2016: An introduction from our Managing Partner

2016 will undoubtedly go down as a pivotal moment in Europe's relations with its member countries and the rest of the world. The surprise vote in favour of Brexit in the UK in June 2016 has had an impact on corporate and political Europe in ways that are yet to unravel. Looking back at the last 12 months, I am struck by one thing in particular: the unpredictability of events.

In reviewing our own performance in 2016, I am pleased to report that our Bridgepoint Europe and Bridgepoint Development Capital funds performed strongly, thanks to our team's skill in investing, managing and selling businesses well, in far from usual circumstances.

During the year we invested €1 billion in eight new companies with a total enterprise value of €1.9 billion. Bridgepoint-backed businesses also completed 56 add-on acquisitions as they pursued consolidation strategies to build scale and improve competitive position. New investment activity was also matched by strong divestments with some €1.6 billion returned to our investors in 2016.

By the end of the year, Bridgepoint Europe V, the €4 billion middle market buyout fund we raised in 2015, had committed 56% of its primary capital to 10 platform assets, in line with or ahead of plan. A notable feature of several of the newer assets is the international nature of their revenue base reflecting an intentional tilt towards greater diversity of trading revenue in these times of volatility. This theme is also reflected in the diversity of currency in which each asset is held. The middle market in Europe has become increasingly global with the Fund's largest currency exposure now the US Dollar.

In this regard, following the model successfully executed in Shanghai, we opened an office in New York in 2016 that supports due diligence, revenue development and add-on acquisitions for the Fund's European assets in the third largest market by revenue for the Bridgepoint portfolio.

Bridgepoint Development Capital, our lower mid-market buyout and growth capital business, reached two milestones: it made its 14th and final platform investment from BDC II, its €350 million fund; and significantly, it successfully raised its successor fund, BDC III, exceeding its target of £500 million to close on its hard cap of £600 million. It's a great result that positions the BDC business well for the next three to four years, that saw it attract significant commitments from a number of longstanding investors in previous Bridgepoint funds.

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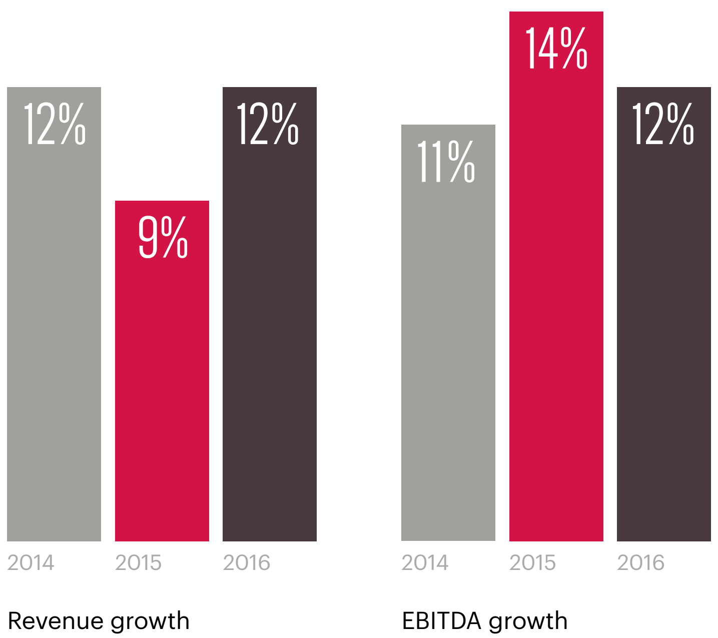
Frédéric Pescatori
Partner, Head of investment in France

"We will continue to limit exposure to purely domestic UK business preferring instead UK exporting companies... as a result, we believe that our funds are better insulated from the negative potential consequences of Brexit."

Portfolio performance



> "Acquiring assets required even smarter origination, greater clarity of investment case as well as pricing discipline."

Gwenaëlle Le Ho Daguzan
Director, Paris

Amaury Blanloeil
Senior Associate, Bridgepoint Development Capital, Paris

The environment for investing

As 2016 drew to a close, to the surprise of many commentators, relatively positive external market conditions in Europe continued and in particular, the UK economy was surprisingly robust. However, we shouldn't be fooled by this: it represented something of a "phoney war".

As the reality of Brexit comes nearer, and uncertainty rises, in 2017 we expect corporate investment and employment decisions to slow with a potential dampening effect on the UK economy showing through.

With QE remaining central banks' primary defence against unpredictability and volatility, two notable benefits from an investment perspective have emerged: supporting asset prices and fuelling debt markets. Although helpful when selling companies, it meant that acquiring assets required even smarter origination, greater clarity of investment case as well as pricing discipline. And for businesses already part of the Bridgepoint family, it allowed us to ensure that the better margins and covenant terms available in the favourable debt markets were used appropriately to optimise their financial structures.

Portfolio performance

In 2016 Bridgepoint's funds' investments collectively generated 12% and 12% year-on-year average revenue and EBITDA growth. This is real demonstration of our portfolio companies' continuing resilience and skill in driving long-term value creation in what, in Europe in any case, remains a relatively low-growth and uncertain market.

