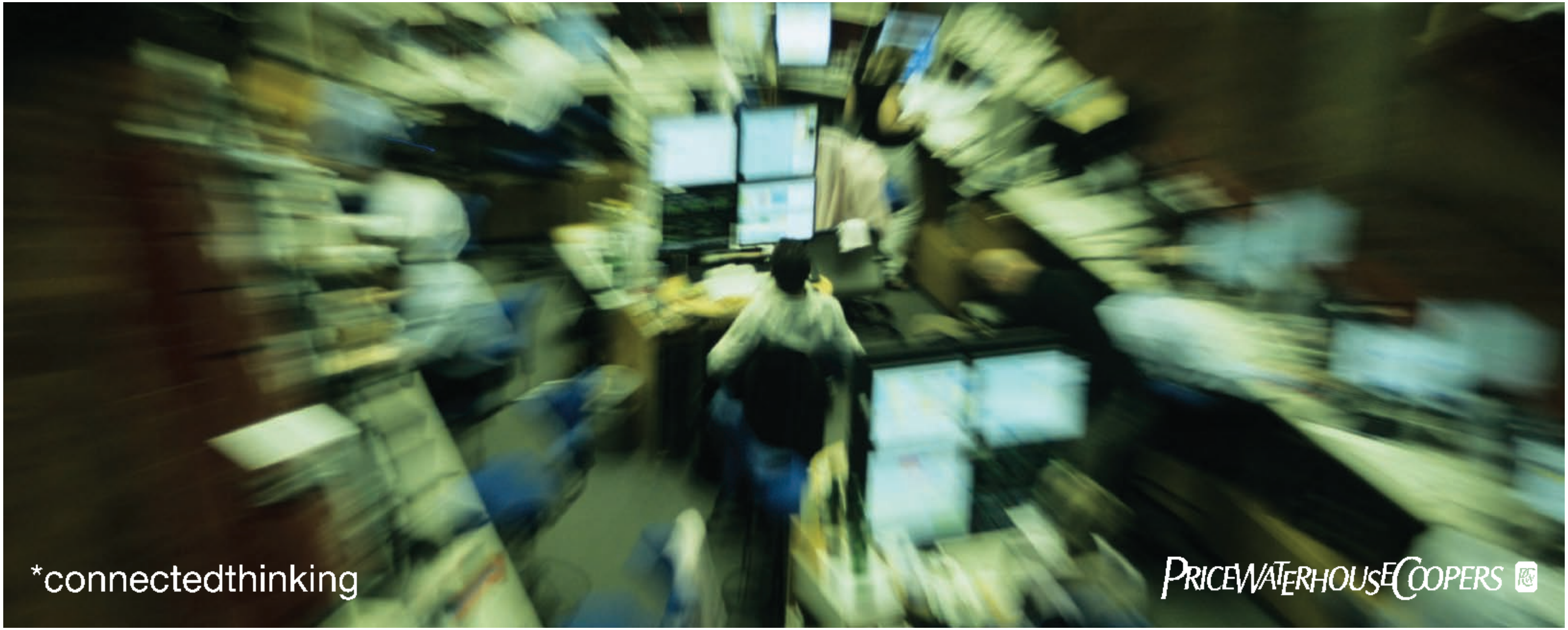
Investment Management and Real Estate

Private Equity Going Public*

Global Private Equity Report 2006



Global Private Equity Report 2006

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Global Private Equity Report 2006

Highlights

- A sea change is under way as private equity firms examine ways to be more transparent and introduce more formal corporate governance structures. Change is far from uniform, but there is a definite trend.
- Growth in size, visibility and economic importance make this change inevitable. Private equity firms are both reacting to pressure and paving the way for future growth. There is a great story to tell.
- Accounting and regulatory changes are playing their part. Private equity will soon have to make 'fair value' valuations of portfolio companies that will increase the volatility of reported performance. There is also a trend towards making far more formal and holistic assessments of risk.
- Private equity is reacting to greater competition by improving its unique ability to improve portfolio companies' operating performance. Private equity managers are focusing on enhancing their ability to create economic value through strategic advice as well as practical assistance in important transitions such as expanding into new countries.

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Grasping transparency and governance

01

Introduction

It is well known that the private equity industry is in the midst of a dramatic evolution in size and influence. Less well appreciated is the beginning of a sea change in transparency and corporate governance. This will transform it from a low profile, private industry dominated by a deal-making culture into one that conforms to a far greater extent with the norms of the public listed markets.

The industry's greater size and visibility, as well as its potential desire to access public equity markets are seen as major drivers of this trend. But accounting and regulatory changes are also reinforcing the paradigm shift, as is the need to manage growing tax risks.

Private equity General Partners (GPs) are approaching this trend in a variety of ways. At the industry level, the UK's British Venture Capital Association (BVCA) is conducting a review of transparency and disclosure with the intention of establishing a voluntary code. And individual groups are beginning to take actions ranging from boosting their corporate governance structures through to adopting 'fair value' accounting for portfolio companies.

This is a significant change for a traditionally discreet industry that has tended to create value through the unique skills of its principals. It has focused on acquiring businesses at the right price, improving operational performance and then selling them on. Leading GPs have relied on their impressive historical returns to attract ongoing capital from investors. However, little information has been shared publically.

But the industry's growth means this has to change. Fund raising is at a record high and likely to remain so – Private Equity Intelligence forecasts global fund raising will reach US$ 450 – 500 billion in 2007, up from US$ 404 billion in 2006. As the PricewaterhouseCoopers comprehensive survey of regional fund raising data in section 2 of this report shows, such growth has propelled private equity beyond its US roots into Europe and Asia. It is widely acknowledged that the UK has evolved as a serious player in this sector over the last ten years. As the proportion of the economy influenced by private equity grows, a wider group of stakeholders is demanding greater disclosure.

Demands for disclosure have been loudest in Europe, where private equity business models have clashed with Continental Europe's stakeholder models of capitalism. Politicians and unions have called for curbs

Grasping transparency and governance

on private equity activity, although this has been matched by high level support from sources such as Charlie McCreevy, the European Union internal market commissioner, and the European Central Bank.

The wider range of investors now allocating to private equity funds is also pushing greater disclosure, as well as more formal corporate governance. In particular, as GPs list Permanent Capital Vehicles (PCVs) on stock exchanges, so they have to report more frequently and to a wider audience. Even more importantly, GPs' management firms themselves are listing, which is even more significant in terms of the transparency it will force. Some industry leaders now expect most major firms to become public companies over the next few years.

Industry growth is also breeding a new set of tax risks. As portfolio companies are acquired further afield, the holding company structures employed are getting more complex. Some tax authorities are challenging these tax structures – most notably, the South Korean and German governments.

