’s years of experience into Germany’s universities.

Permira joined forces with ORK in 2007 to support this goal by helping to strengthen and formalise its activity. Having identified possible areas of improvement, Permira helped ORK to set up a professional management team including hiring a new chief operating officer and chief financial officer, appointments which Permira has committed to fund over a three-year period.

Permira has also helped ORK fulfil its ambition of founding and funding a university department dedicated to raising the standard of support for homeless young people in Germany. In October 2008, the first students began studying at the Institute for Pädagogikmanagement (IfPM) – the Institute for Educational Management – which operates from ORK’s base in Bad Duerenheim in the Black Forest in partnership with Steinbeis-University, Berlin. The students will graduate with a Bachelor of Business Administration (BBA) after three years and with the benefit of learning from ORK’s experienced and dedicated team.

Investing in society

We invest in a number of enterprises that operate on a not-for-profit basis. We have found that our skills and experience can be used to help strengthen the voluntary sector, allowing charities and social enterprises to improve this effectiveness, and therefore maximise their social impact.

We have a social investment programme because we want to contribute to our community, but we also benefit. Members of the Permira team who work with our social enterprises find that they learn a lot from our partners in the voluntary sector.

Our goal is to help the social enterprises that we invest in scale up their activity and maximise their impact. The challenges incumbent with such expansion – maintaining high quality and cost effective social welfare law services to clients of limited means.

Scaling up social impact: the Breakthrough funds

In the UK, we invest in and work with social enterprises through the Breakthrough funds, which were founded in partnership with CAN (Community Action Network). The Breakthrough funds’ focus is on investing in social enterprises with a record of sustainable performance that have the capacity and potential to scale up their operations.

The Breakthrough funds provide equity-like funding, mentoring from Permira professionals, and business support through tailored projects; the close interaction between the social enterprises and the Permira team is as important as the funding. Breakthrough does not provide start-up funding, but concentrates its efforts on supporting established social enterprises – with a minimum of three years’ trading history and a profitable, scalable business model.

The first Breakthrough fund, Breakthrough I (B1) was launched in June 2005 and has invested in five social enterprises. As a result the social enterprises’ revenue has grown by 20% and their social impact (based on relevant social impact metrics, e.g. amount of furniture recycled) has grown at around 45% a year. The second Breakthrough fund, Breakthrough II (B2), launched in October 2007, and made two new investments while making a number of follow-on investments in existing Breakthrough social enterprises.

The Private Equity Foundation

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.

Permira joined forces with ORK in 2007 to support this goal by helping to strengthen and formalise its activity. Having identified possible areas of improvement, Permira helped ORK to set up a professional management team including hiring a new chief operating officer and chief financial officer, appointments which Permira has committed to fund over a three-year period.

Permira has also helped ORK fulfil its ambition of founding and funding a university department dedicated to raising the standard of support for homeless young people in Germany. In October 2008, the first students began studying at the Institute for Pädagogikmanagement (IfPM) – the Institute for Educational Management – which operates from ORK’s base in Bad Duerenheim in the Black Forest in partnership with Steinbeis-University, Berlin. The students will graduate with a Bachelor of Business Administration (BBA) after three years and with the benefit of learning from ORK’s experienced and dedicated team.

Investing in Germany’s future: Off Road Kids

In Germany, Permira supports Off Road Kids (ORK), a social enterprise which works to help and support homeless young people across Germany. ORK operates a nationwide network of social workers who have helped get more than 1,400 children off the streets and into more fulfilling lives over the last 15 years. One of ORK’s goals is to raise the standard of youth care in the German education system. As many as 250,000 educators working in German primary schools in a social care setting are without formal qualifications. ORK is seeking to correct this deficiency by transferring the charity’s years of experience into Germany’s universities.

Permira joined forces with ORK in 2007 to support this goal by helping to strengthen and formalise its activity. Having identified possible areas of improvement, Permira helped ORK to set up a professional management team including hiring a new chief operating officer and chief financial officer, appointments which Permira has committed to fund over a three-year period.

Permira has also helped ORK fulfil its ambition of founding and funding a university department dedicated to raising the standard of support for homeless young people in Germany. In October 2008, the first students began studying at the Institute for Pädagogikmanagement (IfPM) – the Institute for Educational Management – which operates from ORK’s base in Bad Duerenheim in the Black Forest in partnership with Steinbeis-University, Berlin. The students will graduate with a Bachelor of Business Administration (BBA) after three years and with the benefit of learning from ORK’s experienced and dedicated team.
We believe that a period of private equity ownership can be a powerful way to strengthen a company’s long-term prospects and help it reach its full potential. The partnership we have formed with the companies in Permira funds’ portfolios is especially valuable in challenging times when there is a particularly pressing need for focus, clarity of purpose and long-term orientation.

Permira professionals, with their wide range of backgrounds and nationalities, have the sector expertise and experience to work with the management and staff of the funds’ portfolio companies to contribute real value to the decision-making process.

Our international network of offices also helps support the global ambitions of the businesses owned by our funds as they look to enter new markets, find acquisition targets or develop new customer and supplier relationships. Our funds’ investments provide them with access to the financial resources they need to invest and grow. We believe this is a powerful combination of knowledge, network and capital that can bring real benefits to businesses as they look to develop and thrive.

The strength of our organisation relies on our local presence, sector expertise and transactional specialization. Our professionals are incentivised to contribute to the full breadth of our investment activity spanning all offices and sectors. As a result we are always able to move the right resources to the right opportunities.
Permira’s investors: long-term investment, consistent returns

We are primarily focused on the long-term performance of the investments in the Permira funds. The funds have consistently outperformed the stock market and industry benchmarks over the past 20 years (opposite page). Permira’s first three international buy-out funds, Permira Europe I (PE1), Permira Europe II (PE2) and Permira Europe III (PE3) continue to deliver aggregated top quartile returns compared to EVCA/Thomson Financial benchmarks on a vintage fund basis. They have also returned more than committed capital and still have considerable value in the portfolio.

Investors in our most recent fund include:
• more than 30 million pension fund beneficiaries (current and future)
• over 40 charities and foundations
• over 20 life insurance companies
• eight governmental development agencies

Towards the end of 2008 we offered investors in our latest fund, Permira IV, the opportunity to cap their outstanding commitments to the fund at the cost of accepting a reduction in their entitlement to future distributions (page 18).

In December 2008, we announced that we had successfully completed the reorganisation of the fund with overwhelming approval from the investors and 90% of investors electing to maintain fully their commitment. The outcome saw a reduction in the size of the fund from its original €11.1bn to €9.6bn, while ensuring we have adequate capital to invest in the opportunities that we anticipate in the coming years.

We place strong emphasis on the quality of the relationships we have with our investors. We believe that this is reflected in the very high proportion of them that have backed us across multiple funds. Approximately 90% of capital in our most recent fund was provided by investors who had been invested in previous funds.
Governance

Strong corporate governance is critical to our ability to maintain the highest standards at Permira. Permira Holdings Limited is governed by three key bodies as described below: the Board, the Investment Committees and the Executive Committee.

- The Board of Permira Holdings Limited is responsible for overall firm strategy, funding and new business development. It is chaired by Damon Buffini and comprised of the two co-managing partners, Kurt Björklund and Tom Lister, and a further three executives, Veronica Eng, Guido Paolo Gamucci and Charles Sherwood, who also serve on the Investment Committees, and three non-executives.

- The Investment Committees of each Permira fund are responsible for advising the fund on investment decisions and the overall monitoring of the funds’ investments.

