



Candover Investments plc

Preliminary results to 31st December 2012

1st March 2013

Agenda



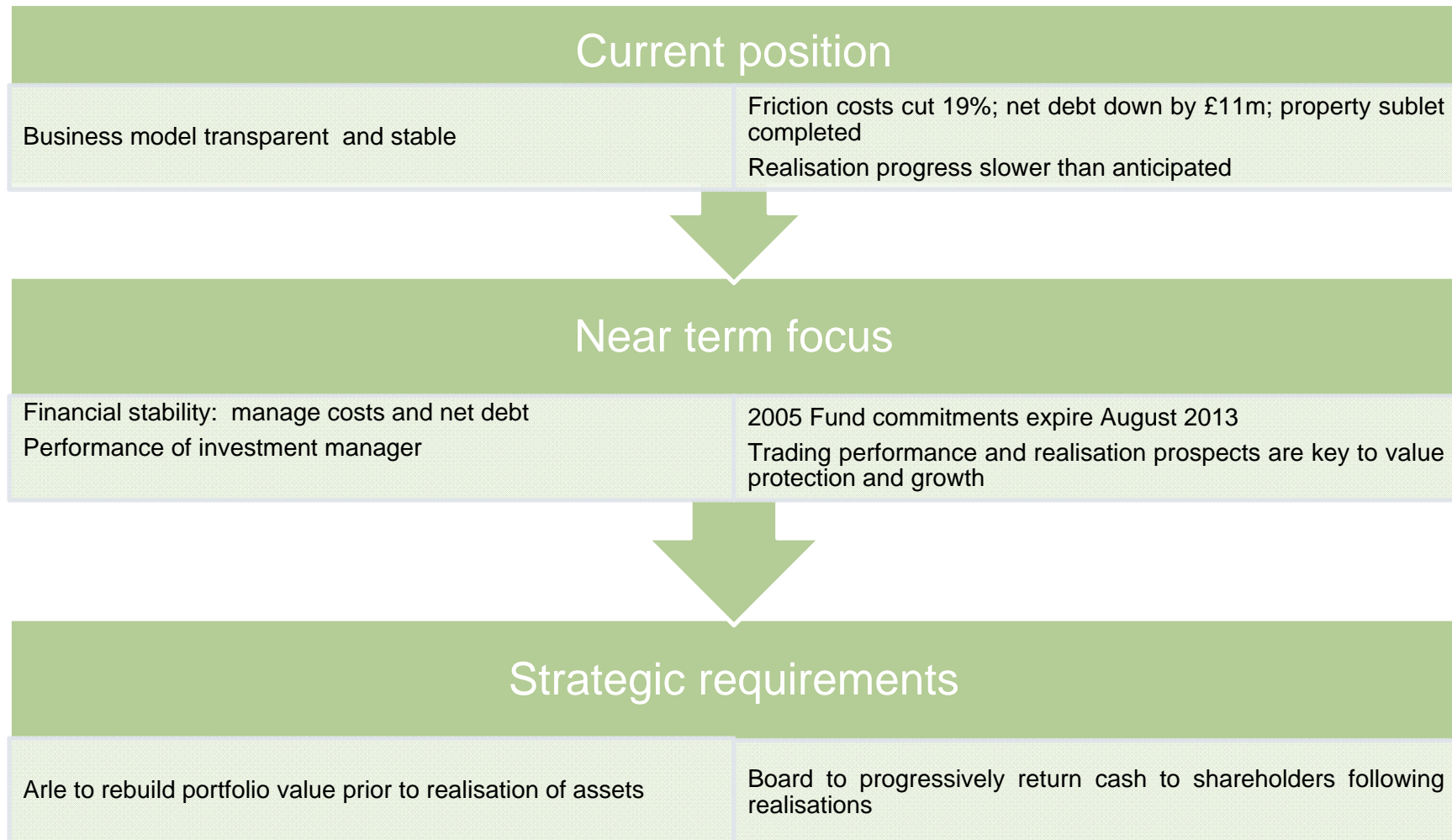
- Overview & financial results – Malcolm Fallen
- Fund & portfolio update – John Arney
- Summary – Malcolm Fallen



