

Central and Eastern Europe Statistics 2009

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Edited by the EVCA Central and Eastern Europe Task Force



PEREP ANALYTICS



EUROPEAN
PRIVATE EQUITY &
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Since 2003, the EVCA Central and Eastern Europe Task Force has undertaken initiatives specifically aimed at the development and promotion of private equity and venture capital in the region of Central and Eastern Europe (CEE). Among its accomplishments, the Task Force published *Central and Eastern Europe Success Stories* in October 2004, and special papers dedicated to annual statistics for 2005, 2006, 2007, 2008 and 2009. The Task Force also seeks to develop CEE topics of interest in other EVCA publications and conferences. Information about the members of the Task Force may be found at www.evca.eu.

PEREP_Analytics

PEREP_Analytics™ is a centralised, non-commercial pan-European private equity database. Currently it is the joint statistical platform of EVCA and 18 national and regional private equity and venture capital associations across Europe, of which seven are from the CEE region: CVCA (Croatia), CVCA (the Czech Republic), EstVCA (Estonia), HVCA (Hungary), PPEA (Poland), SEEPEA (South Eastern Europe) and SLOVCA (Slovakia).

The quantitative and qualitative data collected via PEREP_Analytics serves:

- the needs of all stakeholders for market approach statistics
- the need for accurate, consistent and timely data
- the need for timely ad hoc analyses
- the intrinsic private equity market evolution, which has seen cross-border transactions become the norm, rather than the exception
- the needs of industry practitioners, investors, international organisations, governments and other stakeholders, all of which demand private equity statistics

Figures are updated on a continuous basis and are thus subject to change.

Disclaimer

The information contained in this report has been produced by EVCA, based on PEREP_Analytics data. Although EVCA has taken suitable steps to ensure the reliability of the information presented, it cannot guarantee the accuracy of the information collected. Therefore, EVCA cannot accept responsibility for any decision made or action taken based upon this report or the information provided herein.

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1. Introduction

This document provides annual activity statistics for the private equity and venture capital markets of Central and Eastern Europe in 2009. Similar statistics for 2008, 2007, 2006 and 2005 were published respectively in EVCA's *Central and Eastern Europe Statistics 2008* (published July 2009), *Central and Eastern Europe Statistics 2007* (published September 2008), *Central and Eastern Europe Statistics 2006* (published October 2007) and *Central and Eastern Europe Statistics 2005* (published November 2006). The statistics contained herein are based solely on the "market approach" (whereby information is compiled to show activity in a particular country), rather than the "industry approach" (which shows the activity of fund managers based in a particular country). EVCA believes this gives a more accurate picture of the overall investment trends and activities in the markets of Central & Eastern Europe (CEE) due to the predominance of regional funds and fund managers. For the purposes of this publication, CEE comprises the countries of Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine.

Amendments and reclassifications of prior years' statistics

All data reported in this publication is based on PEREP_Analytics, which is continuously updated and therefore subject to change. Continual updating strives to achieve the highest level of accuracy, however, the results depend on the timely submissions of information from private equity fund managers. The year 2007 was a start-up year for the PEREP_Analytics database and was put to a quality review in mid-2009. Due to this review, a number of amendments have been made to the historical data presented in earlier years' editions of this publication. The most material revisions and the reclassification are explained as follows:

2007 investments: The total 2007 investment figure reported in earlier years' publications of €3.0 billion has been revised to €2.3 billion. The main reasons are amendments to the actual closing dates of a number of larger transactions (mainly to 2008), as well as the elimination of some transactions that were deemed subsequently to not be of a private equity nature.

2007 divestments: The total amount of 2007 divestments at cost reported in previous years' publications of €586 million has been revised to €453 million. This was primarily due to elimination of divestment transactions that were reviewed and deemed not to be of a private equity nature and divestments closed in other time periods.

Reclassification: Historically, the venture segment was split into three stages: seed, start-up and expansion/development. Since 2008, the expansion/development stage has been split into two new stages: later-stage venture (still part of venture) and growth (no longer in venture). Please see page 30 for definitions. All deals have been reviewed and reclassified accordingly.

Due to the changes above, in order to present consistent historical data, we have added 2007 and 2008 restated statistics to the tables and figures in this publication. The statistics in 2006 and earlier periods remain as reported in earlier publications. If you have any questions or require further information regarding historical revisions, please contact EVCA.

Fundraising market in the region

- Fundraising for the CEE region in 2009 totalled €378m – down by about 85% on 2008. However, it should be noted that very few funds went out into the market in 2009 and the preceding years of strong fundraising meant that private equity firms investing in the CEE region had ample capital to invest.
- In 2009, CEE fundraising represented 2% of the total European funds raised during the year.
- Government agencies, meaning mainly multilateral institutions, became the leading source of capital for CEE funds in 2009, accounting for 30% of total funds raised.
- Close to 70% of the funds raised for the CEE region in 2009 originated from Europe.

Investment activity

- Against the backdrop of a decrease of nearly 60% in private equity investment levels in Europe as a whole, investment in the CEE region remained stable, at €2.5bn, in 2009.
- CEE companies accounted for nearly 11% of total private equity investment across Europe in 2009, up from 5% in 2008.
- Similar to 2008, investment activity in the CEE region was highly concentrated in five countries, with the Czech Republic, Poland, Romania, Hungary and Bulgaria accounting for 93% of the total investment value and 73% of the total number of companies financed in 2009.
- The Czech Republic alone accounted for nearly 60% of total CEE investment value, however this was driven by a small number of large investments in companies headquartered in the Czech Republic but active in several CEE countries.
- The number of companies financed with private equity in CEE dropped by about 40% compared to 2008, to 123. This compares with an 18% drop in Europe overall. By segment, the CEE result was driven by a 70% drop in venture-financed companies to 34, whereas the number of companies involved in buyouts and growth capital deals only dropped by 10% to 90.
- The total amount invested in buyouts in the CEE region went up by one fifth in 2009, to €1.8bn, whereas growth capital investments halved, to €391m.
- In 2009, the CEE private equity market was much more buyout-oriented than the total European market – buyouts accounted for 75% of CEE investment value, compared with 53% in Europe as a whole. This result was driven in part by a few large buyout investments.
- The overall amount invested in venture capital (€43m) decreased by almost two-thirds – triggered by a sharp drop in both later-stage and start-up investments.
- The consumer goods & retail sector attracted more investment than any other, accounting for €865m. The communications sector remained the most popular in terms of number of companies financed (32).

Divestment activity

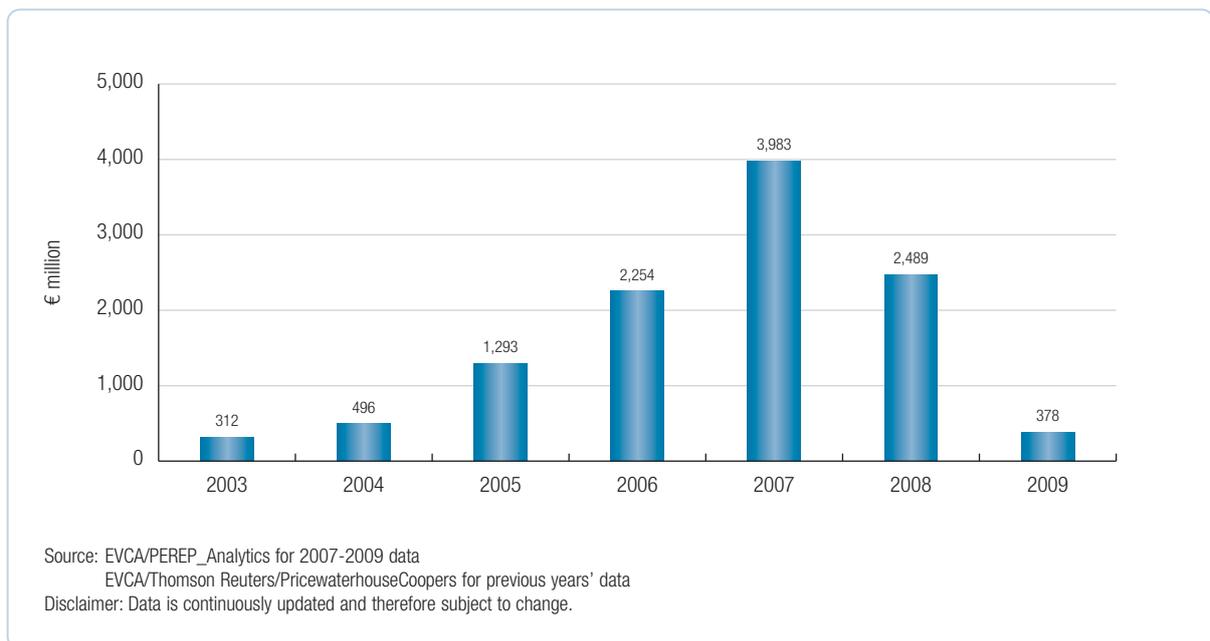
- Exit activity in the CEE region fell by 48% in 2009, in line with the wider drop in European exit activity (down 45% excluding write-offs).
- Sales to financial institutions (totalling €53m) accounted for the bulk of amount divested at cost (43%); by number of companies exited, trade sales took the lead, with seven companies.

3. Fundraising

In 2009, fundraising for the CEE region⁽¹⁾ totalled €378m - down 85% on 2008, but in line with the decline in European fundraising as a whole (80%). However, it should be noted that very few CEE funds went out into the market in 2009, and that the preceding years of strong fundraising meant that private equity firms active in the CEE region had significant capital to invest.

CEE fundraising represented 2% of the total funds raised in Europe in 2009, slightly less than in 2008 (3%). All fundraising in 2009 was by independent funds, with none by captives.

Figure 1: Fundraising for CEE private equity, 2003-2009



Most of the decrease in fundraising in 2009 (85% of the total) came from the year-on-year drop of 92% in buyout funds raised. Buyout funds, which accounted for about 80% of total fundraising in the CEE region in 2007 and 2008, accounted for only 39% of total funds raised in 2009. Mezzanine fundraising was the most stable, down by only 13% on 2008, at €140m. Commitments to venture funds reached €29m – 86% less than in 2008. About 90% of the capital committed to venture funds was to target later-stage venture. Growth capital funds raised only €6m, a 96% drop on 2008. However, it must be noted that fundraising in the CEE region remains subject to significant annual swings, depending on when CEE fund managers are in or out of the market for new funds. This is particularly true when analysing funds raised by financing stage.

⁽¹⁾ Fundraising for CEE includes funds raised by advisory teams based in the region and funds raised from teams outside the region that are 100% dedicated to the CEE region. The data does not include those funds that may allocate a portion of their capital to CEE but whose primary focus is elsewhere. As the vast majority of private equity funds raised for CEE were for the region as a whole – and not for any specific country – fundraising is presented here as a total pool of capital raised for the region.

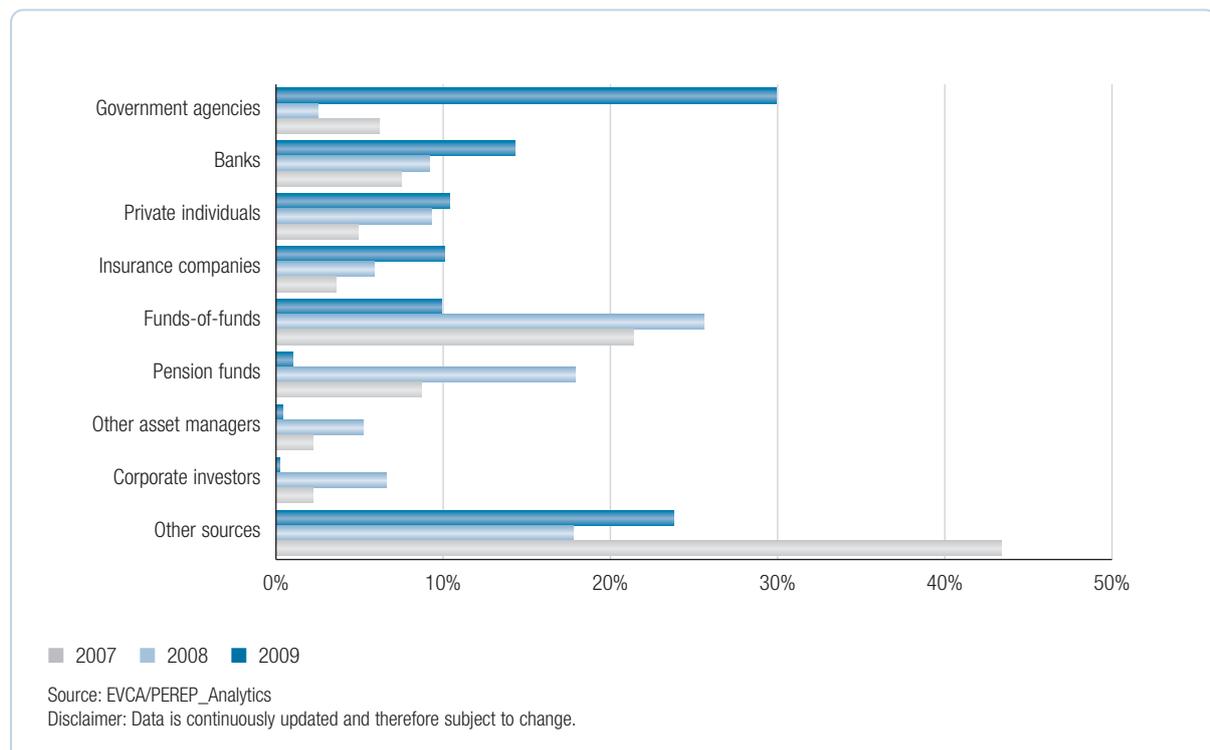
Table 1: Funds raised – incremental closings during the year, 2007-2009 (in € x 1,000)

