

ACTIVITY REPORT 2020

TK TIKEHAU
CAPITAL



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PROFILE

Tikehau Capital is a major player in alternative asset management and has been developing and cultivating its pioneering vision for over fifteen years. We support our clients with sustainable financing solutions, taking a responsible approach to investment. **We seek profitability while supporting companies. Our investment strategy helps match global savings with the financing needs of real economy players on a daily basis.**

With offices in Europe, North America and Asia, our team of experts closely follows our clients' interests with four areas of expertise: private debt, real assets, private equity and capital markets strategies. We strive to adopt a unique approach in each of these areas, driven by an atypical way of thinking and an alternative vision. Our independent mindset and analysis mean that we can offer **conviction-based management, underpinned by a strong alignment of interests between shareholders, management and clients.**

Our profitable sustainable development model is built on a solid equity base, selective investments, successful strategies and strong growth. This approach combined with our entrepreneurial spirit and the mutual trust and interest of shareholders, management and clients, makes Tikehau Capital a unique player in the asset management industry.

As of 31 December 2020

€ **28.5** bn

in assets under management

€ **2.8** bn

in shareholders' equity

594

partners and employees

12 offices

Amsterdam, Brussels, Frankfurt, London,
Luxembourg, Madrid, Milan, Paris, New York,
Singapore, Seoul, Tokyo

4

areas of expertise in asset management

supported by
1 multi-asset strategy



6

subsidiaries



+240

companies financed
by our long-term strategies



#1

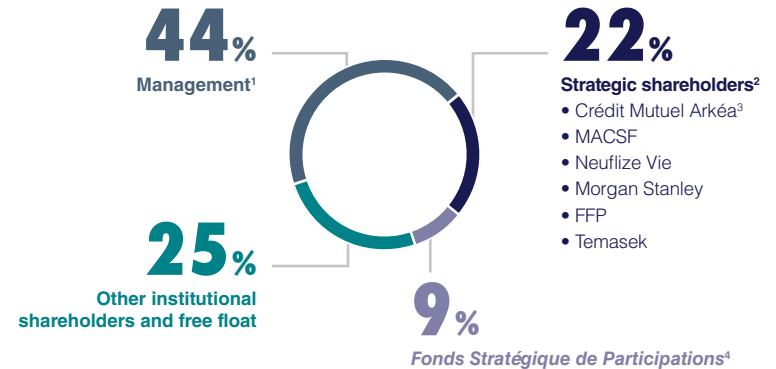
for governance in the banking,
insurance and asset
management sector

TKO

LISTED

EURONEXT

SHAREHOLDER STRUCTURE



¹ Including Fakarava Capital (6.8%) and Tikehau Capital Advisors (37.0%) which is the 100% owner of Tikehau Capital General Partner, manager of Tikehau Capital SCA (listed company).

² Shareholders bound by a shareholders' agreement representing a total of 58.8% of the capital: management (44.3%), MACSF (9.0%), Crédit Mutuel Arkea (3.8%) and Neufilze Vie (1.7%).

³ Shareholders of Tikehau Capital Advisors and/or party to the shareholders' agreement with management.

⁴ On 15 March 2021, Crédit Mutuel Arkéa sold its entire stake in Tikehau Capital Advisors to a holding company controlled by the founders and management of Tikehau Capital alongside a strategic partner, Financière Agache.

⁵ The shareholders of FSP are CNP Assurances, Sogecap, Groupama, Natixis Assurance, Suravenir, BNP Paribas Cardif, and Crédit Agricole Assurances.

VISION



Antoine Flamarion and Mathieu Chabran

Co-founders, Tikehau Capital

What lessons have you learned from last year's crisis?

Mathieu Chabran: The health and economic crisis has exposed the fragility of the global economic system and the shortcomings of the social and health models in some countries. On a more positive note, it has also shown the ability of central banks and governments to deliver on the support plans that are essential to the survival of European businesses and economies. Most importantly, the pandemic has also been a catalyst for the digital and, above all, the ecological transformation of the economy. This crisis has triggered a far-reaching awareness of the need to tackle the climate emergency, particularly in terms of financing the energy transition. ESG criteria are therefore increasingly taken into account.

Antoine Flamarion: These efforts to prop up economies 'whatever the cost' have resulted in major distortions. The massive amounts of liquidity provided to support the stimulus have fuelled inflation in the financial sphere. We can see it in the booming valuations of real estate, equity markets, private equity and

cryptocurrencies, with prices losing touch with reality and a risk of bubbles forming. At the same time, the very low likelihood of a rise in interest rates will lead private investors to seek alternatives to market products to secure a yield. The crisis will therefore speed up the diversification of asset classes in portfolios, as we have already been seeing for several years.

What has Tikehau Capital learned from this experience?

M.C.: We have always attached a lot of importance to team spirit, as well as entrepreneurship, which is what makes Tikehau Capital unique. This is why we have taken particular care of everyone's safety and well-being, which has kept the Group running smoothly and helped us preserve our corporate culture. These values are reflected both in freedom of initiative and in our ability to adapt and work as a team. These are the qualities that came to the forefront during the health crisis. Naturally, the restrictions mean that we had to organise remote working like

never before to ensure business continuity. But ultimately, there was little disruption.

A.F.: Our close relationships with our partners, clients and investors are the backbone and have kept our business model efficient in this unprecedented context. This can be seen chiefly in the alignment of interests between our management, customers and shareholders. We remain convinced that to manage other people's money well, you have to put some of your own in with it, which is why Tikehau Capital invests in each of its funds and strategies. We think that this is the mainstay of our resilience.

What was the operational outcome?

A.F.: The relevance of Tikehau Capital's development model in alternative asset management was confirmed in 2020. The Group has demonstrated its ability to steadily and continuously grow its business, while significantly improving profitability and remaining cautious and disciplined in deploying funds and committing its balance sheet, in the context of the pandemic and high market volatility.

M.C.: Based on this model, we have continued to innovate by developing investment strategies that meet the needs of our clients and are suited to the paradigm shift towards selected and sustainable growth. For example, we raised more than €1 billion in our T2 Energy Transition fund, a globally unique energy transition platform.

What do you think is the role of asset management today?

M.C.: The asset management industry's mission is to attract and reinject the world's savings – which amount to more than \$80 trillion – into the financing of the real economy and businesses. This will be pivotal in a post-Covid-19 context. This is particularly true for mid-sized companies, which are the economic and social foundation for most countries. Our industry's role will also be crucial in financing the energy transition, especially in strengthening the equity capital of companies that offer immediate responses to the climate emergency.

A.F.: We are committed to facilitating transitions, whether digital, environmental or otherwise, through the diverse range of financing solutions that we offer to European SMEs without sacrificing the returns that our investors rightly expect.

OUR ROADMAP

MAINTAINING DYNAMIC, PROFITABLE AND SUSTAINABLE ORGANIC GROWTH

Continuing to develop
our asset classes.

Innovating to expand
our product range, investor-client base
and marketing channels.

Expanding our international footprint.

Investing selectively and sustainably
for long-term performance.

Enhancing the revenues and profitability
of our asset management business.

ALLOCATING THE GROUP'S CAPITAL TO CREATE VALUE FOR OUR STAKEHOLDERS

Increasing investment
in our funds and strategies.

Continuing to rotate
our investment portfolio.

Making selective acquisitions.

BUSINESS MODEL

TIKEHAU CAPITAL DIRECTS GLOBAL SAVINGS TOWARDS FUNDING THE REAL ECONOMY AND SUPPORTS BUSINESS VITALITY

SOLID RESOURCES

MULTI-LOCAL PLATFORM

12

countries

A **global base**

of investor-clients and savers

Global sourcing

of investment opportunities

€28.5bn

in assets under management

EXPERTISE & DIVERSITY

Average **15**
years of experience

26

nationalities

41%

female workforce

HEALTHY BALANCE SHEET

€2.8bn

in shareholders' equity

€2.4bn

investment portfolio

€845m

available cash*

* Gross cash is the sum of cash, cash equivalents (mainly marketable securities) and cash management financial assets for €747.3m and collateralised cash on derivatives portfolio for €115.1m, less the negative fair value on derivatives portfolio for -€17.4m (i.e. €97.7m).

AND AN ENTREPRENEURIAL SPIRIT

ALIGNMENT OF INTERESTS BETWEEN SHAREHOLDERS, INVESTOR-CLIENTS AND MANAGEMENT

Leading institutional shareholders committed for the long term

44% of capital controlled by management and employees

66% of our portfolio invested in our strategies alongside our clients

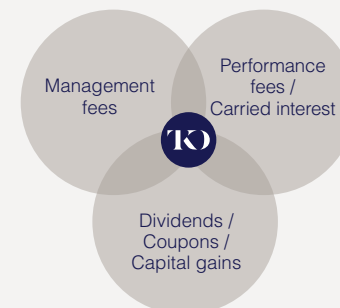
COMMITTED OVER THE LONG TERM THROUGH OUR AREAS OF EXPERTISE

96% of closed funds committed for >3 years



TO CREATE SUSTAINABLE VALUE

3 DRIVERS OF FINANCIAL VALUE CREATION

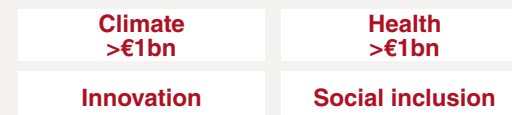


CONVICTION MANAGEMENT

+240 companies supported

Our fields of expertise integrate **ESG by Design**

A **platform dedicated to impact** through 4 combined themes to accelerate the post-Covid recovery:



TARGETS FOR 2022

Reach **+€35bn** assets under management

Generate **+€100m** in Fee-Related Earnings* (FRE)

* Fee-Related Earnings (FRE) correspond to net operating profit from asset management less performance fees and carried interest.

