



DH
Private Equity
Partners

ANNUAL REVIEW 2016



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DH is a member of Invest Europe (formerly known as the EVCA) and the BVCA. DH has been carbon neutral since 2007 and is currently certified as carbon neutral with the CarbonNeutral® company.

DH is one of Europe’s longest-established and most experienced private equity firms.

DH targets controlling stakes in Northern European market-leading businesses with strong growth prospects.

Since 1985, the firm has invested more than €7bn in 63 companies – returning more than €12.3bn to investors, generating a gross IRR of 27%.

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AT A GLANCE

6

PRIVATE EQUITY FUNDS

€7bn

EQUITY DEPLOYED

56%

FUND IV AND V DEALS SOURCED FROM FAMILIES AND FOUNDERS

63

INVESTMENTS

€12.3bn

RETURNED TO INVESTORS, INCLUDING €5BN SINCE 2012

85%

VALUE CREATED THROUGH EBITDA GROWTH (FUNDS IV AND V)

59

EXITS

27%

GROSS IRR FROM REALISED INVESTMENTS

10+ yrs

NINE OF THE TEN PARTNERS HAVE BEEN WORKING TOGETHER FOR MORE THAN A DECADE

NOTABLE EXITS

2.5x



2.6x



3.0x



2.5x



7.1x



2.1x



OUR INVESTORS

Investors in the DH private equity funds represent a broad spectrum of institutions including pension funds, family offices, endowments, funds of funds, sovereign wealth funds, insurance groups and banks.

Our investor base is global and includes particularly strong representation from the US, the UK and Europe. We have built long relationships with the majority of our investors who have invested across multiple funds. We are proud that the investor base features strong representation from family offices around the world, including several families that sold businesses to us and have subsequently chosen to reinvest some of their proceeds into our funds.

The DH team are also significant investors in our funds, thereby ensuring a strong alignment of interests with our investors.

Our investors are provided with regular updates on developments across the funds' portfolios and have secure access to fund documentation and reporting through the Investor Access area of our website.

INVESTORS IN MOST RECENT FUND BY GEOGRAPHY



- NORTH AMERICA
- ASIA PACIFIC
- MIDDLE EAST
- UNITED KINGDOM
- EUROPE (EXCLUDING UK)

INVESTORS IN MOST RECENT FUND BY CATEGORY



- SOVEREIGN WEALTH FUNDS
- BANKS
- ENDOWMENTS
- FUND OF FUNDS
- INSURANCE COMPANIES
- PENSION FUNDS
- PRIVATE INDIVIDUALS

OUR FUNDS

£46m

STANDARD CHARTERED BANK FUND 1987

£167m

DOUGHTY HANSON I 1990

DM1bn

DOUGHTY HANSON II 1995

\$2.7bn

DOUGHTY HANSON III 1998

€1.5bn

DOUGHTY HANSON IV 2004

€3bn

DOUGHTY HANSON V 2007

LETTER FROM THE SENIOR PARTNER

2016 was a year of consolidation, as we prepared the Firm for an exciting future and made a major break with the past following the announcement of the sale of LM Wind Power.

A bright future – DH Private Equity Partners

It will not have escaped your attention from the front cover of this document that we have rebranded the Firm as DH Private Equity Partners, complete with a new logo. This marks an important step in the history of the Firm with the name and logo giving both a link to our long and successful heritage with the initials DH, but also directions for how we intend to operate in the future – as a partnership and solely focused on the successful private equity investing that made the Firm's name.

We will stay true to our core principles of private equity investing, namely working in partnership, not only internally, but also externally with our investors and our portfolio companies. We will also ensure that we are even more aligned with investors and that we are financially incentivised by making profits for them and not by fees.

The team is more motivated and energised than I can remember for a long time and we are all hugely excited about the future, not least our strong pipeline of potential new investments. While the market is highly competitive for new assets, our differentiated investment strategy and strong brand with families and founders across Europe as a responsible owner gives us real optimism for the future.

Realisation of LM Wind Power

The headline returns for Fund III and Fund V do not tell the story of what we have achieved at LM Wind Power over the past five years thanks to the tenacity, judgement and leadership of the team. If one looks back to June 2012 when the wind energy market was at its nadir, LM Wind Power's EBITDA had fallen to €66m. We were facing an extremely challenging refinancing with the existing lending banks, which were no longer supportive of the asset, and the valuations for Funds III and V were 0.23x and 0.06x respectively.

Fast forward to 2016 and the business delivered €174m of EBITDA and we announced the sale to GE returning 2.6x and 0.7x to Funds III and V respectively. One should not underestimate the effort that the team put into the turnaround of the business, which you can read more about in later pages of this document. From my own perspective, the exit negotiations with GE were among the most interesting and challenging that I have encountered in my three decades of acquiring and selling companies. GE accounted for over 50% of LM Wind Power's revenues and LM Wind Power for c.50% of GE's wind blade supply. GE had a very clear strategy to move into blade manufacture with or without LM Wind Power. The valuation we achieved on a standalone basis for the business was an extremely good one, but putting it in context against this backdrop makes it even better.

€5bn

RETURNED TO
INVESTORS SINCE 2012

63

INVESTMENTS MADE

59

INVESTMENTS REALISED

56%

OF DEALS IN FUNDS
IV AND V SOURCED
FROM FAMILIES /
FOUNDERS

85%

VALUE CREATION
THROUGH EBITDA
GROWTH (FUNDS IV
AND V)

Short remaining tail

Following the sale of LM Wind Power and Fund III implementing an orderly wind down, we now have only four assets remaining, split evenly across Funds IV and V. I suspect such a short tail is pretty remarkable for a private equity firm which has been investing for over three decades.

