



Central and Eastern Europe Statistics 2014

An EVCA Special Paper

Edited by the EVCA Central and Eastern Europe Task Force

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About this report

This document provides annual activity statistics for the private equity and venture capital markets of Central and Eastern Europe in 2014 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 2014 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.

Readers should note that this year's report makes some adjustments to data contained in the prior year's report. Most of these changes are immaterial, however an important amendment was made to divestments in year 2013. Divestments by value was amended to be €958m instead of €741m for 2013 as was presented in last year's report. The key amendment was the inclusion of two company exits, both in the buyout segment, in the Czech Republic and classified within the financial services sector and as sales to financial institution.

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 2014 annual report on private equity and venture capital activity in Central and Eastern Europe ("CEE").

The report contains detailed research and analysis of fundraising, investments and exits across the CEE region. It also breaks down the activity by industry sector and private equity segment, from mega buyout through to seed investment. This document is intended as a reliable source of information for private equity professionals, investors, policymakers and other stakeholders. The EVCA aims to deliver useful statistics and, through relevant analyses, help the reader understand and interpret the data as it pertains to the specificities of the CEE region and highlight interesting trends.

Twelve months ago in this report, we acknowledged the signs of improved investor confidence in the CEE region and noted the lag in private equity activity data as compared to developments across Europe. We predicted a rebound in 2014 across CEE and we are now happy to report that this has indeed occurred. The data contained in this report shows a clear and broad-based upswing in all areas of CEE private equity activity from fundraising, to investment and ultimately exit, across all market segments.

The 2014 CEE figures include many encouraging signs, including the first €1bn enterprise value private equity deal in the region since 2009 and a record number of 290 businesses receiving private equity and venture capital funding. 2014 was the fourth best year for fundraising and the second best year for divestments in CEE recorded history. It was the first time when a CEE country topped the European charts for private equity investment as a proportion of GDP. It also saw major new investments in the region, not only by CEE-based fund managers, but also by leading global private equity houses.

None of this is surprising given that 2014 proved to be a generally positive year for the macro economic development of the CEE region. Ten out of eleven EU member states in the CEE region outperformed the EU average GDP growth rate. Inflation levels were at record lows and unemployment levels fell in most CEE countries. The budget and debt

pictures of key countries across the region were some of the best in Europe. A notable exception was Ukraine where geopolitical tensions had a negative macro impact but were largely contained within the country. The continued economic progress in the region helped to drive improved sentiment and convince market participants that CEE's long-term growth story continues to materialise.

The conditions are right for investors to focus more time and resource on the CEE private equity and venture capital industry. There is a well-established and highly experienced pool of private equity fund managers in the region, including domestic and regional firms, as well as pan-European and global firms with feet on the ground. The EVCA and national private equity associations have over 100 private equity and venture capital general partner members in the region, whose activity is documented in this report. Through them, and with the help of the EVCA's research and intelligence, investors will be able commit capital to the dynamic CEE region with confidence.

We encourage readers to look carefully at the data contained in this document and the dynamic investment opportunities the region continues to produce. We expect that interested parties will share our continued enthusiasm for the attractiveness of the dynamic CEE region.

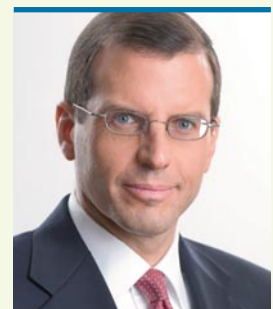
Best regards,



Dörte Höppner
EVCA Chief Executive




Robert Manz
Chairman of the
EVCA CEE Task Force



2. Executive summary

Fundraising market in the region

- Total private equity fundraising in the CEE region increased more than three-fold in 2014 to €1.47bn, in contrast to the rest of Europe where fundraising fell by 18%. The CEE fundraising total is the highest since 2008 and the fourth best result ever. CEE's share of Europe-wide fundraising reached 3.3% in 2014 compared with 0.8% in 2013.
- Buyout funds raised €1.18bn for CEE investments in 2014, almost five times what they raised in 2013 and the highest total since 2008. Buyout funds attracted 80% of the regional total fundraising in 2014.
- Fundraising for venture capital funds amounted to €176m in 2014 compared with €62m in 2013, a 2.8 times increase, and accounted for a significant 12% of CEE fundraising in 2014.
- Government agencies were the largest source of funds, committing a total of €617m which represents 42% of the total capital raised for CEE in 2014. In absolute terms, the funds committed by government agencies more than tripled compared to 2013 and included a major contribution from a Chinese public source. Sovereign wealth funds were the second largest source of capital in 2014, contributing €241m or 16% of the total capital raised for CEE.
- Fundraising from investors outside of Europe soared in 2014 to reach €813m, or 55% of the total capital raised for CEE, up from €62m or 15% of the total in 2013. Funding from US-based investors was strong at nearly €220m. The amount of capital raised from European investors from outside the CEE region - typically the largest contributor to CEE funds - grew by 80% in absolute terms in 2014 to €438m, though decreased as a percentage of total funds raised to 30% from close to 60% in 2013.
- An all-time high number of 290 companies received private equity investment across the CEE region in 2014. This represented an impressive 20% increase in the number of companies financed compared to 2013.
- Serbia was the leading CEE investment destination in 2014, accounting for €326m or 25% of total investment value across the region, thanks mainly to one large buyout transaction. The Czech Republic was the second largest CEE investment destination with €299m invested or 23% of the regional total, again driven by a large transaction. Poland and Hungary came in third and fourth place with €251m and €170m invested respectively. These four countries made up 80% of all private equity investment across CEE in 2014.
- Private equity investment as a percentage of the CEE region's GDP increased significantly to 0.104% in 2014 from 0.062% in 2013. Despite the increase, it remained less than 40% of the 0.277% level achieved across Europe as a whole in 2014. However, Serbia ranked first among all European countries on this metric in 2014, with private equity investment reaching almost 1% of the country's GDP.
- Buyout investments in CEE increased by 120% in value in 2014 to €935m from €427m in 2013. While the investment amount increased significantly, the number of companies involved in buyout transactions declined slightly to 30 from 33. Serbia led the region in buyout investment at €326m in 2014. Notably, the region saw a €1bn transaction value mega buyout, something last seen in CEE in 2009.
- Growth investments in 2014 decreased 10% by amount invested to €232m from €259m the previous year. By number of companies backed, the number fell 8% in 2014 as 45 companies received growth financing compared to 49 companies in 2013. Poland led the region in growth investments with €65m in 2014.
- Venture investment increased significantly in 2014, both in value and by number of companies financed. The value of investment rose by 38% to €98m, with all sub-segments from seed through to later-stage capital growing in value in 2014. The number of companies receiving venture capital backing in 2014 hit a record of 210 businesses, up from the 2013's previous record of 154. Hungary led the region in venture capital investments with €32m in 2014.

Investment activity

- Private equity investment in the CEE region increased by 66% to €1.31bn in 2014, outperforming the 14% growth in investment activity achieved across Europe as a whole. The CEE share of total European private equity investment reached 3.2% in 2014, up from 2.2% in 2013. Two large CEE buyout transactions influenced the 2014 results, accounting for €520m - or 40% - of the region's total investment value.

- Communications was the most invested sector in 2014 and received €492m of private equity investment, or 38% of the CEE total. Computer and consumer electronics was the second most heavily invested sector, taking €246m of investment and accounting for 19% of the CEE total. The figures were influenced by the two largest private equity transactions in the region – one in each sector.

Exit activity

- Exits reached €1.3bn at investment cost in 2014, the second highest level ever recorded in the CEE region. Divestment activity in CEE rose by 32% compared with 2013, much faster than Europe as whole where divestments increased by a still significant 10%. As a result, the CEE share of European exit value at cost was 3.3% in 2014 compared with 2.8% in 2013.
- The exit value results in 2014 were influenced by a small number of large divestments that made up a significant majority of the total CEE exit value measured at historical cost.
- By number of companies, exit activity in the CEE region showed a decrease, with 74 companies divested in 2014, almost 18% fewer than in 2013.
- Poland was the largest market for exits in the region, accounting for €530m at cost or 42% of the CEE divestment total, making 2014 a record year for Poland with an 86% increase on 2013 levels. The Czech Republic was the second most active exit market with €235m of exit value at cost, followed by Hungary which recorded a more than a seven-fold increase on 2013 to register €163m of divestments at cost. Slovenia and Serbia together accounted for €151m of divestments at cost. These five countries accounted for 85% of the region's total exit value at cost in 2014.
- Trade sales were the most important exit route in 2014, with €368m of divestment value at cost and accounting for 29% of the total CEE divestment value. Sales to a financial institution again accounted for an atypically high percentage of CEE exits, with 27% of total regional divestment value in 2014, amounting to €338m at cost.
- Sales to another private equity house (so-called "secondary sales") accounted for 21% of total CEE divestment value in 2014, or €272m at cost, which is atypical for the region. It was driven by two of the largest exits in CEE in 2014 falling into this exit category. Write-offs in CEE were unusually high at 8% of total divestment value in 2014, driven by one significant transaction. But the total number of companies written off in CEE remained low at just three, comprising just 4% of the total companies exited in CEE in 2014.
- Communications was the largest sector in terms of exit value in 2014, with €588m at cost, accounting for 46% of the CEE total. Life sciences was the second largest sector by value with €232m at cost, followed by consumer goods and retail with €144m at cost. These three sectors represented 76% of total exit value at cost.
- The total value of buyout & growth exits increased by 34% in 2014 to €1.2bn at cost. Meanwhile, the number of exited buyout & growth companies fell to 55 from 64, indicating a shift to larger investments sold in 2014. Venture capital exit value remained relatively stable in 2014 at €41m at cost compared with €46m in 2013. The number of venture-backed companies declined to 19 from 26.

3. Fundraising

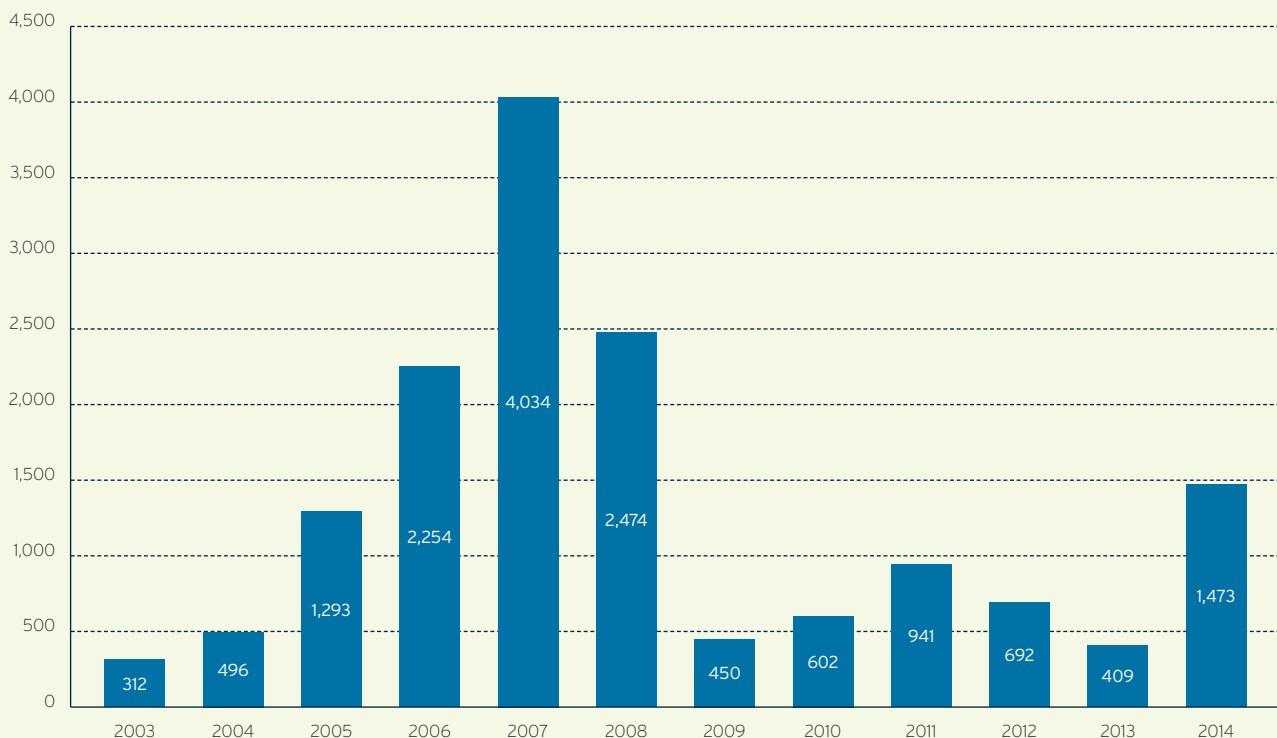
Private equity fundraising in the CEE region increased more than three-fold in 2014, bucking the trend in the rest of Europe where fundraising fell by 18%. Private equity and venture capital firms raised €1.47bn for investment in CEE, the highest level since 2008 and the fourth best result ever.

As is frequently the case for the region, fundraising is driven by whether CEE fund managers are in or out of the market. The 2014 figures were driven largely by an established CEE private equity manager that closed its fourth fund as well as a new entrant into the region that won a significant financial commitment from a Chinese investor investing in the region for the first time.

As a result of the sharp rise in CEE fundraising and the contraction in the overall European result, the CEE share of total European fundraising rose to 3.3% from just 0.8% in 2013. It also eclipsed the 2.8% level achieved in 2012, reflecting rising appetite among international investors for the region.

The figures in this section only cover private equity funds dedicated to the CEE countries and pan-European or global funds that have a clearly defined investment allocation to the CEE region. However, the universe of funds active in CEE is wider than demonstrated by these figures as other pan-European and global managers have also deployed capital in CEE, including in 2014 as covered by the investment activity section of this report.