	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
Funds raised by fund stage focus						
Early-stage	6,000	0.2	49,010	2.0	0	0.0
Later-stage venture	38,150	1.0	132,850	5.3	26,000	6.9
Balanced	32,700	0.8	28,200	1.1	3,000	0.8
Total venture	76,850	1.9	210,060	8.4	29,000	7.7
Growth capital	260,500	6.5	154,500	6.2	6,300	1.7
Buyout	3,277,630	82.3	1,893,250	76.1	146,140	38.7
Mezzanine	225,000	5.6	161,200	6.5	140,000	37.1
Generalist	143,470	3.6	69,610	2.8	56,070	14.9
Total funds raised	3,983,450	100.0	2,488,620	100.0	377,510	100.0

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

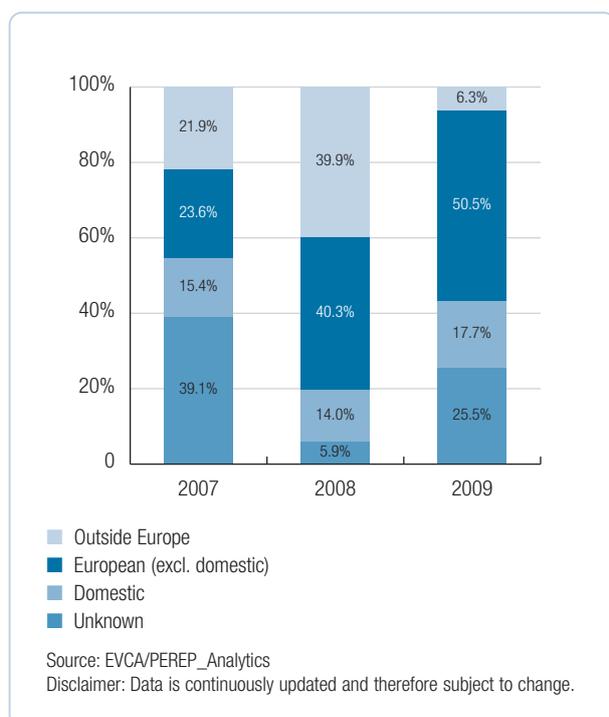
Government agencies (primarily multilateral institutions), which increased their commitments by 85% on 2008 (to €113m), became the main source of capital for CEE funds, accounting for 30% of total fundraising in 2009. Similar to the wider trend across Europe, commitments from funds-of-funds and pension funds, the two largest sources of capital in 2008, decreased dramatically (by some 96%). As a result, banks became the second-largest source of capital for CEE funds, accounting for 14% of total funds raised in 2009, despite committing only a quarter of 2008 levels.

Figure 2: Sources of capital raised for CEE private equity, 2007-2009 (% of total)



3. Fundraising

Figure 3: Geographic sources of funds raised for CEE private equity, 2007-2009



After a 15 percentage points year-on-year increase in 2008, European investors' share of total fundraising for the CEE region increased a further 14 percentage points in 2009, to 68%. About 70% of the funds committed by European Limited Partners (LPs) came from the UK. The capital raised from LPs located in the CEE region dropped along with the total fall in fundraising, but remained relatively stable as a share of the total (18%), far below the average level of funds raised domestically in the overall European market (51%).

As shown in Table 2 below, two funds reached final closings in 2009, down from 12 in 2008. However, the average amount of capital raised by these funds was €243m - 28% more than in 2008. This higher average was driven by the fact that all funds were in the buyout space.

Table 2: Funds raised – final closings in the year by independent funds – cumulative amount raised since inception, 2007-2009 (in € x 1,000)

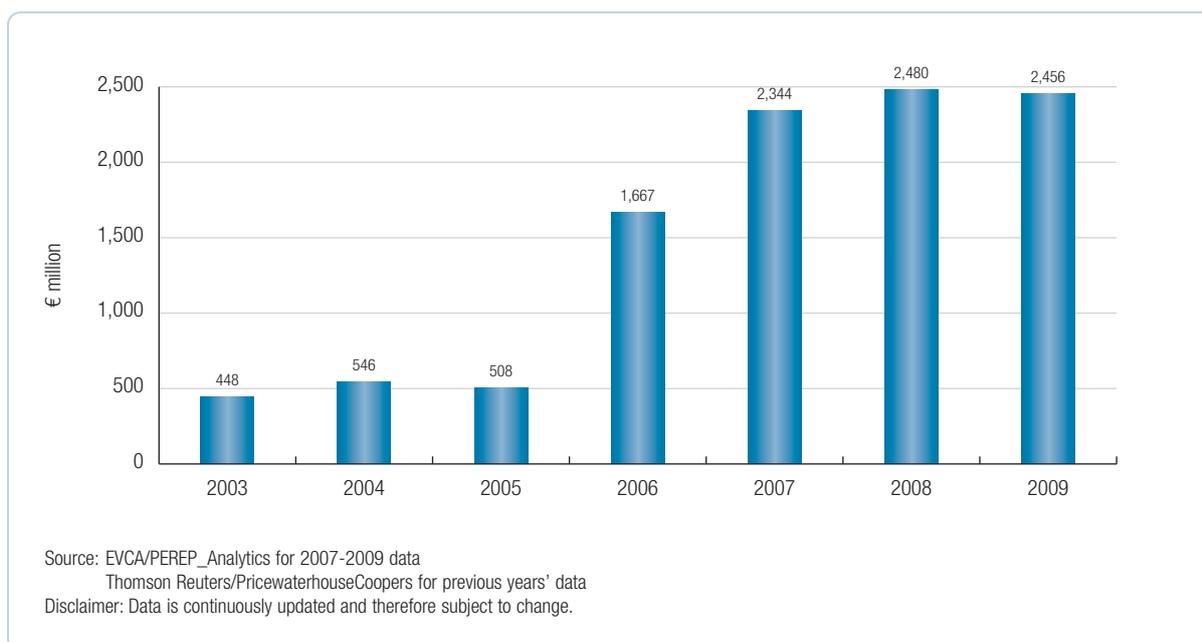
	2007		2008		2009	
	Amount	Number of funds	Amount	Number of funds	Amount	Number of funds
Funds raised by fund sectoral focus						
Early-stage	6,000	1	20,000	1	0	0
Later-stage venture	0	0	140,000	2	0	0
Balanced	32,700	1	28,200	1	0	0
Total venture	38,700	2	188,200	4	0	0
Growth	500,000	1	149,000	3	98,300	1
Buyout	3,321,670	8	1,577,650	3	388,290	1
Mezzanine	0	0	261,200	1	0	0
Generalist	0	0	100,000	1	0	0
Independent funds raised	3,860,370	11	2,276,050	12	486,590	2

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

4. Investment Activity

Private equity investment in the CEE region in 2009 totalled €2.5bn, similar to 2008 (€2.5bn) and 2007 (€2.3bn). This dynamic compared very favourably with Europe as a whole, where investment levels dropped by nearly 60% in 2009. Altogether, investment activity in the CEE region represented 11% of total investment in Europe in 2009, up from 5% in 2008.

Figure 4: Annual investment value in the CEE region, 2003-2009



Similar to 2008, investment activity in the CEE region in 2009 was highly concentrated in five countries: the Czech Republic, Poland, Romania, Hungary and Bulgaria. Together, they accounted for 93% of the total investment value in 2009 and 73% of the total number of companies financed.

The Czech Republic was the largest CEE investment market in 2009, attracting €1.4bn – nearly 60% of total CEE investment value. However, it should be mentioned that the exceptional level of investment recorded in the Czech Republic was driven by a small number of large investments, some of which were in companies active not only in the Czech Republic but also across the region.

Poland (€268m), Romania (€221m) and Hungary (€214m) came next in the investment ranking in 2009 although all three experienced a significant decrease in investment values compared to 2008 levels (down 58%, 24% and 55% respectively). Bulgaria replaced Ukraine among the top five countries comparing 2009 to 2008. The investment value in Bulgaria was twice that seen in 2008 (€184m), while investment in Ukraine fell by 87% to €38m. It should be noted that year-on-year changes in the reported investment amounts in individual CEE countries may be directly affected by a limited number of large transactions.

4. Investment Activity

Figure 5: Annual investments in CEE, 2007-2009 (no bank leverage included) (in € million)

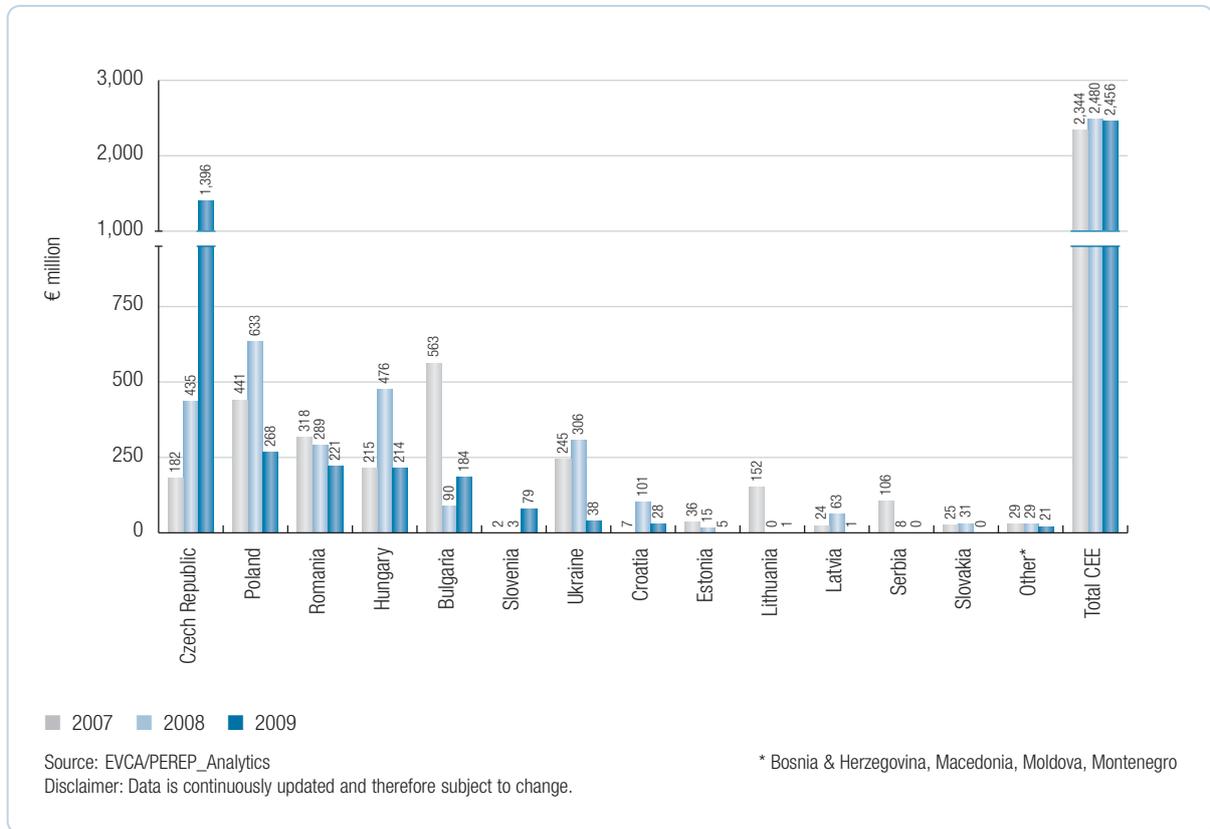
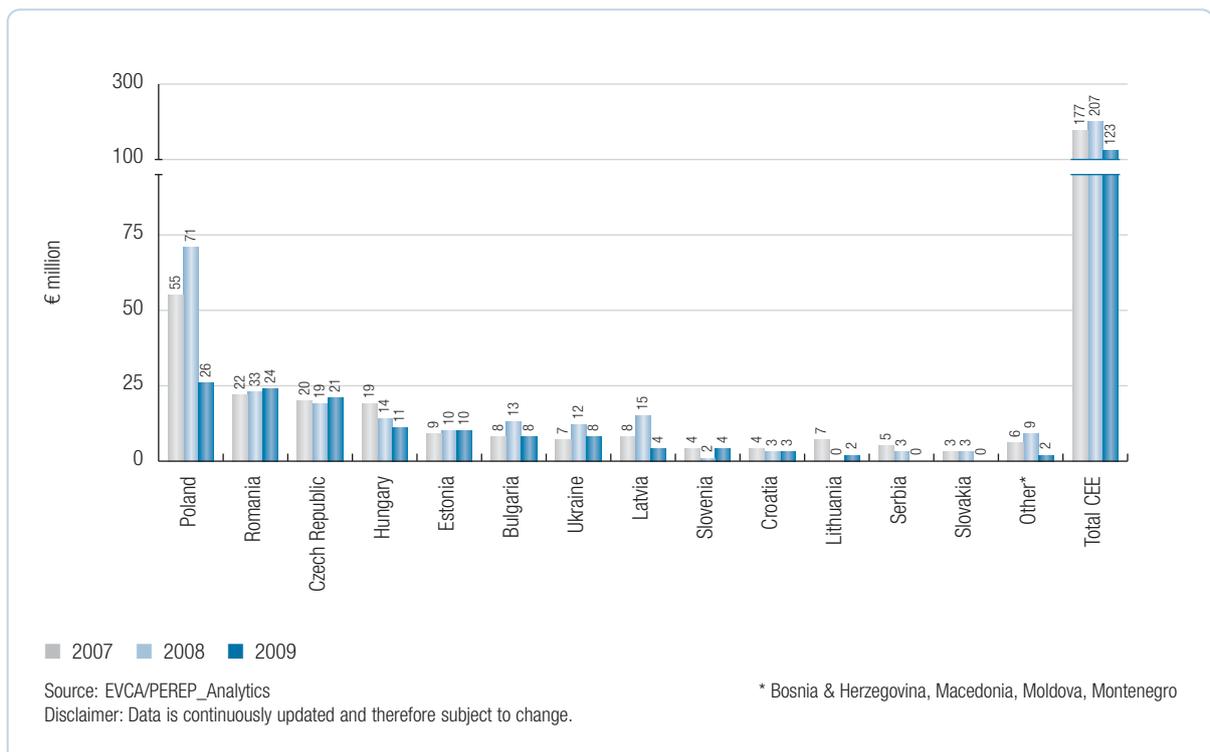