Finally, changes in accounting practices and financial services regulation are forcing change. In particular, the move to 'fair value' accounting is having an impact.

Below we highlight some of the key areas:

Transparency

There is a global move towards greater transparency and disclosure, although this is most immediately apparent in Europe, where the BVCA is working towards introducing a voluntary code.

Current listings in the United States and Europe of private equity firms and PCVs are leading to increased focus on the quality of reporting financial performance and balance sheet structures, descriptions of how performance has been achieved, directors' remuneration and even the primary risks faced. For an industry that has closely guarded such details as fund valuations, this is a major departure.

Another important driver of transparency is the move towards 'fair value' accounting. The convergence of worldwide accounting standards in respect of fair value accounting will have a significant impact on the industry. Historically, private equity firms have tended to value portfolio companies on a conservative basis, at times equating to cost. This had the advantage of allowing them to report smooth returns. But recent developments in accounting standards pushing funds to 'fair value' their investments on an exit basis mean that growing numbers are reporting what they judge to be the potential realisable values of portfolio companies. Fair value being defined as 'the price that would be received to sell an asset in an orderly transaction'.

As this method of valuation becomes more common, it will lead to greater volatility in reported fund performance. Furthermore, GPs will have to describe why portfolio companies have both risen and fallen in value. They will also have to explain how they have reached a valuation, disclosing in detail the valuation methodology applied.

Corporate governance

A number of GPs are establishing more formal corporate governance structures. In particular, this is a necessity for those seeking to list on stock exchanges. But also, the introduction of Basel II's Pillar 2 requirements, which will affect few GPs directly, is one factor leading to a general improvement in corporate governance in the financial services industry that will undoubtedly be of influence.

Even without these factors, there is greater emphasis on middle and back office areas. A number of GPs have strengthened their teams in these areas. Third party administrators typically carry out many of the back office functions, although the quality of their services offering can vary.

Those GPs that seek listings will need to create corporate governance models, if they do not already have them, and make these transparent to prospective investors. Any corporate governance model will need to have formal controls for managing and monitoring the investment portfolio. This might include systems for formulaic management reporting from portfolio companies. A number of GPs do not, as yet, require portfolio company finance directors to report in a uniform fashion. There should also be controls for managing risks, such as fraud risk within the underlying operating companies.

As the private equity investor base widens, we expect more GPs to commission SAS 70 type reviews of their corporate governance systems. An SAS 70 provides an insight into key control objectives established by management. These can be shown to prospective and existing investors performing due diligence.

Finally, the second pillar of Basel II, which is being introduced in many countries from the beginning of 2008, requires financial services firms to make holistic estimates of the risks they face and to allocate capital accordingly. Most GPs will escape having to comply with this directly – although it will apply to the few marketing retail investment vehicles. That said, this development is generally leading to the creation of more formal risk controls in

Grasping transparency and governance

the investment industry, and may raise investor expectations for private equity to follow suit.

Taxation risks

GPs have a fiduciary responsibility to ensure that tax-efficient structures are utilised such that returns to investors are maximised. Investors are responsible for their own tax affairs in their domestic jurisdiction. If this is not properly addressed, there is a risk that investors will suffer tax twice. Investors expect to see evidence from GPs as to how such risk is mitigated. This is becoming a significant concern to investors as funds invest in a wider range of countries and as governments begin to challenge investing structures.

In South Korea, for example, the tax authorities have recently probed the payment of dividends to a Netherlands private equity holding company. They concluded that because the beneficial owners of the company were not based there, the Netherlands' double taxation treaty with South Korea did not apply. As a result, the tax on dividends paid was increased from 10% to 25%.

Similarly, Germany's tax authorities are challenging the status of private equity holding companies established in Luxembourg to acquire companies in Germany. The German authorities will only recognise the validity of these structures, and therefore honour the double taxation treaty between the two countries, if they are companies with substance rather than just 'post box' companies.

Some governments have also been looking at the way in which private equity portfolio companies structure their balance sheets, where interest payments have a significant impact on taxable profits.

Value creation

As private equity grows, it is beginning to concentrate far more on creating value in portfolio companies through building their profits. Some firms have identified how they can help portfolio companies to improve performance. Typically, they are providing strategic advice, as well as help with management recruitment, expansion overseas and purchasing economies of scale. At a time when globalisation is posing significant challenges for many companies, there are many examples of private equity assisting portfolio companies in making the crucial transition to a new environment.

GPs are not obsessed with quarterly earnings of portfolio companies. They understand a company's earnings may be volatile, and instead they focus on longer term goals. CEOs of portfolio companies have said that they value the insights of the private equity industry. GPs operate across jurisdictions and industries and are able to use their unique expertise to improve financial performance, broaden market opportunities beyond traditional domestic focus and increase employment opportunities as a result.

Studies have shown that private equity is good for economies in the medium-term. In particular, this is attributed to the strong alignment of interests between GPs and portfolio company managements. GPs recognise that appropriate financial engineering does not in isolation provide longer term value creation.

Private equity houses have significant internal resource charged with helping to guide strategy and facilitate operational improvements at portfolio companies. They are doing this primarily because fierce competition for deals means they have to pay high prices. Therefore, they have to create value by promoting profitable growth.

Global Private Equity Report 2006

Fund raising and investment trends

02

PricewaterhouseCoopers' most recent survey of private equity data from across the world confirms the rise of the Asia Pacific as a destination for private equity investment. It also illustrates the generally buoyant level of private equity activity globally.

Demonstrating the increased influence of private equity in Asia Pacific, private equity invested US$29.6 billion in 2005, which was equivalent to 0.29% of GDP. Investment was 68% up on 2004, when it represented 0.21% of GDP.

By comparison, approximately US$136 billion of private equity and venture capital was invested globally in 2005, almost a quarter more than the US$110 billion invested in 2004. As a percentage of global GDP, 2005 investment was equivalent to 0.31%.

Fund raising reached a record US$272 billion globally for 2005, up 105% from US$133 billion in 2004.

Our survey data details activity in 2005, and provides what is probably the most comprehensive global picture of private equity activity. We aggregate the data from leading industry sources across North America, Europe, Asia Pacific, Central & South America and the Middle East & Africa. As such, we are able to provide detailed regional comparisons of data. We also give a snapshot of activity in 2006, providing data for the first six months of the year.

Our data tracks investment and fund raising back over eight years, to the beginning of 2005. It shows that global annual investment has grown at a compound average rate of 10.10% since starting at US$70 billion in 1998. Fund raising has expanded at the slightly higher rate of 10.79%.

Rise of Asia and emerging markets

The most striking finding from the report is the rise of the Asia Pacific and emerging markets as investment destinations. There were exceptional rises in investment in the following countries: China up 328% to US$ 8.81 billion, Singapore up 241% to US$ 4.41 billion, South Korea up 35% to US$ 2.10 billion and India up 45% to US$ 1.94 billion.

