TRILANTIC | EUROPE

Trilantic Europe IV
2017 Annual Report

Edited for Public Disclosure

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Section I

Letter from the Chairman

Letter From The Chairman

Dear Investor,

This is Trilantic Europe's 9th annual letter since we became an independent firm and I would like to take this opportunity to broaden the review of our 2017 activity and cover also the economic cycle we operate in.

In the last decade through Trilantic Europe IV and V (and co-investors) we deployed €1.3 billion in 15 platform investments, while facing varied economic conditions. Between 2008 and 2014 we experienced the Great Recession in Europe, which brought deflation, stagnant demand and specific country risks (particularly in Italy and Spain). Our investment strategy during that period was to select investments in stable industries, with secular low multiples (especially in Italy and Spain), while using conservative leverage. We have now fully exited 5 investments made in that period and partially exited 2 other investments.

From 2015 to date, the European economy has gradually transitioned from recession to modest growth, which was primarily achieved through unprecedented, expansionary monetary policy that has taken nominal Euro interest rates negative. Since 2015, we have made 6 platform investments from Trilantic Europe V. These investments spanned 3 countries, namely Germany, Spain and Italy, with 2 investments made in each. In the current economic cycle, for value investors such as ourselves, opportunities are more easily identified by adopting a sector focus, rather than targeting specific geographies, particularly as the "Southern European discount" has narrowed considerably.

One common and consistent feature during the entire 2008-2017 period was our sourcing model. With the help of our industry specialists and operating partners, we decide centrally on the industrial themes in which we see value. We then look for attractive investment opportunities based on these themes in the five geographies that we cover. By maintaining a clear understanding of the types of businesses we are looking for, and by utilising our strong reputation and extensive network, we have been able to source 13 proprietary deals from families, founders, receiverships and multinational carve outs, out of the total 15 investments we made during the decade.

During 2017, we executed 3 new investments in Grupo Pacha (entertainment), Vertex (industrial/ energy) and Oberberg Clinics (healthcare services) from Trilantic Europe V.

Trilantic Europe was also very active on the exit front in 2017. We partially sold our stake in Gamenet through an IPO on the Italian Stock Exchange. During 2017 we also completely exited Elisabetta Franchi, via a sale to the company's founder.

In 2018, we are seeing significant value opportunities in cyclical sectors that, due to declining (2008-2014) and then anaemic (2015-2017) consumer spending, showed only modest performance over this extended period.

The European macro environment in 2017 was less eventful than in prior years as the ECB maintained its dovish stance, gradually reducing the size of its interventions, maintaining negative rates at the short end of the curve and providing abundant liquidity to the banking sector. Solid improvements in sovereign debt continued in Southern Europe, with Spain and Portugal delivering impressive export driven recoveries and France benefiting from significant presidential good will. Even Italy has exhibited export driven growth, but it continues to be dragged down by its high structural unemployment (most of it in the South of the country) and declining public investment. Even at the current high level of taxation, Italy's primary surplus is only sufficient to repay interest and meet the EU's mandatory deleveraging targets – the country is not yet able to invest in the future or stimulate demand and employment.

Diverging economic conditions between the north and south of Italy have produced a split in recent political elections that mirrors this economic divide. In the south, despite huge public-sector allocations, unemployment is double that of the north and salaries are 40% lower. In response, the region has voted predominantly for the left-wing, populist Five Star movement that promises a guaranteed salary to every citizen (*Reddito di Cittadinanza*) irrespective of whether they are employed. In the north, with unemployment at 6% and a GDP per capita that rivals Germany, voters backed the centre right coalition dominated by the right wing Northern League, that wants to lower corporate and private income tax to 25% and reduce public spending. Both the Northern League and the Five Stars movement appear to forget that their expansionary policies clash with Italy's huge existing public debt which the monetary union members (Germany and others have been very vocal about it) will not allow to grow. The only policy the two populist parties share is restricting immigration. It is not yet clear whether a coalition between such opposing ideologies can be formed or if the defeated centre-left PD party can support either one. If no majority coalition is formed the country will go to new elections in 2018.