HIGHLIGHTS

Confirmation of Investment Grade rating

(BBB-: stable outlook)
from Fitch Ratings.

JANUARY 2020



Final closing of Tikehau Real Estate Opportunity 2018 (TREO 2018), the Group's value-added European real estate fund. An additional €560m was raised, bringing the fund's assets under management to €755m.

FEBRUARY 2020



Launch of the Group's first European Long Term Investment Fund (ELTIF)

in partnership with Banca March in Spain. A new offer enabling the bank's private clients to access private assets in the energy transition field.



Tikehau Capital increases its stake in IREIT Global, the Singaporean real estate company focused on the European market. With €25m invested, Tikehau Capital now owns 29.20% of its subsidiary.

APRIL 2020

Tikehau Capital ranked #2 out of 246 global asset managers and custodians by Sustainalytics

in an extra-financial rating.

MAY 2020

Tikehau Capital ranked for the first time among the best players in its sector in Europe by Vigeo Eiris,

with an overall score of 66/100 and the best score of 71/100 for Governance.

SEPTEMBER 2020



Acquisition of Star America Infrastructure Partners,

a US-based independent management company specialised in developing and managing medium-sized infrastructure projects in North America.

JULY 2020

The T2 Energy Transition and TGE II funds were awarded the "Relance" label by the French government,

positioning them as investment vehicles that meet the equity financing needs of companies in the context of the health crisis.

The T2 Energy Transition fund was also awarded the "Tibi" label.

OCTOBER 2020

Over €1 billion raised for the Group's energy transition private equity strategy (T2 Energy Transition Fund).



Tikehau Capital teamed up with Financière Agache, Jean-Pierre Mustier and Diego De Giorgi to sponsor a **SPAC (Special Purpose Acquisition Company) dedicated to the European financial services sector**. Over €500m* was raised through this private placement. Pegasus is currently the largest SPAC in Europe.

FEBRUARY 2021



Strengthening of the Group's presence in Germany by **opening an office in Frankfurt**.

Inaugural €500m sustainable bond issue maturing

in March 2021. A key step to accelerate the Group's impact strategy across its four pillars: climate change, social inclusion, health and innovation.

MARCH 2021

* Or €440m if the 12% greenshoe option is exercised in full.

2020 HIGHLIGHTS & OUTLOOK

€6.2bn

in dry powder*

€2.8bn

in shareholders equity



Henri Marcoux

Deputy Chief Executive
Officer, Tikehau Capital

What is your financial assessment of 2020?

Despite a depressed health and economic context, Tikehau Capital continued to grow, demonstrating the validity of its growth model in alternative asset management. Our operational performance in this area is strong. The asset management business posted an operating profit of €76.4m (+30.7%), with an operating margin of 37.3% (+3.9 points). At the same time, revenues rose significantly by 17% year-on-year to €204.8m. Although the Group's investment business was hit by market volatility in H1, it proved resilient, generating realized revenues of €133.9m. The Group reported an attributable net loss of €206.6m. This loss is not structural and therefore does not reflect the underlying operating performance of the Group. It is the result of financial instruments that we set up in H1 2020 as part of the risk management policy for our investment portfolio, when market uncertainty was particularly high.

How is the balance sheet doing?

By confirming our BBB- Investment Grade rating with a stable outlook at the beginning of 2021, Fitch Ratings attested to the solidity of our balance sheet. At the end of 2020, the Group had €2.8bn in equity, €845m in cash and stable debt of €1bn. This solid balance sheet enables Tikehau Capital to pursue its strategy, including targeted, value-creating acquisitions such as Star America Infrastructure Partners in the United States, and to allocate capital to all of the Group's strategies, aligning the interests of management, shareholders and clients. In 2020, Tikehau Capital committed €667m of its own money alongside that of its clients.

What are your performance drivers?

Net inflows of €4.2bn enabled Tikehau Capital to continue rebalancing its product mix towards higher yielding strategies. This resulted in strong growth in management fees in 2020, which rose by 19.4% to €198.6m. Moreover, the weighted average commission rate remained high at 0.92%. The Group also continued to actively manage its investment portfolio, generating €36.6m in capital gains, including the sale of 83% of its stake in DWS in Germany. Finally, income from dividends, coupons and payouts amounted to €97.2m (+9.2%), of which €66.8m (+18%) came from investments made by the Group in its own funds. We are also doing our utmost to ensure that Tikehau Capital's proactive ESG strategy, already applied to the core of the Group's operations, can also be reflected in our financing.

* Available capital that can be used by funds to quickly seize market opportunities.

As of 31 December 2020

Are the targets for 2022 still intact?

Thanks to our strong balance sheet – Tikehau Capital's standout advantage in its sector – as well as the growing interest of investors in alternative asset classes, we can confidently press on with our development. Tikehau Capital is therefore sticking to its organic targets for 2022: to reach more than €35bn in assets under management and more than €100m in fee-related earnings, which corresponds to operating profit in asset management excluding performance-related earnings. Furthermore, with almost two thirds of its portfolio made up of investments in its own funds, Tikehau Capital is ahead of schedule in achieving its objective of increasing this proportion to between 65% and 75% by 2022. The Group is therefore on track to achieve its targets.

€2.4bn

Investment portfolio

+65% invested in assets managed
by the Group

In 2020, committed

€667m

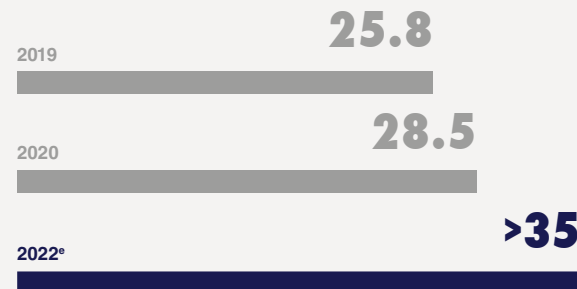
from its own balance sheet
alongside its clients

**Thanks to our strong balance sheet –
Tikehau Capital's standout advantage
in its sector – as well as the growing interest
of investors in alternative asset classes,
we can confidently press on
with our development.**

2022 TARGETS CONFIRMED

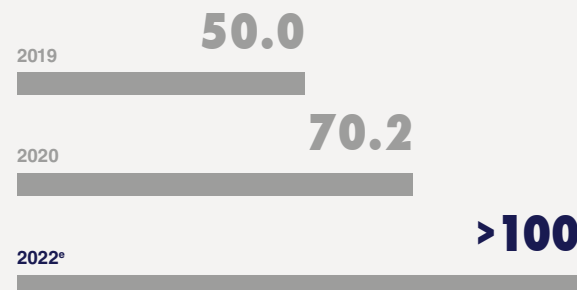
ASSETS UNDER MANAGEMENT

(in €bn)



FEE-RELATED EARNINGS* (FRE)

(in €m)



* Fee-Related Earnings (FRE) correspond to net operating profit from asset management less performance fees and carried interest.



Thomas Friedberger

CEO and co-CIO
Tikehau IM

The challenge for the asset management industry is to position private capital as a partner to public capital.

How did assets under management grow in 2020?

At the end of 2020, Tikehau Capital's assets under management had increased by 10.5% to €28.5bn, including €27.4bn for our asset management activity, which posted an increase of €3.7bn (+15.7%). The strong growth of this business is the result of high net inflows amounting to €4.2bn; 2020 is the third consecutive year in which our funds have raised more than €4bn. This exceptional performance stems from an outstanding trend in our flagship funds, the successful launch of new strategies and the strengthening of our asset management platform, particularly thanks to the ramp-up of acquisitions made in recent years.

Do these net inflows apply to all asset classes?

All the asset classes in which the Group is involved contributed positively, further rebalancing the product mix. But for the first time, private equity was the main contributor, with €1.6bn and assets under management up 73.3% to €3.5bn. Our subsidiary Ace Capital Partners has been selected to exclusively manage the €750m* private equity fund

designed to fund the aerospace industry with the support of the French government and four industrial companies, Dassault Aviation, Thales, Airbus and Safran. We also completed fundraising for our private equity investment strategy dedicated to the energy transition (T2 Energy Transition) with a record amount of over €1 billion.

Additionally, the Group continued to diversify its client base internationally. Last year, 40% of net inflows came from international investors, who account for €9.3bn of assets under management. This amount has tripled in four years, proving the relevance of our offer and attesting to our ability to deliver performance. In response to a growing trend seen since the outbreak of the crisis, Tikehau Capital has broadened its range of investment solutions for private investors by launching its first ELTIF** in partnership with Banca March in Spain, giving its clients access to private markets in the energy transition.

How can savings be channelled into financing the real economy in a time of economic stimulus?

The challenge for the asset management industry is to position private capital as a partner to public capital. Government-backed loans inflate corporate debt. There is therefore a need for patient, stable capital that uses little leverage to be repaid. Since it was founded, Tikehau Capital has been working to harness some of the world's savings and channel them into financing the real economy by providing companies with long-term solutions at all levels of their capital structure. As such, during 2020, the Group allocated €2.8bn to finance and support companies as they grow. With €6.2bn in dry powder within the funds it manages, Tikehau Capital can seize opportunities and remain a key player in the financing of the real economy by focusing on its disciplined and selective investment policy, based on an in-depth analysis of financial, environmental, social and governance criteria.