The portfolio broadly falls into two sets: the first – in which I would classify TMF Group and Zobebe – are businesses that are performing well and very much on the path to exit. The second – comprising ASCO and KP1 – are stable businesses operating in challenging markets and therefore exits are slightly further out. However, both ASCO and KP1 are in good shape and we are very clear on how we will recover value in both.

Progress at TMF Group has been particularly pleasing. On a like-for-like constant currency basis, 2016 revenue and EBITDA growth were 9% and 10% respectively. In 2016, we made another six add-on acquisitions, executed a refinancing of the business and subsequently a repricing of the financing, thereby further reducing the interest costs. This was an endorsement of the strength of the business and another demonstration of our ability to be opportunistic in the credit markets. There was a similar tale at Zobebe with EBITDA growing 6% and so we refinanced the business at the end of the year, again securing attractive terms and significantly reducing interest costs.

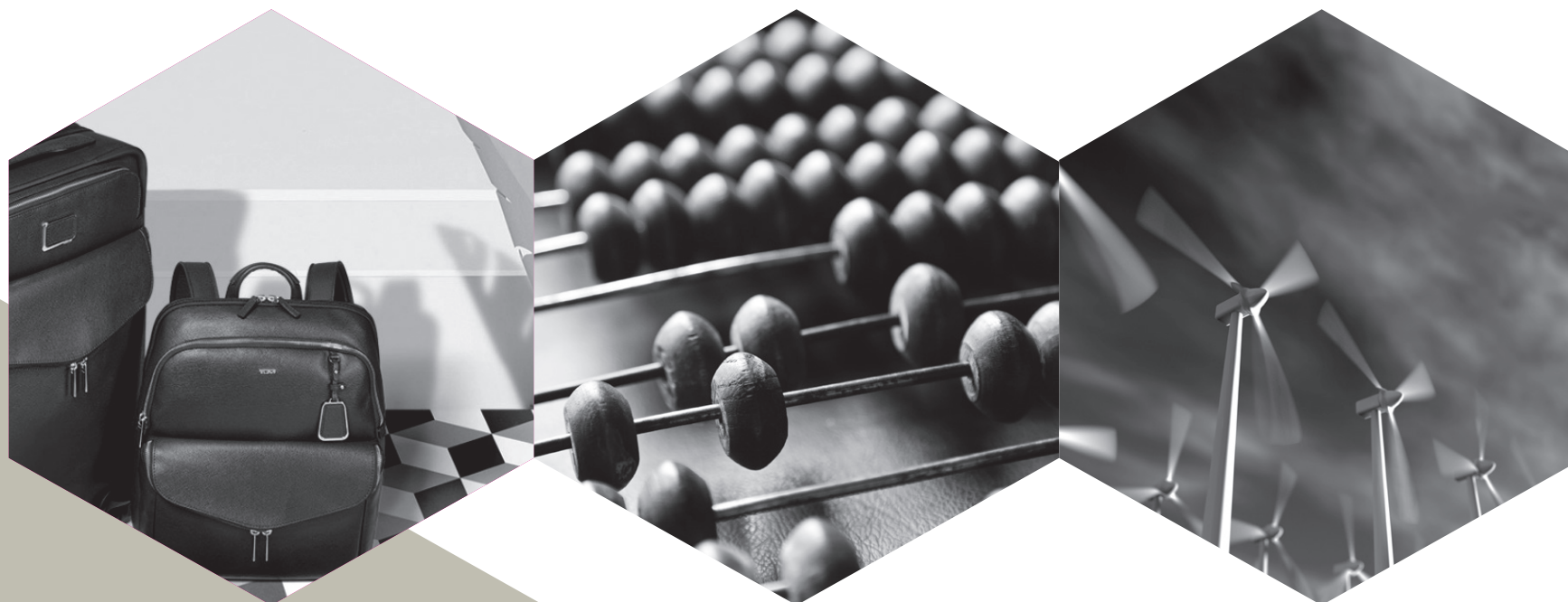
KP1 has finally turned the corner showing good EBITDA growth in 2016: up 23%. We expect continued growth in 2017 and are confident of recovering value from the investment. Despite the upheaval in the market, ASCO's performance continues to be robust and we are optimistic for the future. We are actively looking at add-ons for ASCO.



Richard Hanson
Senior Partner
April 2017

"WE WILL STAY TRUE TO OUR CORE PRINCIPLES: NAMELY WORKING IN PARTNERSHIP, NOT ONLY INTERNALLY BUT ALSO WITH OUR INVESTORS AND PORTFOLIO COMPANIES"

DH IN 2016



DH was active throughout 2016, realising value through exits and creating value across the remaining portfolio companies.

MARCH

Samsonite acquires Tumi in an all-cash transaction. The sale of the remaining Tumi shares returns a further €131m to Fund IV investors and takes the total return to €676m and 7.1x capital invested

**APRIL**

TMF Group announces acquisitions of UCMS Group and Extor, which significantly expand TMF's market share in the high-growth Central & Eastern European market for Global Business Services

**MAY**

TMF Group makes four more acquisitions, including Affiance in the Netherlands and Swain & Associates in Canada

**SEPTEMBER**

TMF Group agrees €750m all-senior refinancing to redeem its existing bonds

**OCTOBER**

DH agrees to sell LM Wind Power to GE in a transaction that returns €1.1bn to DH investors in Fund III and Fund V

**DECEMBER**

ZobeLe agrees €210m all-senior refinancing to redeem its existing bonds

**2**

EXITS

6FOLLOW-ON
ACQUISITIONS**2**PORTFOLIO COMPANIES
REFINANCED**€1.2bn**RETURNED TO
INVESTORS

CASE STUDY LM WIND POWER

Our ownership of LM Wind Power (“LMW”) demonstrates an important characteristic of DH’s investment philosophy – the determination and tenacity to overcome market challenges when investments do not go to plan.

