

Central and Eastern Europe Statistics 2005

An EVCA Special Paper

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Edited by the EVCA Central and Eastern Europe Task Force



European Private Equity &
Venture Capital
Association

About EVCA

The European Private Equity and Venture Capital Association (EVCA) was established in 1983 and is based in Brussels. EVCA represents the European private equity sector and promotes the asset class both within Europe and throughout the world.

With close to 950 members in Europe, EVCA's role includes representing the interests of the industry to regulators and standard setters; developing professional standards; providing industry research; professional development and forums, facilitating interaction between its members and key industry participants including institutional investors, entrepreneurs, policymakers and academics.

EVCA's activities cover the whole range of private equity: venture capital (from seed and start-up to development capital), buyouts and buyins.

The EVCA Central and Eastern Europe Task Force

EVCA created the Central and Eastern Europe Task Force in 2003 as a platform to launch initiatives for the benefit of EVCA members in Central and Eastern Europe. These initiatives are specifically aimed at the development and promotion of private equity and venture capital in the region. The Task Force published *Central and Eastern Europe Success Stories* in October 2004 and *Central and Eastern Europe Statistics 2004* in October 2005. In addition, the Task Force is responsible for developing Central and Eastern Europe topics of interest in other EVCA publications and conferences.

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Disclaimer

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This document provides an update of annual activity statistics for the private equity and venture capital markets of Central and Eastern Europe in 2005. Similar statistics for 2004 and 2003, respectively, were published in EVCA's *Central and Eastern Europe Statistics 2004* (October 2005) and *Central and Eastern Europe Success Stories* (October 2004). The statistics contained here are based on the "market" approach wherein EVCA compiles information to show activity in a particular country, rather than the "industry" approach that shows the activity of fund managers based in that country. EVCA believes this gives a more accurate picture of the overall investment trends and activities in the Central European markets due to the predominance of regional funds and fund managers. All data provided is based on replies to the EVCA annual statistics survey presented in the EVCA Yearbook 2006, with some additional updates.

For the purposes of this publication, Central and Eastern Europe (CEE) comprises the countries of Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia; and for the first time in 2005, Bosnia and Herzegovina, and Serbia and Montenegro.

Fundraising

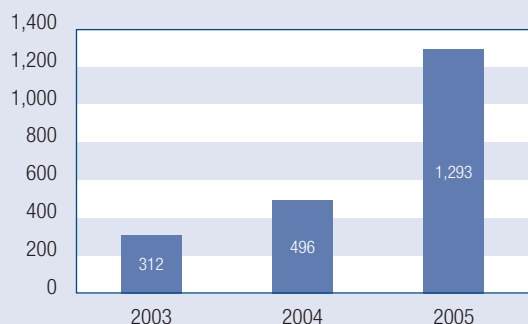
Fundraising for CEE totaled an all-time record of €1.29 billion in 2005, an increase of 161% over 2004 levels. This achievement included the largest ever dedicated CEE fund raised with €650 million of capital commitments. As the vast majority of private equity funds raised for CEE were for the region as a whole and not for any specific country, we no longer present fundraising on a country by country basis. Rather, we show the total pool of capital raised.

Table 1: Fundraising for CEE Private Equity by Source of Funding, 2004-2005
(Amounts in € th)

Private Equity Raised by Source	2004	2005	% of total
Independent Funds Raised in Year	370,620	1,120,257	86.6%
Amount Raised by Captives	108,008	51,817	4.0%
Subtotal New Funds Raised	478,628	1,172,074	90.6%
Realised Capital Gains	17,391	121,145	9.4%
Total Funds Raised	496,019	1,293,219	100.0%
Geographical Breakdown of Private Equity Raised	2004	2005	% of total
Domestic	72,847	48,615	3.8%
Other European	313,257	822,129	63.6%
Non-European	109,915	422,475	32.6%
Total Funds Raised	496,019	1,293,219	100.0%

Source: EVCA

Figure 1: Fundraising for CEE Private Equity, 2003-2005
(Amounts in € m)



Source: EVCA

Please note that the data presented above is limited to capital raised by funds with CEE as their target region. The data does not include those funds that may allocate a portion of their capital to CEE but whose primary focus is elsewhere.

