



# EVCA Barometer



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## Industry Snapshot

### CEE Report

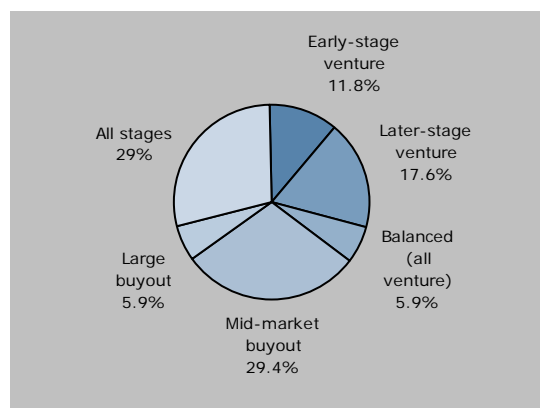
*Still in a convergence process with Western Europe, Eastern European countries<sup>1</sup> are catching up very fast, with real GDP growth rates clearly above the European Union's average in the last few years. The CEE countries that became members of the European Union in the first accession wave are more and more integrated politically and economically (e.g. Slovenia joined the Euro zone in January 2007, and Slovakia will probably join in January 2009).*

*Apart from the positive current and forecasted macroeconomic situation reflected by the GDP growth and increased spending rate, which favour the development of companies, other positive factors on private equity returns are more stable local financial markets and better deal flow. Moreover, the development of the economy is favourable to the emergence of local entrepreneurs.*

*In this context, this Barometer provides an update on the Eastern European private equity market and its outlook. Out of the 79 private equity firms active in Eastern Europe, 17 answered to the survey, which leads to a response rate of 22%.*

### An established track record in Eastern Europe for Mid-Market buyout funds

Distribution of responding private equity firms by investment stage



Source: EVCA

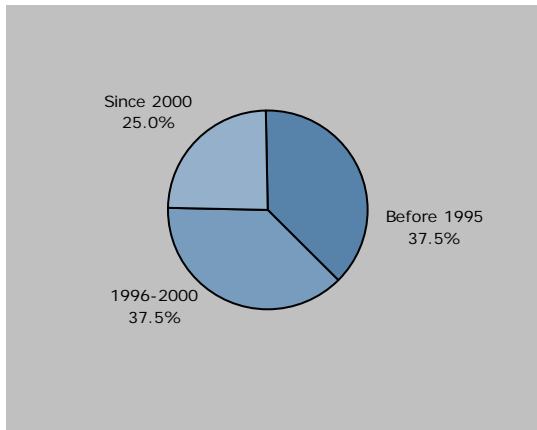
Responding private equity firms were equally split between venture and buyout firms, each representing 35% of the total number of respondents. On the venture side, half of the venture firms invest in later stage deals, while on the buyout side 83% of the buyout firms invest in mid-market deals.

<sup>1</sup> Eastern Europe includes the CEE countries, the Baltic's, the Balkan and other Eastern countries such as Russia, Ukraine, etc.





Year of first investment in Eastern Europe



Source: EVCA

Altogether, 75 % of the responding firms started investing in Eastern Europe between 1990 and 2000, with half of them starting their investment activities in the region in the early nineties (up to 1995). Half of these firms invest in mid-market buyouts, while the other half of them invest in both mid-market buyouts and later stage venture deals. The remaining 25% of responding firms started investing in Eastern Europe after the year 2000, and are mainly venture focused. Altogether, the average investment experience in the region is 10.5 years.

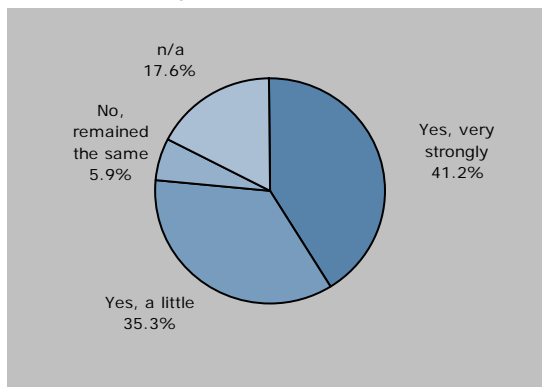
The fact that only buyout firms started investing in the early nineties in Eastern Europe can be explained by the opening process of these economies.

At that time, large waves of privatisation took place in Eastern Europe, offering good opportunities for buyout and expansion private equity firms. In the meantime, entrepreneurship needed to develop more, and legislative frameworks had to be put in place in order to offer opportunities for venture capitalists.

### Limited Partners more and more interested in funds dedicated to the region

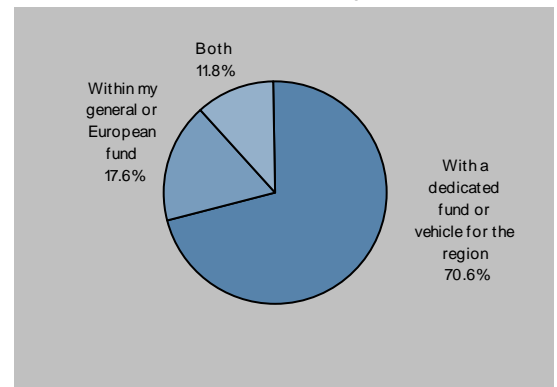
More than 70% of the respondents have a dedicated fund or vehicle for their investments in Eastern Europe, while 18% of the responding firms invest through a global or European focused fund. The remaining respondents use both type of investment structures. It is worth mentioning that two thirds of the firms investing through a general or European focused fund, are venture firms, while usually venture firms invest through funds close to the targeted market.

Increase in limited partner's interest



Source: EVCA

Method used to invest in Eastern Europe



Source: EVCA

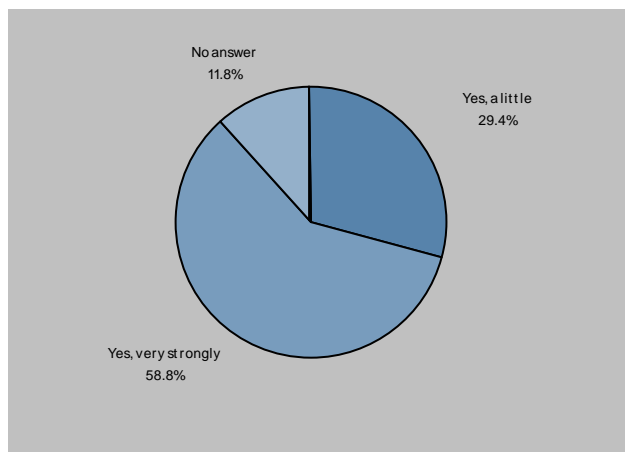
All the firms investing through a dedicated fund saw an increase in the interest of limited partners over the past two years. 58% of them reported a very strong increase in the interest from the LPs in the region.



