

PRIVATE EQUITY BAR^ΛMETER

Q3 2011

Figures based on preliminary quarterly data from
Europe's specialist private equity information provider.

unquote™ ARLE

Key findings

Overall European private equity

- Growth in activity in Q2 proved to be another false dawn, with the number of private equity-backed transactions completed in the third quarter falling by 36% to 187, the lowest total in the sample.
- Total deal value recorded an even more substantial drop compared to the preceding three month period, sliding by 49% compared to Q2 to €14.8bn.
- While these numbers reflect a significant slowdown in the midst of a chaotic macroeconomic environment created by the ongoing sovereign debt crisis, the value total remains ahead of that seen in Q1 2011.
- On a year-to-date basis deal numbers are down 13% compared to the first nine months of 2010 with 763 completed deals, while value is up 15% to €58.3bn.

Buyouts

- There were 96 private equity-backed acquisitions completed over the three months to September 2011, almost a quarter less than the 127 completed in Q2.
- Total value for the third quarter stood at €13.8bn, an even steeper drop of 49% in comparison to the strong figure of €27.1bn recorded over the three month period to June.
- The strong second quarter performance has meant that the year-to-date totals remain up on 2010, with this year's 333 deals worth €54.3bn up 15% and 24% respectively.
- The value slowdown in Q3 was driven by decreased activity in the €1bn+ range, which saw three completions worth a little more than €4bn compared to eight deals worth €11.5bn in Q2.
- The bulk of the volume decline was recorded in the €100m to €1bn mid-market range, which saw activity fall by nearly 40% from 43 transactions in the second quarter to 26 deals in Q3.
- A significant slide was also witnessed in the normally resilient lower value segment of less than €100m, which saw volume and value fall 12% and 20% to 67 deals worth €2.4bn.
- The drop-off in activity was fairly consistent across all European regions, with France recording the largest drop in activity of 45% to 18 deals while value fell 60% to €3.5bn.
- A notable exception in activity terms was the UK, which recorded an increase in the number of acquisitions completed from 25 to 29 and thus regained top spot in overall volume terms.
- Secondary buyouts plummeted by 45% from 58 transactions in the second Q2 to just 32 in Q3, while family and private sales held up well and fell only slightly from 44 deals to 41.

Growth capital

- The growth capital segment was the worst performing overall in Q3, witnessing a drop of 48% in volume terms from Q2's total of 117 to just 61 transactions in Q3.
- Value also dropped substantially by 49% from the 18-month high recorded in the second quarter of €1.5bn to an 18-month low of €785m in the three months to September.
- Year-to-date the expansion segment is some way off the numbers for the first nine months of 2010, with volume and value 28% and 48% lower at 305 deals worth €3.4bn.
- The low value of deals in Q3 is reflected in the list of the top ten deals for the three months, which includes eight deals worth less than €50m and four deals worth less than €25m.
- Just one deal in Q3 did not fall into the smallest size range - the €100m investment into Dutch industrial engineering company Sarens Group by Waterland Private Equity.

Early-stage

- There were just 30 early-stage investments completed in the three months to September, 39% less than the 49 deals recorded in Q2 and the lowest total since Q4 2005.
- The venture value total increased slightly quarter-on-quarter from €174m to €178m, though this still represents the second-lowest figure in the 18-month sample.
- Year-to-date the early-stage segment is 22% and 19% down compared to 2010's already low figures of 125 deals completed worth €610m.
- The UK was home to the largest deal completed over the quarter - the €46m investment into electronics company Nexeon in a funding round led by Imperial Innovations and Invesco.
- The UK was home to six deals in total, leaving it some way behind the most active country, Germany, which accounted for 14 of the 30 transactions recorded during the quarter.