Figure 1 - Fundraising for CEE private equity, 2003-2014 (in € million)

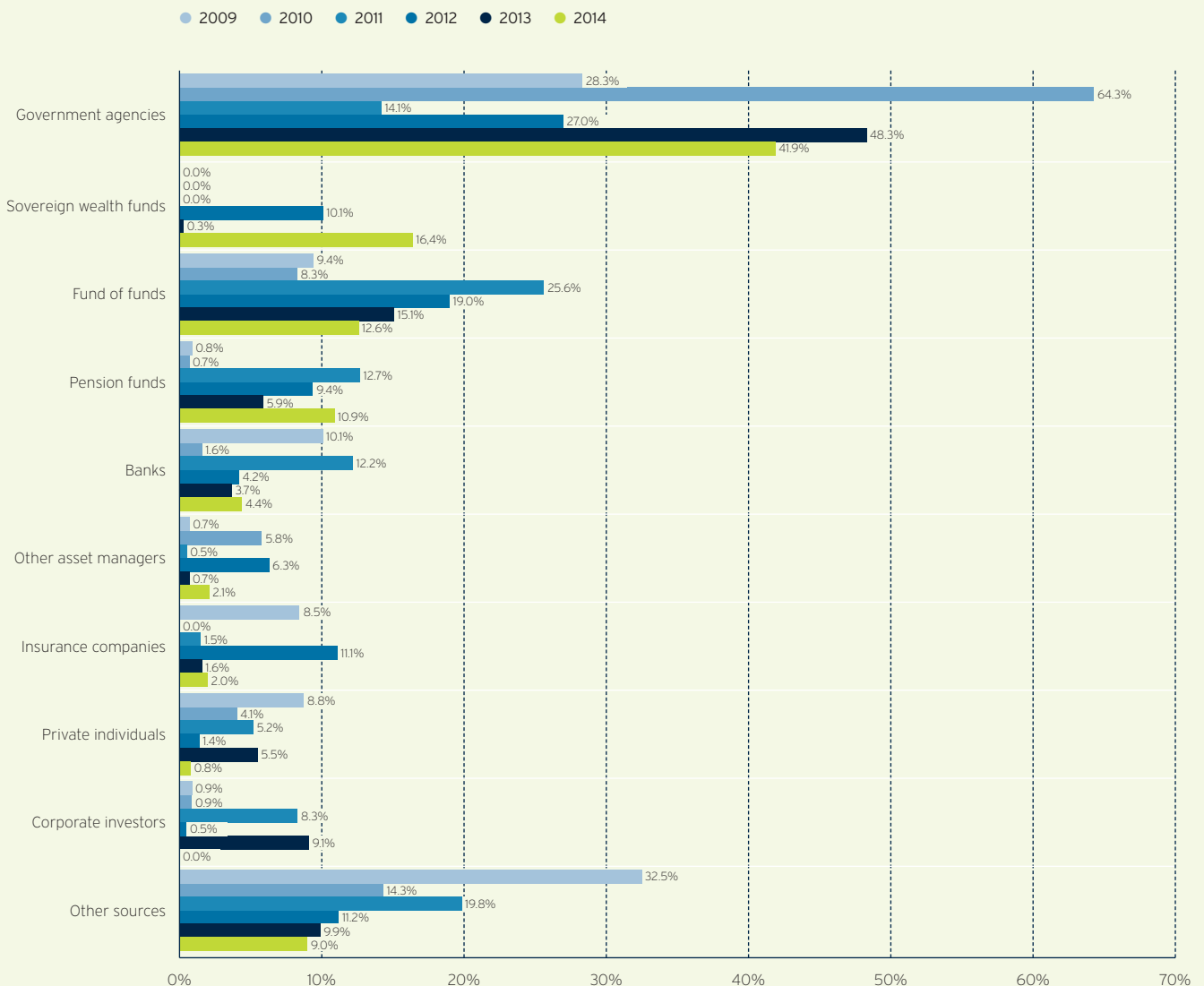


Source: EVCA/PEREP_Analytics for 2007-2014 data.
EVCA/Thomson Reuters/PricewaterhouseCoopers for previous years' data.
Disclaimer: Data is continuously updated and therefore subject to change.

Government agencies remained the leading source of capital in 2014, accounting for €617m or 42% of the total CEE result. The figure included a major contribution from a Chinese public source, the first investment by a Chinese investor of such magnitude into a private equity fund in the region. In absolute terms, funding from government agencies more than tripled from €197m in 2013. This marks the third year in a row when government agencies were the main contributor to CEE fundraising.

In comparison, the rest of Europe clearly shows a different fundraising pattern, with pension funds as the leading source of funds at 27% of total funds raised in Europe overall. Sovereign wealth funds were the second largest investor in funds targeted at the CEE region, accounting for 16% of all capital raised, or €241m. The last time sovereign wealth investors accounted for a material amount of capital in CEE fundraising was in 2007.

Figure 2 - Sources of capital raised for CEE private equity in 2009-2014 (% of total)



Source: EVCA/PEREP_Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.
 Other sources contain: Academic institutions, Capital markets, Endowments and foundations, Family offices and Unknown.

Fund of funds accounted for 13% of the 2014 CEE fundraising total and pension funds contributed 11% of capital raised. In value terms, the total combined investments from pension funds and funds of funds surged in 2014, increasing four-fold versus 2013 to €346m, indicating a return to the CEE market of these important non-governmental sources of capital.

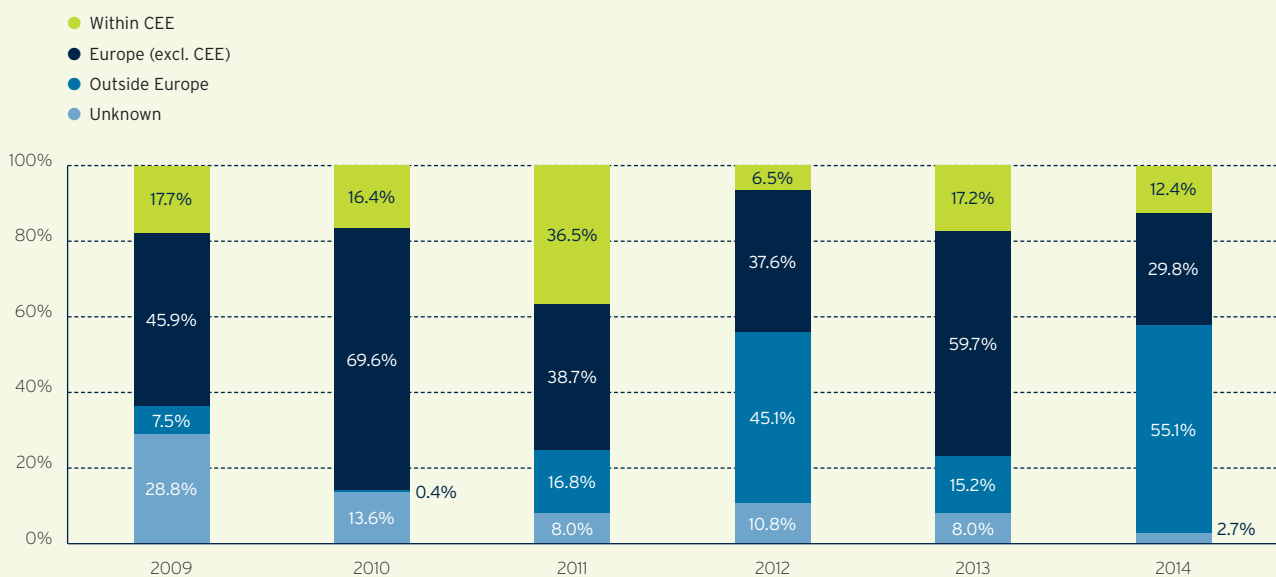
Notably, funds raised from the public capital market, although absent as a funding source in the two previous years, accounted for 6% of total CEE fundraising in 2014 and amounted to €87m. Fundraising from banks increased versus the previous year to €65m and over 4% of the total. Investments from insurance companies remained muted at just 2% of the total, although their contribution grew in absolute value versus 2013. Investment from private individuals dropped to one of its lowest ever levels at just 0.8% of the total and only €11m. Corporate investors did not make new commitments to CEE in 2014.

Fundraising from investors outside of Europe soared in 2014 to reach 55% of total capital raised for CEE, up from 15% in 2013. The figure, which amounted to €813m, was driven by a large commitment from a Chinese public sector source into a first-time fund from a newly-formed manager, and was supplemented by sovereign wealth funds from outside of Europe. Funding from US based investors was strong at nearly €220m.

The amount of capital raised from European investors from outside the CEE region grew by 80% in absolute terms in 2014 to €438m, but decreased as a percentage of total fundraising to 30% in 2014 from close to 60% in 2013. In nearly all of the prior seven years, non-CEE European investors have been the largest contributor to CEE fundraising with commitments comprising from approximately 40% of total CEE fundraising up to 70% in any given year.

Fundraising from investors based in the CEE region also rose in absolute terms – more than doubling compared with 2013 – but fell back to 12% of the total funds raised in 2014 compared to 17% in 2013. The amount raised was driven largely by a single large capital raising by a Polish fund manager that accessed the Warsaw Stock Exchange to raise the funds, as well as local Baltic investors and government supported programs in Hungary. Nevertheless, domestic CEE investors still represented a relatively low share of overall fundraising when compared with Europe as a whole, where domestic investors accounted for 24% of all capital raised in 2014. In neighbouring Germany, for example, domestic investors accounted for nearly 40% of capital raised. The figures highlight the CEE region's continued dependence on imported capital.

Figure 3 - Geographic sources of funds raised for CEE private equity, 2009-2014 (% of total)



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

Fundraising for CEE buyout funds increased almost five-fold in 2014 and was the clear impetus behind the jump in total capital raised in CEE. Buyout funds accounted for €1.18bn in 2014, or 80% of the total capital raised for private equity investments in the CEE region. This is on par with the proportion for Europe as a whole, where this sub-asset class accounted for 79% of total funds raised in the same year. In value terms, the amount raised by CEE buyout funds was the highest since 2008, when the figure reached €1.9bn.

Fundraising for CEE venture capital funds also increased significantly in 2014, reaching €176m compared with €62m in 2013, a 2.8 times increase. The growth came principally from funds raised on the Polish domestic market. However, government and multilateral funding sources also continue to underpin venture capital raising across the region. As a result, venture capital fundraising accounted for a significant 12% of CEE fundraising in 2014, compared with 9% for European venture compared to Europe as a whole.

Growth capital fundraising made up a small proportion of capital raised for the region in 2014, representing just 3% of total CEE fundraising and amounting to €40m (versus €103m in 2013). However, it should be noted that numerous CEE buyout funds also engage in growth capital investments, blurring the lines between the two segments. This may be highlighted by the figure reported for so-called generalist funds, which are able to make venture, growth or buyout investments and raised €82m in 2014 compared with just €1m the previous year.

None of the region's dedicated mezzanine providers marketed new funds in 2014, meaning that no mezzanine capital was raised, mirroring 2013. This contrasts with the years 2007 through 2012, where an average of €150m was raised in each year for mezzanine funds in CEE.

Table 1 - CEE funds raised, 2013-2014 - incremental closings during the year (in € x 1,000)

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	%	AMOUNT	%
FUNDS RAISED BY FUND STAGE FOCUS				
Early-stage	27,300	6.7	35,630	2.4
Later-stage venture	14,710	3.6	73,770	5.0
Balanced	20,400	5.0	66,220	4.5
TOTAL VENTURE	62,410	15.3	175,620	11.9
Growth capital	103,000	25.2	40,000	2.7
Buyout	242,350	59.3	1,176,290	79.8
Mezzanine	0	0.0	0	0.0
Generalist	1,100	0.3	81,560	5.5
TOTAL FUNDS RAISED	408,860	100.0	1,473,470	100.0
TOTAL FUNDS RAISED IN EUROPE	54,395,260		44,639,350	

Source: EVCA/PEREP_Analytics

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

While the CEE fundraising total increased significantly in 2014, the number of funds reaching final close fell from six to five, and the cumulative amount raised by those funds at final close (since inception) was €853m versus €894m in 2013. Three venture capital funds reached final close after having accumulated €39m compared to one fund with €7m in 2013. Two buyout funds reached final close after gathering €814m during their fundraising campaigns compared to four in 2013 with a cumulative €872m.

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

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	NUMBER OF FUNDS	AMOUNT	NUMBER OF FUNDS
FUNDS RAISED BY FUND STAGE FOCUS				
Early-stage	7,300	1	0	0
Later-stage venture	0	0	18,360	1
Balanced	0	0	20,430	2
TOTAL VENTURE	7,300	1	38,790	3
Growth	0	0	0	0
Buyout	871,930	4	813,730	2
Mezzanine	0	0	0	0
Generalist	15,100	1	0	0
INDEPENDENT FUNDS RAISED	894,330	6	852,520	5

Source: EVCA/PEREP_Analytics

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

4. Investment activity

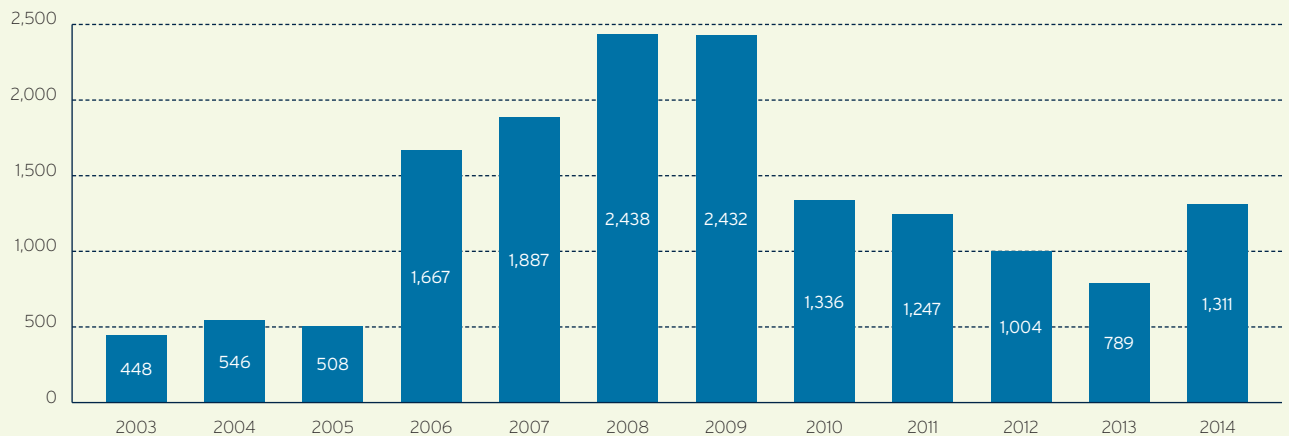
Private equity investment in the CEE region rebounded sharply in 2014 to €1.31bn, a 66% increase on 2013. It was a decisive reversal to the declining trend of the past few years and put total annual investment at a level similar to the period of 2010-2011.

In 2014, CEE outperformed the overall European trend in terms of investment growth, with Europe growing at a slower, although still impressive, pace of 14% compared to 2013. As a result, the CEE share of total European private equity investment grew to 3.2% in 2014 versus 2.2% in 2013. The CEE result reflects not only strong investment activity by domestic CEE managers but also from pan-European fund managers and global capital pools investing in the region.

Specific large investment transactions can frequently influence the overall CEE investment statistics. In 2014, this was the case as two large buyout transactions represented 40% of the total investment figure for the region, accounting for over €520m. There were no such large deals in 2013, which helps explain why that year's investment total was well below €1bn - the only time in the last nine years when the figure dipped below this threshold.

Alongside the surge in CEE investment values in 2014, the total number of CEE companies receiving private equity financing showed a sharp increase to reach an all-time high of 290 in 2014.

Figure 4 - Annual investment value in the CEE region 2003-2014 (in € million)



Source: EVCA/PEREP_Analytics for 2007-2014 data.
Thomson-Reuters/PriceWaterhouseCooper for previous years data.
Disclaimer: Data is continuously updated and therefore subject to change.

In 2014, the four countries of Serbia, Czech Republic, Poland and Hungary accounted for 80% of total investments by value in CEE. Notably, all the major countries across the region recorded an increase in investment activity in 2014, except for Poland, Bulgaria and Ukraine.

Poland, typically the largest private equity market in CEE, recorded a 34% decrease in investments in 2014 to €251m. As a result, its share of total CEE investments decreased to 19% from almost 50% in 2013 and it was the third most invested country in the region. Poland was surpassed by both Serbia and the Czech Republic, which recorded the largest and second largest individual investment transactions in the region in 2014 respectively. Those transactions drove investment levels in the two countries significantly above past years.

Serbia reported the highest level of investment activity in the CEE region in 2014 with €326m, accounting for 25% of the regional investment total. The 2014 result is explained by one notable large buyout transaction which itself accounted for 99% of the investment value in Serbia, and importantly marked the entry into the CEE region of a leading global private equity fund manager.

The Czech Republic maintained its position as the second most active investment market, with 23% of the region's total investments in 2014 of €299m. As in Serbia, one large buyout transaction drove the result in the Czech Republic, accounting for 65% of the country's investment total in the year. With this investment, overall volumes in the country more than double compared to 2013.

