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Financing in the Current Market – Challenges & Solutions

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Market has sold-off to unprecedented levels

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Leverage unwind continues to pressure secondary pricing

Most of European leveraged debt is trading at distressed levels of ~15+% yields

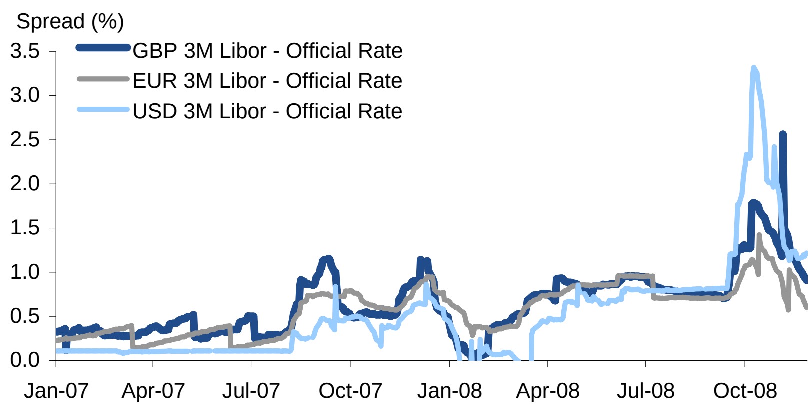
- ~2/3 is performing senior secured debt
- ~1/3 is performing subordinated debt

Unprecedented leverage unwind

- near-term inter-bank market only slowly normalising
- many credit funds and banks now following CDO's in reducing exposure
- several banks & funds have blown-up or are closed for new business

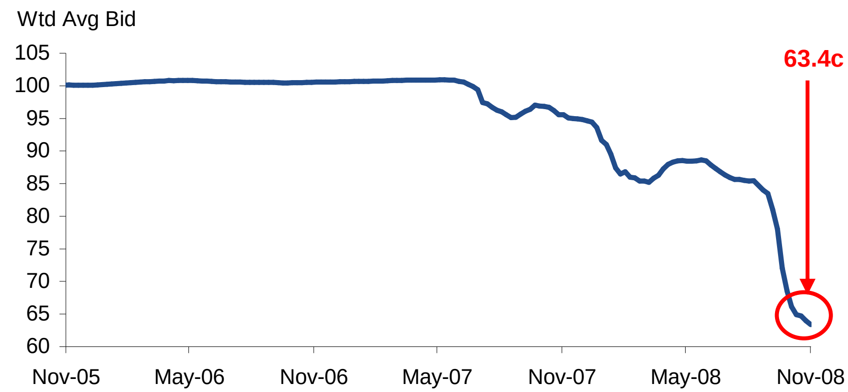
→ disconnect/dislocation between primary & secondary markets

