

Our investments continued

Industrials



Avio

www.aviogroup.com

Activity	Aerospace engine component manufacturer
Location	Italy (global operations)
Acquired	December 2006
Transaction value	€2,570 million
Sales*	€1,753 million
Employees	Approximately 5,200
Cinven representatives	Roberto Italia, Simon Rowlands, Andrea Ferrante
Senior management	Chairman Alan J. Bowkett CFO Vittorio Rabajoli

*to end December 2010 (unaudited)

Company description

Avio is a world leader in the design, manufacture and servicing of subsystems and components for commercial jet engines (for example, those that power the Boeing 777 and Airbus 320) and military jet engines (including those that power the Eurofighter Typhoon). It is a partner to original equipment manufacturers (OEMs) such as General Electric, Rolls Royce and Pratt & Whitney. In addition, Avio's space unit produces propulsion systems for space launch vehicles such as the Ariane rocket and developed the new Vega launcher. Avio also develops and supplies jet derivative engines and automation systems for naval and industrial applications.

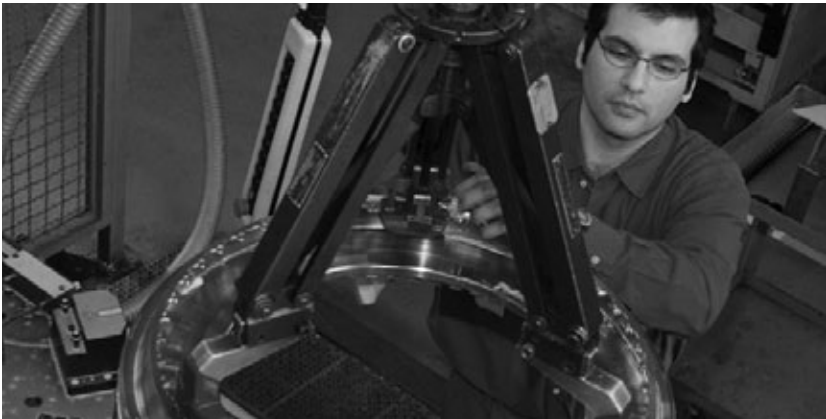
Cinven origination

Before Cinven acquired the business, Finmeccanica and Carlyle had acquired Avio from Fiat in April 2003. It was apparent to Cinven's Industrials and Italian teams that Avio remained an attractive investment opportunity with defensive growth qualities resulting from the diversified aerospace group's exposure to long-term structural growth and, in particular, the non-cyclical defence and space divisions. Making use of its excellent relationships with both management and the lead bank, Banca Intesa, the Cinven team quickly developed a detailed understanding

of Avio's operations and its key performance drivers, allowing Cinven to make a competitive offer for the business. Together with a respected panel of industry advisors and executives, Cinven gained preferred bidder status and acquired Avio in December 2006.

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Investment rationale and strategy

Avio has a strong, defensible market position due to its technological leadership in key areas, long-term contracts and diversified business that is spread across five main areas of operations. The company is known for technological excellence and has partnerships with leading engine manufacturers, governments and space agencies. Cinven worked for nine months prior to acquiring the business assessing the potential for expanding the company through sector growth, internationalisation and, in particular, improved margins and concluded that there was significant growth potential. Cinven's strategy for Avio focuses on furthering the company's growth both strategically and operationally through:

- positioning Avio to take advantage of the long-term structural growth in aviation;
- capturing increased market share of the most promising new aerospace programmes;
- making efficiency savings through a detailed restructuring of the cost base; and
- internationalising both the company's revenues and its cost base.

Cinven value creation

Cinven has supported the management team to help it accelerate the company's outperformance of both the broader market and direct competitors. Cinven's value creation has included:

- focusing on specific commercial relationships to solidify Avio's unique positioning and defensible business model as a Tier 1 partner for both the major OEMs and the most successful platforms (for example, the Boeing 787);
- building on the highly profitable military and space programmes which offer lucrative long-term contracts and off-shoring opportunities;
- achieving operational improvements through the implementation of best practices in manufacturing performance, and cash, hedging and foreign exchange management. The management team was strengthened to ensure these operational improvements were achieved;
- accelerating and broadening Avio's profit optimisation and cost base restructuring programme, with additional working capital savings achieved through tighter cash management controls; and
- developing opportunities to expand internationally by working with the Cinven Portfolio team in Asia. Notably, Cinven helped to set up two joint ventures with AVIC Dongan, AVICOPTER and Xian Aero Engines in 2010, which are leading Chinese state-controlled aerospace businesses.