Hungary was the fourth largest investment market in CEE in 2014, accounting for 13% of the regional total. Investment values in Hungary increased three-fold from 2013 to €170m, with three buyout transactions representing 65% of the year's investment activity in that country.

Investment activity also increased in 2014 in Romania, Croatia, the three Baltic countries, Slovenia and Slovakia. The most notable year-on-year value growth among this group of countries was in the three Baltic states, where investments grew on a combined basis to €113m compared with €65m the previous year.

It was clear that the growth in buyout investment activity drove the increase in total CEE private equity investment levels in 2014, with buyouts accounting for €935m, an increase of €508m compared to buyout investments in 2013. The ranking of the top five countries by buyout investment activity is the same as for overall investment activity, with Serbia, the Czech Republic, Poland, Hungary and Romania accounting for 97% of all buyout investments.

As in previous years, readers of this report should note that single large investments can influence the stated figures in specific countries in given years, and may not necessarily reflect a permanent shift in investment activity between countries in the region. Private equity fund managers focused on CEE tend to operate on a regional basis and deploy capital into the most attractive transactions in countries as they see fit. This can lead to large swings across the region from year to year.

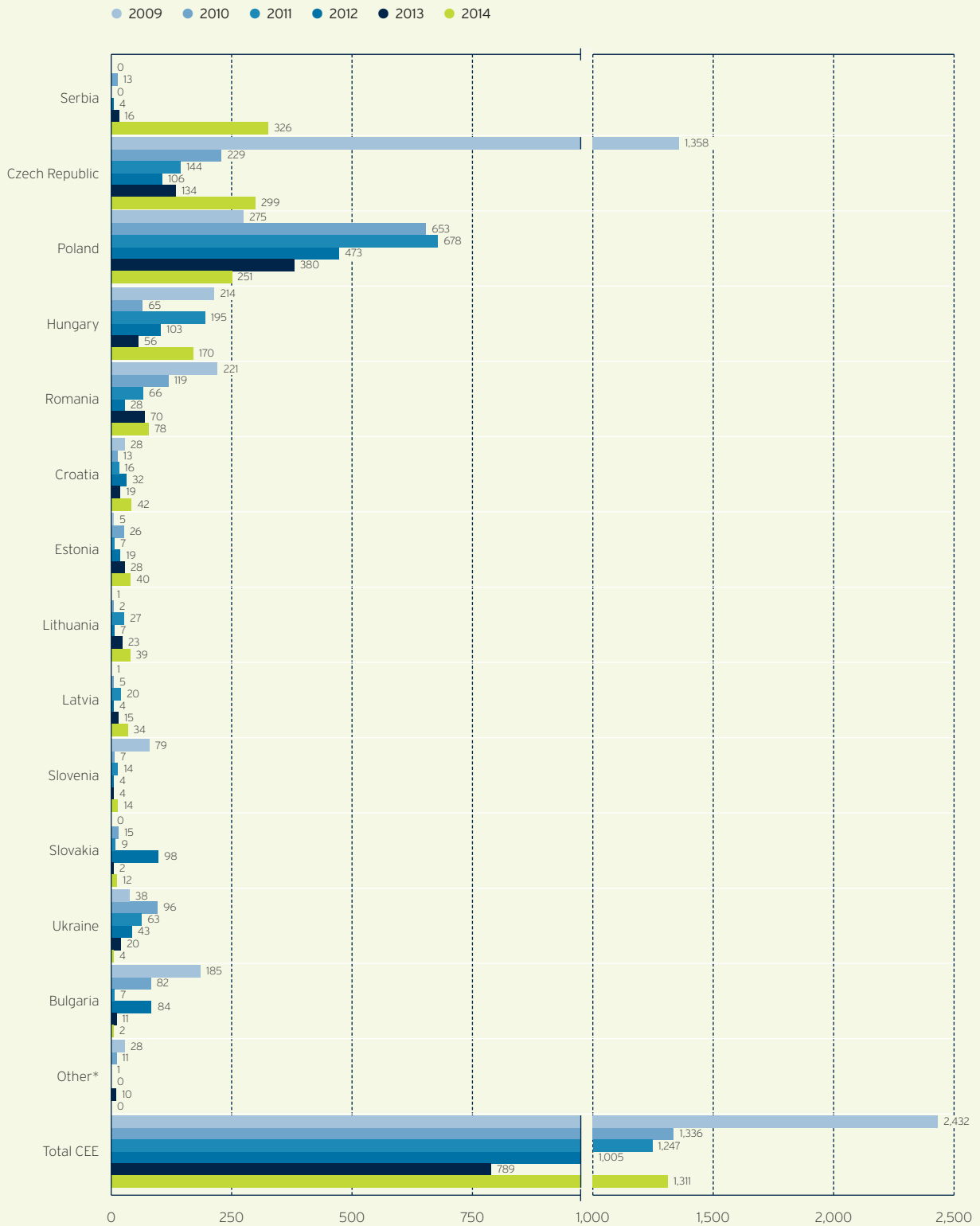
The total number of companies receiving private equity investment in 2014 across the CEE region reached an all-time high of 290 in 2014 - a 20% increase (by 48 companies) on 2013, which was itself a post-global financial crisis peak.

Poland remained the leading country in terms of number of companies invested, with 78 in 2014, although that figure fell from 89 in 2013. The majority of companies invested (54) in 2014 in Poland were those receiving venture capital investment. Most of the year-on-year growth in company numbers across the region came in Hungary, where 73 companies received investment in 2014 - an increase of 32 companies on the previous year. This was driven by a significant increase in the number of Hungarian companies receiving venture capital investment, which represented 66 companies in 2014. The figure parallels the increase in venture capital investment by value, making Hungary the leading country in the region for venture capital both in value and by number of companies in 2014.

The number of companies receiving private equity investment in Lithuania continued its upward trend to reach 46 in 2014, making it the third largest CEE country by number of companies invested. Venture-backed businesses comprised the vast majority of this activity, accounting for 39 companies. Taken together, the top three countries - Poland, Hungary and Lithuania - accounted for 197 companies receiving private equity investment, or 68% of the CEE total in 2014.

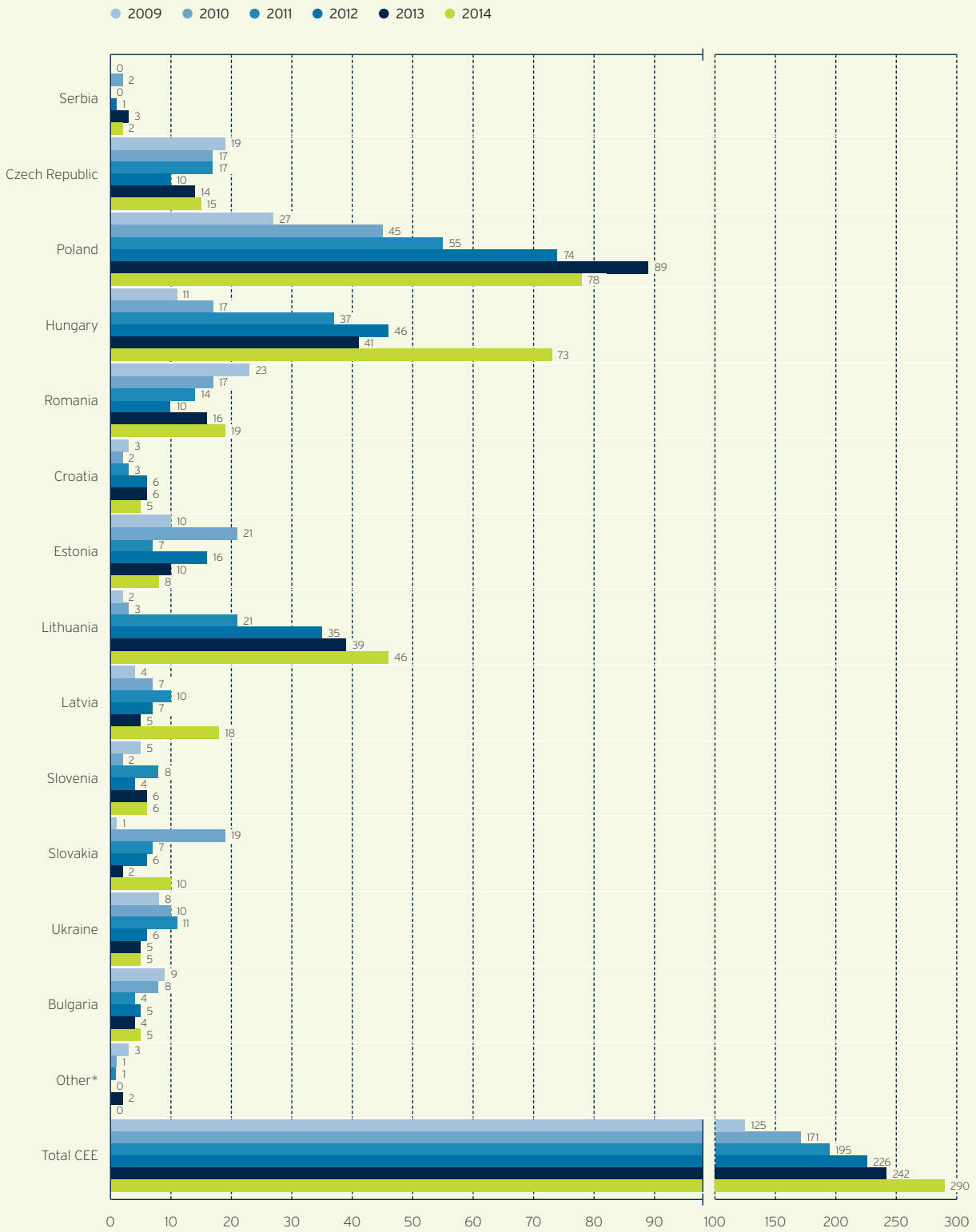
The rise in the overall number of companies receiving private equity investment in 2014 is clearly driven by the increase in venture capital investment activity, reflecting the growing number venture funds active in CEE. The total number of venture-backed companies across the region grew by 36% to 210 in 2014 from 154 in 2013, marking out 2014 as a record year in terms of the number of CEE companies receiving venture capital financing. In contrast, despite the sharp increase in buyout investment value across the region, the number of companies receiving buyout investments dipped to 30 in 2014 from 33 the previous year.

Figure 5 - Annual investments in the CEE region, 2009-2014 (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, 2009-2014 (number of companies)



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

Communications was once again the most targeted sector for CEE private equity investment in 2014. However, the concentration of capital in this area was even greater than previous years, with the €492m invested in the sector accounting for 38% of total CEE investment versus 17% in 2013. The figure was clearly driven by region's largest single deal of the year.

Computer and consumer electronics was the second most invested sector by amount of capital invested, accounting for €246m of investment, or 19% of the CEE total in 2014. As with communications, the figure was heavily influenced by one large investment - the second largest investment in the region in 2014. As a result of the large deals, the communications and computer and consumer electronics sectors registered high year-on-year growth of 269% and 846% respectively, and together accounted for over 56% of total CEE investment value in 2014. This reflects a much higher sectoral concentration than in 2013, when the four most invested sectors attracted 54% of total investment value, again showing the influence of specific large investments on the overall investment picture in CEE.

Energy and environment and consumer services ranked third and fourth in 2014, with investment of €119m and €113m respectively. They both also grew significantly in terms of capital invested versus the previous year, and each accounted for about 9% of the 2014 total.

Life science investments increased by 168% to €86m, meaning the sector received 7% of total investment in 2014.

In contrast to the rising trend in most sectors, the CEE consumer goods and retail sector saw a further decrease in investment again in 2014. With €81m, it accounted for just 6% of total CEE investment, compared with 14% in 2013 and 20% in 2012. This sector has experienced a decline in amounts invested since its peak at €864m in 2009. Meanwhile, private equity investment in real estate returned to the low levels typically seen in CEE. Just €1m was invested in real estate in 2014 versus almost €100m - in a single transaction - in 2013, which accounted for 13% of total investments in that year.

Table 3 - Annual investments in CEE by sector, 2013-2014 (in € x 1,000)

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	%	AMOUNT	%
SECTOR FOCUS				
Agriculture	20,345	2.6	56,269	4.3
Business and industrial products	24,450	3.1	55,177	4.2
Business and industrial services	71,398	9.1	25,874	2.0
Chemicals and materials	12,564	1.6	973	0.1
Communications	133,487	16.9	492,213	37.5
Computer and consumer electronics	26,008	3.3	245,957	18.8
Construction	48,299	6.1	687	0.1
Consumer goods and retail	112,901	14.3	80,874	6.2
Consumer services	28,990	3.7	112,746	8.6
Energy and environment	76,627	9.7	119,062	9.1
Financial services	23,657	3.0	16,551	1.3
Life sciences	31,999	4.1	85,758	6.5
Real estate	99,413	12.6	1,158	0.1
Transportation	77,333	9.8	17,616	1.3
Unknown	1,230	0.2	0	0.0
TOTAL INVESTMENT IN YEAR	788,702	100.0	1,310,914	100.0

Source: EVCA/PEREP_Analytics

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

CEE sectoral investments by number of companies painted a slightly different picture to investment in capital terms. Communications still ranked highly with 48 company investments in 2014, but was eclipsed by the computer and consumer electronics sector with 57 companies. These two sectors accounted for 36% of total companies invested versus 56% of capital invested, highlighting the impact of the two large transactions that took place in these two sectors. This difference is also influenced by the fact that these were the two most targeted sectors for venture capital investors in 2014, and together accounted for 40% of all venture-backed companies in CEE that year.

Consumer goods and retail as well as life sciences also featured prominently in the investment numbers, accounting for 33 and 30 companies, respectively, in 2014.

Despite the declining trend for investment values in the consumer goods and retail sector, 2014 saw the highest number of companies operating in this area obtain private equity investment since data records began in 2007. Likewise, the number of life sciences companies invested also reached a peak level for this eight-year period. It is of no surprise that these two sectors were also targeted by venture capitalists and accounted for a further combined 22% of venture-backed companies in 2014.

Taken together, the top four industry sectors in terms of number of companies represented 58% of CEE companies receiving investment in 2014 - a similar pattern to 2013. Only two sectors saw a decrease in the number of companies receiving private equity investment in 2014 in CEE. Construction sector investments declined from eight companies to just one and transportation investments fell from seven companies to just two.

Table 4 - Annual investments in CEE by sector, 2013-2014 (in number of companies)

AMOUNTS IN € THOUSANDS	2013		2014	
	NUMBER OF COMPANIES	%	NUMBER OF COMPANIES	%
SECTOR FOCUS				
Agriculture	6	2.5	6	2.1
Business and industrial products	13	5.4	25	8.6
Business and industrial services	14	5.8	24	8.3
Chemicals and materials	3	1.2	7	2.4
Communications	48	19.8	48	16.6
Computer and consumer electronics	45	18.6	57	19.7
Construction	8	3.3	1	0.3
Consumer goods and retail	28	11.6	33	11.4
Consumer services	20	8.3	25	8.6
Energy and environment	12	5.0	18	6.2
Financial services	10	4.1	13	4.5
Life sciences	22	9.1	30	10.3
Real estate	1	0.4	1	0.3
Transportation	7	2.9	2	0.7
Unknown	5	2.1	0	0.0
TOTAL INVESTMENT IN YEAR	242	100.0	290	100.0

Source: EVCA/PEREP_Analytics

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

CEE private equity investment as a percentage of the region's GDP increased significantly to 0.104% in 2014 from 0.062% in 2013. This marks a return to more typical levels for the CEE region, last seen in 2010-2011, and a recovery from the unusually low result in 2013. However, investment in CEE continues to lag Europe as a whole where the average was 0.277% in 2014, itself showing an increase on 2013. In other words, CEE private equity investment as a percentage of GDP was less than 40% of the European level in 2014 - indicating continued under-investment in the region.