3 Month Libor Spread to Central Bank Official Rates



Sources: BBA, Bank of England, ECB & Fed

Average Price for European Snr Sec Lev Loans



Sources: S&P LCD Euro ELLI

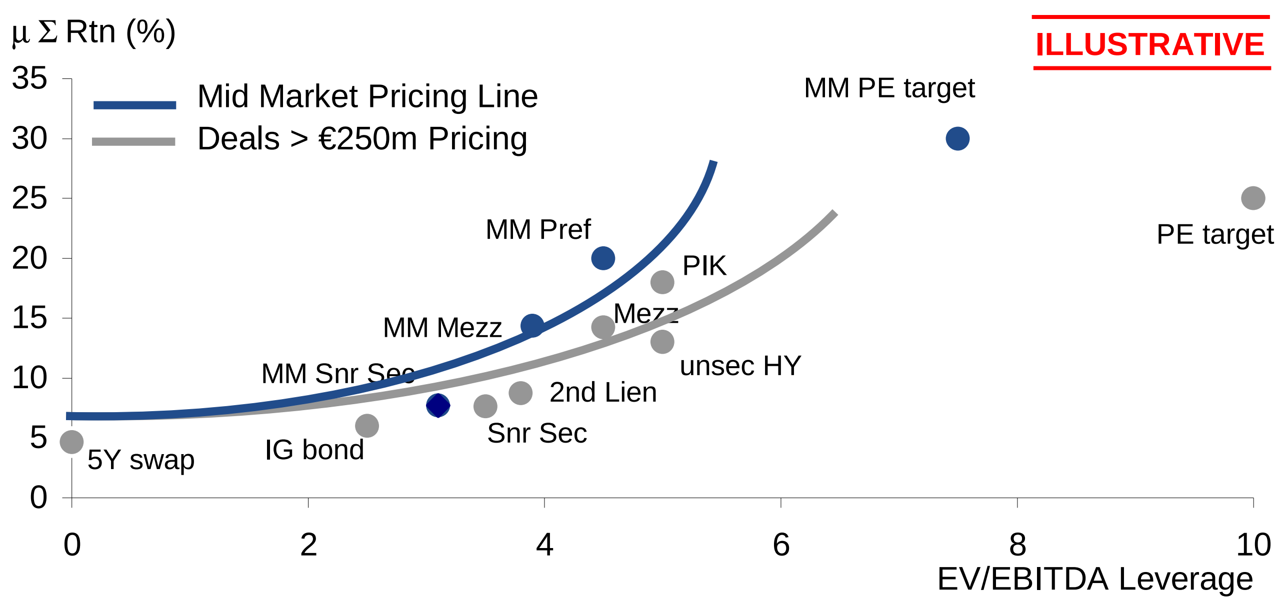
Indiscriminate sell-off…

Market technicals have reduced traditional premium pricing per unit of risk for middle market deals

Traditional middle market pricing premium has essentially evaporated

- large primary deal pricing >= primary mid market deals
- weak secondary market is pushing out pricing across the board
- senior debt is very hard to find

Risk/Return Curves for Large & Middle Market (MM) Primary Deals



Sources: S&P LCD for 3Q08 and A&Co estimates based on investor discussions & our deal lists

…has reduced new deal volumes to a trickle

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New deal volumes have crashed as lenders retrench

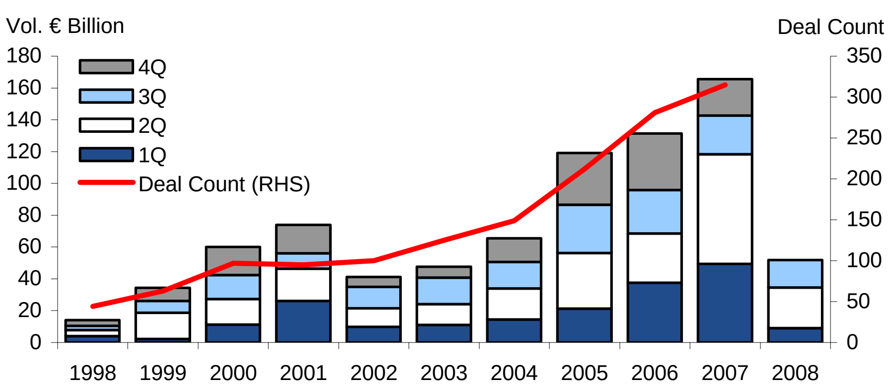
New deal volumes dried up

- leveraged buy-out market increasingly shut
- underwriting MLA* banks closed, lending now is by "take & hold" clubs
- Year-to-date senior loan issuance -64%, mezz -42%

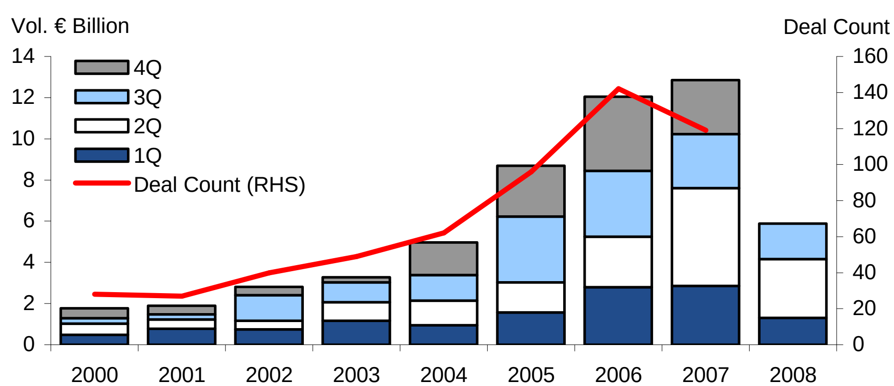
Deals that are still getting done

- small to medium sized deals selectively
- quality, defensive & transparent credit stories
- companies with existing strong lender relationships