The amounts invested in individual countries were small by the standards of today's huge transactions, but they undeniably show a significant shift in investment to developing markets.

Fund raising and investment trends

Investments made exceeded locally raised funds, showing that capital has been transferred from North America and Europe over the study period of 1998 to 2005. For example, in the Asia Pacific US$ 111.51 billion was invested in the period, compared with just US$ 92.78 billion of funds raised.

North America remains largest market – and home of fund raising

North America remains far and away the largest private equity market. Funds raised soared during 2005 to US$ 160.5 billion, a rise of 87% on 2004's US$ 85.9 billion. Some US$ 47.6 billion was invested in the region in 2005, up only 3% on 2004's US$ 46.1 billion. This was equivalent to 0.35% of North American GDP, marginally lower than the 0.38% figure for 2004.

Reflecting its position as the most mature private equity market, the annual compound average growth rate for investment from 1998 to 2005 was just 2.60%. Funds raised expanded at a higher rate of 7.63% as the continent exported capital to the rest of the world.

This average masks considerable volatility, with investment peaking at US$ 128.7 billion in 2000 and touching a low of US$ 42.5 billion in 2002. Funds raised peaked at US$ 180.5 billion in 2000, but bottomed at US$ 57.1 billion in 2002.

Increasing penetration of Europe's economy

Judged against the size of Europe's economy, private equity had greater influence here than anywhere else.

Approximately US$ 55.1 billion was invested in Europe in 2005, up 27% on 2004's US$ 43.3 billion figure. This was equivalent to 0.40% of GDP and is a marginally higher number than 2004's 0.37%.

Fund raising increased substantially as European institutional investors increased their diversification into alternatives. Approximately US$ 84.1 billion was raised, up 161% on 2004's US$ 32.2 billion.

Over 1998 to 2005, investment expanded at a high average annual compound growth rate of 18.34%. Funds raised grew at a rate of 19.73%.

High-Technology and Expansion Capital continues recovery

There were strong expansions in technology and expansion capital activity. At US$ 47 billion in 2005, High-Technology investment accounted for 35% of total 2005 investment. Almost US$ 29 billion of Expansion Capital was invested, a rise of 31% on 2004.

Buyouts investments, the largest sector, totalled US $73 billion globally for 2005. While this represented an annual growth of just 9%, Buyout investment had continued to expand steadily through the volatile early years of this decade.

Over the period 1998 to 2005, Buyout investments expanded at an annual average compound rate of 13.22%. Expansion Capital investment grew at 4.80% and High-Technology at 7.46%.

Global Private Equity Report 2006

The World View

Investment & fund raising trends

03

Full Year 2005

Main Headlines

- Approximately US$136 billion of private equity and venture capital was invested globally in 2005 – an increase of 23% on the 2004 level of US$110 billion.
- This is equivalent to 0.31%* of the world's gross domestic product.
- A record US$272 billion of funds were raised globally in 2005 – up 105% from US$133 billion in 2004.

Sub Headlines

- Technology investments totalled at least US$47 billion in 2005 – 35% of total investment.
- Almost US$29 billion was invested in expansion stages in 2005 – up 31% on 2004 levels.
- Just under US$73 billion was invested globally in buyouts in 2005 – an increase of 9% on 2004.

*Based on 2005 GDP, from World Bank Development Indicators – US$44,385 billion

Note: Historical data has been revised based on amendments published in 2005. Data converted to US dollars using a fixed exchange rate from 1998 obtained from oanda.com.

1st Half 2006

Main Headlines

- At least US$73.3* billion of private equity and venture capital was invested in the three main regions of the world in the first half of 2006 – up 116% on the first half of 2005 (US$34.0 billion).
- Approximately US$135.3* billion of funds were raised in the three main regions of the world in the first half of 2005 – up 52% on the same period last year (US$88.9 billion).

*The European investment and funds raised data for Q1-Q2 2006 is based on a small sample of private equity firms and therefore the results are clearly understated.

Note: Data converted to US dollars using a fixed exchange rate from 1998 obtained from oanda.com.

The World View

Investment & fund raising trends

Investment and fund raising trends

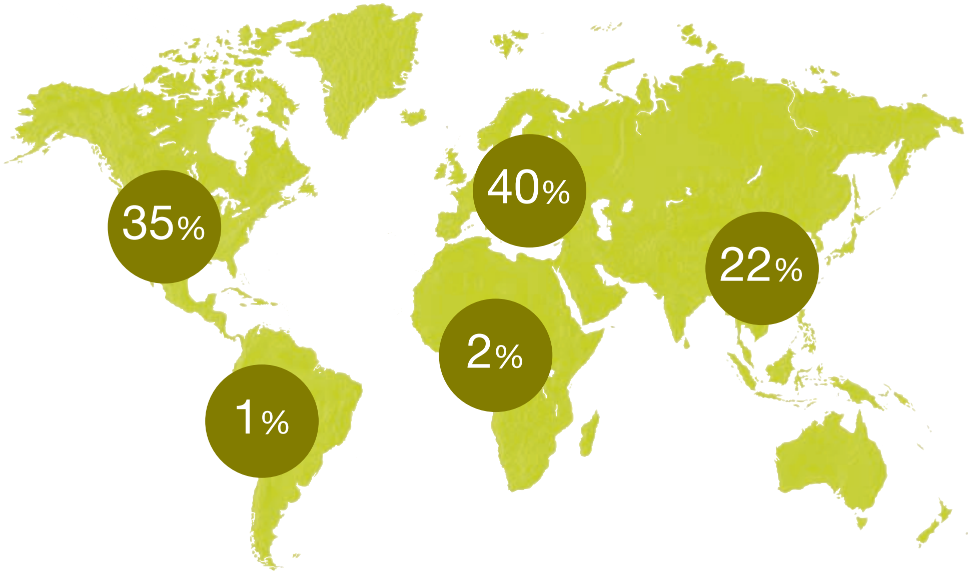
Investment: Compound average growth rate = 10.10%

Funds Raised: Compound average growth rate = 10.79%

Note: The data for Eastern Europe, Middle East & Africa and Central & South America has been up-weighted to take account of under-reporting in these regions.

Israel did not raise any funds in 2002, but returned US$145 million

Source: The PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™ Survey / Buyout Newsletter / Private Equity Analyst / CVCA Annual Statistical Review / EVCA Yearbook / AVCJ Guide to Venture Capital in Asia / Venture Equity Latin America / SAVCA Private Equity Survey / IVC Online



Top 20 Countries (Based on Investment)

North America
1. USA (1)
16. Canada (17)

Europe
2. United Kingdom (2)
4. France (4)
7. Sweden (10)
8. Germany (5)
9. Spain (6)
10. Netherlands (9)
11. Italy (11)
15. Denmark (19)

Middle East & Africa
17. Israel (16)
18. South Africa (15)

Asia Pacific
3. China (8)
5. Japan (3)
6. Singapore (14)
12. Australia (7)
13. Korea (12)
14. India (13)
19. New Zealand (-)
20. Indonesia (-)

Central & South America
Note: Individual country data is not available for Central and South America.