Figure 6: Annual investments in the CEE region, 2007-2009 (in number of companies)



A total of 123 companies from the CEE region received private equity financing in 2009 – 41% less than in 2008 – with a fifth of those located in Poland (down from a third located in Poland in 2008). This compares unfavourably with Europe as a whole, where the number of companies receiving private equity financing in 2009 dropped by only 18% on 2008. The average size of investment per company in CEE increased to €20m in 2009, from €12m in 2008, but this was clearly driven by a few larger deals.

In terms of sector activity, the amount invested in consumer goods & retail tripled in 2009 (to €865m), accounting for 35% of total investment amount, although the number of companies from this sector that received financing remained stable (21). This was driven by several larger buyout transactions. Similar to 2008, the communications sector came second by amount (€531m), recording a near 10% rise in euro terms and representing 22% of total CEE investment value. Energy & environment, which increased three-fold on 2008 (to €262m), attracted the third-largest chunk of investment, just ahead of financial services (€250m). Investment in computer & consumer electronics more than tripled, to €174m.

In terms of number of companies financed, communications remained on top of the list, with 32 companies, accounting for more than a quarter of the total. Consumer goods & retail outranked business & industrial products as the second-most-targeted sector, with 21 companies financed (17% of the total).

Table 3: Annual investments in CEE by sector, 2007-2009 (in € x 1,000)

	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
Agriculture	11,251	0.5	24,300	1.0	82	0.0
Business and industrial products	204,837	8.7	186,789	7.5	34,072	1.4
Business and industrial services	19,931	0.9	42,081	1.7	32,921	1.3
Chemicals and materials	8,290	0.4	62,648	2.5	6,882	0.3
Communications	977,017	41.7	487,253	19.6	530,874	21.6
Computer and consumer electronics	29,960	1.3	54,535	2.2	173,823	7.1
Construction	25,988	1.1	52,417	2.1	16,849	0.7
Consumer goods and retail	128,575	5.5	253,983	10.2	864,504	35.2
Consumer services	139,288	5.9	105,874	4.3	24,536	1.0
Energy and environment	134,167	5.7	82,282	3.3	261,739	10.7
Financial services	281,076	12.0	284,954	11.5	249,536	10.2
Life sciences	107,931	4.6	608,205	24.5	210,591	8.6
Real estate	70,939	3.0	33,189	1.3	45,555	1.9
Transportation	204,757	8.7	184,476	7.4	163	0.0
Unknown	0	0.0	17,011	0.7	3,658	0.1
Total investment in year	2,344,007	100.0	2,479,998	100.0	2,455,783	100.0

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

4. Investment Activity

Table 4: Annual investments in CEE by sector, 2007-2009 (number of companies)

	2007		2008		2009	
	Number of companies	%	Number of companies	%	Number of companies	%
Agriculture	4	2.3	3	1.4	1	0.8
Business and industrial products	23	13.0	20	9.7	7	5.7
Business and industrial services	5	2.8	9	4.3	5	4.1
Chemicals and materials	2	1.1	6	2.9	3	2.4
Communications	38	21.5	54	26.1	32	26.0
Computer and consumer electronics	9	5.1	18	8.7	13	10.6
Construction	5	2.8	5	2.4	3	2.4
Consumer goods and retail	21	11.9	19	9.2	21	17.1
Consumer services	13	7.3	13	6.3	6	4.9
Energy and environment	12	6.8	12	5.8	11	8.9
Financial services	19	10.7	14	6.8	7	5.7
Life sciences	16	9.0	20	9.7	9	7.3
Real estate	4	2.3	3	1.4	3	2.4
Transportation	6	3.4	6	2.9	1	0.8
Unknown	0	0.0	5	2.4	1	0.8
Total investment in year	177	100.0	207	100.0	123	100.0

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

Analysis of private equity investment as a proportion of gross domestic product (GDP) reveals that the CEE region no longer ranks below the European average. In 2009, the ratio of private equity investment to GDP in the CEE region was 0.239%, while the Europe-wide average was 0.181%. In 2008, the CEE figure had been just 51% of the European average. However, it should be noted that this evolution is greatly affected by exceptional investment levels in the Czech Republic coupled with the sharp decrease in the value of private equity investments in the main European markets as a result of the financial and economic crisis. Moreover, Hungary, Poland and Ukraine experienced a similar decline in private equity investment as a percentage of GDP, highlighting that the upward trend did not involve the whole CEE region. Excluding the Czech Republic, private equity investment as a proportion of GDP across the CEE region in 2009 was 0.119% of GDP – 66% of the European average. Clearly, 2009 was an exceptional year – investment levels in the CEE region still mostly lag behind Europe, particularly when looking at the longer term historical trend.

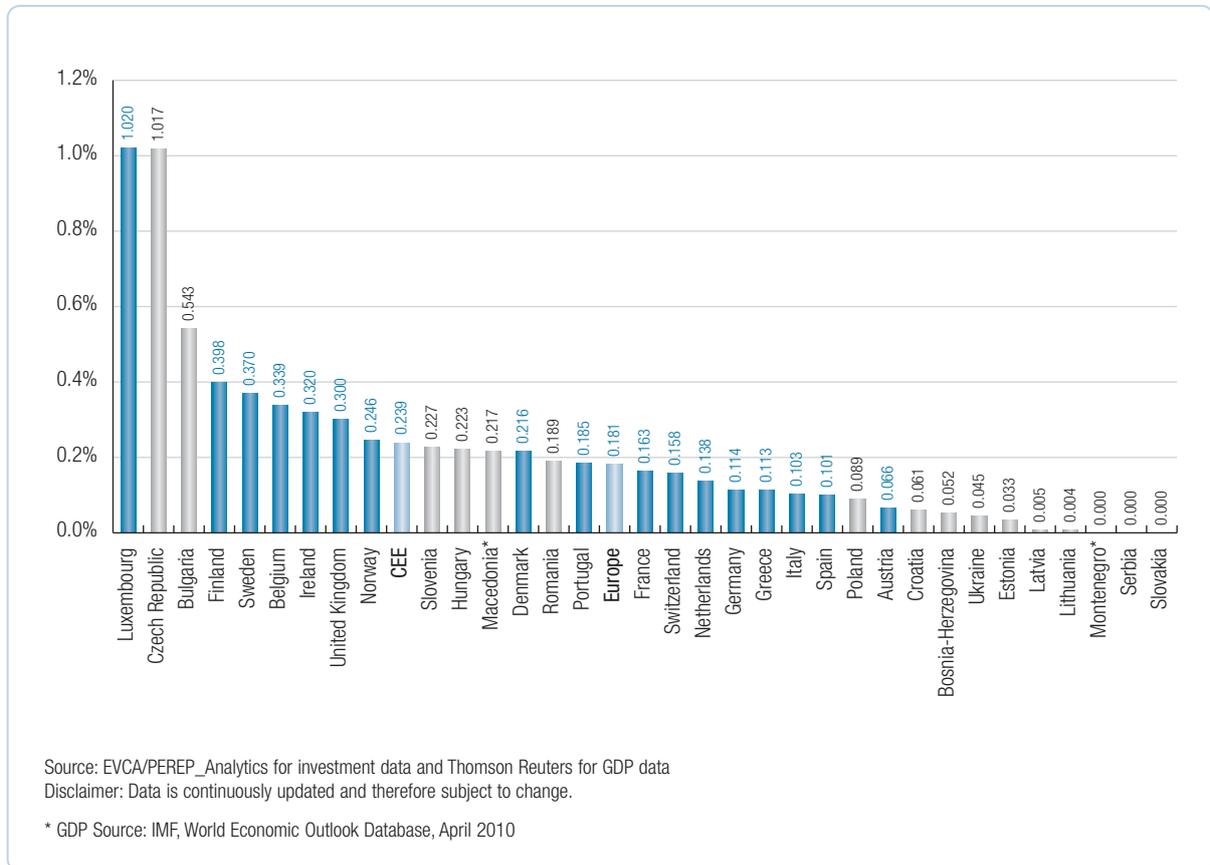
Table 5: Investments as a percentage of GDP in CEE, 2007-2009 (in € x 1,000)

	Total investment			Investment as % of GDP		
	2007	2008	2009	2007	2008	2009
Bosnia-Herzegovina	456	4,208	6,267	0.004%	0.036%	0.052%
Bulgaria	563,374	90,477	184,003	1.950%	0.265%	0.543%
Croatia	7,150	100,875	28,154	0.017%	0.213%	0.061%
Czech Republic	182,368	434,553	1,396,299	0.143%	0.294%	1.017%
Estonia	36,316	14,972	4,507	0.232%	0.093%	0.033%
Hungary	214,682	476,104	213,637	0.208%	0.422%	0.223%
Latvia	23,654	63,084	997	0.111%	0.273%	0.005%
Lithuania	151,661	0	1,183	0.531%	0.000%	0.004%
Macedonia*	13,500	0	14,388	0.233%	0.000%	0.217%
Moldova	15,050	0	0	0.462%	0.000%	0.000%
Montenegro*	0	25,000	0	0.000%	0.809%	0.000%
Poland	440,715	633,210	268,094	0.141%	0.167%	0.089%
Romania	318,089	289,371	220,881	0.239%	0.205%	0.189%
Serbia	105,718	8,402	0	0.649%	0.049%	0.000%
Slovakia	24,700	31,145	0	0.040%	0.046%	0.000%
Slovenia	1,554	2,853	79,130	0.004%	0.008%	0.227%
Ukraine	245,021	305,745	38,244	0.230%	0.232%	0.045%
Total CEE	2,344,007	2,479,998	2,455,783	0.190%	0.201%	0.239%
Total Europe	71,445,012	52,674,787	22,690,468	0.570%	0.394%	0.181%

Source: EVCA/PEREP_Analytics for investment data and Thomson Reuters for GDP data
 Disclaimer: Data is continuously updated and therefore subject to change.
 * Source of GDP: IMF, World Economic Outlook Database, April 2010

4. Investment Activity

Figure 7: Private equity investments as a percentage of GDP for Europe, CEE and selected European countries, 2009



5. Market Segments

The total amount invested in buyouts in the CEE region in 2009 went up by a fifth, to €1.8bn, with buyouts' share of overall CEE investment increasing from 63% in 2008 to 75% in 2009. At the same time, growth capital halved, from 32% of total investment value in 2008 to 16% in 2009, while replacement capital surged to €171m, accounting for 7% of total investment value in 2009.