European Primary Senior Lev Loan Issuance



European Primary Mezz Loan Issuance



* Mandated Lead Arranger – a title used to denote banks that have both led and underwritten a deal for further onwards syndication
Sources: S&P LCD through to 3Q08

…& has led to reduction in new deal risk metrics

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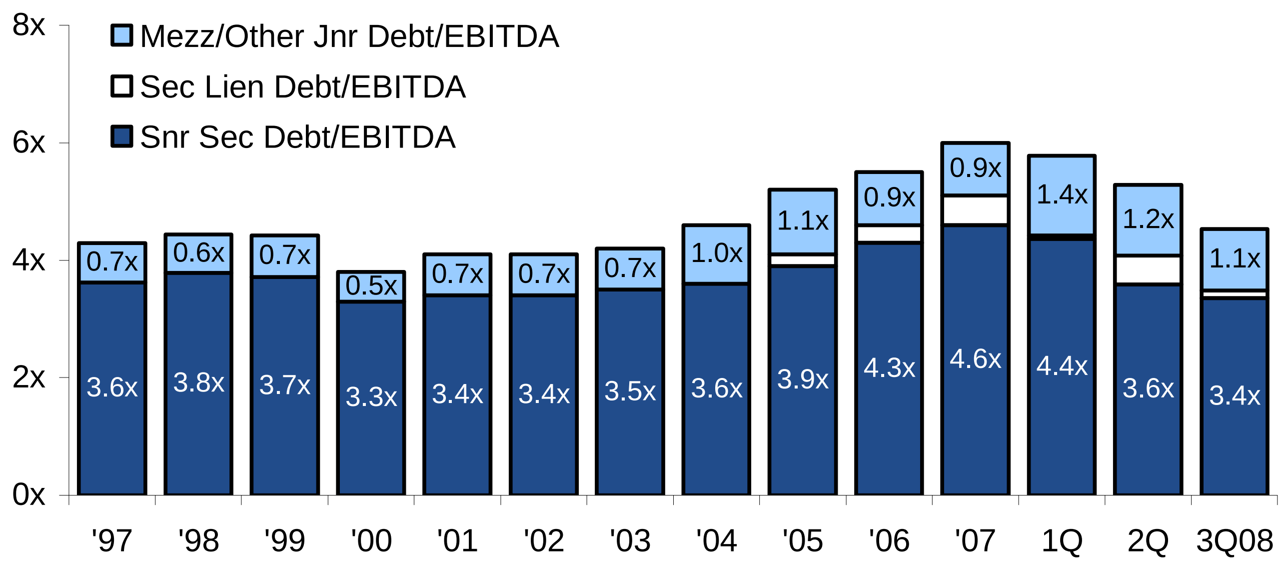
There has been a rapid reduction in risk metrics of new deals

Leverage multiples have peaked and are now rapidly declining

- new deals now being structured within 3.0-3.5x senior, 4-5x junior
- smaller deals usually at 0.5x multiple less
- market now accepts far less “pro-forma add-backs” to EBITDA

Development of Average Leverage Credit Metrics*



* for ‘out-of-the-box’ pro forma credit metrics, excluded deals > €1bn
Source: S&P LCD