Note: Figures in brackets indicate their position in 2004.

The World View

Investment & fund raising trends

Top 20 Countries (Based on Investment) US$ Billion

Country Ranking	Investment Value	Funds Raised
1. USA	46.41	159.00
2. UK	27.92	53.48
3. China	8.81	2.14
4. France	8.55	13.42
5. Japan	7.95	4.42
6. Singapore	4.41	0.74
7. Sweden	3.52	2.25
8. Germany	3.16	3.37
9. Spain	3.12	1.20
10. Netherlands	2.74	2.86
11. Italy	2.56	1.58
12. Australia	2.32	2.08
13. Korea	2.10	2.52
14. India	1.94	2.48
15. Denmark	1.24	1.17
16. Canada	1.24	1.49
17. Israel	1.08	1.34
18. South Africa	0.89	0.40
19. New Zealand	0.75	0.22
20. Indonesia	0.56	-

Source: The PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™ Survey / Buyout Newsletter / Private Equity Analyst / CVCA Annual Statistical Review / EVCA Yearbook / AVCJ Guide to Venture Capital in Asia / Venture Equity Latin America / SAVCA Private Equity Survey / IVC Online

% Change in Investment 04/05 US$ Billion

Country Ranking	Investment Value	% Change
1. USA	46.41	+6%
2. UK	27.92	+25%
3. China	8.81	+328%
4. France	8.55	+40%
5. Japan	7.95	+13%
6. Singapore	4.41	+241%
7. Sweden	3.52	+85%
8. Germany	3.16	-28%
9. Spain	3.12	+35%
10. Netherlands	2.74	+41%
11. Italy	2.56	+48%
12. Australia	2.32	+7%
13. Korea	2.10	+35%
14. India	1.94	+45%
15. Denmark	1.24	+167%
16. Canada	1.24	+4%
17. Israel	1.08	-11%
18. South Africa	0.89	-29%
19. New Zealand	0.75	+200%
20. Indonesia	0.56	+694%

Source: The PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™ Survey / Buyout Newsletter / Private Equity Analyst / CVCA Annual Statistical Review / EVCA Yearbook / AVCJ Guide to Venture Capital in Asia / Venture Equity Latin America / SAVCA Private Equity Survey / IVC Online

The World View

Investment & fund raising trends

Top 20 Countries (Based on Investment)

North America

Note: The US and Canada have compound average growth rates of 2% and 1% respectively, since 1998.

Europe

1. Denmark (74%)
4. Sweden (47%)
8. Spain (33%)
10. France (22%)
12. United Kingdom (19%)
13. Norway (15%)
14. Italy (13%)
16. Netherlands (12%)
18. Switzerland (8%)
19. Germany (5%)
20. Finland (3%)

Middle East & Africa

15. South Africa (12%)
17. Israel (9%)

Asia Pacific

2. Pakistan (70%)
3. India (55%)
5. Singapore (40%)
6. Japan (36%)
7. Australia (33%)
9. China/HK (31%)
11. Korea (19%)

Central & South America

Note: Individual country data is not available for Central and South America.

Note: Only countries with investments of at least US$0.30 billion shown – other than Pakistan which went down to US$0.08 billion in 2005.

Cumulative investments and funds raised (98-05) US$ Billion

Region	Investment Value	Funds Raised	Overhang
1. Global	935.06	1,312.48	377.42
2. North America	503.39	852.02	348.63
3. Europe	281.50*	338.21*	56.71
4. Asia Pacific	111.51	92.78	-18.73
5. Middle East & Africa	18.25*	16.98*	-1.27
6. Central and South America	20.40*	12.50	-7.90

Note: *The data for Eastern Europe, Middle East & Africa and Central & South America has been upweighted to take account of under-reporting in these regions.

Source: The PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™ Survey / Buyout Newsletter / Private Equity Analyst / CVCA Annual Statistical Review / EVCA Yearbook / AVCJ Guide to Venture Capital in Asia / Venture Equity Latin America / SAVCA Private Equity Survey / IVC Online

Global Private Equity Report 2006

The World View

High-technology investment trends

04

Top 20 Countries (Based on Investment)

North America
1. USA (US$22.93)
9. Canada (US$1.00)

Western Europe
2. United Kingdom (US$8.72)
4. France (US$2.38)
7. Sweden (US$1.25)
8. Germany (US$1.11)
10. Spain (US$0.85)
11. Denmark (US$0.73)
14. Italy (US$0.54)
16. Netherlands (US$0.47)
18. Switzerland (US$0.28)
19. Norway (US$0.20)
20. Finland (US$0.14)

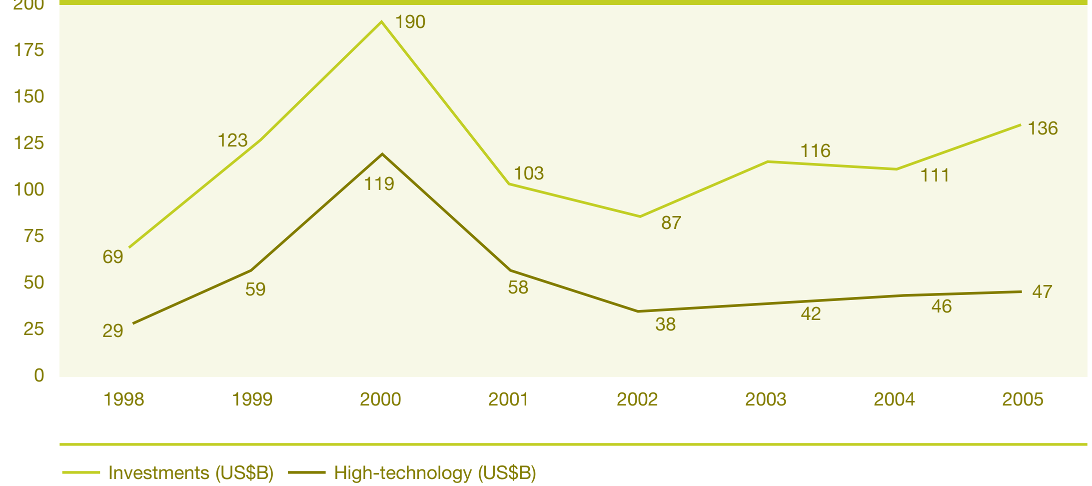
Middle East & Africa
13. Israel (US$0.62)

Asia Pacific
3. Thailand (US$3.63)
5. India (US$1.58)
6. Taiwan (US$1.46)
12. Japan (US$0.66)
15. Hong Kong (US$0.49)
17. China (US$0.43)

Central & South America

Note: Individual country data is not available for Central and South America.