Altogether, 41% of all respondents reported a strong increase in the interest of LPs, down from 69% in 2007 when significant funds were raised for the region. Similar to 2007, more than 75% of the respondents considered that the interest from LPs in the region increased in the last two years.

### Increasing demand for private equity financing from businesses and entrepreneurs, but stability in the number of deals made in the region

#### Increasing demand from businesses and entrepreneurs



Source: EVCA

According to 88% of the respondents, the demand from businesses and entrepreneurs for private equity and venture capital increased in the last two years. However, this did not impact significantly the total number of investments made in the region. Altogether, according to this survey, Poland - which last year recorded the highest number of deals - was outranked this year by Ukraine and Hungary. Romania and Poland come third with the same number of deals in the last 2 years. Altogether these four countries registered more than half of the total number of deals in Eastern Europe.

Overall, EU Member States attracted most of the deals made by respondents in Eastern Europe over the past two years. Besides Hungary, Poland and Romania accounting for 66% of the total number of deals made in EU member countries, Baltic countries were very popular in terms of investments in the last two years, with Estonia coming first, followed by Lithuania and Latvia. The activity volume reported in Czech Republic was quite low, but do not reflect the real state of the Czech market. Altogether, by number, most of the investments made in 2007 in Eastern European EU Member States were buyouts (53.4%). Only Hungary, Slovakia and Slovenia received more VC investments.<sup>2</sup>

### Larger deals but less leverage financing used

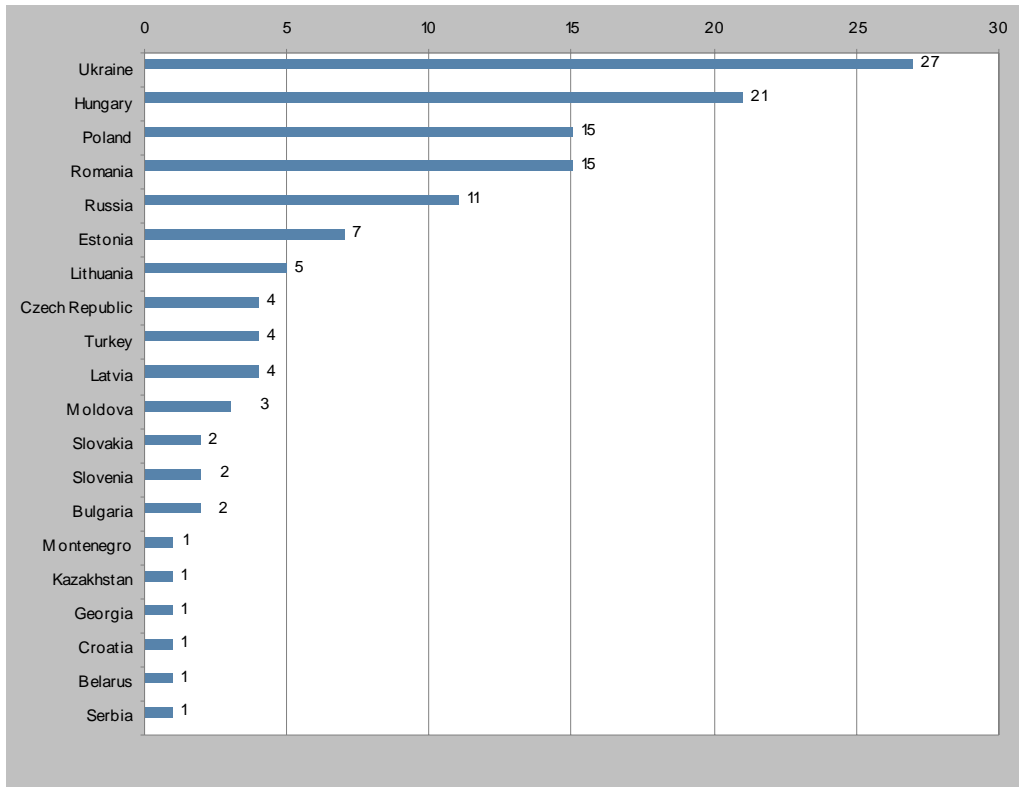
Compared to last year, 47% of responding firms reported an increase in deal size, with only half of them reporting a move to later stage investments. On the other hand, 41% of responding firms did not report any change in deal size, of which 86% moved to deals at a later stage of investments.

Only 29% of the buyout respondents reported the use of more leverage in their deal financing. Another 29% of the respondents did not report any change, and 24% did not answer to the question. Against the background of 45% of the responding firms active in buyouts reporting an increase in the average deal size, the lack of increase in leverage can be explained by access to debt being relatively scarcer given the global difficult financial market conditions that impacted marginally the emerging markets.

<sup>2</sup> Information taken from the EVCA yearbook 2008 due to be published on 18 June 2008. To order your own copy today [click here](#)



Number of Investments in Eastern Europe in the past two years



Source: EVCA

29% of the respondents reported a shift in industry sectors targeted. For these respondents, investments moved mainly to communication services, life sciences and construction materials. To a lesser extent, investments shifted to business and financial services.