With 75% of CEE investment directed into buyouts, the CEE market was much more buyout-oriented than Europe as a whole, which saw 53% of investment devoted to buyouts. Venture capital investment remained at a much lower level in CEE, accounting for less than 2% of the total amount invested (compared to 17% in overall Europe). Only 28% of the companies financed in the CEE region were venture-stage companies, compared to a Europe-wide figure of nearly 70%. This confirms the continuing existence of a more pronounced "equity gap" in the CEE region than in Europe as a whole.

Table 6: Stage of investment in CEE and Europe, 2009 (no bank leverage included) (in € x 1,000)

	Total CEE	% of total	Total Europe	% of total
Seed	1,561	0.1	144,093	0.6
Start-up	10,562	0.4	1,848,213	8.1
Later-stage venture	31,295	1.3	1,829,421	8.1
Total venture	43,418	1.8	3,821,727	16.8
Growth	390,861	15.9	4,493,697	19.8
Rescue/turnaround	6,800	0.3	683,160	3.0
Replacement capital	170,745	7.0	1,774,590	7.8
Buyout	1,843,960	75.1	11,917,294	52.5
Total 2009	2,455,783	100.0	22,690,468	100.0
Total 2008	2,479,998		52,674,787	

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

Table 7: Stage of investment in CEE, 2007-2009 (in € x 1,000)

	2007		2008		2009	
	Amount	Number of companies	Amount	Number of companies	Amount	Number of companies
Seed	3,296	7	4,305	12	1,561	4
Start-up	22,497	33	27,124	48	10,562	18
Later-stage venture	68,519	42	94,407	49	31,295	13
Total venture	94,312	81	125,837	108	43,418	34
Growth	574,431	28	795,600	53	390,861	47
Rescue/turnaround	1,331	2	568	2	6,800	3
Replacement capital	143,632	12	5,000	2	170,745	5
Buyout	1,530,301	64	1,552,994	45	1,843,960	38
Total	2,344,007	177	2,479,998	207	2,455,783	123

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

5. Market Segments

Table 8: Type of investment by CEE country, 2007-2009 (no bank leverage included) (in € x 1,000)

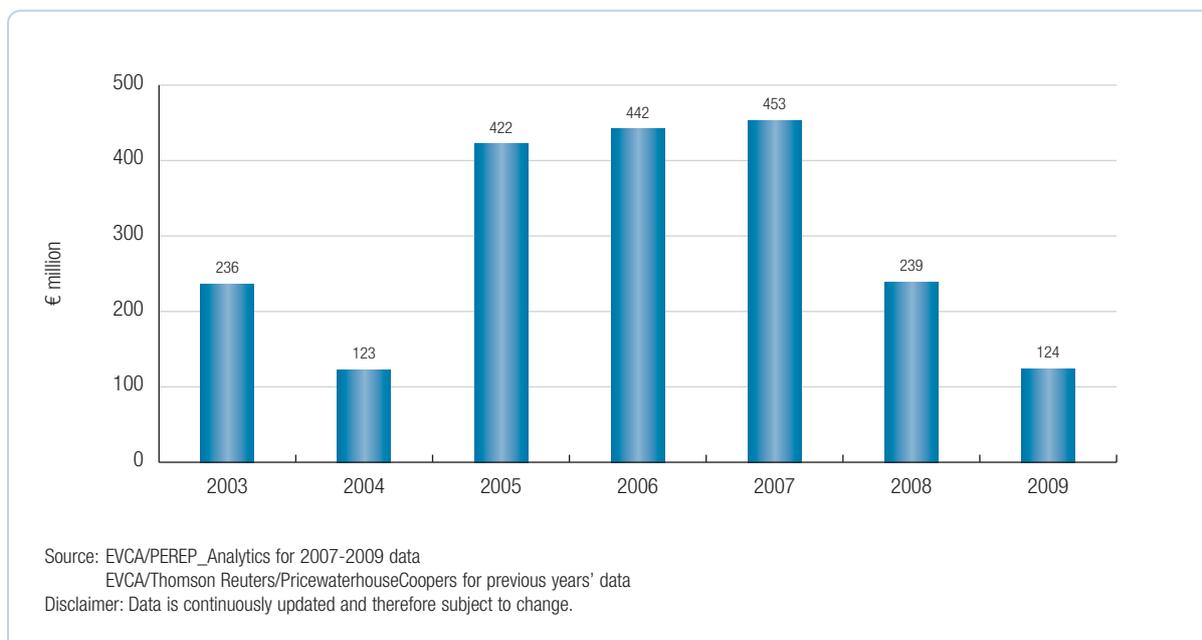
	2009											2008																
	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*	Bulgaria	Croatia	Czech Rep.	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	Other*
Seed	0	0	0	451	0	0	0	1,100	10	0	0	0	0	0	0	0	0	0	0	0	0	4,003	0	0	0	0	0	302
Start-up	1,600	0	0	2,292	1,255	0	145	0	4,170	0	0	900	200	0	3,771	0	281	1,100	2,017	2,993	0	10,660	5,551	0	0	500	0	252
Later-stage venture	1,275	0	28,248	0	362	0	0	634	0	0	0	776	0	0	3,397	4,000	12,717	2,644	22,900	4,368	0	35,687	3,984	1,300	0	2,353	398	658
Total venture	2,875	0	28,248	2,743	1,617	0	145	1,734	4,180	0	0	1,676	200	0	7,168	4,000	12,998	3,744	24,917	7,361	0	50,350	9,535	1,300	0	2,853	398	1,212
Growth	582	14,417	205,889	1,764	956	197	1,038	61,559	89,932	0	0	1,000	7,260	6,267	81,969	0	250,660	3,000	49,387	19,723	0	73,515	90,157	7,102	8,416	0	208,673	2,996
Rescue/turnaround	0	0	400	0	0	300	0	6,100	0	0	0	0	0	0	500	0	0	0	0	0	68	0	0	0	0	0	0	0
Replacement capital	0	0	139,965	0	8,640	0	0	99	22,041	0	0	0	0	0	0	0	0	0	0	0	0	0	5,000	0	0	0	0	0
Buyout	180,546	13,736	1,021,797	0	202,424	500	0	198,602	104,728	0	0	76,454	30,784	14,388	184,003	28,154	1,396,299	4,507	213,637	997	1,183	268,094	220,881	0	0	79,130	38,244	20,655
Total	184,003	28,154	1,396,299	4,507	213,637	997	1,183	268,094	220,881	0	0	79,130	38,244	20,655	184,003	28,154	1,396,299	4,507	213,637	997	1,183	268,094	220,881	0	0	79,130	38,244	20,655
	2007											2007																
Seed	0	0	0	0	0	0	0	2,483	0	60	0	377	0	377	0	0	0	0	0	0	0	4,003	0	0	0	0	0	302
Start-up	0	4,800	500	322	2,083	2,683	3,124	3,321	0	0	1,240	104	4,242	79	3,771	0	281	1,100	2,017	2,993	0	10,660	5,551	0	0	500	0	252
Later-stage venture	3,322	2,350	3,692	1,600	13,399	296	1,896	40,267	1,327	0	0	0	369	0	3,397	4,000	12,717	2,644	22,900	4,368	0	35,687	3,984	1,300	0	2,353	398	658
Total venture	3,322	7,150	4,192	1,922	15,482	2,980	5,020	46,070	1,327	60	1,240	481	4,611	456	7,168	4,000	12,998	3,744	24,917	7,361	0	50,350	9,535	1,300	0	2,853	398	1,212
Growth	9,167	0	116,238	9,000	12,906	3,000	0	96,813	94,818	1,092	0	1,073	230,325	0	81,969	0	250,660	3,000	49,387	19,723	0	73,515	90,157	7,102	8,416	0	208,673	2,996
Rescue/turnaround	0	0	75	0	0	0	0	1,256	0	0	0	0	0	0	500	0	0	0	0	0	68	0	0	0	0	0	0	0
Replacement capital	0	0	2,250	0	0	0	0	8,069	59,477	56,000	0	0	10,085	7,750	0	0	0	0	0	0	0	0	5,000	0	0	0	0	0
Buyout	550,885	0	59,613	25,395	186,295	17,674	146,640	288,507	162,466	48,567	23,460	0	20,800	0	184,003	28,154	1,396,299	4,507	213,637	997	1,183	268,094	220,881	0	0	79,130	38,244	20,655
Total	563,374	7,150	182,368	36,316	214,682	23,654	151,661	440,715	318,089	105,718	24,700	1,554	245,021	29,006	184,003	28,154	1,396,299	4,507	213,637	997	1,183	268,094	220,881	0	0	79,130	38,244	20,655

* Bosnia & Herzegovina, Macedonia, Moldova, Montenegro

Source: EVCA/PERP Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

CEE divestments at cost of initial investment (€124m) were down 48% on 2008 (€239m), after a 47% decrease in 2008 from the 2007 peak (€453m). The drop in CEE in 2009 compares to a 20% drop in Europe overall. Altogether (excluding write-offs), CEE divestments at cost accounted for 1.7% of the total exit value in Europe.

Figure 8: Annual divestment value in the CEE region, 2003-2009 (exit value at investment cost)



The Czech Republic accounted for 38% of the amount divested in the CEE region, followed by Poland with a quarter.

A total of 34 companies were exited in 2009, 32% less than in 2008. More than a quarter of the companies were located in Poland, while the Czech Republic and Hungary each accounted for 15% of the total.

Sale to financial institutions was the most common exit method by amount divested at cost in 2009 (43% of total), beating sales to other private equity firms (which accounted for 17%) into second place. Strikingly, CEE write-offs only accounted for 1% of total exits compared to 36% in Europe as a whole. The fact that public market listings in CEE accounted for 14% of amount divested at cost, compared with only 6% in Europe as a whole, was also noteworthy.

Measuring the relative importance of exit methods by number of companies exited (i.e. not by amount) in 2009, trade sales remained first with 18% of the total by exit methods applied, followed by sales to management with 16%. Unlike the overall European market, in which 22% of exited companies were write-offs, very few write-offs (5%) were recorded in the CEE region.

6. Exits

Figure 9: Divestment by CEE country (exit value at investment cost in € million), 2007-2009

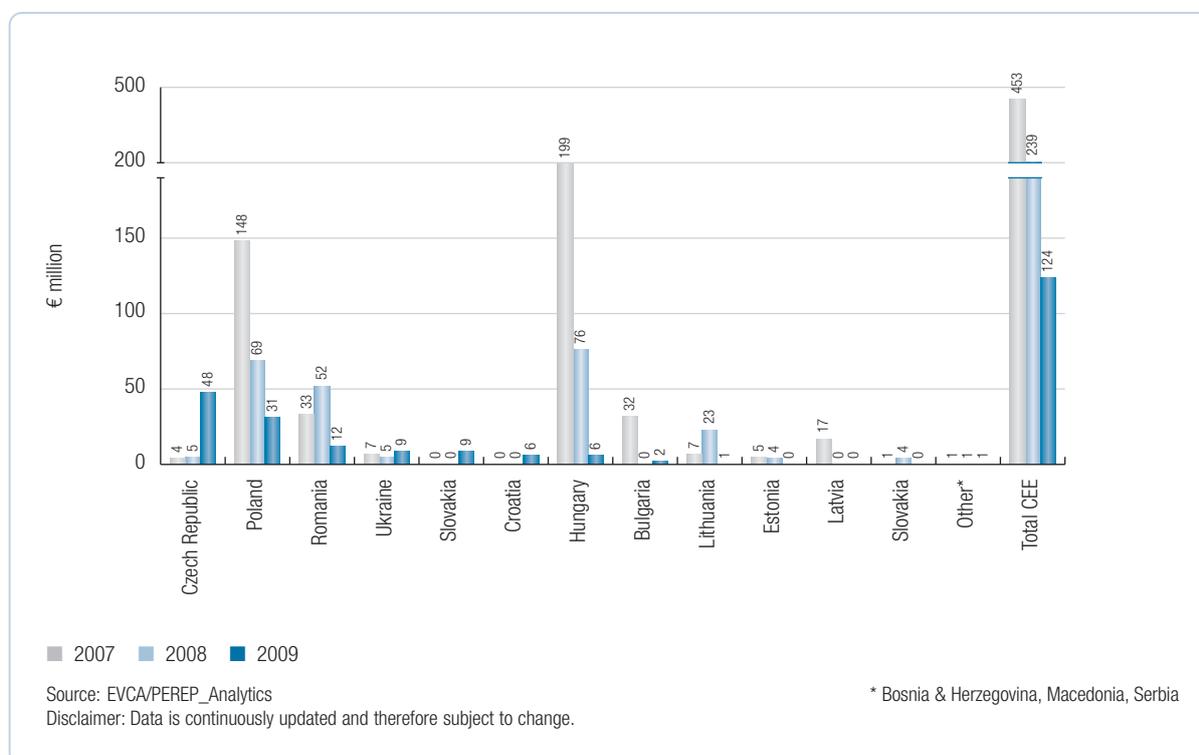


Table 9: Exits in CEE vs total Europe, 2009 (exit value at investment cost in € x 1,000)

