

EVCA Mid-Year Survey 2000

January-June

■ € 13.5bn invested by 613 private equity houses

■ 57% of respondents confirm a positive growth

■ Venture Capital represented 55% of total investment

■ 50% of investee companies in high tech sector

■ Trade Sale still the main divestment route

European Overview

Investment and divestment continues apace

The record-breaking growth trends seen in 1999 appear to be continuing apace in 2000.

EVCA's first-ever mid-year survey of the private equity industry in Europe confirms the upward trend and reveals a very active first half year both in terms of investment and divestment. If the trends continue, then year 2000 could see more records broken.

The pilot survey also confirmed the continued growth of venture capital (seed, start-up, and expansion) which now accounts for 55% of the total amount invested.

The mid-year survey was conducted in 21 countries by PricewaterhouseCoopers on behalf of EVCA in conjunction with the national associations. Figures presented are based on 613 replies (response rate of 56%) and *do not include estimates for non-respondents*. German data has been kindly provided by the German venture capital association (BVK) and Spanish data by the Spanish venture capital association (ASCRI). In the undertaking of this survey, EVCA would like to sincerely thank the national associations for their close co-operation.

€13.5 billion invested

In the first six months of 2000, a total of €13.5 billion of private equity was invested in 4,630 companies.

These included 2,277 high tech companies (almost 50%) which attracted €4.4 billion, some 32% of the total invested. The average investment per company was €2.9m (all investments reported exclude secured debt).

Trend indicator

In addition to providing figures for this survey, respondents were asked if their level of investment had increased by amount compared to the same period last year.

57% of respondents confirmed a positive 'Upward' trend. 19% believed there had been a decline.

Venture capital investments lead

Venture capital investment (seed, start-up and expansion) represented almost 55% of the total amount invested. Some notable exceptions were the UK, Italy, Sweden and Spain, where the proportion was lower.

The average investment per company was shown to be: €0.9m in seed, €1.3m in start-up, €2.5m in expansion, €4.2m in replacement capital and €11.8m in buyout investments.

STAGE DISTRIBUTION OF EUROPEAN INVESTMENT
€ X 1000 Fig. 1

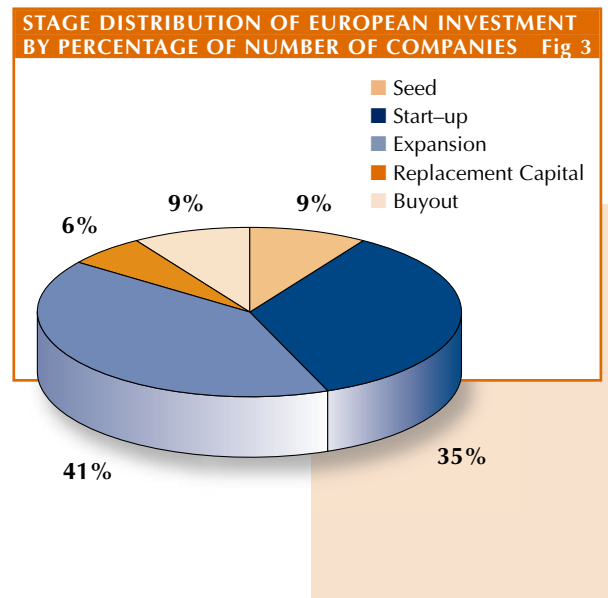
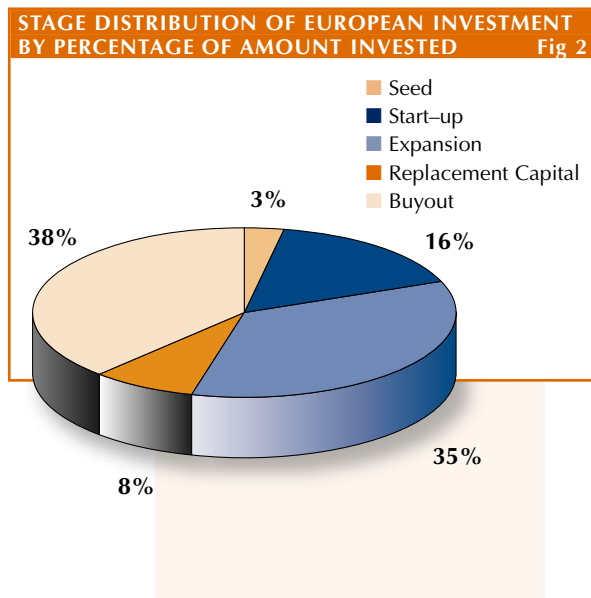
	Amount	%	Number of Co.s	%
Seed	385,656	2.9	431	9.3
Start-up	2,124,013	15.8	1,623	35.0
Expansion	4,762,366	35.4	1,883	40.7
Replacement Capital	1,116,479	8.3	263	5.7
Buyout	5,081,658	37.7	430	9.3
Total amount invested	13,470,173	100	4,630	100