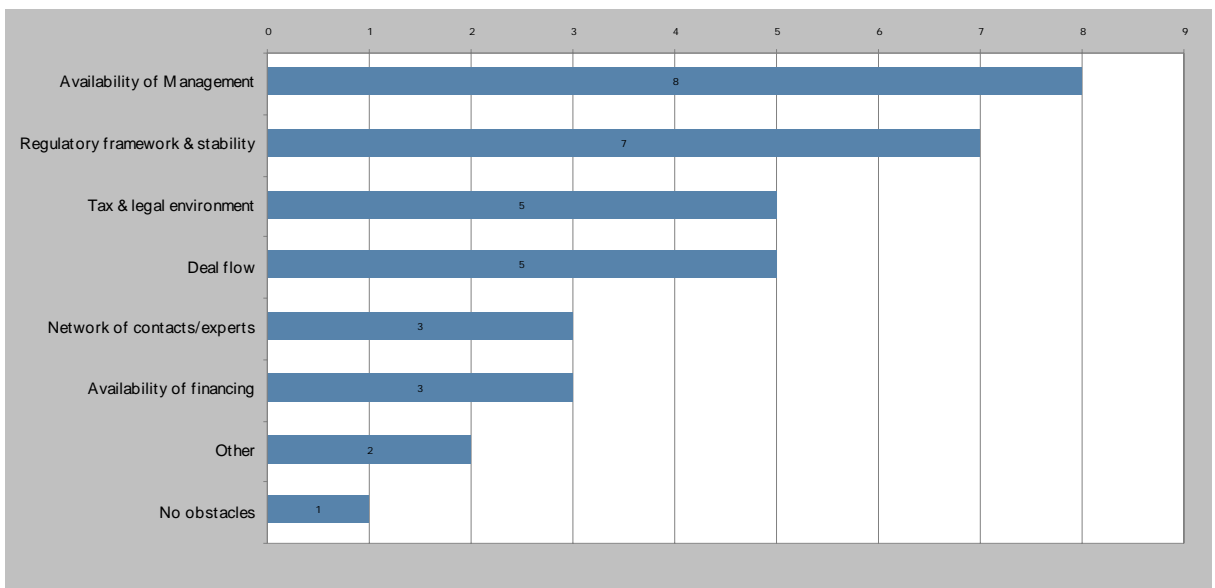
The evolution of the exit market, for most of the respondents, was toward an increase in the interest of strategic buyers and a deterioration of the access to public markets, with lower stock market valuations increasing the challenge of exiting companies via a public offering at a good price.

### Availability of qualified management team is main obstacle

The availability of qualified management teams in companies remains the main challenge for private equity funds investing in Eastern Europe. Overall, 47% of respondents selected human capital as one of the key obstacles. According to 41% of respondents, the regulatory framework and lack of stability were another key barrier to investments in the region. The tax and legal environment and the deal flow ranked third with 29% of respondents each considering it a hurdle.



Key obstacles when investing in Eastern Europe today (number of respondents)

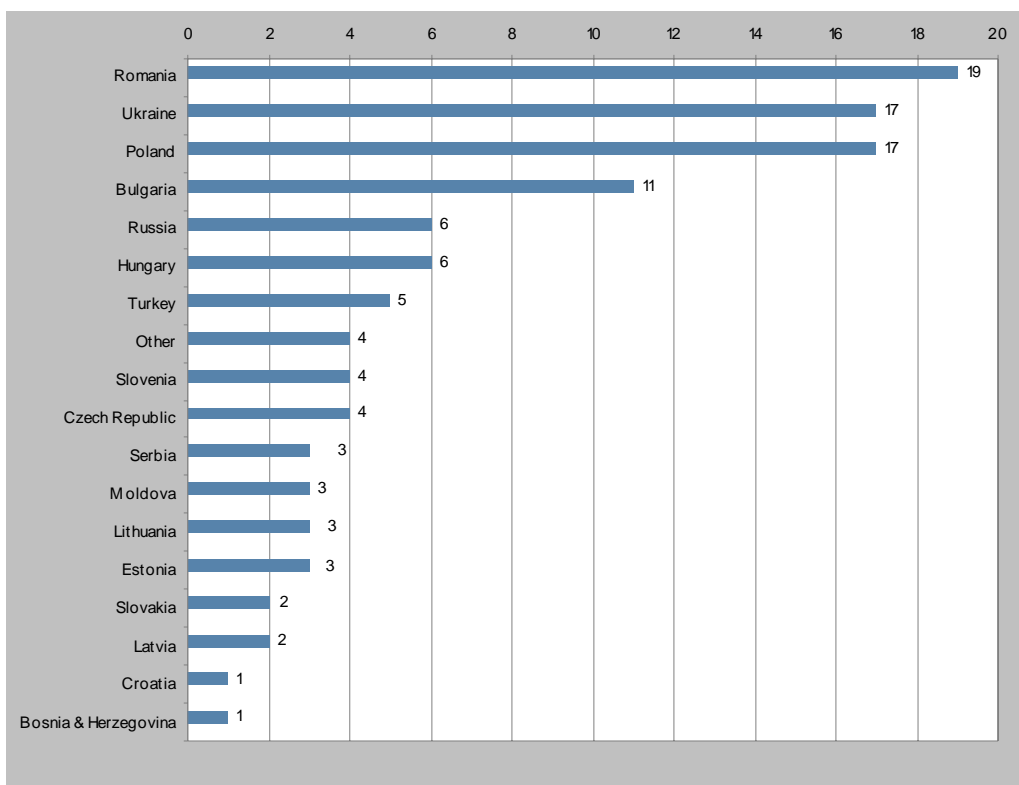


Source: EVCA

### A positive outlook on the investment side

The number of investments foreseen in the region in the next two years is slightly lower, at 111, but remains high in the context of the global economic slowdown. Romania, Poland and Ukraine are expected to be the most targeted countries. Bulgaria, which received only two investments from respondents in the last two years is expected to receive eleven deals in the next two years.

Number of investments in Eastern Europe foreseen in the next two years



Source: EVCA



Romania and Bulgaria the two most recent EU members have a high potential according to respondents. They had to meet certain levels of economic and legal criteria before they joined the European Union which provides them now with a fair level of stability. In parallel they are fast growing economies, which makes the investment environment favourable for private equity firms.

The positive macroeconomic situation and increasing consumer spending in Ukraine offer good opportunities reflected in the investments foreseen in the next two years. Moreover, the combination of local entrepreneurs with a high potential and growing interest from strategic buyers is extremely positive for the development of private equity business models.

Finally, Poland is the biggest CEE market within the EU, and as such receives a strong inflow of funds from the European Union. Moreover, it is a stable and growing economy with an improving regulatory environment and the biggest market size.

EU member countries will probably remain the main target of investments for the responding private equity firms in the next two years, with 70 % of the total number of investments expected to take place in these countries. Of course this is partially explained by the investment focus of the responding firms which is not expected to change from one year to another in the life of a given fund.

More in the context of new fundraising, the Balkan region may emerge as a new booming area. Respondents expect to make two times more investments in the Balkan countries in the next two years than they made in the last two years.