Overview & financial results

Malcolm Fallen

Update



2012 headlines



<i>Key financials</i>	<i>Dec 2011</i>	<i>June 2012</i>	<i>Dec 2012</i>	<i>Status</i>
NAV	717p	642p	608p	
Change in NAV v Dec 2011		-10%	-15%	
Net debt	£38m	£16m	£27m	
LTV ratio	21%	11%	18%	
Outstanding commitments	£15m	£14m	£6m	
Concentration (% portfolio)				
- Top 3	60%	67%	69%	

Net assets – down 15%



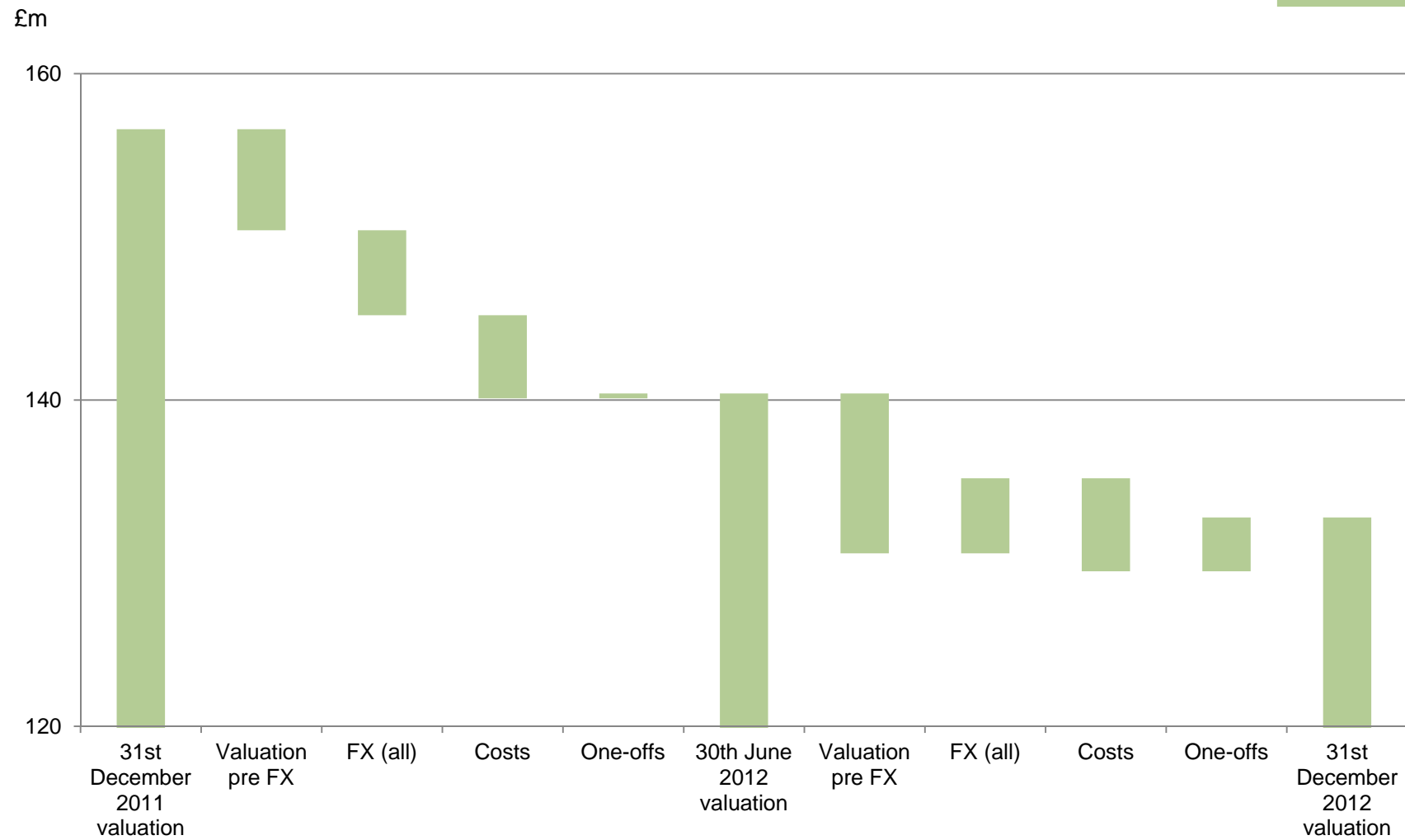
	£m	p
OPENING NAV	156.6	717
Revaluation of investments		
• Loss on financial instruments and other income	(16.0)	(73)
• Currency impact on unrealised investments	(3.6)	(16)
	(19.6)	
Impact of carrying costs		
• Recurring administrative expenses	(5.3)	(24)
• Finance costs	(5.6)	(26)
• Other	3.6	16
	(7.3)	
• Restatement of cash and cash equivalents	(1.5)	(7)
• Translation of loan and fair value hedge adjustment balances	4.6	21
	3.1	
CLOSING NAV	132.8	608