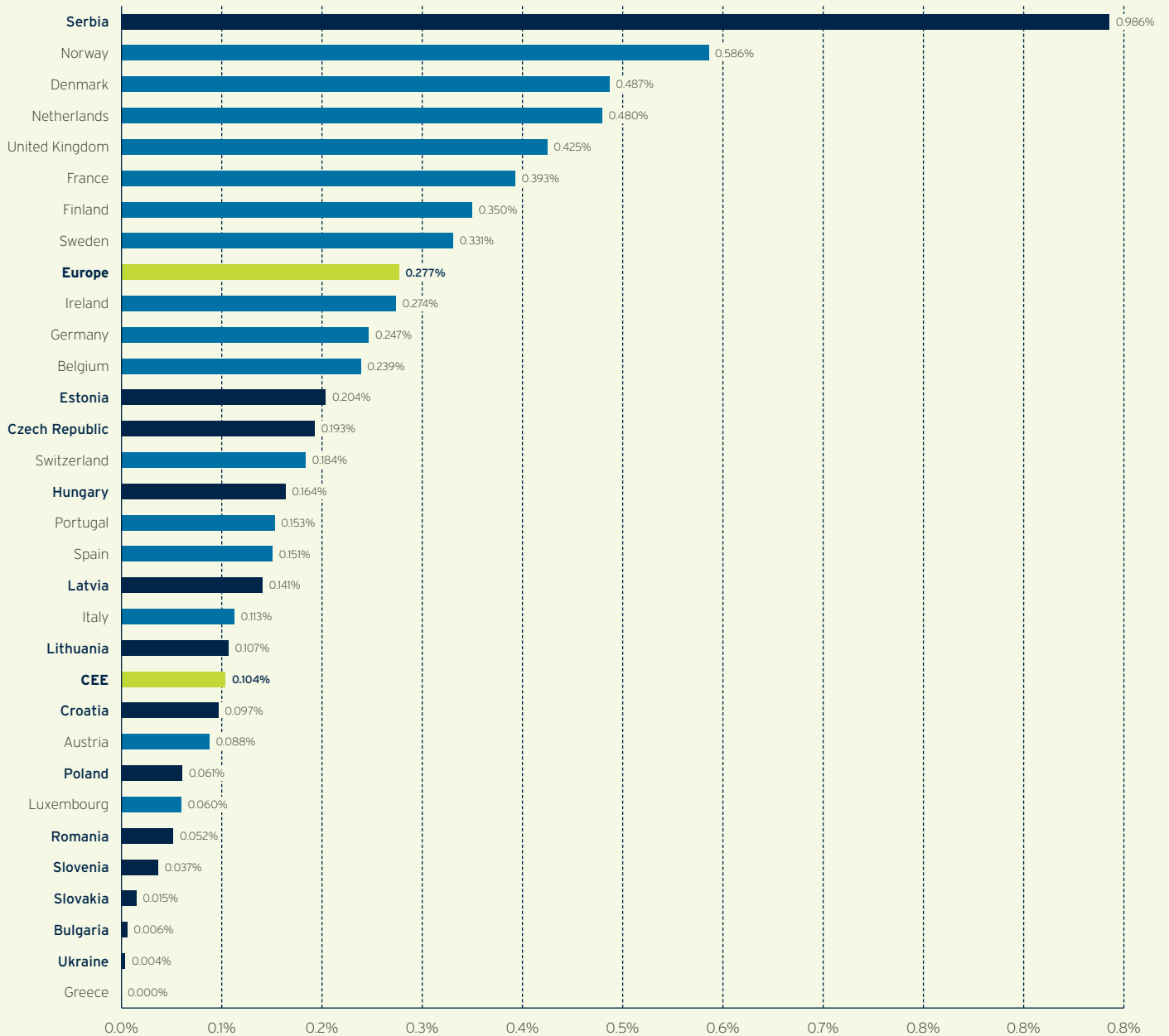
Notably, Serbia ranked first on this metric among all the countries of Europe, with its total private equity investment almost reaching 1% of the country's GDP. It far outstripped Norway, in second place with investment equating to almost 0.6% of GDP, and Denmark in third at just under 0.5%. In addition to Serbia, five other CEE countries showed results above the CEE regional average, including larger central European economies like the Czech Republic and Hungary, as well as the smaller Baltic states - Estonia, Latvia and Lithuania. However, these five countries remained below the European average.

Table 5 - Private equity investment by amount (in € x 1,000) and as a percentage of GDP in CEE, 2013-2014

	TOTAL INVESTMENT		INVESTMENT AS % OF GDP	
	2013	2014	2013	2014
Bosnia-Herzegovina	0	0	0.000%	0.000%
Bulgaria	11,098	2,333	0.027%	0.006%
Croatia	19,195	41,936	0.044%	0.097%
Czech Republic	134,439	299,454	0.085%	0.193%
Estonia	27,554	39,902	0.147%	0.204%
Hungary	56,265	169,933	0.056%	0.164%
Latvia	15,300	33,977	0.066%	0.141%
Lithuania	22,530	38,845	0.064%	0.107%
Macedonia	7,675	0	0.094%	0.000%
Moldova	2,099	0	0.035%	0.000%
Montenegro	0	0	0.000%	0.000%
Poland	380,033	250,920	0.096%	0.061%
Romania	70,349	77,971	0.049%	0.052%
Serbia	16,076	326,100	0.047%	0.986%
Slovakia	2,050	11,500	0.003%	0.015%
Slovenia	4,355	13,734	0.012%	0.037%
Ukraine	19,684	4,310	0.015%	0.004%
TOTAL CEE	788,702	1,310,914	0.062%	0.104%
TOTAL EUROPE	36,321,664	41,507,319	0.249%	0.277%

Source: Source: PEREP_Analytics for 2013 & 2014 data, IMF - World Economic Outlook Database.
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, 2014



Source: Source: PEREP_Analytics for 2013 & 2014 data, IMF - World Economic Outlook Database.
 Disclaimer: Data is continuously updated and therefore subject to change.
 By country of destination of investment.

5. Market segments

In value terms, the CEE private equity market remained dominated by buyouts in 2014. The proportion of total CEE private equity activity accounted for by buyout investments increased sharply to 71% from 54% in 2013, on the back of a significant 120% increase in the value of such investments year on year. The increase moved the CEE region into line with Europe as a whole in 2014, where buyouts accounted for 75% of total private equity investments by value.

Consistent with previous years and the growth orientation of the CEE economies, growth investments remained the second most important type of investment activity in the CEE region in 2014, with a significant 18% of the total amount invested.

Despite the slight drop in the value of growth investments compared to 2013 (when they comprised 33% of the CEE total with just a 10% higher euro amount), such investments remain relatively more prominent in CEE than in Europe as a whole, where growth investments reached 13% of the total in 2014.

Venture investments as a proportion of all private equity activity in CEE remained robust at 7.5% in 2014, close to the all-Europe venture share of 8.7%. The total value of investments in the venture segment in CEE rose sharply by 38% versus 2013. This reflects the continued investment activity of the growing venture sector that has emerged in the CEE region over the past few years.

Table 6 - Type of investment in CEE and Europe, 2014 (no bank leverage included) (in € x 1,000)

AMOUNTS IN € THOUSANDS	TOTAL CEE	% OF TOTAL	TOTAL EUROPE	% OF TOTAL
STAGE FOCUS				
Seed	8,314	0.6	97,995	0.2
Start-up	47,762	3.6	1,890,926	4.6
Later-stage venture	41,863	3.2	1,624,427	3.9
TOTAL VENTURE	97,939	7.5	3,613,348	8.7
Growth	232,385	17.7	5,570,378	13.4
Rescue/Turnaround	23,696	1.8	209,265	0.5
Replacement capital	22,107	1.7	849,606	2.0
Buyout	934,787	71.3	31,264,722	75.3
TOTAL 2014	1,310,914	100.0	41,507,319	100.0
TOTAL 2013	788,702		36,321,664	

Source: EVCA/PEREP_Analytics

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

Buyout investments in CEE increased by 120% in value in 2014 to €935m from €427m in 2013. While the investment amount increased significantly, the number of companies involved in buyout transactions declined slightly to 30 from 33. This means that the average equity investment per company increased significantly to €31m from €13m. However, such averages can be misleading as the two largest buyout transactions alone accounted for well over an aggregate €500m and averaged nearly €260m a piece. Excluding these two deals, the average for the remaining 28 buyout investments in 2014 was €15m, similar to the prior year's average.

Growth investments in 2014 decreased 10% by amount invested to €232m compared to €259m the previous year. By number of companies backed, the number fell 8% in 2014 as 45 companies received growth financing compared to 49 companies in 2013. The result was a stable size of the average growth investment per company at €5.2m versus €5.3m in 2013.

CEE venture investment increased significantly in 2014, both in value and by number of companies financed. The value of investment rose by 38% to €98m, with all venture sub-segments from seed through to later-stage capital investments increasing in 2014. At the same time, the number of companies receiving venture financing grew strongly, setting yet another record of 210 companies financed across the region, surpassing the previous record of 154 companies in 2013. The number of companies backed also rose in all three venture sub-segments. However, the most notable rise in 2014 was among companies receiving start-up funding, with 106 companies financed – 31 more than in 2013.

The structure of the CEE private equity market was much more oriented towards venture than in all of Europe when looking at number of companies financed in 2014. Some 72% of the total number of companies invested received venture financing in CEE versus 58% across Europe. The CEE growth segment accounted for 15% of the total number of companies receiving private equity investment, compared to 23% in Europe overall. Finally, CEE buyouts accounted for 10% of all financed companies, compared to 17% in Europe as a whole.

As highlighted earlier in this report, the strong increase in buyout activity in 2014 was driven by two large investments in Serbia and the Czech Republic, as well as by a small number of sizeable buyout transactions in Hungary. Poland was still the third largest buyout market in CEE, reflecting its position as the biggest economy in the region, despite a 22% fall in buyout investment amount in 2014 versus 2013. Together, these four countries accounted for 92% of the region's buyout investments in 2014.

Poland remained the largest CEE market for growth investments and alone accounted for 28% of growth capital investment in the entire region in 2014, though investments in value terms fell sharply by 57% to €65m. However, growth investments grew notably in other CEE countries in 2014, with the Czech Republic, Latvia, Lithuania, Croatia and Romania, taking a significantly larger slice of the segment overall.

Hungary and Poland led the region for venture investment, accounting for a combined 55% of total CEE venture investment amount in 2014. Hungary's venture investment value grew most strongly with a 92% year-on-year increase from € 17m to €32m in 2014. Venture investment in Poland grew by 41% from €16m to €22m and helped contribute to the marked rise in the region as a whole.

Table 7 - Type of investment in CEE, 2013-2014 (in € x 1,000)

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
STAGE FOCUS				
Seed	4,154	37	8,314	45
Start-up	32,475	75	47,762	106
Later-stage venture	34,499	43	41,863	62
TOTAL VENTURE	71,128	154	97,939	210
Growth	259,305	49	232,385	45
Rescue/Turnaround	6,703	1	23,696	4
Replacement capital	24,669	6	22,107	2
Buyout	426,897	33	934,787	30
TOTAL	788,702	242	1,310,914	290

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

Our partner: **Gide Loyrette Nouel**

Table 8 - Type of investment by CEE country, 2013-2014 (no bank leverage included) (in € x 1,000)

		2014													
		CZECH REP.	CROATIA	BULGARIA	ESTONIA	HUNGARY	LATVIA	LITHUANIA	POLAND	ROMANIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	OTHER*
AMOUNTS IN € THOUSANDS															
STAGE FOCUS															
Seed		0	0	1,178	400	1,496	0	1,570	1,820	0	0	800	1,050	0	0
Start-up		0	0	758	763	22,174	1,760	4,952	9,722	1,825	0	900	1,250	724	0
Later-stage venture		0	0	397	3,239	8,477	1,547	3,224	10,472	3,478	0	3,000	200	1,396	0
TOTAL VENTURE		0	0	2,333	4,402	32,146	3,307	9,746	22,014	5,303	0	4,700	2,500	2,121	0
Growth		0	19,000	0	15,500	27,412	25,700	24,561	65,410	22,426	0	800	0	2,190	0
Rescue/Turnaround		0	22,636	0	0	0	0	0	0	1,060	0	0	0	0	0
Replacement capital		0	0	0	20,000	0	0	0	2,107	0	0	0	0	0	0
Buyout		0	261,001	0	0	110,375	4,970	4,537	161,388	49,182	326,100	6,000	11,234	0	0
TOTAL		2,333	41,936	2,333	39,902	169,933	33,977	38,845	250,920	77,971	326,100	11,500	13,754	4,310	0
		2013													
		CZECH REP.	CROATIA	BULGARIA	ESTONIA	HUNGARY	LATVIA	LITHUANIA	POLAND	ROMANIA	SERBIA	SLOVAKIA	SLOVENIA	UKRAINE	OTHER*
AMOUNTS IN € THOUSANDS															
STAGE FOCUS															
Seed		0	0	0	0	0	0	1,329	1,559	0	0	0	0	750	0
Start-up		4,718	6,220	0	2,954	8,421	600	2,468	4,946	0	0	0	707	0	0
Later-stage venture		380	300	0	3,225	8,290	500	5,500	9,127	2,984	0	0	3,268	0	0
TOTAL VENTURE		5,098	6,520	0	6,179	16,710	1,100	9,297	15,632	2,984	0	0	3,976	750	0
Growth		6,000	5,972	4,440	20,875	36,194	2,200	7,157	150,412	10,075	0	2,050	379	11,451	2,089
Rescue/Turnaround		0	6,703	0	0	0	0	0	0	0	0	0	0	0	0
Replacement capital		0	0	0	7,000	0	0	0	8,214	9,455	0	0	0	0	0
Buyout		0	0	0	120,118	3,360	12,000	6,076	205,775	47,835	16,076	0	0	7,482	7,675
TOTAL		11,098	19,195	134,439	27,554	56,265	15,300	22,530	380,033	70,349	16,076	2,050	4,355	19,684	9,774