Enterprise values are only just starting to break

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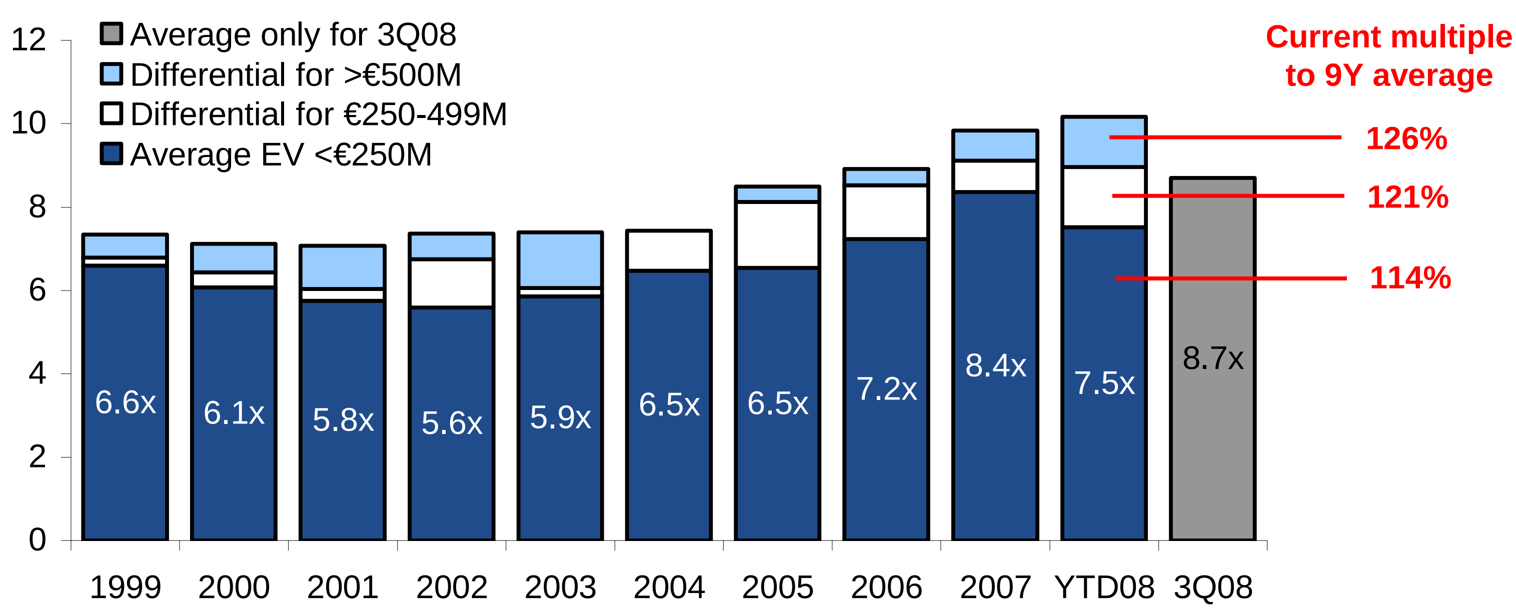
Enterprise valuations only coming off slowly as sponsors have been making up the gap with more equity

Enterprise values have held up longer but are now declining slowly

- sponsors have money & injected greater equity
  - average equity contribution now 42-46% up from 34% one year ago
- strategic/trade buyers often still have money

Differential in EV/EBITDA multiples* for LBOs by Size



* based on trailing pro-forma EBITDA before transaction costs for Leveraged Buy-Outs
Source: S&P LCD