	Total CEE	% of total	Total Europe	% of total
Divestment by trade sale	12,128	9.7	3,438,995	31.3
Divestment by public offering	17,541	14.1	687,733	6.3
<i>Divestment on flotation (IPO)</i>	16,837	13.5	25,256	0.3
<i>Sale of quoted equity</i>	704	0.6	662,477	6.0
Divestment by write-off	1,656	1.3	3,937,460	35.8
Repayment of silent partnerships	0	0.0	90,006	0.8
Repayment of principal loans	8,615	6.9	365,617	3.3
Sale to another private equity house	21,456	17.2	1,027,292	9.4
Sale to financial institution	53,043	42.6	540,845	4.9
Sale to management (MBO)	7,692	6.2	581,294	5.3
Divestment by other means	2,286	1.8	316,108	2.9
Total 2009	124,417	100.0	10,985,352	100.0
Total 2008	239,223		13,702,103	

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

Table 10: Exits in CEE, 2007-2009 (exit value at investment cost, amounts in € x 1,000)

	2007		2008		2009	
	Amount	Number of companies	Amount	Number of companies	Amount	Number of companies
Divestment by trade sale	275,942	27	75,606	18	12,128	7
Divestment by public offering	10,018	6	200	1	17,541	5
<i>Divestment on flotation (IPO)</i>	4,126	3	200	1	16,837	2
<i>Sale of quoted equity</i>	5,892	3	0	0	704	3
Divestment by write-off	0	0	2,079	2	1,656	2
Repayment of silent partnerships	0	0	14,446	1	0	0
Repayment of principal loans	20,350	1	0	0	8,615	4
Sale to another private equity house	81,109	9	108,098	8	21,456	4
Sale to financial institution	11,365	7	13,675	3	53,043	5
Sale to management (MBO)	11,957	9	16,343	13	7,692	6
Divestment by other means	42,167	10	8,776	5	2,286	5
Total 2009	452,908	67	239,223	50	124,417	34

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

6. Exits

The sectors that saw the greatest amount divested in 2009 were consumer goods & retail (€44m), computer & consumer electronics (€25m), business & industrial products (€19m) and communications (€15m). Together, they accounted for more than 80% of the total amount divested at cost. The consumer goods & retail sector saw the greatest number of companies exited, accounting for 21% of the total.

Table 11: Divestment at cost by company sector, 2007-2009 (exit value at investment cost, amounts in € x 1,000)

	2007		2008		2009	
	Amount	Number of companies	Amount	Number of companies	Amount	Number of companies
Agriculture	0	0	608	1	0	0
Business & industrial products	32,054	7	38,986	4	19,191	3
Business & industrial services	252	1	1,716	2	11,049	2
Chemicals & materials	143,514	2	10,381	3	314	1
Communications	66,319	12	27,796	10	15,029	6
Computer & consumer electronics	8,409	5	4,744	6	25,408	5
Construction	332	1	0	0	0	0
Consumer goods & retail	65,677	11	41,778	6	43,668	7
Consumer services	8,278	7	2,123	2	1,683	3
Energy & environment	12,136	3	33,727	4	0	0
Financial services	39,964	6	1,836	2	4,896	2
Life sciences	45,245	2	53,812	4	448	1
Real estate	8,550	4	4,847	3	1,981	3
Transportation	17,367	3	14,446	1	750	1
Unknown	4,813	3	2,423	2	0	0
Total divestment in year	452,908	67	239,223	50	124,417	34

Source: EVCA/PEREP_Analytics

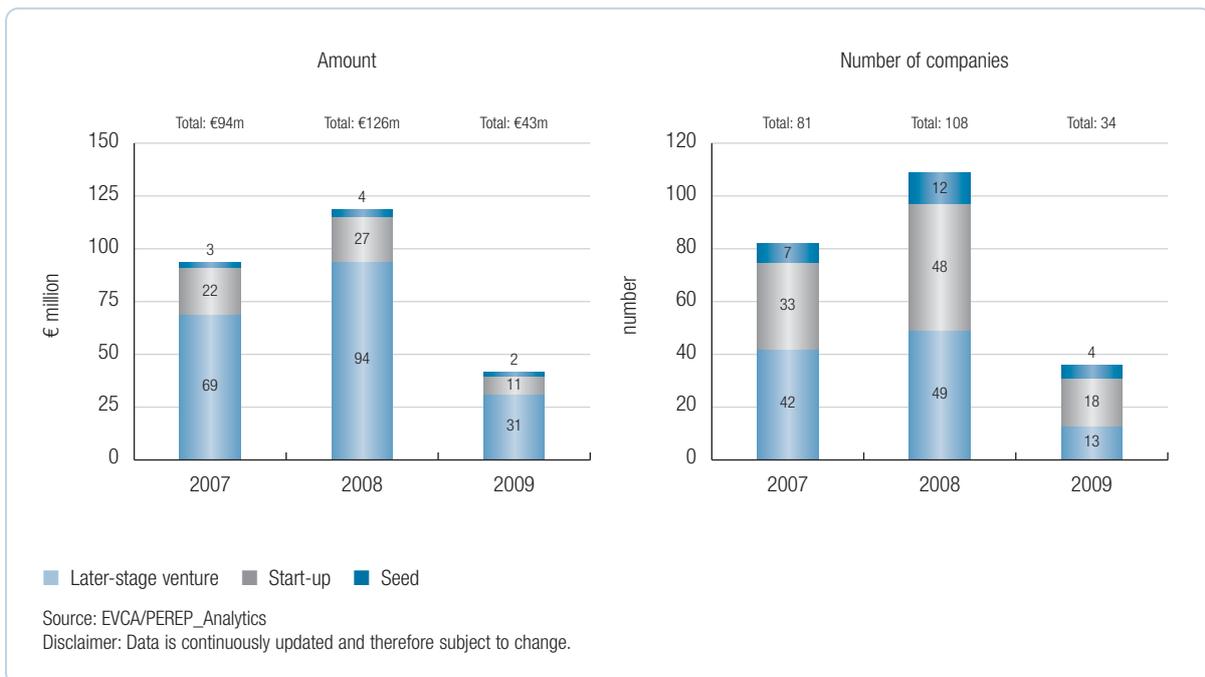
Disclaimer: Data is continuously updated and therefore subject to change.

7. The CEE Venture Capital Market

With €43m invested in 34 companies in 2009, the CEE venture capital market accounted for only 1% of total European venture investments by amount and number of companies. Compared to 2008, the value invested in CEE venture in 2009 decreased sharply, by 65%, triggered by a sharp drop in later-stage and start-up venture investments. The number of companies financed in 2009 experienced a similar decrease (69%), with a 73% drop in the number of later-stage companies and a 63% drop in the number of start-up companies financed.

The structure of the CEE venture investment market was in line with the European trend in terms of companies financed. In both markets, early-stage companies accounted for more than 60% of total companies financed, while later-stage companies accounted for about 37% of the total. However, by amount invested, the CEE venture market was clearly more oriented towards later-stage investment than the overall European venture market. Later-stage investments accounted for 72% of total venture investment in CEE compared with 47% in the overall European market.

Figure 10 and 11: CEE venture capital investments by stage, 2007-2009 (amount and number of companies)



The Czech Republic alone accounted for 65% of venture investment value in the CEE region in 2009. Romania trailed at a distance, with 10% of the total, followed by Bulgaria and the Baltic countries with 7% each. In terms of the number of companies financed, the Baltic countries topped the list, with nine companies, followed by Poland (seven companies), and Romania (five companies).

With €34m (invested across 14 companies), the communications sector became the most funded in the venture segment in 2009, driven by a large venture transaction. Computer & consumer electronics, which accounted for the bulk of investment in 2008, ranked second in 2009 accounting for 10% of total CEE venture investment value, and 24% of the total number of venture companies financed.

7. The CEE Venture Capital Market

Figure 12: CEE venture capital investments by sector, 2007-2009 (amounts in € million)

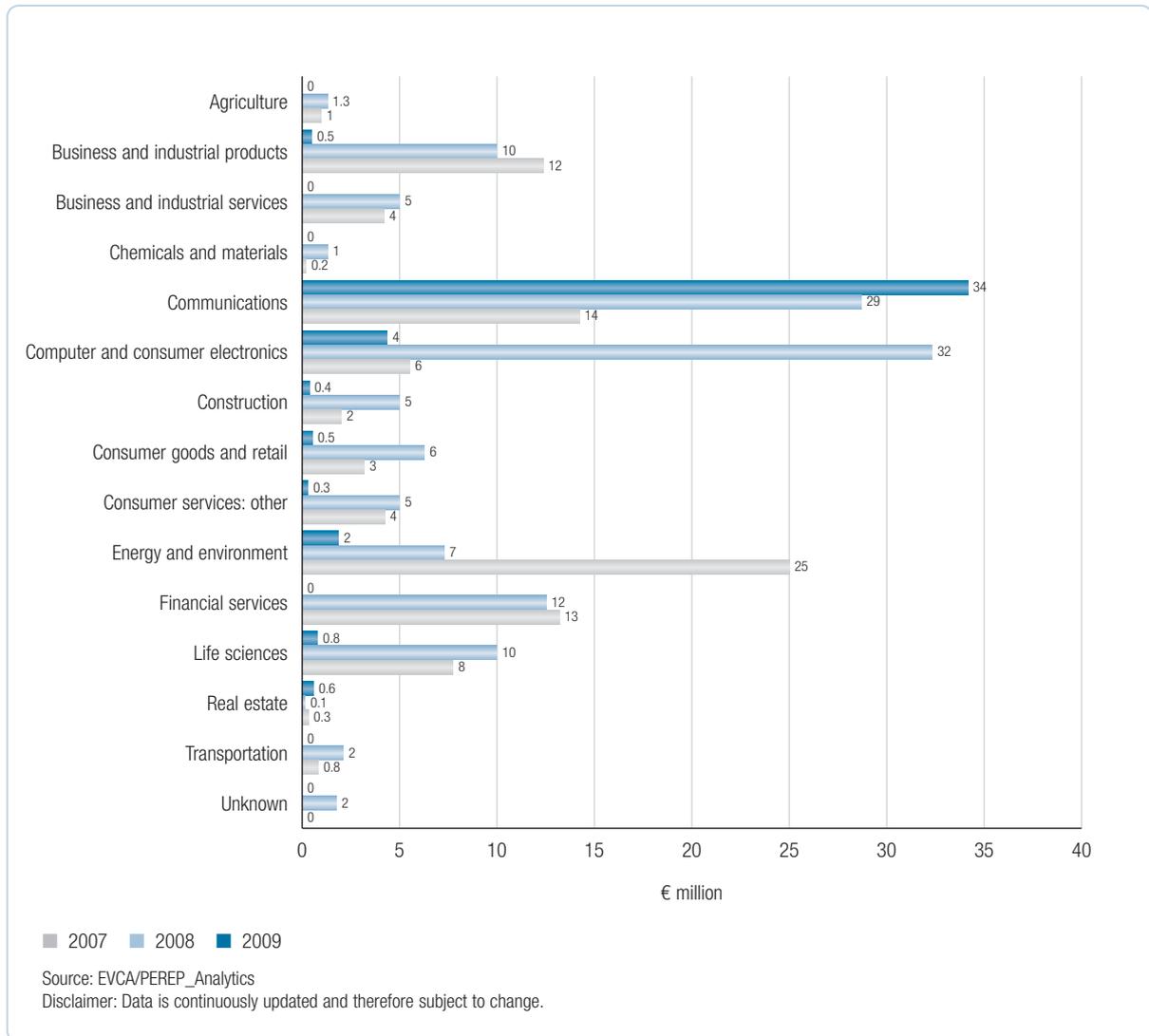
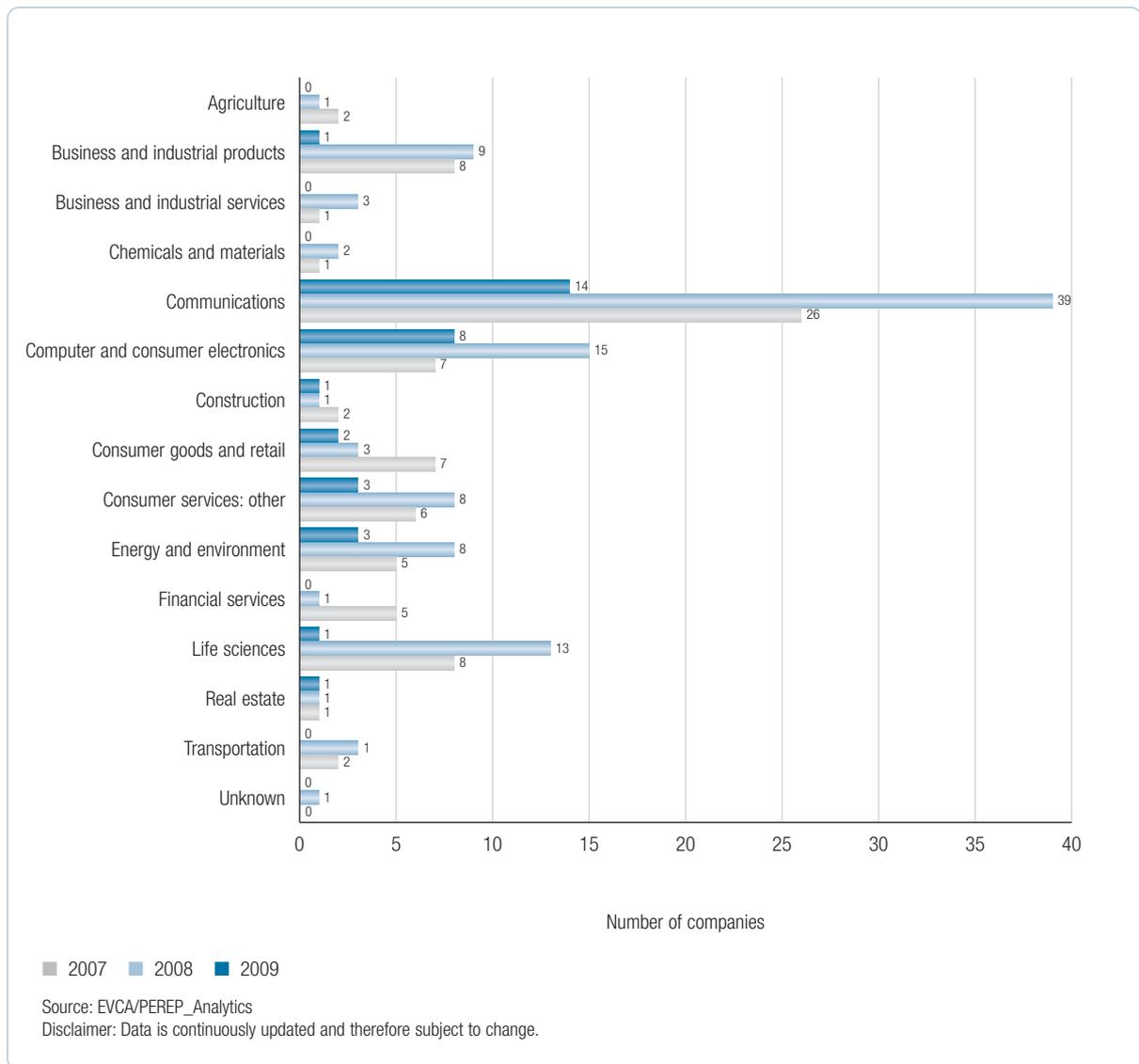