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

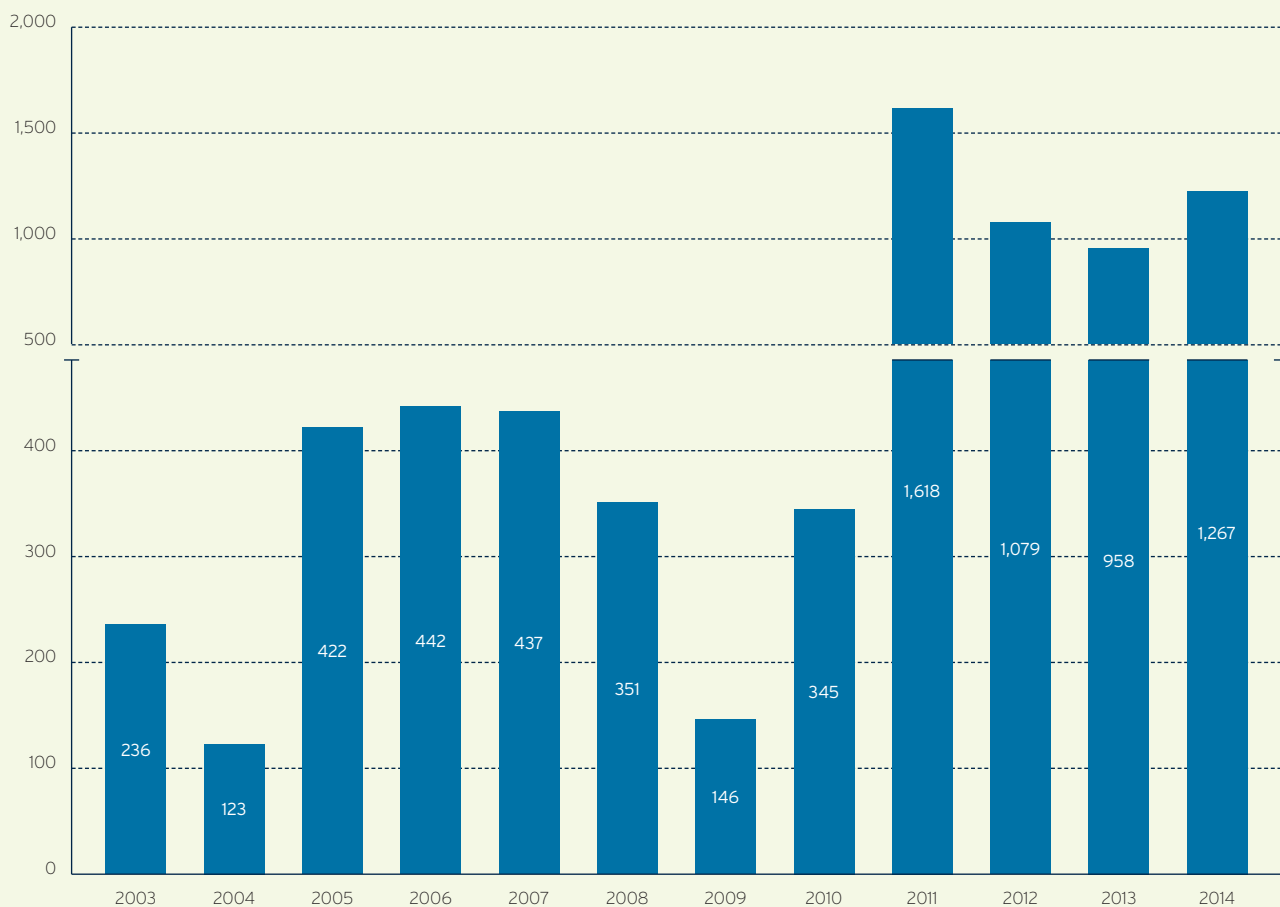
6. Exits

Private equity exit activity across the CEE region reached its second highest level ever in 2014, having grown strongly to reach €1.3bn measured at historical investment cost. This increase reflected CEE fund managers' continuing ability to take advantage of the liquidity in global markets and the continuing high interest from both strategic and financial buyers for CEE assets. Since 2011, exit activity in the CEE region has been remarkably robust, significantly exceeding the trend of the previous decade and reversing the dip seen in 2009.

Divestments, which are always shown in this report in terms of initial investment cost, increased in the CEE region by 32% in 2014 compared to the revised figure for 2013 (see page 2). This was much faster than Europe as whole, where divestments increased by a significant 10%. As a result, the CEE share of European exit value was 3.3% in 2014 compared with 2.8% in 2013.

CEE exit activity in 2014 was influenced by a handful of large disposals making up a significant majority of the total divestment value. The figures include a number of larger deals in Poland, Serbia, Slovenia, Hungary, the Czech Republic and Bulgaria.

Figure 8 - Annual divestment value in the CEE region 2003-2014 (exit value at investment cost) (in € million)



Source: EVCA/PEREP_Analytics for 2007-2014 data.
EVCA/Thomson Reuters/PricewaterhouseCoopers for previous years' data.
Disclaimer: Data is continuously updated and therefore subject to change.

Poland was the largest market for exits in the region in 2014, accounting for €530m of divestments at cost or 42% of the CEE divestment total. That made 2014 a record year for Poland with an 86% increase on 2013 levels. The 2014 result in Poland was influenced by two exit transactions that accounted for just under 60% of the country's divestment total.

The Czech Republic, consistently a leader in exits in the region over the past few years, was the second most active exit market within CEE in 2014. It registered €235m of divestments at cost, representing 19% of the CEE total, but 39% below a revised 2013 result. The country's divestment figure in 2014 notably included one large transaction that accounted for over 90% of the country total, whereas in 2013 a major deal accounted for 56% of the exit value that year.

Hungary recorded a more than seven-fold increase in exit value at cost in 2014 to €163m, with the country accounting for 13% of the regional exit total. The result was also driven by one large transaction which made up almost three-quarters of total exit activity in the country in 2014.

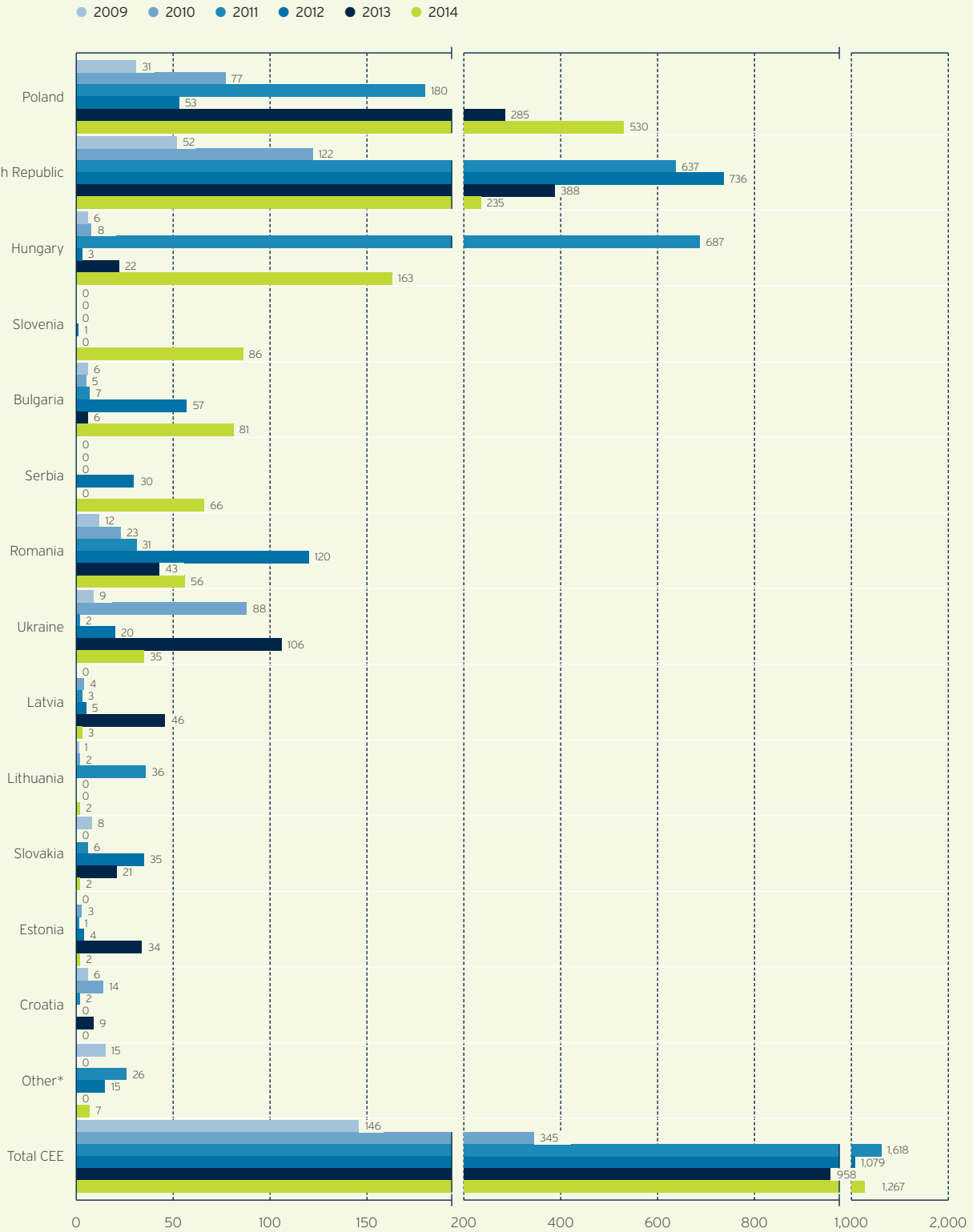
Slovenia and Serbia, taken together, achieved a notable €151m of divestment value at cost in 2014. The two countries' results should be viewed on a combined basis as the figures are largely driven by one transaction that involved related entities of the same group. The exit value in Bulgaria registered a fourteen-fold increase on 2013 and jumped to €81m of divestments at cost in 2014. Bulgaria accounted for 6% of the regional total and was also driven by one large divestment.

The Baltic states of Estonia, Latvia and Lithuania recorded low levels of disposal activity in 2014 compared to a very robust performance in 2013. This was accompanied by a lower number of companies exited at eight versus 14 in 2013.

A total of 74 CEE private equity-backed companies were divested in 2014, an 18% drop when compared to the 90 companies exited in 2013.

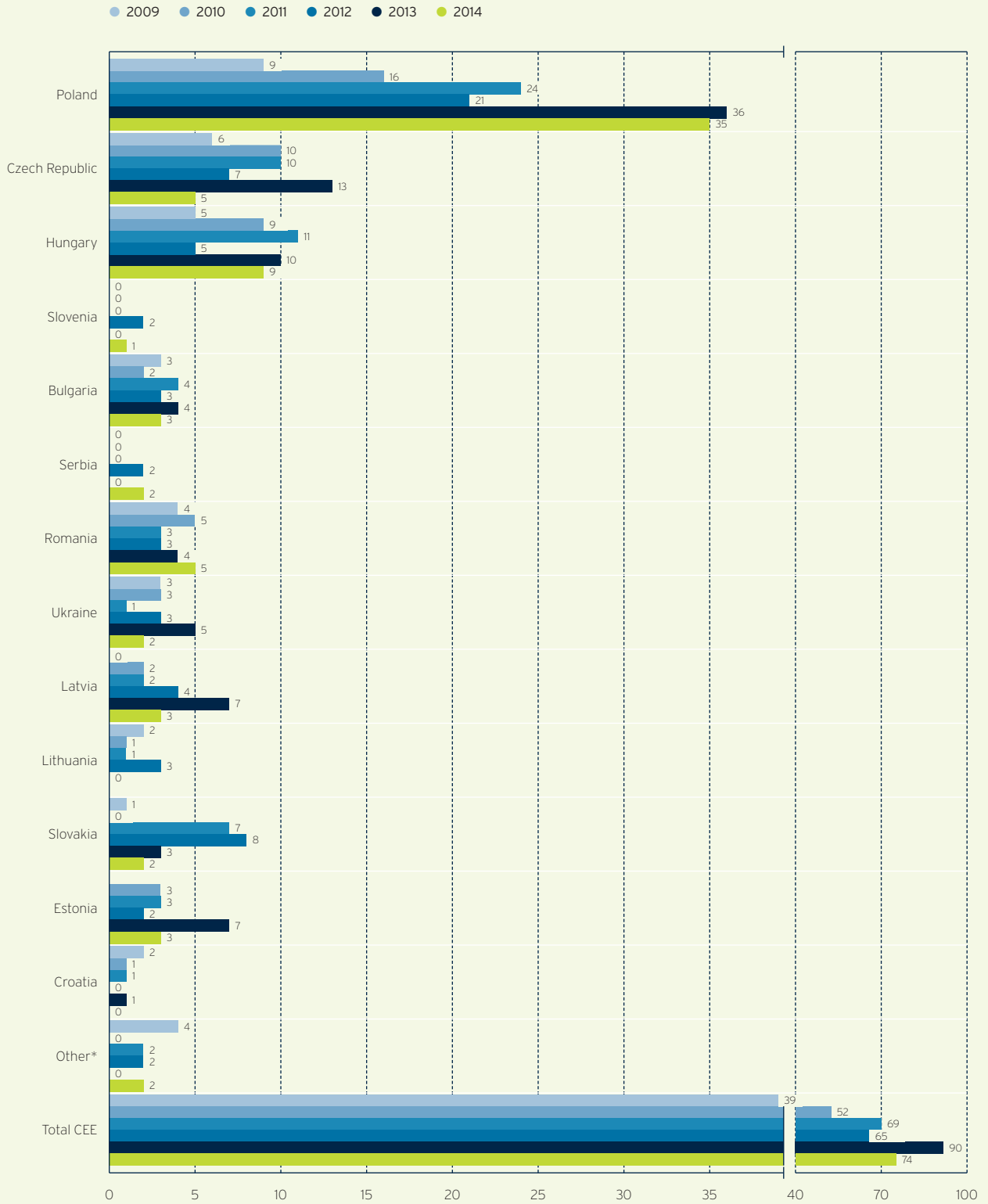
Poland, the largest country by value of exits, was also the largest exit market by number of companies divested. With 35 companies, Poland accounted for 47% of the all the companies divested in 2014, similar to 2013 when 36 Polish companies accounting for 40% of all exits were divested. Notably, the majority of the Polish companies exited were in the buyout and growth segments, totalling 27 and 28 in 2014 and 2013 respectively. Hungary and the combined Baltic States were the next largest CEE exit markets by number of companies in 2014, with nine and eight companies respectively.

Figure 9 - Divestment by CEE country (exit value at investment cost), 2009-2014 (in € million)



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

Figure 10 - Divestment by CEE country, 2009-2014 (number of companies)



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

The structure of CEE exits in 2014 was similar to Europe overall in that trade sales were the leading exit route and when taken together with sales to another private equity house, these two categories comprised over 50% of exit value at investment cost. However, the results in a number of exit categories for CEE in 2014 were rather atypical as explained further below.

Trade sales remained the most important exit route in CEE in 2014, accounting for 29% of value at cost, just ahead of Europe as a whole, where trade sales accounted for 27% of total exit value. Trade sales have been a consistent leader in CEE exits, being the number one exit route in six of the past eight years.

Sales to a financial institution again accounted for an atypically high percentage of CEE exits. They made up 27% of total regional divestment value at cost in 2014, in contrast to just 5% in Europe as a whole. This exit channel is often influenced by the presence of a very large disposal. In 2014, one very large exit accounted for 62% of the reported total in this category, similar to 2013 when a large transaction accounted for 76% of the divestment amount.

Also very atypically, sales to another private equity house (the so-called "secondary sale") had a strong showing in CEE in 2014. This exit route accounted for 21% of all CEE exit value at cost, similar to the overall European level of 24%. While Europe has consistently witnessed this exit route as among the most important for many years now, it has not been prevalent in the CEE region. The 2014 result in CEE is strikingly large due to the fact that two of the largest exits in 2014 fell into this category.

Divestment by write-off accounted for very similar percentages of total divestments in CEE and Europe in 2014 - 8% and 7% respectively. Similar to 2013, the write-off value at cost in 2014 in the CEE region was driven by a single large transaction and contrasts to most historical years when write-offs were comparatively much lower as a percentage of total exit value than in Europe.

CEE public market exits accounted for only 5% of total divestment values in 2014 versus a more prominent 19% for all Europe. The exit figures via this route were more subdued than expected despite the increased use of public market exits by a number of CEE fund managers.

