



Central and Eastern Europe Statistics 2013

An EVCA Special Paper

Edited by the EVCA Central and Eastern Europe Task Force

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Contents

-
1. Introduction
Page 3
-
2. Executive summary
Page 4
-
3. Fundraising
Page 5
-
4. Investment activity
Page 10
-
5. Market segments
Page 18
-
6. Exits
Page 21
-
7. The CEE venture capital market
Page 26
-
8. The CEE buyout & growth market
Page 31
-
9. Methodology
Page 38
-
10. Definitions
Page 40
-
- About Gide Loyrette Nouel
Page 43

About this report

This document provides annual activity statistics for the private equity and venture capital markets of Central and Eastern Europe in 2013 and prior years. The statistics contained herein are based solely on the “market approach”, wherein information is compiled to show activity in a particular country, regardless of the origin or location of private equity fund managers. This contrasts with the “industry approach” that shows the activity of fund managers based in a particular country, and which is not applied in this paper. The EVCA believes using the market approach 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, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine.

We refer readers to the methodology and definitions sections at the back of this document to aid in understanding the data and terminology used throughout the text.

Amendments of prior years' statistics

All data from 2007 through 2013 reported in this publication is based on the PEREP_Analytics database, which is continuously updated and therefore subject to change. Continual updating achieves the highest level of accuracy. However, the results depend on the timely, complete and accurate submissions of information from private equity fund managers. In order to ensure the highest standards of data quality, all data collected through PEREP_Analytics since 2007 was reviewed and if necessary restated for this publication.

The PEREP_Analytics database offers private equity firms the possibility to submit surveys and validate previously populated data captured from public sources at a later stage. In addition, each year sizeable transactions are re-audited and reconsidered as new information might become available after the closing of previous reports. Furthermore, no portfolio company is reflected with negative capital flow in the database. Therefore, if a firm submits a divestment and the corresponding investment has never been reported by the private equity firm, PEREP_Analytics will create the investment or will correct the previously collected information. Finally, during their investment period, some funds might have changed their investment strategy; therefore their investment focus is modified accordingly. This type of reorientation of investment strategy is reflected in the fundraising analysis of this report on funds investment focus split.

The EVCA always recommends readers to use the most recent publication when analysing historical data to ensure the highest level of accuracy.

1. Introduction

Dear colleague,

The EVCA, in collaboration with the EVCA Central and Eastern Europe Task Force and PEREP_Analytics, is pleased to present this annual report on private equity and venture capital activity in Central and Eastern Europe ("CEE").

The report contains research and analysis of fundraising, investments and exits across the CEE region, as well as comprehensive information about the buyout & growth and venture capital market segments. It is designed to be a reliable source of detailed information for private equity professionals, investors and other stakeholders about the state of the private equity and venture capital market in the CEE region. It serves as a lens through which to view the industry and appreciate the opportunities that exist across this unique and attractive market, which comprises Europe's eastern corridor.

Sentiment towards Europe as a whole warmed noticeably in 2013, buoyed by strong words and decisive actions from central banks and governments. With the Euro zone crisis considered past, capital began to circulate more freely around Europe and pour in from overseas sources. Investors showed increasing confidence as well as tangible capital commitments to the European private equity industry. While investor sentiment also improved in CEE throughout 2013, it has not yet materialized in the numbers, as CEE typically lags that what happens in the rest of Europe. Despite the decline in fundraising for CEE in 2013, all signs point to a rebound in 2014 as CEE comes back onto the radar screens of limited partners. Market observers already point to the macro-economic recovery across the region and speak with increasing optimism.

The CEE markets are full of potential for private equity fund managers and investors. All are under-penetrated by private equity relative to the European average and have established strong bases for entrepreneurship and industry, based on exports and growing domestic wealth and consumption. CEE's long-term convergence with the rest of Europe is inexorable and clear, and translates into attractive investment opportunities in a broad range of industries across the countries of the region.

The figures presented in this paper indicate some underlying positive and dynamic trends, despite the lower headline activity levels. These include a significant increase in growth capital and venture capital fundraising, a much higher level of growth capital investing, and many more venture-backed companies. Meanwhile, buyouts in the region are solidly small to mid-market, and exit activity was strong across markets. All of this points to healthy private equity activity and bodes well for continued development.

It's a good time for investors to look closely at CEE private equity and venture capital. They will find an experienced pool of private equity fund managers with feet on the ground that can take advantage of the region's opportunities. The EVCA and national private equity associations have over 100 private equity and venture capital general partner members across the region, and many have established long and strong track records for investments and returns. With detailed information and research from the EVCA and other national associations in the region, combined with the experience and knowledge of general partners, investors can navigate CEE markets with increasing confidence, and make the most of what is undeniably a dynamic region with attractive development prospects.

Best regards,



Dörte Höppner
EVCA Chief Executive




Robert Manz
Chairman of the
EVCA CEE Task Force



2. Executive summary

Fundraising market in the region

- › Fundraising totalled €433m across Central and Eastern Europe in 2013, a 37% fall on the previous year. In contrast, Europe-wide fundraising doubled to €54bn in 2013, meaning CEE's share of the continent's fundraising fell below 1% versus 2.8% in 2012.
- › Growth capital fundraising increased over 20 times to €103m in 2013 from €5m, partly replacing the near-halving of buyouts fundraising to €241m.
- › Venture capital fundraising increased 62% to €88m, and accounted for 20% of total capital raised in CEE in 2013. Fundraising was well spread across early-stage and late-stage venture.
- › Government agencies, including EBRD and EIF, were by far the largest contributor group to fundraising in the region, committing 48% of the capital raised for the region in 2013. Fund of funds were the second largest investor group, contributing 14% of total capital raised.
- › Capital raised from European investors outside the CEE region held steady at around €250m, however their proportion of fundraising rose to 59% from 38%.

Investment activity

- › Private equity investment in the CEE region totalled €783m in 2013, a 22% fall on the 2012 level. However, the number of companies receiving investments increased by 7% to 241.
- › Poland received 49% of all private equity investment by value in 2013, in keeping with the previous three years. The Czech Republic was the second-largest market with 17% of investment, followed by Romania with 9% and Hungary at 7%.
- › Poland was the largest market in the CEE region for buyout & growth capital investments, while Hungary was the leader in venture capital financings.
- › Investment accounted for 0.063% of CEE GDP, compared to 0.253% across all of Europe. Estonia was the leading CEE country on the measure at 0.149%, followed by Poland with 0.098%.
- › Buyout investments decreased year-on-year by 39% to €427m and comprised 55% of total CEE investment activity. The number of companies involved in buyout transactions was stable at 33.
- › Growth capital investments increased 53% year-on-year to €259m in 2013. Growth capital investments accounted for 33% of total CEE investment value, compared with 10% of European investment. The number of companies attracting growth capital in CEE decreased from 62 to 48 in 2013.

- › Venture capital investment declined 35% to €66m, due to a contraction in the segment's largest market Hungary. Excluding Hungary, venture investments in the rest of the CEE region went up by nearly 40%. The number of companies receiving venture backing also increased to 154 from 125.
- › Communications was the most targeted sector in CEE in 2013, with 17% of total investment value, followed by consumer goods and retail at 14%. The top four sectors, including real estate and transportation, attracted over 53% of all capital. Communications and computer and consumer electronics continued to account for the highest proportion of investments on a company basis.

Exit activity

- › Exits at cost declined 31% to €741m in 2013, with the CEE region accounting for 2.2% of Europe-wide divestments. However, the year was the third best on record and unlike the two previous years, the figures were not dominated by one or two large disposals.
- › By number of companies, exits increased by 35% to 88, with activity well-spread across the CEE region. Many individual countries witnessed increased activity or record years for disposals, both in terms of number of companies and value.
- › Poland accounted for 38% of CEE exits by value in 2013, with a five-fold increase in disposals at cost to €285m. The Czech Republic was the region's second largest market for exits, accounting for 23% of the regional total and amounting to €171m at cost. Ukraine was third largest exit market in 2013, with 14% of the total.
- › Trade sales accounted for €450m of divestments at cost in CEE in 2013 and were the single largest exit route, representing over 60% of the total value. The figures compare favourably with Europe as a whole, where 27% of exit value was achieved through trade sales.
- › Sales to another private equity firm (so-called "secondary buyouts") remained at a low level in CEE, and made up 5% of total divestments by value, compared with Europe where they made up over 26% of exit value.
- › Exit by write-off in CEE rose to 11% of total exits by value at cost, similar to the level across Europe as a whole, but unusually high for the region. Ukraine accounted for almost 60% of written-off value.
- › Communications was the largest sector by exit value, with €242m, or almost a third of total value at cost. It was followed by life sciences with €140m, or 19% of the total, and consumer goods and retail with €108m, or 15% of exit value.

3. Fundraising

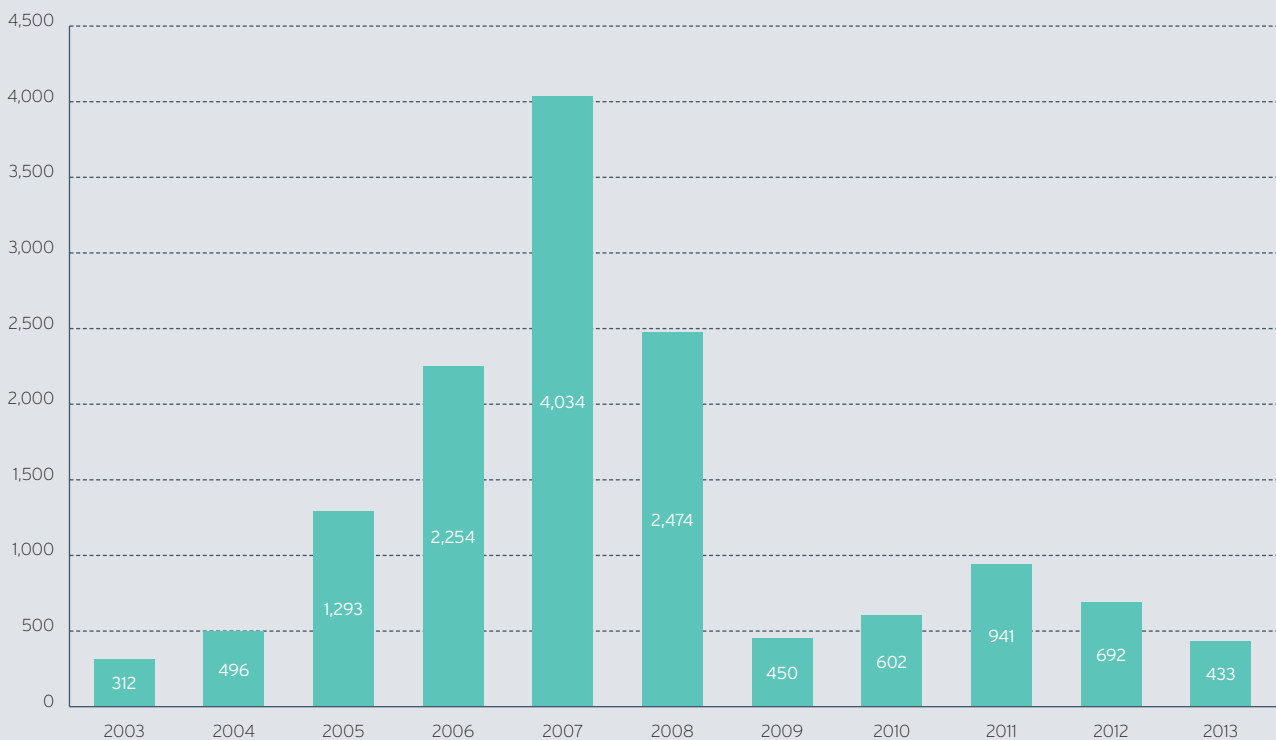
Private equity fundraising in the CEE region fell by 37% in 2013 to €433m, in contrast to the broader European region, which saw investor appetite rebound and fundraising more than double to €54bn. The decline marks the second straight year of contraction in the CEE fundraising market and took overall capital raised below the level of 2009.

The fall partially reflected continued caution from institutional investors about committing capital to the region, which appears to be improving in 2014. The fundraising cycle also came into play as fewer fund managers were in the market in 2013, and those that were on the road were raising smaller funds than at the peak of the previous cycle. As a result, the CEE region accounted for less than 1% of total fundraising in Europe in 2013, compared with 2.8% in 2012.

However, the research only covers firms dedicated to private equity in CEE countries and Pan-European funds with a stated allocation to the region. While the figures are all-but impossible to quantify, Pan-European managers with capability to make investments in CEE though not necessarily a clearly-stated ambition, have raised more money and so have increased capacity to invest opportunistically in the region.

The data also contains some positive underlying trends, including a 62% rise in venture capital fundraising to €88m, and over €100m for growth capital investments, which will fuel continued innovation across the region. In addition, the proportion of capital flowing into CEE from investors in other parts of the European continent increased, signalling continued belief in the region and the part it plays in the European economy. That data will be explored in greater detail below.

Figure 1 - Fundraising for CEE private equity, 2003-2013 (in € million)

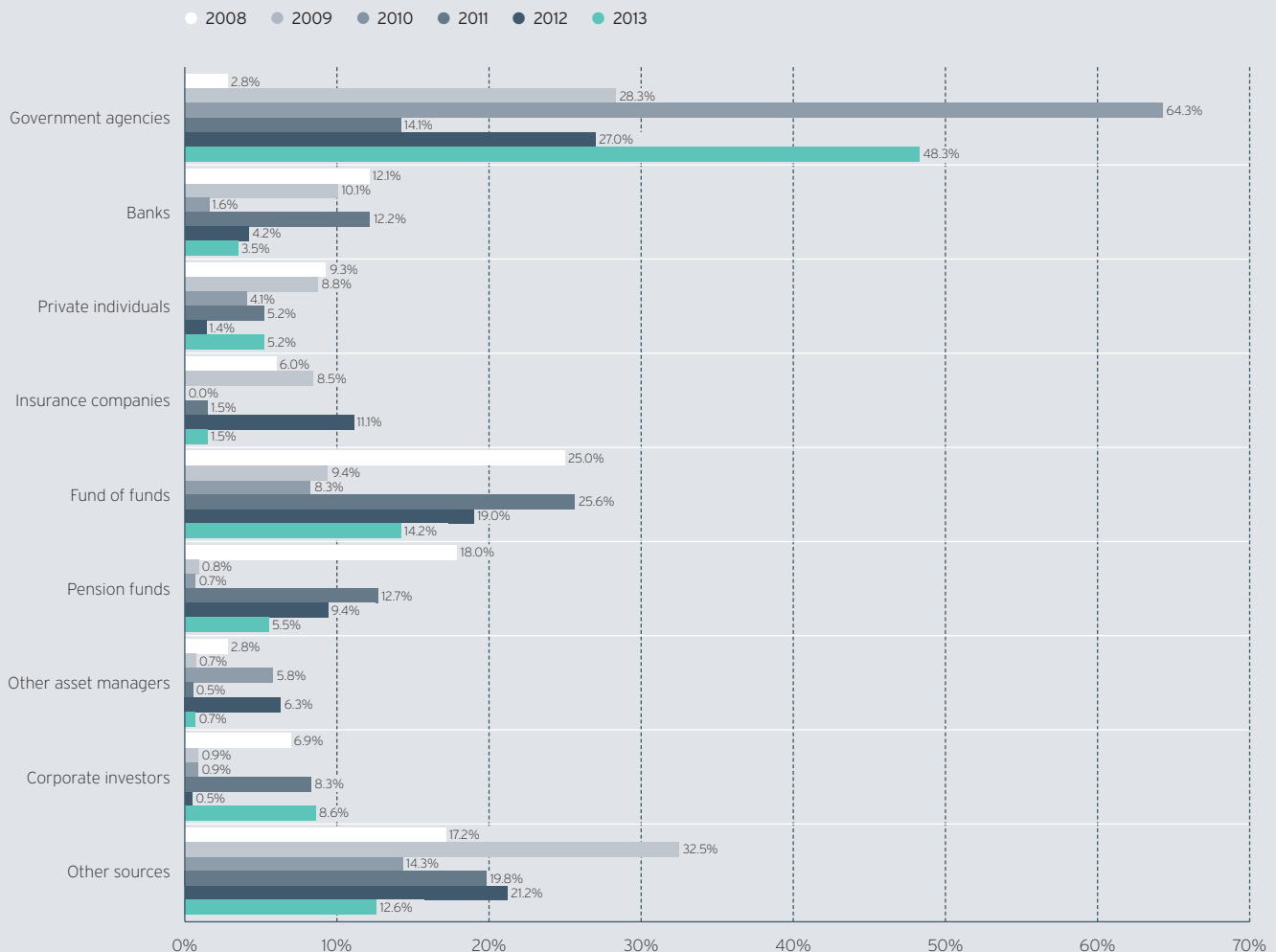


Source: EVCA/PEREP_Analytics for 2007-2013 data.
EVCA/Thomson Reuters/PricewaterhouseCoopers for previous years' data.
Disclaimer: Data is continuously updated and therefore subject to change.