*The Eastern European private equity market experienced a strong level of activity in the last two years. The interest of LPs in firms investing through dedicated funds to the region increased strongly. Deals increased in size and moved to later stage financing. Sectors targeted remained rather unchanged, but the exit environment changed mainly due to the deterioration of stock markets and further increased interest from strategic buyers.*

*Some challenges remain, especially in finding good quality management for underlying companies, and in the regulatory framework. However, the outlook for the next two years remains positive. The biggest countries will probably attract most of the activity, but emerging economies of the Balkan region are considered as countries with increased potential.*

## ICT Results

### Turning conventional video coding wisdom on its head

A major drawback of the latest generation video products and applications has been the complex requirements for coding and decoding signals.

An alternative put forward by European researchers turns the traditional video coding paradigm on its head. [Read more...](#)



### Designing bug perception into robots

Insects have provided the inspiration for a team of European researchers seeking to improve the functionality of robots and robotic tools.

The research furthers the development of more intelligent robots, which can then be used by industry, and by emergency and security services, among others. Smarter robots would be better able to find humans buried beneath the rubble of a collapsed building, for example.

[Read more...](#)

### Piecing together the next generation of cognitive robots

European researchers are making progress on piecing together a new generation of machines that are more aware of their environment and better able to interact with humans.

[Read more...](#)

### Bringing down the language barrier... automatically

Progress being made by European researchers on automatic speech-to-speech translation technology could help the EU tackle one of the biggest remaining boundaries to internal trade, mobility and the free exchange of information – language.

[Read more...](#)

### Less positive economic outlook

According to *The Economist* the economic outlook for 2008 and 2009 is deteriorating, particularly in the US. In the Euro Zone, GDP is now expected to grow by 1.5% in 2009, which is 0.3 p.p. below March 2008 forecast. Similarly, in the UK, Denmark and Sweden, GDP growth expectations have been reviewed downwards by 0.3 p.p. on average for 2009, to 1.7%, 1.6% and 2.1% respectively. The most significant revision concern the US, where GDP is expected to grow by 1.7% in 2009, or 0.5 p.p. below March 2008 forecast. Finally, GDP growth should be slightly lower in 2009 in Japan as well, with GDP expected to increase by 1.5% or 0.1 p.p. less than in the March forecasts.

Annual GDP Growth Forecasts in %

	May 2008 forecast		April 2008 forecast		Difference between the two forecasts	
	2008	2009	2008	2009	2008	2009
Euro zone	1.6	1.5	1.6	1.6	0.0	-0.1
UK	1.7	1.7	1.8	1.8	-0.1	-0.1
Denmark	1.5	1.6	1.5	1.6	0.0	0.0
Sweden	2.3	2.1	2.4	2.3	-0.1	-0.2
USA	1.1	1.7	1.2	1.7	-0.1	0.0
Japan	1.3	1.5	1.3	1.5	0.0	0.0

Source : The Economist



GDP growth forecasts for 2008 have been reviewed downwards as well for all the countries. In the Euro Zone, Denmark, and Japan, GDP growth forecasts have been decreased by 0.1 p.p. compared to March, to 1.6%, 1.5%, and 1.3% respectively. In the US, the decrease in GDP growth forecasts was more important compared to March forecasts, with GDP growth expected now at 1.1% in 2008, compared to 1.5% in March. In Sweden, even if the 2008 GDP growth is expected to be 0.3 p.p. lower than in the March forecasts, it is still expected to be the fastest growing economy this year, with GDP growth foreseen at 2.3%.

Quarterly GDP Growth Estimates for the Euro zone in %

	May 2008	April 2008	Difference between the two estimates
1 <sup>st</sup> Quarter 2007	0.7%	0.8%	0.0
2 <sup>nd</sup> Quarter 2007	0.3%	0.3%	0.0
3 <sup>rd</sup> Quarter 2007	0.7%	0.7%	0.0
4 <sup>th</sup> Quarter 2007	0.4%	0.4%	0.0
1 <sup>st</sup> Quarter 2008	0.7%	n/a	0.0

\* Refers to the actual quarterly growth rates, which are revised monthly to take account of new information.  
Source: Eurostat

Eurostat published its first GDP growth estimate for the first quarter of 2008. GDP growth reached 0.7% compared to the previous quarter. GDP growth estimate for the first quarter of 2007 were revised slightly downwards to 0.7%, compared to 0.8% in March. However, it had no impact on the annual GDP growth estimate for 2007, which remain at 2.6%.

## LIBOR increased significantly in March-April 2008

After a rather stable evolution in February, the LIBOR rate increased strongly during March and April (by 13%), to reach a peak at 4.96% at the end of April. This is the highest level observed for the LIBOR rate for the last eight years.

Annual LIBOR



Source: British Bankers Association (BBA)

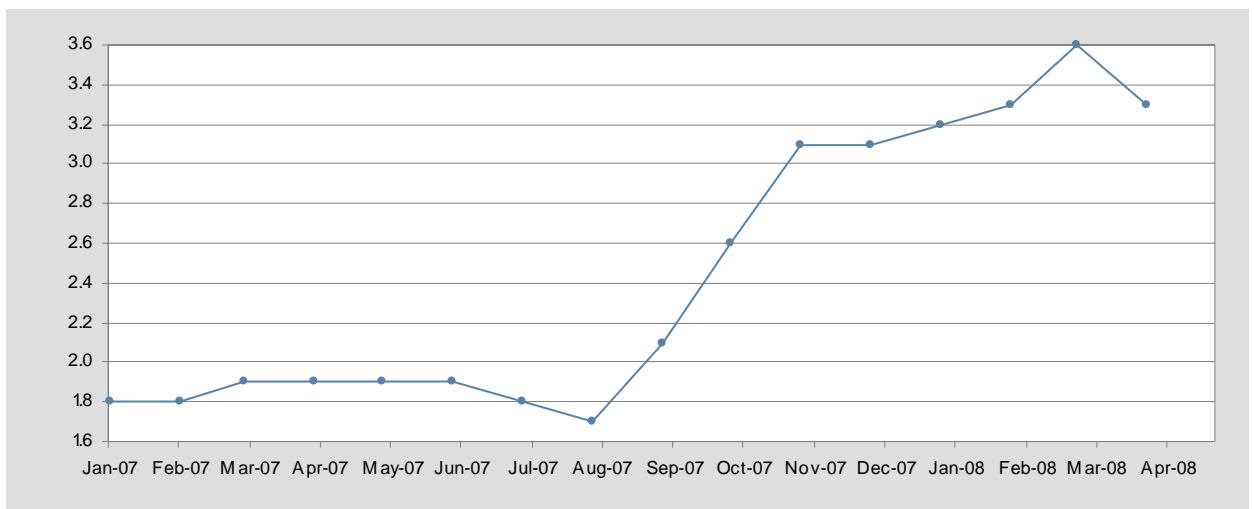


The average LIBOR rate for April was 4.82%, which is 57 basis points above the March 2007 average LIBOR rate of 4.25%.