Reported private equity investments across the CEE region totaled €508 million in 2005, some 7% below the level of 2004. However, there were a few dramatic changes in the amounts invested within specific countries. Bulgaria showed a notable decrease, with no reported investments in 2005 compared to a record amount in 2004. Hungary, which received the largest investment pool totaling €147 million, observed a 21% increase over 2004. With the exception of Bulgaria, Poland and Latvia, investment activity in all other countries increased. The conclusion is clear – private equity fund managers in CEE are looking across the region for attractive opportunities and invest where the most rewarding projects are available. This explained the decline in Bulgaria in 2005, where two of CEE's largest private equity deals to date were completed in 2004. More than 85% of the region's investment activity in 2005 was concentrated in Hungary, the Czech Republic, Poland and Romania.

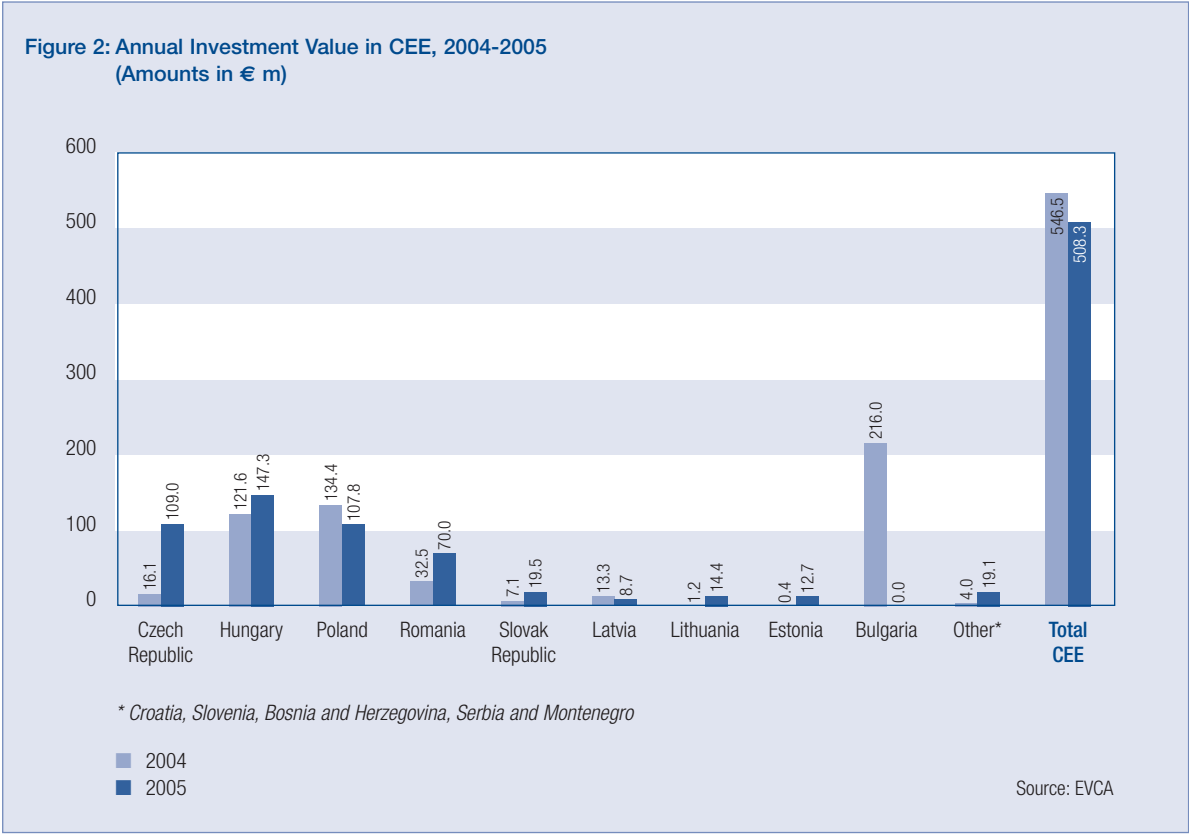
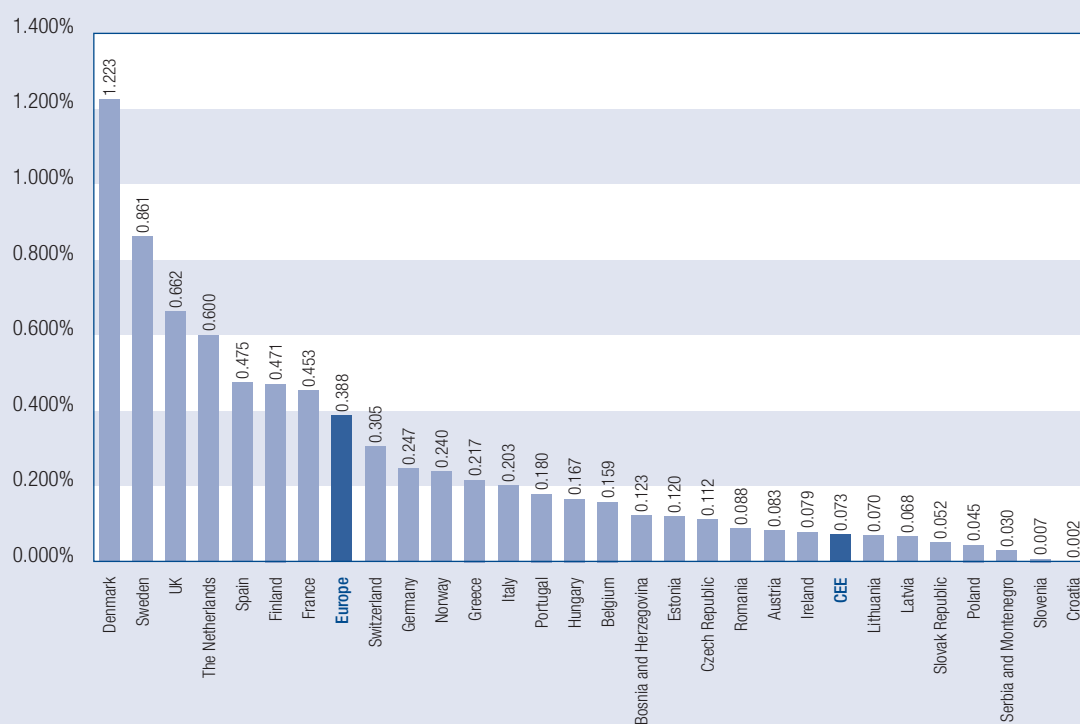