Investments – down 11%



£m	
Opening investment value (including accrued income)	204.0
Disposals at valuation	(29.2)
Additions at cost	8.3
	<hr/>
	183.1
Revaluation of investments:	
Valuation movements before currency	(16.0)
Currency impact on unrealised investments	(3.6)
	<hr/>
	(19.6)
Closing investment value (including accrued income)	163.5

NAV bridge – H1 vs H2



Net debt



£m	Dec 2011	June 2012	Dec 2012
Loans and borrowings	167.1	157.1	151.0
Fair value hedge adjustment	(11.6)	(9.4)	(7.0)
Deferred costs	0.6	0.5	0.4
Value of bonds (due end of 2014)	156.1	148.2	144.4
Cash	(118.1)	(131.7)	(117.7)
Net debt	38.0	16.5	26.7
LTV ratio	21%	11%	18%

Cash flow statement



£m

Cash flow from operations	3.8
Interest	(10.0)
Net cash outflow from operating activities	(6.2)
Purchase of financial investments	(8.3)
Sale of financial investments	23.1
Net cash inflow from investing activities	14.8
Repayment of debt	(7.5)
Increase in cash and cash equivalents	1.1
Opening cash and cash equivalents	118.1
Effect of FX on cash and cash equivalents	(1.5)
Closing cash and cash equivalents	117.7



Fund & portfolio update

John Arney

2012 Summary

- > Team is settled and appropriately resourced
 - Partnership blends 4 experienced PE investors with 4 'proven in action' senior industrialists
 - Total of 22 investment professionals spanning 12 nationalities

- > NAV of investments managed by Arle declined by 3% since June 2012 and 6% year on year

- > Candover's investment portfolio declined 11% year on year. The difference was driven by:
 - Foreign currency impact (-2%)
 - Expro dilution i.e. the effect of Candover not re-investing alongside the 2008 Fund (-3%)

- > Arle's active ownership philosophy delivered significant change:
 - Earnings of the actively managed portfolio grew by 5% over the year, revenues by 7%
 - Valuations of Technogym and Innovia increased
 - Stork separated into two separately financed businesses paving the way for eventual exits
 - Expro's trading showed marked improvement
 - Portfolio de-leveraged by 5% over the 12 month period

REALISATIONS AND FOLLOW-ON INVESTMENTS



2012 Summary

> Candover's realisation proceeds

- Capital Safety final proceeds	£29.2m
- Wood Mackenzie deferred contingent consideration	£1.9m
- Candover 2001 Fund carried interest	£0.9m
- GET recapitalisation generated €1.2 million (post year end)	
Total	<u>£32.0m</u>

> Candover's follow-on investments

- Alma restructuring	£0.4m
- Expro growth capital	£0.1m
- Stork re-financing	£7.8m
Total	<u>£8.3m</u>

Stork

NAV £46.0m or 34.6% of Candover's NAV

- > Created two distinct businesses: Stork Technical Services (STS) and Fokker Technologies (Fokker) with independent management, boards and growth and exit strategies
- > Revenues and EBITDA increased at both STS and Fokker
- > Achieved refinancing of over €800m of debt despite challenging markets
- > Injected €100m of new equity (Candover's share €9.9m/£7.8m)
- > STS well positioned for growth in oil & gas, Fokker in aerospace and defence
- > Valuation marked down to £46.0m (-20p per share) due to costs associated with the re-financing and negative currency movements