* As of 31 December 2020

** European Long-Term Investment Fund.

A BROAD RANGE OF EXPERTISE

ASSETS UNDER MANAGEMENT AS OF 31 DECEMBER 2020

Asset management
net inflows

€4.2bn

of which 40%
from international investors

>€4bn
for the third consecutive year

ASSET
MANAGEMENT

€27.4bn

+15.7%*

DIRECT
INVESTMENTS

€1.2bn

PRIVATE
DEBT

€9.3bn

+8.2%*

Direct Lending
Secondary
Leveraged Loans
CLOs

REAL
ASSETS

€10.3bn

+12.6%*

Real Estate
Infrastructure

CAPITAL
MARKETS
STRATEGIES

€4.2bn

+9.8%*

Fixed income
Equity

PRIVATE
EQUITY

€3.5bn

+73.3%*

Growth equity
Energy transition
Aero & Cybersecurity

TACTICAL STRATEGIES

Special opportunities / Multi-asset strategies

* Versus 31/12/2019.

INTERNATIONAL

€ **9.3** bn

assets under management
from international investors

34%

of the Group's assets
under management

Combining global vision and local roots has been and remains Tikehau Capital's development model. This approach is even more pertinent as we expand internationally. The Group's international expansion is a major component of its strategic roadmap that accelerated in 2020, particularly in North America and Asia.

NORTH AMERICA

New York



REGIONAL MANAGER:
Timothy Grell

See the **Region Focus** on page 19.

UNITED KINGDOM

London



REGIONAL MANAGERS:
**Peter Cirenza
and Carmen Alonso**

IBERIAN PENINSULA

Madrid



REGIONAL MANAGER:
Carmen Alonso

- Together with Banca March, **setting up a long-term financing structure** for one of Spain's leading suppliers of fresh and frozen seafood products.
- **Tikehau Capital's first private equity investment in Spain:** acquisition of Acek Energias Renovables' biomass business. A €31.5m investment via the Group's T2 Energy Transition fund.
- **Successful initial fundraising for the Group's first European ELTIF fund**, launched in partnership with Banca March.

- **Supporting the acquisition of Forthglade Foods Holdings Ltd. by IK Investment Partners** by providing a unitranche (£18.9m) and an investment loan (£10m).
- **TREO: acquisition of 131,000m² in Brentford, London.** As part of Tikehau Capital's asset conversion strategy, this transaction brings the Group's investment in UK real estate to £160m.
- **Financing of the £18.6m rehabilitation and conversion of Axis Sud**, a 100-acre brownfield site and former pharmaceutical production plant, through our Special Situations Fund (TSO II) managed by the Tactical Strategies business line.
- **£30m mezzanine financing via TSO II** for the acquisition and development of a mixed-use Grade A office scheme in Shoreditch, London.

GERMANY Frankfurt



REGIONAL MANAGER:
Dominik P. Felsmann

- **Opening a new office.**

ASIA Singapore



REGIONAL MANAGERS:
Bruno de Pampelonne



Neil Parekh



Jean-Baptiste Feat

KOREA – Seoul

JAPAN – Tokyo



REGIONAL MANAGER:
Young Joon Moon



REGIONAL MANAGER:
Sergei Diakov

See the **Region Focus** on page 18.

BENELUX Amsterdam, Brussels and Luxembourg



REGIONAL MANAGER:
Édouard Chatenoud

- **First transaction in the Netherlands:** financing the acquisition of Xebia by the Waterland Group.
- **Belgium:** financing the acquisition of Destiny by Apax and repayment of Esas financing by Buysse & Partners.

ITALY Milan



REGIONAL MANAGERS:
Luca Bucelli and Andrea Potsios

- **Acquisition of a 30% minority stake in Euro Group Laminations via T2 Energy Transition**, the Group's energy transition fund. An investment of €45m that the company will use to bolster its presence on the electric vehicle market.
- **Over €250m invested in private debt transactions.**
- **Recruitment of a real estate manager** to strengthen local origination.

INTERNATIONAL ADVISORY BOARD

To develop its international strategy, since 2019, the Group has been supported by an advisory board made up of ten members from various political and economic spheres.

- **Chairman: Sir Peter Westmacott**, former UK ambassador
- **Mr Stéphane Abrial**, former Chief of Staff of the French Air Force and NATO Strategic Commander – France
- **Mr Jean Charest**, former Prime Minister of the Government of Quebec – Canada
- **Mr Fu Hua Hsieh**, Chairman of ACR Capital and former Chairman of Temasek Holdings – Singapore
- **Mr Nobuyuki Idei**, former Chairman of Sony Corporation – Japan
- **Mrs Margery Kraus**, Founder and President of APCO Worldwide – USA
- **Lord Peter Levene**, former Lord Mayor of London and former Chairman of Lloyd's – UK
- **Mr François Pauly**, Chairman of Compagnie Financière La Luxembourgeoise – Luxembourg
- **Mr Kenichiro Sasae**, former Ambassador of Japan
- **Mr Fernando Zobel de Ayala**, President of Ayala Corporation – Philippines

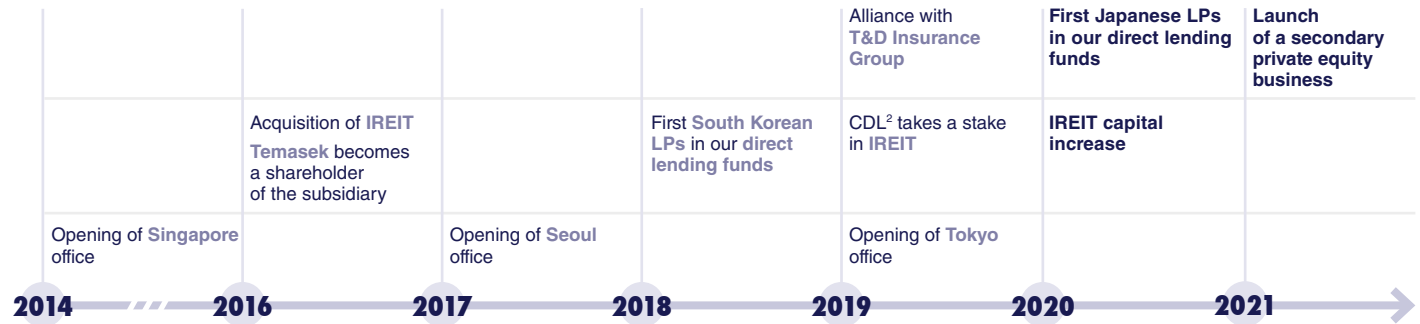
In 2020, Tikehau IM, the Group's investment management company, also set up an Advisory Board with eleven experienced members from seven countries.

ASIA: DEEPENING THE GROUP'S FOOTPRINT

Since opening its Singapore office, Tikehau Capital has continued to build its footprint in Asia through strategic investments and partnerships. While its activity in the region is mainly focused on Private Equity and Capital Markets Strategies, the Group is also involved in Real Estate through its subsidiary IREIT Global.

3 offices
Seoul, Tokyo and Singapore

€1.5bn
in assets under management¹
(5% of Group total)



FOCUS ON



IREIT Global is the first listed property company in Singapore to invest solely in strategic assets in Europe, targeting office, retail, industrial and logistics properties.

While its acquisition by Tikehau Capital in 2016 marked a turning point for the property company, 2020 was also a pivotal year.

In April, its shareholders and long-term partners (Tikehau Capital and CDL) increased their stakes from 16.64% to 29.20% and from 12.52% to 20.87% respectively, giving them control over more than half of the company.

In October, IREIT also successfully concluded a capital increase for approximately €89m. The issue was 166% oversubscribed, enabling the company to acquire all of its Spanish assets while reducing its debt level.

The acquisition of four strategically located buildings in Madrid and Barcelona has enhanced our portfolio of high quality offices. This transaction is part of our strategy to develop and strengthen our presence in Europe.



Louis d'Estienne d'Orves

Chief Executive Officer
IREIT Global

€720m
in assets under management

Total rental area:
+230,000m²,
including **≈4,000**
parking spaces

**Barcelona,
Berlin, Bonn,
Madrid,
Munich**

As of 31 December 2020

NORTH AMERICA: 2020, A YEAR OF ACCELERATION

As soon as Tikehau Capital opened in North America, it quickly strengthened its local expertise (secondary private debt, US High Yield, etc.). This strategy was consolidated in 2020 when the Group moved into the infrastructure market, as well as forging major partnerships.



FOCUS ON

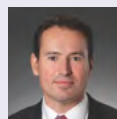


Star America Infrastructure Partners joined Tikehau Capital in July 2020. Founded in 2011 by two entrepreneurs, the company specialises in medium-sized infrastructure projects, often through public-private partnerships, in four asset categories:

- transport (roads, bridges, tunnels, rail, etc.)
- social infrastructure (student accommodation, hospitals, etc.)
- environment (water and waste management, energy efficiency)
- telecommunications (data centres, fibre optics)

As a major sector player in the United States, Star America complements the Group's Real Assets business, enabling it to diversify into a promising new asset class and broaden its client base, while strengthening its development strategy in North America.

The ageing of infrastructure in the United States is a structural and cyclical issue, which will require considerable investment in the coming years. Our proven approach, expertise and experience in the industry position us ideally to seize future opportunities.



Christophe Petit

Co-founder and President
of Star America Infrastructure Partners

€600m

in assets under
management

18

employees

¹ Includes assets managed by Tikehau Capital's North American operations (New York office and Star America Infrastructure Partners), assets from North American investor-clients in funds managed outside the US, and co-investments made by the Group's direct investment portfolio in North American strategies.

SUSTAINABLE DEVELOPMENT



Laure Villepelet

Head of ESG

How does the current crisis make a sustainable approach more relevant?