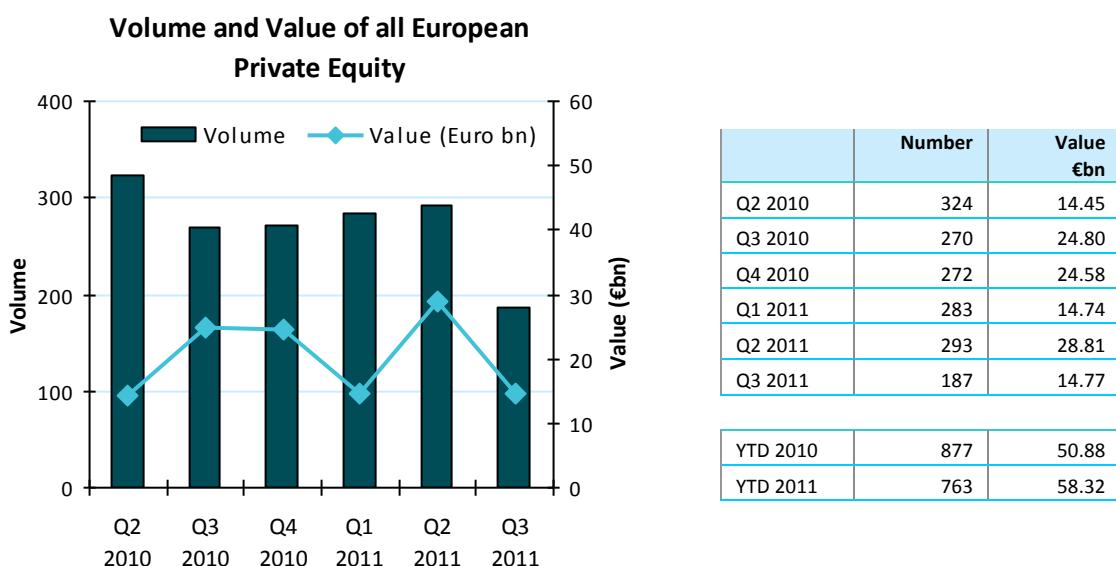
Update on Q2 2011 figures

Following the publication of the Barometer each quarter, both information on new deals and updates on existing deals invariably come to light. The following bullet points provide updated information on Q2 2011 deals that emerged after the publication of the Barometer in July 2011.

- There are now a total of 293 deals recorded for the three months to June 2011, 40 more than the 253 that were recorded at the time of the publication of the last Barometer in July.
- In the value terms the total for the quarter is now €28.8bn, €1.7bn less than the €27.3bn figure published in the July report.
- There are now 127 buyouts listed for Q2, 21 more than the figure published in April. This is due to 23 new deals coming to light, three being deleted and one expansion deal being reclassified.
- The expansion segment now lists 117 completed deals in Q2, 16 more than the July figure. This is the result of 19 deals being added, one being deleted and two being reclassified.
- There are now 49 early stage transactions recorded for Q2, three more than previously thought. This is the result of two deals being added and one expansion deal being reclassified.

Private equity plummets as panic takes hold

Overall European private equity



European private equity has witnessed another false dawn – by no means the first in the four years since the credit crunch first emerged. The second quarter of 2011 had seen overall activity levels rise for the third consecutive quarter on the back of a recovery in the buyout market, which saw total value more than double compared to the period to the end of March. Just three months on and the world seems to have changed dramatically, making these already look like heady days indeed.

The debt crisis in the eurozone, which had been simmering away under the surface for some time, has exploded on to centre stage again and created a wave of panic that has engulfed global stock markets. Unsurprisingly banks have been hit particularly hard and the high-yield bond market, which had been the saving grace of many a transaction earlier in the year, has shut. Buyouts have therefore dropped by a quarter, and the growth capital and venture markets have seen a similar slowdown as investor paralysis has set in over fears of the knock-on effects of the current maelstrom in the global economy.

Overall private equity-backed transactions fell by 36% quarter-on-quarter to 187 deals, with value plummeting 49% compared to Q2 to €14.8bn. Some comfort can perhaps be found, however, in the fact that this value figure remains higher than that seen in Q1 2011 and Q2 2010, indicating that the market has not signalled a complete retreat to its earlier malaise. This, combined with the fact that the early summer had seen the exit market recover strongly as confidence in corporate performance continued to grow, suggests that while we may see a quiet close to 2011, there is cause to be optimistic over the prospects for 2012 and beyond.