LETTER FROM THE CHAIRMAN

With this backdrop and in contrast to the FED, the ECB has remained cautious about raising rates. However, it has signalled that by Q4 we will see a major reduction in the liquidity it is injecting into the banking sector and possibly in sovereign bond purchases. As a result, at least short-term, rates will begin to rise. Nevertheless, the European banking sector is as strong as it has ever been and is eagerly awaiting a higher rate environment. Recently we have seen a number of positive economic signals in Europe including increased consumer spending, an export surplus, a new German and French willingness to increase public spending and lower personal income tax (which tends to translate immediately into spending). As a result, we believe that consumer prices will begin to improve and that consumer facing industries such as retail, consumer goods, life style services and products linked to the construction cycle will particularly benefit from an overall positive economic cycle. In this outlook, we will continue to be diligent regarding the valuations paid for businesses and we will continue to strengthen our value investing model, focusing on sector driven, primary, proprietary opportunities.

In the coming years, all Eurozone countries should benefit from increased consumer spending and many will also benefit from increased government spending. Outside the Eurozone, the UK stands out as a special case for European private equity investing as it decouples its future from the EU. Politics will play an outsized role in the outcome but we have a positive outlook on the investment prospects in certain sectors, including IT and business services, amongst others.

We continue to closely monitor the remaining threats in Europe, such as the Italian political situation, but our biggest concerns are of a more global nature, including the prospect of Trump's 'trade war' and the seemingly never-ending conflicts in the Middle East.
In this context, in 2018 we will continue to actively manage the Trilantic Europe IV and V portfolios, helping management teams execute on our investment theses to deliver growth in our portfolio companies while deploying capital in selected investment opportunities that suit our criteria. We will also look to monetise our investments where appropriate.

For further details on the development of the portfolio we invite you to refer to the following section and to the summaries of each of the individual portfolio companies.

As always, we would like to encourage each of you to contact us with any questions or queries that you may have about the portfolio, our strategy or performance and invite you to visit the recently refreshed website www.trilanticeurope.com for additional information.

Vittorio Pignatti-Morano
Chairman
28 March 2018

SECTION II

TRILANTIC EUROPE IN FIGURES

Trilantic Europe in Figures

€1.8bn
of capital deployed[1] since 2005

€1.3bn
assets[1] under management

17 investment professionals,
13 operating partners / senior advisors &
18 advisory council members

Focus on 5 Key Sectors and Geographies Since Inception

Notes and Methodologies

1. Includes Trilantic Europe's funds and other co-investments managed / advised by Trilantic Europe.

Section III

2017 Year-End Trilantic Europe Summary

Trilantic Europe – 2017 Achievements

2017 has been a very busy year for Trilantic Europe. There has been a record deployment of capital despite a competitive environment. We have invested in 3 new companies: Grupo Pacha on 7 April 2017, Vertex Bionergy on 1 June 2017 and Oberberg Gruppe on 15 December 2017. The acquisition of Grupo Pacha and Vertex are in line with Trilantic Europe's core strategy of making primary investments by acquiring directly from families, founders, foundations or corporates through spin-out deals and achieving transactions negotiated on a bilateral basis. Oberberg Gruppe's investment reflects our approach to participate in selected processes where we have a specific angle; in this case (i) our industry focus and know-how, with Oberberg being the third chain of clinics we own over the last ten years and (ii) the support of our senior advisor Dr. Ulrich Wandschneider, former CEO of a leading Germany hospital chain, with direct access to the seller and management team.

In addition to the investment activity, we have capitalised on positive market trends for exits. On 4 December 2017 we sold our participation in Elisabetta Franchi to the founder and majority shareholder. Shortly after, on 6 December 2017, Gamenet was listed on the Italian stock exchange.

During the year, we have continued to support the growth of our portfolio companies with our hands-on approach and the aim of maximising value as the portfolio matures. Key portfolio events are highlighted in the next section.