This is reflected in the level of add-on acquisition activity across our funds. Transactions totalling €8.6 billion have been completed to date by Bridgepoint Europe IV with significant acquisitions by Wiggle (of Chain Reaction Cycles) in the UK and Groupe Thom in France (of the 38 store Oro Vivo chain in

Edward Woods
Partner, London

Germany and of 370 stores of Stroili in Italy) as well as smaller in-fill transactions at Moneycorp and Oasis. Bridgepoint Europe V also completed important in-fill acquisition activity at Azzurri, Balt and Element Materials Technology.

Returning capital to investors
All private equity funds are judged by their ability to drive IRR and capital returns while actively investing in longer-term growth and value creation across their portfolios to maximise value. In 2016 Bridgepoint investments returned €1.6 billion of capital to investors with 13 exits, including the €1.8 billion sale of French property management services group Foncia, the £835 million sale of Oasis Dental Care to Bupa in the UK, and five exits at BDC including those in Sweden of specialist care services supplier to the high acuity autism segments Solhaga and transport management software provider Memnon Networks, and in the UK of Beck & Pollitzer, the engineering services company.

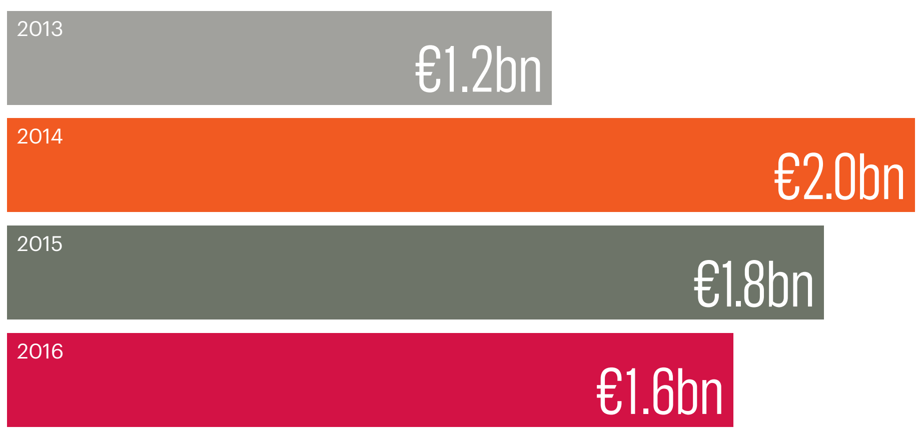
Bridgepoint's Capital Markets team also took advantage of buoyant conditions in the European leveraged loans market to arrange debt totalling €2.5 billion, allowing us to secure more borrower-friendly and flexible terms in the financial structures of the companies our funds own whilst enabling us to return €1.6 billion of capital to investors.

People and Talent
In 2016 we welcomed 34 new team members across Europe and recognised in particular the contribution of two colleagues who were promoted to the partnership, Emma Watford and Edward Woods.

Our ability to develop our own people and attract new colleagues remains critical to our success and we are fortunate in the breadth and depth of talent we can call upon from our team. People who work at Bridgepoint have many things in common but above all else is an absolute determination to build successful businesses. It is in this spirit of wishing to succeed and evolve successfully that we have introduced a number of initiatives such as team surveys and diversity and inclusion programmes across the Firm to ensure that we do so.

2017: looking ahead
As the reality of Brexit approaches and political changes within the Eurozone take shape, we expect corporate investment and employment decisions to become more challenging.

Capital returned to investors



"These times are not without risk. External factors create big challenges for us and the businesses we own."

This said, our funds invest across the whole of Europe and we have deliberately been careful in our portfolio construction. So, for example, we will continue to limit exposure to purely domestic UK business preferring instead UK exporting companies likely to benefit from a post-Brexit weakness of Sterling. As a result, as we enter 2017, we believe that our funds are better insulated from the negative potential consequences of Brexit, whilst being positioned to take advantage of new investment opportunities arising from Brexit-related dislocation across Europe.

All of this translates into three very clear objectives for the year ahead: for our flagship Bridgepoint Europe funds, it's about high quality origination, pricing discipline and driving portfolio performance harder whilst for our lower middle market business BDC, similarly, it's about driving portfolio company performance and making a great start to the investment period for its newly raised BDC III fund.

For wider Bridgepoint more generally, it's about assessing what makes most sense strategically for the future development of our business and what will have the most enduring positive impact on our Firm.

These times are not without risk. External factors create big challenges for us and the businesses we own. Yet the ambition of colleagues across Europe, China and the US remains undiminished. It's also very encouraging that the management teams of the companies in which our funds are invested are similarly excited by the opportunities presented by the times. I thank them and our own teams for their hard work and dedication in the last 12 months and remain confident that their efforts in 2017 will be similarly rewarding.

William Jackson
Managing Partner

Aaron Collins
Associate, London

Christopher Brackmann
Director, Frankfurt