Figure 13: CEE venture capital investments by sector, 2007-2009 (number of companies)



7. The CEE Venture Capital Market

Only 14 venture-backed companies were exited in 2009 (accounting for 41% of all CEE companies exited), with a total amount divested at cost of €18m (14% of CEE venture divestment at cost). Venture divestments were down 44% by amount at cost and 46% in terms of number of companies exited on 2008.

Nearly 70% of venture divestment at cost in 2009 was accounted for by sales to financial institutions, repayments of principal loans and trade sales. However, one-third of CEE venture-backed companies were exited via sale to management (MBO) and trade sales.

Table 12: CEE venture capital divestments by stage, 2007-2009 (exit value at investment cost in € x 1,000)

	2007		2008		2009	
	Amount	Number of companies	Amount	Number of companies	Amount	Number of companies
Divestment by trade sale	16,734	10	15,028	9	3,653	3
Divestment by public offering	1,486	3	200	1	124	2
<i>Divestment on flotation (IPO)</i>	1,126	2	200	1	0	0
<i>Sale of quoted equity</i>	360	1	0	0	124	2
Divestment by write-off	0	0	479	1	1,656	2
Repayment of silent partnerships	0	0	0	0	0	0
Repayment of principal loans	0	0	0	0	4,000	1
Sale to another private equity house	13,554	4	2,499	3	585	2
Sale to financial institution	3,505	5	236	1	4,363	2
Sale to management (MBO)	8,731	8	12,876	10	1,757	3
Divestment by other means	3,385	4	674	2	1,675	3
Total divestment in year	47,395	32	31,992	26	17,813	14

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

The communications sector accounted for the lion's share (43%) of venture divestment at cost in 2009 and the bulk of companies exited (four). Financial services saw the second-greatest amount divested, with 24% of the total.

8. The CEE Buyout & Growth Market

For the purposes of this section, unless otherwise specifically stated, “buyout & growth” refers to buyouts, growth capital, rescue/turnaround and replacement transactions.

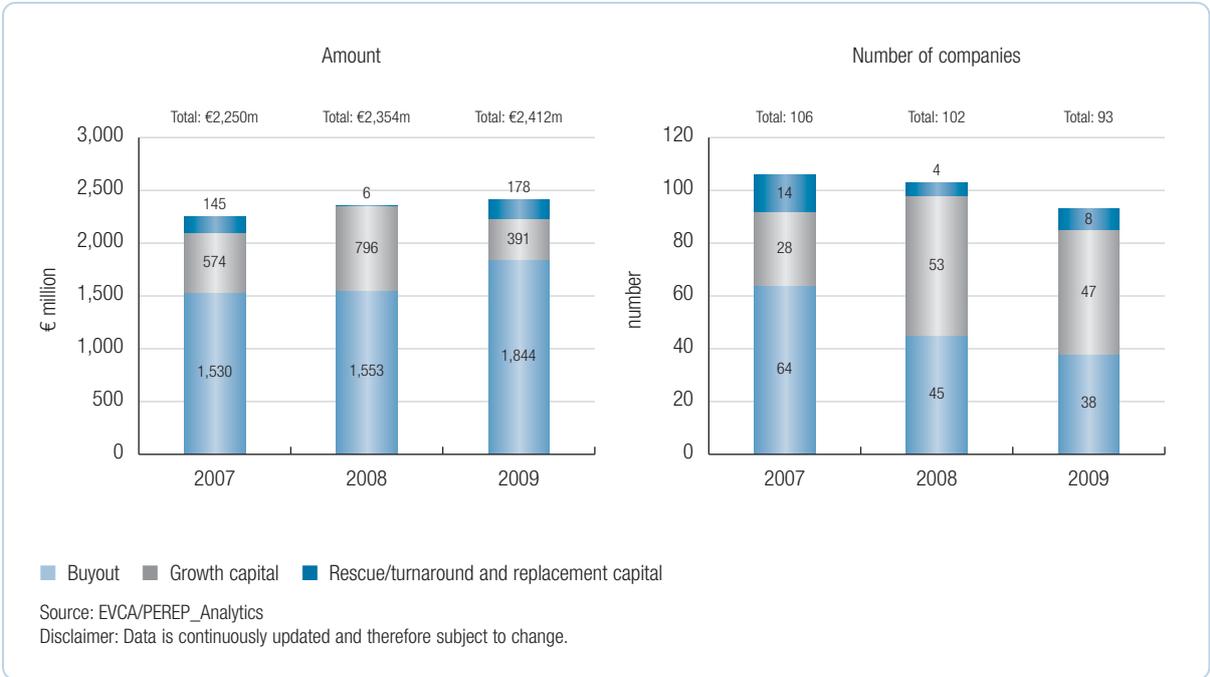
In 2009, €2.4bn was invested across 90 buyout & growth capital companies - a similar level of investment to that seen in 2008, when €2.4bn was invested in 101 buyout & growth capital companies. By comparison, in Europe as a whole, buyout & growth capital investment fell 59% year-on-year in 2009.

As in 2008, buyout & growth investment accounted for more than 95% of total investment value in the CEE region. However, in terms of companies financed, buyout & growth’s share increased significantly – from 48% in 2008 to 73% in 2009. This was largely due to the sharp drop in the number of venture companies financed (down by almost 70%) against a relatively small decrease in the number of growth capital and buyout deals (down 11% and 16% respectively).

Looking at the subsegments of buyout & growth individually, compared to 2008, buyouts in 2009 increased by about one-fifth, driven by a 41% increase in the average buyout deal size. Growth capital halved in value, mainly due to a 45% drop in the average growth capital investment size. Replacement capital went up significantly – from only €5m in 2008 to €171m.

CEE buyout & growth investment in 2009 accounted for 13% of total European buyout & growth investment value, up from 5% in 2008. However, the CEE region accounted for only 6% of companies financed with buyout & growth capital in Europe as a whole in 2009.

Figure 14 & 15: CEE buyout & growth investment by stage, 2007-2009 (amount and number of companies)



8. The CEE Buyout & Growth Market

As witnessed in the CEE venture capital market, investment in the CEE buyout & growth capital market in 2009 was concentrated in the Czech Republic, which accounted for 57% of the total value. However, as mentioned earlier, this investment level in the Czech Republic was driven by a few large investments in companies active in several CEE countries. Poland was some way behind with 11% of total, followed by Hungary (9%), Romania (9%) and Bulgaria (8%). In terms of number of companies financed, the Czech Republic and Poland each accounted for 22% of the total, followed by Romania with 20%.

The total transaction value of CEE buyouts in 2009 was €3.4bn. Large and mega buyouts accounted for 63% of the total transaction value and half of the total equity invested. However, a large majority of the buyout companies financed (76%), were small buyouts. The ratio of private equity contribution to transaction value for small and mid-market buyouts was close to 75%, and 44% for large and mega deals.

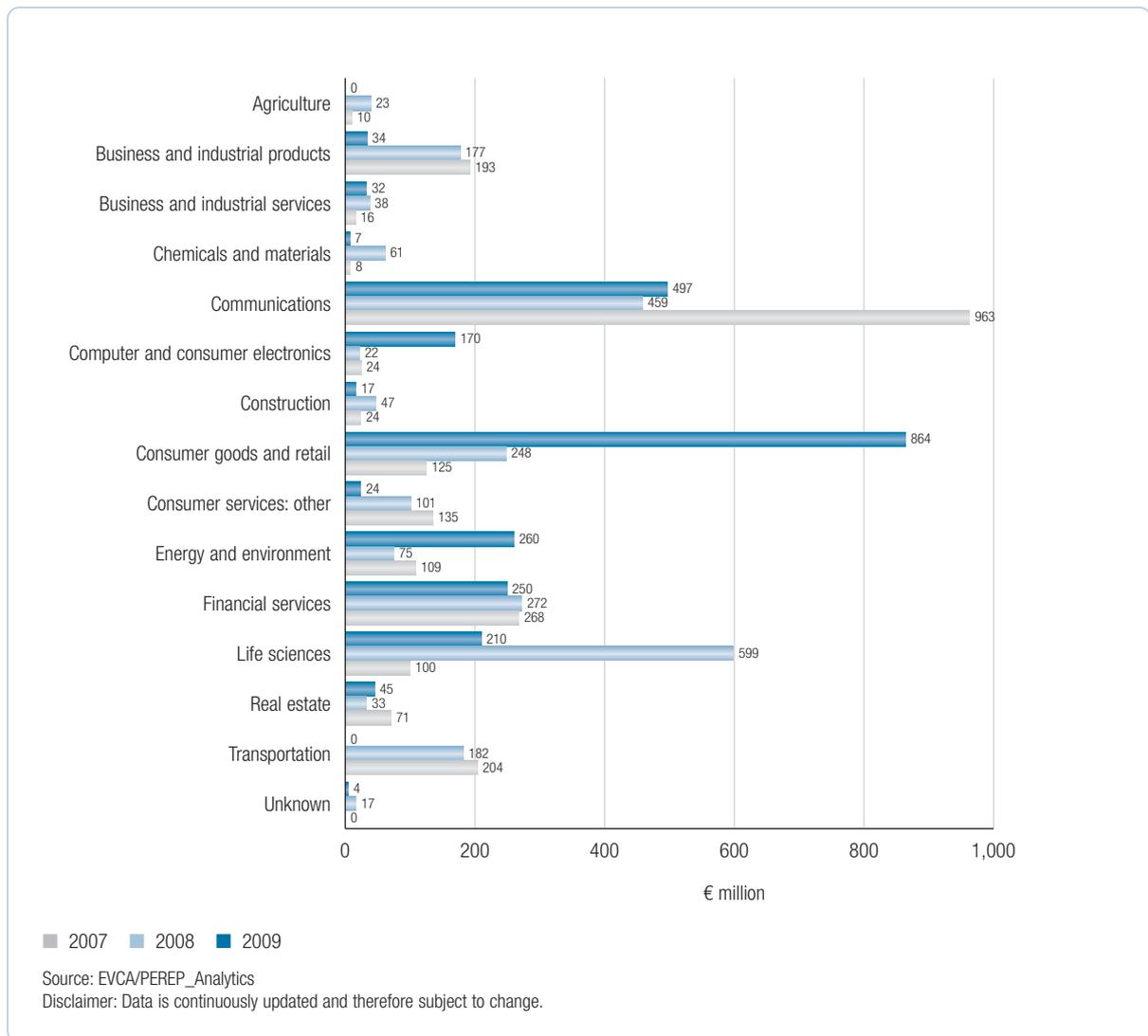
Table 13: Equity and transaction value by type of buyout in 2009 (in € x 1,000)

	Amount (equity value)	%	Number of companies	%	Transaction value	%	Equity contribution of PE firms (%)
Small	223,331	12.1	29	76.3	294,967	8.8	75.7
Mid-market	700,629	38.0	7	18.4	945,175	28.2	74.1
Large and mega	920,000	49.9	2	5.3	2,110,000	63.0	43.6
Total buyout	1,843,960	100.0	38	100.0	3,350,142	100.0	55.0

Source: EVCA/PEREP_Analytics
 Note: The difference between the "equity value" and "transaction value" consists of the participation of syndicate members other than private equity firms (i.e. corporates, individuals, financial institutions) and leverage (debt provided by banks or others).