- The Executive Committee is responsible for the management of the private equity business, including investment performance and returns, resource allocation and investment priorities, risk management, investor relations, communications and people-related matters. The committee is chaired by the two co-managing partners, Kurt Björklund and Tom Lister. The other members are Martin Clarke, head of the Consumer sector team; Carlos Mallo, head of Spain; Carl Parker, head of the TMT sector team; Jörg Rockenhäuser, head of Germany; and Nicola Volpi, co-head of Italy.

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.

Relationships with portfolio companies

Permira professionals represent the interests of the funds and monitor the ongoing performance of the funds’ investee companies, providing support and advice when necessary. The appropriate investment committee regularly assesses the status of the Permira funds’ investee companies.
The Permira funds made two new investments in 2008: Arysta LifeScience and Marazzi Group; the investment in NDS was announced in 2008 and completed in 2009.

The combined sales of the Permira funds’ portfolio companies is approximately €39 billion.

23
The Permira funds are invested in 23 portfolio companies.

−4
The Permira funds sold four investments in 2008: Jet Aviation; debitel; and Aearo Technologies and Intelsat, both announced in 2007.

+3
The Permira funds are invested in 23 portfolio companies.

€39 bn
The combined sales of the Permira funds’ portfolio companies is approximately €39 billion.
Acromas is the holding company for The AA and Saga, two of the UK’s most iconic brands 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.

In September 2004, a company backed by the Permira funds and another financial sponsor acquired The AA from a large, publicly-listed utility. A new management team successfully implemented a plan to improve the operational efficiency of the business, to rejuvenate the brand and to improve customer service. The result was a reversal in the long-running decline in breakdown cover membership and accelerated growth in insurance sales.

In September 2007, The AA completed a merger with Saga to form Acromas, which collectively provides a wide range of valued services to over 18 million customers in the UK. Acromas’ outstanding management team, led by chief executive Andrew Goodsell (who led Saga prior to the merger) has successfully integrated both businesses.

In September 2004, a company backed by the Permira funds and another financial sponsor acquired The AA from a large, publicly-listed utility. A new management team successfully implemented a plan to improve the operational efficiency of the business, to rejuvenate the brand and to improve customer service. The result was a reversal in the long-running decline in breakdown cover membership and accelerated growth in insurance sales.

In September 2007, The AA completed a merger with Saga to form Acromas, which collectively provides a wide range of valued services to over 18 million customers in the UK. Acromas’ outstanding management team, led by chief executive Andrew Goodsell (who led Saga prior to the merger) has successfully integrated both businesses.
All3Media is the largest independent TV production business in the UK, comprising a group of 15 production companies. The group also includes a digital media producer, a next generation advertising agency, an international distribution company and a talent management business.

Despite pressure on broadcasters from the advertising markets as a result of the global economic downturn, expansion of multi-channel TV and other emerging media distribution is expected to continue to drive growth in demand for TV content. Although the environment is more challenging, All3Media is well-positioned, given its geographic spread, genre diversity, the quality of its portfolio and its secondary rights ownership.

Over the past 18 months All3Media has implemented a group-wide Environmental Project which is intended to focus all employees on managing the group’s environmental impact and minimising waste. The company has already demonstrated a marked improvement in energy efficiency and waste management across the 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; Peep Show; Skins; How To Look Good Naked; Shortland Street; the Emmy Award-winning drama Elizabeth; Are You Smarter Than A Fifth Grader?; and the Oscar-nominated Whale Rider. All3Media has a strong heritage and production base in the UK, allowing it to sell its English language and international format content worldwide.

All3Media is led by a highly experienced management team whose growth plan is based on developing new programming and international formats, driving a shift in contribution from drama to entertainment formats. All3Media is also expanding in complementary areas, such as new media and advertiser funded content, both through organic growth and acquisitions. The company has a good track record of growth via acquisition, which remains a strong focus.
Arysta LifeScience

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.

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 DYNAMIC®. Arysta’s ‘Lifescience’ unit produces more than 100 different products including: pharmaceutical additives and health food products; veterinary medicines; and animal feed additives.

Arysta was acquired by Industrial Equity Investments Limited, an international investment company owned by the Permira funds, in March 2008. Permira has since supported Arysta’s management in their goal of creating an integrated multi-national organisation from a loosely-integrated group formed from 14 product and company acquisitions since 2001.

Arysta is achieving significant operational improvement by putting in place world class supply chain management. This process is being driven forward by a newly established programme management office (PMO). The management team has been strengthened through the appointments of a new Chairman, heads of Supply Chain, Europe and PMO initiatives. Demand has been strong in 2008. The rapid appreciation of the Japanese Yen in late 2008 has adversely affected reported earnings.

Arysta is actively pursuing add-on opportunities and industry consolidation via larger acquisitions/mergers, as well as seeking out cross-region product sales opportunities. The company also plans to enter new geographies with its strong existing product portfolio.

As a distributor of agrochemicals, Arysta’s products are registered with all relevant regional, national and international regulatory bodies. The company is also focused on developing environmentally friendly products, such as natural enemies, microbes and pollination bees, and is a key supporter of agricultural and rural community groups such as Future Farmers of America.
Birds Eye iglo Group

www.birdseye.co.uk

Senior Management
Chairman
Erhard Schoewe
Chief Financial Officer
Paul Woolf

Permira Representatives
Cheryl Potter
Max Biagosch

Company Information
Source
Total size of transaction
€1,891m

Sales 2008
€1,284m

Financial Year End
31 December

Sector
Consumer
(Products)

Employees
2,487

Date of Investment
November 2006

Investment Overview

Birds Eye iglo Group (BEIG) is a European frozen food company that produces fish, vegetables, poultry and ready meals, as well as a number of iconic products including Fish Fingers and Schlemmer Filets. Around half of the company’s business is in the UK, where it operates under the Birds Eye brand, while the remainder lies in continental Europe, particularly Germany and Austria, where products are sold under the iglo name.

BEIG was acquired by a company backed by the Permira funds from Unilever in November 2006. A new management team, led by Martin Glenn, has implemented a wide-reaching value creation strategy aimed at restructuring the cost base and restoring growth in core product categories. There has been a strong focus on both renovation and innovation by rejuvenating established products with the launch of the Omega-3 fish finger being an early example of the success of this strategy.

BEIG has also taken steps to put its cost base on a sustainable footing. One manufacturing site in the UK has been closed, with production transferred to Lowestoft (UK) and Bremerhaven (Germany). The business has also completed its separation from Unilever and rolled out a new IT system.

BEIG is benefiting from a number of positive consumer trends. Growing concern about health and nutrition has created greater demand for fish and vegetables. More recently, consumers’ attitudes to frozen food have shifted favourably, as they begin to appreciate more than ever the strong value proposition, reduced waste and convenience offered by frozen food. A new marketing campaign has sought to take advantage of these trends by positioning Birds Eye products as ‘Good Mood Food’ – healthy, nutritious, great tasting and great value.

Since the Permira funds’ investment, management have begun to drive sales growth. This has been most notable in the UK, where sales of the Birds Eye brand grew by 6.0% (in Sterling terms) in 2008. 2009 will present a more challenging operating environment although the frozen food category has some defensive characteristics. BEIG’s focus on providing good value nutritious food to cost-conscious consumers should stand the group in good stead as the economic climate continues to weaken.