Vittorio Pignatti-Morano Javier Bañon Joe Cohen

Our people

We believe our people are Trilantic Europe's most important asset and we remain committed to recruiting top talent, retaining our best people and recognising excellent performance.

In December 2017, we were pleased to promote Giacomo Pignatti to Principal after five successful years with the firm.

We continued to invest in and strengthen our team with the hiring of two new investment professionals. Luca Felisati (formerly at AT Kearney before completing his MBA at London Business School) and Coral Uguina (formerly at Credit Suisse) joined in September 2017.

Trilantic Europe's strategy of supporting our growing investment team and investing in the expertise of senior advisors and operating partners has continued.

Rajan Pandhare has joined Trilantic Europe as a Operating Partner to focus on new opportunities with a technology angle and support the team on the review of the overall portfolio's exposure to technology and innovation. Rajan, former Vice Chairman of Imperial Innovations India (i2india), has successfully built software companies in USA and Europe and is an active angel investor. Additionally, Dr. Ulrich Wandschneider (Chairman and former CEO of Asklepios Kliniken as well as former CEO of MediClin AG) has joined us as Senior Advisor focused on the DACH region (please see their biographies on the back of this annual report). We look forward to their contributions as they bring a wealth of industry know-how and contacts and help strengthen our team of 18 Advisory Council Members and 13 Industry and Country advisors.

Responsible Investing

Trilantic Europe is committed to address environmental, social and governance (ESG) issues. We became a signatory of the United Nations Principles for Responsible Investment (UN-PRI) in March 2014 and we will remain a responsible and attentive investor, considering a wide array of non-financial indicators when evaluating a transaction and during the life of our investments. We are pleased to report that positive ratings were obtained from UNPRI in 2017.

Trilantic Europe continues to implement and improve its ESG practices with specific due diligence and focus on ESG as part of the 100 day plans created in all Trilantic Europe V investments, with the support of external advisors.

To minimise the impact of our operations on climate change, and with the support of The CarbonNeutral Company, we offset the emissions generated during the year as a firm and aim at minimising our carbon footprint. In recognition of this, we have been awarded the CarbonNeutral® certification.

Signatory of: PRI Principles for Responsible Investment

Notes and Methodologies

1. Assuming €100m of contributions to Oberberg Gruppe post expected return of Bridge Financing following syndication.
2. Includes the realised portion of Talgo and Gamenet from Trilantic Europe IV and excludes dividends from other unrealised investments. Weighted, when appropriate, by amount invested by Trilantic Europe Funds.

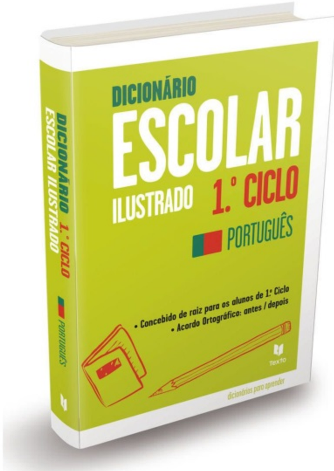
SECTION IV

TRILANTIC EUROPE IV
INDIVIDUAL CURRENT PORTFOLIO COMPANY SUMMARIES

THESIS: DEVELOP THE COMPANY INTO A MARKET LEADING GLOBAL COMMODITIES FRANCHISE

Thesis: Introduction of video lotteries and opportunity to improve the company's performance

THESIS: FUND ORGANIC AND ACQUISITION-BASED GROWTH OF LEYA IN BRAZIL



Talgo

THESIS: EXECUTE ON STRONG CURRENT BACKLOG WHILE CONTINUING ITS INTERNATIONALIZATION STRATEGY AND EXPANSION OF PRODUCT RANGE

TRILANTIC | EUROPE

United Kingdom
35 Portman Square
London W1H 6LR

+44 20 3326 8600

Guernsey
Le Marchant Street
St Peter Port GY1 4HY

+44 1481 742 742

Grand Duchy of Luxembourg
26 Bd Royal
L-2449 Luxembourg

+352 22 99 99 52 16

www.trilanticeurope.com