## Inflation and Exchange rates

In April 2008, the annual inflation rate for the Euro zone came down to 3.3%, the level observed in February 2008, after a peak at 3.6% in March, which was the highest level observed since May 2001 (3.4%). In April, inflation was 1.3 p.p. above the European Central Bank target of 2.0%.

Annual Inflation rate for the Euro Zone



Source: Eurostat - Inflation rate for consumer price

The Euro broke new records in March and April, reaching a peak at \$1.59/€ on April 23, before closing the month at \$1.55/€. At the end of April, the Euro had appreciated against the Dollar by 2.5% compared to the end of February 2008.

Exchange rate \$ / €



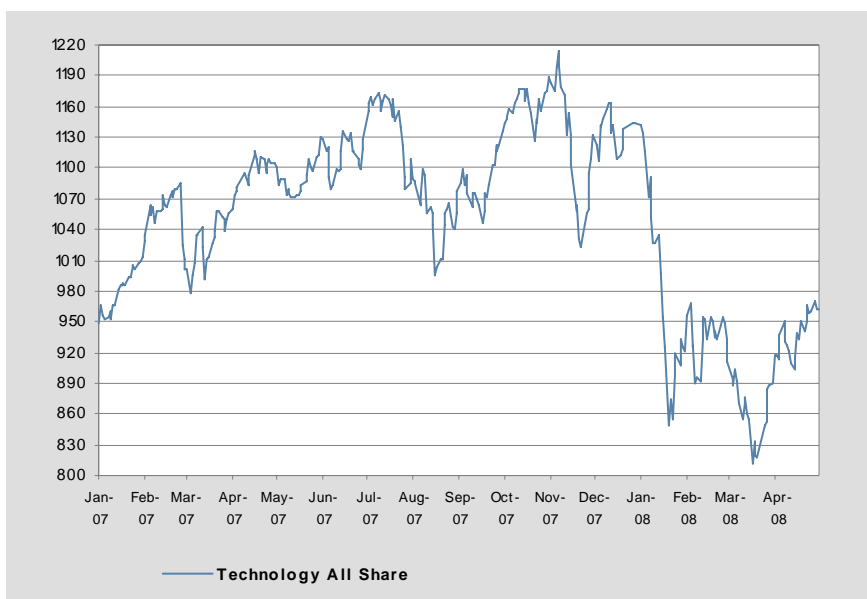
Source: European Central Bank (ECB)



## Upward trend on stock markets in April 2008

In April, all stock exchanges were oriented upwards, closing the month above the level observed at the end of March, while in March all stock exchanges had reached their lowest level in 2008. Thanks to the positive trend observed in April, losses vis-à-vis the beginning of the year have decreased in all stock exchanges.

Even if the Technology All share registered the fastest increase in April compared to March, +8.1%, it is still registering the highest losses since the beginning of the year: -15.7%. On the contrary, the AIM which registered the slowest growth in April, experienced the smaller losses this year to date.



### Technology All Share

#### Year 2008

- Highest value: 1,142.03 (2 January)
- Lowest value: 811.35 (17 March)

#### Year 2007

- Closing: 28 December at 1,144.22
- Highest value: 1,213.26 (7 November)
- Lowest value: 948.28 (2 January)

#### % change on year opening

- -15.68%

#### % change on same month previous year

- -12.77%

Source: Deutsche Börse



### AIM

#### Year 2008

- Highest value: 1,055.60 (3 January)
- Lowest value: 939.50 (20 March)

#### Year 2007

- Closing: 31 December at 1,049.1
- Highest value: 1,236.60 (16 July)
- Lowest value: 1,011.00 (19 December)

#### % change on year opening

- -7.13%

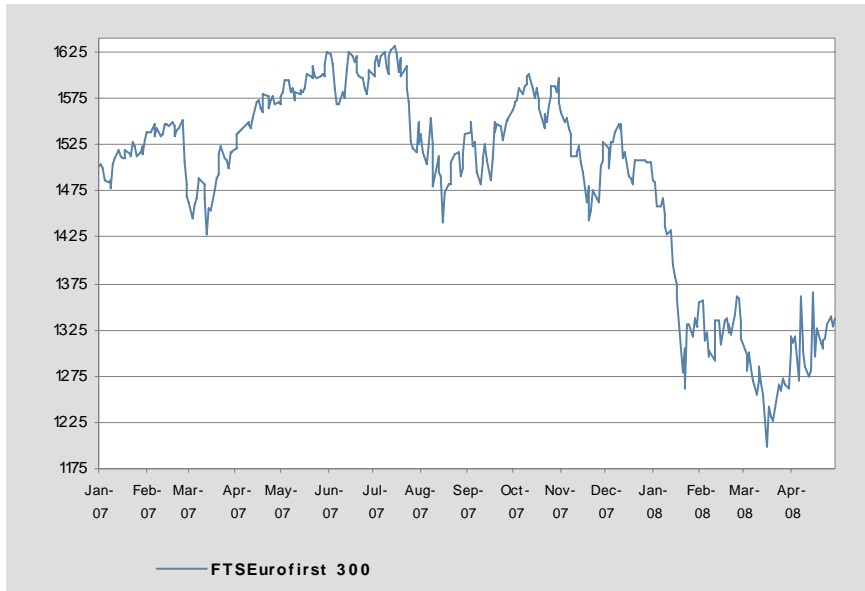
#### % change on same month previous year

- -17.25%

Source: London Stock Exchange



The FTSE Eurofirst 300 and the NASDAQ experienced similar growth in April, close to 6.0%. Compared to the beginning of the year, the two indices are down by 10.1% and 7.5% respectively.