Deals are being funded with more mezz

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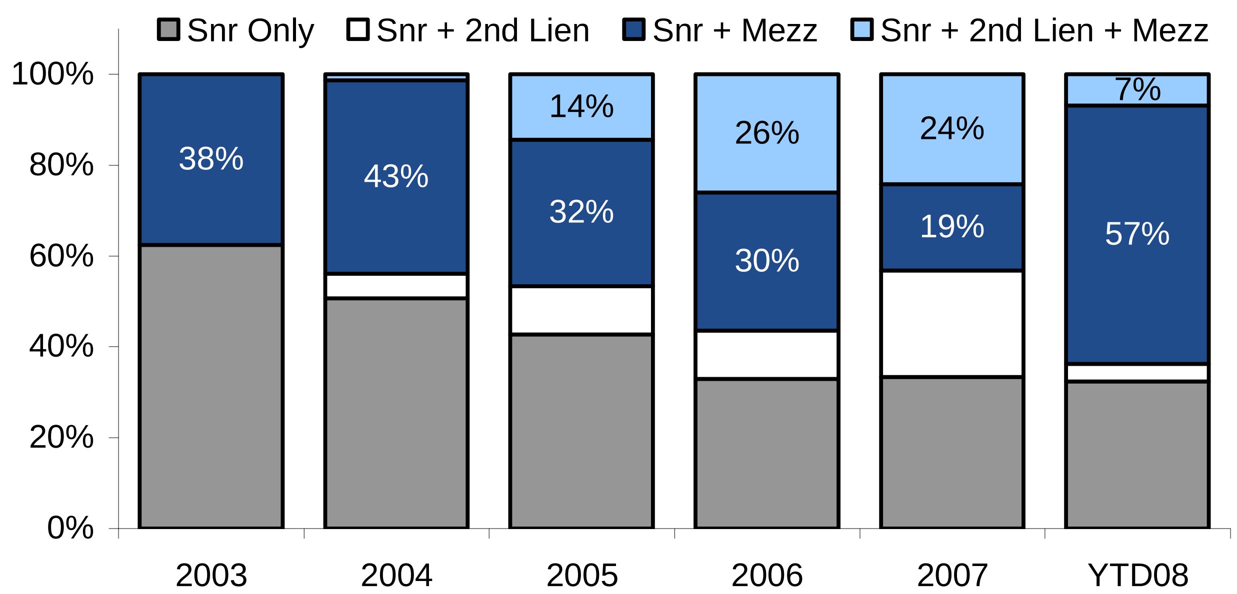
The traditional mezz funds & some select credit funds currently have the market to themselves

Overall debt supply is now reduced, with mezz able to reach more deals

- leveraged CDO/hedge fund institutional bid for new deals gone
- mezz & credit funds replacing lost institutional bid & filling senior gap
- local banks (if still lending) exhibit less appetite to lend "across the strip"

Makeup of Average New Deal Debt Funding



Source: S&P LCD, YTD08 is for the nine months through to Sep-08

…leading to hardening pricing

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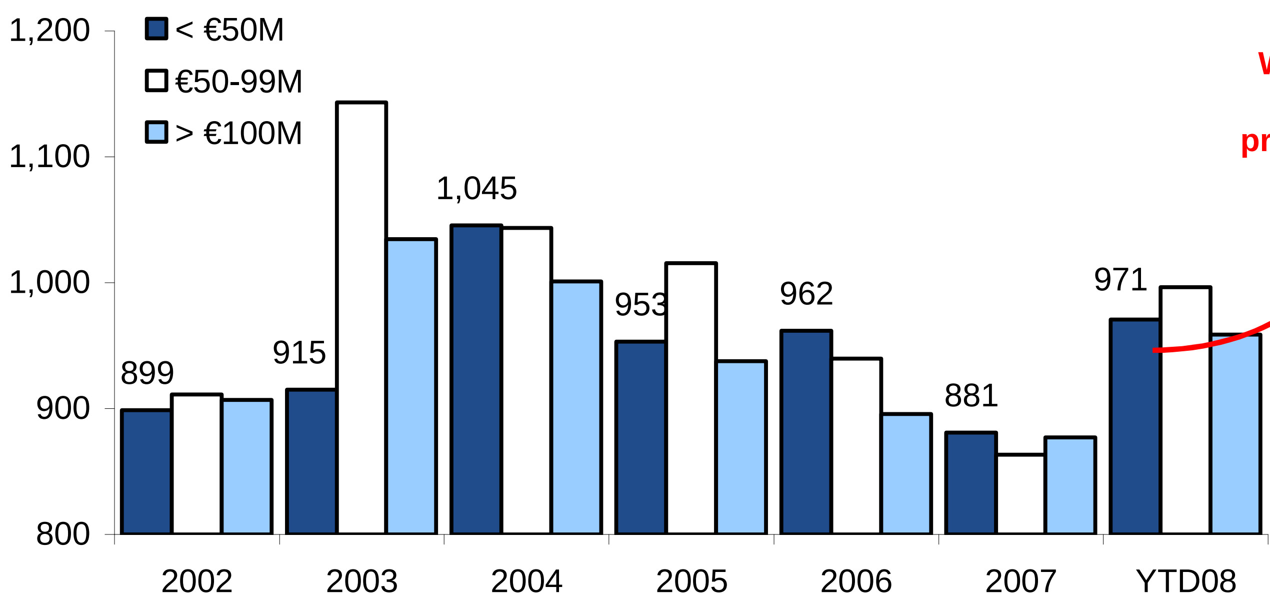
Senior is most difficult to find, greater supply of mezz