High technology investment trends



Investment: Compound average growth rate = 10.10%

High-Technology: Compound average growth rate = 7.46%

Source: The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey / Buyout Newsletter / Private Equity Analyst / CVCA Annual Statistical Review / EVCA Yearbook / AVCJ Guide to Venture Capital in Asia

Global Private Equity Report 2006

The World View

Expansion investment trends

05

Top 20 Countries (Based on Expansion Investment)

North America
1. USA (US$8.58)
10. Canada (US$0.58)

Western Europe
2. United Kingdom (US$5.15)
5. Germany (US$1.13)
6. France (US$1.09)
7. Denmark (US$0.85)
8. Sweden (US$0.83)
9. Spain (US$0.76)
11. Netherlands (US$0.57)
13. Italy (US$0.48)
17. Norway (US$0.31)
18. Switzerland (US$0.28)
19. Portugal (US$0.16)

Middle East & Africa
15. Israel (US$0.41)

Asia Pacific
3. China (US$3.91)
4. India (US$1.16)
12. Japan (US$0.50)
14. Australia (US$0.46)
16. Singapore (US$0.38)
20. Korea (US$0.14)

Central & South America
Note: Individual country data is not available for Central and South America.

Expansion investment trends

Investment: Compound average growth rate = 10.10%

Expansion: Compound average growth rate = 4.80%

Source: The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey / Private Equity Analyst / CVCA Annual Statistical Review / EVCA Yearbook / AVCJ Guide to Venture Capital in Asia

Global Private Equity Report 2006

The World View

Buyout investment trends

06

Top 20 Countries (Based on Buyout Investment)

North America
1. USA (US$23.77)

Western Europe
2. United Kingdom (US$20.32)
3. France (US$6.55)
7. Sweden (US$2.51)
8. Spain (US$2.18)
9. Netherlands (US$1.80)
10. Italy (US$1.78)
11. Germany (US$1.67)
17. Denmark (US$0.26)
20. Norway (US$0.11)

Middle East & Africa
15. South Africa (US$0.65)

Asia Pacific
4. Japan (US$6.39)
5. Singapore (US$3.79)
6. China (US$3.37)
12. Korea (US$1.66)
13. Australia (US$1.65)
14. New Zealand (US$0.67)
16. Indonesia (US$0.54)
18. India (US$0.17)
19. Hong Kong (US$0.14)

Central & South America
Note: Individual country data is not available for Central and South America.

Buyout investment trends

Investment: Compound average growth rate = 10.10%

Expansion: Compound average growth rate = 13.22%

Source: The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey / Buyout Newsletter / Private Equity Analyst / CVCA Annual Statistical Review / EVCA Yearbook / AVCJ Guide to Venture Capital in Asia

Global Private Equity Report 2006
North America

07

Data Sources:

The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey **www.pwcmoneytree.com**

Buyouts, a Venture Economics publication **www.ventureeconomics.com**

The Private Equity Analyst, published by Asset Alternatives, Inc., Wellesley Massachusetts 781-304-1400 **www.assetnews.com**

Canadian Venture Capital Association (CVCA) Annual Statistical Review, prepared by Macdonald and Associates Limited **www.cvca.ca**

Full Year 2005

Main Headlines

- US$47.6 billion of private equity and venture capital was invested in North America in 2005 – an increase of 3% on 2004.
- This is equivalent to 0.35%* of North American GDP.
- US$160.5 billion funds were raised in North America in 2005 – up 87% on 2004 levels.

Sub Headlines

- At least US$23.9 billion was invested in technology investments in North America in 2005 – the same as 2004 levels.
- Approximately US$9.2 billion was invested in expansion stages in 2005 – a decrease of 7% on 2004.
- At least US$23.8 billion was invested in buyouts in 2005 – an increase of 4% on 2004.

*Based on 2005 GDP for USA and Canada, from World Bank Development Indicators – US$13,570 billion

Note: Historical data has been revised based on latest amendments.

1st Half 2006

Main Headlines

- Approximately US$28.9 billion of private equity was invested in North America in the first half of 2006 – This up 37% on the same period last year (US$21.1 billion).
- The US accounted for US$28.3 billion (98%) of this investment.
- Approximately US$74.0 billion funds were raised in North America in the first half of 2006. This is an increase of more than 48% on the same period last year.
- The US accounted for US$73.4 billion (99%) of these funds.

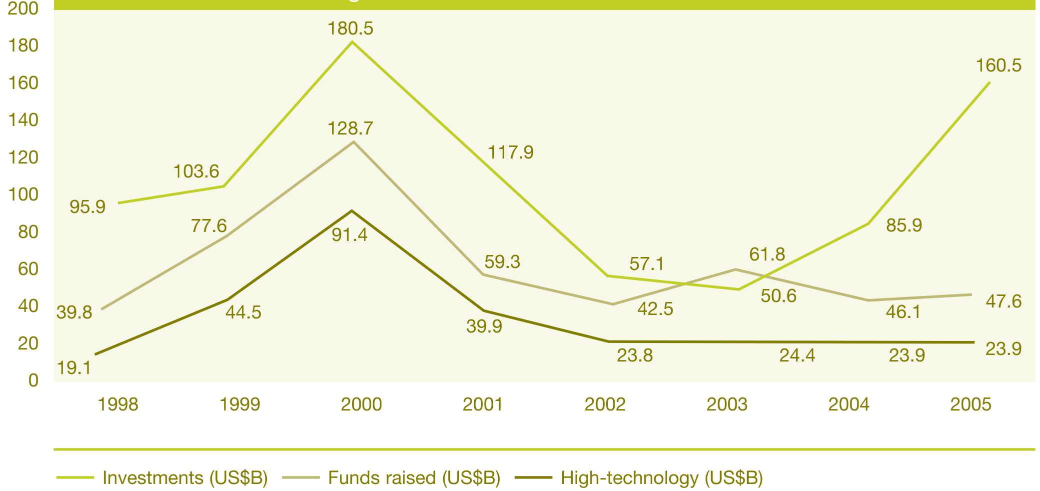
Sub Headlines

- At least US$2 billion was invested in start up and early stage companies in the first half of 2006 – accounting for 12% of all investment.
- Approximately US$5.4 billion was invested in expansion stages in the first half of 2006.
- At least US$15.8 billion was invested in buyouts in the first half of 2006 and the remainder was invested in other late stage financing.

(Data not available for Canada by stage).

