

Our investments continued

Healthcare

Phadia

www.phadia.com

Activity	In-vitro diagnostics – Allergy testing
Location	Sweden (global operations)
Acquired	January 2007
Transaction value	€1,285 million
Sales*	€366.6 million
Employees	Approximately 1,300
Cinven representatives	Stuart McAlpine, Supraj Rajagopalan
Senior management	<i>Chairman</i> Daniel L. Peters <i>CEO</i> Magnus Lundberg <i>CFO</i> Anders Lundmark

*to end December 2010 (unaudited)

Company description

Phadia is the global leader in in-vitro allergy testing. The company manufactures and sells specialised blood testing systems and associated consumables and services. It is also the European leader in autoimmunity testing. The company has sustained strong growth in Europe, while achieving considerable success in the US and emerging markets.

Cinven origination

Following Pharmacia's disposal of its non-core Pharmacia Diagnostics division (since renamed Phadia) in 2003, Cinven's Healthcare and Nordic coverage teams identified Phadia as an attractive acquisition candidate with significant growth potential. Cinven monitored its progress as an independent company that had achieved strong growth in Europe. At an early stage, Cinven focused on developing a strong relationship with the company's highly respected

management team, led by Magnus Lundberg. When the company was put up for sale, Cinven was the preferred bidder; and this, rather than a higher offer, led to Cinven being chosen as the acquirer.

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Investment rationale and strategy

Cinven was attracted to Phadia by its strong leadership in a growing global market, based on superior proprietary technology, together with high margins and strong, predictable cash flows. Cinven set a strategy for Phadia's incumbent management team of:

- growing the company further in its existing markets but also in new and relatively underpenetrated markets, particularly the US, where the roll-out required significant investment;
- rolling-out Phadia's autoimmunity product beyond Europe;
- expanding into emerging markets such as India, China and Brazil;
- developing new products (for example, point-of-care, molecular allergology); and
- identifying operational improvements such as best-in-class working practices across all regions to increase efficiency and effectiveness.

Cinven saw that by implementing these initiatives, it could build a business of scale that would be attractive in a number of exit scenarios.

Cinven value creation

Cinven has created value at Phadia using a number of different levers:

- expanding the US salesforce (from around 50 at acquisition to over 220 today) to make the US Phadia's second largest region behind Europe. By investing heavily in Phadia's US sales force, Cinven enabled the business to grow its US revenues, accelerating growth for the group overall;
- developing its market footprint in other geographies, including emerging markets, with the help of Cinven's Portfolio team in Asia; for example, the acquisition of Phadia's Chinese distributor and the establishment of new market companies in India, South Africa, Korea and the Czech Republic;
- rolling out a series of new products under Cinven's ownership including molecular allergology and Immunocap RAPID (point-of-care testing);
- strengthening the management team; including appointing a new Chairman, COO, head of the US and head of Japan;
- implementing a series of initiatives to improve efficiency with the help of Cinven's Portfolio team, resulting in a significant reduction in the cost of goods; and
- targeting the fund's advantageous acquisition of €46 million of Phadia PIK notes in 2009 at an average price of €0.62.