BEIG has a long-standing commitment to sustainability, it was the first company to stop sourcing cod from the North Sea in 1999, that has continued under Permira funds’ ownership. The company’s commitment to sustainability is supported by two missions: the Eco-Mission and the Nutrition-Mission. These missions set out nine priority areas where BEIG aims to have the greatest positive impact on society and the environment. One example of BEIG’s commitment to sustainability is the launch of its sustainable fish-based products, which have resulted in a 3,000 tonne reduction in the yearly cod catch. More details are available from the Sustainability Report on the BEIG website.
BorsodChem

www.borsodchem.hu

Senior Management
Chairman
Kay Gugler

Chief Financial Officer
Viktor Katona

Head Business Unit Isocyanates
Rik de Vos

Permira Representatives
Christian Neuss
Olaf Koch
Torsten Vogt
Christian Baier

Company Information
Source
Sales 2008
€1,007m

Public Company
Financial Year End
31 December

Total size of transaction
€1,630m

BorsodChem 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 properties of polyurethanes, such as its light weight, insulation, durability, flexibility (even at low temperatures), abrasion resistance and shock absorbance, make it suitable for use in a broad variety of applications including furniture, bedding, construction, automotive interiors, coatings and adhesives.

BorsodChem’s products are sold mainly in Western and Central-Eastern European markets, which account in total for 92% of its sales. The size of the global MDI and TDI markets is approximately four million tons and two million tons a year respectively.

The nature of the isocyanate industry results in technology-driven barriers to entry. As one of the major producers in this market, BorsodChem has best-in-class technology capabilities underpinned by a proprietary TDI production process with the most favourable cost position in Europe.

As a major chemicals manufacturer, Borsodchem is fully compliant with all relevant ISO standards, as well as the REACH requirements. The company is constantly reviewing and improving its production processes in order to reduce energy consumption and CO₂ emissions. BorsodChem also has a strong focus on employee safety that has resulted in accident statistics that have been lower than the industry average for several years.

BorsodChem is working hard on a number of measures in response to the difficult operating environment in 2009. A significant cost savings programme has been initiated with the aim of generating efficiencies in direct and indirect costs and preserve liquidity. The company is also carrying out a portfolio rationalisation through selective disposals of non-core activities and outsourcing of logistics and maintenance operations. The company is currently reviewing its production capacity in light of a very significant reduction in global demand for isocyanates in the fourth quarter of 2008.

BorsodChem is working hard on a number of measures in response to the difficult operating environment in 2009. A significant cost savings programme has been initiated with the aim of generating efficiencies in direct and indirect costs and preserve liquidity. The company is also carrying out a portfolio rationalisation through selective disposals of non-core activities and outsourcing of logistics and maintenance operations. The company is currently reviewing its production capacity in light of a very significant reduction in global demand for isocyanates in the fourth quarter of 2008.

Background

• European producer of isocyanate-based chemicals with main markets in Western and Central-Eastern Europe
• Difficult operating environment expected in 2009 and in response, cost reductions and disposals of non-core assets are being implemented
• Timeline for expansion of production capacity is under review in light of a significant slow down in demand
Cognis is a worldwide supplier of specialty chemicals based on natural raw material-based chemistry. The majority of Cognis’ products are manufactured from sustainable sources such as coconut and palm kernel oil. Cognis was formed as a ‘carve-out’ from German chemicals group Henkel in 1999 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** produces ingredients for cosmetics, toiletries, detergents and household cleaners for the personal and home-care markets, as well as for industrial and institutional cleaning. These products are, in many cases, designed to appeal to customers with concerns about environmental issues.

- **Nutrition and Health** offers natural-source ingredients-based products, formulations and concepts for food, beverages, functional food and dietary supplements. Cognis is also one of the world’s leading manufacturers of natural-source Vitamin E and pharma-compliant excipients.

- **Functional Chemicals** serves numerous industrial markets such as agrochemicals, synthetic lubricants and mining, with solutions based on its surface technology expertise, ecological compatibility, application reliability and user safety.

The first challenge for Cognis was to establish itself as a stand-alone company with independent functions and structures. Once this had been achieved, Cognis was able to focus more effectively on addressing the needs of its customer base by focusing on ‘wellness’ and ‘sustainability’ and investing in research and development. The company was restructured, with business units focused on end markets rather than geographic area, and with full responsibility for performance throughout the value chain. This resulted in significant cost savings.

Cognis’ product portfolio was targeted towards fast-growing specialty markets, while the more cyclical and commoditised parts of the business, such as the ‘Process Chemicals’ and ‘Oleochemicals’ business units, were sold. Cognis has also successfully expanded into emerging markets in Asia and South America.

**Sustainability** lies at the heart of Cognis’ operations. It was the first specialty chemicals manufacturer to obtain worldwide matrix registration to ISO 9001 and ISO 14001. The company has introduced an action plan with the objective of reducing energy consumption, CO₂ emissions and waste water by 25% by 2012. Further details are available from the Sustainability Report on the Cognis website.
The Corteïfel Group (CTF) is a Spanish clothing retailer, operating a multi-format network with three main fascias: Corteïfel, Springfield and women’secret. The remaining portfolio consists of other smaller formats including Pedro del Hierro and Fifty Factory. Spanish operations account for 75% of sales and in total CTF operates 1,578 points of sale, employing around 7,820 people.

In 2005, a company financed by the Permira funds, and two other financial investors agreed to acquire CTF which was delisted from the Madrid Stock Exchange in March 2006. The Corteïfel brand enjoys strong market recognition in Spain and offers a range of classic clothing for men and women over 30. Corteïfel has 290 own stores (primarily in the Iberian market) and 34 franchises which combined account for 36% of group sales. Springfield targets the 18-30s with a casual, contemporary look at value prices. It has 416 own stores together with 199 franchises and constitutes 40% of group sales. women’secret is the leading lingerie retailer in Spain with its 271 stores and 187 franchises, which together contribute 18% to group sales.

CTF has a strong commitment to social responsibility which is supported by the group’s Corporate Social Responsibility Committee. It is a member of the United Nations Global Compact (www.unglobalcompact.org), an initiative for businesses that are committed to accepted principles in the areas of human rights, labour, environment and anti-corruption. The group also operates a code of conduct which sets out minimum standards of conduct for CTF employees and suppliers. Further details are available from the group’s Social Responsibility Report, available from the Corteïfel website.

The Spanish clothing market is still relatively fragmented and had shown solid growth over recent years. Specialist retailers outperformed the market as they continued to benefit from a decreasing share held by traditional independent retailers. Since the beginning of 2008, the sector has been severely affected by the downturn in the residential property market, impacting consumer confidence and private consumption, as customers trade down in search of value. However, CTF has maintained a strong market position in Spain due to the strength of its key brands – Corteïfel, Springfield and women’secret – all of which operate through a widespread and well-located store network in prime areas.

CTF is focused on gaining further market share from traditional retailers and continuing its international expansion of Springfield and women’secret. Further improvements in stock management are also being made and will be accelerated by the group’s new Aranjuez warehouse. The group is also working on developing its Springfield women’s collections and improving Corteïfel women’s product lines. Finally, in light of the current challenging market conditions, a range of initiatives have been taken to protect cash, primarily through rationalising costs.
DinoSol Supermercados is a leading Spanish food retailer, operating two brands: HiperDino and SuperSol. The company currently has around 460 stores with a total selling space of approximately 400,000 square metres. While the supermarket format represents over 60% of total group sales, the company also operates convenience stores under the Netto brand and cash and carry and hypermarket formats in the Canary Islands.

DinoSol enjoys a strong market position in the south of Spain: it is a market leader in the Canary Islands and in Andalucía, with a particular strength in the Costa del Sol. About 75% of the company’s sales are concentrated in regions where DinoSol has a strong market share.

The Spanish food retail market is one of the most fragmented in the European Union. It has grown rapidly in recent years with larger operators, especially supermarkets, capturing most of the growth. However, the economic downturn has had a marked effect; consumers have traded down, looking for better value. As a result, private label penetration has increased from 27% to 30% for the sector overall and hard discounters are continuing to gain market share.