Note: Data converted to US dollars using a fixed exchange rate from 1998 obtained from oanda.com.

Investment and fund raising trends



Investment: Compound average growth rate = 2.60%

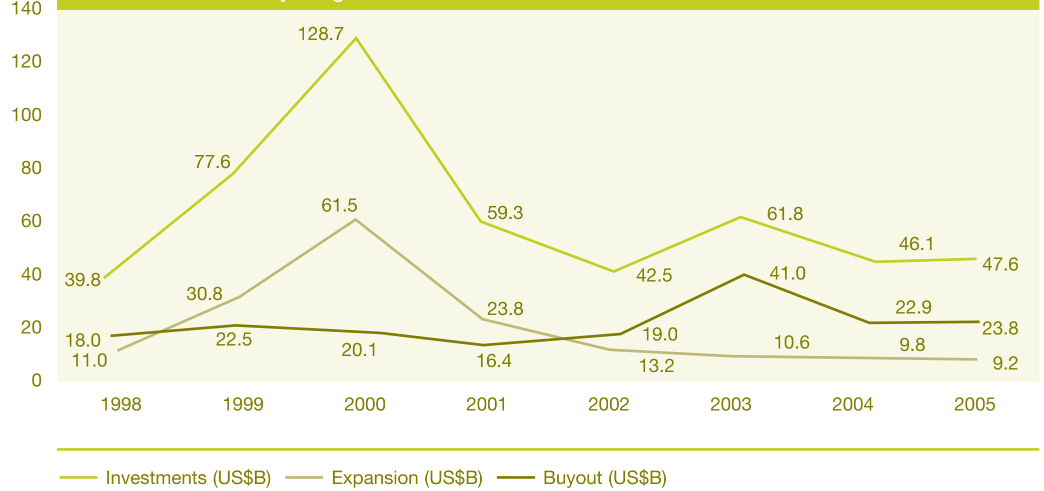
High-Technology: Compound average growth rate = 3.31%

Funds Raised: Compound average growth rate = 7.63%

Note: Assumes 15% of buyouts are in technology sectors

Source: The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey / Venture Economics Buyout Newsletter / Private Equity Analyst / CVCA Annual Statistical Review

Investment trends by stage



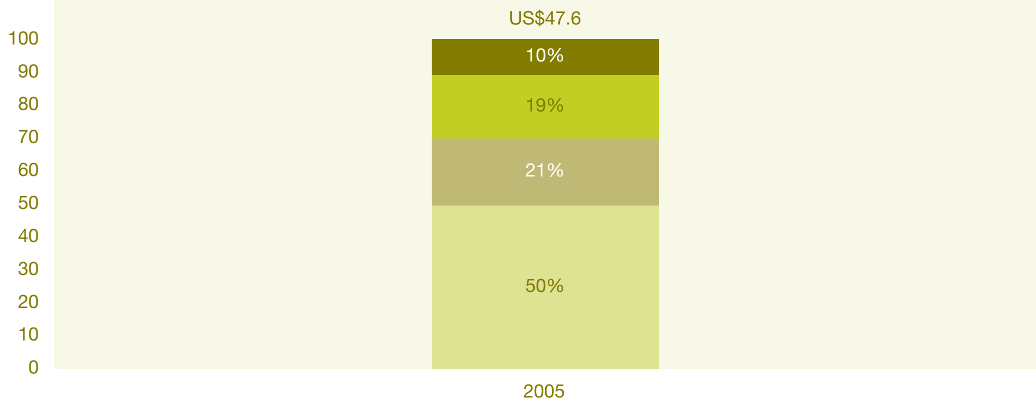
Investment: Compound average growth rate = 2.60%

Expansion: Compound average growth rate = -2.54%

Buyout: Compound average growth rate = 4.05%

Source: The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey / Venture Economics Buyout Newsletter / CVCA Annual Statistical Review

% stage of investment (total invested - Billions)

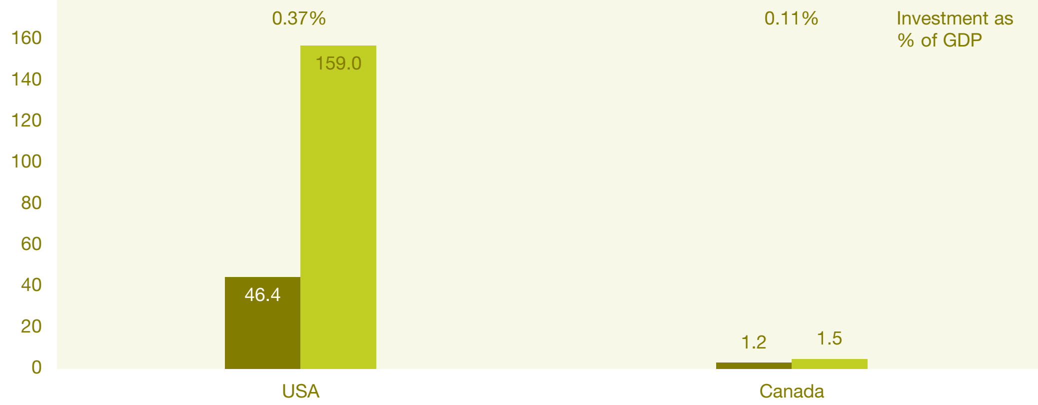


■ Early stage ■ Expansion ■ Other late stage ■ Buyout

Data for North America has been created by adding MoneyTree™ / Buyout Newsletter and CVCA data

Source: The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey / Venture Economics Buyout Newsletter / CVCA Annual Statistical Review

Investments and funds raised by country (US$B)



■ Investments ■ Funds raised

Total Investment: US$47.6 billion

Total Funds Raised: US$160.5 billion

Source: The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey / Venture Economics Buyout Newsletter / The Private Equity Analyst / CVCA Annual Statistical Review

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Europe

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Data Sources:

European Private Equity and Venture Capital Association (EVCA) Survey, conducted by PricewaterhouseCoopers and Thomson Venture Economics **www.evca.com**

Data converted to US dollars using a fixed exchange rate from 1998 obtained from oanda.com.

Full Year 2005

Main Headlines

- Approximately US$55.1 billion of private equity and venture capital was invested in Europe in 2005 – a 27% increase on 2004.
- This is equivalent to 0.40%* of European GDP.
- At least US$84.1 billion funds were raised in Europe in 2005 – up 161% on 2004 levels.

Sub Headlines

- Technology investments in Europe totalled approximately US$17.2 billion in 2005 – up 31% on 2004 levels. This is the highest level ever.
- Approximately US$12.0 billion was invested in expansion stages in 2005 – an increase of 30% on 2004.
- The buyout market totalled a record US$37.6 billion in 2005 – up 25% on 2004.