Government agencies were by far the largest contributor to fundraising in the region, accounting for 48.3% of the capital raised in 2013 and almost €23m more in actual capital than 2012. It is the second year since 2007 that such bodies (including the European Bank for Reconstruction and Development and the European Investment Fund) have accounted for nearly half the capital raised across the region. Only in 2010 was the level of contributions higher at 64.3%. The high level of contributions from government agencies reflects a markedly different pattern from the rest of Europe, where pension funds are the leading source of capital and account for about 33.5% of fundraising.

Other types of investors remained significant backers of CEE private equity in 2013. Fund of funds accounted for 14.2% of capital raised, compared with the 19% proportion of total funds they contributed in 2012. Capital from corporate investors rose sharply, with this investor group the third largest single contributor to the region at 8.6% of funds raised in 2013, compared with just 0.5% in 2012. In terms of euros, corporates committed €37m in 2013 as against €3.2m the previous year. They overtook pension funds, which reduced their contribution to 5.5% in 2013 from 9.4% the previous year, as well as insurance groups, which cut their commitments from 11.1% to just 1.5% of the total in 2013.

Figure 2 - Sources of capital raised for CEE private equity in 2008-2013 (% of total)

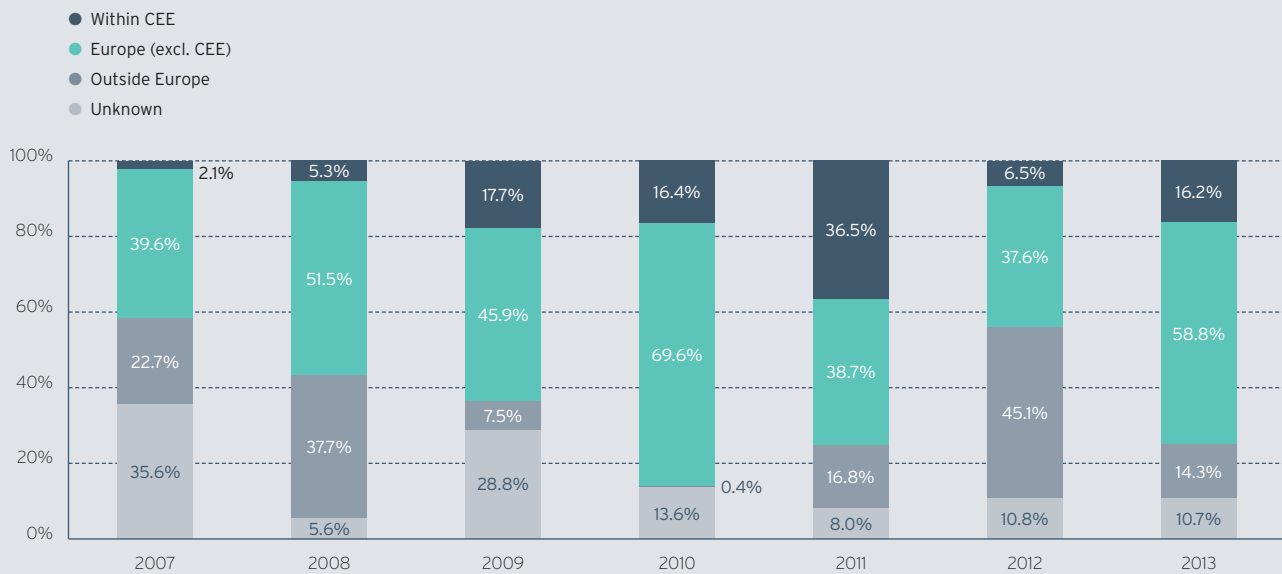


Source: EVCA/PEREP_Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.

European investors from outside the CEE region returned as the leading source of funds in 2013, and the proportion of total capital they committed rose to 59% from 38% in 2012. That means that the overall level of capital they committed held steady at just over €250m. The proportion of funds committed by international investors outside of Europe contracted from 45% to just over 14%. The category remains dominated by investors from the US, demonstrating that American investors have an ongoing interest in private equity in the CEE region yet were cautious funders in 2013.

Meanwhile, domestic investors from inside the CEE region increased their share of fundraising to over 16% in 2013 from under 7% the previous year. That reflected over 50% more capital in real terms from domestic investors, taking their commitments to over €70m. This growth was driven in large part by public fund of funds programs in Poland. Despite this uptick in domestic funding, CEE private equity remains heavily reliant on imported capital and under-invested by domestic sources.

Figure 3 - Geographic sources of funds raised for CEE private equity, 2007-2013 (% of total)



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

The overall drop in CEE fundraising in 2013 is explained in large part by the drop in buyout fundraising during the year. The amount of capital raised by the sub-asset class was just over €241m, around half the amount raised in 2012, when general partners in the region gathered almost €470m for buyout- focused funds.

While funds raised for buyouts fell, capital for growth investments increased from just €5m in 2012 to €103m in 2013. The dramatic rise reflects the reality of the region where growth capital plays a larger role than in the rest of Europe. It also recognises the level of support growth capital providers give to entrepreneurs across the region, not just in simple terms of capital but also in valuable guidance on entering new markets, improving governance and optimising operations.

In a similar vein, funds raised by venture capital firms increased by 62% to almost €88m, over 20% of total capital raised in 2013. The capital is well-spread between early- and late-stage investment and supports innovation across the region. For further details on venture capital and buyout & growth investments, see sections 7 and 8 below.

No mezzanine funds were raised in 2013, though the result follows the final close of a large fund in 2012 and a consistent level of annual mezzanine fundraisings during the previous years.

Table 1 - CEE funds raised, 2012-2013 - incremental closings during the year (in € x 1,000)

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	%	AMOUNT	%
FUNDS RAISED BY FUND STAGE FOCUS				
Early-stage	43,710	6.3	27,300	6.3
Later-stage venture	0	0.0	40,210	9.3
Balanced	10,550	1.5	20,400	4.7
TOTAL VENTURE	54,260	7.8	87,910	20.3
Growth capital	5,000	0.7	103,000	23.8
Buyout	468,340	67.7	241,250	55.7
Mezzanine	150,100	21.7	0	0.0
Generalist	14,120	2.0	1,100	0
TOTAL FUNDS RAISED	691,820	100.0	433,260	100.0
TOTAL FUNDS RAISED IN EUROPE	24,579,510		53,607,520	

Source: EVCA/PEREP_Analytics

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

While the total amount of funding raised during 2013 was down on the 2012 level, the number of funds reaching final close during the year increased from four to five. Three of the funds were targeting buyouts and together raised just over €870m. The higher amount of final closings in 2013 versus 2012 illustrates how the time taken to raise new funds is longer than in the previous peak fundraising years, in keeping with the trends seen across Europe.

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

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	NUMBER OF FUNDS	AMOUNT	NUMBER OF FUNDS
FUNDS RAISED BY FUND STAGE FOCUS				
Early-stage	6,010	1	0	0
Later-stage venture	0	0	25,500	1
Balanced	0	0	0	0
TOTAL VENTURE	6,010	1	25,500	1
Growth	25,000	1	0	0
Buyout	50,000	1	870,830	3
Mezzanine	280,100	1	0	0
Generalist	0	0	15,100	1
INDEPENDENT FUNDS RAISED	361,110	4	911,430	5

Source: EVCA/PEREP_Analytics

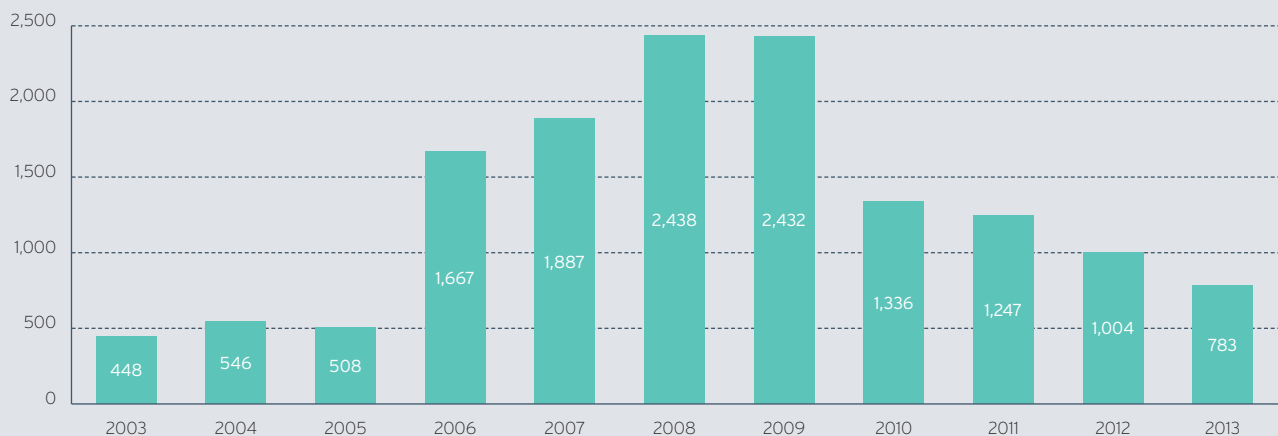
Disclaimer: Data is continuously updated and therefore subject to change.

4. Investment activity

Total private equity investments in CEE fell by 22% to €783m in 2013, unlike Europe as a whole where investment activity was stable in 2013 compared to the previous year. Although the level of investment in CEE was below the peak years before the global financial crisis, it is worth noting that the amount of capital invested in 2013 is 54% higher than 2005 and some 75% higher than the average annual investment in the pre-financial crisis period between 2002 and 2005. It is also worth noting that the investment level in CEE for 2013 was achieved without any significant single transactions having a material impact on the figures, contrary to the case in the last couple of years.

In 2013, CEE accounted for 2.2% of overall European private equity investment. At the same time as the level of capital deployed fell, the number of CEE companies bought and financed by private equity grew; the number increased by 7% from 226 to 241 across the region in 2013, marking the highest number since 2007. Taken on aggregate, that means smaller investment sizes made by private equity firms and more venture capital investments across the region.

Figure 4 - Annual investment value in the CEE region 2003-2013 (in € million)



Source: EVCA/PEREP_Analytics for 2007-2012 data.
Thomson-Reuters/PriceWaterhouseCooper for previous' years data.

Investment activity remained highly concentrated in the most populous EU markets in the region. Poland, the Czech Republic, Romania and Hungary accounted for 82% of all CEE investments in 2013, compared with 71% of all investments in 2012.

Poland was again the largest and most active market for private equity in the CEE region, accounting for almost half the capital invested. However, it too reflected the region-wide fall in activity, with a 20% decline in investment to €380m in 2013, driven by a fall in buyout transactions. Nonetheless, Poland remained the largest buyout market in CEE in 2013, with €206m of buyout investments completed, or 48% of the region's total. Poland also took the lion's share of growth capital investments in 2013, with €150 million, or 58% of the region's total. Looking at the data in terms of companies, 89 businesses in Poland received investment in 2013, compared with 74 the previous year, driven by a near doubling of the number of venture financed companies to 59. At the same time, the number of buyout & growth financed companies declined by 32% to 30.

Outside of Poland, the Czech Republic maintained its position as the second market for private equity investments in the region. Total capital invested in the country climbed 27% to €134m in 2013, while the number of investments also increased by four to 14. The figures mark the Czech Republic out as one of the countries in the region with the highest level of capital invested per company. Nearly 90% of the Czech Republic's capital invested went into buyouts, amounting to €120m, or 28% of the regional total.

Investment activity also increased in Romania, as well as the three Baltic countries and Serbia. When combined with the Czech Republic, these six countries more than doubled their share of the CEE market to 36% of total investment, compared with 17% in 2012.

Ukraine, Bulgaria and Slovakia all witnessed declines in investment levels in 2013, linked to a fall in the level of buyout deals. And while it remains the region's fourth largest market, Hungary slipped down the rankings in 2013 due to a 45% fall in investments, linked primarily to a contraction in the level of venture investment in the country.

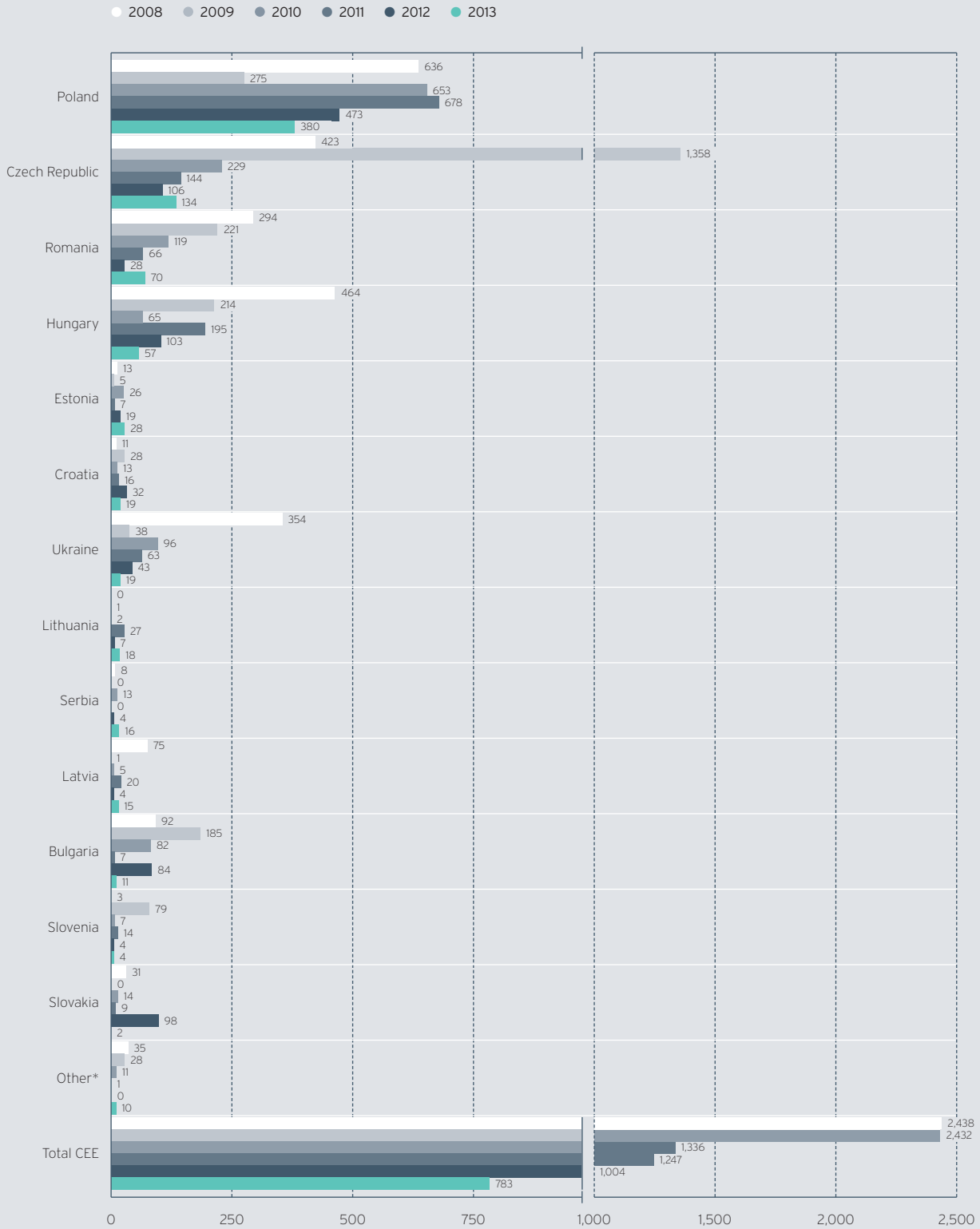
As always, readers of this report should bear in mind that large investments can skew the data, and so boost investment figures in certain years in specific countries, and lead to what appear to be large drops in subsequent years. For instance, the Czech Republic registered the highest level of private equity investment in the post-financial crisis period in 2009 with a total investment amount of €1.36bn, a volume that has not been repeated since. More than 50% of this amount was deployed in one single company. Private equity fund managers in CEE also tend to operate on a regional basis and deploy capital opportunistically into countries as they see fit. In other words, general partners complete investments in those countries where they believe the transactions are most attractive, which can also account for swings in investment volumes between countries from one year to the next.