Since the Permira funds’ original investment in December 2004, the group has implemented a turnaround. Prices have been restructured and private label penetration increased, while store operations have been streamlined and logistics improved: 12 original logistic platforms were consolidated into two new state-of-the-art platforms conveniently located in the Canary Islands.

In response to the increasingly difficult trading environment, the company has implemented a number of initiatives designed to increase cashflow generation and keep costs under control. DinoSol also continues to rationalise its portfolio of stores by focusing on key formats and regions. Stores in non-core regions and formats have been sold. As a result, DinoSol holds strategic market shares in key regions and is well-positioned to participate in the ongoing consolidation of the Spanish food retail market.
Throughout 2008, the management and staff of Freescale have worked hard to strengthen the business. A new chairman and chief executive, Rich Beyer, was appointed in March 2008 with a brief to solidify Freescale’s position as a market leader in its core segments and to achieve best-in-class operational and financial metrics. Beyer has had a long career in the semiconductor industry, having served as CEO at a number of market leading semiconductor companies.

Throughout the last year Freescale’s new management team have sought to target growth by focusing on three key business units:

- Microcontrollers Group (which supplies embedded microcontrollers targeting the automotive and industrial multi-markets)
- Networking and multimedia group (which provides high performance processors primarily for networking infrastructure)
- RF, Analog and Sensors Group (which provides integrated devices in a variety of automotive, consumer and industrial applications)

Within these segments, the company continues to innovate and target growth.

In October 2008, Freescale announced a restructuring plan with the aim of aligning its manufacturing capacity and operating expenses with the business environment and future growth areas. Freescale has also announced the exploration of strategic alternatives for the Cellular Products Group, which will enable the company to focus its resources on higher growth and higher profitability markets where it is better positioned to capture market share.

Although the challenging economic environment put increased pressure on earnings, 2008 was still a record year for design wins for Freescale, with a 10% increase over 2007. Freescale has also strengthened its relationships with customers, seeing a substantial improvement in customer loyalty metrics in 2008. Furthermore, in the first quarter of 2009, Freescale completed a debt exchange, which reduced net debt by US$2 billion and annual interest by US$150 million.

Freescale has a well-established programme of waste reduction and environmental responsibility. Since 2001 Freescale has reduced non-hazardous waste generation by 48%. Freescale continues to work with subcontractors to control waste and ensure it is properly handled and processed.
In September 2005, the Permira funds acquired a stake in the Gala Group to become a joint and equal owner alongside two other financial sponsors. In October 2005, the Gala Group acquired Coral Eurobet and the enlarged business was renamed the Gala Coral Group. The group’s activity is organised into three trading divisions:

• Gala Gaming – this division incorporates both bingo and casino operations. The group operates 156 bingo clubs and is the UK’s market leader with a 41% share. Gala Coral operates 26 casinos in the UK and one casino in Gibraltar; in total the group’s casinos have 1.3 million members.

• Retail Betting – the group’s Coral brand is one of the leading retail betting names in the UK. Gala Coral has recently entered the Italian betting market, with the acquisition of 350 betting shops in Italy. The retail betting division runs almost 1,600 betting shops in the UK and employs over 10,000 people. The division is also responsible for the operation of two greyhound stadia in the UK at Hove and Romford.

• Remote Gaming – this division is responsible for the development, management and operation of the group’s E-Commerce activities in the UK and Europe: Coral.co.uk, Eurobet.com, Galabingo.com and Galacasino.co.uk. The division also operates Coral Telebet, Gala Coral’s telephone betting business and is the UK’s first operator of digital interactive televised bingo.

Gala Coral Group was adversely affected by smoking bans across England, Wales and Scotland in its bingo clubs and casinos. In April 2008 the group renegotiated its banking facilities to create financial headroom for the business to meet ongoing needs.

There were positive developments in certain parts of the business. During the year to September 2008, Coral grew EBITDA benefitting from longer opening hours, new machine content and 46 new betting shops. Gala Bingo sought to respond to the smoking bans by cutting running costs and introducing a new stake retention jackpot game, Gala High 5. The E-Commerce division saw profit growth with Galabingo.com maintaining its market-leading position in the online bingo market.

Gala Coral strives to be an ethical and socially-aware business. The group actively supports GamCare, the UK’s leading authority on support, advice and counselling for people affected by gambling problems. Gamcare has accredited all of Gala Coral’s gaming and betting channels, making it the first operator to achieve this accolade. The group is also committed to investing in its workforce and has won a National Training Award for Gala Casino’s BTEC qualification in Casino Management, which is a unique collaboration with Blackpool and the Fylde College.

Gala Coral Group is the pre-eminent integrated betting and gaming group in Europe. It is the only gaming company in the UK with a significant presence in the bookmaking, bingo and casino markets, both on the high street and online. The group also operates a betting business in Italy.

Our portfolio
### Galaxy Entertainment Group

**www.galaxystarworld.com**

**Sector**  
Consumer (Leisure)

**Employees**  
9,800

**Date of Investment**  
November 2007

**Company Information**

<table>
<thead>
<tr>
<th>Source</th>
<th>Total size of initial transaction</th>
<th>Date of Investment</th>
<th>Sales 2008</th>
<th>Financial Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Owner/Public Company Investment</td>
<td>€593m</td>
<td>November 2007</td>
<td>(not available)</td>
<td>31 December</td>
</tr>
</tbody>
</table>

**Senior Management**

- **Chairman**  
  Dr Lui Che Woo

- **Deputy Chairman**  
  Francis Lui

**Permira Representatives**

- Guido Paolo Gamucci
- Martin Clarke
- James Burrell

**Investment Overview**

Galaxy Entertainment Group (Galaxy) is a casino and hotel operator in Macau SAR, China. It is one of six gaming concessionaires licensed to operate casinos in Macau, the world’s largest gaming market by revenue and the only legal gaming location in China. The company is listed on the Hong Kong Stock Exchange and is majority owned by the Lui family.

In November 2007, companies backed by the Permira funds acquired c.20% stake in Galaxy. Two directors representing the Permira funds have been appointed to the board of Galaxy and have certain detailed information rights. In addition, the Permira funds benefit from anti-dilution rights and certain veto rights including any fundamental changes to the strategy of the business.

Galaxy’s flagship property is StarWorld, which opened in November 2006. Galaxy also has one of the largest land banks in Cotai (the ‘new’ casino and entertainment destination in Macau) upon which it is planning the development of a new gaming, hotel and entertainment resort – Galaxy Macau Resort – which will include 2,200 hotel rooms and one of the world’s largest casinos. The group also has management contracts to operate four ‘City Club’ casinos in Macau and owns a Construction Materials business, which is a legacy business activity prior to the group obtaining the gaming business.

A detailed value creation plan is in place at Galaxy that focuses on:

- Ensuring StarWorld maintains market share and profitable volume in an increasingly competitive environment. This includes the implementation of a cost saving plan in 2009
- Completing the construction of Galaxy Macau Resort within budget and in a timely manner to open when market demand supports the product offering (anticipated 2010/11)
- Creating value-enhancing opportunities on the remaining Cotai land bank, through strategic partnerships with world-renowned hotel, leisure, retail and entertainment brands
- Expanding the Galaxy brand into other Asian leisure markets focusing on gaming, hotels and entertainment facilities
- Maximising value from the non-core Construction Materials business

During 2008 certain restrictions on visas for Chinese visitors to Macau negatively impacted Macau gaming spend growth. This combined with global economic slowdown has created a softening in the Macau market.