FTSEurofirst 300

**Year 2008**

- Highest value: 1,487.23 (2 January)
- Lowest value: 1,199.80 (17 March)

**Year 2007**

- Closing: 31 December at 1,506.60
- Highest value: 1,630.30 (16 July)
- Lowest value: 1,427.40 (14 March)

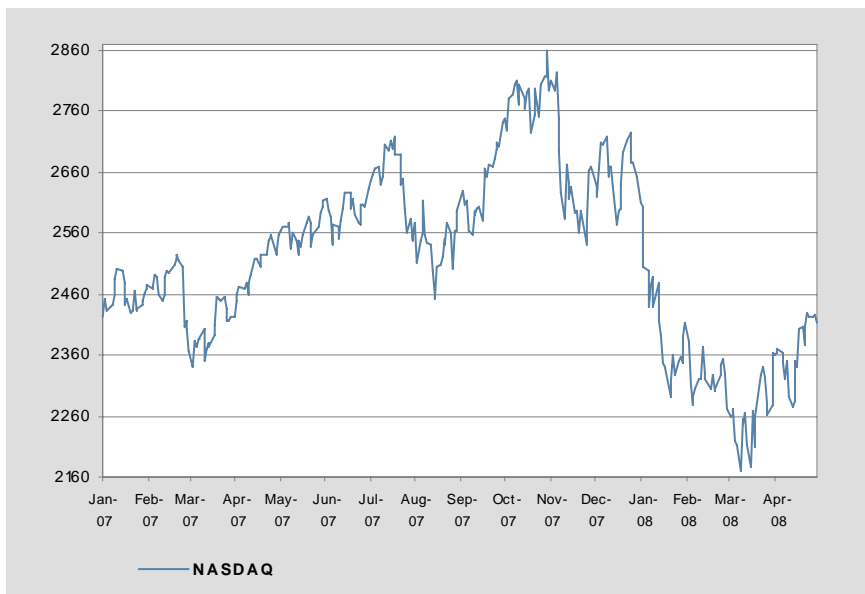
**% change on year opening**

- -10.05%

**% change on same month previous year**

- -11.74%

Source: London Stock Exchange



NASDAQ

**Year 2008**

- Highest value: 2,609.60 (2 January)
- Lowest value: 2,169.34 (10 March)

**Year 2007**

- Closing: 31 December at 2,652.30
- Highest value: 2,859.12 (31 October)
- Lowest value: 2,340.68 (5 March)

**% change on year opening**

- -7.54%

**% change on same month previous year**

- -4.45%

Source: NASDAQ

## IPO Activity

In March and April, IPO activity in Europe and the US continued to be rather low compared to the first months of 2007, but remained much higher in Asia.



According to data provided by *Thomson Financial*, 12 European companies went public in April 2008, compared to 13 IPOs in March 2008, generating proceeds of €613m, above the total amount of proceeds for the first quarter of the year. Altogether, 42 European companies have been launched on international stock markets in 2008 so far (cut-off date: 30 April 2008), amounting to revenues of €1.1bn. This represent only 6.3% of the total proceeds generated in the first four month of 2007, and one third of the total number of companies listed in the same period. A total of 22 company IPOs are in the pipeline for the end of the second quarter of 2008, but none of them is private equity backed.

	USA				Europe				Asia <sup>1</sup>			
	2007		2008*		2007		2008*		2007		2008*	
	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Is- sues
Quarter 1	6,404	43	13,221	10	10,538	86	533	30	7,796	97	9,067	79
January	1,745	11	492	3	366	9	197	11	2,544	28	3,024	37
February	2,961	17	81	3	4,682	28	170	6	2,480	39	3,144	25
March	1,698	15	12,649	4	5,489	49	165	13	2,771	30	2,899	18
Quarter 2	12,912	63	2,002	7	31,915	162	613	12	17,266	100	1,974	34
April	3,521	10	2,002	7	7,532	40	613	12	8,551	29	1,974	34
Quarter 3	7,411	38			7,029	87			15,066	136		
Quarter 4	7,191	60			27,372	117			22,520	168		
<b>Total</b>	<b>33,918</b>	<b>204</b>	<b>573</b>	<b>17</b>	<b>76,854</b>	<b>452</b>	<b>1,146</b>	<b>42</b>	<b>62,648</b>	<b>501</b>	<b>11,040</b>	<b>113</b>

\* Cut-off date: 29 February 2008

IPO activity is classified by the domicile nation of the issuer's headquarters

Data is continuously updated and is therefore subject to change

<sup>1</sup>Asia here excludes Japan

Source: Thomson Financial

In Europe, the largest transaction this year to date is the IPO of *Globaltrans Investment*, the Russian industrial company, which raised total revenues of €289m in April. It is followed by the IPO of the Polish Media and Entertainment company *Cyfrowy Polsat Spółka Akcyjna*, worth €244m.

In the US, 7 companies went public in April, the highest level of activity in a single month so far in 2008. These listings generated €2bn in proceeds, 40.0% less than in the same month of 2007. Thanks to the listing of *Visa Inc*, the US based financial company which generated €12.6bn in revenues, total proceeds in the first quarter of 2008 were twice as big as in the first quarter of 2007. However, by number of issues, the IPO activity was four times lower in the first quarter of 2008 than in the first quarter of 2007.



The largest US company IPO, apart from the *Visa Inc* issuance, was the launch of the US based Energy and Power company *American Water Works*, with proceeds amounting to €849m, followed by the IPO of the US based Materials company *Intrepid Potash* at €694m.

IPO activity in Asia was quite strong in April 2008 in terms of number of issues, with 34 IPOs registered compared to 18 in March 2008. However, proceeds decreased by one third compared to the previous month, at €2bn. Overall, 113 Asian companies have gone public in 2008 so far, which is 13 less than in the same period of the previous year. Proceeds reached €11bn in the four first month of 2008. This is €5bn less than a year ago.

The IPO of the Chinese industrial company *China Railway Constructor* in February 2008 remain the largest IPO in Asia so far, with €3.6bn in proceeds. The biggest IPO in April was the launch of the Thai Energy and Power company *ESSO Thailand*, worth €171m.

### Top IPO Stock Exchanges

The Warsaw stock exchange is so far the most popular European stock exchange in 2008, with 8 IPOs worth €376m. It is followed by the London stock exchange attracting €317m across 2 IPOs, and the London AIM with 9 IPOs worth €187m.

Ranking	USA			Europe			Asia <sup>1</sup>		
	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues
1	New York	34,404	61	Warsaw	376	8	Hong Kong	2,975	7
2	Nasdaq	10,286	120	London	318	2	Shanghai	2,885	2
3	Australia	1,432	1	London AIM	187	9	Mumbai (The Bombay Stock Exchange)	2,579	17
4	London AIM	1,147	20	Sistema Telematico delle Borse Italiane	106	2	Shenzhen	1,087	34
5	Euronext Amsterdam	911	3	New-York	98	1	Hanoi	383	1

\* Cut-off date: 30 April 2008

<sup>1</sup>Asia here excludes Japan

Source: Thomson Financial

The New York Stock Exchange tops the list of the most important US IPO markets in terms of proceeds, with 61 IPOs worth €34bn. By number of deals, the NASDAQ ranks first with 120 IPOs registered generating €10bn in revenues.