Table 9 - Exits in CEE vs. total Europe, 2014 (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	367,598	29.0	10,020,383	26.5
Divestment by public offering	67,852	5.4	7,135,294	18.9
<i>Divestment on flotation (IPO)</i>	48,422	3.8	3,324,670	8.8
<i>Sale of quoted equity</i>	19,430	1.5	3,810,624	10.1
Divestment by write-off	104,746	8.3	2,704,079	7.1
Repayment of silent partnerships	0	0.0	131,118	0.3
Repayment of principal loans	25,441	2.0	3,004,285	7.9
Sale to another private equity house	271,746	21.4	9,157,442	24.2
Sale to financial institution	337,685	26.7	1,927,973	5.1
Sale to management (MBO)	61,010	4.8	1,255,306	3.3
Divestment by other means	30,964	2.4	2,510,029	6.6
TOTAL 2014	1,267,043	100.0	37,845,909	100.0
TOTAL 2013	958,430		34,392,893	

Source: EVCA/PEREP_Analytics

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

Despite a 32% increase in overall divestment value at cost in 2014, the number of companies exited decreased by almost 18% to 74. The swing reflects an increase in the average company divestment size to €17m in 2014 from €11m at cost in 2013, with a number of larger disposals boosting the figures as noted herein.

Trade sales remained the number one CEE exit route in 2014, both in terms of value and number of companies. However, the result in value fell by 18% to €368m in 2014 from €450m in 2013 (both figures at historical cost), and the number of companies fell by 4 to 24. Trade sales represented 29% of total exit value at cost and 32% of total companies exited across CEE in 2014.

Sale to financial institution was the second most accessed exit route by value in 2014, growing by 18% compared to 2013. But the route accounted for a much smaller proportion of companies divested, with only five CEE companies exited via this route compared with 17 in 2013.

Sale to another private equity house also made a significant impact on divestment value and was the third most used exit route in CEE in terms of value, growing to €272m divested at cost in 2014 from €36m in 2013.

However, the 2014 figure was driven by the sale of some larger assets, with three companies accounting for nearly the entire result. This explains why the number of companies exited in this way is flat at only four companies in 2014 despite the significant value growth.

Divestments by public offering accounted for €68m at cost in 2014, more than double the 2013 result of €31m at cost, reflecting public markets' increasing importance as an exit route but still at a relatively low level. Notably, five private equity-backed companies in CEE floated in 2014 compared to no IPOs in 2013, indicating an increasing focus of some CEE fund managers on this exit channel. This also sets the stage for more potential secondary public market divestitures in the future.

Write-offs were an unusually large component of exit value in CEE in both 2014 and 2013, amounting to about 8% of total exit value in each of those years. In both instances a single large write-off drove the value result. In 2014, it was a transaction in Poland, while in 2013 it was in Ukraine. It is important to note that only three companies were written off across the entire CEE region in 2014 compared with 10 in 2013.

Table 10 - Exits in CEE, 2013-2014 (exit value at investment cost) (in € x 1,000)

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
EXIT ROUTE				
Divestment by trade sale	449,921	28	367,598	24
Divestment by public offering	30,679	9	67,852	11
<i>Divestment on flotation (IPO)</i>	0	0	48,422	5
<i>Sale of quoted equity</i>	30,679	9	19,430	6
Divestment by write-off	80,879	10	104,746	3
Repayment of silent partnerships	0	0	0	0
Repayment of principal loans	1,411	5	25,441	8
Sale to another private equity house	36,356	4	271,746	4
Sale to financial institution	285,419	17	337,685	5
Sale to management (MBO)	63,977	19	61,010	16
Divestment by other means	9,789	2	30,964	4
TOTAL	958,430	90	1,267,043	74

Source: EVCA/PEREP_Analytics

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

Communications was the largest sector in terms of exit value at cost in 2014 in the CEE region. It accounted for 46% of the total, or €588m of divestment at cost, up 143% year on year. This increase occurred despite the lower number of nine communications sector companies exited in 2014 versus 14 companies in 2013, showing the influence of large exit transactions in the 2014 figures. The average communications company exit value was €65m in 2014 compared with €17m in 2013. Nearly all the exit activity in this sector in 2014 took place in the Czech Republic, Poland, Slovenia and Serbia.

Life sciences was the second largest sector by value with €232m of divestments at cost, comprising 18% of total CEE exit value in 2014 and showing an increase of 66% versus the previous year. This sector was also influenced by a large transaction that accounted for nearly half of the sectoral result. Nearly all the exit activity in the life sciences sector in 2014 took place in Hungary, Bulgaria and Ukraine.

Consumer goods and retail was the third largest exited sector with €144m of divestment value at cost. The value grew at 34% year on year despite a halving of the number of companies exited from 16 to eight. Some 80% of the exit value result of this sector in 2014 was in Poland, the largest consumer market in the region.

In contrast, the largest CEE sector by exit value at cost in 2013, financial services, declined sharply in 2014. Divestment value at cost fell by 75% to €70m from €278m the prior year, while the number of companies remained relatively stable at just five. As a result, the average exit value at cost per company in this sector dropped to €14m from €46m. It should be noted that in 2013, the result was driven by two company exits that together accounted for 78% of the divestment value reported in this sector.

Overall, by number of companies divested, business and industrial products was the largest sector in 2014 with 14 companies exited. It was followed by computer and consumer electronics with 10 companies, communications and life sciences each with nine, and consumer goods and retail with eight. These five sectors made up 68% of the number of companies exited in CEE in 2014.

Table 11 - CEE divestments by sector, 2013-2014 (exit value at investment cost) (in € x 1,000)

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
SECTOR FOCUS				
Agriculture	2,029	2	0	0
Business and industrial products	72,647	12	113,756	14
Business and industrial services	6,808	3	27,191	4
Chemicals and materials	42,577	4	7,740	5
Communications	242,155	14	587,800	9
Computer and consumer electronics	37,686	12	23,789	10
Construction	3,704	3	1,400	1
Consumer goods and retail	107,365	16	143,566	8
Consumer services	12,999	7	3,922	2
Energy and environment	2,321	2	15,026	5
Financial services	278,329	6	69,708	5
Life sciences	139,541	7	232,215	9
Real estate	0	0	0	0
Transportation	10,270	2	40,929	2
Unknown	0	0	0	0
TOTAL DIVESTMENT IN YEAR	958,430	90	1,267,043	74

Source: EVCA/PEREP_Analytics

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

7. The CEE venture capital market

CEE venture capital investments grew significantly in 2014 on most metrics. The CEE share of European venture investment value was 2.7% in 2014 compared with 2.1% in 2013. Meanwhile, the region accounted for 6.5% of total European companies receiving venture capital financing in 2014 versus 5% the previous year. Across the CEE region only, the venture capital sector accounted for 7% of total private equity investments by value and 72% by number of companies.

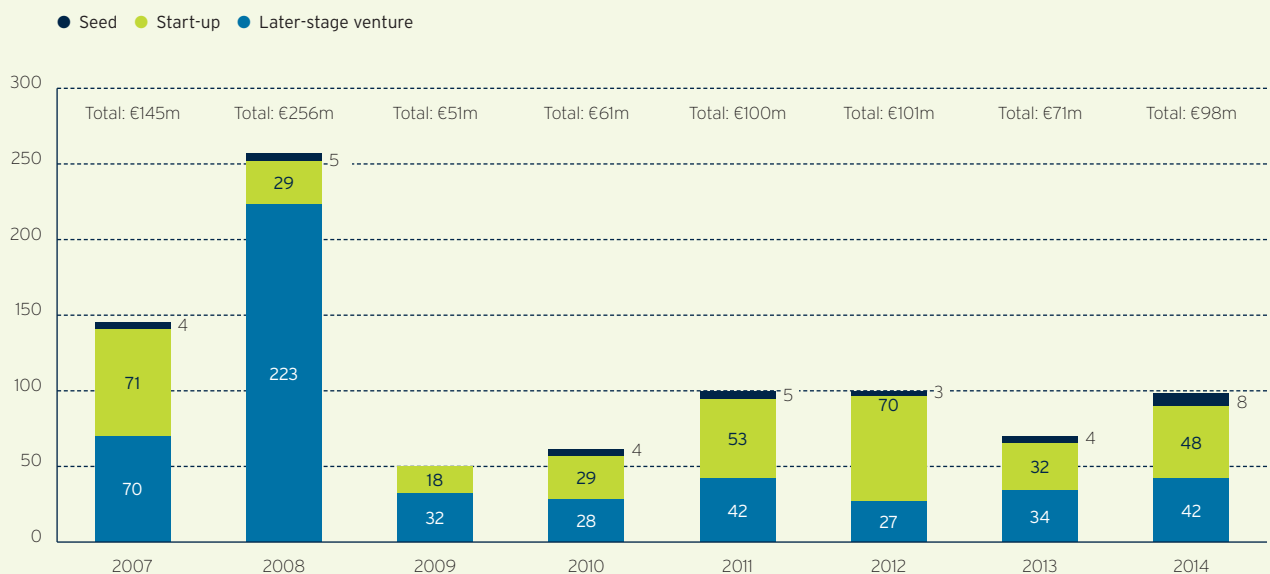
The aggregate value of venture investments in CEE increased by 38% year on year to €98m in 2014, putting the segment back on par with the value results achieved in 2011 and 2012. Meanwhile, the number of CEE companies that received venture investment in 2014 hit an all-time high of 210, far above the 2013 record of 154, and more than double the average of the prior seven years. The average venture capital investment per company in CEE was €0.47m in 2014, on par with the 2013 average of €0.46m. For comparison, the average venture capital investment per company across the whole of Europe remained stable in 2014 at €1.1m. The CEE results reflect the development of an emerging venture capital sector across the region that has been supported by various public and private capital sources over the past few years.

The growth in CEE venture capital investments in 2014 - both in terms of value and company numbers - was achieved with increases in all three venture stages: seed, start-up and later-stage investments. Start-up investment was the largest of the three sub-segments, accounting for €48m and 106 companies in 2014. Start-up investments grew by 47% in value versus 2013 to represent just under half of total CEE venture capital investments in 2014. Similarly, the number of start-up companies backed grew by 41% in 2014 to be just over half of all the total venture capital-financed businesses across CEE.

Later-stage venture capital investments totaled €42m in 2014, a 21% increase on 2013, while the number of later-stage companies financed increased by 44% to 62. The later-stage sub-segment represented 43% of CEE venture capital investments in value and 30% by companies invested.

Seed investments, although the smallest part of the CEE venture capital market at just €8m in 2014, nonetheless doubled in value versus 2013 and achieved the highest result of the last eight years of recorded data. This vital form of investment supported 45 companies, an increase of eight from 2013.

Figure 11- CEE venture capital investments by stage, 2007-2014 (amount in € million)



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

Early-stage funding (seed and start-up combined) again comprised the majority of CEE venture capital financing in 2014 with 57% of the year's total investment value. The structure of the venture capital investment market in the CEE region is similar to Europe overall, where early-stage investments comprised 55% of the total European venture market in 2014. By number of companies, CEE also followed the European trend with 72% of all venture-backed companies financed by early-stage venture investments compared to 75% across Europe.

When looking deeper at particular sub-segments of the venture capital market, CEE was also similar to Europe as a whole, with start-up financing being the most prominent. In CEE it accounted for 49% of total venture capital investment value in 2014 and 50% of venture companies financed, compared to 52% of investment value and 60% of companies in all of European venture.

Hungary remained the leading CEE destination for venture capital investments in 2014 with €32m accounting for 33% of the region's total venture investment value. Poland again followed with 23% of the total, or €22m. Both of these markets grew substantially in 2014 - by 92% in the case of Hungary and by 41% in Poland. Together they accounted for over half of venture capital investment by value across the CEE region in 2014.

Lithuania and the Czech Republic were the next largest CEE venture capital markets in 2014, drawing €10m and €9m of investment respectively. While venture investment in Lithuania remained relatively stable compared to 2013, the venture investment value in the Czech Republic grew three-fold. The foregoing four leading countries accounted for 75% of all venture capital investments by value in the CEE region in 2014.

When looking at the number of companies receiving venture capital investment in CEE in 2014, Hungary also took the lead with 66 companies financed comprising 31% of the total number of companies across the region. Hungary was the main driver of year-on-year growth in venture backed companies in 2014 thanks to a near-doubling in the number of Hungarian businesses receiving investment compared to 2013.

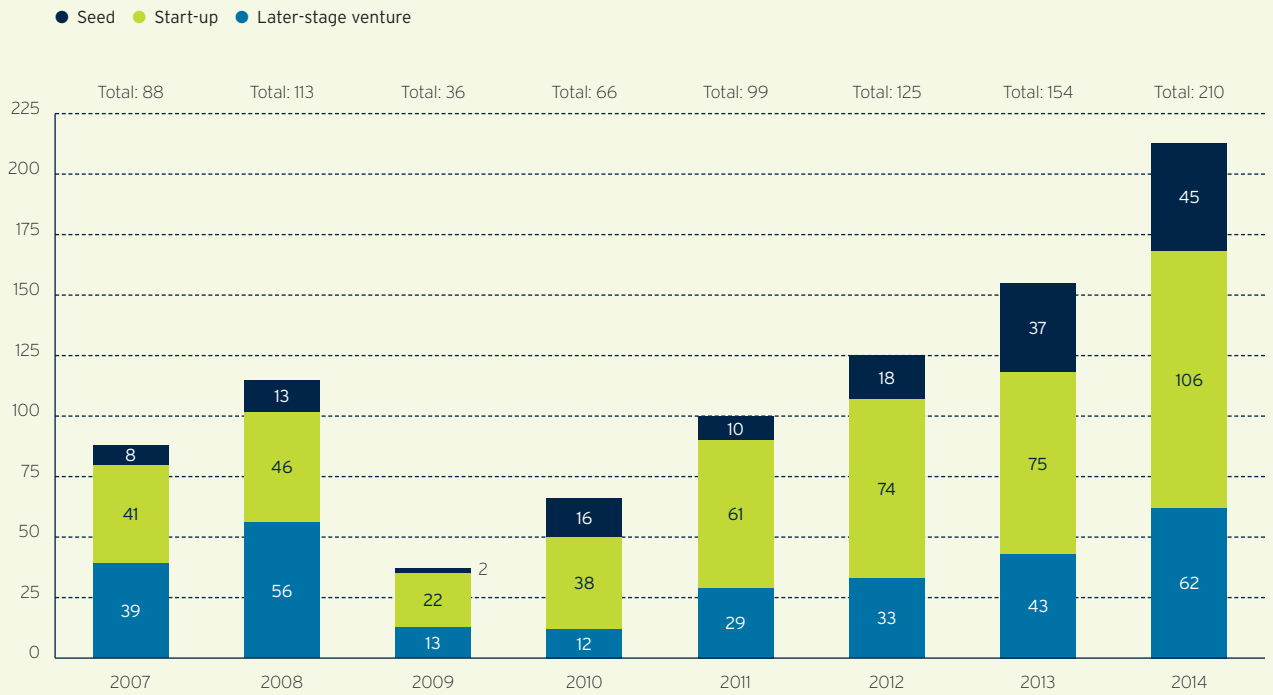
Poland was second with 54 companies backed by venture capital (26% of the regional total) and Lithuania third with 39 companies (19% of the CEE total). Together, these three leading countries accounted for 76% of all CEE companies financed by venture capital in 2014.