The current crisis has revealed how the unrestrained pursuit of growth, regardless of pressure on resources, pollution or growing inequality, has made our economies and societies even more fragile when faced with external shocks, such as the Covid-19 pandemic. In the future, these shocks may be linked to climate change, a massive cyber attack or a geopolitical crisis. There is awareness of the need to move towards transparent sustainable growth, both in terms of financial and extra-financial performance, but it is slow to translate into practical action, despite strong global commitments such as the Paris Climate Agreement.

What importance do you attach to responsible investment at Tikehau Capital?

We believe that developing a responsible investment strategy is key to creating sustainable value for all our stakeholders. Companies need to be sustainable to be profitable. Based on this conviction, we believe that ESG criteria should be an integral part of our investment process.

Analysing extra-financial performance is foremost a good management practice, as it helps to minimise risks. It is also a source of opportunity, through which we work to expose the products and services of portfolio companies to the Sustainable Development Goals (SDGs).

With both financial and extra-financial responsibilities, Tikehau Capital's investment teams make ESG criteria an integral part of their decisions. This 'ESG by Design' approach applies to all the asset management investments we make.

This 'ESG by Design' approach applies to all the asset management investments we make.

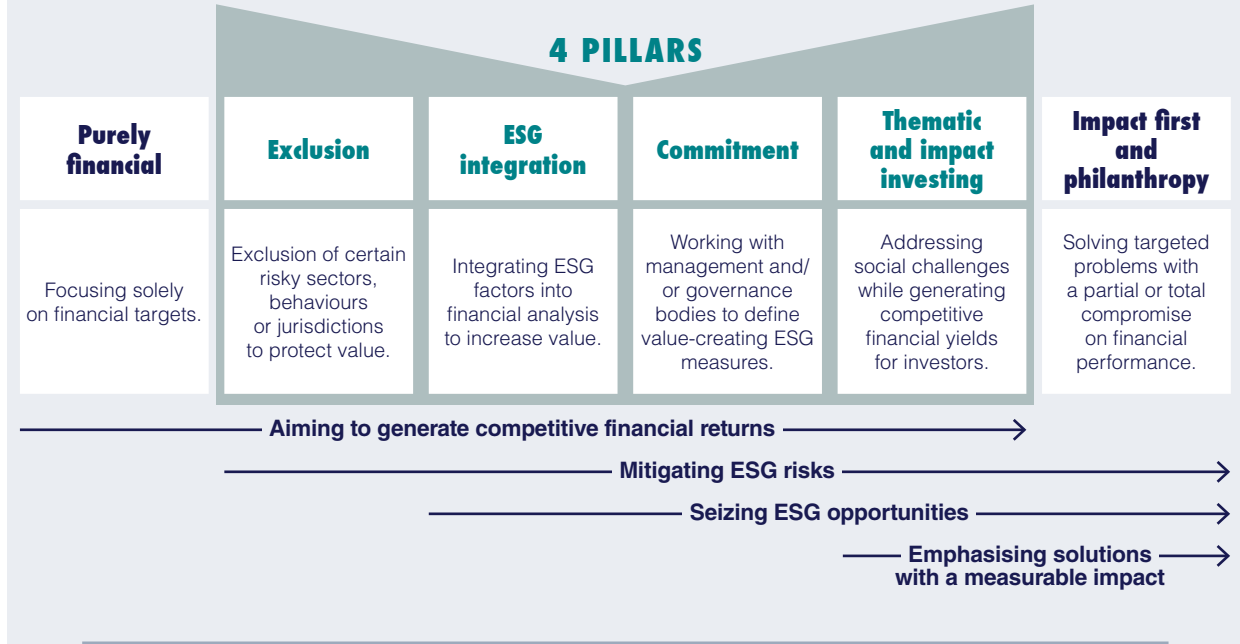
In 2020, you announced the launch of an impact platform. What are your expectations?

Finance has a major role to play in speeding up the energy and ecological transition, as well as in the post-Covid recovery. We have identified four key themes (climate, innovation, social inclusion and health), in which we have already invested, looking for both a competitive return and quantifiable positive impact. The T2 Energy Transition private equity fund was launched in 2018 and has raised over €1bn to tackle the climate emergency by supporting companies in sectors such as energy efficiency, clean energy production and low-carbon transport. Building on our climate expertise, we plan to launch other impact funds through our private debt activities (Tikehau Impact Lending) or Capital Markets Strategies, with a High Yield impact fund.

How have these efforts been received so far?

The Group's approach has been recognised by various standards. Tikehau Capital was rated in 2020 as observing best practices (A+) by the Principles for Responsible Investment (PRI) in terms of ESG strategy and governance. We also received excellent inaugural ratings from extra-financial agencies such as Sustainalytics and Vigeo Eiris, as well as from the Luxembourg Finance Labelling Agency (LuxFLAG) and the French Ministry of the Economy & Finance, through the "Relance" label for two of our private equity funds.

OUR RESPONSIBLE INVESTMENT POLICY



WIDE-REACHING RECOGNITION

A+
overall rating



Principles for Responsible Investment

15 funds labelled*



LUXFLAG Label

ESG rating of 75/100,
above average for the sector



Gaia RATING



Ranked in the first percentile for the overall rating out of +250 asset managers and custodians in June 2020



First score of 66/100, putting Tikehau Capital **among the best companies in the sector**

* ESG labels and ESG applicant fund status for open and closed-end funds.

OUR PLATFORM FOR THEMATIC AND IMPACT FUNDS

Addressing social and community issues while generating growth, profit and profitability for our customers



T2 ENERGY TRANSITION

Private Equity

Launch: **December 2018**

Closing: **>€1bn**

Tackling the **climate emergency** by focusing on companies operating in:

- clean power generation
- low-carbon transport
- improving energy efficiency, electricity storage and digitalisation



TIKEHAU IMPACT LENDING

Private Debt

Launch: **December 2020**

Enabling SMEs and intermediate-sized companies to accelerate their transitions and effectively contribute to a **more inclusive and sustainable economy**:

- broadening their offer of sustainable goods and services
- improving operations managements (human capital, supply chain, etc.).



TIKEHAU GROWTH EQUITY II

Private Equity

Launch: **March 2018**

Fostering employment and a **more resilient economy** by supporting growing and innovative SMEs and intermediate sized companies that:

- contribute to a local and circular economy
- accelerate the digital transformation
- build a robust health system
- nurture their own resilience



S.YTIC (SUSTAINABLE CITY)

Real Assets – Sofidy

Launch: **March 2018**

Managing and promoting **sustainable urban development** by supporting companies operating in:

- vertical development of large cities
- urban renewal
- infrastructure management
- waste processing
- digital transformation



INVESTING IN HEALTH AND RESEARCH

Private Equity

Supporting companies that:

- contribute to advances in **healthcare** – prevention, diagnosis and monitoring
- enable the life sciences industry to more quickly develop sustainable and cost-effective therapies

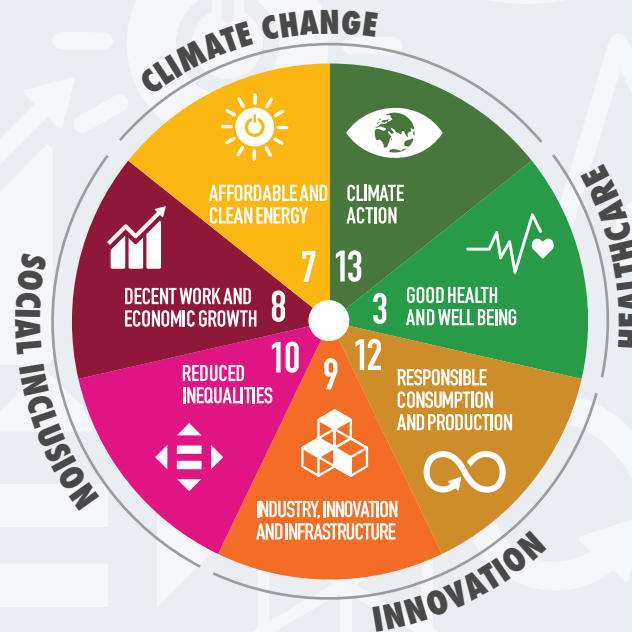


BRIENNE III (CYBERSECURITY)

Private Equity – Ace Capital Partners

Launch: **June 2019**

Supporting young companies offering **innovative digital security technologies**, and supporting their acquisition strategy, both in France and abroad.



4 priority themes central to the post-Covid recovery

ENABLING SMES AND INTERMEDIATE-SIZED COMPANIES TO SPEED UP THEIR TRANSITION AND EXTEND THEIR CONTRIBUTION TO A MORE INCLUSIVE AND SUSTAINABLE ECONOMY



Nathalie Bleunven

Head of Corporate Lending

What is the purpose of the Tikehau Impact Lending fund?

This fund is a corporate private debt fund focused on impact lending. Tikehau Capital seeks to contribute to a sustainable economic transition in Europe while offering investors competitive returns, mainly by financing European SMEs and mid-sized companies that participate in this transition through their products and services, resource management or processes.

How do you define the desired impacts?

Tikehau Impact Lending is focused on achieving the Sustainable Development Goals (SDGs) related to climate action, innovative growth and social inclusion, which are priorities for advancing the sustainable economic transition in Europe. The economic crisis, triggered by the Covid-19 pandemic, has made addressing these issues even more urgent.

Is the Tikehau Impact Lending fund eligible for the Investment Plan for Europe*?

Tikehau Capital has completed a first closing, raising approximately €100m, with the European Investment Fund (EIF) – that uses the resources of the European Fund for Strategic Investments (EFSI) – as the main sponsor and lead investor. Other key institutional investors also participated. Eventually, the Tikehau Impact Lending fund aims to reach between €350m and €400m.