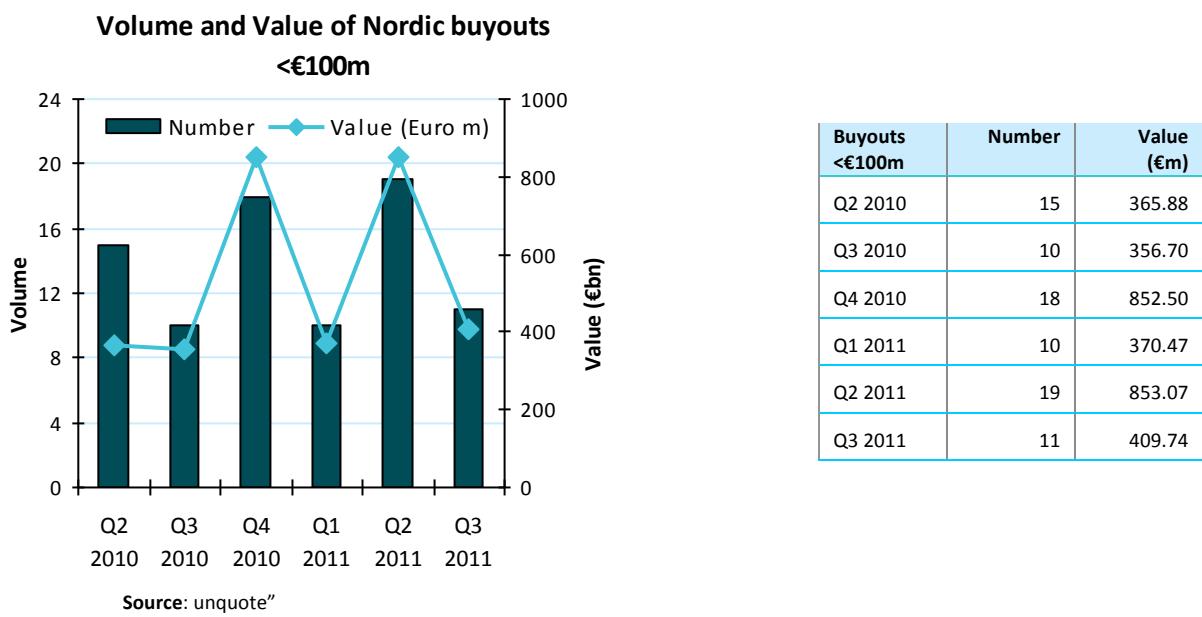
Quarterly focus

Nordic buyout market

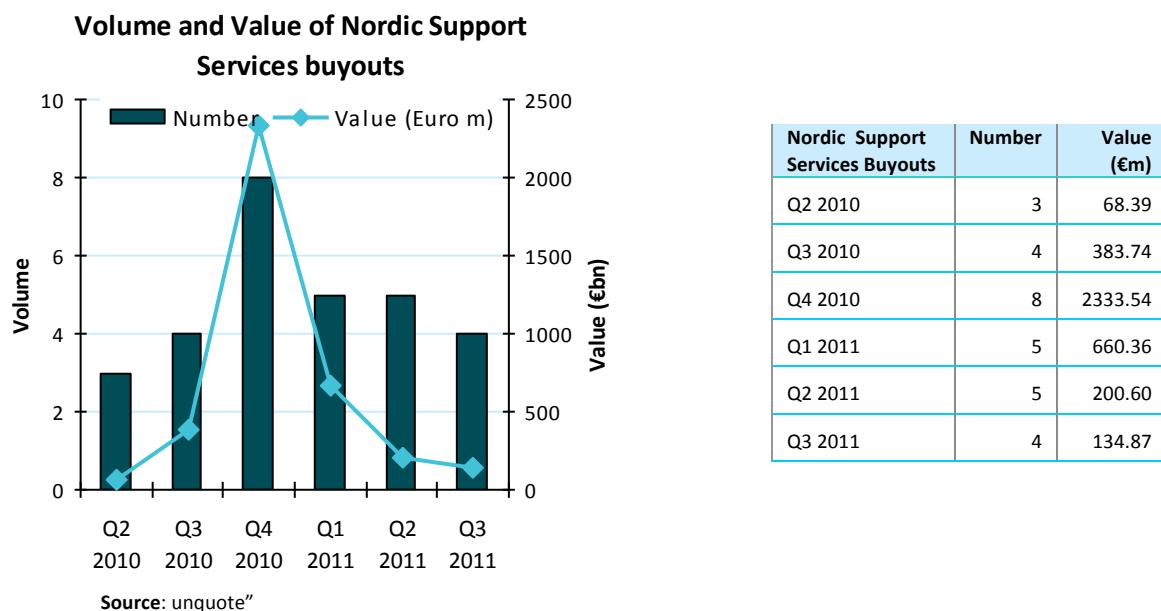
In private equity terms, the Nordic region has been something of a late bloomer. With a succession of socialist governments controlling many of the Scandinavian countries - including the largest economy in the bloc, Sweden - and levying tax in a way that was not exactly business friendly, coupled with a very localised banking system that lacks the global big players that exist in some of Europe's other regions, the Nordics have for many years represented only a minor portion of European private equity activity.

This began to change in the early noughties, however, as new administrations sought to boost the flow of capital into their countries and global buyout houses began eyeing up a market that had hitherto been largely dominated by smaller local players. This culminated in the buyout of Danish telecommunications company TDC in 2006, then Europe's largest ever buyout at close to €7bn. Even in today's slower market such big deals continue, with Sweden having been home to the largest deal recorded in the three months to September 2011 - one of only three €1bn+ deals in the third quarter of 2011 – the €1.86bn acquisition of media business Com Hem by BC Partners.

But the market continues to be driven by the lower value ranges, with the category representing deals worth less than €100m accounting for 11 of the 13 transactions completed in Q3. This represents impressive stability given the current market backdrop, with both Q1 2011 and Q3 2010 registering smaller volume totals and both also coming in shy of the €410m value total for the three months to September 2011. This stands in contrast to the picture in the broad mid-market range, covering deals worth between €100m and €1bn, which saw just a single deal in Q3, making the past three months the slowest quarterly period over the past 18 months.