This ultimately led to the recovery of significant value for Funds III and V. It also, once again, demonstrated our acumen in negotiating exits, in this case under unique circumstances with the buyer being LMW’s largest customer and accounting for over 50% of sales.

LMW was acquired as an independent leader in the attractive, but embryonic wind turbine manufacturing sector. However, realising value through a highly volatile period in the wind power markets has required LMW and DH to work together to transform the business from a leader in a ‘cottage industry’ to a world-class innovator, manufacturer and strategic partner to the largest wind turbine manufacturers.

Under DH’s ownership, LMW’s EBITDA and revenue both increased by more than 300%. In addition to performance improvements, LMW became a desirable asset for both IPO and acquisition due to its technology and operational leadership. Ultimately, the investment delivered a 2.6x return to Fund III investors and a 0.7x return to Fund V investors. This represents a significant recovery in value from the low point in June 2012, when the Fund III and V valuations were 0.23x and 0.06x respectively.

Why did we invest?

LMW was formed in 2009 by the merger of LM Glasfiber and Svendborg Brakes (“SB”), acquired respectively by Fund III in 2001 and Fund V in 2008. The acquisition of LM Glasfiber, a manufacturer of wind turbine blades, was an investment in the growing renewable energy sector. The need to meet increasing global energy demand, while reducing carbon emissions, was expected to drive demand for wind power. Wind turbine blades are the main factor in capturing energy from wind – in practice, they are the key technology in a wind turbine. By being focused on blades, LM Glasfiber was well placed to capitalise on demand growth.

DH subsequently acquired SB, a manufacturer of hydraulic brakes for wind turbines, and merged the two businesses in 2009 to create LMW. From 2009 onwards, SB aggressively developed its industrial division to provide greater revenue diversification, increased cashflow and protect the Group from some of the impact of the 2008 global financial crisis. In 2013, when LMW refocused its operations solely on blades, SB was divested.

DH’s decision to invest in LMW was based on three perspectives:

1. The potential to transform the business from a leading player in a ‘cottage industry’ to a world-class innovator and manufacturer in response to growing demand for renewable energy and government targets for this type of energy;
2. Opportunities to expand margins through production efficiencies and scale economies in R&D – and to drive reductions in the cost of wind power necessary to maintain the sector’s attractiveness – leading to an expectation that profitability should grow at a rate faster than sales; and
3. Strong barriers to entry from economies of scale, technological know-how and global presence.

How was value created?

LMW’s strategy has addressed the key trends in the sector: driving down the cost of wind power to achieve parity with other energy alternatives; growth in emerging markets; and building strategic partnerships with winning customers, as the market has consolidated. There have been four components to doing this:

1. Geographic expansion, which has allowed LMW to maintain close contact with its customers, reducing lead time and minimising transport and logistics costs;
2. Ongoing investment in innovation and research and development to preserve LMW’s technology leadership position – meaning that it is recognised for its leading quality and know-how in longer blades;
3. An operational and quality assurance improvement programme to create a highly efficient and reliable global manufacturing base; purchasing cost reduction; warranty/quality improvement; product complexity reduction; product development optimisation; and SG&A streamlining; and
4. Recruiting appropriate management at different stages in the evolution of the business, including a new CEO, CFO, and other key members of the management team during the last four years, with the skillsets to maximise the commercial opportunity and take advantage of the recent market growth and significant demand for LMW’s products ahead of an exit.

What was the outcome?

During DH’s ownership of LMW, the wind sector has seen some turbulent times in terms of demand for wind power, most notably caused by: the stop-start nature of subsidies (particularly in the US) – which, as an example, led to a 20% decline in volumes in 2013; volatility in credit financing for projects; and the 2008 global financial crisis – which led to a dramatic decline in demand for wind power in Southern Europe. Against this backdrop of market challenges, the valuation for LM Wind Power dropped, reaching a low of 0.23x for Fund III and 0.06x for Fund V in June 2012.

Since then, LMW has been transformed:

- It is the only blade manufacturer with truly global operations (e.g., new plants in China, India, Poland and Brazil, with further plants under construction in Turkey and France). This expansion was facilitated by a DH-led €50m Green Bond issued in 2015;
- It remains the market leader in technology. For example, in June 2016 LMW announced the launch of an 88.4m blade – the longest wind turbine blade in the world. This blade compares to a typical length of 23.5m when DH acquired LMW; and
- It has generated cost savings of €120m in the last five years (more than a 30% reduction), including over €20m from ESG initiatives (such as reducing waste and lost time accidents). LMW now operates with a ‘world-class’ cost base.

This transformation generated a step-change in financial performance between 2012 and today. LMW achieved record sales of €1.1bn in 2016 and a CAGR of 11% per annum since 2012 (41.2% ahead of 2015). 2016 EBITDA was €174.3m, a CAGR of 26% per annum since 2012 (and 68.8% ahead of 2015), reflecting higher sales volumes, continued cost control and the benefits of operational leverage. LMW employed almost 10,000 people worldwide at December 2016. This operational and financial progress set the business up well for exit.