The key driver of the increase in the number of CEE companies receiving private equity financing in 2013 was the number of venture backed companies, which grew 23% year-on-year to 154 out of a total 241 companies financed. At the same time, the number of companies financed with buyout & growth capital decreased 16% year on year to 87.

With venture capital and growth capital fundraising having surged in 2013, future data is also likely to show a higher number of companies receiving investment as that capital is deployed.

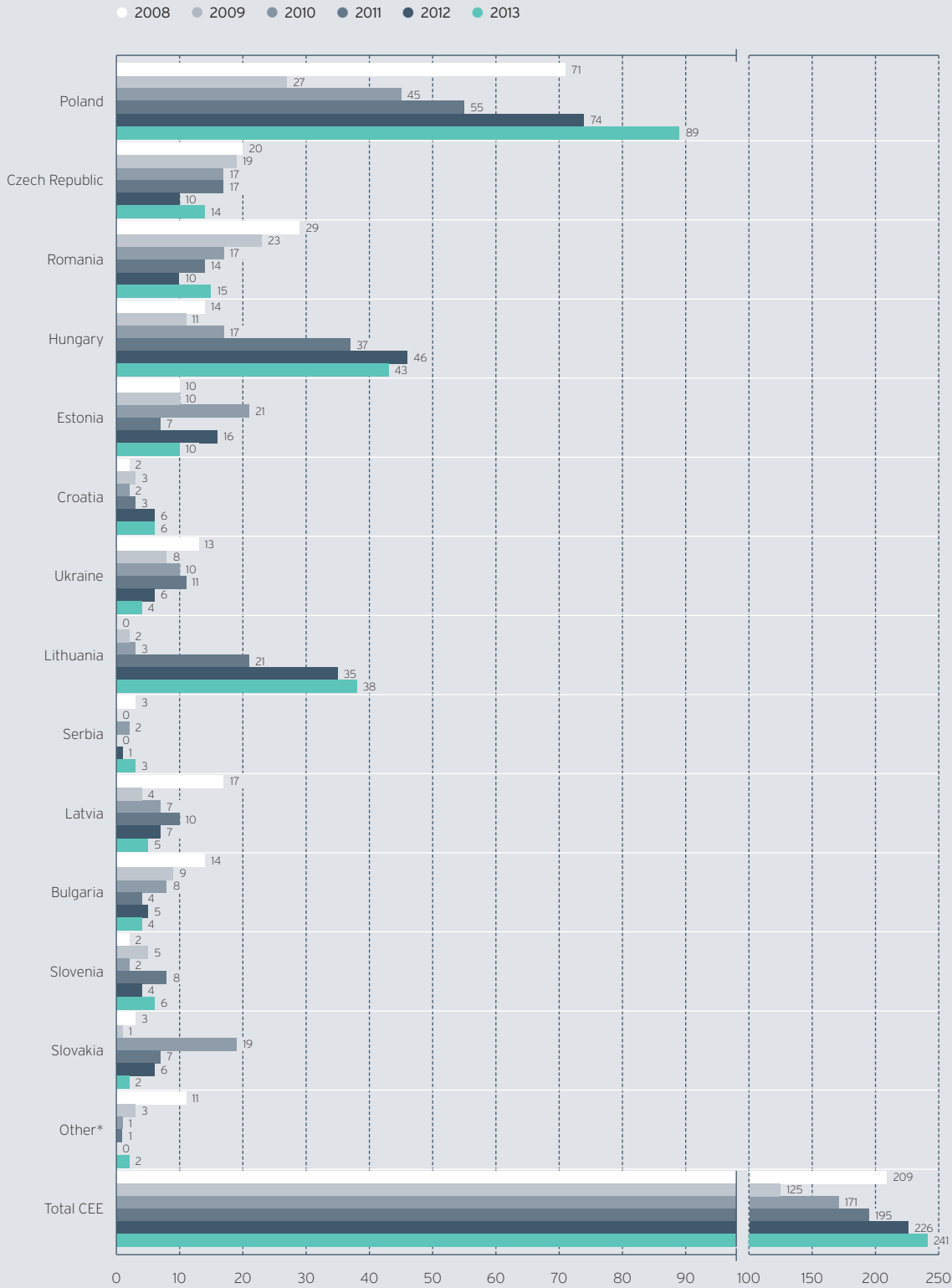
By country, a total of 170 companies, or 71% of those receiving private equity financing, were in just three countries, Poland (89), Hungary (43) and Lithuania (38).

Figure 5 - Annual investments in the CEE region, 2008-2013 (no bank leverage included) (in € million)



Source: EVCA/PEREP_Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.
 * Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

Figure 6 - Annual investments in the CEE region, 2008-2013 (number of companies)



Source: EVCA/PEREP_Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.
 * Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

Communications, which accounted for €133m of private equity capital invested, was the most targeted sector, followed by consumer goods and retail with €108m. Behind them followed real estate at €99m, and transportation at €77m. Together these four sectors attracted over 53% of the capital invested in 2013, or €418m across the CEE region.

Life sciences, which attracted almost €260m in 2012 - over a quarter of all capital invested - only drew €33m of investment in 2013. Similarly, financial services investment declined from over €110m to under €24m in 2013.

Though not making it into the top four sectors, business and industrial services investment increased dramatically to €71m from €7m, while energy investment remained firm at €76m in 2013. It is notable that investment flowed into all sectors, and capital was less concentrated than the previous year; no major sector received less than €12m in investment in 2013, although five sectors were below that level in 2012.

Table 3 - Annual investments in CEE by sector, 2012-2013 (in € x 1,000)

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	%	AMOUNT	%
SECTOR FOCUS				
Agriculture	8,539	0.9	20,345	2.6
Business and industrial products	83,453	8.3	24,450	3.1
Business and industrial services	7,488	0.7	71,148	9.1
Chemicals and materials	8,707	0.9	12,564	1.6
Communications	109,930	10.9	133,497	17.0
Computer and consumer electronics	67,958	6.8	24,793	3.2
Construction	11,552	1.2	48,299	6.2
Consumer goods and retail	199,738	19.9	108,024	13.8
Consumer services	43,789	4.4	28,990	3.7
Energy and environment	85,857	8.5	76,627	9.8
Financial services	110,683	11.0	23,909	3.1
Life sciences	259,745	25.9	32,561	4.2
Real estate	0	0.0	99,413	12.7
Transportation	7,047	0.7	77,333	9.9
Unknown	0	0.0	1,230	0.2
TOTAL INVESTMENT IN YEAR	1,004,485	100.0	783,184	100.0

Source: EVCA/PEREP_Analytics

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

The data tells a different story when analysed by number of companies invested in each sector. Communications and consumer goods and retail still ranked highly, with 48 and 27 companies respectively, accounting for 31% of companies receiving investment. However, sectors which are in clear focus for venture capitalists across the region performed strongly in terms of number of businesses backed, even if the total capital invested was proportionally lower.

Computer and consumer electronics recorded 44 companies receiving investment in 2013, an increase of nine companies on 2012. But while this industry accounted for 18% of businesses, the proportion of capital it received fell to 3.2% from 6.8% in 2012. Similarly, 24 investments were made in life sciences, which although down from 30 companies in 2012, still represented 10% of total companies invested.

However, the life sciences sector accounted for only 4% of investment value, compared with 26% in 2012, reflecting the fall in investment from €260m to €33m. Looking at the figures a different way, the average investment size in life sciences was €1.4m in 2013, compared with €8.7m in 2012.

Although real estate comprised 13% of the value of investments in 2013, with just one company invested, this sector was negligible when viewed by number of transactions. The fourth largest sector by investment value, transportation, was also concentrated in a small number of transactions. The number of investments increased by one to seven, and the sector accounted for less than 3% of companies invested.

Table 4 - Annual investments in CEE by sector, 2012-2013 (in number of companies)

AMOUNTS IN € THOUSANDS	2012		2013	
	NUMBER OF COMPANIES	%	NUMBER OF COMPANIES	%
SECTOR FOCUS				
Agriculture	5	2.2	6	2.5
Business and industrial products	20	8.8	13	5.4
Business and industrial services	13	5.8	13	5.4
Chemicals and materials	4	1.8	3	1.2
Communications	40	17.7	48	19.9
Computer and consumer electronics	35	15.5	44	18.3
Construction	6	2.7	8	3.3
Consumer goods and retail	28	12.4	27	11.2
Consumer services	17	7.5	20	8.3
Energy and environment	13	5.8	12	5.0
Financial services	9	4.0	10	4.1
Life sciences	30	13.3	24	10.0
Real estate	0	0.0	1	0.4
Transportation	6	2.7	7	2.9
Unknown	0	0.0	5	2.1
TOTAL INVESTMENT IN YEAR	226	100.0	241	100.0

Source: EVCA/PEREP_Analytics

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

Private equity investment in CEE as a percentage of GDP declined in 2013, as actual GDP across the region grew on a weighted average basis by almost 1.6%. The CEE investment activity moved from 0.082% of the region's GDP in 2012 to 0.063% in 2013. This means the CEE figure was a quarter of the European average of 0.253%, which only contracted marginally in 2013.

On a country-by-country basis, Estonia, Poland, Macedonia and the Czech Republic were all above the CEE average but below the average investment penetration of private equity into the broader European economy.

In contrast to the CEE figures, Northern European countries led the way for private equity penetration into the local economies. In Denmark, private equity investment as a percentage of GDP was 0.739%, while in the UK the figure was 0.504%. Estonia, as the top CEE country on the measure, ranked 15th on the list of European states, while Poland was three places lower in 18th place.

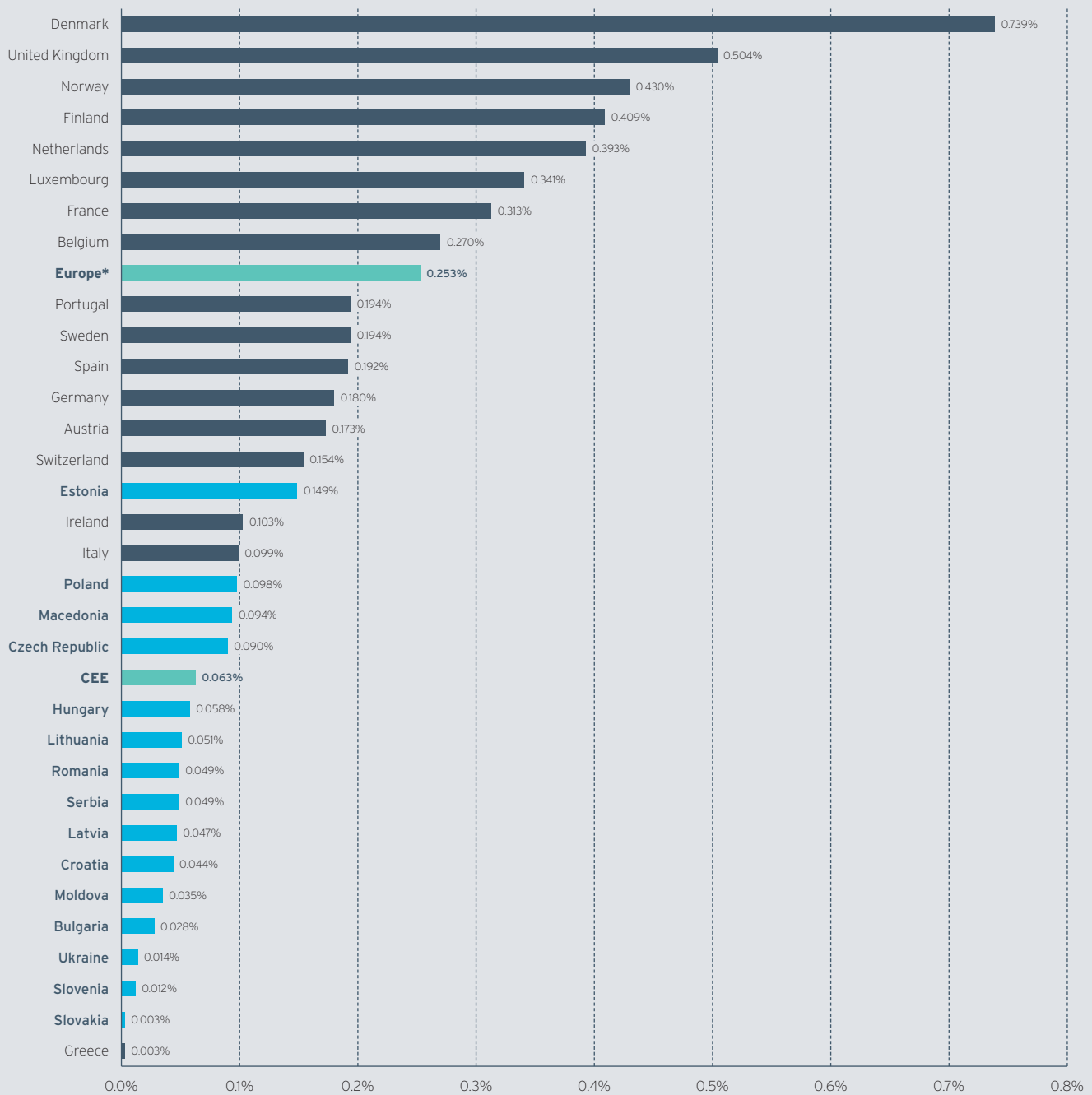
The figures point to continuing levels of under-investment across the CEE region, but do also give reason for optimism. There is clearly less competition for private equity investments in the region compared with other parts of Europe, and room for increased investment as economies continue to expand.

Table 5 - Private equity investment by amount (in € x 1,000) and as a percentage of GDP in CEE, 2012-2013

	TOTAL INVESTMENT		INVESTMENT AS % OF GDP	
	2012	2013	2012	2013
Bosnia-Herzegovina	0	0	0.000%	0.000%
Bulgaria	84,167	11,098	0.211%	0.028%
Croatia	32,299	19,195	0.074%	0.044%
Czech Republic	105,874	134,339	0.069%	0.090%
Estonia	18,630	27,554	0.107%	0.149%
Hungary	102,953	56,827	0.106%	0.058%
Latvia	3,802	15,300	0.012%	0.047%
Lithuania	7,119	17,550	0.022%	0.051%
Macedonia	0	7,675	0.000%	0.094%
Moldova	0	2,099	0.000%	0.035%
Montenegro	0	0	0.000%	0.000%
Poland	473,015	380,033	0.124%	0.098%
Romania	27,606	70,099	0.021%	0.049%
Serbia	4,350	16,076	0.014%	0.049%
Slovakia	97,848	2,050	0.138%	0.003%
Slovenia	3,508	4,355	0.010%	0.012%
Ukraine	43,314	18,933	0.032%	0.014%
TOTAL CEE	1,004,485	783,184	0.082%	0.063%
TOTAL EUROPE	36,752,294	35,726,211	0.262%	0.253%

Source: EVCA/PEREP_Analytics for investment data and Thomson Reuters for GDP data.
Disclaimer: Data is continuously updated and therefore subject to change.