The sectoral split of CEE venture capital investments in 2014 was similar to 2013. Communications, computer and consumer electronics, and consumer goods and retail were the three most invested sectors once again in CEE, accounting for 55% of the venture investment value total in 2014, compared with 63% in the previous year. The same three sectors led the field by number of companies backed, though the figure also dipped to 52% of the total in 2014 from 60% in 2013.

Other sectors that showed notable increases of venture capital investment levels in 2014 versus the previous year were business and industrial products and services, with a combined €16m of venture investment in 2014 among 33 companies, as well as life sciences, with a notable 21 companies obtaining venture financing in 2014.

Investments in the energy and environment sector, historically one of the larger venture investment sectors in CEE, remained at a relatively low level. It accounted for just over €4m invested or 4% of the CEE total.

Figure 12 - CEE venture capital investments by stage, 2007-2014 (number of companies)



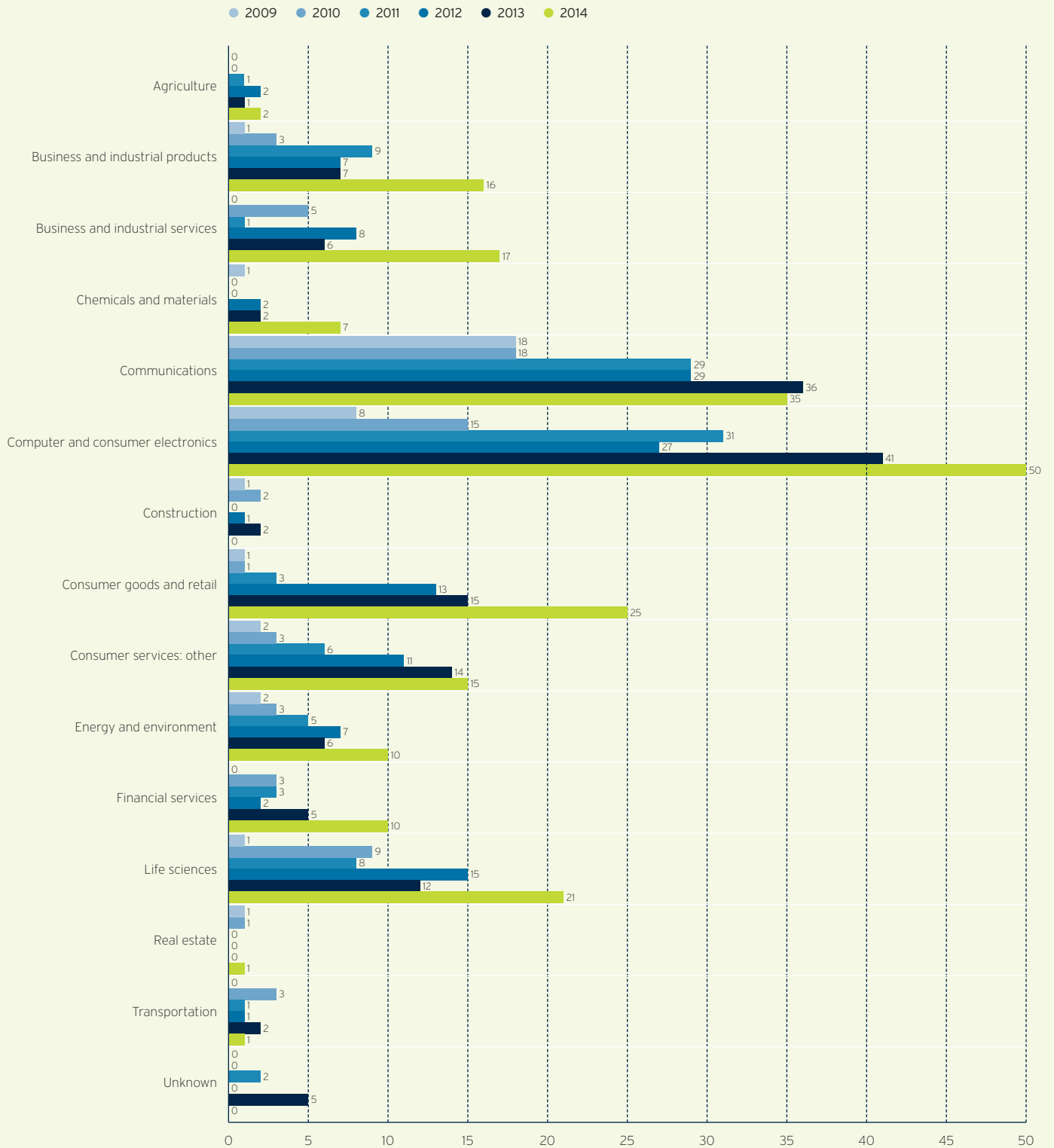
Source: EVCA/PEREP_Analytics
 Disclaimer: Data is continuously updated and therefore subject to change.

Figure 13 - CEE venture capital investments by sector, 2009-2014 (amount in € million)



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

Figure 14 - CEE venture capital investments by sector, 2009-2014 (number of companies)



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

CEE venture capital exit value at historical cost remained relatively stable in 2014 at €41m compared to €46m in 2013. The number of venture-backed companies divested across the region in 2014 showed a decline to 19 from 26 in 2013. Venture exits accounted for 3% of all CEE private equity divestments by value at cost and 26% of all CEE private equity exits by number of companies. Compared to European venture exits as a whole, CEE venture capital divestments accounted for 2.2% of the European total in value terms and 1.9% by number of companies.

Venture capital divestments in the form of trade sales became the dominant exit route in CEE in 2014, amounting to €25m at cost and accounting for 60% of the total regional exit value. The number of companies sold via trade sale remained the same as in 2013 at six, which indicates that the largest venture investments measured at original cost exited in 2014 were bought by strategic buyers.

Sale to management (MBO), which was the most prominent venture capital exit route in 2013 with 51% of total exited value at cost, decreased significantly in 2014 to just €5m. MBOs accounted for 13% of total CEE venture exit value in 2014.

Together, trade sales and sale to management were by far the most significant exit routes in terms of company numbers. They accounted for 63% of venture-backed companies exited in CEE in 2014, on par with 2013. In value terms, sale to financial institution became the second most prominent CEE exit route in 2014, registering €7m of divestment value at cost and an 18% share in the total exit value for the region, with notably just one company exited via this method. The number of venture-backed companies written off in 2014 dropped to just two from four in the previous year.

Table 12 - CEE venture capital divestments by stage, 2013-2014 (exit value at investment cost)
(in € x 1,000)

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
EXIT ROUTE				
Divestment by trade sale	4,118	6	24,728	6
Divestment by public offering	7,677	3	1,400	1
<i>Divestment on flotation (IPO)</i>	0	0	0	0
<i>Sale of quoted equity</i>	7,677	3	1,400	1
Divestment by write-off	1,168	4	1,520	2
Repayment of silent partnerships	0	0	0	0
Repayment of principal loans	0	0	1,076	3
Sale to another private equity house	4,000	1	0	0
Sale to financial institution	5,272	3	7,250	1
Sale to management (MBO)	23,465	10	5,237	6
Divestment by other means	0	0	0	0
TOTAL DIVESTMENT IN YEAR	45,699	26	41,212	19

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. This definition is consistent with prior years’ editions of this paper.

In 2014, there was a strong return of buyout & growth investment in the CEE region, with a total of €1.2bn invested into 80 companies. This represents a 69% increase in value compared with 2013, despite a drop in the number of CEE companies financed from 88 in 2013. The growth of investment in this segment in 2014 in CEE compares favourably with Europe as a whole, where buyout & growth investments grew 15% compared to 2013. By number of companies invested in the buyout & growth segment, Europe as a whole increased by 11% in 2014 compared to the 9% decrease in CEE.

As a result of the increase in investment, CEE’s share of the total value of European buyout & growth investment rose to 3.2% in 2014 from 2.2% in 2013. In contrast, by number of companies financed, the CEE proportion of Europe as a whole shrank to 3.4% from 4.2%. In effect, that means that the average buyout & growth transaction in CEE at €15.2m was of a similar size to that recorded in Europe as a whole at €16.3m in 2014.

Similar to previous years, the CEE buyout & growth segment comprised 93% of the investment value of the total CEE private equity market in 2014. By number of companies financed, however, the buyout & growth segment continued its declining trend to reach 28% of the total CEE private equity market versus 36% in 2013. This drop is caused by the relatively high growth of the number of venture capital financed companies in the CEE region, which continued in 2014.

Among the sub-segments within the CEE buyout & growth market, buyouts performed the most dynamically, as the value of buyout investments more than doubled in 2014 to €935m from €427m the year before, despite a 9% drop in the number of companies financed to 30. This result was driven by an increase in the average buyout investment size, and more specifically the influence of a handful of larger deals completed in 2014. The average CEE buyout investment per company was €31m in 2014, well above the 2013 average of €13m.

Notably, the buyout sub-segment significantly increased its share in the total CEE buyout & growth segment by value and accounted for 77% in 2014 versus 59% in 2013. The proportion of the value of buyouts in this segment in 2014 is similar to the European pattern, where buyouts accounted for 83% of the total European buyout & growth segment.

Growth investments decreased by 10% in 2014 but remained a significant portion of activity with €232m invested, accounting for 19% of the overall CEE buyout & growth segment in 2014. With the number of companies invested reported as 45, growth capital financing remained the largest part of the buyout & growth segment by number of companies, accounting for 56% of all CEE companies receiving buyout & growth investments in 2014. The average investment amount per company receiving growth capital in CEE was stable in 2014 versus 2013 at €5m, and it was clear that growth investments were more spread out around the region than in the previous year.

Due almost completely to a single large buyout transaction in 2014, Serbia was the largest buyout & growth market in CEE with €326m. Serbia accounted for 35% of all buyout activity in CEE in 2014 and 27% of the regional buyout & growth segment total in 2014. Serbia recorded only two buyout transactions and no investments in other sub-segments of the buyout & growth area.

The Czech Republic was the next largest country in the CEE buyout & growth market, with €290m of capital invested across eight companies. This accounted for 24% of the total regional buyout & growth segment investment value in 2014. The vast majority of the amount invested in the Czech Republic was in four buyout transactions totalling €261m (versus €120m in six buyouts in 2013), with one deal amounting to 75% of this total. Growth capital investments in the Czech Republic grew significantly in 2014 to €29m and represented 13% of the regional growth investment total.

Poland was the third largest buyout & growth country in CEE in 2014, with €229m invested across 24 companies, representing 19% of the regional total buyout & growth segment by value. The majority of this capital financed Polish buyouts, with €161m invested into 11 buyout transactions. Poland remained the leading country for growth capital investments, with €65m in 2014 (28% of the regional total) that financed 12 companies.

Figure 15 - CEE buyout & growth investment by stage, 2007-2014 (amount in € million)

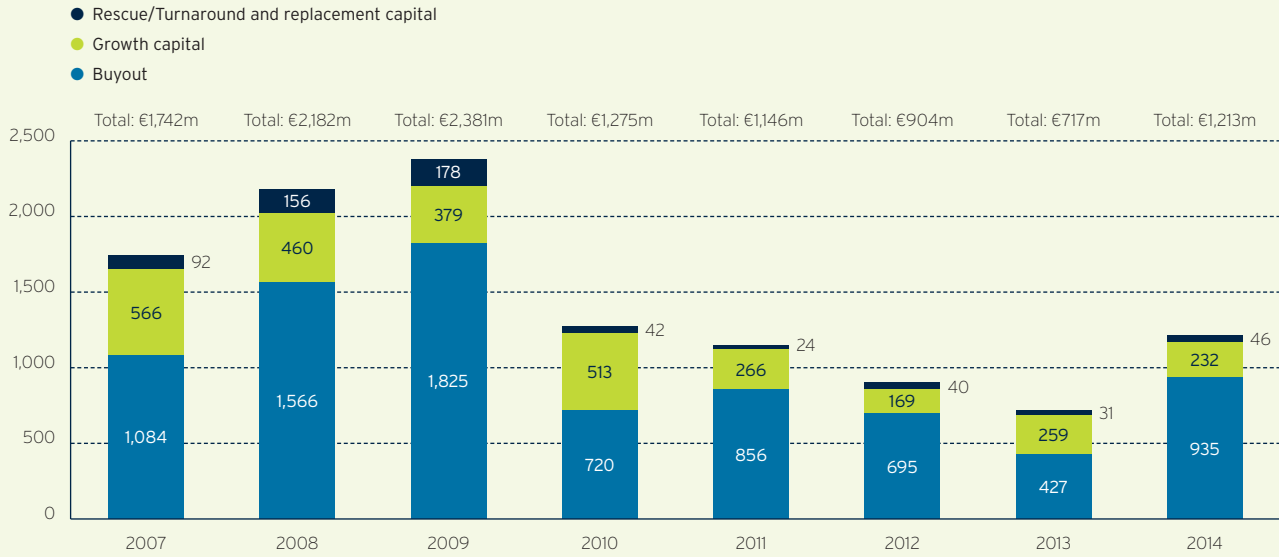
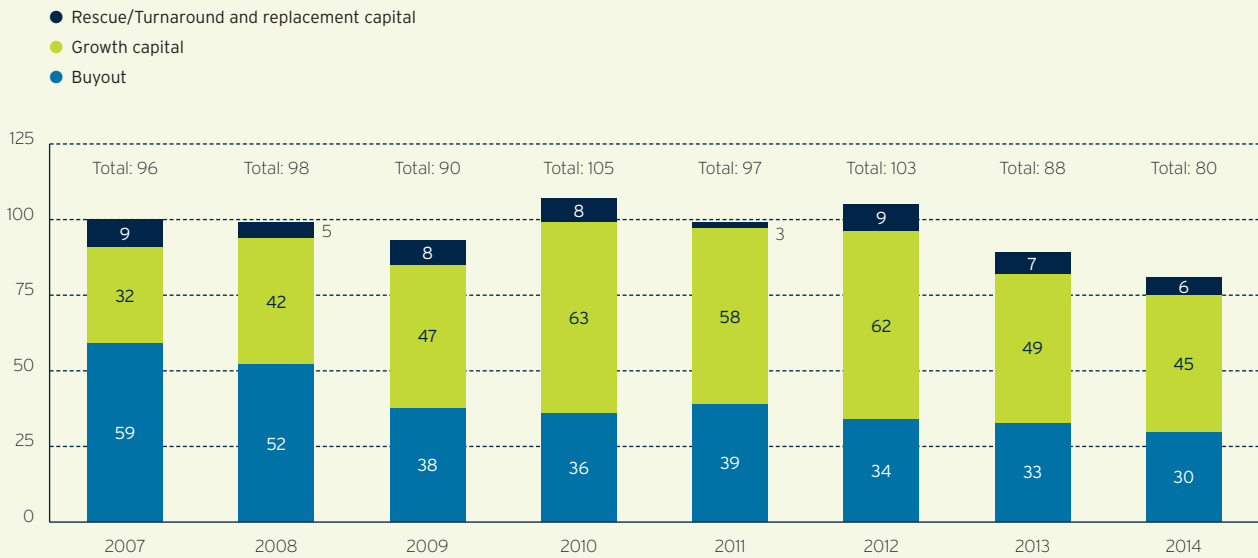


Figure 16 - CEE buyout & growth investment by stage, 2007-2014 (number of companies)



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

Although Poland remained the leader in growth investments, the amount declined significantly from €150m in 2013, when Poland accounted for 58% of the region's total growth capital financing.

Hungary accounted for a significant part of the CEE buyout & growth segment in 2014, with investments totalling €138m across seven companies. This was a significant increase versus the previous year thanks to a significant growth in buyout investments, which totalled €110m invested into three companies. Hungary was in third place in terms of growth investments in 2014 with €27m invested in four companies.