Exit

On 11 October 2016, it was agreed to sell LM Wind Power to GE at an enterprise value of €1.5bn. This enterprise value equated to 10.5x June 2016 LTM EBITDA and 19.0x June 2016 LTM EBIT. Following receipt of regulatory approvals, the transaction closed on 20 April 2017. Total proceeds represent a 2.6x multiple for Fund III in base currency and a 0.7x multiple for Fund V.

€1.5bn

ENTERPRISE VALUE OF
LM WIND POWER AT
TIME OF EXIT

2.6x

RETURN TO FUND III
FROM DH’S INVESTMENT
IN LM WIND POWER
(WITH 0.7X RETURN TO
FUND V)

152%

INCREASE IN EBITDA
OVER THE LAST
FOUR YEARS

7,332

NEW JOBS CREATED
UNDER DH’S OWNERSHIP

LM WIND
POWER

Our portfolio companies

DH advocates greater transparency in the private equity industry and has voluntarily complied with the Walker Guidelines since their inception in 2007.

Following a number of successful realisations in recent years, DH has only four remaining unrealised portfolio companies across its existing funds.

We recognise the importance of open communication with all of our stakeholders and include a review of each of our portfolio companies in the pages that follow.

PORTFOLIO COMPANY

ASCO

ASCO Group is one of the largest global providers of logistics services to the oil and gas industry.

Headquartered in Aberdeen, Scotland, ASCO employs more than 1,600 people worldwide and has operations in more than 50 locations across seven countries, including in the strategic markets of the UK, Australia, Canada, Trinidad and Norway.

ASCO has three primary service lines:

- Oilfield logistics, coordinating the supply of a variety of goods, both offshore and onshore, via sea, air and road;
- Waste management services, including industrial cleaning and advisory services; and
- Specialist international logistics and freight management.

ASCO operates through four core regional business lines – Europe, Trinidad, Canada and Australia – with a number of additional specialist businesses (including training, technical support, inventory management, recruitment and ship agency), all set up or acquired to support the regional businesses.

£455m

TURNOVER (2016)

1,621

NUMBER OF EMPLOYEES (2016)



ASCO's global presence allows the Company to offer an integrated suite of complementary services to its global customer base, which includes major oil and gas companies and oilfield service providers such as BP, ExxonMobil, Shell, Chevron, ConocoPhillips, Repsol Sinopec and Apache. The business generates strong recurrent revenues, giving ASCO a strong position to lead consolidation in the industry, particularly in its two European markets – the UK and Norway. ASCO focuses on providing its customers with high-quality production support logistics services with a strong emphasis on safety and achieving an optimal cost base. This has resulted in a resilient activity profile that has proved critical in the current market environment. Current market conditions are, however, such that oil companies continue to apply significant price pressure across their supply chain, including supply base operators such as ASCO.

Recognising that the current market conditions are also likely to create opportunities to build a larger and more diversified business in the long term, ASCO and the DH team have been actively pursuing attractive add-on opportunities around the world to complement ASCO's existing footprint, as well as exploring a number of organic development opportunities. In addition, ASCO has been progressing various strategic initiatives together with customers, including vessel sharing, materials management and new technology for waste management. To support these initiatives, ASCO has embarked on a programme in 2017 to significantly enhance its business development capabilities.

CEO Alan Brown has continued to streamline the organisation in light of the developments in the wider oil and gas market and continued pressures to increase operational efficiency. Cost-saving initiatives identified in 2015 and 2016 delivered £10.8m of savings in 2016, and a further £7.1m is budgeted to be delivered from 2016 and 2017 initiatives in 2017. ASCO's new ERP system went live in June 2016, and management now has access to significantly enhanced KPI information.

Strong health, safety and environmental ("HSE") performance is a key requirement of ASCO's customers and a prerequisite for inclusion within business tenders. The Company takes its HSE obligations extremely seriously and has adopted the formal structures necessary to monitor, measure and then enhance HSE performance across its business.

In 2016, ASCO continued to improve its safety performance through a series of initiatives, including an IOSH ("Institution of Occupational Safety and Health") Managing Safely programme; a forklift training and competence programme; increased focus on crane safety; and Live Safe Interventions – behavioural safety discussions to prevent incidents. These initiatives have resulted in a number of achievements, including: (i) incidents involving asset damage reduced by 26%; (ii) high potential incidents reduced by 54%; (iii) Torry Marine Base (Aberdeen) achieved almost 14 years lost time incident ("LTI") free; (iv) the Freight Management team in Dyce (Aberdeen) achieved 15 years LTI free; and (v) the Peterhead Energy Hub which employs c. 500 personnel achieved 18 months LTI free.

ASCO also pursued initiatives that will have a positive environmental impact, most notably through new service development. Both the new Virtual Guard Vessel service (which uses GPS technology to replace the physical vessels deployed to prevent collisions between larger ships) and ASCO's Vessel Sharing proposition (combining the shipping needs of multiple operators onto single ASCO run vessels) will result in environmental improvement and cost saving across the industry.