In Asia, the Hong-Kong stock exchange reached almost €3bn in proceeds from 7 IPOs only, followed by the Shanghai stock exchange with €2.9bn in proceeds coming from 2 IPOs, and the Bombay stock exchange with €2.6bn in proceeds from 17 IPOs. By number of IPOs, the Shenzhen stock exchange came first 34 IPOs registered so far in 2008.



## 4,792 European M&A transactions worth €360bn in 2008 so far

According to data from Dealogic, a total of 4,792 M&A deals, valued at €360bn, have taken place in 2008 so far in Europe (cut-off date: 30 April 2008). This represents an increase of 117% by number of deals and 109% by value, in March and April 2008. Average monthly deal volume for the first four months of 2008 amounts to 1,198 M&A deals, with an average value of €90bn. In comparison, during the same period of 2007, the average number of M&A deals was 831, with an average value of €97bn.

	2005		2006		2007		2008*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
Aerospace	6	32	8	30	6	37	1	11
Agribusiness	0	101	3	102	1	114	0	33
Auto/Truck	12	237	12	219	22	241	4	92
Chemicals	22	321	34	304	23	339	17	120
Computers & Electronics	40	1,382	31	1,241	40	1,285	20	565
Construction/Bldg Prods	41	766	80	799	57	806	18	327
Consumer Products	11	422	14	434	28	516	22	185
Dining & Lodging	16	344	35	310	20	279	19	103
Finance	85	771	110	871	288	845	34	319
Food & Beverage	35	587	24	644	44	622	5	227
Forestry & Paper	5	109	2	109	3	99	2	41
Government	0	17	0	14	0	9	0	4
Healthcare	30	388	67	448	63	503	8	199
Holding Companies	6	81	4	99	21	100	5	31
Insurance	22	246	41	267	45	325	10	123
Leisure & Recreation	13	212	14	244	14	221	3	97
Machinery	8	287	12	358	17	423	5	170
Metal & Steel	17	278	50	282	40	306	6	128
Mining	6	110	20	181	7	133	27	55
Oil & Gas	49	277	56	339	86	284	24	107
Professional Services	15	1,329	24	1,302	31	1,431	6	575
Publishing	8	258	26	265	16	275	18	102
Real Estate/Property	86	740	132	1,010	157	1,264	23	331
Retail	25	405	24	440	51	444	9	174
Telecommunications	106	519	110	510	64	502	19	197
Textile	6	141	4	160	15	134	1	51
Transportation	29	499	61	553	45	573	10	222
Utility & Energy	69	316	72	390	142	402	43	201
<b>Total</b>	<b>768</b>	<b>11,179</b>	<b>1,071</b>	<b>11,930</b>	<b>1,345</b>	<b>12,513</b>	<b>360</b>	<b>4,792</b>

\* Cut-off date: 30 April 2008

Data is continuously updated and is therefore subject to change

Note: the industry classification has changed as of April 2007, following the implementation of a new analytics system. Please also note that the data methodology has changed as of January 2005 and is presented excluding company carveouts.

Source: Dealogic



Similar to 2007, the most active sector in the first four months of 2008 in terms of number of deals is *Professional Services* with 575 M&A deals registered. *Computer and Electronics* ranks second with 565 M&A deals. In value terms, *Utility & Energy* and *Finance* come first, with respectively €43bn over 201 deals and €34bn over 319 deals.

Overall, 2008 M&A activity has reached 384% of last year's total activity level in terms of number of deals and 27% of last year's deal value.

## Western Europe attracted about 80% of the M&A activity so far in 2008

Data from Dealogic show that 3,770 transactions took place in Western Europe in the first four months of 2008, adding up to a total value of €301bn. Thus, Western Europe represents 79% of the total 2008 activity in terms of deal number, and 84% in value terms.

The United Kingdom continued to be the largest country in terms of both deal value and deal number. Since the beginning of 2008, it has witnessed 1,320 M&A transactions (cut-off date: 30 April 2008), generating €132bn in proceeds. Spain ranks second in terms of deal value, with €40bn in proceeds from 280 M&A deals. By number of deals, Germany came second with 407 deals generating €16bn in proceeds.

	2005		2006		2007		2008*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
<b>Eastern Europe</b>	<b>102</b>	<b>2,147</b>	<b>127</b>	<b>2,754</b>	<b>165</b>	<b>2,363</b>	<b>59</b>	<b>1,022</b>
Russian Federation	39	724	68	1,227	96	814	45	431
Turkey	19	103	19	126	16	115	3	29
Czech Republic	8	147	3	132	4	112	3	50
Poland	9	327	6	358	14	252	2	144
Ukraine	5	81	1	148	5	197	2	78
<b>Western Europe</b>	<b>666</b>	<b>9,032</b>	<b>944</b>	<b>9,177</b>	<b>1,181</b>	<b>10,156</b>	<b>301</b>	<b>3,770</b>
United Kingdom	203	2,781	303	2,903	293	3,022	132	1,320
Spain	43	563	96	721	115	914	40	280
France	61	1,055	126	908	105	995	25	391
Germany	96	1,028	121	1,124	144	1,254	16	407
Sweden	17	522	37	675	29	826	15	296
Netherlands	39	461	46	495	154	398	14	109
<b>Total</b>	<b>768</b>	<b>11,179</b>	<b>1,071</b>	<b>11,931</b>	<b>1,346</b>	<b>12,519</b>	<b>360</b>	<b>4,792</b>

\* Cut-off date: 30 April 2008

Data is continuously updated and is therefore subject to change

Note: the data methodology has changed as of January 2005 and is presented excluding company carveouts.