Continued on page 2

The EVCA Mid-Year Survey provides indications about private equity investment and divestment activity in Europe during the first 6 months of the year.

EVCA represents the interests of the European private equity industry. Its global mission is to promote equity investment in unquoted companies by private equity investors and to facilitate interaction among the members of the Association.

European Overview *(continued)*



High Tech Focus

Investment by sector - high tech lead the way

During the first half of 2000, almost 50% of the investee companies were high tech. These 2,277 companies received a total of €4.4bn amounting to 32% of the total invested.

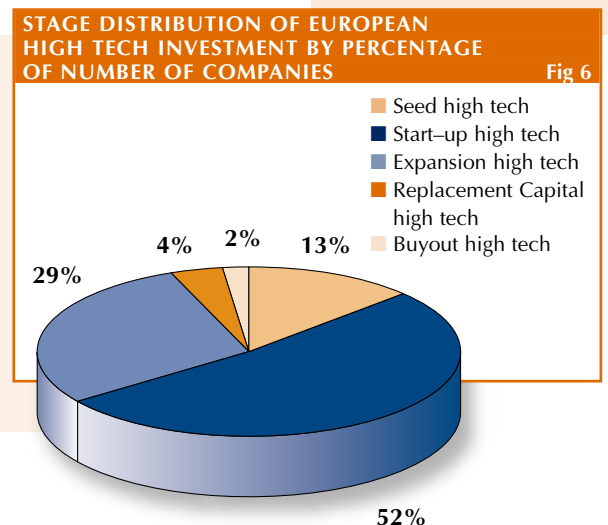
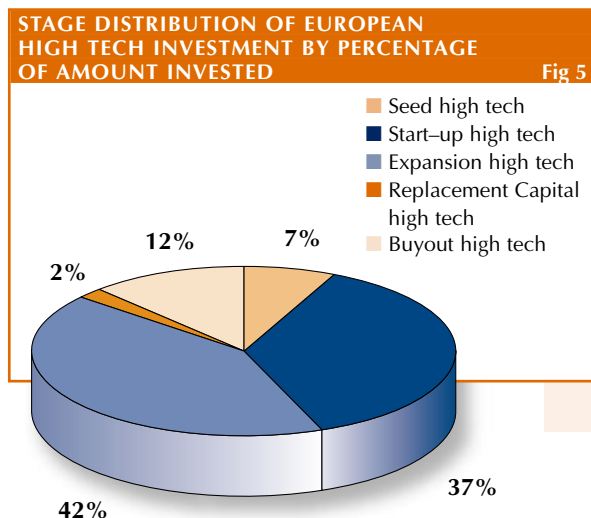
86% of high tech investment took place in the seed, start-up and expansion areas with the remaining 14% in replacement capital and buyouts.

The average amount invested by stage in high tech was €1.0m per company in seed, €1.4m per company in start-up, €2.8m per company in expansion, €1.2m per company in replacement capital and €9.8m per company in buyouts.