Deal stats getting thinner – and pricing benchmarks show greater dispersion

New deal credit pricing started hardening across the strip

- senior pricing widely spread, increasingly moving out to L+3.5-4.0 + fees
- mezz pricing now L+12-14 increasingly with warrants + fees
- no-call period/investor protection rising to 2-3 years, with penalties thereafter

European Mezz Spreads by Facility Size



We expect both further price hardening & differentiation

Source: S&P LCD, YTD08 is for the nine months through to Sep-08

…and less supportive lenders

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Covenant waivers increasingly difficult & expensive to obtain

- headroom extensions for >1Y now generally require prepayment/equity cure
- smaller credits being penalised disproportionately
- approvals complicated due to 'blown' lenders in senior syndicates

	Gala Coral Group Gaming & Gambling Oct-05 Lev. Acq.	**Sanitec Bathroom fittings Apr-05 2nd LBO**	**INGG Plc Gaming Software Jun-06 AIPO**	**Global Closure Systems Oct-05 LBO**	**Yell plc Directory Services Jul-03 IPO**	**Peacock Value Retailer Jan-06 LBO**	**Ineos Chemicals Apr-05 acq.**
Equity Injection	£125m	€70m + €15m g'tee[1]	£40m	€30m up from €20m	0	0	0
% of Total Financing	4.8%	8.3%	26.4%	6.0%	0.0%	0.0%	0.0%
Senior Prepayment	£83m	€54m	£10m	€15m	€0m	£0m	£0m
% of Net Drawn Senior Debt	3.6%	5.2%	12.8%	c10%	0.0%	0.0%	0.0%
Resultant Leverage							
Net Senior Leverage	5.4x	na	3.1x	na	4.9x	<2.0x	4.0x
Net Senior & 2nd Lien Lev.	5.8x	5.1x		na			
Net Total Lev. through Mezz	7.2x	na		na			
Resultant Snr Covenant Headroom							
Year 1	15.5%	15.0%[2]	waived until Apr-09	na	20.0%	na	waived until May-09
Year 2	17.5%	15.0%[2]	na	na	20.0%	na	na
Waiver Cost							
Consent Fee	0.50%	0.25%	0.375% + 1.0% exit	0.50%	0.50%	1.00%	0.50%
Snr Margin Step-up	0.50%	0.25%	1.50%	na	1.00%	1.25%	1.00-1.25%[3]
2nd L/Mezz Margin Step-up	0.75%	4.00% PIK					
Waiver Approval Status							
Required Approval Threshold	66.6%	Interim (1Q08) 66.6%	100% due to disposal		66.6%	66.6%	66.6%
Reported Approval Rate/Date	75.0%	passed	07-Jul-08	25-Jul-08	07-Oct-08	28-Nov-08	09-Dec-08
		Full (2Q08-FY10) 66.6% passed 17-May-08					

1. Further equity on call until 2014 callable on payment default, covenant breach or significant reduction in headroom or liquidity
2. Reduced from original ask of 17-18%
3. Includes a 3% Libor floor for $ tranches

Source: Company annoucements, news reports and A&Co estimates

…but also the attraction of new money into the market

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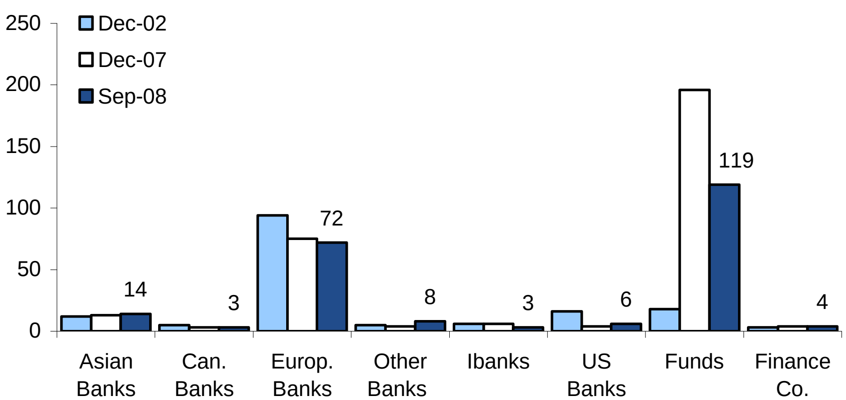
Who has money now?