"ASCO AND THE DH TEAM HAVE BEEN ACTIVELY PURSUING ATTRACTIVE ADD-ON OPPORTUNITIES AROUND THE WORLD TO COMPLEMENT ASCO'S EXISTING FOOTPRINT"

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UK

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INVESTOR

Fund V

MANAGEMENT

- Alan Brown, CEO
- Mark Walker, CFO

DH TEAM

- Alessandro Baroni
- Mike Brown
- John Gemmell
- Peter Kruppa



PORTFOLIO COMPANY

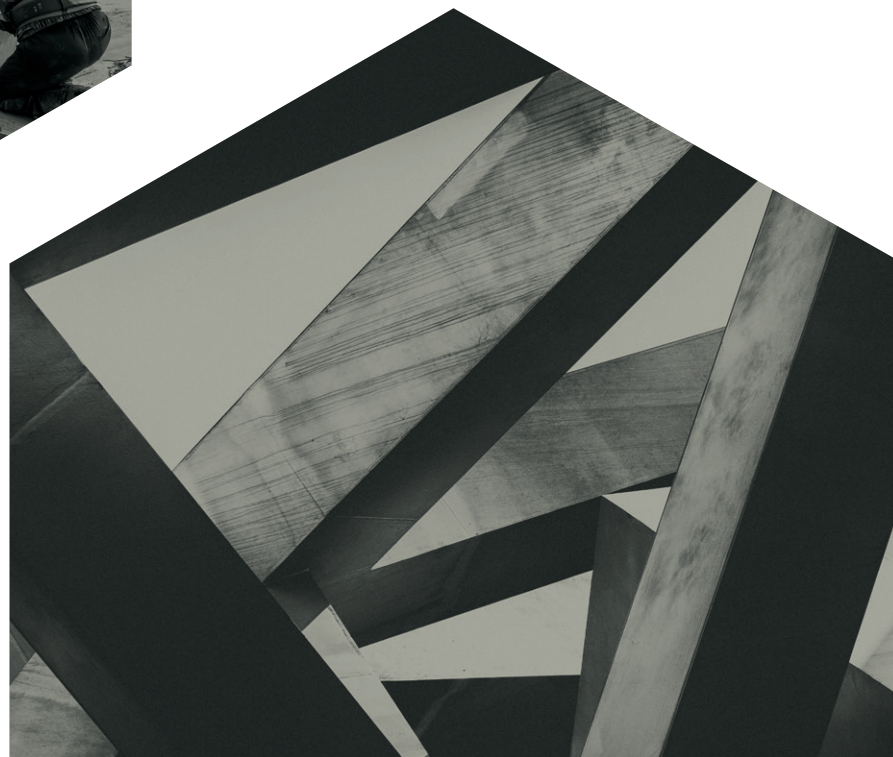
KP1

KP1 is a leading supplier of prefabricated concrete products to the French market.

Founded in 1959, KP1 was created in its current form in 1993 through the merger of two privately owned companies that were major players in the French prefabricated concrete industry. Headquartered in France, the Company operates 22 manufacturing facilities (20 in France and two in Poland) and 14 sales and engineering offices (13 in France and one in Tunisia).

KP1 is a market leader in France with a significant overall market share, and has built up leadership positions in most sub-segments of the prefabricated building materials industry. The Company has a balanced portfolio of products targeting different construction markets, including individual housing, multi-dwelling units and non-residential construction.

KP1's activities are structured around four main business units. Three of these focus on the engineering, production and commercialisation of products for the housing and industrial building industries. These include products for the individual housing market, products for industrial buildings and bespoke products for residential and commercial markets. The fourth business unit involves the Group's international activities, which are small and principally focused in Poland.



€268m

TURNOVER (2016)

1,379

NUMBER OF EMPLOYEES (2016)

In response to the post-2008 crisis in the French construction market, KP1's management implemented a number of cost-cutting measures to preserve margins and focus on maximising cash generation in what has been a challenging environment. This has been done while maintaining the Company's manufacturing footprint in anticipation of a market rebound, which we are now finally seeing. In 2014, DH refinanced KP1 with a "unitranche" facility. The key feature of this facility which we were focused on was the absence of maintenance covenants. This has enabled management to concentrate on the operations of the business. In addition, under this facility, the Company can use its cashflow to either pay down debt or invest in the business.

After hitting a post-financial crisis low in 2015, 2016 saw a recovery in the French construction market for residential housing and apartment buildings. Combined French housing and apartment starts increased by 10% year-on-year in 2016 and a similar level of growth is expected in 2017.

"KP1 IS A MARKET LEADER IN FRANCE WITH A SIGNIFICANT OVERALL MARKET SHARE, AND HAS BUILT UP LEADERSHIP POSITIONS IN MOST SUB-SEGMENTS OF THE PREFABRICATED BUILDING MATERIALS INDUSTRY."

KP1 has embraced sustainable business practices and continues to work hard to enhance health and safety standards and address environmental issues both within its operations and in respect of its products and services. During 2016, the Company operated several initiatives to further increase safety awareness. These include a national safety day, during which production in all factories was stopped.

KP1 is at the forefront of developing a suite of innovative lightweight and energy-efficient products. In 2016, the Company continued to develop the "ThermoPrédalle" product range by introducing more efficient and more weather resistant insulating elements, positioning the product as the most economical solution for compliant buildings. The Company also gained wide market acceptance for its "Milliwatt Chauffant" single-layer heated floor, which combines reduced materials consumption with high insulating performance.

KP1's energy-efficient products improve the insulation of buildings and lead to a significant reduction in energy waste. Sales of these insulation materials are expected to grow strongly due to additional regulations in the construction sector following global efforts to reduce energy consumption.

