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Without doubt, this is the most challenging period in the history of the private equity industry, and my first step as Managing Partner, together with senior colleagues, was to conduct a strategic review of our business. Having examined Cinven's market position and the likely future direction of the private equity industry, we concluded that Cinven's existing business model and strategy are the right ones to take the firm into the next decade. We will deepen our long-term commitment to Europe's large buyout market and will continuously upgrade and adapt to stay competitive.

The most severe global economic downturn in living memory has provided a stringent test of Cinven's values and strategies. Although our funds have been affected, Cinven has come through in relatively good shape. As market conditions begin to improve, we have every reason to be optimistic, although we do not take recent encouraging trends for granted. Looking ahead, we believe that our tried and tested approach to private equity investment in Europe places us in a strong competitive position.

Active ownership

The downturn could not fail to affect our portfolio companies and since the start of market dislocation in 2007, we have been clear that one of our main priorities is to protect value. We have been working closely with our companies' management teams, encouraging them to prepare recession scenarios and to plan and execute mitigating action.

During 2009, we strengthened Cinven's portfolio company support capabilities. Our Financing Team worked with a number of our companies, alongside our board representatives, to help them manage their debt facilities and treasury operations. The Financing Team works with lending institutions in the spirit of our common long-term interest, putting the security of each company first. Cinven's Hong Kong office launched a programme that will help our companies to reduce their costs through Asian sourcing, to gain entry to new and growing markets in Asia, and to improve efficiency by partnering with Asian companies. Comparisons with other leading companies that have already benefited from their presence in Asia have convinced us that there is a great deal to be gained.

Our mission is to create value for our investors, and through them, for their beneficiaries, by improving the performance of the companies we own.

Cinven's active style of ownership has made a clear difference to the performance and prospects of many of our companies. Among them are the following:

Amadeus increased its profits in a difficult year for the travel and tourism industry.

Gondola won more customers in 2009, outperformed the sector on a like-for-like basis and increased gross profits compared with the previous year.

Partnership Assurance grew strongly last year. The business is well placed to capitalise on the long-term trend towards risk-based annuity products.

Spire Healthcare's operational improvement, investment and the introduction of private sector disciplines by a new management team have led to strong growth in revenues and profit margins.

Avio performed well in 2009, despite difficult market conditions in its core civil aerospace market.

Ziggo's revenues and profits have continued to increase. It will benefit from the long-term growth of the digital TV market in the Netherlands.

You can read more about the work we have done with these companies in the 'Sector expertise' section of this annual review, which begins on page 6.

Our business model and strategy

Cinven is committed to Europe's buyout market, seeking control positions in market leading companies within six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications (TMT).

In a lower-growth environment in which debt facilities will carry tighter terms than previously, private equity firms will not be able to rely on increasing price-earnings multiples or leverage effects to generate returns. The only reliable source of value creation will be operational improvement – historically, one of Cinven's strengths. Fully 66% of the value that we have created in our realised investments since 1996 has been due to sales-led growth in profits at our portfolio companies.

Cinven's approach to active ownership is to work with management teams as a partner which shares their interest in the success of the enterprise. We bring resources, contacts, ideas and knowledge of best practice within our chosen sectors. We strengthen management teams by recruiting senior industry figures to the board, alongside our sector specialists. For the businesses we own, Cinven is a continuing and reliable source of investment capital. We invest to help them upgrade equipment and facilities, and we finance bolt-on acquisitions that consolidate market share and take them into new regions and product lines.

In future, transactional and operational improvement skills will not be enough to guarantee success: in the aftermath of

the recession, European management teams will want to be sure that their private equity owners share their values and commitment to their stakeholders. At Cinven, what we have to offer in addition to capital and expertise are our deep European roots, a reputation for straight dealing and responsible management, and our long-term perspective. Cinven is a trusted institution, and we intend to keep it that way.

Vital assets for the firm in the years ahead are the strength of our team and our internal culture. We have a good mix of experience: a cohesive investment team that includes older and younger partners, backed up by a first class support team. We see our firm as a stable institution that is here for the long term. Since the firm was founded in 1977, our culture has been characterised by continuity, a collegial approach and low-key professionalism.

A positive outlook

We are well equipped and well positioned for the marketplace. Our reputation is strong, our portfolio is in good shape and our strategic direction is clear. We have a cohesive, experienced team, deep sector knowledge and an established presence in Europe. Against a backdrop of gradual economic recovery, growing business confidence and the re-opening of credit markets, we anticipate being able to acquire and develop companies which we have targeted in our chosen sectors.

Our mission is to create value for our investors – and through them, for their beneficiaries – by improving the performance of the companies we own. We will maintain our focus: Cinven is and will remain a leading European buyout specialist.