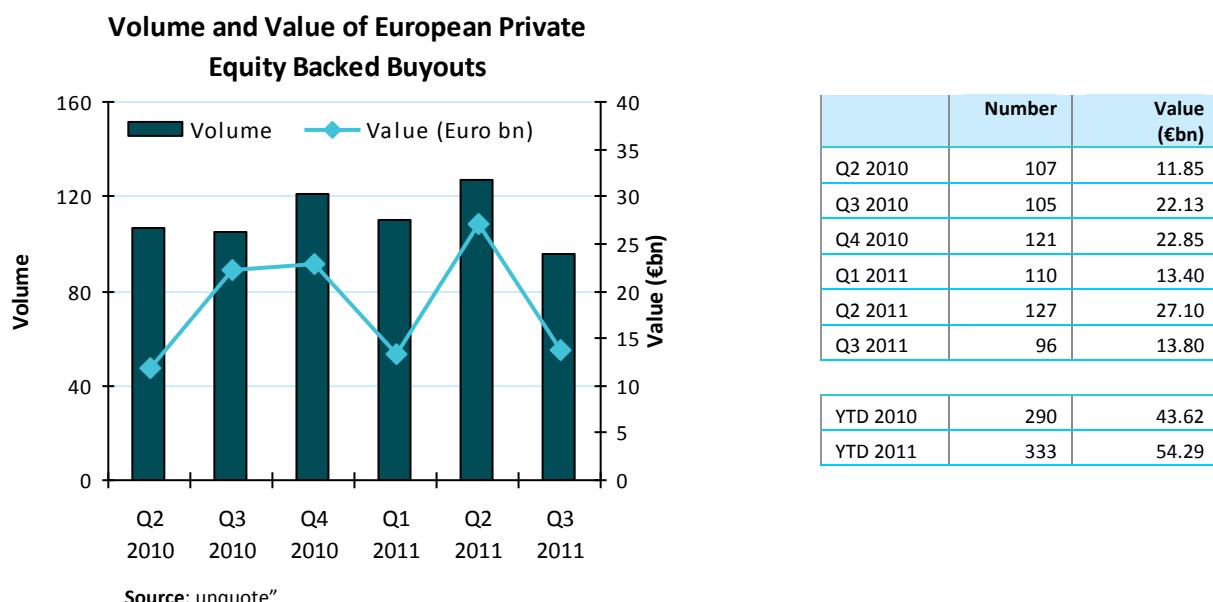


Media, technology and support services transactions have traditionally dominated the region's deal activity, with the latter of these continuing to drive activity in the current climate. Of the 13 deals that were completed in Q3 2011, four were acquisitions of companies operating in the broadly defined support services sector, representing close to a third of all of the region's buyouts and more than twice its closest competitor. More significantly, this sector has showed a high degree of resilience compared to most others, with transaction volume in the third quarter decreasing by just one deal compared to the Q2 total - though overall value fell more substantially from €200m to around €135m.



Arguably, however, the most appealing feature of the Nordic buyout market is the large growth potential in many underserved sectors, making it a hunting ground for trade and institutional buyers and potentially very lucrative in terms of exits. An example of this is the aforementioned Com Hem deal, which was a tertiary buyout that provided an exit for existing owners Carlyle Group and Providence Equity Partners. Earlier in the summer there had been several other major exits, including Cinven's €2.5bn sale of allergy diagnostics company Phadia to trade buyer Thermo Fisher that provided a return of more than 3x money and Nordic Capital's headline grabbing €9.6bn sale of pharmaceuticals company Nycomed to trade buyer Takeda.

Buyouts



In a world that is suffocating under a mountain of unsustainable credit and teetering on the verge of a major sovereign bankruptcy that threatens to once again bring the global banking system to its knees, liquidity is hard to come by. Banks are retreating, the high-yield bond market is weak and even stock-piled equity is being hoarded as investors wait to see what impact the current panic will have on global economic growth. It almost goes without saying that private equity buyout activity has suffered.

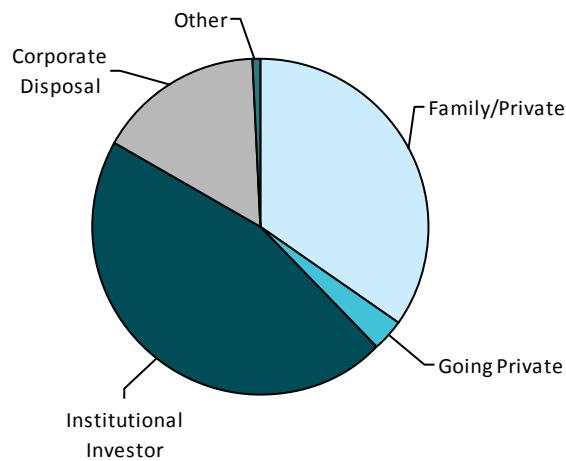
There were 96 private equity-backed acquisitions completed over the three months to September 2011, more than 24% less than had been completed in the second quarter of the year. Total value stood at €13.8bn, an even steeper drop of 49% in comparison to the strong figure recorded over the three month period to June. It is, however, important to note that while the volume total is the lowest over the 18-month sample, the value total is higher than that witnessed in Q1. The year-to-date total also remains up on 2010, with this year's 333 deals worth €54.3bn up 15% and 24% respectively.

The value slowdown in Q3 was driven by decreased activity at the upper end of the market, here defined as deals worth more than €1bn, which saw three completions worth a little more than €4bn compared to eight deals worth €11.5bn in the second quarter. The bulk of the volume decline was recorded in the mid-market, defined here as covering deals worth between €100m and €1bn, which saw activity fall by nearly 40% from 43 transactions to 26. Perhaps of greater concern, though, was the slide seen in the normally resilient lower value segment, containing acquisitions worth less than €100m, which saw volume and value fall 12% and 20% to 67 deals worth €2.4bn.