Parques Reunidos

NAV £34.8m or 26.2% of Candover's NAV

- > Growth in revenue in the US and rest of Europe more than offset by difficult trading in Southern Europe
- > 2 major park acquisitions: Noah's Ark (US) and Slagharen (Netherlands)
- > Secured the capital structure required for Parques to execute its strategic growth plan to 2016
 - Extended European credit facilities and amended covenants
- > In H2 investment marked down to £34.8m (-33p per share) due to compression of South European earnings

Expro International

NAV £31.6m or 23.8% of Candover's NAV

- > Senior team strengthened with new CFO and Chairman
- > Further investment in operations and equipment
- > Connectors & Measurements sold in May for US\$630m
 - Followed by successful bond tender (\$425m repaid at par, inclusive of accrued interest)
 - Bond currently trading at c.105-106
- > Trading has been strong with LTM earnings to 31 Dec 2012 up 37%* YoY
- > Forward order book growing strongly
- > Valuation unchanged over the year
- > The £6.2m fall in value for Candover (-29p per share) was caused by:
 - £4.9m dilution effect of Candover not re-investing alongside the 2008 Fund (-22p)
 - £1.4m negative currency movements (-7p)

* On a like-for-like basis, excluding C&M

Technogym

NAV £16.0m or 12.0% of Candover's NAV

- > New CEO appointed: Luciano Iannuzzi
- > Arle Partner and Chairman Sir George Buckley joined as NED (former President, Chairman & CEO of Brunswick Corporation, owner of Life Fitness)
- > Official supplier of gym equipment to the London 2012 Olympics
- > Technogym Village opened and set to receive 25,000 customers a year
- > Strong trading delivered an uplift in earnings
- > Valuation increased £2.4m (+11p per share)

Qioptiq

NAV £8.2m or 6.2% of Candover's NAV

- > Traded in line with expectations. Review resulted in a re-organisation into two distinct global divisions: Commercial & Defence
- > Completed covenant reset
- > Marked down by £2.3m (-11p per share)

Innovia Films

NAV £6.6m or 5.0% of Candover's NAV

- > Traded in line with expectations, augmented Board with new Chairman (Malcolm Fallen) and CFO
- > Acquired remaining 50% share of Securrency from JV partner Reserve Bank of Australia, in February 2013
- > Valuation uplift of £2.0m (+9p per share)

Hilding Anders

NAV £3.8m or 2.9% of Candover's NAV

- > Arle Partner Anders Pettersson appointed Chief Executive Officer, Roland Schylit appointed COO (both formerly Thule and Capital Safety)
- > New growth strategy coupled with restructuring of operations
- > Valuation remained unchanged over the year
- > Exit options being explored

DX Group

NAV £2.7m or 2% of Candover's NAV

- > DX Group acquired Nightfreight, the UK market leader for larger and heavier parcel traffic in the B2C and B2B markets
 - Nightfreight turnaround well underway
 - Integration of the DX and Nightfreight businesses will follow
- > Enlarged group is now one of the UK and Ireland's leading independent mail, courier and logistics network operators
- > Valuation remained unchanged over the year

Alma Consulting Group

- > New CEO Vincent Taupin completed his first year of a three year turnaround plan
- > Revenues and profits under pressure due to pricing, competition and regulatory changes leading to valuation being marked down

EurotaxGlass's

- > Unable to reach agreement with the lenders on an appropriate restructuring of the debt and an appropriate valuation for the business
- > Consequently chose not to invest further in ETG and ceded ownership to lenders

STATUS OF THE CANDOVER FUNDS



- > **2001 Fund** will lapse on 12th June 2013. As Liquidating Trustee, Arle will manage the three remaining investments through to realisation
- > **2005 Fund** Follow-on Investment Period terminates on 26th August 2013
- > **2008 Fund** Follow-on Investment Period terminates on 12th January 2015. Candover has no remaining commitment