What else do you do to encourage companies to move in this direction?

Our impact lending strategy helps the managers of funded companies take an ambitious impact approach and provides them with more favourable financing conditions if they achieve their sustainability goals. The fund's management also relies on our internal expertise and Tikehau Capital's network of ESG and climate experts to enable portfolio companies to increase their sustainable product and service offerings and/or improve the management of their operations (human capital, supply chain, etc.).

Our impact lending strategy seeks to help the managers of funded companies take an ambitious impact approach and enable them to benefit from more favourable financing conditions if they achieve their sustainability goals.

≈ € **100** m

amount raised in first closing

Between € **350** m
and € **400** m

final fundraising target

* Approved on 24 June 2015 by the European Parliament, the new European investment plan, known as the "Juncker plan", aims to stimulate the economy by bridging the investment gap in Europe.

HUMAN CAPITAL

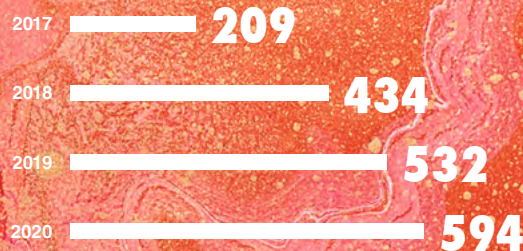
41%

female workforce

26

nationalities

GROUP HEADCOUNT TREND



As of 31 December 2020



Emmanuelle Costa

Head of Human Capital

What measures have been taken to address the health crisis?

Even in normal times, health, safety and well-being in the workplace are high on the Group's list of priorities, and our success is closely linked to that of our people. In France, these topics are regularly discussed by representatives at Social and Economic Committee meetings.

This commitment meant that we were able to react swiftly as soon as the pandemic first hit in Asia. The first measure we took was put together an ad hoc Covid-19 committee with representatives from general management, HR, IT, general services, compliance, the legal department and communications, as well as employee representatives. Overseeing all developments related to this unprecedented health context, and working continuously to address Tikehau Capital's global operations, this committee has adapted prevention, organisation and communication (both internally and externally) to respond to the changing situation and local regulations.

How did the Group ensure continuity across its operations?

From the outset, Tikehau Capital adopted a Business Continuity Plan (BCP) to mitigate the disruption caused by the health crisis and the restrictions on daily operations. This included ensuring that operating systems continued to function safely and without disruption during the pandemic. Through this plan and the work of committees, the Group was able to swiftly adapt to the specific requirements of each country where it operates. The IT and compliance teams ensured that the BCP was fully operational and that each employee was able to work remotely. This also involved advising staff and providing them with daily assistance via their applications.

What lessons have you learned from this experience?

Our ability to adapt and react to an unprecedented context proves the relevance of our business model. Since the company was founded, it has promoted both team and entrepreneurial spirit, encouraging freedom of initiative and the ability to adapt and work together. These qualities were all tested

Taking the best possible care of our teams is crucial to their commitment.

during the health crisis. These community values would not exist without an unwavering determination to ensure the safety and well-being of employees. For example, in autumn 2020, we offered free Covid testing to all employees as it was still difficult to get tested in Paris. Similarly, remote sports and yoga sessions were set up to encourage physical activity despite closures. We have also stepped up the number of virtual conferences on various themes (energy transition, Brexit, regular updates on Tikehau Capital's business, etc.) with general management and internal and external experts to safeguard the "culture of curiosity" that is so dear to Tikehau Capital and its employees. Taking the best possible care of our teams is crucial to their commitment. This is a fundamental principle underpinning our culture.

DIVERSITY BY DESIGN

We believe in critical and original thinking, enhanced by diversity in backgrounds and perspectives. We therefore pay particular attention to gender balance and diversity at all levels and in all company activities.

We began setting targets and deadlines for gender balance in management in March 2020. The aim is to reach a minimum of 22% women in Managing Director positions in 2022, 30% in 2026 and 40% in 2029.

Leading women at Tikehau Capital



Carmen Alonso
Head of UK and Iberia



Cécile Mayer-Lévi
Head of Private Debt



Nathalie Bleunven
Head of Corporate Lending



Erika Morris
Senior Co-Portfolio Manager



Emmanuelle Costa
Head of Human Capital



Nathalie de Mortemart
Head of Corporate & Securities Law



Olga Kusters
Head of Secondary Private
Debt Funds



Elizabeth Ryan
Head of Transaction Management



Anne Le Stanguennec
Head of Internal Audit



Laura Scolan
Head of France and Director
of Operations – Private Debt



Anne Maillé
Head of Compliance and Internal
Control at Tikehau IM



Laure Villepelet
Head of ESG

PRIVATE DEBT

EXPERTISE PROFILE



- Financing solutions at all levels of the capital structure
- Senior and stretched senior debt, unitranche financing, mezzanine debt and preferred equity, PIK financing
- Main companies targeted
 - Revenues: €30m – €2bn
 - Value: €50m – €2bn
 - All sectors in Europe



Cécile Mayer-Lévi

Head of Private Debt

Tell us more about the private debt business in 2020.

Tikehau Capital's private debt assets under management increased by €700m in 2020 to €9.3bn, up 8.2% from 2019. We have also been very proactive in terms of new products. For example, the fifth generation of the Direct Lending fund (TDL V) was successfully launched and had €700m under management by end-2020. We also set up two new strategies: a secondary private debt fund

(TPDS) and a first private debt impact fund (TIL) with a starting amount for each of around €100m as of 31 December 2020.

As with the TDL V fund, the TIL fund, focusing on the Corporate Lending strategy, offers financing with ESG ratchets, which are interest rate adjustment mechanisms based on the achievement of ESG goals set with management (see page 28). Lastly, we also launched the preliminary phase of a sixth CLO (collateralized loan obligation).



How have you managed the pandemic and its repercussions?

Lockdown weighed heavily on business over the first two quarters, but we caught up in the second half of the year. Tikehau Capital has played a key role as a committed stakeholder for both companies and investors since the crisis began. The Group has innovated to offer the companies in which it invests the most flexible and appropriate legal and financial structures for their situation. We seek to meet their needs at an unprecedented and difficult time, whether it is with PIK loans, mezzanine, unitranche or stretched senior debt. At the same time, we have consistently sought to generate attractive returns for our investors, while focusing on capital preservation, enabling us to continue growing despite a challenging context.

Why is this crisis an important test for direct lending?

Direct lending boomed in the wake of the global financial crisis in 2008, filling the gap left by bank financing. It now plays a systemic role in the financing of mid-sized companies, particularly to finance acquisitions. But this asset class has never before been confronted with an economic crisis. There were concerns about the consequences of a recession, due to too much focus on mid-sized companies and excessive leverage. The fact is that our portfolio of companies is very diversified in terms of region, sector, size and type

of operation and they usually have a strong financial shareholder on board. Moreover, these companies have shown that they can be very responsive, and we have been able to work closely with them to get through these difficult times. The initial fear of pressure on corporate liquidity levels turned out to be unwarranted due to the swath of preventive measures pushed by governments and central banks. The amount of cash held by these companies is now close to pre-crisis levels.

What are the prospects for 2021?

No major shift is expected in the direct lending segment, but rather an acceleration leading to a relative increase in market share at the expense of banks. This asset class is intended for long-term investments and the impact of the Covid-19 crisis on private debt fund yields is likely to be fairly small. With interest rates still low or even negative, yields on private debt for investors will remain attractive. This year, the focus will be on sectors that are resilient to Covid-19, such as IT consulting, software, B2B services, financial services, food and health.

The Group has innovated to offer the companies in which it invests the most flexible and appropriate legal and financial structures.

€ 9.3_{bn}

**in assets under management
+8.2% vs. 2019**

€ 1.4_{bn}

**invested
via 35 Direct/Corporate Lending
transactions in 2020**

As of 31 December 2020

ESG RATCHETS TO COMBINE SUSTAINABILITY AND PERFORMANCE

The pandemic has highlighted the importance of environmental, social and governance (ESG) considerations and their economic impact. Since 2015, Tikehau Capital has regularly included clauses requiring borrowers to commit to ESG progress and reporting. In 2020, the private debt team went even further in integrating ESG into the investment process. It introduced ESG ratchets into the transactions it structures, making the Group a pioneer in this respect.

Encouraging companies to integrate ESG targets into their strategy and reach them

A ratchet is a trigger that lowers the interest on a loan by a predefined amount. This mechanism already exists on financial criteria such as the leverage ratio. On the same principle, the Group's private debt teams typically negotiate between three and five relevant ESG criteria and ambitious related targets with the company and/or the company's equity sponsor. When annual targets are met, borrowers are rewarded with an interest rate margin reduction of between -5 and -25 basis points. The mechanism could also include a slight increase if the targets are not met.

Making it easier for intermediaries companies and SMEs to embrace ESG, regardless of size

ESG ratchets embody our belief that sustainability and performance are inseparable. This mechanism remains rare among mid-sized companies and SMEs, as they are considered riskier from a credit point of view: only \$3.2bn of the \$86bn of ESG ratchet loans in 2020 will be for non-investment grade companies. While some question whether SMEs and mid-sized companies are mature enough to determine their ESG roadmap, we believe that our role as a sparring partner can effect positive change by negotiating relevant and ambitious ESG targets.