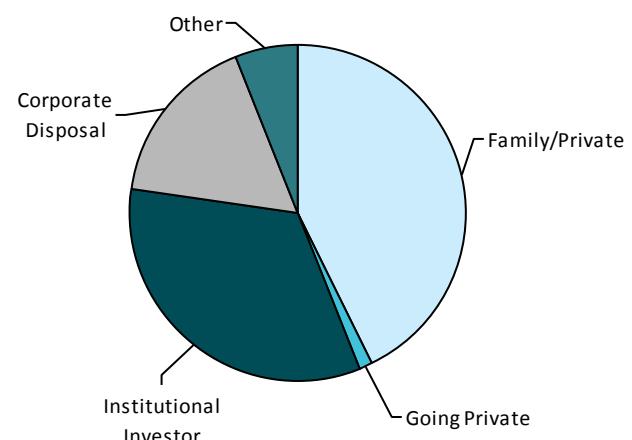
The drop-off in activity was fairly consistent across all European regions, with the notable exception of the UK, which actually recorded an increase in the number of private equity-backed acquisitions completed from 25 to 29 and thus regained top spot overall in volume terms. The country's value total of €2.7bn, however, only landed it second place in value terms. Pole position went to France, which saw activity fall 45% to 18 deals but recorded five of the top twenty deals, including the second largest acquisition overall – the €1.15bn buyout of card systems manufacturer Oberthur by Advent Partners.

In terms of sources of deals, the only category to hold up well in the current slowdown has been deals coming from family or other private sellers, which saw only a modest decline from 44 deals in Q2 to 41 in Q3. Secondary buyouts plummeted by 45% from 58 transactions in the second quarter to just 32 in the three months to June, a function perhaps of both a lack of buyer leverage and institutional investors refusing to crystallise weaker returns in a buyer's market. Investors seemingly decided to ignore volatile stock markets, with the quarter witnessing just a single de-listing despite seemingly attractive valuations.

Number of European Buyouts by Vendor Type
Q2 2011



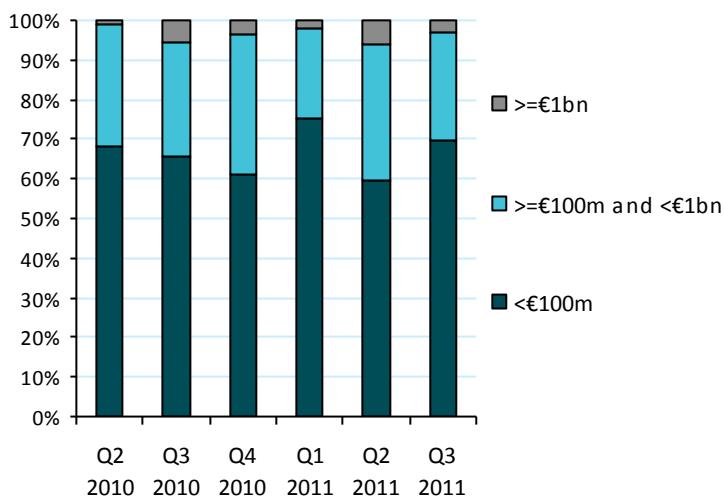
Number of European Buyouts by Vendor Type
Q3 2011



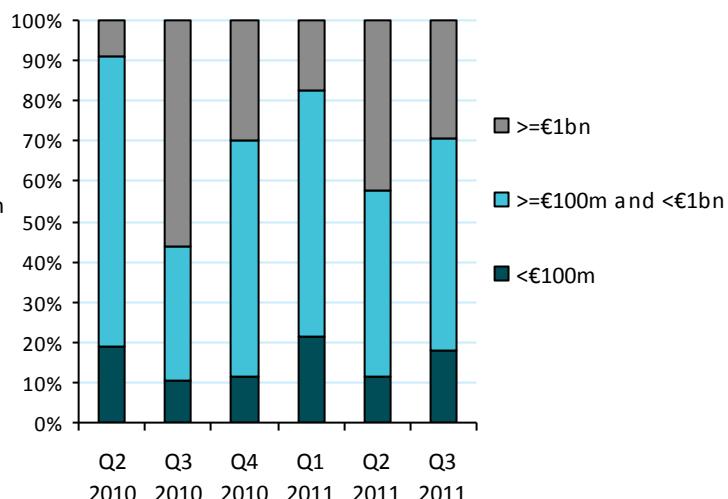
Vendor Type	Q2 2011	Q3 2011
Family/Private	44	41
Going Private	4	1
Institutional Investor	58	32
Corporate Disposal	20	16
Other	1	6