(see fig. 10, for High Tech Investment by Country)

STAGE DISTRIBUTION OF EUROPEAN HIGH TECH INVESTMENT - € X 1000 Fig. 4

	Amount	%	Number of Co.s	%
Seed high tech	298,252	6.8	306	13.4
Start-up high tech	1,618,534	37.1	1,177	51.7
Expansion high tech	1,820,532	41.7	655	28.8
Replacement Capital high tech	106,874	2.5	86	3.8
Buyout high tech	517,522	11.9	53	2.3
Total amount invested in high tech	4,361,306	100	2,277	100



■ Divestments

Exits up to €3.9 bn

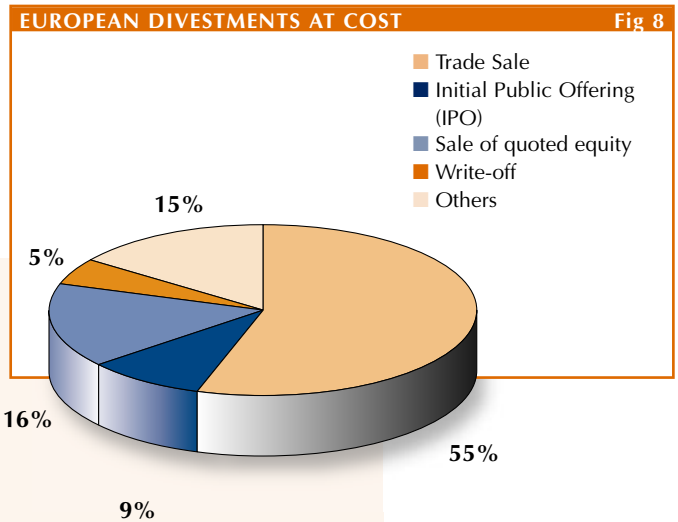
Europe-wide the main divestment route continues to be the trade sale. Divestment at cost in the first six months stood at €3.9bn in exits from 1495 companies.

The trade sale accounts for 54.9% of the total amount (41.3% of the number of companies).

EUROPEAN DIVESTMENTS AT COST				
€ X 1000		Fig. 7		
	Amount	%	Number of Co.s	%
Trade Sale	2,170,131	54.9	617	41.3
Initial Public Offering (IPO)	360,519	9.1	120	8.0
Sale of quoted equity	617,759	15.6	245	16.4
Write-off	201,431	5.1	159	10.6
Others	599,692	15.2	354	23.7
Total Divested	3,949,532	100	1,495	100

(see fig. 11 for Divestments by Country)

Despite stock market turbulence, the IPO and the sale of quoted shares still represents 24.4% of the total number of companies exited (and 24.7% of the total amount at cost).



■ Country Highlights



France

Some €1.5bn was invested in 879 companies in the first half of the year. 69% of the respondents stated that higher amounts had been invested compared to the same period last year (12% thought the opposite).

French investors have been particularly active in start-up companies, with 31% of all amounts invested, compared to 16% for the whole of Europe.

High tech investment represented 33% of the total amount invested – on a par with the European average.

It was noteworthy that more than two-thirds of high tech investment by amount was in start-ups compared to 37% for the whole of Europe. Divestment at cost amounted to €424m from 394 companies. Trade sales were the main exit route.



Germany

There was a clear upward trend in the German marketplace with some €1.6bn invested in

878 companies during the first half of 2000 compared to €932m during the first six months of 1999 (an increase of 78%). Divestments totalled €442m compared to €253m for the same period last year (an increase of 74.5%).



Italy

Italy's response to the trend question also pointed to an upward trend (55% up and 12% down), and saw a total amount of €1.3bn being invested in 288 companies. 29% of total investment volume was in replacement capital (compared to 8.3% for Europe). The volume recorded in this sector is the result of a number of large deals - only 6% of all investee companies received replacement capital.

High tech investments represented just 17.5% of investment by value but 45% by number of investee companies.

Divestments amounted to €265m from 84 companies. The trade sale was the main exit route.



The Netherlands

Some €997m was invested in 415 companies. 48% of respondents felt that investment was "up", against 16% who experienced a decrease.