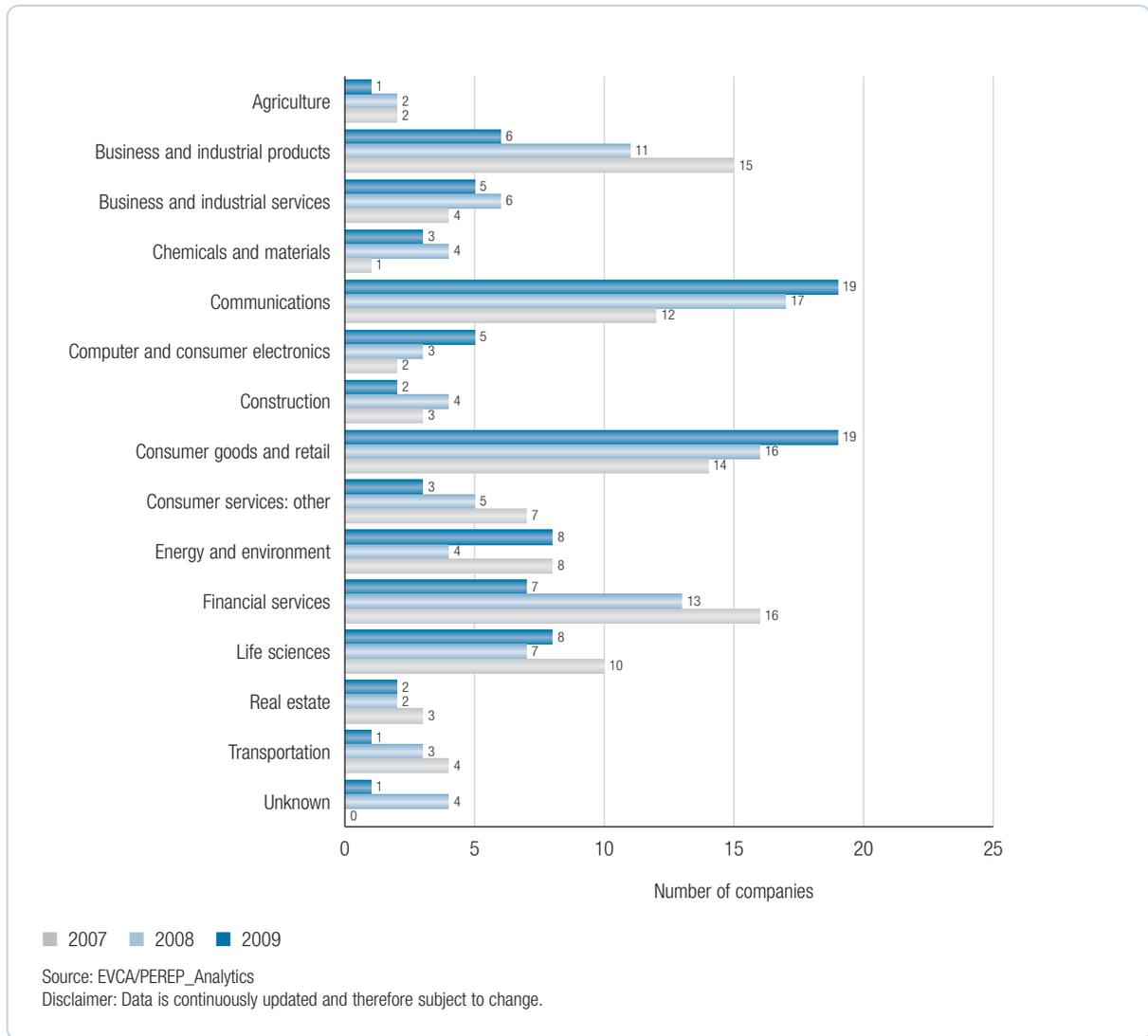
The consumer goods & retail sector attracted the bulk of CEE buyout & growth investment (€864m) in 2009, driven by a small number of larger deals. Similar to 2008, communications took the second-largest slice of the pie, accounting for a fifth of total investment value; life sciences which had topped the list in 2008, attracted just 9% total buyout & growth investment in 2009. As in 2009, consumer goods & retail and communications were the most targeted sectors, each recording 21% of buyout & growth deals.

Figure 16: CEE buyout & growth investment by sector, 2007-2009 (amounts in € million)



8. The CEE Buyout & Growth Market

Figure 17: CEE buyout & growth investment by sector, 2007-2009 (number of companies)



Divestment at cost from companies in the CEE buyout & growth segment halved in 2009, although the number of buyout & growth companies exited remained relatively stable (20 in 2009 compared with 24 in 2008). Sale to financial institutions was the main exit method, accounting for €49m divested at cost from three companies.

Table 14: CEE buyout & growth divestment by exit route, 2007-2009 (exit value at cost in € x 1,000)

	2007		2008		2009	
	Amount	Number of companies	Amount	Number of companies	Amount	Number of companies
Divestment by trade sale	259,208	17	60,578	9	8,475	4
Divestment by public offering	8,532	3	0	0	17,417	3
<i>Divestment on flotation (IPO)</i>	3,000	1	0	0	16,837	2
<i>Sale of quoted equity</i>	5,532	2	0	0	580	1
Divestment by write-off	0	0	1,600	1	0	0
Repayment of silent partnerships	0	0	14,446	1	0	0
Repayment of principal loans	20,350	1	0	0	4,615	3
Sale to another private equity house	67,555	5	105,599	5	20,871	2
Sale to financial institution	7,860	2	13,440	2	48,680	3
Sale to management (MBO)	3,226	1	3,467	3	5,935	3
Divestment by other means	38,782	6	8,102	3	610	2
Total divestment in year	405,513	35	207,232	24	106,604	20

Source: EVCA/PEREP_Analytics
Disclaimer: Data is continuously updated and therefore subject to change.

With €43m divested at cost from five companies, consumer goods & retail was the most divested sector by amount and number of companies in 2009. It was followed by computer & consumer electronics, with €24m exited from four companies.

9. Methodology

Fundraising

As the vast majority of private equity funds raised for CEE were for the region as a whole, and not for any specific country, fundraising is presented in this paper as a total pool of capital raised for the region. Moreover, fundraising is limited to capital raised by funds that have declared CEE to be their target region. The data does not include those funds that may allocate a portion of their capital to the CEE region but whose primary focus is elsewhere.

The funds included in the statistics are:

- private equity funds making direct private equity investments
- mezzanine private equity funds
- co-investment funds
- rescue/turnaround funds

The following funds are excluded from the statistics:

- infrastructure funds
- real estate funds
- distress debt funds
- primary funds-of-funds
- secondary funds-of-funds

Investments

Investments and divestments are aggregated via two methods – industry statistics and market statistics.

Industry statistics consist of aggregation of the figures according to where the private equity firm investing in a particular company is domiciled. At the European level, this means investments/divestments made by European private equity firms.

Market statistics consist of aggregation of the figure according to where the portfolio company is domiciled. At the European level, this means investments in European companies or divestments from European companies, regardless of the location of the private equity firm.

This report uses only market statistics.

Buyout split

Buyout investments are split into four classes: small, mid-market, large, and mega. The classification is based on the size of the equity portion of the buyout deal (and debt, if provided by the private equity funds and not banks).

Buyout segment	Equity value
Small	<€15m
Mid-market	€15m ≤ X <€150m
Large	€150m ≤ X <€300m
Mega	≥€300m

Divestments

Divestments are measured by cost of investment, not actual proceeds.

Number of companies vs number of investments

The number of companies represents a distinct list of entities receiving investments throughout the reporting year. If a company receives two investments during the year, the number of companies will equal one, but the number of investments will equal two.

In some cases, subtotals and totals may not appear to add up to the same number of companies as individual items in the tables. This can be explained by understanding the issue of counting distinct entities.

For a company receiving multiple distinct rounds of financing in a year – in this example, a later-stage venture investment of €1m by one investor in January, followed by a management buyout of €20m in November with two investors – the tables would indicate the following:

Stage	Amount	Investments	Companies
Later-stage venture	1,000	1	1
Management buyout	20,000	2	1
Total investment	21,000	3	1

The total number of companies in which an investment was completed corresponds to the number in the “Total Investment” category under “Companies”. Because any one company can be recorded under several subcategories, the sum of all subcategories can exceed the number of companies that receive investment. Therefore, although the table appears to indicate the total number of companies would be two (one later-stage venture and one buyout) the total is recorded as one. This will only affect counts of companies – it does not affect the amounts – and makes any average more accurate.

The same applies to the total number of venture companies. A venture company receiving both seed and start-up financing would be recorded as one seed company and one start-up company. However, in the total number of venture companies, it would be counted only once.

Data updates

PEREP_Analytics offers to the players the potential to submit surveys and validate previously populated data captured from public information sources at a later stage. Moreover, if a player submits a divestment at a later stage, and the corresponding investment has never been reported or captured, the PEREP Analyst will create the investment so that no portfolio company is reflected with negative capital flow in the database. Moreover, some information is disclosed on the website of the private equity players at a later stage, after the cut-off for producing the EVCA Yearbook, and thus is processed in the database at a later moment. For all the above reasons, figures may be updated year on year to reflect the latest available statistics for previously released years starting with 2007.

10. Definitions

Private equity: Private equity provides equity capital to enterprises not quoted on a stock market. Private equity includes the following investment stages: venture capital, growth capital, replacement capital, rescue/turnaround and buyouts. **Private equity funds** are pools of capital managed in general as closed-end, fixed-life funds doing primarily equity capital investments into enterprises (i.e. direct private equity funds as opposed to primary or secondary private equity funds-of-funds) not quoted on a stock market.

Venture capital: Venture capital is, strictly speaking, a subset of private equity and refers to equity investments made for the launch, early development, or expansion of a business.

Type of investors (fundraising tables):

Corporate investor: Corporations that produce products (manufacturing companies) or deliver non-financial services. This definition excludes banks, funds-of-funds, insurance companies, pension funds and other asset managers.

Endowment: An institution that is bestowed money (and possibly other assets) via a donation with the stipulation to invest it and use the gains for specific objectives so that the principal remains intact (for perpetuity, for a defined period of time or until sufficient assets have been accumulated to achieve a designated purpose).

Family office: An office that provides services such as investment management and other services (accounting, tax and financial advice etc) to one or several families.

Foundations: A non-profit organisation through which private wealth is contributed and distributed for public purposes (most often charitable purposes). It may either donate funds and support other organisations or be the sole source of funding for its own charitable activities.

Funds-of-funds: A private equity fund that primarily invests and commits equity to private equity funds.

Other asset manager: Financial institutions (other than bank, endowment, family office, foundation, insurance company or pension fund) managing a pool of capital by investing it across asset classes with the purpose to generate financial returns. This category may include direct private equity funds that occasionally do indirect investments, but excludes funds-of-funds, which are a distinct category.

Government agency: Country, regional, governmental and European agencies or institutions, including multilateral entities such as the European Bank for Reconstruction and Development (EBRD) or the European Investment Fund (EIF).

Fund stage focuses (fundraising tables):

Early-stage fund: A venture capital fund focused on investing in companies in the early stages of their lives.

Later-stage fund: A venture capital fund focused on investing in later-stage companies in need of expansion capital, usually providing third- or fourth- (or a subsequent) rounds of venture investment.

Balanced fund: A venture capital fund focused on both early-stage and development, with no particular concentration on either.

Growth fund: Funds whose strategy is to invest in or acquire relatively mature companies that are looking for capital to expand or restructure operations; they often provide the first private equity investment in a company.

Buyout fund: A fund whose strategy is to acquire other businesses.

Mezzanine fund: A fund that provides debt (generally subordinated) to facilitate the financing of buyouts, frequently alongside a right to some of the equity upside.

Generalist fund: A fund with either a stated focus of investing in all stages of private equity investment, or with a broad area of investment activity.

Stage definitions (investment tables):

Several financing stages can be identified in relation to the stages of development of a private equity-backed company:

Seed: Financing provided to research, assess and develop an initial concept before a business has reached the start-up phase.

Start-up: Financing provided to companies for product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time, but not sold their product commercially.