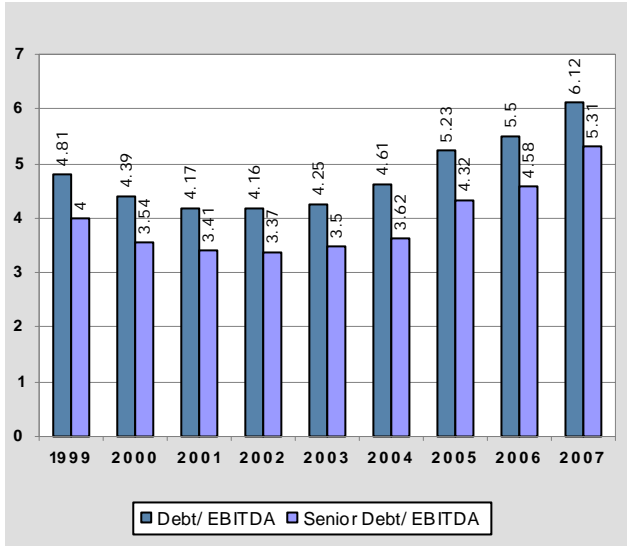
Source: Dealogic

Eastern Europe so far counts 1,022 M&A deals, valued at €59bn (cut-off date: 30 April 2008). With 431 deals worth €45bn, the Russian Federation is by far the first Eastern European country for M&A transactions. Turkey and Czech republic come second in terms of deal value with €3bn in proceeds, while Poland ranks second in terms of deal number, with 144 transactions registered.



## Leverage Loan Market Activity

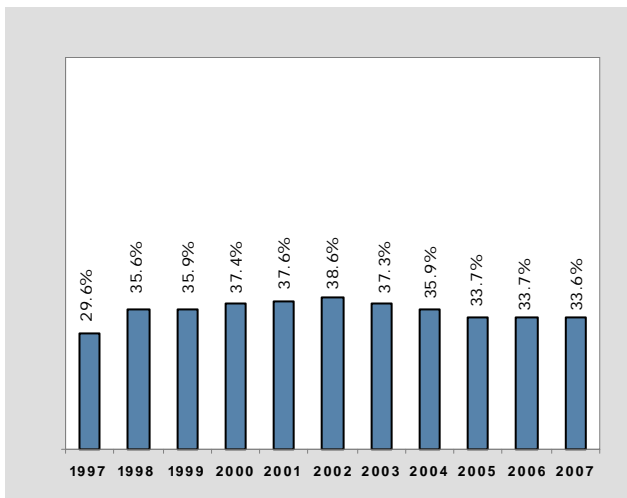
European leverage ratios from 1999-2007



Source: S&P LCD

According to data provided by *Standard & Poor's Leveraged Commentary & Data (S&P LCD)*, debt to EBITDA multiples increased gradually by 47.1% from 4.16x in 2002 to 6.12x in 2007. Senior debt levels rose by 57.6% from 3.37x to 5.31x over the same period of time.

Average European equity contributions from 1997-2007 (as of total enterprise value)



Source: S&P LCD

The average equity contribution of the transaction values decreased by 13.4% over the past six years, falling from 38.6% in 2002 to 33.6% in 2007. However, since 2005 the level of equity contribution has remained stable.



## Methodology

### *GDP*

i) EU Commission, Directorate General for Economic and Financial Affairs (ECFIN):

Source: [http://europa.eu.int/comm/dgs/economy\\_finance/index\\_en.htm](http://europa.eu.int/comm/dgs/economy_finance/index_en.htm)

The growth rates presented refer to the quarterly percentage change in real GDP. The numbers given in ranges are the GDP growth forecasts estimated for two quarters in advance of the actual figures. The ranges indicate the lowest expected growth rate compared to the highest. The single numbers are the actual growth figures, for the respective quarters, which are again recalculated as new data becomes available. The area referred to is the Euro Zone (EU 12).

ii) The Economist: The Economist poll forecast

Source: [www.economist.com](http://www.economist.com)

The Economist poll forecast is a monthly estimate for the GDP growth rate in the Euro Zone for the coming year. To obtain this forecast, 17 banks and financial institutions are questioned on their current growth projections. For the final figure, the arithmetic average of individual projections is calculated.

### *LIBOR*

Source: British Bankers Association (BBA), Home Page: [www.bba.org.uk](http://www.bba.org.uk)

The data presented is the 12 month Euro LIBOR, measured at spot value.

### *Inflation rate*

Source: Eurostat

The numbers displayed are the annual consumer price inflation rates published by Eurostat on a monthly basis. The most recent value is an estimate, which is published at the end of the month and incorporates all information available at the time. This figure is restated in the middle of the following month. The data presented measures price changes in the Euro Zone between the current month and the same month in the previous year.

### *Exchange rate*

Source: European Central Bank (ECB)

Bilateral Euro/US Dollar exchange rate.

### *Stock Markets*

FTSE Eurotop 300:

Source: [www.londonstockexchange.com](http://www.londonstockexchange.com)

AIM:

Source: [www.londonstockexchange.com](http://www.londonstockexchange.com)

Technology All Share:

Source: [www.deutsche-boerse.com](http://www.deutsche-boerse.com)

NASDAQ:

Source: [www.nasdaq.com](http://www.nasdaq.com)

*IPO activity and Top 5 IPO stock exchanges*

Source: Thomson Financial at [www.thomson.com](http://www.thomson.com)

IPO data includes the first public offering of a company's common stock. Secondary listings or re-listings on other markets are not considered IPOs. The data is attributed geographically by the domicile nation of the issuer's headquarters, regardless of the target market. European data comprises IPOs of companies domiciled in Europe, including Central and Eastern Europe. Asian data refers to companies domiciled in Asia, excluding Japan. All amounts are given in Euros and represent total proceeds raised to the issuing company, including overallotments sold.

*M&A activity in Europe*

Source: Dealogic at [www.dealogic.com](http://www.dealogic.com)

The M&A data accounts for completed deals between January 1999 and the time of publication. Deals that are pending, withdrawn or in which shares have been bought back are excluded. Europe refers to both Western and Eastern Europe. Volume data refers to M&As of quoted and unquoted companies. The geographical M&A flows are classified by target nationality. Please also note that the data methodology has changed as of January 2005 and that M&A data is presented excluding company carveouts.

*European leverage ratios and average equity contributions*

Source: S&P LCD at [www.lcdcomps.com](http://www.lcdcomps.com)

The data is referring to the leverage loan market, covering loans for LBO transactions that are syndicated to borrowers (banks) in Europe. Transactions include all sponsored activity, such as refinancing and recapitalizations. Europe refers to both, Western and Eastern Europe.

**Disclaimer**

The data provided in this Barometer has been collected from different sources. EVCA has taken steps to ensure the reliability of the information presented. However, EVCA cannot guarantee the ultimate accuracy of the data and therefore EVCA does not accept responsibility for any decision made or action taken based on the information provided.

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