

electra
partners



review 2007
investment highlights

2007: A Strong Return

2007 has been a highly successful year for Electra Partners, following the return of Electra Private Equity PLC to full investment in October 2006. We have increased our investment team to 11 executives and have been involved in 11 key transactions (four realisations and seven new investments) which are described below. In addition, we have increased our funds under management to in excess of £1 billion following a first close of a £100 million parallel investment club.

The results of our principal client, Electra Private Equity, for the year ended 30 September 2007 were ahead of its targeted return on equity of 10-15% per annum for the fourth year in a row, with net asset value growth for the year of 29.5%.

We have a wide mandate for investment and will consider a range of opportunities including leveraged buyouts, development capital, mezzanine and property investments. Our ideal investment amount is £20-75 million in transactions with an enterprise value of £50-300 million.

Despite uncertain markets, we believe we have a strong platform in place to develop Electra Partners further in 2008.

Allflex

Livestock identification



REFINANCING

Total deal size:	\$556 million
Proceeds:	\$210 million
Reinvestment:	\$82 million

As a result of the refinancing Electra Partners received proceeds of \$210 million. From this, \$82 million was reinvested in the new company. The investment has been held for nine years, over which time it has achieved a multiple of five times the original investment and an IRR of 25%.

Allflex's leading market position as a global player has ensured consistent annual growth. This, coupled with Electra Partners' expertise of financial markets, ensured a smooth and efficient refinancing during the difficult credit conditions in August 2007.

Capital Safety Group (CSG)

Safety equipment



DISPOSAL

Total deal size:	\$565 million
Proceeds:	\$323 million
Reinvestment:	\$35 million

The sale of CSG resulted in a \$565 million secondary buyout with Electra Partners realising proceeds of \$323 million. From this, \$35 million was reinvested in the new holding company.

Under Electra Partners' ownership CSG has benefited from strategic decisions made in earlier years as it has evolved from a company with regional focus into a global business.

Dakota, Minnesota and Eastern Railroad (DM&E)

US Railway operator



DISPOSAL

Total deal size:	\$2.5 billion
Proceeds:	\$72 million

The sale of DM&E to Canadian Pacific Railroad in September involved a total initial consideration of \$1.48 billion, with Electra Partners receiving \$72 million, 20 times the original 1986 investment. Electra Partners will receive additional payments of up to \$66 million on the achievement of certain targets with regard to the Powder River Basin project.

The important aspect of this transaction was the number of years which the investment was held. This enabled full value to be obtained from a lengthy development project.

Deutsche Woolworth

General retailer



DISPOSAL

Total deal size:	€385 million
Proceeds:	€29 million

In 1998 Electra Partners led the buyout of the German and Austrian retailing operations of FW Woolworth.

Ongoing shareholder support was crucial during the consumer recession which prevailed in Germany throughout much of the period of our ownership. In October 2007, this assistance ultimately enabled these interests to be realised via a complex sale and leaseback transaction (together with those of Forthpanel, an associated company). This involved 100 freehold and long leasehold stores.

Kingfield Heath Group (KHG)

Office supplies



INVESTMENT:	MBO
Total deal size:	£246 million
Investment:	£63 million

In June, Electra Partners and KHG management collectively invested £70 million in the £246 million MBO of Kingfield Heath and the simultaneous acquisitions of ISA Group and The Supplies Team. The combination of these three businesses creates a leading office supplies operator in the UK and Ireland offering the widest range of office products and electronic supplies.

The smooth and discreet completion of this complex deal was assisted by Electra Partners' experience of the sector (during ownership of The Stationary Office) and its prior relationship with management.

Lil-lets

Feminine hygiene



INVESTMENT:	MBO
Total deal size:	£83 million
Investment:	£26 million

In December 2006, Electra Partners backed the MBO of Lil-lets from Accantia, investing £26 million in the £83 million deal. The transaction was completed by private treaty without competition.

Lil-lets is the second largest brand in the UK tampon market and the clear market leader in South Africa. Growth is expected to flow from investment in product development and range extension as well as in the brand itself.