- PE funds with quality investor backing
- traditional mezz funds
- credit funds with long-term unleveraged & locked-in funding

New money is slowly coming into the market – still only a trickle

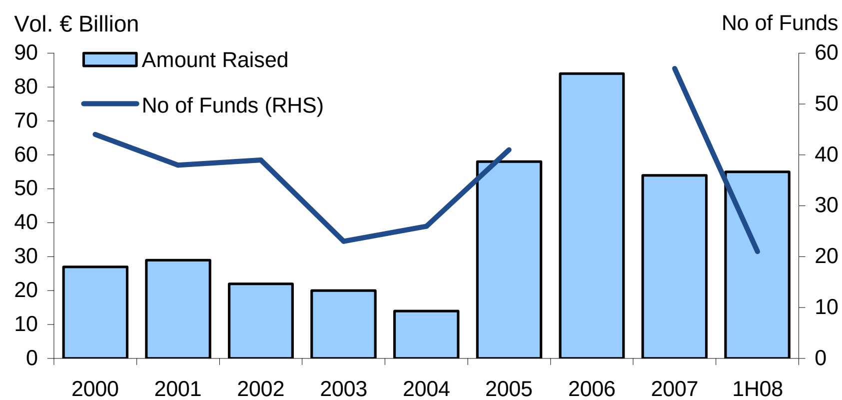
- attracted by unprecedented opportunities
- but held back by the very tough fund raising environment

Active European Lev Loan Lenders



Source: S&P LCD

European Private Equity/Buyout Funds Raised



Note number of funds raised data for 2006 unavailable
Sources: EVCA, efinancialnews and the Wall Street Journal

A&Co is an independent mid market focused merchant bank

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Founded in 2002 we have now advised on / or placed over €3.5 billion of mid-market transactions

Strategic Corporate Finance

Corporate Finance Advisory

Strategic Advisory

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Debt & Equity Placement

M&A Execution

2008	2008	2007	2007	2006	2005	2005
ECLIPSE	INSPIRED GAMING GROUP	Teleplan Excellence in Service	Schoeller Arca Systems	INSPIRED GAMING GROUP	PUROLITE	Mosaic Fashions hf
Financial advisor on distressed £65m public sale	£153m financial restructuring (co-advisory)	€50m senior & €30m junior debt placement	€420m M&A and debt advisory	£116m senior debt placement supporting £115m aIPO on AIM	$75m senior high yield bond placement (co-arranger)	debt advisory on a £50m private placement bond

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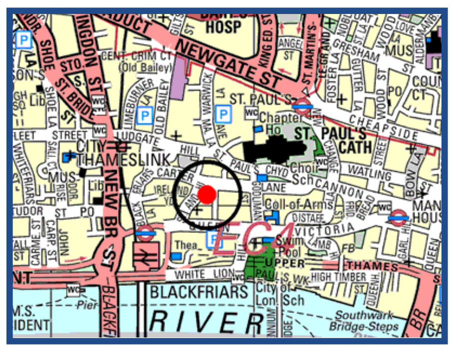

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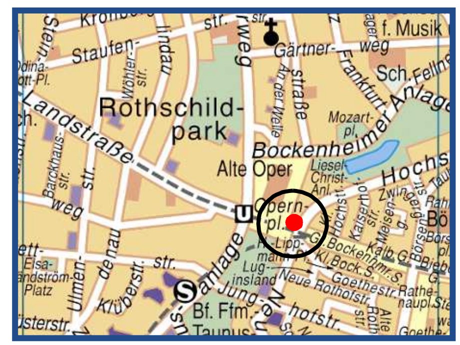

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