The first six months saw a relatively high level of activity in venture capital (more than 63% of total investment compared to 54% for all of Europe). High tech represented 31.5% of total investment value. Almost 90% of high tech investment was in seed, start-up and expansion, with relatively few deals found in replacement capital and buyout. Divestments amounted to €320m from 149 companies.



Spain

€498m was invested in 167 companies with 54% of respondents declaring that investment levels were "up" and 26% declaring they were

"down". One main characteristic compared to European figures: buyout and replacement capital was almost 52% of the total amount invested compared to 46% for Europe.

At 21% of the total amount invested, the high tech share is below the European average (32%). On the other hand, high tech deals are almost exclusively in seed, start-up and expansion stages (more than 95%), which is above the European average. Divestments were mainly done through the Trade Sale (62.5% of amount divested, 66% of divested companies). The IPO route accounted for 3% of divested companies and almost 12% of the total amount divested.



Sweden

An upward trend was also reported in Sweden where €606m was invested in 238 companies. 49% of respondents felt investments were "up", and 16% felt they had declined.

There was a relatively high level of activity in the replacement capital and buyout areas during this period which represented almost 64% of the total amount invested, compared to the European average of 46%.

The share of high tech investment is slightly higher than the European average (39.5% compared to 32%) and Sweden has above average proportion by amount invested in replacement capital and buyouts, which represent almost 30% of the total high tech deals.

Divestments stood at €259m from 52 companies. The predominant exit route is the trade sale, accounting for 76.5% of exits by amount. The second favourite means of exit was the sale of quoted equity (21.1% of the total amount divested).



United Kingdom

A total amount of €5.4 billion was invested in the UK. 57% of survey respondents declared that the amount invested during the first half of 2000 was higher than the corresponding period last year. 17% declared investment was "down".

Buyout and replacement capital investment continues to be a dominant feature of the market (almost 58% in terms of amount). High tech businesses absorbed 33% of the total amount invested - similar to European levels.

A notable feature was that 23% of all reported high tech investments (by amount) were buyouts, compared to 12% for Europe as a whole. Total divestments of €1.6bn (at cost) from 253 companies were reported. These were mainly divested through trade sales which totalled €970m (at cost) from 140 companies.

IPOs and the sale of quoted equity represented 16% of the total amount divested.

INVESTMENT BY COUNTRY (IN € X 1,000)

Fig. 9

	EUROPE		AUSTRIA		BELGIUM		CZECH REPUBLIC		DENMARK		FINLAND	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Seed	385,656	431	1,301	14	51,304	34	0	0	22,079	15	11,118	35
Start-up	2,124,013	1,623	29,424	20	69,821	75	7,813	1	22,863	23	47,677	78
Expansion	4,762,366	1,883	57,715	31	143,238	123	24,152	7	135,808	28	86,271	68
Replacement	1,116,479	263	3,635	1	15,016	6	0	0	0	0	4,657	2
Buyout	5,081,658	430	4,350	2	28,265	11	1,042	1	8,204	4	85,041	17
Total	13,470,173	4,630	96,425	68	307,644	249	33,007	9	188,954	70	234,764	200
	FRANCE		GERMANY		GREECE		HUNGARY		ICELAND		IRELAND	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Seed	31,111	44	N/A	N/A	43	1	0	0	886	12	482	5
Start-up	489,764	413	N/A	N/A	9,456	13	776	2	11,784	26	20,613	28
Expansion	370,968	212	N/A	N/A	26,662	14	7,487	8	6,166	14	16,991	19
Replacement	122,627	109	N/A	N/A	0	0	388	2	1,389	1	0	0
Buyout	549,354	101	N/A	N/A	0	0	0	0	0	0	2,776	1
Total	1,563,824	879	1,623,254	878	36,161	28	8,651	12	20,225	53	40,862	53