Other early-stage: Financing to companies that have completed the product development stage and require further funds to initiate commercial manufacturing and sales. They will likely not yet be generating a profit.

Later-stage venture: Financing provided for the expansion of an operating company, which may or may not be breaking even or trading profitably. Late-stage venture tends to finance companies already backed by venture capitalists, and therefore involves third- or fourth- (or a subsequent) rounds of financing.

Growth: A type of private equity investment – most often a minority investment but not necessarily – in relatively mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a significant acquisition without a change of control of the business. Growth capital tends to be a company's first private equity financing. Additionally, most investments made by buyout funds into venture stages would be defined as growth capital.

Bridge financing: Financing made available to a company for the period of transition between being privately owned and publicly quoted.

Rescue/turnaround: Financing made available to an existing business, which has experienced trading difficulties, with a view to re-establishing prosperity.

10. Definitions

Secondary purchase/replacement capital: The purchase of a minority stake of existing shares in a company from another private equity firm or from another shareholder or shareholders.

Refinancing bank debt: An injection of capital to reduce a company's level of gearing.

Management buyout: Financing provided to enable current operating management and investors to acquire existing product lines or businesses.

Management buy-in: Financing provided to enable a manager or group of managers from outside the company to buy in to the company with the support of private equity investors.

Public-to-private: A transaction involving an offer for the entire share capital of a listed target company for the purpose of delisting the company. Management may be involved in the offering.

Other PIPE: A private investment in public equity, as a minority or majority stake, without taking the company private.

Other (leveraged) buyout: Financing provided to acquire a company (other than MBI, MBO, public-to-private or other PIPE). It may use a significant amount of borrowed money to meet the cost of acquisition.

Secondary buyout: A secondary buyout is a form of buyout where both buyer and seller are private equity firms or financial sponsors (ie a leveraged buyout of a company that was acquired through a leveraged buyout). Secondary buyouts differ from secondaries or secondary market purchases which typically involve the acquisition of portfolios of private equity assets, including limited partnership stakes and direct investments in corporate securities.

Mapping the above stages into the five main stages described in this publication leads to the following classification:

- **Seed:** seed
- **Start-up:** start-up, other early-stage
- **Later-stage venture:** later-stage venture, bridge financing
- **Growth:** growth
- **Rescue/turnaround:** rescue/turnaround
- **Replacement capital:** secondary purchase/replacement capital, refinancing bank debt
- **Buyouts:** management buyout, management buy-in, public-to-private, other PIPE, leverage buyout

Mapping the above stages into the two main stages – venture and buyout & growth - leads to the following classification:

- **Venture deals:** seed, start-up, later-stage venture
- **Buyout & growth deals:** growth, rescue/turnaround, replacement capital, buyouts

Amounts definition:

Equity value: *Stricto sensu*, the amount of capital invested to acquire shares in an enterprise. The equity value includes equity, quasi-equity, mezzanine, unsecured debt and secured debt financing provided by funds raised by private equity firms focused primarily on direct investments (including co-investment funds) or incorporated direct private equity firms investing from the balance sheet (evergreen and direct captive private equity programmes).

Sectoral definitions (investment tables):

For a complete picture of the sectoral classification and its mapping to the NACE standardised sectoral classification of Eurostat (NACE Rev. 2, 2007), go to www.evca.eu/uploadedFiles/sectoral_classification.pdf

This link above shows the map between the old EVCA sectors, the new 67 sectors used in the online survey by PEREP, their grouping into the 14 sectoral classes used in the sectoral distribution of investments in the EVCA Yearbook, and their further grouping into the seven sectoral clusters used in the fundraising by fund sectoral focus in the EVCA Yearbook and in this publication.

Divestment methods (divestment tables):

Divestment on flotation (IPO): An initial public offering (IPO) is the sale or distribution of a company's shares to the public for the first time by listing the company on the stock exchange. It is one way a private equity firm can sell its shares and exit an investment.

Sale of quoted equity post-flotation: This relates to the sale of quoted shares only if connected to a former private equity investment, such as the sale of quoted shares after an IPO and lock-up period restricting sales of shares for a defined period of time.

Repayment of preference shares/loans: If a private equity firm provided loans or bought preference shares in the company at the time of investment, then their repayment according to the amortisation schedule represents a decrease of the financial claim of the firm into the company, and hence a divestment.

Repayment of silent partnership: A silent partnership belongs to the so-called mezzanine financing instruments. It is similar to a long-term bank loan but, in contrast to a loan, a silent partnership is subject to a subordination clause, so that in the event of insolvency all other creditors are paid before the silent partner. The company has to repay the partnership and has to pay interest and possibly a profit-related compensation. The subordination clause gives the capital the status of equity despite its loan character. This financing instrument is frequently used in Germany.

Sale to another private equity house: The sale of company shares to another private equity fund.

Sale to financial institution: The sale of company shares to banks, insurance companies, pension funds, endowments, foundations and other asset managers other than private equity firms.

Sale to trade buyers: The sale of company shares to industrial investors.

Divestment by write-off: The total or partial write-down of a portfolio company's value to zero or a symbolic amount (sales for a nominal amount) with the consequent exit from the company or reduction of the share owned. The value of the investment is eliminated and the return to investors is equal or close to -100%.

For more information on the methodology of this report, please contact research@evca.eu.

11. About Gide Loyrette Nouel Warsaw Office

Gide Loyrette Nouel was one of the first international legal practices to open an office in Poland in 1990. Today, the Firm employs 43 lawyers and tax advisors in Warsaw and is frequently called upon to offer legal support to its local and international clients. With 24 offices around the world, Gide Loyrette Nouel (GLN) prides itself on offering expert international and local advice. GLN Warsaw's clients include financial institutions, banks, insurance companies, investors, real estate developers, public companies and government ministries. The Firm advises some of the top players in Poland including Enterprise Investors, Société Générale Asset Management (SGAM), Dalkia (Veolia), Finmeccanica Group, L'Oréal, France Télécom, Telekomunikacja Polska, Accor, Neinver, Deutsche Bank PBC, Bank Zachodni WBK, Société Générale, Pirelli Pekao Real Estate, PGNiG, DnB Nord Bank, KGHM Polska Miedź, Arcelor Mittal, Abris Capital Partners, Unibail-Rodamco.

The Warsaw Office provides a wide range of legal services, including:

- Mergers and acquisitions
- Private equity
- Banking & finance
- Energy, infrastructure & public law
- Real estate
- Litigation and arbitration
- Restructuring and insolvency law
- Tax law
- Intellectual property
- Labour law
- Competition law

Expertise and practice areas

Mergers, acquisitions and private equity

Over the last 18 years, GLN Warsaw has been involved in a large number of transactions: share and asset transactions on the private market, both domestic and international; public tenders and IPOs; private equity deals; LBOs; privatisation transactions; mergers and spin-offs, including cross-border operations.

Banking and finance

The Banking & Finance team has outstanding expertise in complex international financing projects. GLN Warsaw represents Polish and international banks, corporations and financial institutions as lenders, borrowers, issuers, guarantors, arrangers and institutional investors on various structured finance transactions including LBOs, private equity and mezzanine finance deals.

Energy, infrastructure and public law

GLN Warsaw provides legal counsel to the energy and infrastructure sectors in Poland. The Firm regularly advises on privatisations, acquisitions, regulatory issues, energy, gas and commodities trading and infrastructure investment projects (motorways, pipelines, railways, sea terminals, mining operations) as well as on project finance, public procurement and state aid.

Real estate

One of the core activities of the Warsaw Office. The team provides assistance at all stages of real estate-related projects including acquisition, development, zoning and construction, financing, commercialisation, letting out, sale, administrative and regulatory aspects.

Litigation and arbitration

The Firm has extensive experience in handling litigation, arbitration and administrative proceedings and regularly advises on cross-border cases with the support of GLN's International Dispute Resolution team.

Restructuring and insolvency law

GLN represents companies in bankruptcy proceedings and restructuring operations, both domestic and cross-border (including European bankruptcy proceedings). GLN also provides a broad scope of advisory services to Polish and foreign creditors in bankruptcy proceedings against their debtors.

Tax law

GLN Warsaw provides tax advisory services relating to various types of transactions such as mergers and acquisitions, restructurings, deals involving trade in real estate, industrial property and new technologies as well as financial transactions.

Intellectual property

GLN Warsaw provides legal services in trademark law as well as industrial and intellectual property rights, counteracting infringements of copyright and neighbouring rights, combating unfair competition practices, as well as assistance in negotiations and representation in litigation.

Labour law

GLN Warsaw provides legal assistance in employment related issues, including individual employment relationships, the organisation of employment and remuneration systems, establishing personnel policy and drafting internal employment-related legal acts, conducting collective employment-related negotiations and providing advice in employment restructuring and lay-offs.

Competition law

GLN Warsaw advises clients on all matters relating to competition protection, consumer protection law and commercial agreements, including distribution systems with regard to domestic and community law.

11. About Gide Loyrette Nouel Warsaw Office

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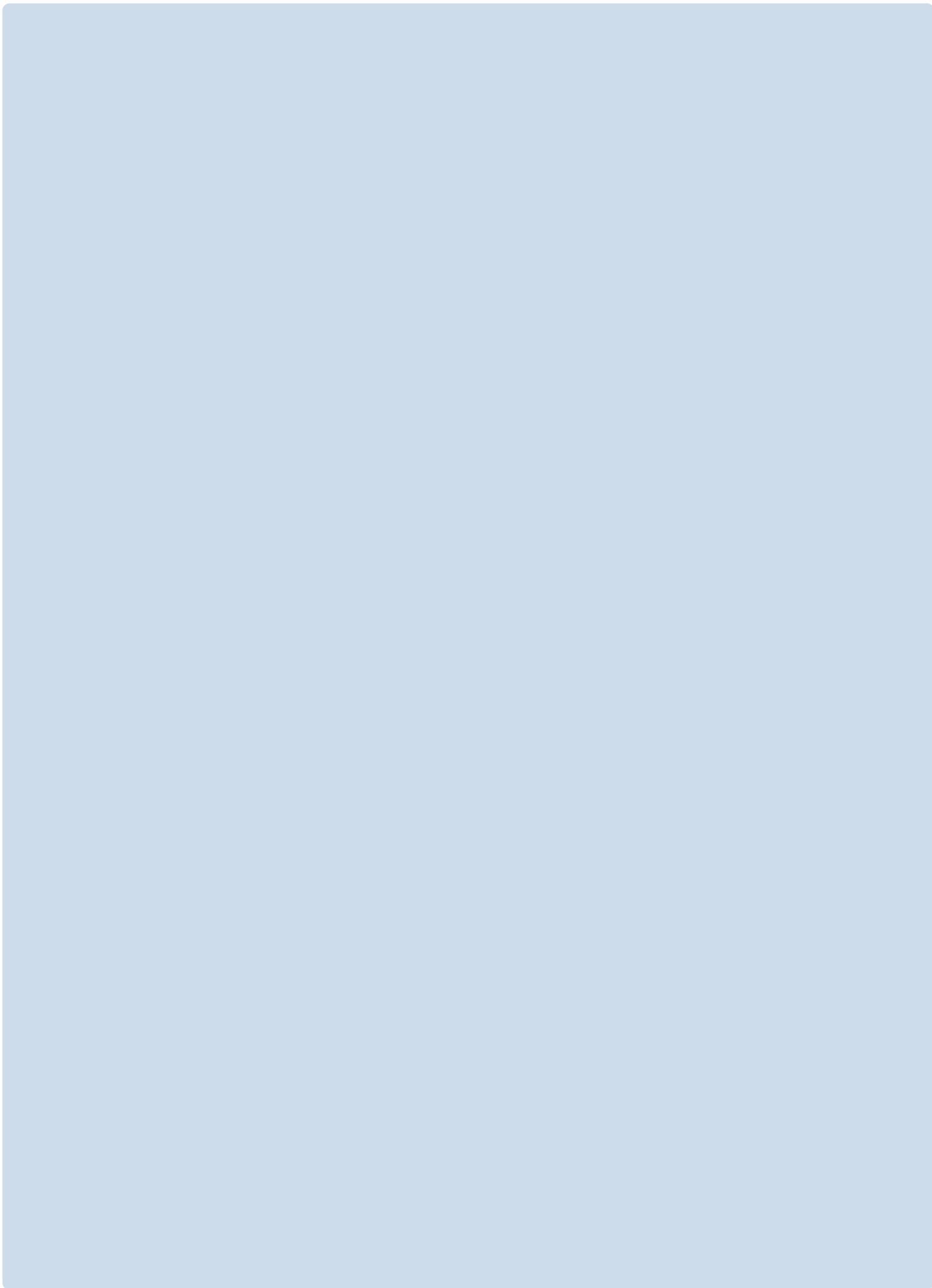
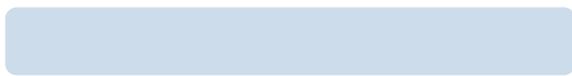
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