- **Casino and hotel operator in Macau SAR, China**
- **Operates flagship StarWorld hotel and casino and holds one of the largest land banks on Cotai – Macau’s new casino and entertainment destination**
- **Value creation plan will focus on completing construction programme on Cotai and increasing profitability at existing sites**
Marazzi Group

www.marazzi.it

Sector
IPS

Employees
6,700

Date of Investment
July 2008

Marazzi Group (Marazzi) is the worldwide leader in the design, manufacturing and distribution of ceramic tiles. The company is a technological leader in the tiles sector and has a good track record in design and innovation. The group sells into 130 countries, enjoying 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.

Investment Overview

Founded in the 1930s, Marazzi has been growing its international footprint since the 1980s. Marazzi’s offering covers all segments, residential and commercial, and includes products ranging from floor and wall tiles to solutions for exterior wall coverings as well as sanitaries. Marazzi was a former Permira funds portfolio company between December 2004 and February 2006, when it was floated on the Milan Stock Exchange. During the first period of Permira funds’ ownership (in partnership with the Marazzi family and another financial sponsor) Marazzi accelerated investment in new markets and in 2005, the company acquired Welor, a leading Russian tiles manufacturer. As a result of this 2005 transaction, Russia now represents the second largest contribution to the group’s consolidated EBITDA.

Throughout its period of public ownership, Permira continued to monitor Marazzi, maintaining a strong relationship with the management team and the company’s founding family. Despite this, Permira felt that there were still opportunities to build value at Marazzi, so in July 2008 a company backed by the Permira funds and another financial sponsor acquired the company, alongside the founding Marazzi family.

In response to the difficult market environment, the group is implementing a number of initiatives to increase cash flow generation, control costs and rationalise the manufacturing footprint. In parallel, the following initiatives are under way to improve Marazzi’s position and lay foundations for its further growth:

- Strengthening the management team through the addition of a Country Manager in Italy and a CEO responsible for Finance and Business Development
- Investing in marketing with the objective of shifting the focus to higher margin products
- Improve efficiency of the distribution network by focusing on key customers and modeling the sales approach, service level and marketing strategy on customer needs and profile
- Identification of potential acquisition targets to increase the level of vertical integration (e.g. distribution) or to allow diversification into other attractive market segments

Even in this scenario, Marazzi, due to its leadership position and strong geographic diversification, remains well-positioned to consolidate its leadership and has managed to outperform its competitors and increase its market share in all of its key geographies.
Maxeda is the largest non-food retailer in the Netherlands. It has strong positions in both the DIY and fashion markets. In total, the group owns 11 different brand formats and operates 1,400 stores in seven European countries.

Maxeda’s DIY business operates a multi-brand and multi-format retail portfolio, which is a market leader in the Benelux region. Formats include Praxis, Formido, Brico and Plan-It. 50% of Maxeda’s stores are located outside the Netherlands. Maxeda’s fashion business includes leading department store formats, such as Bijenkorf, a luxury department store chain in the Netherlands, and V&D, a department store aimed at the mid-market, as well as a number of other retail brands, including womenswear brands M&S Mode and Claudia Sträter and the lingerie brand Hunkemöller.

Since its acquisition by the Permira funds and a number of other financial investors in 2004, the company has transformed into a successful pan-European retail leader. The company’s ‘5S strategy’ is focused on: increasing staff and customer satisfaction; increasing sales in existing stores and through the expansion of the store network; implementing more efficient sourcing practices both at home and abroad; saving costs and improving cash flows; and generating synergies through improved cross-group co-operation.

Significant progress has been achieved to date, initially through an operational improvement programme, which placed a strong focus on costs and cash control, but more recently as a result of the investments the group has made in its store portfolio. As part of the company’s value creation plan, many of its stores have been re-modelled with out of date store interiors being replaced by more attractive retail environments designed to support sales growth by enticing the demanding, contemporary shopper.

Maxeda’s DIY business has continued to expand its formats (new formats include ‘Plan-It’ mega DIY stores and ‘Brico-City’ inner-city mini DIY stores) while V&D has implemented a turnaround plan by investing in its store network and repositioning its brand and product portfolio. The M&S Mode and Hunkemöller brands have similarly expanded into new geographies.

Although consumer demand has weakened across Europe, the group’s transformation leaves it in a good position to gain further market share from weakened competitors. While there is a clear focus on managing costs today, customer satisfaction remains paramount and the group remains committed to investing in growth.

Maxeda has an ethical approach to its business. The group’s formats work closely with the Business Social Compliance Initiative (BSCI - www.bsci-eu.com) to improve working conditions at suppliers. Maxeda has sought to work only with suppliers that have adopted the BSCI principles. Maxeda also works to reduce its environmental impact and has implemented a comprehensive energy-saving initiative across the group. Maxeda’s DIY stores are offering an increasing portfolio of products sourced from sustainable forests, while the group’s food courts and cafés are placing a greater emphasis on sourcing local products, thereby reducing their total carbon footprint.
NDS Group (NDS) creates technologies and applications that enable pay-TV 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.

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, Premiere, CANAL+, Astro, Tata Sky, FOXTEL, Cox Communications and Cablevision.

VideoGuard® is NDS’ world market-leading conditional access and digital rights management technology. It is deployed on more than 99 million active devices – safeguarding pay-TV service revenues exceeding US$40 billion. NDS middleware, including MediaHighway®, has been deployed in 108 million TV set-top boxes, enabling a host of advanced services for subscribers. NDS DVR technology, including XTV®, is installed in 17 million units, making it the global leader in DVR solutions.

The company recently launched NDS Dynamic™, an advanced advertising solutions suite that enables operators to tailor advertising to the interests of viewers. The NDS Dynamic platform includes technology to carry out detailed audience measurement and present rich, interactive content. The company also produces the award-winning NDS Unified Headend™ product, which supports the convergence of multiple platforms (cable, satellite, mobile TV, internet, etc.) by enabling operators to centrally control content delivery to a number of platforms over multiple networks.

Headquartered in the UK, NDS has offices around the world. The company has a strong commitment to research and development and more than 75% of NDS’ workforce is dedicated to creating the next generation of pay-TV technology. The company also has two major subsidiaries: Orbis, which supplies its OpenBet™ solution to online gaming operators; and Jungo, whose products support advanced networking in today’s digital home.

In June 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. The transaction was completed in February 2009.

Permira intends to support the company’s management team as it continues to grow the business by strengthening existing client relationships while targeting new applications and services, and seeking out further opportunities in emerging markets and in the cable, IPTV and other market segments.
New Look is a European high-street apparel retailer with a strong presence in the UK and stores also in France, Belgium, and the Middle East. The company is positioned as a fast fashion retailer with a broad product offering that focuses on womenswear, but also includes footwear and accessories as well as expanding menswear.

New Look has a broad retail network comprised of 607 stores in the UK and Ireland, 23 stores in France and Belgium and 19 franchise stores in the Middle East (Saudi Arabia, UAE, Kuwait and Bahrain). In addition, the group also operates 291 stores in France and Belgium which trade under the Mimi brand.

New Look was acquired by a company backed by the Permira funds and another financial sponsor in April 2004. Since then, New Look has added more than one million square feet of floor space to its portfolio and the company’s workforce has grown from 12,400 in 2004 to 18,600 by 2008. New Look has also developed innovative product ranges by working in partnership with respected designers such as Giles Deacon (British Fashion Designer of the Year – 2006).

Throughout 2008, New Look has continued to grow in the UK through a carefully managed store roll-out plan and the development of new concept stores in Liverpool, White City (London) and in Meadowhall (Sheffield). In-house design teams work closely with preferred suppliers to improve products and to expand ranges.

The company has also maintained its focus on margin through improved mark-down management, tight control of stocks and an increase in products designed in-house. Its international expansion is progressing well with the opening of a franchise store in Moscow in February 2009. Furthermore, New Look’s online presence in the UK is developing successfully. The company also plans to introduce transactional websites for New Look in France and Belgium in the future.