RATCHET MECHANISM



AN EXAMPLE



Profile

IT services player with a focus on operations and consulting

Headcount

+2,500 FTE*

Strategic development approach

attract and retain talent

ESG targets applied

- Maintain excellent Great Place To Work® and EcoVadis scores
- Develop training and increase managerial diversity
- Obtain a globally recognised ESG certification (ISO 26000, B Corp, etc.)

* Full-time equivalent.

OVERVIEW

PRIVATE DEBT IN 2020

Novo 2020: Tikehau Capital selected to manage new investment fund

The Group is already in charge of managing the Novo2, Novi1 and Novo 2018 investment funds and was selected to manage a new investment fund in December. Novo 2020's mission is to provide long-term growth and development support to French SMEs by offering suitable senior financing solutions.

The fund already had almost €115m invested as of 31 December 2020.

Launch of a secondary private debt fund

Tikehau Capital created its first secondary private debt fund in May 2020, investing in an as yet immature market. This new offer should enable the Group to meet private debt investors' needs, while leveraging its recognised expertise in this area.

A first closing took place in December 2020 for €85m, underwritten by Tikehau Capital.

New awards for Tikehau Capital

Private Debt Investor

AWARDS 2020

- "Lender of the year" award
- "Global Newcomer of the Year" award (for secondary private debt)

Growth stories

Examples of companies supported in 2020



Powersport Distribution Group (PDG) is a leading European motorbike parts and accessories distribution group based in the Netherlands. Tikehau Capital supplied funding for the acquisition of Motorcycle Storehouse, a European leader with the largest selection of premium brands in the motorbike parts market, thereby cementing PDG's position as the European market leader.



VetOne is a group of veterinary clinics for dogs and cats throughout France. The new financing line set up by Tikehau Capital, a partner of the company since 2019, will finance the development of the Group's platform through the acquisition of several veterinary clinics and contribute to the financing of its growth strategy as the sector consolidates.

REAL ASSETS

EXPERTISE PROFILE



- Investing in all real estate asset categories (offices, retail, logistics, hotels, residential), either existing or to be redeveloped in Core, Core+ or Value Added strategies
- Creating and improving infrastructure in key sectors in North America
- Strong momentum for our subsidiaries
 - IREIT Global, first Singapore-listed real estate investment trust to invest in a European property portfolio
 - Sofidy, French leader in SCPI
 - Star America Infrastructure Partners, manager and developer of infrastructure assets in North America



Frédéric Jariel

Co-head of Real Estate activity

How did the health crisis affect performance in 2020?

Given the economic consequences for the real estate sector, our business has held up well. Our assets under management increased by 12.6% to €10.3bn. This €1.2bn in growth comes from net inflows of €900m and a scope impact of €500m following the acquisition of the American management company Star America Infrastructure Partners in July 2020.

What were the highlights?

Several transactions took place during the year, despite the crisis. The first was the closing of the Tikehau Real Estate Opportunity 2018 – TREQ 2018 in February. This is the Group's first pan-European fund dedicated to an opportunistic and value-added strategy, which has already made several acquisitions and €755m in assets at the end of 2020. At the same time, IREIT Global finalised the acquisition of its Spanish portfolio, purchasing the remaining 60% of four properties in the established office districts of Madrid and Barcelona from Tikehau Capital for €136.4m.

Despite a slowdown in investment over the year, work has been intense. At the end of 2020, several pre-sale and exclusivity agreements were signed.

**Several transactions
took place during the year,
despite the crisis.**

How is 2021 shaping up?

2021 will be challenging and we will see winners and losers from the crisis. However, we remain convinced that our strategies, particularly asset conversion, continue to make sense in this context. Every crisis creates opportunities that must be boldly seized. For Tikehau Capital's real assets business, pre-sale agreements made at the end of 2020 have already started to take shape. One example is the recent acquisition of an office building in Brentford, UK, for a mixed-use, predominantly residential conversion project. In terms of asset management, the approval of ambitious plans to rebuild Maidenhead town centre, near Windsor, also reflects the strategy's positive momentum. This mixed-use scheme, in which Tikehau Capital is a partner, aims to develop more than 600 flats, 30,000m² of new office space, and 60 shops and restaurants.

€ **10.3**bn

assets under management
+12.6% vs. 2019

2,642

analysed projects

As of 31 December 2020

€ **6.7**bn

assets under management
+7% vs. 2019

23%

of Group assets under
management

**If SOFIDY has managed to get through
2020 without mishap, it is thanks
to a thirty-year asset strategy based
on several major principles: a high level
of sharing asset ownership, broad
diversification in asset types, tenants
and regions, and a cautious
and selective acquisition policy focused
on location quality.**



Guillaume Arnaud

Chairman of SOFIDY's management board

TREO: ASSET CONVERSION ASAN IMPACT STRATEGY

In 2020, Tikehau Capital finalised the closing of its Tikehau Real Estate Opportunity 2018 (TREO) fund with €560m raised, taking its AUM to €755m. Launched in 2018, TREO is the first pan-European discretionary real estate fund dedicated to a value-added strategy. The principle is to acquire assets with the potential to be repositioned on their market, rotated or refurbished to increase their rental yield and, ultimately, their value.

To achieve this, TREO's investment teams deploy an asset and use conversion strategy. The fund acquires obsolete properties and then works with local authorities to obtain building permits to convert the property to more mixed use and create new generation buildings.

Through this strategy, TREO also seeks to make a tangible impact in terms of compliance with ESG criteria. Examples include the mixed-use redevelopment of the Charenton-Bercy site (offices, shops, housing, leisure activities), the regeneration of town centres in Maidenhead and Orpington (UK) and the refurbishment of offices in Milanofiori (Italy).

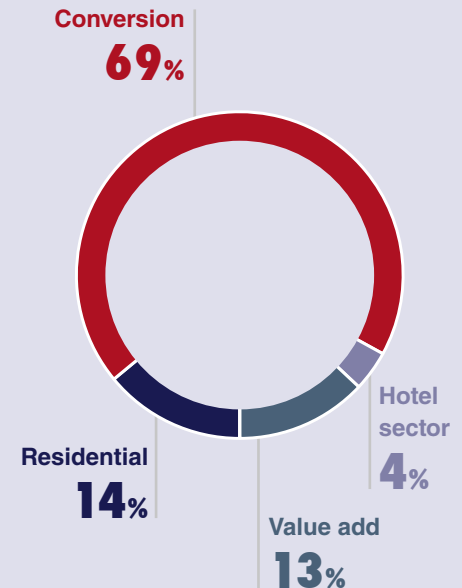
These new buildings use less power and emit less greenhouse gases. Urban redevelopment also reduces transport-related pollution.

In terms of welfare, residential redevelopment projects often create new social housing. As energy consumption falls, so do the associated costs. Similarly, changing the use of existing buildings better meets the needs of local authorities and their communities, and facilitates well-being for residents.

Governance takes the form of an ongoing dialogue between owners, occupiers and operators, as well as monitoring the ESG performance of the assets in the portfolio.

Converting buildings and urban areas already creates added value, which is increased by the application of ESG criteria.

INVESTMENT STRATEGY



LABELS AND CERTIFICATES



INFRASTRUCTURE

Insights into the US market outlook



Christophe Petit

Co-founder and President
of Star America Infrastructure Partners

Can you describe the context of why US infrastructure needs to be rebuilt and the Biden administration's plan?

The poor state of infrastructure in the United States is hardly new and is the result of decades of underinvestment. For example, every day, 188 million crossings are made on structurally compromised bridges (9.1% of bridges)! The Biden administration intends to address this problem by launching "Build Back Better", a \$2.4 trillion stimulus package that aims to be transformative. This is not just about repairing and modernising, but doing so sustainably, with a focus on climate-related priorities.

How does this plan create investment opportunities?

Unlike much of the developed world, the US tends to rely on public players (federal, state and local governments) to finance large-scale infrastructure projects. However, the pandemic has compounded their fiscal challenges, making private sector involvement increasingly relevant. In this respect, public-private partnerships ("PPPs") offer interesting and creative ways to support the Biden Plan, especially as they can be used in all the sectors it covers. PPPs can reduce public deficits by delaying government payments until a project is completed, for example, or by potentially transferring the entire financial risk to the private developer.

How does its execution relate to Star America Infrastructure Partners' strategy?

As well as being a trusted partner in the rebuilding of US infrastructure, we also focus primarily on PPPs in four sectors that are fully aligned with the Biden plan: transport, social infrastructure, environment and telecommunications. In addition, our experience as a solution provider implementing PPPs for the first time in various states will give us a clear advantage when carrying out projects in cooperation with the public sector.

What are the practical issues at stake?

Key considerations include the immediate spending of \$50bn to repair existing roads, highways and bridges, \$20bn for rural infrastructure and \$100bn for public school buildings to stimulate new construction and renovation. All told, the administration plans to spend \$7 trillion over the next decade to combat climate change, so this is just the beginning.

OVERVIEW

REAL ASSETS IN 2020

Final closing of the Tikehau Real Estate Opportunity 2018
(TREO 2018) fund at €755m.

Successful completion of IREIT Global's capital increase
for approx. €89m.

Acquisition of Star America Infrastructure Partners,
a US-based independent management company that develops and manages medium-sized infrastructure projects in North America.

PRIVATE EQUITY

EXPERTISE PROFILE



- Supporting the development of unlisted growth companies in Europe
- Active minority investor positioning – Non-takeover situations
- Broad sector and geographical coverage



Emmanuel Laillier

Head of Private Equity

How has the private equity business contributed to the increase in Tikehau Capital's assets under management?