Romania registered a total of €73m in buyout & growth investments across 14 companies, rounding out the top five countries in this segment.

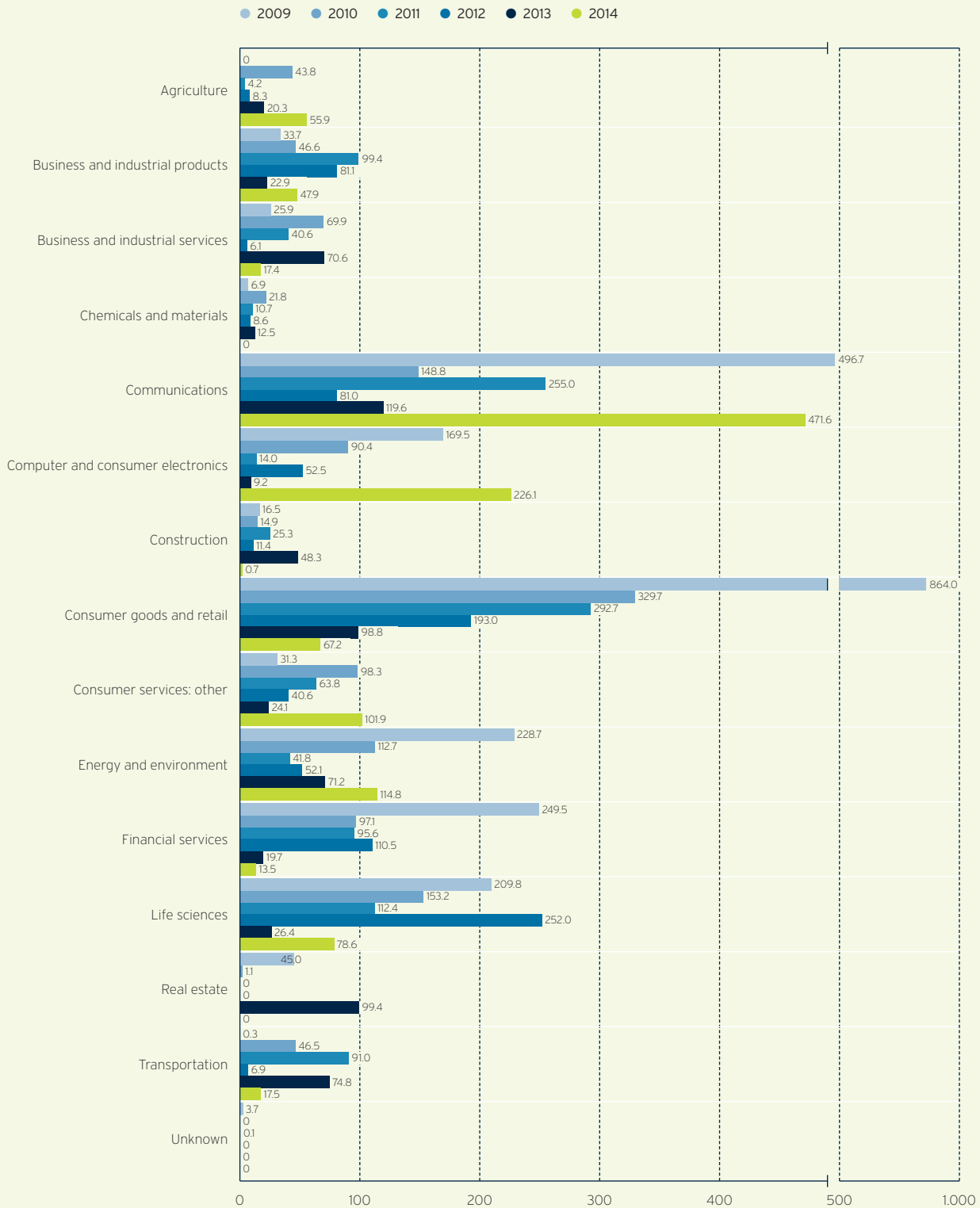
Communications investments featured strongly in the buyout & growth segment in CEE in 2014, accounting for €472m, or 39% of the segment total. The result was driven in large part by a significant investment in Serbia, which accounted for a majority of the capital invested in the sector. However, this sector also led the market by number of companies financed, with 13 communications businesses receiving buyout & growth investment in 2014, some 16% of the total buyout & growth segment result.

The second largest sector in terms of capital invested in 2014 was computer and consumer electronics, which accounted for 19% of the total CEE buyout & growth segment with €226m. That result was similarly driven by a single large transaction. By number of companies, computer and consumer electronics witnessed 7 investments in 2014, accounting for 9% of the total in the buyout & growth segment.

Other sectors to see significant buyout & growth investment activity in 2014, with high growth compared to 2013, included energy and environment, which received €115m of investment into eight CEE companies. Investment into consumer services totalled €102m, with the sector the second largest in terms of companies at 10. Finally, life sciences received €79m of investment into nine companies. Taken together, the five sectors described above accounted for 82% of all buyout & growth investments by value and 59% by number of companies in CEE in 2014.

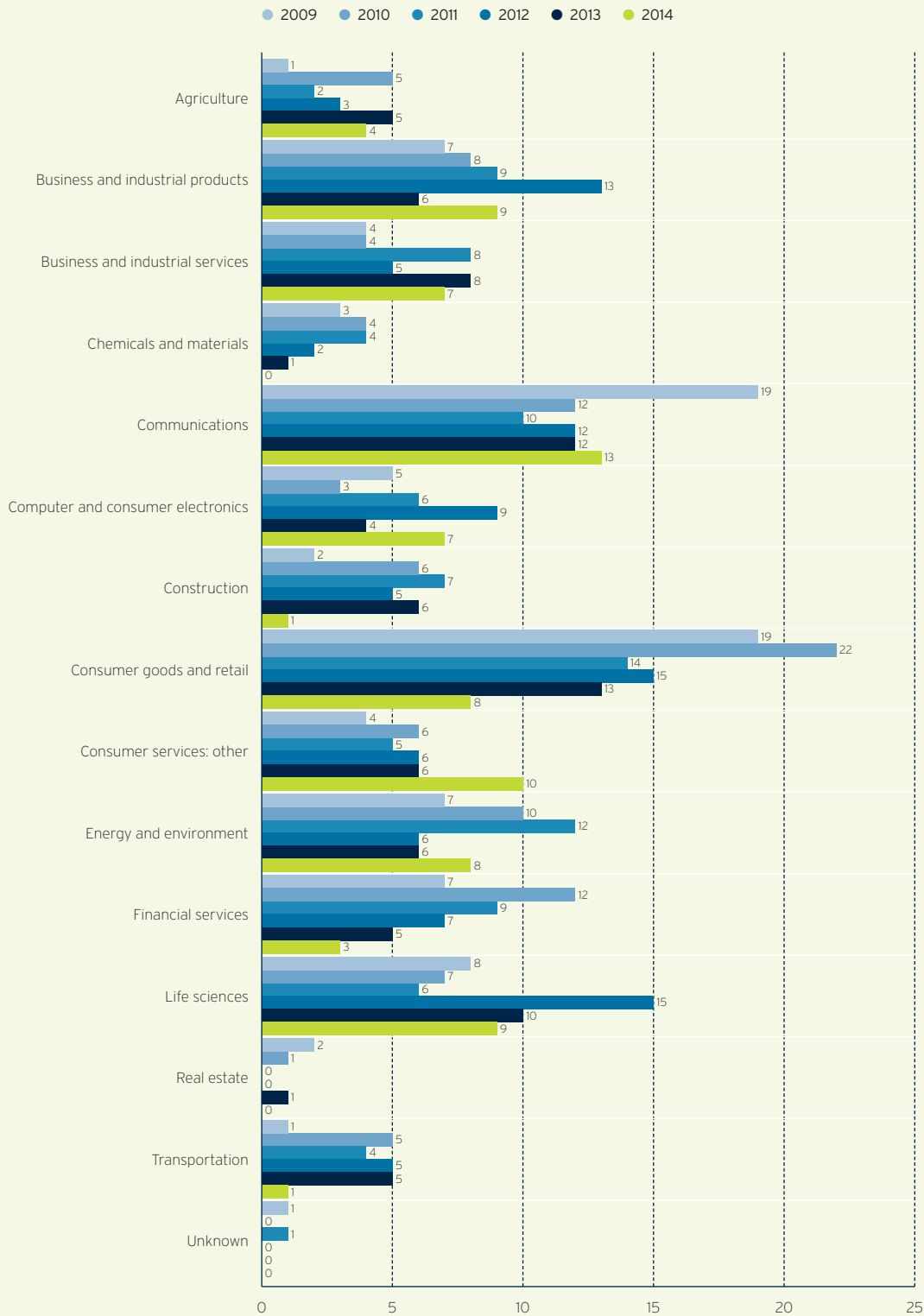
Consumer goods and retail, historically an active buyout & growth sector in CEE, saw investment levels drop in 2014 to just €67m across eight companies, compared to the prior seven-year average of over €300m and 16 companies per year. There were no buyout & growth investments in real estate or the chemicals and materials sectors in 2014. These industries typically do not see high investment levels, nor many companies backed in CEE – with the notable exception of 2013 when one large real estate deal featured prominently.

Figure 17 - CEE buyout & growth investment by sector, 2009-2014 (amount in € million)



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

Figure 18 - CEE buyout & growth investment by sector, 2009-2014 (number of companies)



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

Looking specifically at just CEE buyout transactions in 2014, the year was notable due to one mega buyout transaction with an enterprise value of €1bn. The last time a deal of similar size was recorded in CEE was in the year 2009.

Furthermore, mid-market buyouts again overtook small buyouts to become the largest sub-segment within the CEE buyout market in terms of equity capital invested - accounting for 37% of total buyout investments in 2014. By number of companies, the mid-market buyouts segment was stable versus the previous year with just four transactions. This result implies that the size of the average mid-market buyout investment per company in 2014 reached an equity investment amount of €87m versus €49m the year before.

The small buyout market in CEE remained the most robust within the buyout segment in terms of number of companies invested, reported at 25 and accounting for 83% of total CEE buyouts in 2014. The average size of CEE small buyout equity investment per company also grew to almost €11m in 2014 from €8m in 2013.

It is also interesting to note an increase in the equity contribution as a percent of total transaction financing into CEE buyout investments in 2014, both in the mid-market and small buyout sub-segments. The percentage of equity contributed in 2014 was 45% and 67% in mid-market and small buyouts respectively, up materially from the levels seen in 2013. These results compare to 63% of equity contribution to mid-market and 94% to small buyouts in Europe as a whole in 2014.

Table 13 - Equity and transaction value by type of buyout in 2013-2014 (in € x 1,000)¹

2014								
AMOUNTS IN € THOUSANDS	AMOUNT (EQUITY VALUE)	%	NUMBER OF COMPANIES	%	TRANSACTION VALUE	%	EQUITY CONTRIBUTION OF PE FIRMS (IN %)	
BUYOUT INVESTMENT SIZE								
Small	263,351	28.2	25	83.3	392,845	18.1	67.0	
Mid-market	348,436	37.3	4	13.3	772,536	35.7	45.1	
Large and mega	323,000	34.6	1	3.3	1,000,000	46.2	32.3	
TOTAL BUYOUT	934,787	100.0	30	100.0	2,165,381	100.0	43.2	
2013								
Small	231,454	54.2	30	88.2	378,733	38.8	61.1	
Mid-market	195,443	45.8	4	11.8	598,351	61.2	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	977,084	100.0	43.7	

Source: EVCA/PEREP_Analytics

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

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).

The total value of CEE buyout & growth exits increased by 34% in 2014 to reach €1.2bn measured by historical investment cost. The increase was achieved even though the number of exited buyout & growth backed companies fell to 55 from 64 in 2013. In fact, the 2014 results are influenced by a small number of large exit transactions, indicating that a few companies with a large entry cost were sold in 2014, whereas the 2013 data was relatively less affected by such concentration.

Trade sale, sale to financial institution and sale to another private equity house were the most important exit routes for CEE buyout & growth investments in 2014, representing 28%, 27% and 22% respectively of total divestments by value at cost in 2014. Together they accounted for 77% of total exit value at cost. However, it should be noted that sale to financial institution and sale to another private equity house were particularly influenced by a small number of large transactions. The CEE result is partly comparable to European buyout & growth exits as a whole, where trade sale and sale to another private equity house accounted for 26% and 25% respectively of total divested value at cost. However in Europe, public market exits at 19% of total value played a greater role than in CEE, where they represented only 5% of total divestment value at cost.

In CEE, trade sale remained the largest buyout & growth exit channel both in value terms and by number of companies. With 18 companies divested, trade sales accounting for 32% of the 2014 total number of companies divested in the buyout & growth segment. The resurgence in IPOs, with five companies taken public in the year, led to a total of 10 company exits via public markets, making this route second in CEE by number of buyout & growth companies in 2014 at 18% of the total. In value terms, public markets only accounted for €66m of divestments at cost (5% of the total) in the buyout & growth segment in 2014, a still-notable three-fold increase on 2013. Sale to management accounted for another 10 companies exited - or another 18% of the segment total.

Write-offs in the buyout & growth segment were just above €100m at original cost in 2014 - an unusually high figure for CEE - and accounted for 8% of total divestment value at cost in the buyout & growth segment. The result was caused by just one single large write-off in Poland, effectively equating to just 2% of all companies exited in this segment. For comparison, write-offs accounted for 7% of total value and 10% of total companies in buyout & growth exits across Europe as a whole.

Table 14 - CEE Buyout & growth divestment by exit route, 2013-2014 (exit value at investment cost)
(in € x 1,000)

AMOUNTS IN € THOUSANDS	2013		2014	
	AMOUNT	NUMBER OF COMPANIES	AMOUNT	NUMBER OF COMPANIES
EXIT ROUTE				
Divestment by trade sale	445,803	22	342,870	18
Divestment by public offering	23,002	6	66,452	10
<i>Divestment on flotation (IPO)</i>	0	0	48,422	5
<i>Sale of quoted equity</i>	23,002	6	18,030	5
Divestment by write-off	79,711	6	103,226	1
Repayment of silent partnerships	0	0	0	0
Repayment of principal loans	1,411	5	24,365	5
Sale to another private equity house	32,356	3	271,746	4
Sale to financial institution	280,147	14	330,435	4
Sale to management (MBO)	40,513	9	55,773	10
Divestment by other means	9,789	2	30,964	4
TOTAL DIVESTMENT IN YEAR	912,731	64	1,225,831	55

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-30 companies (a capitalisation-weighted stock market index of the thirty largest companies) including: KGHM, PGNIG, Grupa Azoty, mBank, Bank Pekao, Bank PKO BP, Bank Zachodni WBK, ING Bank Śląski, PGE, PKN Orlen, Energa, Orange Polska and Asseco Poland.

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.

Contact details

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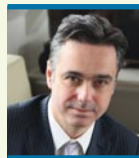


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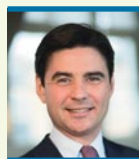
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About the EVCA

European Private Equity and Venture Capital Association

The EVCA is the voice of European private equity.

Our membership covers all private equity activity, from early-stage venture capital through to large private equity firms and funds investing in infrastructure. Our members also include institutional investors, such as pension funds and insurance companies, who are a key source of long-term financing in Europe and who invest in private equity, venture capital and infrastructure funds. We represent 650 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 the guardian of 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 understood and 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 2014. 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.