The trading outlook for the UK and European retail sectors is challenging, with clear pressure on consumers’ disposable income. There was an unprecedented level of discounting on the high street in the run-up to Christmas and in January 2009 as customers continued to seek value. Notwithstanding this, New Look performed well and in the 14 weeks to 3 January 2009 grew LFL sales by 2.8%, which made it one of the best performing fashion fascias in the UK high street. Online retail spending continues to experience strong growth in the UK as customers gradually change their shopping habits to benefit from the convenience of ordering online.

In January 2009, New Look announced that it would be relocating its Buying, Merchandising and Design Teams from Weymouth to London. New Look’s distribution centre is located in Lymedale Business Park, Newcastle under Lyme, where its state-of-the-art facility was opened at the end of 2005 to provide additional capacity and aid growth.

New Look is committed to ethical trading, as a member of the Ethical Trading Initiative (www.ethicaltrade.org) the company works with trade unions, non-governmental organisations (NGOs) and outside experts to improve supply chain working conditions. New Look works with 339 suppliers in 29 countries to support ethical trading. In 2008 the company carried out 421 in-depth audits of suppliers, working with local NGOs and Impact (www.impacttimitled.com). Further information on New Look’s commitment to ethical trade, including detailed information on the programmes that are in place in individual countries, is available on the New Look website.

• Large UK-based European fashion retailer that has grown substantially since acquisition

• Workforce grown from 12,400 to 18,600; over one million square feet of new retail space; development of in-house design expertise creating a strong reputation

• Online presence in the UK developing well, websites in France and Belgium to be introduced
Principal Hayley Group

Principal Hayley Group (Principal Hayley) is a hotel and conference centre chain operating in the upper mid market segment of the UK hotel and residential conferences market. The group currently comprises 19 UK properties and two properties in continental Europe. Headquartered in Harrogate, the group currently has around 2,000 employees.

Principal Hotels was originally acquired by a company backed by the Permira funds in September 2006 and since then has been grown substantially through acquisition. In May 2007, supported by the Permira funds, Principal Hotels acquired Hayley Conference Centres, creating Principal Hayley. A further five hotels were acquired during 2007 taking the total number of UK properties to 19. During 2008 Principal Hayley successfully opened its first two properties in continental Europe, Château Saint Just, outside Paris and La Mola, near Barcelona.

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. The group has actively sought out sites throughout the UK, as the regional hotel and conference centre market has historically proven less volatile than London. UK regions enjoy a greater share of domestic demand and as such are less impacted by international events and fluctuations in overseas business.

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 hotels have undergone substantial refurbishment, positioning them as leading corporate, conference and leisure destinations. The value of the portfolio has been improved upon by building additional bedrooms and conference rooms within properties where there is sufficient demand. The Hayley Portfolio hotels which had, under previous ownership, operated on weekdays only, are now open all week, allowing them to welcome leisure and wedding guests as well significantly increasing occupancy levels. The increasing trend towards central procurement by corporates will benefit operators such as Principal Hayley who are able to offer a comprehensive range of conference facilities and locations.

Since acquisition the experienced management team, led by Tony Troy, has been strengthened through the addition of Paul Nesbitt as CFO, joining from Malmaison/Hotel du Vin where he had previously been CFO and COO, and Colin Bailey as COO, joining from Von Essen and having 10 years previous experience at De Vere hotels. In addition, the company benefits from the experience of Chairman Roger Devlin, previously Development Director at Hilton.

The current difficult economic environment could provide an opportunity to increase market share and to acquire hotel assets at attractive valuations as vendors become distressed. The group will therefore consider acquisitions both in the UK and in key gateway cities in Europe.

Principal Hayley Group (Principal Hayley) is a hotel and conference centre chain operating in the upper mid market segment of the UK hotel and residential conferences market. The group currently comprises 19 UK properties and two properties in continental Europe. Headquartered in Harrogate, the group currently has around 2,000 employees.

Principal Hotels was originally acquired by a company backed by the Permira funds in September 2006 and since then has been grown substantially through acquisition. In May 2007, supported by the Permira funds, Principal Hotels acquired Hayley Conference Centres, creating Principal Hayley. A further five hotels were acquired during 2007 taking the total number of UK properties to 19. During 2008 Principal Hayley successfully opened its first two properties in continental Europe, Château Saint Just, outside Paris and La Mola, near Barcelona.

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. The group has actively sought out sites throughout the UK, as the regional hotel and conference centre market has historically proven less volatile than London. UK regions enjoy a greater share of domestic demand and as such are less impacted by international events and fluctuations in overseas business.

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 hotels have undergone substantial refurbishment, positioning them as leading corporate, conference and leisure destinations. The value of the portfolio has been improved upon by building additional bedrooms and conference rooms within properties where there is sufficient demand. The Hayley Portfolio hotels which had, under previous ownership, operated on weekdays only, are now open all week, allowing them to welcome leisure and wedding guests as well significantly increasing occupancy levels. The increasing trend towards central procurement by corporates will benefit operators such as Principal Hayley who are able to offer a comprehensive range of conference facilities and locations.

Since acquisition the experienced management team, led by Tony Troy, has been strengthened through the addition of Paul Nesbitt as CFO, joining from Malmaison/Hotel du Vin where he had previously been CFO and COO, and Colin Bailey as COO, joining from Von Essen and having 10 years previous experience at De Vere hotels. In addition, the company benefits from the experience of Chairman Roger Devlin, previously Development Director at Hilton.

The current difficult economic environment could provide an opportunity to increase market share and to acquire hotel assets at attractive valuations as vendors become distressed. The group will therefore consider acquisitions both in the UK and in key gateway cities in Europe.
ProSiebenSat.1 Media AG (P7S1) is a pan-European broadcasting group that is present in 13 countries and reaches 77 million households and over 200 million viewers. P7S1 operates 26 free TV stations and 22 radio networks.

P7S1’s core business is free-to-air TV (which accounts for approximately 80% of the company’s sales). The company owns Germany’s largest family of commercial TV channels and its free-to-air channels also occupy the number two and number three market positions in a number of other key markets including Belgium, Denmark, Hungary, the Netherlands, Norway, Romania and Sweden.

In addition, P7S1 has a leading position in a range of other markets (which account for approximately 20% of revenue). P7S1’s internet presence is one of the most important online brands in Europe as well as one of the largest radio operators in Europe.

In March 2007, a company backed by the Permira funds and another financial sponsor acquired P7S1. In July 2007, P7S1 acquired SBS Broadcasting, another Permira fund portfolio company.

P7S1 expects a challenging operating environment in 2009, as the effects of the global economic downturn put pressure on advertising revenues. In response to this, the company has already initiated a number of programmes including the relocation of the Sat. 1 channel from Berlin to Munich, where the rest of the group’s channels are based, while the management team, led by Thomas Ebeling, the former chief executive of Novartis Pharma (who joined P7S1 on 1 March 2009), continues to implement a detailed value creation plan, with the aim of:

- Driving sales by strengthening P7S1 free-to-air TV offering. The company has launched a new advertising sales model in Germany and is seeking to strengthen its channel line-up by launching new channels in key markets.
- Establishing content leadership by focusing on high-quality programming and sharing capability between the creative functions of P7S1 throughout the footprint.
- Building online activities by extending established internet properties, rolling out internet offers in new geographies and leveraging the company’s content portfolio.

P7S1 has already started to streamline its asset portfolio through the sale of CMore and BTI.
Provimi is a world leader in the growing market of animal nutrition, focusing on the high value-added segments of the market. The group is the largest pure player in the field of animal nutrition in the world.