At end-2020, Tikehau Capital's private equity assets under management stood at €3.5bn, an increase of 73.3% compared to 2019! Moreover, with €1.6bn in inflows, it is the largest contributor to the Group's total net inflows of €4.2bn. Of the €27.4bn of Tikehau Capital's asset management business, private equity now accounts for 13% (up from 8% a year earlier). Ongoing rebalancing of the product mix also boosted operating income, as management fee rates were higher than average (>150bp compared to 92bp). Lastly,

we pursued our very selective investment strategy: out of 747 opportunities studied, only 39 led to investment decisions.

What were the key transactions of 2020?

Ace Capital Partners, our subsidiary specialised in the industrial and technological sectors, scored a major success in a tender organised by Airbus, Dassault Aviation, Safran, Thales and with the support of the French government. It was chosen to exclusively manage the Ace Aero Partenaires fund, which is designed to provide equity support to the French aerospace industry. By end-2020, this fund had raised €750m*, of which €230m from Tikehau Capital's balance sheet in line with the Group's alignment of interests strategy. Tikehau Capital also acquired a stake in Ekimetrics (European leader in the deployment of Data Science solutions) and completed the final closing of its Tikehau Growth Equity II fund (€374 million), which was awarded the "Relance" label in November 2020.

* The government (€200m), Airbus, Dassault Aviation, Safran and Thales (€200m) and Crédit Agricole Group (€100m).



A minority partner is able to provide the portfolio company with sector expertise, operational support and a network.

Private equity takes many forms. How does growth capital generate financial out-performance?

Growth capital supports the entrepreneur in their growth strategy by becoming a shareholder-partner (often a minority shareholder) of their already profitable company through an injection of capital. Investment decisions remain the responsibility of the entrepreneur. They therefore depend on the talent of the management team and the quality of the company's governance. Further, a minority partner is able to provide the portfolio company with sector expertise, operational support and a network. All these elements create value for the investor, the company and the economy in general.

What are your plans for 2021?

In the first quarter, the closing of the T2 Energy Transition fund was finalised with over €1bn raised (see opposite). At the same time, the Ace Aero Partenaires and Brienne III (the first French investment fund dedicated to financing innovative cybersecurity companies) funds are still being raised. The development of our new business in Germany and the launch of a secondary private equity business in Asia are part of our international expansion strategy. And to increase the distribution of its strategies to individual investors, Tikehau Capital has just joined forces with CNP Assurances to launch a new unit-linked product giving them access to private equity in the energy transition sector via our T2 Energy Transition fund.

€ **3.5** BN

in assets under management
+73.3% vs. 2019

€ **1.6** bn

inflow
First contributor
to the Group's total
net inflows of **€4.2bn**

As of 31 December 2020

ESG BY DESIGN



Pierre Abadie

Co-head Private Equity Energy
Transition Strategy

How is the energy transition central to economic recovery?

The sanitary crisis revealed a need to step up the pace in this area. It now seems obvious that in order to make our world more resilient, we need to develop a more local, circular and energy self-sufficient economy as quickly as possible. At the same time, if we want to limit global warming to less than 2°C, we have 3,000 days (10 years) to halve the CO₂ emissions of our economy. This means that post-Covid recovery is now inextricably linked with the energy transition.

But how can it be financed?

We are the first generation to feel the effects of climate change and the last to be able to act in time. Over the short and medium term, it is vital to invest massively in the rapid transition of our current production system to a low-carbon model. Global savings held by large institutional investors are estimated at €80 trillion. To limit global warming to 1.5°C within 10 years, the International Energy Agency estimates that the additional financing needed for our energy system is €7.5 trillion. Asset managers must therefore allocate less than 10% of these savings to promising sectors that will enable us to make the transition to a low-carbon world. It can be done.

This is what your T2 Energy Transition fund is all about...

Absolutely. In 2018, Tikehau Capital, with the support of the Total Group, launched the T2 Energy Transition fund, a unique global private equity platform dedicated to the energy transition. It aims to support European SMEs and mid-sized companies (ETIs) offering products and services that respond to the climate change emergency and propel the transition to a low-carbon economy. In line with our policy of aligning interests with those of our clients, we have committed €100m to the fund. To date, Tikehau Capital has already raised over €1bn through this fund and deployed €440m in six companies in Europe in the sectors of clean energy generation, low carbon transport and energy efficiency.

FOCUS ON THE T2 ENERGY TRANSITION FUND

+€1bn
raised

≈ 160

LPs engaged

46%

of investors from
outside France

€440m

invested in 6 companies actively
contributing to the energy transition

Amarenco, Crowley Carbon, Enso,
Eurogroup Laminations, GreenYellow,
Groupe Rougnon

Top tier investors

Banca March, Bpifrance, CNP Assurances,
Fonds européen d'investissement,
NYCers, Total

OVERVIEW

PRIVATE EQUITY IN 2020

Final closing of Tikehau Growth Equity II fund at €374m

The Tikehau Growth Equity II (TGE II) fund launched in 2018 closed its subscriptions with €374m of assets under management (+30% compared to the previous programme). This pan-European fund aims to support innovative and growing SMEs and mid-sized companies that are building a local and circular economic system, accelerating the digital transformation or contributing to a robust healthcare system.



Launch of Ace Aéro Partenaires, the fund that supports the aerospace industry

Our role is to promote aerospace consolidation. We are working to help safeguard, rehabilitate and strengthen the supply chain of this leading industry.

Through its subsidiary Ace Capital Partners, Tikehau Capital has been selected to exclusively manage a fund designed to support the aerospace industry through the current crisis. This call for tenders, backed by the French government and led by the major industrial companies Airbus, Safran, Thales and Dassault Aviation, highlighted the Group's expertise and know-how in this sector. Ace Aéro Partenaires was launched in July and made its first transaction at the end of October by taking over the activities of the Aries Alliance group, a critical subcontractor for the entire aerospace industry. As of 31 December 2020, the fund already had €750m in assets under management, of which €230m from Tikehau Capital.



Marwan Lahoud

Executive Chair
Ace Capital Partners



Growth stories

Examples of companies supported in 2020

Ekimetrics.

Ekimetrics helps large and mid-sized companies build data assets and use Data Science and Artificial Intelligence to develop strategies for sustainable and ethical business practices.

The investment aims to:

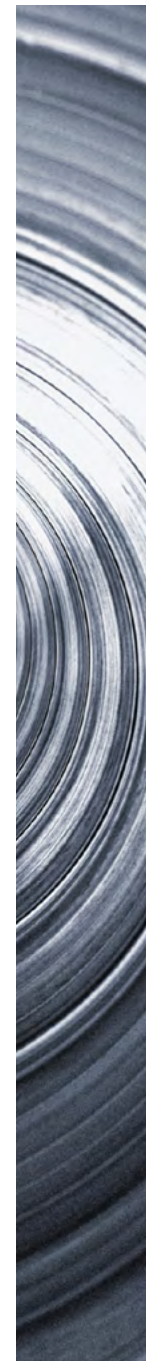
- Extend the company's geographic reach in the US and China
- Strengthen its technological capability
- Deploy its new advanced data platform

AMARENCO

Amarenco designs, develops, finances, acquires, manufactures and operates medium to large-scale solar infrastructure and has successfully completed over 2,000 solar infrastructure projects.

The investment aims to:

- Finance the company's growth in Europe, the Middle East and Asia, while allowing it to remain an independent company run by its founders



CAPITAL MARKETS STRATEGIES

EXPERTISE PROFILE



- **CREDIT:**
High Yield, Investment Grade corporate and subordinated instruments, mostly European and Asian
- **EQUITIES:**
Selection of all-cap stocks



Raphaël Thuin

Head of Capital Markets
Strategies


What is your view of the unprecedented year we experienced in 2020?

The year will undoubtedly be remembered for one of the latest stock market crashes in history and a massive rally in the same six-month period that resulted in unprecedented quarterly gains. The pandemic and the resulting economic standstill have generally led to a significant increase in uncertainty and volatility. But the clearest phenomenon was the return of dispersion as the market polarised between over- and under-performers, the winners and losers of the crisis. This trend was evident for the most lockdown-resistant stocks – in technology – which clearly stood

out at the expense of the more cyclical stocks most affected by the health restrictions. This dichotomy is also observed in the bond market. Higher quality securities outperformed others, as illustrated by spreads widening between investment grade and high-yield instruments to multi-year highs.

How has this environment translated into performance for your fund?

Despite the challenging conditions in 2020, the Capital Markets Strategies business proved to be resilient, confirming the wisdom of our approach to the markets. Our assets under



There are opportunities, but seizing them will require a great deal of fundamental analysis and selectivity.

management increased by €400m (+9.8%) to €4.2bn in assets over the full year. This growth was the result of a net inflow of €300m and a positive market impact of €100m. Lastly, in a volatile market that favoured fundamental stock-picking, the entire equity and bond range performed well. Most strategies ended the year with a positive performance and outperformed their benchmark.

What are your expectations and approach for 2021?

While we must be prudent about the health situation, in 2021, the economic context will be characterised by the strength of the economic recovery. This outlook is supported by continued accommodative monetary policies and aggressive fiscal measures. The fundamental context is therefore favourable for risky assets. Nevertheless, we are keeping a watchful eye on valuations, which are currently high in an uncertain environment. On the equity side, it is important to remain

disciplined, continuing to invest in the best quality companies, which should benefit from the economic rebound, while showing resilience in a valuation adjustment scenario. In bonds, we believe that market dispersion has created opportunities for spread tightening on the high yield side. Some sub-segments, such as subordinated financial debt, are particularly attractive. There are opportunities, but seizing them will require a great deal of fundamental analysis and selectivity. Generating financial performance will therefore be more about stock picking than about asset allocation.