Continued on page 5

INVESTMENT BY COUNTRY (IN € X 1,000) (continued)
Fig. 9

	ITALY		NETHERLANDS		NORWAY		POLAND		PORTUGAL		SLOVAKIA	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Seed	45,690	44	27,740	48	10,548	18	522	1	0	0	0	0
Start-up	113,594	103	203,460	116	25,914	25	8,855	2	8,435	10	563	6
Expansion	332,905	96	400,796	168	44,652	21	102,539	29	18,245	30	35	1
Replacement	384,142	18	160,497	45	18,744	4	4,360	4	0	0	806	1
Buyout	443,857	27	204,081	38	0	0	0	0	3,342	2	0	0
Total	1,320,189	288	996,574	415	99,858	68	116,276	36	30,022	42	1,404	8
	SPAIN		SWEDEN		SWITZERLAND		UNITED KINGDOM					
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s				
Seed	49,027	23	14,544	56	1,599	4	5,658	15				
Start-up	47,360	48	73,947	76	98,542	31	421,045	185				
Expansion	145,050	79	130,354	80	40,455	20	1,865,120	427				
Replacement	14,760	8	187,470	16	1,204	1	143,216	25				
Buyout	242,206	9	199,640	10	64,396	5	3,006,486	156				
Total	498,403	167	605,955	238	206,196	61	5,441,525	808				

HIGH TECH INVESTMENT BY COUNTRY (IN € X 1,000)
Fig. 10

	EUROPE		AUSTRIA		BELGIUM		CZECH REPUBLIC		DENMARK		FINLAND	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Seed	298,252	306	6,280	14	50,370	31	0	0	7,893	10	11,047	31
Start-up	1,618,534	1,177	2,861	7	60,383	56	0	0	3,209	8	22,744	40
Expansion	1,820,532	655	1,790	3	85,995	71	16,442	6	42,829	14	49,438	29
Replacement	106,874	86	0	0	2,165	1	0	0	0	0	4,666	2
Buyout	517,522	53	0	0	0	0	1,042	1	0	0	0	0
Total	4,361,306	2,277	10,931	24	198,913	159	17,484	7	53,931	32	87,895	102
	FRANCE		GERMANY		GREECE		HUNGARY		ICELAND		IRELAND	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Seed	10,829	19	N/A	N/A	43	1	0	0	463	6	190	2
Start-up	356,324	298	N/A	N/A	2,703	4	0	0	7,891	12	14,962	16
Expansion	102,817	62	N/A	N/A	0	0	3,496	3	1,053	4	12,858	11
Replacement	21,677	49	N/A	N/A	0	0	0	0	0	0	0	0
Buyout	21,820	18	N/A	N/A	0	0	0	0	0	0	2,776	1
Total	513,467	446	N/A	N/A	2,746	5	3,496	3	9,407	22	30,786	30
	ITALY		NETHERLANDS		NORWAY		POLAND		PORTUGAL		SLOVAKIA	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Seed	45,669	41	986	4	6,190	14	522	1	0	0	0	0
Start-up	98,729	65	138,491	73	23,574	21	8,855	2	4,115	5	0	0
Expansion	58,562	21	141,210	65	9,163	10	44,873	11	1,478	7	0	0
Replacement	21,899	3	11,633	11	8,817	1	1,042	1	0	0	0	0
Buyout	6,400	1	21,585	7	0	0	0	0	0	0	0	0
Total	230,851	131	313,905	160	47,744	46	55,292	15	5,593	12	0	0
	SPAIN		SWEDEN		SWITZERLAND		UNITED KINGDOM					
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s				
Seed	28,382	14	11,276	41	1,599	4	4,508	11				
Start-up	25,145	18	64,014	56	98,542	30	273,685	124				
Expansion	48,834	18	92,759	60	23,630	16	1,083,305	244				
Replacement	0	0	25,711	6	1,204	1	8,060	11				
Buyout	3,774	1	45,792	2	2,681	1	411,652	21				
Total	106,136	51	239,552	165	127,656	52	1,781,210	411				