Table 2: Investments as a Percentage of GDP in CEE, 2004-2005
(Amounts in € th)

	Total Investment		Investment as % of GDP	
	2004	2005	2004	2005
Hungary	121,562	147,247	0.150%	0.167%
Bosnia and Herzegovina	-	9,974	0.000%	0.123%
Estonia	365	12,652	0.004%	0.120%
Czech Republic	16,074	108,952	0.019%	0.112%
Romania	32,543	70,000	0.055%	0.088%
Lithuania	1,182	14,359	0.007%	0.070%
Latvia	13,261	8,719	0.120%	0.068%
Slovak Republic	7,059	19,467	0.021%	0.052%
Poland	134,437	107,818	0.069%	0.045%
Serbia and Montenegro	-	6,367	0.000%	0.030%
Slovenia	-	2,009	0.000%	0.007%
Croatia	4,021	756	0.015%	0.002%
Bulgaria	215,976	-	1.110%	0.000%
Total	546,480	508,320	0.096%	0.073%

Source: EVCA; Thomson Financial Datastream (GDP)

Figure 3: Private Equity Investments as a Percentage of GDP for Europe, CEE and Selected European Countries, 2005*



* By country of destination of investment

Source: EVCA Yearbook produced by EVCA/Thomson Financial/PwC; Thomson Financial Datastream (GDP)

Buyouts represented the largest stage category in CEE in 2005 and increased as a proportion of total investments compared to 2004. Taken together, buyouts and replacement capital transactions represented 72% of total investment value in CEE in 2005, similar to the total of these two categories in all of Europe. Expansion capital transactions in CEE were proportionally higher than in Europe in 2005 while early-stage deals significantly lower.