Source: unquote™

Number of European Buyouts by Size Range



Value of European Buyouts by Size Range

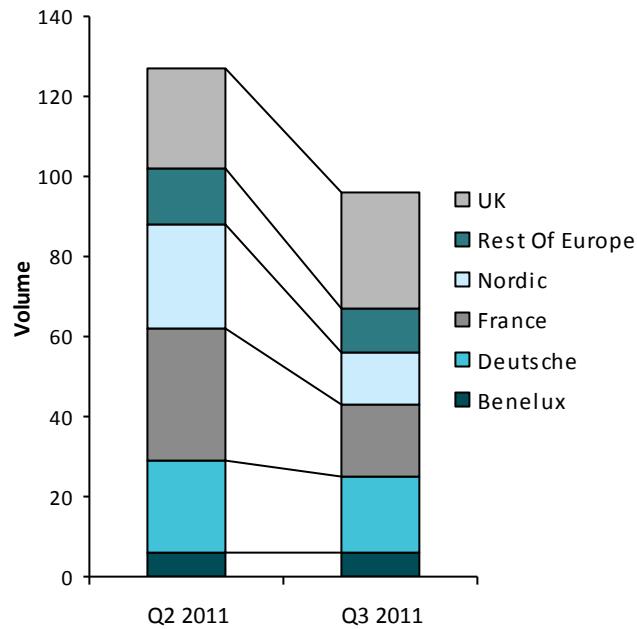


	<€100m Number	%	>=€100m and <€1bn Number	%	>=€1bn Number	%	Quarterly Total
Q1 2010	59	76	18	23	1	1	78
Q2 2010	73	68	33	31	1	1	107
Q3 2010	69	66	30	29	6	6	105
Q4 2010	74	61	43	36	4	3	121
Q1 2011	83	75	25	23	2	2	110
Q2 2011	76	60	43	34	8	6	127
Q3 2011	67	70	26	27	3	3	96

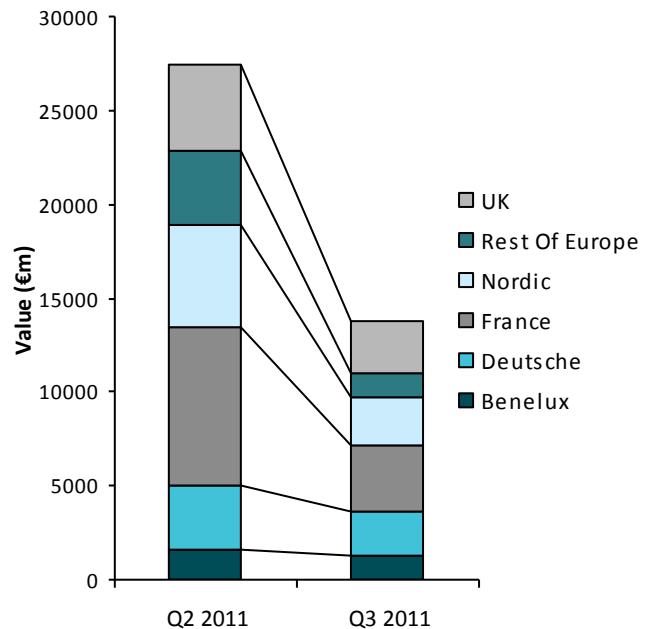
	<€100m Value (€m)	%	>=€100m and <€1bn Value (€m)	%	>=€1bn Value (€m)	%	Quarterly Total Value (€m)
Q1 2010	1,742	18	6,833	71	1,070	11	9,644
Q2 2010	2,237	19	8,542	72	1,066	9	11,846
Q3 2010	2,265	10	7,445	34	12,418	56	22,128
Q4 2010	2,658	12	13,322	58	6,866	30	22,846
Q1 2011	2,835	21	8,252	62	2,309	17	13,395
Q2 2011	3,086	11	12,758	47	11,554	42	27,397
Q3 2011	2,481	18	7,287	53	4,034	29	13,801

Source: unquote™

Number of European Buyouts by Region



€m Value of European Buyouts by Region



	Q2 2011	Volume Q2 2011	Q3 2011	Value (€m) Q3 2011
Benelux	6	1590	6	1233
DACH	23	3411.33	19	2387
France	33	8412	18	3539
Nordic	26	5487.26	13	2566.04
Rest Of Europe	14	3951.9	11	1285.91
UK	25	4544.45	29	2790.33
Totals	127	27396.94	96	13801.28