*Based on 2005 GDP for Europe as calculated using The World Bank Development Indicators – US$13,807 billion

Note: Actual data shown – not upweighted. Data converted to US dollars using a fixed exchange rate from 1998 obtained from oanda.com.

1st Half 2006

Main Headlines

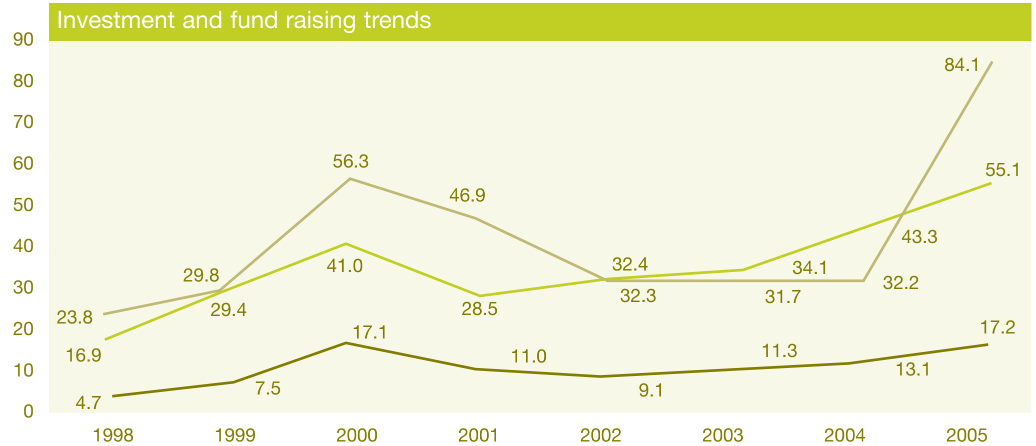
- An estimated US$17.8* billion of private equity and venture capital was invested in Europe in the first half of 2006 – up 53% on the same period last year.
- Approximately US$45.6* billion funds were raised in Europe in the first half of 2006. This is an increase of 26% on the same period last year.

Sub Headlines

- Early stage investments in Europe totalled just under US$0.7 billion in the first half of 2006.
- Almost US$3.8 billion was invested in expansion stages in the first half of 2006.
- The buyout market totalled approximately US$12.7 billion in the first half of 2006.

*The European investment and funds raised data for Q1-Q2 2006 is based on a small sample of private equity firms and therefore the results are clearly understated.

Note: Actual data shown – not upweighted. Data converted to US dollars using a fixed exchange rate from 1998 obtained from oanda.com.



Investments (US$B) Funds raised (US$B) High-technology (US$B)

Investment: Compound average growth rate = 18.34%

High-Technology: Compound average growth rate = 20.29%

Funds Raised: Compound average growth rate = 19.73%

Source: EVCA Yearbook

Investments (US$B) Expansion (US$B) Buyout (US$B)

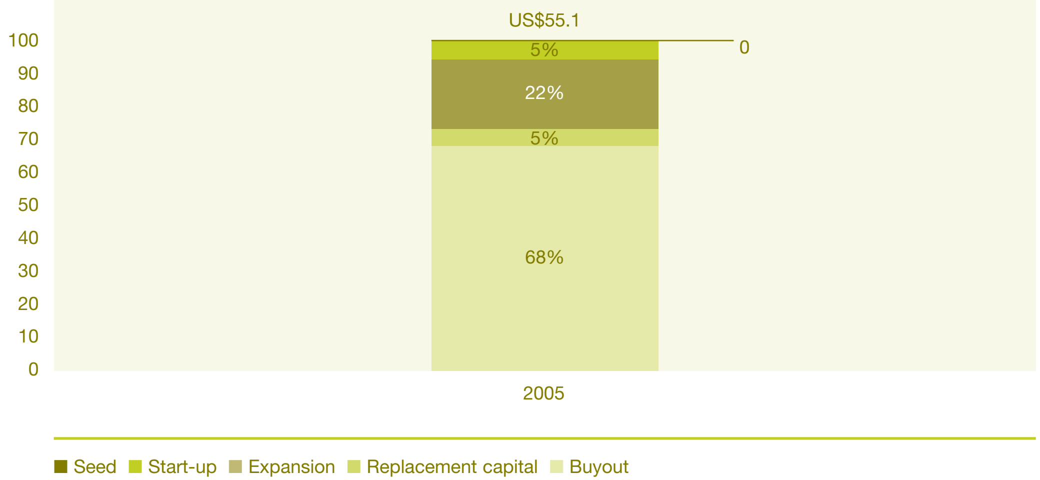
Investment: Compound average growth rate = 18.34%

Expansion: Compound average growth rate = 13.06%

Buyout: Compound average growth rate = 23.27%

Source: EVCA Yearbook

% stage of investment (total invested - Billions)



Source: EVCA Yearbook

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Asia Pacific

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Data Sources:

Asian Venture Capital Journal (AVCJ) Guide to Venture Capital in Asia and estimates from the AVCJ for 2006 **www.asianfn.com**

Full Year 2005

Main Headlines

- Approximately US$29.6 billion of private equity and venture capital was invested in the Asia Pacific region in 2005 – up 68% on 2004 levels.
- This is equivalent to 0.29%* of Asian GDP.
- US$23.2 billion of funds were raised in Asia Pacific in 2005 – up 102% on 2004 levels.

Sub Headlines

- Technology investments in Asia Pacific totalled an estimated US$5.0 billion in 2005 – down 30% on 2004 levels.
- At least US$6.8 billion was invested in expansion stages in 2005 – an increase of 224% on 2004.
- The buyout market totalled US$9.2 billion in 2005 – down 17% on 2004.

*Based on 2005 GDP, as calculated using The World Bank Development Indicators – US$10,351 billion No GDP data available for Taiwan

1st Half 2006

Main Headlines

- At least US$26.5 billion of private equity and venture capital was invested in the Asia Pacific region in the first half of 2006.
- Approximately US$15.7 billion of funds were raised in Asia Pacific in the first half of 2006.

Sub Headlines

- Around US$3.5 billion (13%) of this investment was made in expansion stages.
- The buyout market totalled US$16.1 billion in the first half of 2006, which equates to 61% of total investments.

Note: Actual data shown – not upweighted. Data converted to US dollars using a fixed exchange rate from 1998 obtained from oanda.com.