Provimi produces a range of innovative 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.

The worldwide industrial feed market is growing at 3% on average. The main growth is occurring in Asia Pacific, Latin America, and Central and Eastern Europe with annual growth rates of more than 5%. Meat consumption is rising globally as a result of increasing urbanisation and changing diets. Poultry and swine show the strongest growth. Underpinning the global industrial feed market is the anticipated global population growth from 5.9 billion in 2000 to 7 billion in 2013.

Provimi has embarked on an ambitious value creation plan implemented by a new management team with a simplified reporting and organisational structure. The company has been repositioned and is now focusing its developments on higher value-added segments of animal nutrition markets that offer attractive growth prospects and can fully benefit from its know-how and R&D capabilities. To that end, the company successfully divested its fish feed business in January 2008. The company has also adapted its organisation to provide the Pet Food business with a management team of FMCG specialists, that are now focused on capturing growth in the Eastern European private label pet food sector.

Mindful of the more difficult market environment that 2009 will bring, Provimi is implementing a number of cost based initiatives. The company is carrying out plans to protect its profitability and cashflow and to benefit from potential M&A opportunities in Latin America and Eastern Europe.

### Key Points

- **World leader in animal nutrition**
- **Market leader in Eastern European private label pet food**
- **Value creation plan has focused the company on higher value-added segments of the market while divesting non-core assets**
- **Plans to protect profitability being implemented in light of the economic outlook**

---

**Provimi Overview**

Provimi is a world leader in the growing market of animal nutrition, focusing on the high value-added segments of the market. The group is the largest pure player in the field of animal nutrition in the world.

Provimi produces a range of innovative 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.

The worldwide industrial feed market is growing at 3% on average. The main growth is occurring in Asia Pacific, Latin America, and Central and Eastern Europe with annual growth rates of more than 5%. Meat consumption is rising globally as a result of increasing urbanisation and changing diets. Poultry and swine show the strongest growth. Underpinning the global industrial feed market is the anticipated global population growth from 5.9 billion in 2000 to 7 billion in 2013.

Provimi has embarked on an ambitious value creation plan implemented by a new management team with a simplified reporting and organisational structure. The company has been repositioned and is now focusing its developments on higher value-added segments of animal nutrition markets that offer attractive growth prospects and can fully benefit from its know-how and R&D capabilities. To that end, the company successfully divested its fish feed business in January 2008. The company has also adapted its organisation to provide the Pet Food business with a management team of FMCG specialists, that are now focused on capturing growth in the Eastern European private label pet food sector.

Mindful of the more difficult market environment that 2009 will bring, Provimi is implementing a number of cost based initiatives. The company is carrying out plans to protect its profitability and cashflow and to benefit from potential M&A opportunities in Latin America and Eastern Europe.
Seat PG

Seat Pagine Gialle (Seat PG) is a provider of yellow pages and directory information services. It publishes printed and online yellow and white pages directories in Italy, where it has more than 95% market share and provides voice directory assistance services in Italy, Germany, France and Spain. Seat PG also owns the 'Thomson Local' directories in the UK. The group employs more than 5,400 people and maintains a database of 20 million households and three million businesses.

After several years of moderate growth the Italian directories advertising market declined slightly in 2008. This trend is expected to continue in 2009 with a decline of print directories almost entirely offset by an increase of online business. The Italian online advertising market grew at 32% from 2004 to 2008 and is forecast to grow at 24% until 2011.

Since the Permira funds invested in the business, Seat PG has refocused on its core business so that it is better placed to take advantage of the increasing importance of the internet and the liberalisation of the European directory enquiries market. In particular, in the last year Seat PG heavily increased investments in the online advertising business to benefit from a fast growing market.

The focus of the company in 2008 has been on broadening its internet offer through the launch of new websites and the introduction of several new products, in particular Search Engine Optimisation, which has significantly increased usage. The IT infrastructure at the company has been renewed, with the introduction of an SAP platform.

In response to the toughening economic environment and in order to continue the shift of business from print to internet, the company is pursuing a number of initiatives focused on increasing cashflow generation and liquidity. The key actions that management are implementing are:

- Focus business on Italy by considering the disposal of businesses in other countries
- Development of a new salesforce that are more skilled in acquiring new customers (particularly SMEs) and cross-selling online products
- Redirect advertising spending to online products
- Costs reduction and capex optimisation

The Permira funds also committed to invest further capital in a rights issue in March 2009 to support Seat PG’s implementation of the actions outlined above, that are aimed at helping the company through the downturn.
Sisal is a betting and gaming operator in Italy. It operates in all sectors of the Italian gaming market: lotteries, betting, video terminals and bingo. Sisal employs around 900 people, has a network of 28,000 retailers in Italy and a chain of over 140 proprietary shops. The company has a long history of innovation in the Italian gaming market. In 1946, Sisal launched Italy’s first ‘pool betting’ game and two years later the company launched Italy’s first pool betting game based on horseracing.

In 1997, Sisal re-launched the Italian lottery Enalotto as SuperEnalotto, which is operated under an exclusive concession from the Italian State Treasury that will expire in 2018. As a result, Sisal provided the Italian Treasury with over €1.3 billion of income in 2008 from the SuperEnalotto game alone.

The Italian gaming market – which is estimated to be worth €48 billion in 2008 – has historically recorded strong and sustained growth; from 1990–2005 Italian gaming grew by 12.5% (CAGR), while growth between 2005 and 2008 was 19% (CAGR). This is the result of three principal drivers:

• The introduction of innovative formulas in the traditional lottery business (such as SuperEnalotto)
• Greater control of unofficial gaming operators e.g. sport/horse betting and in the gaming video terminals sectors and the entry of larger established brands into these less established markets
• An increase in the popularity of sports and horserace betting

Although 2008 was a more difficult operating environment than has been seen in recent years, Sisal generated a 17% sales increase compared to 2007, building on the good performance of the company since it joined the Permira portfolio in October 2006. Sisal’s EBITDA has grown more than 30% following the implementation of a four part value-creation plan:

• Developing Sisal’s offering by ensuring that a wider range of products are available at Sisal points of sale. This was achieved by launching a new generation of gaming terminals and the relaunch of the key SuperEnalotto game
• Expanding Sisal’s network of points of sale from 21,000 to 28,000 at the beginning of 2009
• Reviewing and reducing the company’s cost base
• Strengthening the company’s management team by appointing Emilio Petrone, the former Chief Executive of Mattel in Southern and Eastern Europe, the Middle East and Africa, as CEO. Emilio’s appointment has been supplemented by a number of other senior hires

In 1997, Sisal re-launched the Italian lottery Enalotto as SuperEnalotto, which is operated under an exclusive concession from the Italian State Treasury that will expire in 2018. As a result, Sisal provided the Italian Treasury with over €1.3 billion of income in 2008 from the SuperEnalotto game alone.
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. The company has, since the acquisition, implemented an ambitious value creation programme and has significantly deleveraged the capital structure. The management team has been significantly strengthened, with new appointments in almost all senior positions. Henrik Poulsen was appointed as chief executive in November 2008, having most recently successfully led operational improvement initiatives at TDC’s largest business unit, Fixnet Nordic. In addition, Jesper Ovesen, who was previously CFO at Danske Bank and Lego Company, became chief financial officer in January 2008.

TDC’s new leadership has substantially changed the corporate culture into being more collaborative and fast paced. The company has also adopted a more customer-centric and cost focused organisation which enables it to compete effectively.

TDC has focused its operations on the key Nordic and Swiss markets by disposing of non-core international assets including Båté, One, Talkline, Polkomtel and by carrying out a real estate sale and leaseback.