Source: unquote™

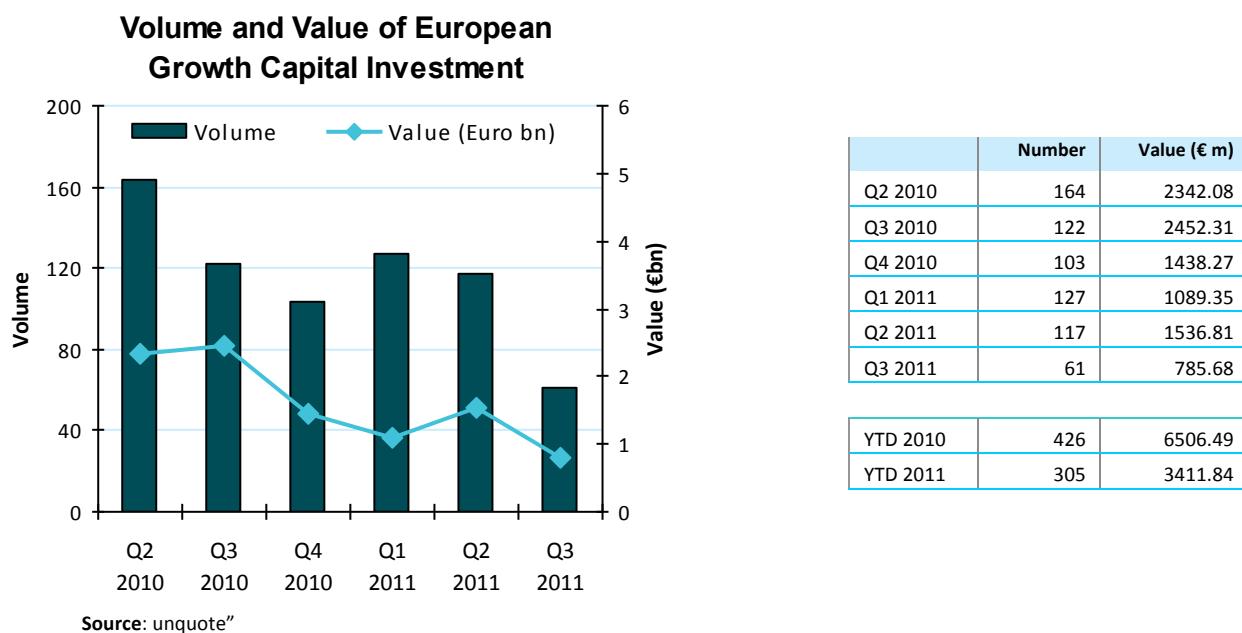
Ten largest European private equity-backed buyouts, Q3 2011*

Deal Name	Value €m	Country	Equity Provider
Com Hem	1,856	Sweden	BC Partners
Oberthur Card Systems/Identity	1,150	France	Advent International
Virgin Active	1,028	United Kingdom	CVC Capital Partners
Jack Wolfskin	700	Germany	Blackstone Group
Infront Sports & Media	600	Switzerland	Bridgepoint Capital
Photonis	500	France	AXA Private Equity
Action	500	Netherlands	3i
Groupe Etanco	370	France	3i
Numericable Belgium/Luxembourg	360	Belgium	Altice Participations, Apax France
V.Group	359	United Kingdom	OMERS Private Equity

* Only includes deals with disclosed or publicly estimated values

Source: unquote™

Growth capital



If the figures for buyout activity give the impression that buyers are sitting on the sidelines and waiting out the current macroeconomic storm, then this is arguably emphasised by activity levels for growth capital investments. With visibility over corporate earnings becoming less clear and the prospects for growth across all sectors seemingly dropping over recent months, few have been keen to splash the cash on follow-on investments for portfolio companies and therefore expansion investments have plummeted dramatically.

Indeed, this segment was the worst performing of the three major deal categories overall, witnessing a drop of 48% in volume terms from Q2's total of 117 deals – itself some ten deals shy of the total recorded in Q1 – to just 61 transactions in Q3, while value dropped by 49% from the 18-month high recorded in the second quarter of €1.5bn to an 18-month low of €785m. Year-to-date, therefore, the market is some way off the numbers for the first nine months of 2010, with volume and value 28% and 48% lower at 305 deals worth €3.4bn.

The low value of deals in Q3 is reflected in the list of the top ten deals for the three months, which includes eight deals worth less than €50m and four deals worth less than €25m. There was just one deal that came in above the smallest size range – the €100m investment into Dutch industrial engineering company Sarens Group by Waterland Private Equity. Spain was home to the largest number of Q3's larger deals, accounting for three of the top ten and 13 transactions overall, while the UK was the most active region for the quarter with a total of 17 investments completed.

Ten largest European growth capital transactions, Q3 2011*

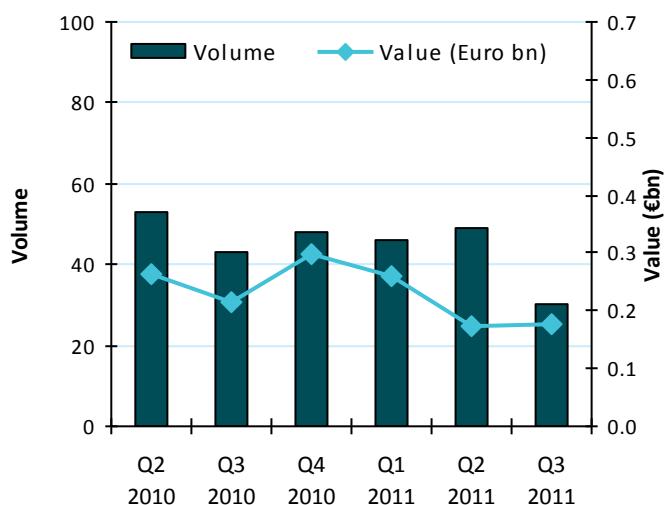
Deal Name	Value €m	Country	Equity Provider
Sarens Group	100	Netherlands	Waterland Private Equity Investments
Loxam	60	France	3i, Pragma Capital
Avanza	40	Spain	Doughty Hanson
Sanlorenzo	30	Italy	Fondo Italiano d'Investimento
Eco Plastics	26.6	United Kingdom	Close Brothers Private Equity, Ludgate Investments
Segur Ibérica	26	Spain	Corfin Capital, MCH Private Equity
Qdiagnóstico	25	Spain	Mercapital
Ebuzzing	17.37	France	Gemini Israel Funds, GIMV, Lightspeed Venture Partners
WRG	13.7	United Kingdom	LDC
PoLight	12.84	Norway	Alliance Venture, Investinor, SINTEF Group, Viking Venture