The Company successfully installed two large photovoltaic power plants in 2011, the largest of their type in France, contributing to reduced energy costs and a lower carbon footprint. KP1 has historically made investments at production plants across the business to enhance wastewater storage and treatment practices, and contribute to a further improvement in local water quality at the locations where the Company operates. During 2016, KP1 installed a new water treatment installation at its plant in Rennes and further reduced its carbon footprint – cutting CO₂ by 16% in 2016 compared with 2015. All of KP1's concrete recipes were subject to an ongoing review, reducing cement consumption where possible. The Company is continuously working on reducing production waste and water consumption.

KP1

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INVESTOR

Fund IV

MANAGEMENT

- Jean-François Trontin, President
- Bart Deman, CEO
- Pierre Diesler, CFO

DH TEAM

- Matt Appleton
- John Gemmell



PORTFOLIO COMPANY TMF GROUP

TMF Group is a leading global provider of high-value business services to clients operating and investing globally.

Since it was founded in 1988, TMF Group ("TMF") has grown substantially, driven by a combination of strong organic growth and 67 acquisitions, including 27 since DH acquired the business in October 2008.

In January 2011, DH acquired Equity Trust, a global provider of non-advisory fiduciary and administrative services to multinational clients, financial institutions, intermediaries and high-net-worth individuals. After securing regulatory approvals in numerous jurisdictions, TMF and Equity Trust merged in June 2011 to create TMF Group, a leading integrated global provider of outsourced back-office and administrative services. The merger delivered significant cost synergies and generated cross-selling opportunities to support organic growth. Historically, the majority of TMF's revenues were generated in Europe, where the Company has a long-established, strongly competitive position. In recent years, through a combination of new greenfield sites and acquisitions, TMF has significantly built out its presence in other parts of the world and as a result offers a truly global integrated services platform.

"DH CONTINUES TO WORK WITH TMF MANAGEMENT ON DRIVING GROWTH AND PROFITABILITY THROUGH NEW CLIENT RELATIONSHIPS, CROSS-SELLING AND MULTI-JURISDICTION PROJECTS"

€529m

TURNOVER (2016)

7,017

NUMBER OF EMPLOYEES (2016)

TMF focuses on providing highly specialised and business-critical financial, legal and human resource administrative services that enable its clients to operate their corporate structures, finance vehicles and investment funds in different geographical locations. TMF also helps its clients in new markets with compliance issues and regulatory regimes where they have insufficient experience or resources. The Company now operates 124 offices in 83 jurisdictions across the Americas, Asia Pacific, Europe and the Middle East.

In 2016, TMF made six acquisitions including businesses in Central & Eastern Europe, the Netherlands and the Americas. The two largest investments were UCMS Group, one of Central & Eastern Europe's most established payroll, HR and accounting providers, and Exor, an accounting and payroll provider in Poland. With these two add-on acquisitions, TMF Group has significantly expanded its market share in the high-growth Central & Eastern European market for Global Business Services.

DH continues to work with TMF management on driving growth and profitability through new client relationships, cross-selling and multi-jurisdiction projects, and enhanced performance in the important Netherlands market. We also streamlined Group-wide projects so that TMF Group prioritises and maximises returns on its investments, contributing to the strong 2016 performance.

In the second half of 2016, TMF completed a refinancing of its existing €645m high yield bonds, replacing these notes with a €660m covenant-lite Term Loan B and a €90m RCF. The new facilities have extended the maturity by five years, reduced TMF's annual interest cost by €17m and will provide financing capacity to pursue further add-on acquisitions. The facilities have no prepayment penalties attached to them and could survive an IPO.

TMF's sustainability agenda is embedded within its corporate strategy. The Company's focus in this area encompasses environmental impacts, strong workforce relations, providing fair employment and pay, and working against corruption in all forms. TMF has a dedicated team which develops and implements sustainability policies and establishes appropriate and quantifiable environmental, social and governance performance targets for the business.

All members of staff are bound by TMF's anti-corruption and anti-bribery policy. Everyone is given formal training on the policy, and business units are audited for corruption risks as part of standard internal audits, as well as statutory external audits.

TMF has a strong focus on cyber risk management. In 2016, TMF achieved ISO/IEC 27001:2013 accreditation across 87 of its offices demonstrating its adherence to the highest international standards of data security and information management.

TMF GROUP

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INVESTOR

Fund V

MANAGEMENT

- Frederik van Tuyll, CEO
- Gordon Stuart, CFO

DH TEAM

- Matt Appleton
- Mike Brown
- Richard Hanson
- Sebastian Kahm
- John Leahy



Global reach
Local knowledge

PORTFOLIO COMPANY ZOBELE GROUP

Zobe Group is a leading global supplier of air-care and insecticide devices.

Based in Italy, Zobe Group was founded by Enrico Zobe Sr in 1919 and acquired by DH from the Zobe family in 2006.

At its inception, Zobe's main activity was the manufacture of flypaper. However, over the second half of the 20th century, the Group expanded its product lines to include mosquito products, electric plug-ins, portable aerosol dispensers and car air fresheners. It has a 50% share of the global electric air freshener market and a quarter of the domestic insecticide market. Under DH's ownership, Zobe has successfully diversified into the health and personal care categories.

Every day, almost three million Zobe-manufactured units are sold around the world. The Company's sales are geographically well spread: the Americas and Europe represent in excess of 40% of sales each, with the remainder spread across Asia and emerging markets.

In addition to a plant in Italy, the Group has manufacturing operations in China, Mexico, Bulgaria, India and Brazil. Zobe has four product design and development facilities located alongside major plants, and two "Innovations Hubs" – in Spain and Singapore. These leverage Zobe's innovation capabilities, customer relationships and global footprint and help its customers to launch new products into new markets.