DIVESTMENT BY COUNTRY (AMOUNT AT COST IN € X 1,000)
Fig. 11

	EUROPE		AUSTRIA		BELGIUM		CZECH REPUBLIC		DENMARK		FINLAND	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Trade Sale	2,170,131	617	6,645	2	20,526	28	6,403	1	149,856	12	17,833	27
Initial Public Offering (IPO)	360,519	120	2,378	2	10,459	7	0	0	3,462	3	9,440	12
Sale of quoted equity	617,759	245	34,000	4	25,884	20	0	0	395	2	8,835	6
Write-off	201,431	159	0	0	6,609	10	0	0	3,145	9	2,197	2
Others	599,692	354	555	15	12,237	5	0	0	0	0	9,362	15
Total	3,949,532	1,495	43,578	23	75,715	70	6,403	1	156,858	26	47,667	62

DIVESTMENT BY COUNTRY (AMOUNT AT COST IN € X 1,000) (continued)
Fig. 11

	FRANCE		GERMANY		GREECE		HUNGARY		ICELAND		IRELAND	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Trade Sale	162,462	129	N/A	N/A	7,454	3	18,542	4	1,928	7	17,025	8
Initial Public Offering (IPO)	94,706	42	N/A	N/A	0	0	0	0	0	0	0	0
Sale of quoted equity	84,993	91	N/A	N/A	763	2	14,056	2	0	0	0	0
Write-off	13,779	19	66,270	73	0	0	0	0	5	1	400	1
Others	67,697	113	N/A	N/A	0	0	1,883	1	172	2	0	0
Total	423,637	394	441,762	215	8,217	5	34,481	7	2,105	10	17,425	9
	ITALY		NETHERLANDS		NORWAY		POLAND		PORTUGAL		SLOVAKIA	
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s
Trade Sale	173,201	60	49,468	34	24,757	7	23,047	11	4,774	6	0	0
Initial Public Offering (IPO)	19,219	4	17,223	3	38,116	2	0	0	0	0	0	0
Sale of quoted equity	44,417	4	82,799	12	2,979	3	0	0	39	1	0	0
Write-off	5,149	7	16,170	17	0	0	0	0	1,502	3	81	1
Others	22,805	9	154,377	83	24,907	2	4,506	2	2,784	13	0	0
Total	264,791	84	320,037	149	90,759	14	27,553	13	9,099	23	81	1
	SPAIN		SWEDEN		SWITZERLAND		UNITED KINGDOM					
	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s	Amount	N° of Co.s				
Trade Sale	53,609	41	198,154	27	13,071	5	969,572	140				
Initial Public Offering (IPO)	9,974	2	251	1	20,442	6	80,954	22				
Sale of quoted equity	0	0	54,696	15	19,024	8	173,314	46				
Write-off	6,890	2	3,663	3	0	0	131,239	11				
Others	15,301	17	2,400	6	1,577	3	225,234	34				
Total	85,773	62	259,164	52	54,114	22	1,580,313	253				

Explanatory Note

Scope of the survey: investment and divestment figures on a specific country correspond to the activity of the private equity management companies located in the specific country. Due to the fact that investments made from abroad in a specific country or in Europe are not taken into account, the figures from this survey give an indicator of the activity of the European industry and of the different local industries but do not reflect either the size of the European market or the size of the different local markets (e.g. Hungary, where a large proportion of the investments are realised by private equity management companies located abroad).

Stage of Investment

• SEED

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

• START-UP

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

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

• EXPANSION

Financing provided for the growth and expansion of a company which is breaking even or trading profitably. Capital may be used to finance increased production capability, market or product development, and/or to provide additional working capital. **OR**

Financing made available to a company in the period of transition from being privately owned to being publicly quoted. **OR**

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

• REPLACEMENT CAPITAL

Purchase of existing shares in a company from another private equity investment organisation, or from another shareholder or shareholders. **OR**
To reduce a company's level of gearing.

• BUYOUT

Management buyout – Financing provided to enable current operating management and investors to acquire an existing product line or business. **OR**

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

Venture Purchase of Quoted Shares – Purchase of quoted shares with the purpose of delisting the company.