* Only includes deals with disclosed or publicly estimated values

Source: unquote™

Early-stage

Volume and Value of European Early-Stage Investment



	Number	Value (€m)
Q2 2010	53	262.68
Q3 2010	43	216.56
Q4 2010	48	299.62
Q1 2011	46	258.24
Q2 2011	49	173.66
Q3 2011	30	178.04
YTD 2010	161	757.22
YTD 2011	125	609.94

Source: unquote™

It has been clear for some time that the European venture capital market is struggling, with deal activity levels remaining static at a historically low average. However, with a paucity of new institutional capital being devoted to a space that is difficult to profit from at the best of times – and even more so when times are tough - things got even worse in the third quarter, with deal activity falling substantially to the lowest level seen since the fourth quarter of 2005.

There were just 30 early-stage investments involving private equity capital completed in the three months to September, 39% less than the 49 transactions recorded in the second quarter and the lowest total since the 27 deals that were registered for the three months to December six years ago. On the plus side, the completion of a couple of what can only be considered by recent standards as relatively large investments has meant that the value total increased slightly quarter-on-quarter from €174m to €178m, though this still represents the second-lowest figure in the 18-month sample. Year-to-date 2011 is 22% and 19% down on 2010's already low figures with 125 deals completed worth €610m.

The UK was home to both of the larger deals completed over the quarter: the €46m investment into electronics company Nexeon in a funding round that was led by Imperial Innovations and Invesco; and the €19m invested into biotechnology business Atlas Genetics in a deal that including funding from BB Biotech Ventures and Life Sciences Partners. The UK was home to six deals in total, leaving it some way behind the most active country, Germany, which accounted for 14 of the 30 transactions recorded during the quarter.

Ten largest European early-stage transactions, Q3 2011*

Deal Name	Value €m	Country	Equity Provider
Nexeon	45.67	United Kingdom	Imperial Innovations, Invesco
Atlas Genetics	18.73	United Kingdom	BB Biotech Ventures, Life Sciences Partners
Orphazyme ApS	14	Denmark	Aescap Venture, Sunstone Capital
Orphazyme	14	Denmark	Aescap Venture
MyoPowers	13.22	Switzerland	Initiative Capital Romandie, Truffle Venture
KalVista Pharmaceuticals	9.13	United Kingdom	SV Life Sciences
Antisense Pharma	8	Germany	GA Global Asset Fund, MIG AG
IDENT Technology	7.1	Germany	Danube Equity Invest-Management, MIG AG, Robert Bosch Venture Capital (RBVC)
Miracor GmbH	7	Austria	Delta Partners, Earlybird Venture Capital, SHS Gesellschaft für Beteiligungsmanagement
Mission Therapeutics	6.85	United Kingdom	Imperial Innovations, Roche Venture Fund, Sofinnova Partners, SR One

* Only includes deals with disclosed or publicly estimated values

Source: unquote"

Notes

1. All data published in the unquote" Private Equity Barometer (in association with Arle Capital Partners) is extracted from the unquote" database, the proprietary data system of Europe's leading private equity information specialist (see below for more information). Although every effort is made to ensure that the statistics and data contained within are as comprehensive as possible, figures for the latest quarter should be considered preliminary and are likely to increase as further deals come to light over the coming weeks. Figures for historical quarters are fully updated in each new edition of the Barometer to reflect the latest intelligence. A summary of the key revisions can be found in the highlights section on page 4.
2. Wherever possible, data has been fully validated with direct contact with the investment professionals themselves. Deal value relates to the total funding raised to complete the transaction, including any leverage. In some cases, deal values and as a consequence contain, where relevant, both debt and mezzanine.
3. The data is pan-European and based on deals backed by at least one formalised venture capitalist or mezzanine provider. Debt-only transactions are not included.
4. Where data is analysed by geography, the following six regions have been used:
 - a. Benelux (Belgium, Luxembourg, Netherlands)
 - b. DACH (Austria, Germany, Switzerland)
 - c. France (France)
 - d. Nordic (Denmark, Finland, Norway, Sweden)
 - e. UK (United Kingdom)
 - f. Rest of Europe (Ireland, Italy, Portugal, Spain)
5. For further information on the content of the unquote" Private Equity Barometer, please contact Emanuel Eftimiu on +44 (0)20 7004 7464.
6. Further data is available on unquote.com and the [unquote" database](http://unquote.com)

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Arle's portfolio currently comprises 12 European-headquartered businesses with an aggregate value of over €10bn. Arle's approach is based on active management, working closely with portfolio companies to help drive growth and long term value and generate strong returns for its Limited Partners. For more information, please see www.arle.com

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