Figure 7 - Private equity investments as a percentage of GDP for Europe, CEE and selected European countries, 2013



Source: EVCA/PEREP_Analytics for investment data and Thomson Reuters for GDP data.

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

By country of destination of investment.

* Does not include Moldova.

5. Market segments

The CEE private equity investment market remained dominated by buyouts though 2013 saw a further rebalancing of investment activity towards growth capital. Buyouts accounted for 55% of capital invested across the region, amounting to €427m, compared with 69% or €695m in 2012. The proportion of the CEE market dedicated to buyouts was significantly lower than Europe as a whole, where buyouts accounted for 77% of activity in 2013 and stayed in line with 2012 investment levels. Meanwhile the value of growth investments in CEE rose by over 50% compared with 2012 to €259m, and claimed 33% of the total CEE investment market in 2013. This is significantly higher than the rest of Europe where growth investments accounted for only 10% of capital invested. It is natural and likely that the CEE markets will remain more focused on growth investments than Europe overall, as the countries of CEE are generally regarded as high-growth economies, where fund managers typically seek fast-growing companies to finance.

While venture capital investment decreased between 2012 and 2013, the proportion invested in CEE remained close to the European average - 8.4% in CEE compared with 9.5% across Europe. The year-on-year decrease in venture investments in CEE was driven by a notable decline in start-up investments from €70m in 2012 to €32m in 2013. As in Europe, 2013 CEE venture investments were almost entirely comprised of start-up and later stage venture investments, while seed investments remained at very low levels. Given the relatively significant fundraisings for venture funds over the past couple years, supported in large part by public funding sources aiming to close the historic "equity gap" in CEE, venture investing is likely to see further growth in the near future.

Table 6 - Type of investment in CEE and Europe, 2013 (no bank leverage included) (in € x 1,000)

AMOUNTS IN € THOUSANDS	TOTAL CEE	% OF TOTAL	TOTAL EUROPE	% OF TOTAL
STAGE FOCUS				
Seed	4,228	0.5	113,963	0.3
Start-up	32,010	4.1	1,866,201	5.2
Later-stage venture	29,622	3.8	1,402,040	3.9
TOTAL VENTURE	65,860	8.4	3,382,204	9.5
Growth	259,055	33.1	3,580,657	10.0
Rescue/Turnaround	6,703	0.9	343,763	1.0
Replacement capital	24,669	3.1	765,713	2.1
Buyout	426,897	54.5	27,653,873	77.4
TOTAL 2013	783,184	100.0	35,726,211	100.0
TOTAL 2012	1,004,485		36,752,294	

Source: EVCA/PEREP_Analytics

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

As the total growth capital investment value increased in 2013, the number of companies backed with growth capital fell, with 48 companies receiving this form of investment compared with 62 companies in 2012. The result was an increase in the average amount invested per company from €2.7m to €5.4m. Again, the rise in investment sizes is another indication of how entrepreneurs with relatively larger enterprises in the region are seeking private equity growth capital and expertise to take their companies to the next level of success.

The number of CEE companies involved in buyout transactions in 2013 was similar to 2012 despite the decline in buyout investment value. The result was a reduction in the average buyout transaction size from €20.4m in 2012 to €12.9m in 2013.

An historic record total of 154 CEE companies received venture capital backing in 2013, up from the previous record of 125 companies in 2012. Within venture, the number of companies receiving start-up funding remained stable at 75, while the number of companies receiving seed funding at the earliest stages in their development more than doubled from 18 to 38. For further data on buyout & growth, and venture capital investments, see sections 7 and 8 of this report.

The structure of the CEE market was very similar to Europe when viewed by number of companies in 2013. Some 64% of companies invested received venture funding versus 59% across Europe, while 14% of companies were the subject of a buyout compared with 16% for Europe as a whole. And despite accounting for a significantly higher proportion of investment value, growth capital investments represented 20% of the companies backed in CEE as against 22% in Europe.

Table 7 - Type of investment in CEE, 2012-2013 (in € x 1,000)

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
STAGE FOCUS				
Seed	3,247	18	4,228	38
Start-up	69,896	74	32,010	75
Later-stage venture	27,430	33	29,622	42
TOTAL VENTURE	100,572	125	65,860	154
Growth	168,839	62	259,055	48
Rescue/Turnaround	3,100	1	6,703	1
Replacement capital	37,299	8	24,669	6
Buyout	694,675	34	426,897	33
TOTAL	1,004,485	226	783,184	241

Source: EVCA/PEREP_Analytics

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

Looking at particular countries and segments, as in previous years, the Polish and Czech buyout markets accounted for the largest share of buyout investments in the region in 2013. Romania's buyout activity showed a sharp increase in 2013, and these three countries together represented nearly 90% of buyouts across the CEE region in 2013.

It is notable that growth capital permeated into more CEE countries than any other form of private equity investment. Thirteen out of 17 countries in the region saw growth capital investments in 2013. Still, Poland alone accounted for over 58% of growth capital investment activity, with €150m of capital invested. Hungary also saw a significant increase in growth capital investment and accounted for another 14% of the regional total of this form of investment in CEE in 2013.

Hungary remained the largest venture capital market in the region in 2013, despite the sharp contraction in start-up phase funding from €56.6m to €8.4m, which was responsible for the overall fall in the total CEE market. Excluding Hungary, venture capital investments across the region actually increased 38% in 2013, signalling a number of vibrant and entrepreneurial markets. Those countries showing a material increase in venture investments in 2013 were Poland, Bulgaria, Croatia and Slovenia.

Table 8 - Type of investment by CEE country, 2012-2013 (no bank leverage included) (in € x 1,000)

2013

STAGE FOCUS	2013													
	BULGARIA	CROATIA	CZECH REP.	ESTONIA	HUNGARY	LATVIA	LITHUANIA	POLAND	ROMANIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	OTHER*
Seed	0	0	516	0	562	0	1,591	1,559	0	0	0	0	0	0
Start-up	4,718	6,220	1,341	2,954	8,421	600	2,103	4,946	0	0	0	707	0	0
Later-stage venture	380	300	924	3,225	8,290	500	623	9,127	2,984	0	0	3,269	0	0
TOTAL VENTURE	5,098	6,520	2,781	6,179	17,273	1,100	4,317	15,632	2,984	0	0	3,976	0	0
Growth	6,000	5,972	4,440	20,875	36,194	2,200	7,157	150,412	9,825	0	2,050	379	11,451	2,099
Rescue/Turnaround	0	6,703	0	0	0	0	0	0	0	0	0	0	0	0
Replacement capital	0	0	7,000	0	0	0	0	8,214	9,455	0	0	0	0	0
Buyout	0	0	120,118	500	3,360	12,000	6,076	205,775	47,835	16,076	0	0	7,482	7,675
TOTAL	11,098	19,195	134,339	27,554	56,827	15,300	17,550	380,033	70,099	16,076	2,050	4,355	18,933	9,774

2012

STAGE FOCUS	2012													
	BULGARIA	CROATIA	CZECH REP.	ESTONIA	HUNGARY	LATVIA	LITHUANIA	POLAND	ROMANIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	OTHER*
Seed	0	0	0	327	0	0	200	2,720	0	0	0	0	0	0
Start-up	88	0	127	4,854	56,675	400	3,548	2,904	0	0	0	1,300	0	0
Later-stage venture	0	3,000	5,101	800	8,813	1,642	0	3,460	3,055	0	0	0	1,557	0
TOTAL VENTURE	88	3,000	5,229	5,981	65,488	2,042	3,748	9,084	3,055	0	0	1,300	1,557	0
Growth	3	12,102	4,220	11,650	2,926	1,360	3,371	104,042	7,850	0	5,348	8	15,959	0
Rescue/Turnaround	0	0	0	0	0	0	0	3,100	0	0	0	0	0	0
Replacement capital	0	0	0	1,000	0	400	0	25,701	0	0	0	0	10,198	0
Buyout	84,076	17,198	96,425	0	34,539	0	0	331,087	16,700	4,350	92,500	2,200	15,600	0
TOTAL	84,167	32,299	105,874	18,630	102,953	3,802	7,119	473,015	27,606	4,350	97,848	3,508	43,314	0

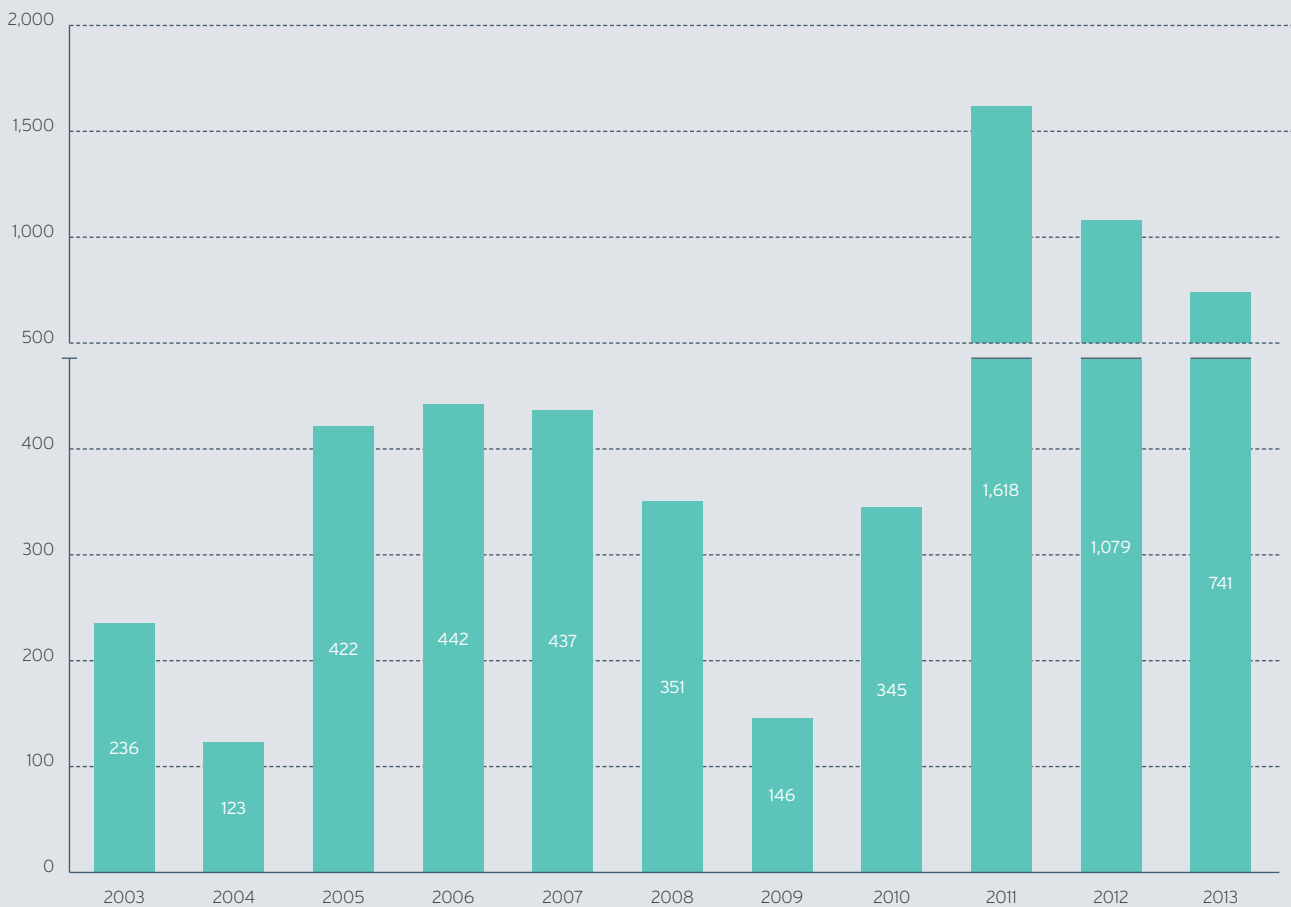
Source: EVCA/PEREP Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.
 * Bosnia & Herzegovina, Macedonia, Moldova and Montenegro.

6. Exits

Private equity exits across Central and Eastern Europe fell by 31% in 2013 to €741m, measured at historical investment cost. While this figure is under half of the €1.6bn of assets divested in 2011, 2013 still ranked as the third busiest year ever for CEE exits and was well above pre-2011 averages. Furthermore, unlike the two previous years, no large disposals swayed the figures. Instead exit activity was relatively well spread across the region, with many markets registering sharp increases and record years for private equity disposals.

The CEE numbers in 2013 are in contrast to a surge in divestment activity across the continent as a whole. Europe-wide exits increased by 54% to €33.2bn, meaning that the CEE region accounted for 2.2% of total divestments in 2013, compared with approximately 5% during the previous two years.

Figure 8 - Annual divestment value in the CEE region 2003-2013 (exit value at investment cost) (in € million)



Source: EVCA/PEREP_Analytics.

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

Poland was largest market in the region for exits in 2013 with €285m of divestments at cost, eclipsing the Czech Republic, which had been the largest market in 2012. For Poland, it was the largest year for exits on record (i.e. since 2002 when CEE private equity data was first collected), and marked a five-fold increase on 2012. Alone, the country accounted for 38% of exit value across the CEE region in 2013. That compares with 2012, when the Czech Republic accounted for 68% of exits by value, driven by one large disposal.

The Czech Republic still performed strongly in 2013 and ranked in clear second spot. The country saw €171m of divestments at cost, or 23% of the region's total. While behind 2012 and 2011, the Czech result was significantly ahead of earlier years, and was not driven by any single large transaction.

Ukraine recorded a more than five-fold increase in disposals to €106m in 2013, though it should be noted that write-offs accounted for 44% of the amount. Together, these three largest exit markets in 2013 made up 76% of the CEE region's disposals by value, measured at investment cost.

Certain other markets also performed strongly and beat long-term historical results. Latvia ranked in fourth place with €46m and Estonia in sixth place with €33m, as both countries registered a nine-fold increase on 2012 levels. Romania showed exits of €42m, which although 65% down on 2012, was significantly above pre-2012 annual levels.

A total of 88 CEE private equity-backed companies were exited in 2013, an increase of 35% over the 65 companies divested in 2012.

As the largest country by value of exits, Poland was also the largest by number of companies exited in 2013, a position it has held since 2007. It accounted for 41% of exited companies, compared with 32% in 2012. Poland also accounted for the majority of the year-on-year increase in companies exited in the region as the number of divestments grew from 21 to 36. The Czech Republic and Hungary were the next largest CEE exit markets when measured by number of companies divested, each accounting for 13% of exits, compared with 11% and 8% of company exits respectively in 2012.

Trade sales accounted for €450m of exits at cost in the CEE region in 2013. While the figure was just under half the amount recorded in 2012, the number of companies increased by four to 28, again marking the spread of exit activity and the lack of reliance on one or two large transactions as in the previous two years. Trade sales data for CEE countries compares favourably to the rest of Europe. Sales to industrial buyers represented over 60% of the total by value at cost for the region as against 27% of the total across Europe, where it is also the most used exit route.