Throughout 2008, TDC has continued to reinforce its reputation for innovation in online products. In March 2008, the company launched a new ground-breaking music service, called PLAY, which offers free and unlimited access to music downloads to Danish mobile and broadband customers. Later in the year, YouSee, TDC’s cable business launched a Web TV product that provides access to 17 different channels. TV content is streamed directly to the computer via a broadband connection, meaning that for the first time in Denmark, the customers can view TV from different content providers on one web page: http://yousee.dk/web-tv

TDC has experienced a challenging trading environment in 2008, with downward pressure on revenues compared to 2007. However, the company has at the same time substantially improved its cost position whilst ensuring that all business units remain focused on serving their customers, thus delivering substantial profit growth during the year. In 2008, the company, for example, outsourced the network operations in its Swiss business to Alcatel-Lucent and the mobile network in Denmark to Ericsson.
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 has an international 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.

In 1996, Telepizza was listed on the Madrid Stock Exchange and in 1999 the main founders sold the remaining stake to a group of investors led by Pedro Ballvé (Carbal). On 28 February 2006, the Permira funds launched a successful public tender for 100% of the share capital of Telepizza alongside Carbal. The company was delisted in March 2007.

Telepizza has a vertically integrated business model. It owns state-of-the-art production, warehousing and distribution facilities that supply all Telepizza outlets, utilising the latest technology; seven dough and cheese factories operate from sites in Spain, Poland, Portugal and Chile.

Permira and Carbal are supporting Telepizza’s management team, led by the executive vice-chairman and chief executive José Carlos Olcese, as it implements a series of top and bottom-line growth initiatives. In Spain the company is focusing its strategy on leveraging its brand recognition by completing store roll-out in malls and smaller towns, mostly through franchisees.

The company is focused on leveraging its customer database through the development of CRM marketing activities. It has also relaunched its internet platform, backed by a national television advertising campaign. The result was a rise in the percentage of Telepizza’s orders taken online from around 1.5% in July 2008 to 8.8% in January 2009. Additionally the company is implementing several efficiency plans to rationalise operations both at store and at HQ level, as well as working to maximise purchasing and industrial savings. In 2008, Telepizza’s chain sales have been robust with sales growth of 1.2% (from €517 million to €524 million).

Permira and Carbal are supporting Telepizza’s management team, led by the executive vice-chairman and chief executive José Carlos Olcese, as it implements a series of top and bottom-line growth initiatives. In Spain the company is focusing its strategy on leveraging its brand recognition by completing store roll-out in malls and smaller towns, mostly through franchisees.
Investment Overview

Valentino Fashion Group (VFG) is a global fashion and luxury goods group that bears the name of the renowned couturier Valentino Garavani. VFG operates in more than 100 countries, with over 1,500 single-brand boutiques and 371 directly-managed shops. More than 13,000 employees work in directly controlled companies and branches spread across 27 countries.

The group’s three business units cover the entire luxury goods and fashion sectors, offering a wide variety of styles and products:

• HUGO BOSS, which represents more than 75% of total group sales, includes the BOSS and HUGO brands
• Valentino features the prestigious brand Valentino, with the lines Valentino Roma, RED Valentino and Valentino Garavani (accessories)
• Licensed brands include Marlboro Classics and M Missoni, in addition to the group’s own brands Lebole, Oxon and Portrait

Geographic expansion and product line extensions drive the value creation strategy for VFG. Today Europe remains the largest market for the group (c.70% of sales), followed by North America (18% of sales), while Asian markets are continuing to grow in importance (12% of sales). During the last months, several efficiency measures and cost saving initiatives have been identified and are being implemented across the group’s three business units.

Over the course of last year, the ‘HUGO BOSS’ brand continued to broaden its product offering by expanding its accessories range and developing its womenswear lines. HUGO BOSS’ value creation programme is being driven by new CEO, Claus-Dietrich Lahrs, former managing director of Christian Dior Couture, who was appointed in May 2008. Since then HUGO BOSS has reorganised its creative and brand management teams to ensure that full focus is given to the development of each individual brand, which include BOSS Black, BOSS Orange, BOSS Green and HUGO.

Throughout 2008, VFG’s flagship ‘Valentino’ business was focused on developing its product offering by creating a more contemporary product range, with a new twist in prêt-a-porter, but in line with the business’ heritage, and new offers in accessories and menswear. The Valentino management structure, completed in 2008 and led by group CEO Stefano Sassi, is working to manage the transition from the old design team, led by Valentino Garavani, to the new design team headed by Maria Grazia Chiuri and Pier Paolo Piccioli and to develop the company’s retail culture and to expand coverage of some emerging markets including China.

VFG’s ‘Licensed brands’ business also continued to grow during the period. The Marlboro Classics label now operates 385 shop-in-shops and 189 exclusive stores, while a new 10-year partnership has been recently renewed for the M Missoni line.
Appendix

Walker “Guidelines for Disclosure and Transparency in Private Equity.”

Permira complies with Walker’s “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 are Acromas (page 42), Gala Core Group (page 46) and New Look (page 70). These companies 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 (see introductory pages and detail throughout the document). It also details the holding period for our investments (see data of acquisition for each of our investments in the portfolio section, pages 38–87) and contains a number of case studies in the form of recent realisations (pages 22–27) and investments discussed elsewhere in the document.

The review also clearly identifies the leadership of the firm globally in the chairman and co-managing partners’ statements. The UK office of Permira is headed by Ian Sellars. The Governance section of the document (page 36) confirms that arrangements are in place to deal appropriately with conflicts of interest. The source of our funds’ capital is detailed in the Investor section (page 34). 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.

Contact details

Frankfurt
Contact: Jörg Rockenhäuser
Permira Beteiligungsberatung GmbH
Clemensstraße/Falkstraße 5
60388 Frankfurt am Main
Tel: +49 69 97 14 66 0

Guernsey
Contact: Alistair Boyle
Permira (Guernsey) Limited
PO Box 503
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 6DJ
Tel: +44 1481 743200

London
Contact: Ian Sellars
Permira Advisers LLP
80 Pall Mall
London SW1Y 5ES
Tel: +44 20 7632 1000

Luxembourg
Contact: Severine Michel
Permira Luxembourg S.ar.l.
282, route de Longwy
L-1940 Luxembourg
Tel: +352 29 69 811

Madrid
Contact: Carlos Mallo
Permira Asesores S.L.
Plaza del Marques de Salamanca, 10
28006 Madrid
Tel: +34 91 4182499

Milan
Contact: Gianluca Andena
and Nicola Volpi
Permira Associati S.p.A.
Via San Paolo 10
20153 Milano
Tel: +39 02 7603 4740

New York
Contact: John Coyle
Permira Advisers L.L.C.
320 Park Avenue
33rd Floor
New York NY 10022
Tel: +1 212 386 7480

Tokyo
Contact: Alex Emery
Permira Advisers K.K.
Akasaka InterCity Building 3F
1-11-44 Akasaka
Minato-ku 107-0052
Tokyo
Tel: +81 3 6230 2051

Paris
Contact: Philippe Robert
Permira Advisers LLP
374 rue St. Honoré
75001 Paris
Tel: +33 1 40 03 19 60

Stockholm
Contact: Ola Norrby
Permira Advisers KB
Birger Jarlsgatan 12
113 34 Stockholm
Tel: +46 8 503 122 00

Menlo Park
Contact: Richard Sanders
Permira Advisers L.L.C.
64 Willow Place
Suite 101
Menlo Park CA 94025
Tel: +1 650 681 4701

Hong Kong
Contact: Henry Chan
Permira Advisers Limited
Unit 2806–2807, 28/F
One Exchange Square
Central Hong Kong
Tel: +852 3972 0800