€4.2BN

in assets under management
+9.8% vs. 2019

11

funds with
LuxFlag ESG certification



As of 31 December 2020

MEASURING AND REDUCING OUR FUNDS' CARBON FOOTPRINT

Tikehau Capital is working to reduce the impact of human activities on the environment and the climate, and is committed to measuring the carbon footprint of its main portfolios. We are aware that our portfolios' carbon footprints come mainly from the companies' invested debt or equity. We have commissioned S&P Trucost Limited (Trucost), a leading expert, to carry out carbon assessments of all of our Capital Markets Strategies funds as of 31 December 2020.

To achieve this and following the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), Tikehau Capital uses three indicators:

- capital footprint allocated per million euros invested
- carbon intensity per million euros of sales held
- carbon intensity weighted average, taking into account the weight of the companies in the portfolio (scopes 1, 2 and 3*)

Funds that perform significantly better than their benchmarks

According to this last indicator and based on public or modelled data, Trucost's analysis shows that the bond funds managed by Tikehau Capital perform significantly better than their benchmarks. This is especially true of the Tikehau Credit Plus, Tikehau 22 and Tikehau 27 funds.

To a lesser extent, the same is true of the two main equity funds managed by Tikehau IM - InCA (Tikehau International Cross Assets) and TES (Tikehau Equity Selection) - which have a lower weighted average carbon intensity than their benchmark.

Whether for equity or bond funds, this assessment highlights the efficiency of controlled sector exposure and allocation choices taking a fundamental analysis approach to reducing carbon emissions in the portfolio.

New CO₂ emission reduction targets in 2021

This carbon footprint measurement is part of a broader strategy to integrate ESG criteria and uphold the Group's commitment. It also consists of identifying companies likely to present ESG risks and systematically taking a position when resolutions on these subjects are presented at general meetings. It also includes updating ESG assessments in annual reporting and publishing the results of the ESG and climate analysis for each fund.

In early 2021, the Capital Markets Strategies teams set a goal of raising their CO₂ reduction targets through disciplined investment and reducing the carbon footprints of their funds. They now target 20% outperformance of the main portfolios they manage on scopes 1 and 2.



* Scope 1: greenhouse gases emitted directly by companies from their fixed or mobile installations controlled by the organisation
 Scope 2: indirect emissions related to energy consumption to produce their goods and services
 Scope 3: other indirect emissions occurring upstream or downstream in the value chain

OVERVIEW

CAPITAL MARKETS STRATEGIES IN 2020

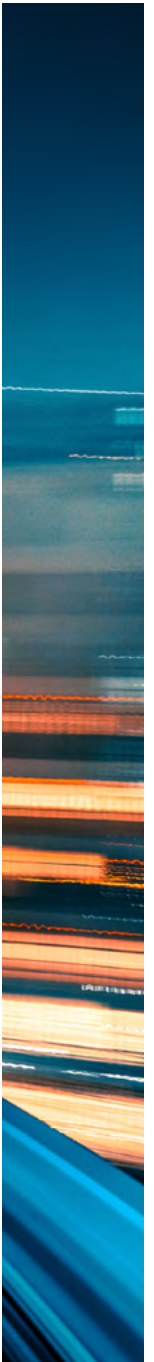
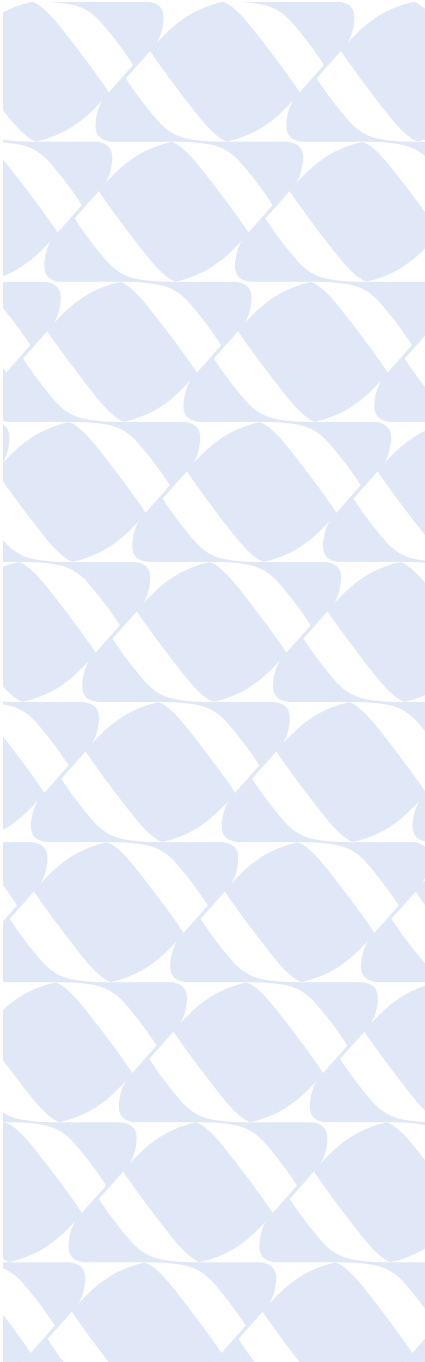
Launch of Tikehau 2027, a new maturity fund

Like its predecessors, this third-generation dated fund is primarily a conviction fund, with investment based on long-term fundamental analysis of the issuer.

Tikehau 2027 invests mainly in high yield corporate debt and financial subordinated debt (up to 25% of the fund's net assets). The fund has a value approach to high yield credit and is actively managed, including cash and cash equivalents.

Tikehau Capital wins awards for excellence in management and funds

In 2020, the Tikehau 2022, Tikehau *Crédit Court Terme* and Tikehau Equity Selection funds received six prestigious Refinitiv Lipper Fund Awards in France, Switzerland and Europe. These awards recognise the consistent and solid performance of our funds.



SPONSORSHIP & PARTNERSHIPS

Tikehau Capital proactively supports urgent causes and initiatives and projects that uphold the values the Group believes in. All the charities and partners are supported over the long term.

Titicaca Challenge: support for Théo Curin

Amputated of all four limbs following a devastating bout of meningitis at the age of six, Théo Curin overcame his disability by swimming. In 2020, this Paralympic athlete left the pool to set himself a new challenge: swimming across Lake Titicaca in South America. Together with two other top athletes, Malia Metella, Olympic silver medallist in swimming, and Matthieu Witvoet, eco-adventurer, Théo plans to cross this 122-kilometre lake located over 3,800 metres above sea level completely independently, using a raft specially designed for the purpose. The Group is proud to support this ambitious challenge: above and beyond the values of self-improvement, courage and teamwork which resonate with Tikehau Capital's culture, this expedition also highlights the predicament of Lake Titicaca, which is threatened by urban development and global warming, and provides assistance to disadvantaged local communities.



Supporting Covid-19 research

In early March 2020, Tikehau Capital provided significant support to Assistance Publique-Hôpitaux de Paris. This contribution accelerated research on Covid-19 and enabled the testing of innovative organisational solutions for monitoring patients at home.



Tackling hunger in the context of Covid-19

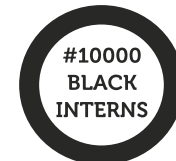
In summer 2020, Tikehau Capital took part in the Funds4Food initiative, a collaboration between various global financial players to help fight hunger amid the Covid-19 pandemic. The donations collected from the fund managers (\$1.9m in total) were donated to selected charities around the world.



Promoting diversity and encouraging inclusion

In the UK, Tikehau Capital is a partner of #100BlackInterns, an initiative to encourage diversity by addressing the under-representation of black talent in the investment industry.

As part of this programme, interns will join the Private Debt and Real Assets teams in summer 2021. An active and concrete 'by design' inclusion policy, which is currently being rolled out to the Group's other offices, notably in the United States.



CONTACTS

Paris

32, rue de Monceau
75008 Paris
FRANCE
Tel.: +33 1 40 06 26 26

London

30 St. Mary Axe
London EC3A 8BF
UNITED KINGDOM
Tel.: +44 203 821 1000

Amsterdam

ITO Tower – Gustav Mahlerplein 104
1082 MA Amsterdam
NETHERLANDS
Tel.: 31 20796 93 61

Brussels

IT Tower, Avenue Louise 480
1050 Brussels
BELGIUM
Tel.: +32 2894 0080

Frankfurt

OperrTurm
Bockenheimer Landstraße 2-4
60306 Frankfurt a.M.
GERMANY
Tel.: +49 175 9900499

Luxembourg

37A avenue J-F Kennedy
L-1855, Luxembourg
LUXEMBOURG
Tel.: +35 227 335 450

Madrid

c/Velázquez, 98, 6ª pl.
28006 Madrid
SPAIN
Tel.: +34 910481666

Milan

Via Agnello 20 – Galleria San Fedele
20121 Milan
ITALY
Tel.: +39 02 0063 1500

New York

412 West 15th St.
New York, NY 10011
UNITED STATES
Tel.: +1 212 922 3734

Seoul

18FI, Three IFC – 10 Gukjegeumyung-ro,
Youngdeungpo-gu
Seoul, 07326
KOREA
Tel.: +82 02 6265 8781

Singapore

1 Wallich Street #15-03 – Guoco Tower
Singapore 078881
SINGAPORE
Tel.: +65 6718 2111

Tokyo

Marunouchi Nakadori Building 6F,
2-2-3 Marunouchi Chiyoda-ku,
Tokyo 100-0005
JAPAN
Tel.: +81 3 5843 2770

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Tikehau Capital – Head office:
32, Rue de Monceau,
75008 Paris, France.
Tel.: +33 (0)1 40 06 26 26.
www.tikehaucapital.com

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