Zobe works with most of the global fast-moving consumer goods companies, developing and manufacturing new products to be distributed worldwide under the customers' brands. Major strategic customers include Reckitt Benckiser, Procter & Gamble and Henkel.

2016 saw Zobe continue to diversify its revenues across categories, customers and geographies with a deliberate emphasis on higher growth categories. The success of this strategy was evidenced by the growth in both absolute EBITDA – up 6.5% from 2015 to €49m – and EBITDA margin – up from 14.4% in 2015 to 16.0% in 2016 – as the Company continued to reposition with higher value added products and to focus on growing the business more selectively, both expanding the customer base and improving profitability. Zobe's strength in innovation and R&D capabilities in dispensing devices has meant that the Company's new products in home, health and personal care categories have proven successful and are forecast to generate further sales growth in 2017 and beyond.

The Group also continues to drive operational excellence. The Zobe Production System, which adopts lean manufacturing techniques to improve operational efficiency, has now been deployed across all sites. In addition, several cost improvement initiatives have been launched across design, manufacturing and procurement, strengthening Zobe's cost leadership position.

During 2016, all Zobe manufacturing plants worked on initiatives to further reduce environmental impact, enhance social responsibility and improve health and safety performance.

All locations continue to focus on optimising water consumption and conservation and improving waste recycling in the Group plants. In parallel, Zobe launched a Group-wide "We Care" programme aimed at increasing employees' awareness about water, energy and paper saving – through posters, blogs and plant-level management. Over the past 12 months, 2,495 metric tonnes of waste and 1,248m³ of water were recycled. In addition, all locations measure their carbon footprint and focus on opportunities to reduce carbon emissions and improve energy efficiency. Zobe's operations in China subscribe to the Shenzhen Carbon Reduction Project, a municipal initiative aimed at reducing carbon emissions.

€306m

TURNOVER (2016)

4,959

NUMBER OF EMPLOYEES (2016)

Ongoing engagement in this project has led to a 17% reduction in carbon intensity and a 13% reduction in waste since 2014. At Zobe's operations in Mexico, changes in moulding materials handling reduced carbon disposal by 46%.

Incidents and near misses and the total accident frequency rate have continued to improve across all plants – through extensive training programmes and improved incidents and near misses reporting and investigation procedures.

"THANKS TO ZOBE'S INNOVATION AND R&D CAPABILITIES, NEW PRODUCTS IN HOME, HEALTH AND PERSONAL CARE CATEGORIES HAVE PROVEN SUCCESSFUL AND ARE FORECAST TO GENERATE FURTHER SALES GROWTH IN 2017 AND BEYOND"

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INVESTOR

Fund IV

MANAGEMENT

- Enrico Zobe, Chairman
- Roberto Schianchi, CEO
- Christopher Wood, CFO

DH TEAM

- Alessandro Baroni
- Mike Brown
- John Leahy
- Alex Moss
- Roberta Vaghi



Active ownership

DH's investment strategy is to only invest in businesses where it can add value to the investment.

This is a key pillar of how DH operates, with bespoke value creation plans put in place for each and every investment.

ACTIVE OWNERSHIP APPROACH

Active ownership is core to value creation at DH and a key pillar of our investment strategy. Our approach builds bigger, better and more profitable businesses and has a proven track record of driving sustainable EBITDA growth. Across the portfolio companies in Funds IV and V, EBITDA growth accounts for 85% of the value created to date.

Buy-and-build

Businesses owned by DH's private equity funds have a strong record of completing and integrating acquisitions that have helped to transform them and create value.

The investment team works with the management team of each portfolio company to define the M&A strategy and source potential deals. DH either leads or provides support throughout each transaction, including arranging the associated financing.

Management teams also benefit from DH's extensive post-acquisition integration experience, which enables the portfolio companies to efficiently capture synergy benefits.

The team has been very active on this front: across the eight Fund V portfolio companies, 48 bolt-on acquisitions have been completed to date and the team continues to actively assess opportunities for ASCO and TMF Group.

Strategic expansion

DH provides strategic, operational and financial support to help its portfolio companies expand both into new geographical markets and new product/service areas. DH has helped many of the portfolio companies grow revenues in new markets and new geographic regions. As part of the active ownership approach, strategic goals are set during the initial investment process and are reviewed and refined as end markets evolve.

Having the right capital structure and using leverage conservatively has allowed DH's portfolio companies to continue to invest in their businesses and drive growth. An example of this was HellermannTyton in Fund IV, which was able to expand its global manufacturing footprint thanks to its strong cash generation and conservative debt structure. This investment helped to increase the Company's EBITDA at a CAGR of 8.5% from 2007 to 2012. A total investment of over €150m was made during that period, entirely financed by cashflows generated from the Company.

Value enhancement

DH is rightly acknowledged as a pioneer in the area of active ownership and value enhancement. In 2002, it was one of the first private equity managers to set up a dedicated team, with the recruitment of John Leahy, who remains a key member of the investment team and sits on the Investment Committee.

It is important to note that DH does not charge portfolio companies for the time of the value enhancement team members, unlike many of its peers, so there are no hidden charges for investors. This is also an important point for reinvesting family and founder sellers and management teams.

The approach to operational engagement begins in the pre-investment due diligence phase and continues right up to exit. Throughout the investment lifecycle the Firm's dedicated in-house value enhancement team works integrally with the investment team.