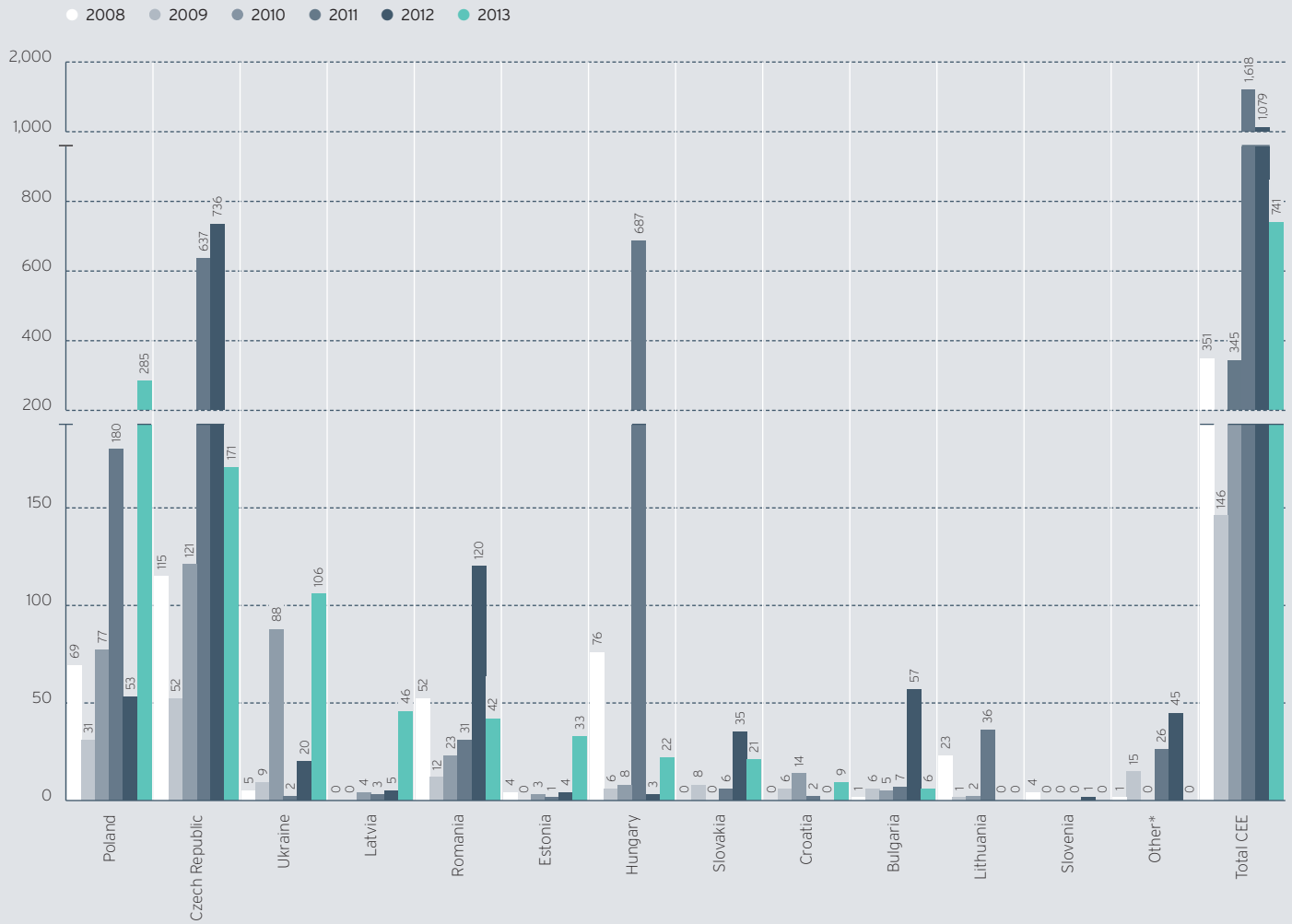
In contrast, sales to another private equity house - or secondary buyouts as they are commonly known - remain at a low level in CEE compared with the rest of Europe. As a percentage they made up 5% of CEE divestments by value at cost - and numbered just four transactions - compared with Europe as a whole where they accounted for over 26% of exits by value and ranked as the second most important exit route.

Similarly, exits via the public markets in 2013 in CEE were lower than the European total. Surprisingly, no new CEE private equity backed public offerings were made in 2013, while secondary share sales accounted for 4.1% of total exit value at cost. Across Europe, primary IPO's accounted for 6.6% of exit value and sales of quoted equity were 13.8% of the total. It is to be expected that the public market will play a larger role in CEE exits in the future, as was the case in past years.

Write-offs have historically been at very low levels across the CEE region, but increased in 2013 to account for 11% of all exits by value at cost. However, this is still in line with the level of write-offs across all of Europe (10%) and is explained by a high concentration of write-offs in Ukraine, which accounted for almost 60% of the CEE write-off figure by value at cost.

Exits to financial institutions and sales to management were the next most significant forms of exit, accounting for 9.2% and 8.7% of the total, respectively. Both figures were significantly higher than the European average which saw them account for 3% and 3.5% of disposals.

Figure 9 - Divestment by CEE country (exit value at investment cost), 2008-2013 (in € million)



Source: EVCA/Thomson Reuters/PricewaterhouseCoopers.
 Disclaimer: Data is continuously updated and therefore subject to change.
 * Bosnia & Herzegovina, Macedonia, Moldova Montenegro and Serbia.

Table 9 - Exits in CEE vs. total Europe, 2013 (exit value at investment cost) (in € x 1,000)

AMOUNTS IN € THOUSANDS	TOTAL CEE	% OF TOTAL	TOTAL EUROPE	% OF TOTAL
EXIT ROUTE				
Divestment by trade sale	449,921	60.7	9,020,106	27.2
Divestment by public offering	30,679	4.1	6,780,110	20.4
<i>Divestment on flotation (IPO)</i>	0	0.0	2,202,158	6.6
<i>Sale of quoted equity</i>	30,679	4.1	4,577,952	13.8
Divestment by write-off	80,529	10.9	3,219,461	9.7
Repayment of silent partnerships	0	0.0	378,577	1.1
Repayment of principal loans	1,411	0.2	2,371,655	7.1
Sale to another private equity house	36,356	4.9	8,756,646	26.4
Sale to financial institution	68,244	9.2	996,169	3.0
Sale to management (MBO)	64,144	8.7	1,169,576	3.5
Divestment by other means	9,789	1.3	487,829	1.5
TOTAL 2013	741,072	100.0	33,180,129	100.0
TOTAL 2012	1,079,429		21,602,754	

Source: EVCA/PEREP_Analytics

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

Reading the exit data by number of companies paints a slightly different picture. In total, the number of companies divested rose by 23 to 88 in 2013. Almost all the increase came from the rise in number of companies exited by sales to company management (from eight companies in 2012 to 20 in 2013, driven by an increase in Hungary) and to financial institutions (from five companies to 15, driven by Poland).

Even though there was no new CEE private equity-backed IPO in 2013, there were more secondary share sales, with the number of companies sold in this manner rising year-on-year from two to nine, driven by sales of stock in Poland-based companies.

Similar to the result in terms of value, there were more write-offs by number, with a rise in companies exited this way from four to nine. Although Ukraine was responsible for the largest share of the write-off value, the majority of the companies in the region were in Latvia where six businesses were written off.

Communications, life sciences, and consumer goods and retail remained the three most important sectors for disposals in 2013. Together they accounted for 66% of exits by value, though the rankings have altered from 2012.

Communications overtook consumer goods and retail, with a near doubling in value (at historical cost) to €242m, despite two fewer companies disposed of than in 2012.

Exit transactions in the Czech Republic accounted for 58% of the communications sector by value, and Latvia and Estonia together comprised another 27%. In contrast, consumer goods and retail exits across the region almost doubled by number of companies to 17 in 2013, but reduced in value at cost from €722m to €108m (again reflecting the bias in the figures to one large transaction in 2012). Life sciences activity remained on par with 2012 levels with seven company divestments and a relatively modest 11% increase in value at cost to €140m, with Poland accounting for 96% of this amount.

While a good deal smaller than the top three, other sectors witnessed a sharp rise in exit activity. Business and industrial product exits trebled by number of companies from four to 12, while value at cost increased from €4m to €73m in 2013. Financial services also had a strong year, with €61m of exits by value at cost compared with €4m in 2012, and a rise in the number of company disposals from three to four. Disposals in the field of chemicals and materials also rose from just €223,000 to €43m at cost across four companies. Meanwhile, computer and consumer electronics was one of the busiest fields by number of companies exited – 12 companies were divested in 2013, representing a four-fold increase in number on 2012, while value at cost more than doubled to €38m.

A number of sectors saw a decline in activity in 2013, but all were much less marked than consumer goods and retail. Exits in the construction industry fell to €4m from over €20m in 2012, and transport sector disposals more than halved to €10m, both measured at historical cost.

Table 10 - Exits in CEE, 2012-2013 (exit value at investment cost) (in € x 1,000)

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
EXIT ROUTE				
Divestment by trade sale	906,946	24	449,921	28
Divestment by public offering	16,285	3	30,679	9
<i>Divestment on flotation (IPO)</i>	6,892	1	0	0
<i>Sale of quoted equity</i>	9,392	2	30,679	9
Divestment by write-off	63,520	4	80,529	9
Repayment of silent partnerships	9,993	4	0	0
Repayment of principal loans	28,494	7	1,411	5
Sale to another private equity house	17,443	2	36,356	4
Sale to financial institution	16,416	5	68,244	15
Sale to management (MBO)	6,934	8	64,144	20
Divestment by other means	13,398	10	9,789	2
TOTAL	1,079,429	65	741,072	88

Source: EVCA/PEREP_Analytics

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

Table 11 - CEE divestments by sector, 2012-2013 (exit value at investment cost) (in € x 1,000)

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
SECTOR FOCUS				
Agriculture	13,213	3	1,679	1
Business and industrial products	4,086	4	72,647	12
Business and industrial services	6,727	5	6,808	3
Chemicals and materials	223	1	42,577	4
Communications	122,619	16	242,155	14
Computer and consumer electronics	16,203	3	37,686	12
Construction	20,214	3	3,704	3
Consumer goods and retail	721,969	9	107,532	17
Consumer services	8,981	3	12,999	7
Energy and environment	11,708	7	2,321	2
Financial services	3,656	3	61,154	4
Life sciences	126,101	7	139,541	7
Real estate	0	0	0	0
Transportation	23,730	1	10,270	2
Unknown	0	0	0	0
TOTAL DIVESTMENT IN YEAR	1,079,429	65	741,072	88

Source: EVCA/PEREP_Analytics

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

7. The CEE venture capital market

A total of €66m in venture capital financing was invested in 154 companies located in the CEE region in 2013. It marked a 35% drop in venture capital invested and was the first fall in five years. As a result, the CEE region's share of the European venture market fell back to 1.9% from 3.2% in 2012. But while investment value fell, the number of companies receiving venture capital funding increased significantly by 23% - or 29 in number. In other words, more CEE companies received venture capital funding in 2013 than any other year since 2007, in part reflecting the impact of ongoing support from venture funds started with government backing. The average amount invested per business in CEE was €0.4m in 2013, compared with €0.8m in 2012. By way of comparison the average across Europe in 2013 was €1.1m per business, which was in line with the 2012 investment level.

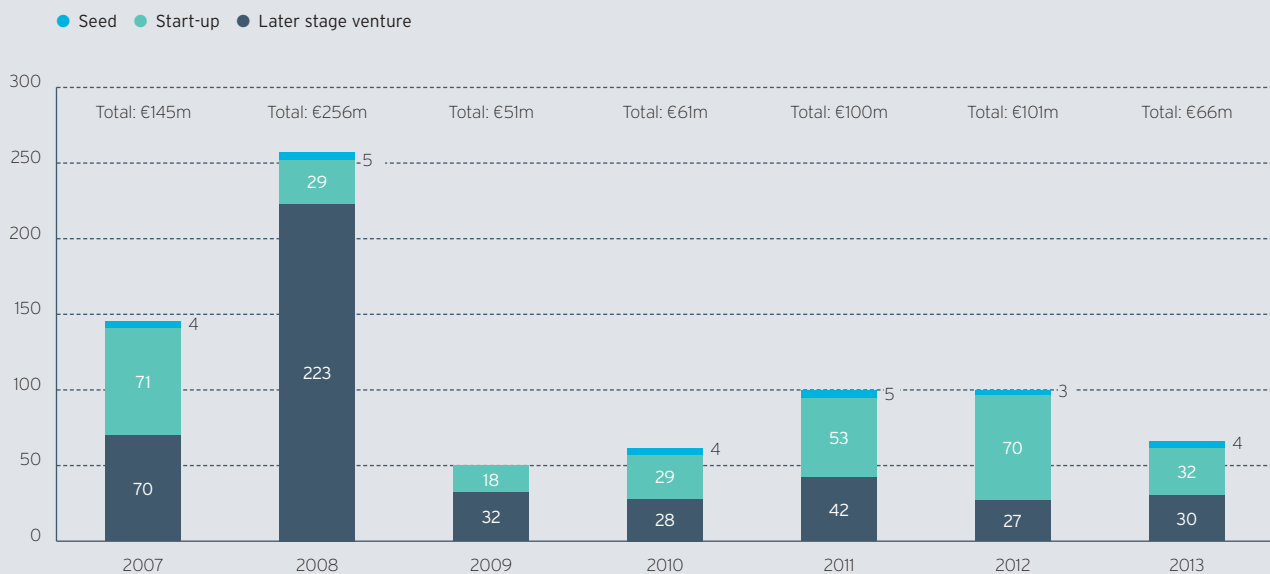
Breaking the data down further, the fall in investment value stems entirely from a contraction in start-up stage funding to €32m from €70m in 2012. Despite this development, it remains the largest part of the total venture capital market in CEE, comprising 49% of total venture investments in 2013. While the fall in start-up funding may appear drastic, the capital reached more companies than in any previously recorded year. A total of 75 businesses received start-up funding in 2013, compared with 74 in 2012 and 61 in 2011.

In addition, more seed capital reached more companies in 2013 than in 2012. The number of CEE companies getting the very earliest stage of funding support more than doubled to 38 in 2013 from 18 in 2012, which figure had represented a near-doubling from 10 in 2011. The amount of capital deployed in 2013 as seed investments increased by over 30% to €4.2m.

At the other end of the spectrum, later stage venture capital investments also increased, with 42 companies receiving funding of €29.6m in 2013. That compares with 33 companies receiving €27.4m in 2012. The results of the study into the CEE venture capital market in 2013 show that the proportion of early-stage funding (seed capital and start-up capital) was 55% of total venture investment in 2013, compared with 73% in 2012. That puts the region on a par with Europe as a whole, where early-stage forms of investment accounted for 59% of the market.

By number of companies, the figures are completely in line with the rest of Europe; early stage investments accounted for 73% of venture-backed businesses both in the CEE region and across the continent. Also, as was the case in CEE, start-up was the leading sector within venture across Europe. It accounted for 55% of total venture investment value versus 49% in CEE, and 59% of companies versus 49% in CEE.

Figure 10 - CEE venture capital investments by stage, 2007-2013 (amount in € million)



Source: EVCA/PEREP_Analytics

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

Hungary remained the CEE market leader for venture investment by value for the third year in a row in 2013. However, the amount of capital deployed fell markedly year-on-year from €66m to €17m, impacting the results for the CEE region as a whole. As a result, Hungary only narrowly beat Poland, which was the second largest market with €16m invested in 2013 compared with €9m in 2012. These countries were followed by the three Baltic countries, which when taken jointly registered €12m of venture investments in 2013, a similar level to 2012. Together, the five countries above accounted for 68% of all venture capital investments in the CEE region in 2013. It should be noted that excluding Hungary, the remainder of the CEE region saw a 38% rise in venture investing on 2012 levels.