Table 3: Type of Investment in CEE vs. Europe, 2005
(Amounts in € th)

	Total CEE	% of Total	Total Europe	% of Total
Seed	-	0.0%	96,847	0.2%
Start-up	8,994	1.8%	2,340,704	5.0%
Expansion	131,646	25.9%	10,282,362	21.8%
Replacement Capital	125,837	24.8%	2,278,221	4.8%
Buyout	241,844	47.6%	32,108,891	68.2%
Total 2005	508,320	100.0%	47,107,024	100.0%
Total 2004	546,480		36,952,185	

Source: EVCA

Table 4: Type of Investment by CEE Country, 2005
(Amounts in € th)

	Czech Rep.	Hungary	Poland	Romania	Slovak Rep.	Baltic States	Others*
Seed	-	-	-	-	-	-	-
Start-up	408	1,865	667	3,751	-	1,100	1,203
Expansion	10,621	62,349	2,196	11,358	1,430	25,789	17,902
Replacement Capital	31,331	18,495	55,283	-	18,037	2,690	-
Buyout	66,593	64,538	49,671	54,890	-	6,151	-
Total 2005	108,953	147,247	107,818	70,000	19,467	35,730	19,105
Total 2004	16,074	121,562	134,437	32,543	7,059	14,808	219,997

* Bulgaria, Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro

Source: EVCA

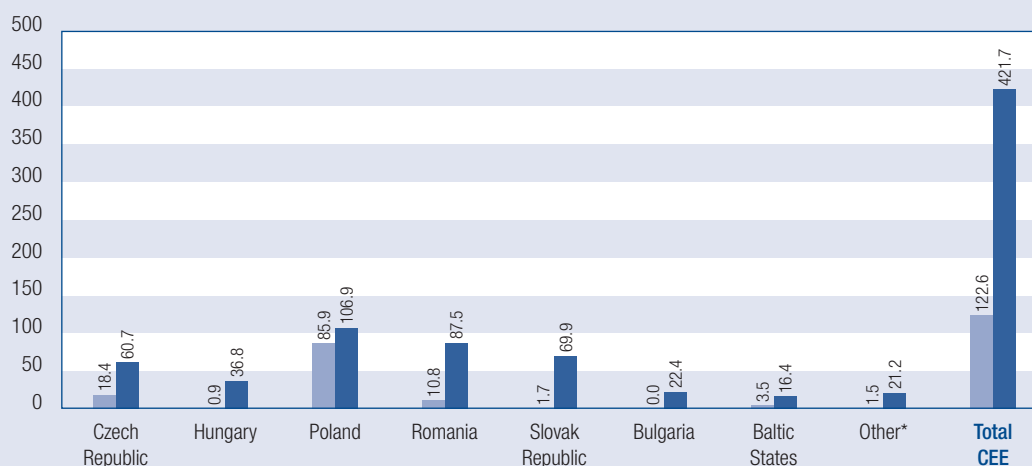
Exit activity (measured by cost of investment) increased significantly in 2005 compared to 2004, by some 244%. Trade sales dominated in 2005, with a number of consortium-led telecom transactions sold to industry players throughout the year. Public market exits remained reasonably strong, increasing more than 70% over 2004. Although secondary sales to other private equity houses increased substantially in 2005, the base was very low and compared to Europe as a whole, this was not a prominent exit route in CEE in 2005. Poland was the single largest exit market, accounting for 25% of total CEE exit activity, followed by Romania. Poland, Romania, the Slovak Republic and the Czech Republic together accounted for 77% of exit activity in 2005.

Table 5: Exits in CEE vs Total Europe, 2005 (Exit Value at Investment Cost)
(Amounts in € th)

	Total CEE	% of Total	Total Europe	% of Total
Divestment by Trade Sale	293,907	69.7%	6,746,933	22.6%
Divestment by Public Offering	44,915	10.7%	2,658,969	8.9%
Divestment by Write-Off	13,507	3.2%	1,406,802	4.7%
Repayment of Principal Loans	8,122	1.9%	6,964,814	23.3%
Sale to another Private Equity House	25,065	5.9%	5,476,272	18.3%
Sale to Financial Institution	629	0.1%	1,206,962	4.0%
Sale to Management (Buyback)	15,205	3.6%	1,592,532	5.3%
Divestment by Other Means	20,345	4.8%	3,790,390	12.7%
Total Divestment 2005	421,693	100.0%	29,843,673	100.0%
Total Divestment 2004	122,561		19,562,478	

Source: EVCA

Figure 4: Divestments at Cost by CEE Country, 2004-2005
(Amounts in € m)



* Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro

■ 2004
■ 2005

Source: EVCA





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