"DH PROVIDES STRATEGIC, OPERATIONAL AND FINANCIAL SUPPORT TO HELP ITS PORTFOLIO COMPANIES EXPAND INTO NEW GEOGRAPHICAL MARKETS AND NEW PRODUCT AND SERVICE AREAS"

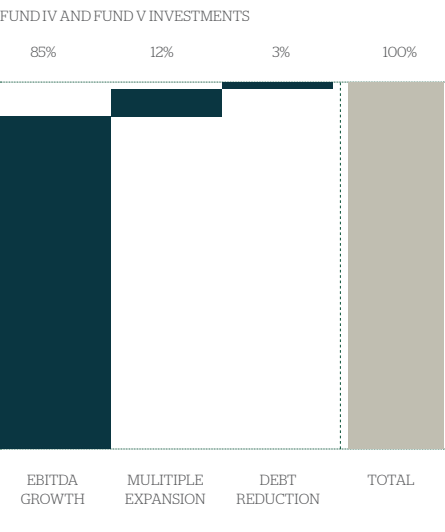
Responsible investing

As an early pioneer of responsible investing within private equity, DH believes that a sustainable investment approach is a core component of successful portfolio company management. Good governance and ESG is embedded in the DH approach to active ownership and this can often be a value creation opportunity, which can be illustrated by examples from the historic portfolio such as Avanza, Balta and HellermannTyton.

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ADD-ON INVESTMENTS ACROSS EIGHT PLATFORM INVESTMENTS IN FUND V

EBITDA GROWTH RESPONSIBLE FOR 85% OF VALUE CREATION TO DATE



RESPONSIBLE INVESTING ESG POLICY AND INITIATIVES

DH has long been recognised as one of the first industry players to appreciate that ESG issues have a significant impact on private equity investment, in terms of making investments and creating value in portfolio companies.

These issues are integral to our business, both our own operations and those of our portfolio companies.

We believe that firms with an environmentally sustainable and socially responsible way of operating significantly de-risk their business model and, therefore, achieve greater cost efficiencies and profitability, leading to higher valuations.

In June 2007, DH became the first private equity signatory to the United Nations Principles for Responsible Investment ("PRI") in Europe. As part of the Firm's commitment to the PRI, DH was actively involved in the creation of the PRI document "Responsible Investment in Private Equity: A Guide for Limited Partners" and as a Firm we remain close to and actively involved with the PRI.

DH's longstanding commitment to ESG has been recognised by awards from the European Private Equity and Venture Capital Association ("EVCA") in 2008, and the British Private Equity and Venture Capital Association ("BVCA") in both 2011 and 2013.

Our ESG policy continues to reflect a range of codes and standards, including the PRI, the United Nations Global Compact, the requirements of our anti-bribery and corruption policy, and the expertise gained from implementing our previous ESG policy.

"WE BELIEVE THAT FIRMS WITH AN ENVIRONMENTALLY SUSTAINABLE AND SOCIALLY RESPONSIBLE WAY OF OPERATING SIGNIFICANTLY DE-RISK THEIR BUSINESS MODEL AND, THEREFORE, ACHIEVE GREATER COST EFFICIENCIES AND PROFITABILITY, LEADING TO HIGHER VALUATIONS."

Our ESG policy statement

The DH team will, to the best of our ability:

- Comply with relevant regulations and appropriate best practices governing the protection of human rights, occupational and public health and safety, the environment, and the labour and business practices of the jurisdictions in which we conduct business.
- Adhere to the highest standards of conduct intended in order to avoid even the appearance of negligent, unfair or corrupt business practices or practices involving conflicts of interest.
- Regard implementation of our ESG engagement activities as an integral part of how we do business.
- Provide for the assignment of and accountability for ESG responsibilities to senior managers at companies we control.
- Instruct DH investment professionals in the identification and management of ESG risks and opportunities, and provide them with appropriate support (including external resources when needed).
- Identify ESG risks and opportunities as part of the evaluation of whether to invest in companies, seeking both to respect human rights (including by avoiding investment where there is the use of child or forced labour or discriminatory policies) and manage ESG risks and opportunities following acquisition, including those arising through supply chains. The diligence we carry out reflects industry guidance.
- Establish appropriate ESG policies and practices for portfolio companies we own comparable to the standards adopted by DH, including in relation to human rights, sanctions, anti-corruption, health and safety, the environment and climate change, labour practices and, where appropriate, consider similar issues in relation to the supply chains of our portfolio companies.
- Monitor and oversee the implementation and operation of such policies and practices in portfolio companies, recognising that establishing an appropriate compliance culture is an essential part of effective implementation.
- Require the establishment of systems to measure ESG performance and encourage the disclosure of ESG matters for public review and engagement with relevant stakeholders.
- Require reporting and corporate governance best practices in our portfolio companies to ensure that DH is able to assess compliance with the policies and procedures referred to above, to ensure that the board of directors is appropriately constituted so that it has the authority, expertise and information required to take strategic and major operational decisions, to establish appropriate committees of the board to consider issues relating to audit, risk and remuneration, and to instigate rigorous procedures to identify and manage conflicts of interest.
- Recognise that our ESG activities are of an ongoing nature and encourage continual improvement in ESG performance both in our operations and at the portfolio companies we own.
- Distribute this policy to all DH employees and appropriate employees of portfolio companies we own.
- Ensure appropriate disclosure and encourage dialogue on ESG with our Limited Partners and other stakeholders.
- We will review the policy's effectiveness and implementation on a regular basis, and report relevant findings, progress and recommendations to our Board.

166m

TONNES OF CO₂
MITIGATED BY LM
WIND POWER SINCE
INCEPTION FROM 84GW
OF INSTALLED CAPACITY



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