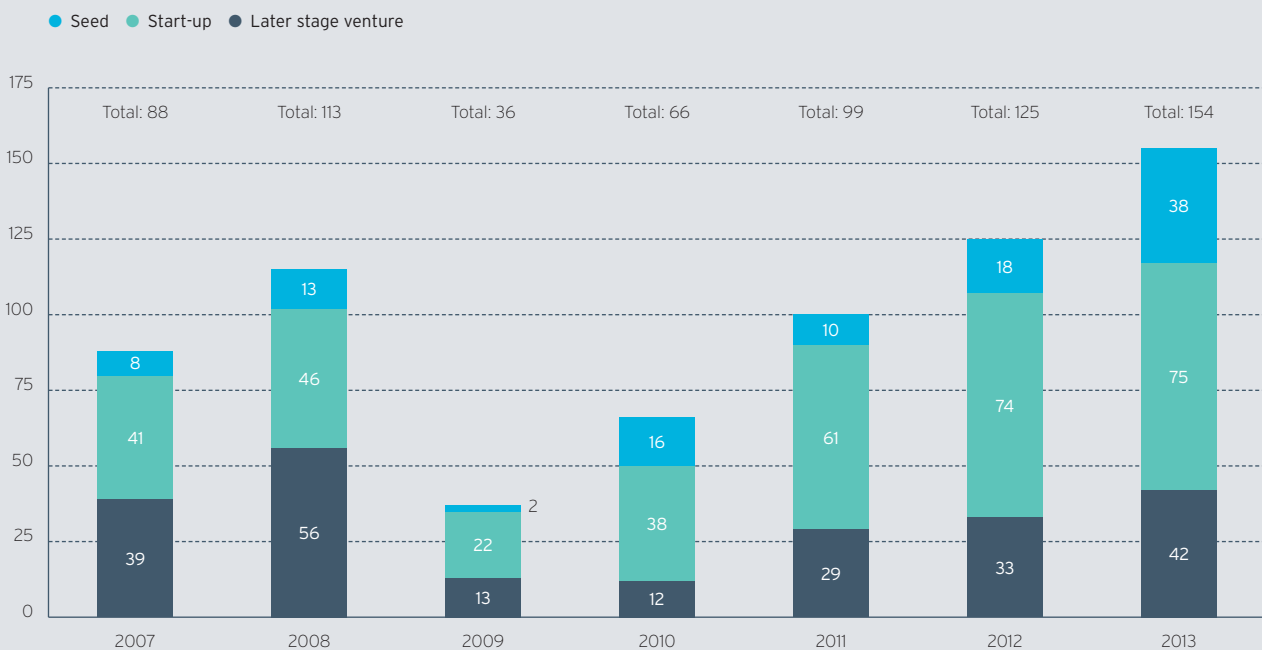
By number of companies that received venture capital financing, Poland overtook Hungary as the number of Polish businesses backed almost doubled to 59. It accounted for 38% of all businesses receiving venture funding across the CEE region, compared with Hungary which had 23% of the total, or 36 companies.

The third most active country was again Lithuania where 33 companies were venture-backed, compared with 28 in 2012. Together the three countries have emerged as hubs for venture investing in the CEE region; they accounted for 83% of the companies backed in 2013 versus 82% in 2012.

Computer and consumer electronics received the most venture capital investment in CEE in 2013, with €16m across 40 companies. Communications was just behind with €14m of investment in 36 companies. Consumer goods and retail registered €9m of investment spread across 14 companies. These three sectors accounted for just under 60% of the venture capital invested and the number of companies receiving venture finance in 2013 across CEE.

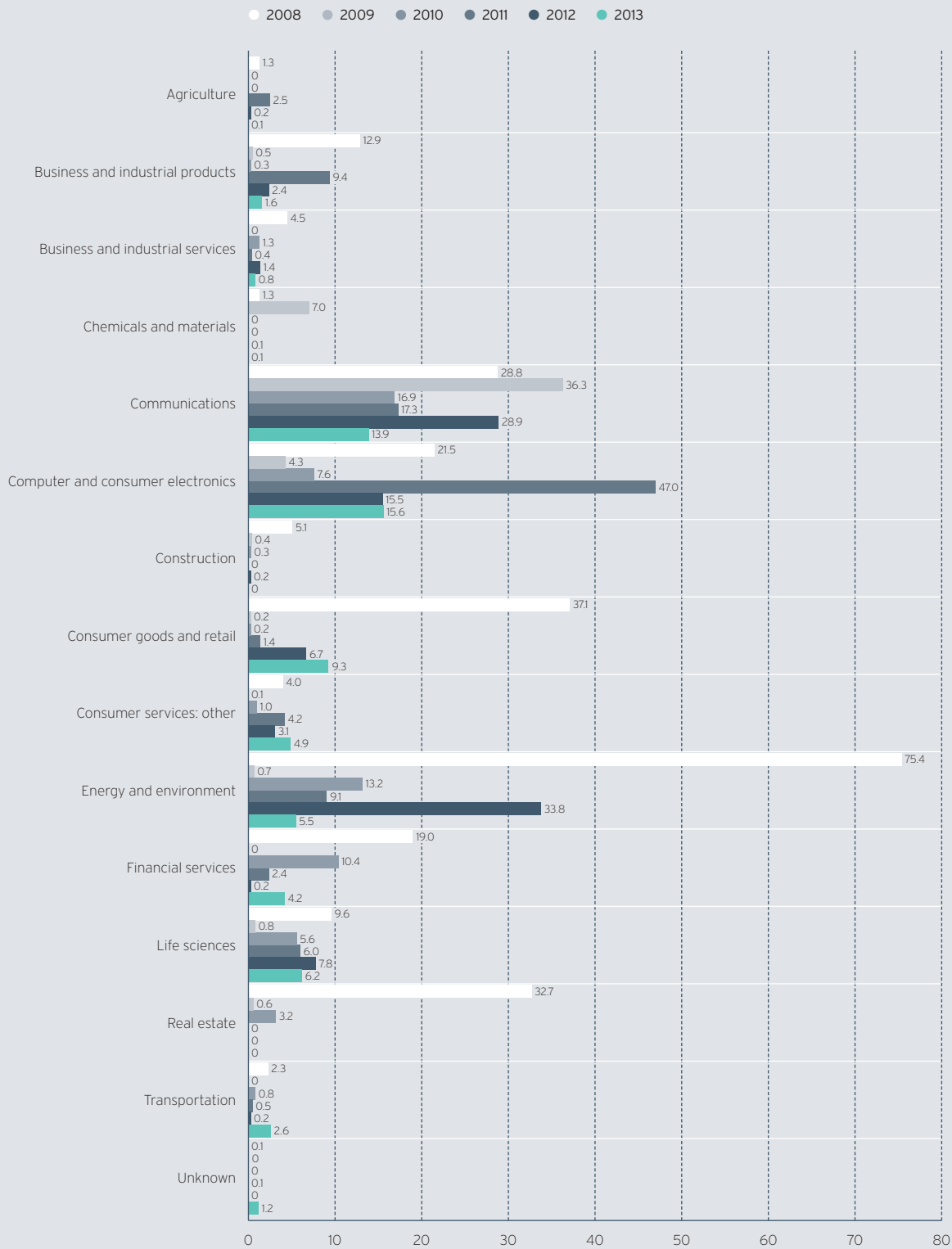
Figures 12 & 13 show a dip in investment into the energy and environment sector, which has traditionally been one of the top sectors for venture capital in CEE and was the leading sector in 2012. Investment fell back to just over €6m in 2013, compared with almost €34m in 2012.

Figure 11 - CEE venture capital investments by stage, 2007-2013 (number of companies)



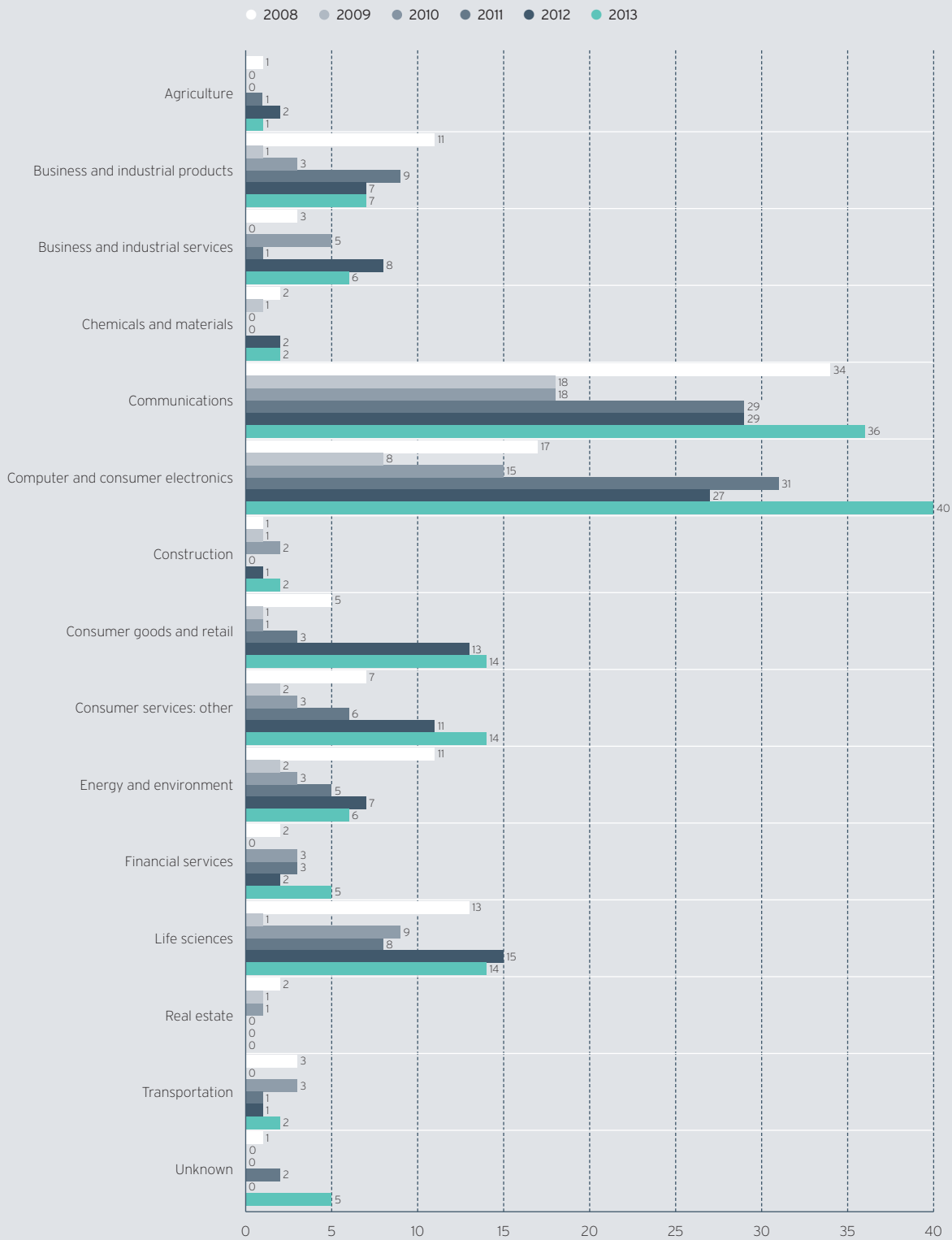
Source: EVCA/PEREP_Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.

Figure 12 - CEE venture capital investments by sector, 2008-2013 (amount in € million)



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

Figure 13 - CEE venture capital investments by sector, 2008-2013 (number of companies)



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

In 2013, 28 venture-backed companies were exited, accounting for 32% of all CEE companies exited. The total amount divested at cost was €47m, which accounted for 6% of total CEE divestments. In contrast to the contraction in venture capital investment value, exit value at cost increased by 16% in 2013. Furthermore, the number of venture-backed companies exited increased by 65% in 2013. This compares to Europe overall, where venture-backed exits increased by 21% in amount by value and decreased 2% by number of companies in 2013.

Sales back to management became the dominant exit route for CEE venture capital funds in 2013 and accounted for 51% of value, and 11 of the 28 venture-backed companies exited. Trade sales, which had been over three-quarters of exit value in 2012, fell to just €4m or 9% of total venture exit value. The number of companies exited via this route fell by two to six in 2013.

Sales to financial institutions increased to over €5m at cost, and the number of companies sold from one to three. Meanwhile just one company was exited by sale to another private equity house and accounted for 9% of venture exit value at cost.

As previously indicated in the exits section of this report, there were no new IPOs in 2013 in the CEE region. However, in the venture capital segment, there were three secondary share sales in 2013, totalling almost €8m in value at cost. That compares with zero sales of quoted equity in 2012 and one venture-backed IPO, which was €4m at cost. The number of companies written off by venture capital backers doubled to four during 2013, though their combined value fell to just over €1m, representing less than 3% of total exit value at cost.

Table 12 - CEE venture capital divestments by stage, 2012-2013 (exit value at investment cost)
(in € x 1,000)

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
EXIT ROUTE				
Divestment by trade sale	31,956	8	4,118	6
Divestment by public offering	3,795	1	7,677	3
<i>Divestment on flotation (IPO)</i>	<i>3,795</i>	<i>1</i>	<i>0</i>	<i>0</i>
<i>Sale of quoted equity</i>	<i>0</i>	<i>0</i>	<i>7,677</i>	<i>3</i>
Divestment by write-off	1,400	2	1,168	4
Repayment of silent partnerships	0	0	0	0
Repayment of principal loans	36	1	700	1
Sale to another private equity house	1,000	1	4,000	1
Sale to financial institution	123	1	5,272	3
Sale to management (MBO)	1,797	3	23,632	11
Divestment by other means	0	0	0	0
TOTAL DIVESTMENT IN YEAR	40,107	17	46,566	28

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

8. The CEE buyout and growth market

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

In the CEE region in 2013, €717m of buyout & growth capital was invested into 87 companies, which equated to a 21% decline in value when compared with 2012. That decline, set against an almost flat performance across Europe as a whole, meant that the region's percentage of Europe's total buyout & growth investment value fell from 2.7% to 2.2%. The number of companies subject to buyout & growth transactions across the CEE region fell by 16% from 103 in 2012, while across Europe such investments shrank by a narrower margin of 2% in 2013. As a result, the proportion of businesses that CEE accounted for in the European buyout & growth picture shrank from 4.9% in 2012 to 4.2% in 2013.

In line with previous years, buyout & growth investments comprised 92% of total private equity investment value in the CEE region in 2013. By number of companies financed, the share of the buyout & growth segment continued its falling trend and reached 36% in 2013, due also in part to continued growth in the number of companies receiving venture capital financing in the region. The proportions of investment and companies accounted for by buyout & growth investments in CEE are remarkably similar to those found in Europe as a whole.

Within the sub-segments of buyout & growth, there was a noticeable shift as growth capital investments returned to 2011 levels and registered a 53% increase to a value of €259m in 2013. While this is still below the average annual investment levels of 2007-2010, the increased attention on growth capital in last year's fundraising and the continued focus on this investment segment by the region's fund managers should support further development in this area. At the same time as investment increased, the number of companies receiving growth capital funding declined by 23% to 48. The result is that the average investment size doubled to €5.4m from €2.7m. The rise in CEE growth capital investment contrasts with the performance across Europe as a whole, where such investments decreased by 10%. Furthermore, in 2013, growth capital investments comprised 36% of the entire buyout & growth segment in CEE, compared to Europe overall, where it accounted for just 11%. It underlines the focus on growth in the CEE markets, which are deemed to be higher-growth economies than Europe overall.

Buyout investments by value contracted 39% to €427m in 2013, and comprised 60% of the buyout & growth segment, down from 77% in 2012 (and versus 86% in Europe overall). Despite the lower investment level in CEE in 2013, the number of buyouts measured by number of companies remained in line with 2012. Taken together, that means the average CEE buyout investment size fell to €12.9m from €20.4m, which in turn reflects smaller investments but also improving credit conditions and less equity per buyout, as explored in more detail below. By contrast, buyout investments by amount across Europe remained stable year-on-year.

Poland once again was the leading market for buyout & growth investment activity in 2013, registering €364m or 51% of the total value in the CEE region, spread across 30 companies. Poland recorded buyout transactions worth €206m, or 48% of all regional buyout activity (versus €331m and 48% in 2012). It also saw €150m of growth capital investment, or 58% of all growth capital activity in the region in 2013 (versus €104m and 62% in 2012). By number of companies, there were 14 buyout and 14 growth capital transactions in Poland in 2013, down from 18 and 20 respectively the previous year.