- > Focus on further growth in trading performance, preparation and execution of exits



Summary

Malcolm Fallen

Summary



- Disappointing 2012 in terms of portfolio valuations and only one realisation
- Future value creation dependent on successful execution of Arle realisation strategy with critical components being:
 - Arle delivering a recovery in the portfolio values driven by business fundamentals: earnings growth & cash generation
 - Establishing clear paths to exit for each individual investment
- Continued FX volatility will create swings in NAV; NAV mix 90/10 €/GBP with USD position close to neutral
- Repayment of loan notes begins October 2014, following which the return of cash to shareholders will track the realisation activity of the manager



Appendices

Ten largest investments



£m	Date of acquisition	Residual cost	Value at ¹ 31.12.11	Valuation movement excl. FX	Valuation movement attributable to FX	Value at 31.12.12	Valuation movement (pence per share)	% of net assets
Stork	Jan 08	42.5	50.3	(3.8)	(0.5)	46.0	(20)	34.6
Parques Reunidos	Mar 07	30.0	42.0	(6.4)	(0.8)	34.8	(33)	26.2
Expro International	Jul 08	92.1	37.9	(4.9)	(1.4)	31.6	(29)	23.8
Technogym	Aug 08	29.2	13.6	2.6	(0.2)	16.0	11	12.0
Qioptiq	Dec 05	6.8	10.5	(2.1)	(0.2)	8.2	(11)	6.2
Innovia	Sep 04	2.7	4.6	2.1	(0.1)	6.6	9	5.0
Hilding Anders	Dec 06	24.3	3.8	-	-	3.8	-	2.9
Get	Jan 06	1.7	2.5	1.0	0.1	3.6	6	2.8
DX Group	Sep 06	21.4	2.7	-	-	2.7	-	2.0
ONO	Nov 05	2.2	1.6	0.1	-	1.7	1	1.3

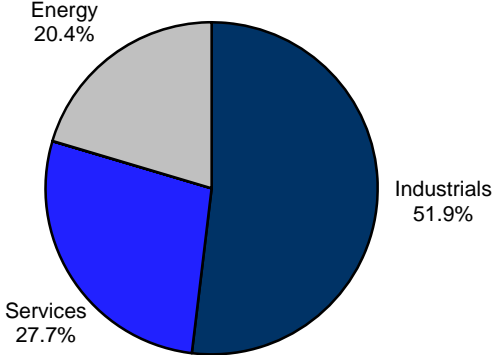
The ten largest investments represent 94.8% of the portfolio, with the 2001 Fund Carried Interest representing a further 4.9%

¹ Adjusted for follow-on investments at cost

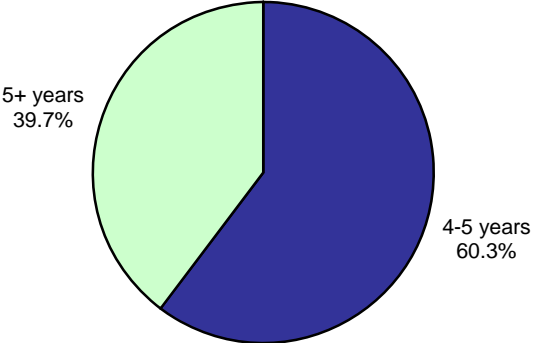
Portfolio analysis – ten largest investments



Sector analysis



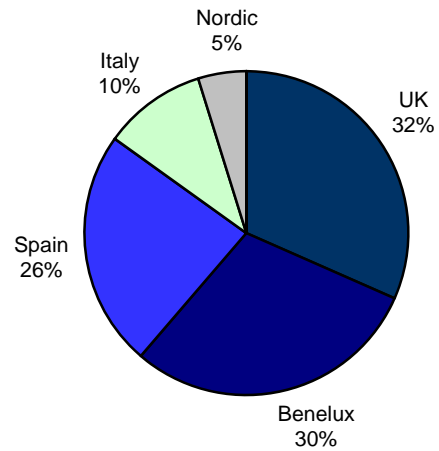
Age analysis



Portfolio analysis - ten largest investments



Geographical analysis



Valuation basis