Nuairé

Ventilation systems



INVESTMENT:	MBO
Total deal size:	£83 million
Investment:	£34 million

In April, Electra Partners acquired Nuairé in a deal involving total funding of £83 million, including an equity investment of £34 million from Electra Partners.

Important to securing this deal was the speed at which it was completed. Electra Partners was familiar with the sector, Nuairé's market position and management and as such was able to react quickly when the company was marketed for sale.

PINE Unit Trust

Nursery education



INVESTMENT:	Property
Total deal size:	£50 million
Investment:	£12 million

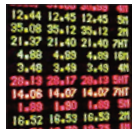
PINE is a special purpose vehicle created to build up an investment portfolio of nursery schools purchased from operators on a sale and leaseback basis. Portfolio tenants range from single unit operators to market leaders such as Busy Bees and Leapfrog.

PINE has recently acquired the Treetops nursery business and owns and/or operates 40 nursery schools across England and Scotland.

Electra Partners was able to combine the expertise of its specialist property team with its long term experience in private equity.

Premier Asset Management (Premier)

Fund management



INVESTMENT:	MBO
Total deal size:	£57 million
Investment:	£33 million

In August 2007, Electra Partners backed the public-to-private of Premier in a deal involving financing of £57 million. Electra Partners underwrote the deal in its entirety and now holds a minority stake; the incumbent management team has rolled over a significant shareholding in Premier for a majority stake in the new group.

Premier is a business which, we believe with our support, will grow product sales and rapidly gather new funds under management.

Safeland Active Management Unit Trust (SAM)

Managed workspace



INVESTMENT:	Property
Total deal size:	£200 million
Commitment:	£20 million

SAM is a Jersey Property Unit Trust formed to create a portfolio of managed workspace properties operated under the 'Flexspace' brand by Safeland PLC whose management team had previously built up and successfully sold a similar business under the 'Bizspace' brand.

SAM already owns and operates circa 750,000 ft² in nine locations around England and, with the recent introduction of Babcock & Brown as a co-investor alongside Electra Partners, is well positioned to expand its portfolio substantially and become a leading player in flexi-leasing.

SAV Credit

Credit card provider



INVESTMENT:	Development Capital
Total deal size:	£465 million
Commitment:	£25 million

Following an earlier fund raising in 2006 in which Electra Partners provided equity and mezzanine facilities of £25 million to SAV Credit, in October SAV Credit acquired the Marbles credit card portfolio from HSBC in a £385 million transaction. The acquisition was funded by a new debt facility and equity from SAV Credit's investors including Electra Partners, Palamon Capital Partners and Morgan Stanley Alternative Investment Partners.

Following the acquisition of the Marbles portfolio and along with the development of its own 'aqua' credit card, SAV Credit is well positioned to capitalise on the current turmoil in the consumer credit card market.



Date:
December 2006

Total Deal Size:
£83 million

Deal Type:
MBO

Business:
Feminine hygiene



Date:
April 2007

Total Deal Size:
£83 million

Deal Type:
MBO

Business:
Ventilation systems



Date:
May 2007

Total Deal Size:
\$565 million

Deal Type:
Disposal

Business:
Safety equipment



Date:
June 2007

Total Deal Size:
£246 million

Deal Type:
MBO

Business:
Office supplies



Date:
August 2007

Total Deal Size:
\$556 million

Deal Type:
Refinancing

Business:
Livestock identification



Date:
August 2007

Total Deal Size:
£50 million

Deal Type:
Property investment

Business:
Nursery education



Date:
August 2007

Total Deal Size:
£57 million

Deal Type:
MBO

Business:
Fund management



Date:
September 2007

Total Deal Size:
\$2.5 billion

Deal Type:
Disposal

Business:
US Railway operator



Date:
September 2007

Total Deal Size:
£200 million

Deal Type:
Property investment

Business:
Managed workspace



Date:
October 2007

Total Deal Size:
€385 million

Deal Type:
Disposal

Business:
General retailer



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