The Czech Republic was the next largest CEE buyout & growth market in 2013, with total investment value of €132m, or 18% of the region's activity, invested across eight companies. This was heavily concentrated in buyout transactions, which totalled €120m spread over six companies (compared with €96m into five companies in 2012). Romania followed, with 14 companies receiving a total of €67m in buyout & growth investments in 2013. The country accounted for 9% of this market segment by value, with most of the activity focused on buyout transactions. Hungary had seven companies obtaining €40m of buyout & growth investment, or 6% of the region's value total. Notably, this was mostly made up of growth capital transactions totalling €36m into six companies, up from €3m in the prior year. Finally, the three Baltic countries showed a combined €49m of buyout & growth investment activity, or 7% of the regional total spread across 13 companies.

Figure 14 - CEE buyout & growth investment by stage, 2007-2013 (amount in € million)

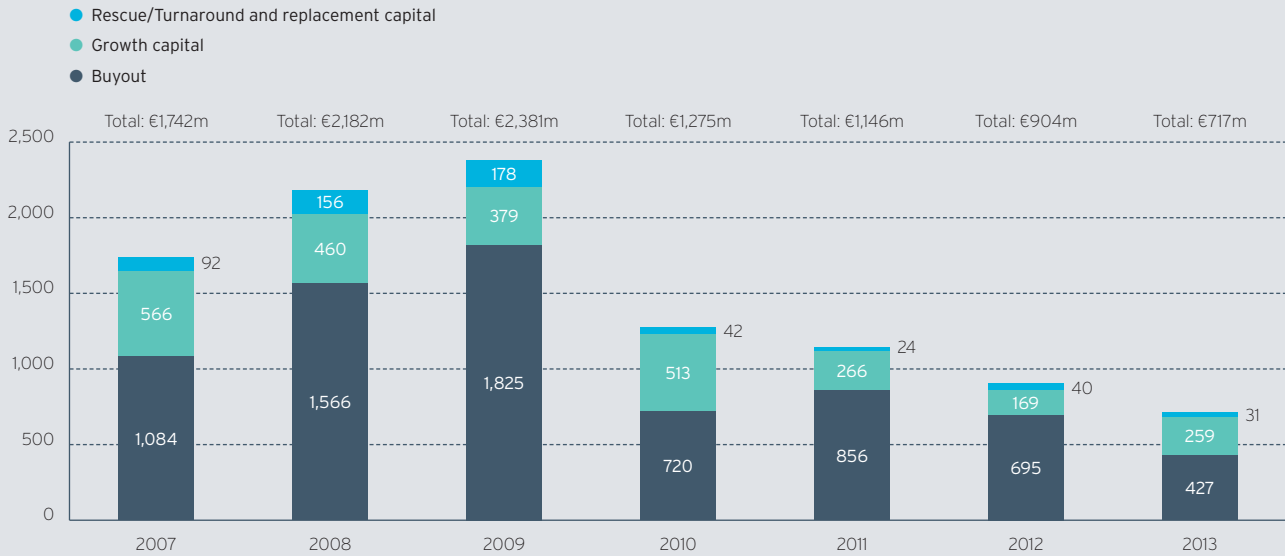
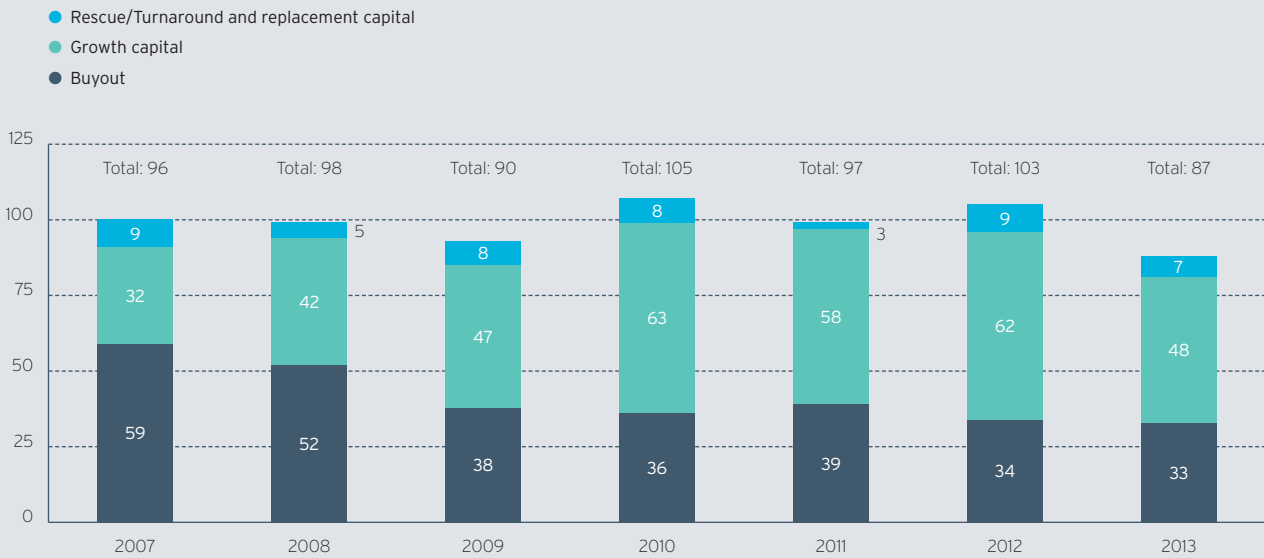


Figure 15 - CEE buyout & growth investment by stage, 2007-2013 (number of companies)

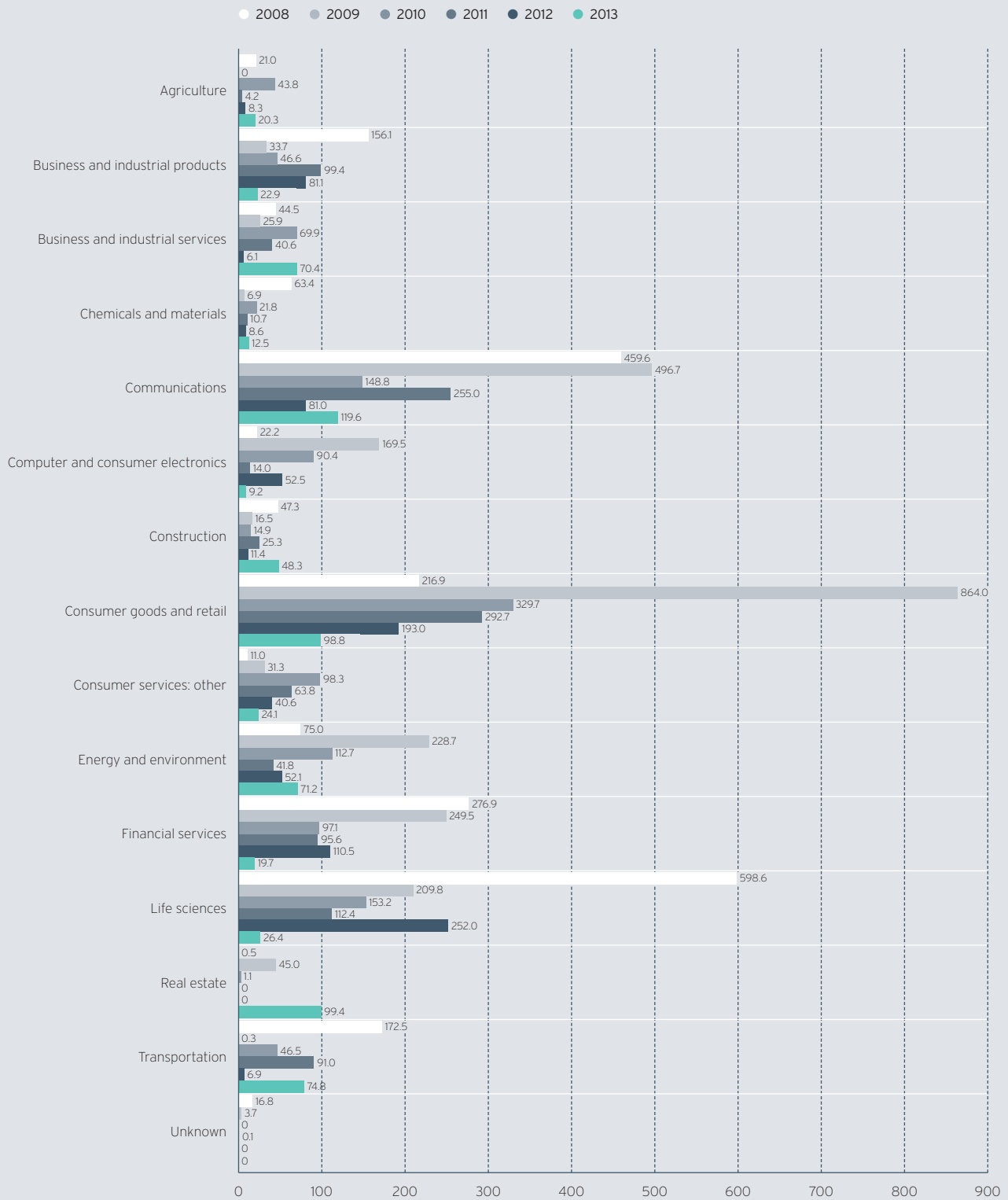


Source: EVCA/PEREP_Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.

Communications investments featured prominently in the buyout & growth segment in the CEE region. In 2013, this sector overtook consumer goods and retail to become the most heavily backed industry by value, with €120m invested, or 17% of the total CEE buyout & growth market spread across 12 companies. In second place was real estate, which typically does not feature in CEE private equity investments, with €99m of investment put into just one transaction. Very close behind was consumer goods and retail, which attracted just under €99m of investment across 13 companies, followed by transportation with €75m across five companies. These four sectors comprised 55% of the total buyout & growth investment value in the CEE region in 2013.

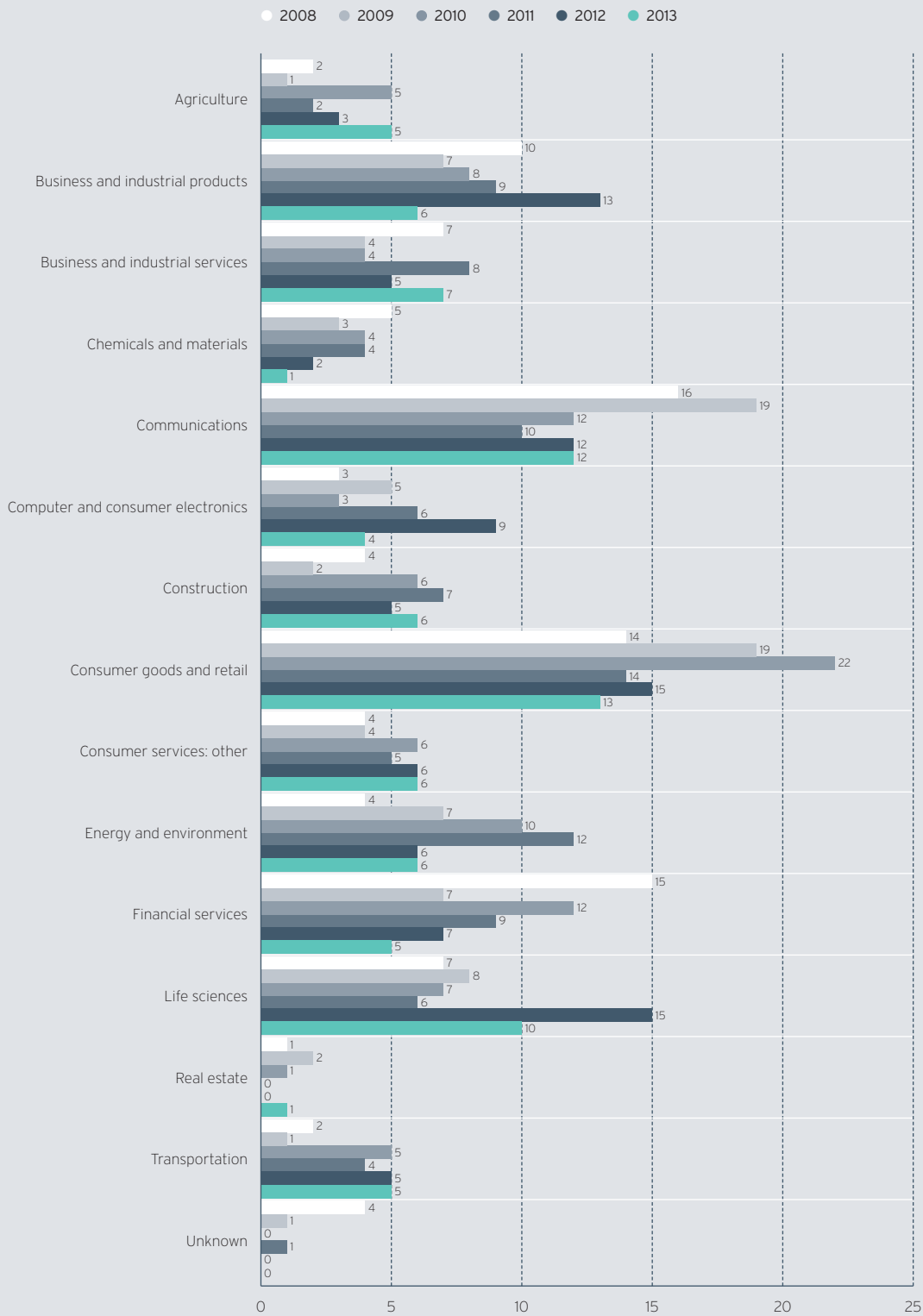
Concentration of buyout & growth investment into a few industries was less marked than in previous years, with many sectors including transportation, energy and environment, business and industrial services, and construction registering higher levels of investment than in 2012. Consumer goods and retail and life sciences, which have been areas of focus and saw high private equity buyout & growth investment in recent years, attracted noticeably less capital in 2013. Together they accounted for only 17% of investment value, compared with an average of 42% over the previous four years.

Figure 16 - CEE buyout & growth investment by sector, 2008-2013 (amount in € million)



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

Figure 17 - CEE buyout & growth investment by sector, 2008-2013 (number of companies)



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

The total transaction value (including private equity, debt and other non-private equity financing) of CEE buyouts in 2013 was €976m, representing a 25% decrease compared to 2012. These transactions included €427m of private equity buyout capital versus €695m in 2012.

As in the previous three years in CEE, there were no mega or large buyouts of over €500m in total transaction size in 2013. Instead the CEE market remained concentrated on small and mid-market buyouts. Four mid-market investments (in the range of €50m to €500m of total transaction size) accounted for 61% of total transaction value in 2013, and 30 small (sub-€50m investments) accounted for 39% of total transaction value.

Looking at the transactions from the point of view of the region's private equity investors, €231m of private equity buyout capital was invested in small buyout transactions, compared with €195m in mid-market acquisitions.

This represents a change from 2012, when mid-market transactions comprised the majority of buyout capital deployed. The average private equity investment per small buyout declined nearly 40% in 2013 to €8m, while the average for mid-market deals increased year on year by 17% to €49m.

It is of particular note that the percentage of private equity contribution versus total transaction value in small buyouts decreased sharply from 77% in 2012 to 61% in 2013, though still remained above the European average, which was 50% during both of the last two years. The equity contribution for mid-market buyouts also decreased significantly from 42% in 2012 to 33% in 2013, a level well below the European average of 47% for the past two years. The figures point to improving credit availability for buyout transactions in the CEE region.

Table 13 - Equity and transaction value by type of buyout in 2012-2013 (in € x 1,000)¹

2013							
AMOUNTS IN € THOUSANDS	AMOUNT (EQUITY VALUE)	%	NUMBER OF COMPANIES	%	TRANSACTION VALUE	%	EQUITY CONTRIBUTION OF PE FIRMS (IN %)
BUYOUT INVESTMENT SIZE							
Small	231,454	54.2	30	88.2	377,413	38.7	61.3
Mid-market	195,443	45.8	4	11.8	598,351	61.3	32.7
Large and mega	0	0.0	0	0.0	0	0.0	0.0
TOTAL BUYOUT	426,897	100.0	33	100.0	975,764	100.0	43.8
2012							
Small	317,268	45.7	25	73.5	410,752	31.4	77.2
Mid-market	377,407	54.3	9	26.5	895,525	68.6	42.1
Large and mega	0	0.0	0	0.0	0	0.0	0.0
TOTAL BUYOUT	694,675	100.0	34	100.0	1,306,277	100.0	53.2

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). Mezzanine investments are included in the equity amount.