Investment and fund raising trends

Investments (US$B) Funds raised (US$B) High-technology (US$B)

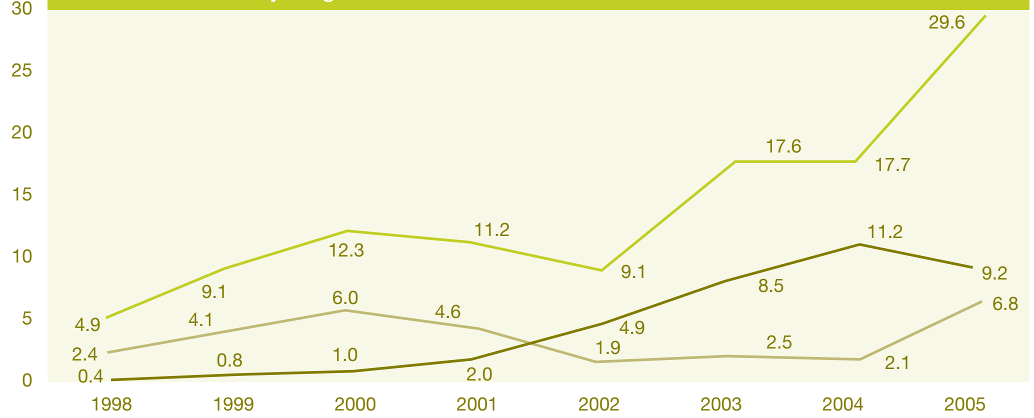
Investment: Compound average growth rate = 29.25%

High-Technology: Compound average growth rate = 16.30%

Funds Raised: Compound average growth rate = 17.65%

Source: AVCJ Guide to Venture Capital in Asia

Investment trends by stage



Investments (US$B) Expansion (US$B) Buyout (US$B)

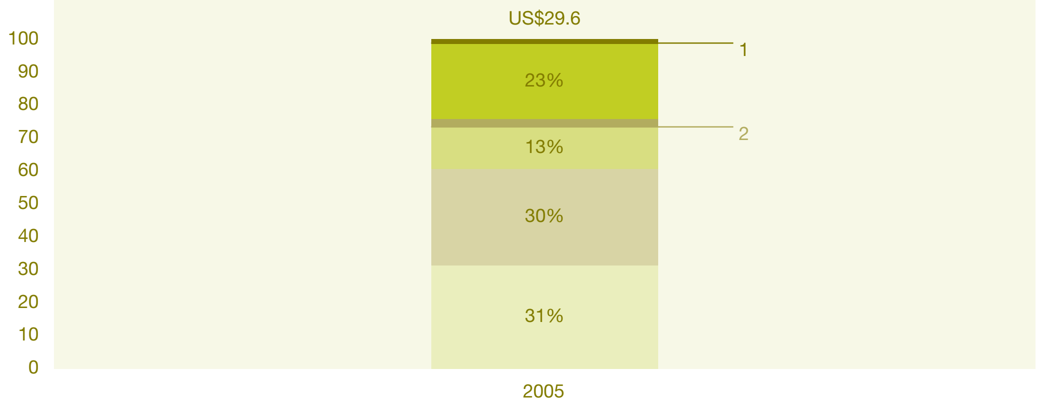
Investment: Compound average growth rate = 29.25%

Expansion: Compound average growth rate = 16.09%

Buyout: Compound average growth rate = 57.00%

Source: AVCJ Guide to Venture Capital in Asia

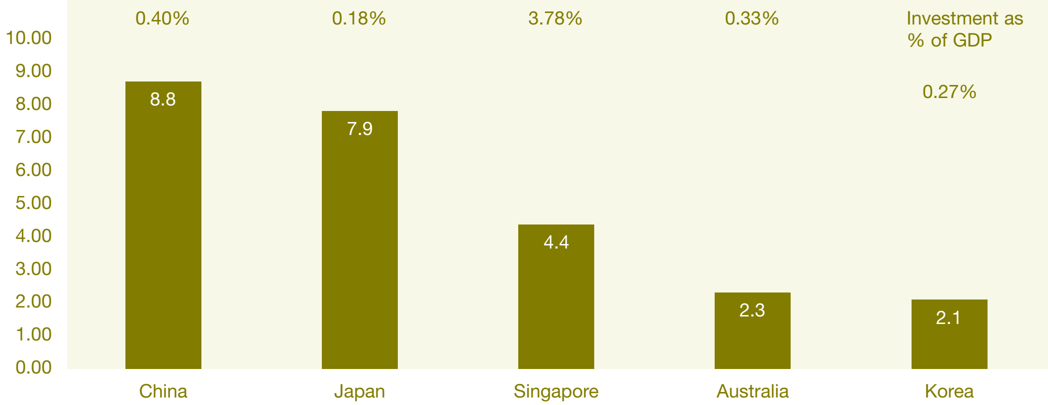
% stage of investment (total invested - Billions)



■ Start-up/early stage ■ Expansion ■ Mezzanine ■ PIPE financing ■ Turnaround ■ Buyout

Source: AVCJ Guide to Venture Capital in Asia

Investments and funds raised by country - top 5 (US$B)



Total investment: US$29.6 billion

Source: AVCJ Guide to Venture Capital in Asia

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Contacts, Data Sources and Disclaimer

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Data Sources

North America:	The PricewaterhouseCoopers / Venture Economics / National Venture Capital Association MoneyTree™ Survey **www.pwcmoneytree.com**
	Buyouts, a Venture Economics publication **www.ventureeconomics.com**
	The Private Equity Analyst, published by Asset Alternatives, Inc., Wellesley Massachusetts 781-304-1400 **www.assetnews.com**
	Canadian Venture Capital Association (CVCA) Annual Statistical Review, prepared by Macdonald and Associates Limited **www.cvca.ca**
Europe:	European Private Equity and Venture Capital Association (EVCA) Survey, conducted by PricewaterhouseCoopers and Thomson Venture Economics **www.evca.com**
Asia Pacific:	Asian Venture Capital Journal (AVCJ) Guide to Venture Capital in Asia and estimates from the AVCJ **www.asianfn.com**
	Private Equity Analyst, Thomson Financial **www.thomson.com**
Central/South America:	Venture Equity Latin America Year-End Report **www.ve-la.com**
Middle East and Africa:	The Kesselman and Kesselman PricewaterhouseCoopers™ MoneyTree Survey, Israel **www.pwcmoneytree.com**
	Israel Venture Capital Research Centre Annual Survey **www.ivc-online.com**
	KPMG and the South African Venture Capital Association (SAVCA) Private Equity Survey **www.savca.co.za**

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PricewaterhouseCoopers International Survey Unit

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The ISU's research team has undertaken some of the most prestigious and thought provoking surveys of recent years. From Fortune-500 companies to national governments, PricewaterhouseCoopers ISU delivers cutting-edge research on which major strategy and policy decisions can be made.

The ISU's research capacity spans all continents and all industry/service sectors. A core team of 42 research consultants (supported by 100 research interviewers) manage specific areas of expertise ranging from sampling, questionnaire design, statistical analysis, to sectoral expertise in areas such as market assessment and thought leadership.

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