¹ This breakdown was calculated by using the Transaction Value ("X") to generate the following brackets: Small (X < €50m), Mid-market (€50m ≤ X < €500m), Large (€500m ≤ X < €1,000m) and Mega (X ≥ €1,000m).

Unlike the two previous years, 2013 buyout & growth exits were not dominated by one or two large disposals, resulting in a less skewed overall result. So, while exit value dipped by 33% for the year to €695m measured at historical cost, the number of companies exited rose by 22% to 60. Furthermore, trade sales remained the most important exit route for the buyout & growth segment; those sales accounted for 64% of total value at cost and over one-third of all companies divested.

Exits via write-off increased in 2013 to €79m at cost (11% of total) spread across five companies. However, one write-off in Ukraine was responsible for nearly 60% of the written off value.

Other exit routes showed positive development in 2013, with sales to financial institutions growing roughly four-fold in value to €63m at cost, and also tripling by number of companies to 12. Sales to management also increased significantly in value to €41m at cost from €5m in 2012, and numbered nine companies in total.

Exits to other private equity firms doubled in value to €32m at cost, spread across three transactions. However, this exit route remains relatively uncommon in Central and Eastern Europe, in part reflecting the demand and competition from trade buyers looking to establish themselves and expand across the region. Finally, shares in six companies were sold via sale of quoted equity with a corresponding €23m of value at historical cost, reflecting a rise from the previous year while remaining at a relatively low level.

The dominance of trade sales in the CEE buyout & growth market segment is in contrast to the picture across Europe, where sales to other private equity firms carried significantly more weight among buyout & growth exits. While more companies were exited via trade sales than any other route across Europe in 2013, divestments to other private equity firms yielded the most value at cost and accounted for 28% of total exit value in the buyout & growth segment. Trade sales brought in 25% of total value and were closely followed by public offerings (including IPOs and secondary share sales), which accounted for 21% of value. The level of European write-offs among buyout & growth exits was similar to that witnessed in CEE; 9% of private equity exit value at cost and 13% of companies written off.

Table 14 - CEE Buyout & growth divestment by exit route, 2012-2013 (exit value at investment cost) (in € x 1,000)

AMOUNTS IN € THOUSANDS	2012		2013	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
EXIT ROUTE				
Divestment by trade sale	874,989	16	445,803	22
Divestment by public offering	12,490	3	23,002	6
<i>Divestment on flotation (IPO)</i>	3,097	1	0	0
<i>Sale of quoted equity</i>	9,392	2	23,002	6
Divestment by write-off	62,120	2	79,361	5
Repayment of silent partnerships	9,993	4	0	0
Repayment of principal loans	28,458	6	711	4
Sale to another private equity house	16,443	1	32,356	3
Sale to financial institution	16,293	4	62,972	12
Sale to management (MBO)	5,137	5	40,513	9
Divestment by other means	13,398	10	9,789	2
TOTAL DIVESTMENT IN YEAR	1,039,322	49	694,506	60

Source: EVCA/PEREP_Analytics

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

9. Methodology

Fundraising

The vast majority of private equity funds raised for CEE were for the region as a whole rather than for any specific country. Therefore, 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
- > direct 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

Geographical sources of funds

Capital raised from an LP located in the same country as the fund it commits to is usually considered to be domestically raised according to the EVCA classification. However, the CEE fundraising data includes private equity funds located outside of CEE but fully dedicated to the CEE region (e.g. a UK-based fund focused on the CEE region). For the purposes of this report, domestic fundraising ("Within CEE" category) only includes capital raised from CEE-based LPs, regardless of the location of the private equity fund itself. We believe this gives the most accurate picture of actual commitments made by CEE-based LPs to CEE-focused funds.

Investments

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

Industry statistics are an aggregation of the figures according to the country in which the private equity firm making a particular investment is based, and not related to the country in which the investee company is based. At the European level, this relates to investments made by European private equity firms regardless of the location of the target company.

Market statistics are an aggregation of the figures according to the country in which the investee company is based, regardless of the location of the private equity fund. At the European level, this relates to investments in European companies regardless of the location of the private equity firm.

This report uses only market statistics. For industry statistics, please consult the most recent EVCA Yearbook and its data appendix.

Buyout split

Buyout investments are split into four categories: small, mid-market, large, and mega. This classification is based on the value of the transaction, as indicated below.

BUYOUT DEALS	TRANSACTION VALUE (X)
Small	$X < €50m$
Mid-market	$€50m \leq X < €500m$
Large	$€500m \leq X < €1,000m$
Mega	$X \geq €1,000m$

Divestments

Divestment amounts are measured by cost of investment, not actual proceeds.

Number of companies

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 in respect of number of companies in this report may not appear to add up to the same number of companies compared to the individual items in the tables. This is due to the issue of counting distinct entities. For a company receiving multiple distinct rounds of financing in a year - for 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 (000s)	COMPANIES
Later-stage venture	1,000	1
Management buyout	20,000	1
Total investment	21,000	1

Since the same company can be recorded under several investment subcategories, the sum of all subcategories can exceed the total 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 calculations of average per company 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.

The principles described above also apply to the number of divested companies.

Data updates

PEREP_Analytics offers private equity market participants the possibility to submit surveys and validate previously populated data captured from public information sources at various points in time. For example, if a private equity firm submits information about a divestment, and the corresponding investment has never been previously reported or captured, the PEREP Analyst will enter the investment into the database so that no portfolio company is reflected with negative capital flow in the database. Moreover, some information may be disclosed on the websites of private equity firms at a later stage, after the cut-off for producing the EVCA Yearbook, and thus is processed subsequently in the database. For all the above reasons, historical figures may be updated each year to reflect the latest available statistics for previously released years, starting with 2007.

10. Definitions

- **Private equity:** Private equity is equity capital provided 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 making 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 to support the pre-launch, launch and early stage development phases of a business.

Types of investors (fundraising tables):

- **Corporate investor:** A corporation that produces products (manufacturing company) or delivers 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.
- **Foundation:** A non-profit organisation through which private wealth is contributed and distributed for public purposes (usually charitable) purposes. It may either donate funds and support other organisations or be the sole source of funding for its own charitable activities.
- **Fund-of-funds:** A private equity fund that primarily invests and commits equity to private equity funds.
- **Other asset manager:** A financial institution (other than a 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:** A country, regional, governmental or European agency or institution for innovation and development, including structures such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Fund (EIF).
- **Sovereign wealth fund:** A state-owned investment fund managing a pool of money derived from a country's reserves. The funding for a sovereign wealth fund (SWF) comes from central bank reserves that accumulate as a result of budget and trade surpluses, and from revenue generated from the exports of natural resources.

Fund stage focus (fundraising tables):

- **Early-stage fund:** A venture capital fund focused on investing in companies in the early stages of their existence.
- **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 subsequent) rounds of venture investment.
- **Balanced fund:** A venture capital fund focused on both early-stage and development financing, with no particular concentration on either.
- **Growth fund:** A fund whose strategy is to invest in or acquire relatively mature companies that are looking for capital to expand or restructure operations.
- **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 including 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 a company for product development and initial marketing. The company may be in the process of being set up or may have been in business for a short time, but has not sold its product commercially. Please note that seed and start-up financing together are often referred to as “early stage” financing.
- **Other early-stage:** Financing to a company that has completed the product development stage and requires further funds to initiate commercial manufacturing and sales. It 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. Later-stage venture tends to finance companies already backed by VCs, and therefore involves third or fourth (or subsequent) rounds of financing.
- **Growth:** A type of private equity investment – most often a minority investment but not necessarily – in relatively mature or developed companies that are looking for capital to expand or restructure operations, enter new markets or finance a significant acquisition usually 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 that has experienced trading difficulties, with a view to re-establishing prosperity.
- **Replacement capital/secondary purchase:**
The purchase of a minority stake of existing shares in a company from another private equity firm (a secondary purchase) or from another shareholder or shareholders (replacement capital).
- **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 into 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 form of buyout where both buyer and seller are private equity firms or financial sponsors (i.e. 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 main stages described in this publication leads to the following classifications:

- **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:** replacement capital/secondary purchase, refinancing bank debt
- **Buyout:** management buyout, management buy-in, public-to-private, other PIPE, leveraged buyout, secondary buyout

Further mapping the above stages into the two main stages - venture and buyout & growth - leads to the following classifications:

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

Amounts definition:

- > **Equity value:** 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). Financing for investments is included only if it originates from funds raised through private equity vehicles. Debt amounts within all investment packages are removed, unless the debt originates from private equity funds. The equity amounts included in the statistics herein do not include transaction by transaction co-investments directly made by the investors of a fund ("LPs"). Nevertheless, the activity of direct co-investment funds is included.

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

The above link shows the map between the old EVCA sectors, the 67 new 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 this publication, and their further grouping into the seven sectoral clusters used in the fundraising by fund sectoral focus in the EVCA Yearbook.

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.

- > **Sale of quoted equity:** This relates to the sale of quoted shares only if connected to a private equity investment, such as the sale of quoted shares by a private equity firm after an IPO and lock-up period, if any, restricting sales of shares for a defined period of time.
- > **Repayment of principal loans:** If a private equity firm provided loans or purchased 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 a company's shares to another private equity fund.
- > **Sale to financial institution:** The sale of a company's shares to banks, insurance companies, pension funds, endowments, foundations and other asset managers other than private equity firms.
- > **Divestment by trade sale:** The sale of a company's shares to an industrial investor.
- > **Divestment by write-off:** The total or partial write-down of a portfolio company's value to zero or a symbolic amount (i.e. sale for a nominal amount) with the consequent exit from the company or reduction of the shares owned. The value of the investment is eliminated and the return to investors is equal or close to zero.

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

About Gide Loyrette Nouel

Gide Loyrette Nouel in Central and Eastern Europe

Founded in Paris in 1920 Gide Loyrette Nouel today operates from 17 offices on four continents: Europe, with a focus on Central and Eastern Europe, as well as Asia, North America and Africa. With its 20 years of experience in Central and Eastern Europe, Gide is well-established as a law firm in this area, known for covering all areas of business and finance law.

Although perceived as one market by investors, Central and Eastern Europe comprises many different jurisdictions. Therefore, setting up and doing business in this region requires an in-depth knowledge of local regulations and specific market conditions. The organisation of Gide Loyrette Nouel's business in this region allows it to perfectly meet the needs and expectations of institutions, investors and other companies operating on the CEE market.

Gide Loyrette Nouel's business in Central and Eastern Europe is co-ordinated between four offices located in Budapest, Kyiv, Moscow and Warsaw, in close co-operation with Gide's Western European offices (Paris, Brussels and London) and with top-tier firms in the countries where the firm is not directly present (especially in Germany, Italy and Spain). Gide Loyrette Nouel's lawyers are respected and renowned specialists in all sectors of local and international finance.

With a strong presence in the region for more than 20 years now, ensured by the multi-disciplinary and multinational experienced team, Gide Loyrette Nouel is able to provide its clients with comprehensive knowledge of local markets, regional expertise and the resources of an international law firm. Gide is known for its wide range of clients, including international and local companies from all sectors.

Warsaw

Gide Loyrette Nouel was one of the first international legal practices to open an office in Poland, back in 1990. Today employing more than 40 lawyers and tax advisors, supervised by six partners, Warsaw's office is the largest of Gide's office in the CEE region. Gide Loyrette Nouel Warsaw provides a wide range of legal services, including all areas of business law, and is frequently called upon to offer legal support to its local and international clients, including financial institutions, banks, private equity funds, insurance companies, investors, real estate developers, public companies and government ministries.

The firm has advised half of the Polish WIG-20 companies (a capitalisation-weighted stock market index of the twenty largest companies) including: KGHM, PGNIG, BRE Bank, Bank Handlowy, Bank Pekao, Bank PKO BP, PGE, PKN Orlen, Synthos and Telekomunikacja Polska.

Budapest

The Budapest office has been offering first-rate legal services since 1993, using its profound knowledge of the local markets. Under the supervision of partner François d'Ornano, the Budapest Office includes about twenty French, Hungarian, English and German lawyers. The office provides tax and legal advice that their clients need at all stages of their investment projects in Hungary. Its lawyers offer a full range of services, including setting up joint ventures, designing innovative legal and tax schemes, and negotiating with local partners, banks and local authorities.

The Budapest office also co-ordinates the works of the **SEE Group**, operating South-Eastern Europe where Gide Loyrette Nouel is not directly present, namely in: in Serbia, Bosnia, Herzegovina and Montenegro, as well as in Croatia, Slovenia, Macedonia, Slovakia, Romania and the Czech Republic, through a network of correspondent firms recognised for their excellence on their respective local markets.

Kyiv

Established in Ukraine in 2006, the Kyiv office advises corporate clients in all branches of business law, with a particular emphasis on banking and finance. The Kyiv office offers the services of 20 Ukrainian, French and German lawyers and legal consultants under the leadership of Bertrand Barrier and Julian Ries. The firm advises investors wishing to set up business in Ukraine as well as companies that are already established.

The Kyiv office provides its clients with a service covering all aspects of business life, and is one of the only firms in Ukraine to offer banking and finance expertise, in which it collaborates with the firm's specialist legal teams in London, Paris and New York.

Moscow

Since 1993, the Moscow Office has been advising Russian and international corporations operating in Russia and other countries of the former Soviet Union. The Office includes some 30 Russian and French lawyers, supervised by David Lasfargue. The Moscow team has gained considerable expertise in Russian and international business law. The team's structure allows it to offer comprehensive legal advice to potential investors or companies already settled in Russia. The firm's specialised teams in Paris and London provide assistance wherever the needs of a particular file require it. The Moscow office often works together with other Gide Loyrette Nouel offices, especially those in Central and Eastern Europe.

Private Equity

Gide Loyrette Nouel has an extensive private equity practice and is one of the leading legal teams advising on all forms of private equity transactions. The Private Equity Group's expertise covers increasingly complex corporate, financial, regulatory, tax and contractual legal issues that affect private equity funds, their sponsors and investors. We have experience in all types of private equity investment vehicles, including leveraged buyout funds, venture capital funds and real estate funds, and we advise numerous international and local investors, sponsors, management teams and industrial players on all forms of transactions involving private equity and real estate funds, from the provision of capital to start-up businesses and early-stage financing or the acquisition of properties to the largest pan-European LBOs.

We also offer full assistance in the context of recapitalisation transactions, build-ups and exits. The Private Equity Group has a recognised expertise in assisting numerous investment bankers, senior, mezzanine and "bridge" lenders with arranging complex bank financing projects for LBOs and real estate transactions.

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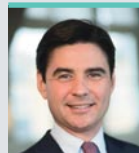
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About the EVCA

European Private Equity & Venture Capital Association The EVCA is the voice of European private equity. Our membership covers the full range of private equity activity, from early-stage venture capital to the largest private equity firms, investors such as pension funds, insurance companies, fund of funds and family offices and associate members from related professions. We represent 700 member firms and 500 affiliate members. The EVCA shapes the future direction of the industry, while promoting it to stakeholders such as entrepreneurs, business owners and employee representatives. We explain private equity to the public and help shape public policy, so that our members can conduct their business effectively. The EVCA is responsible for the industry's professional standards, demanding accountability, good governance and transparency from our members and spreading best practice through our training courses. We have the facts when it comes to European private equity, thanks to our trusted and authoritative research and analysis. The EVCA has 25 dedicated staff working in Brussels to make sure that our industry is heard.

EVCA Central and Eastern Europe Task Force 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 to 2013. 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 the EVCA and 19 national and regional private equity and venture capital associations across Europe, of which eight are from the CEE region: CVCA (Croatia), CVCA (the Czech Republic), EstVCA (Estonia), HVCA (Hungary), LTVCA (Lithuania), PSIK (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.

EVCA
