

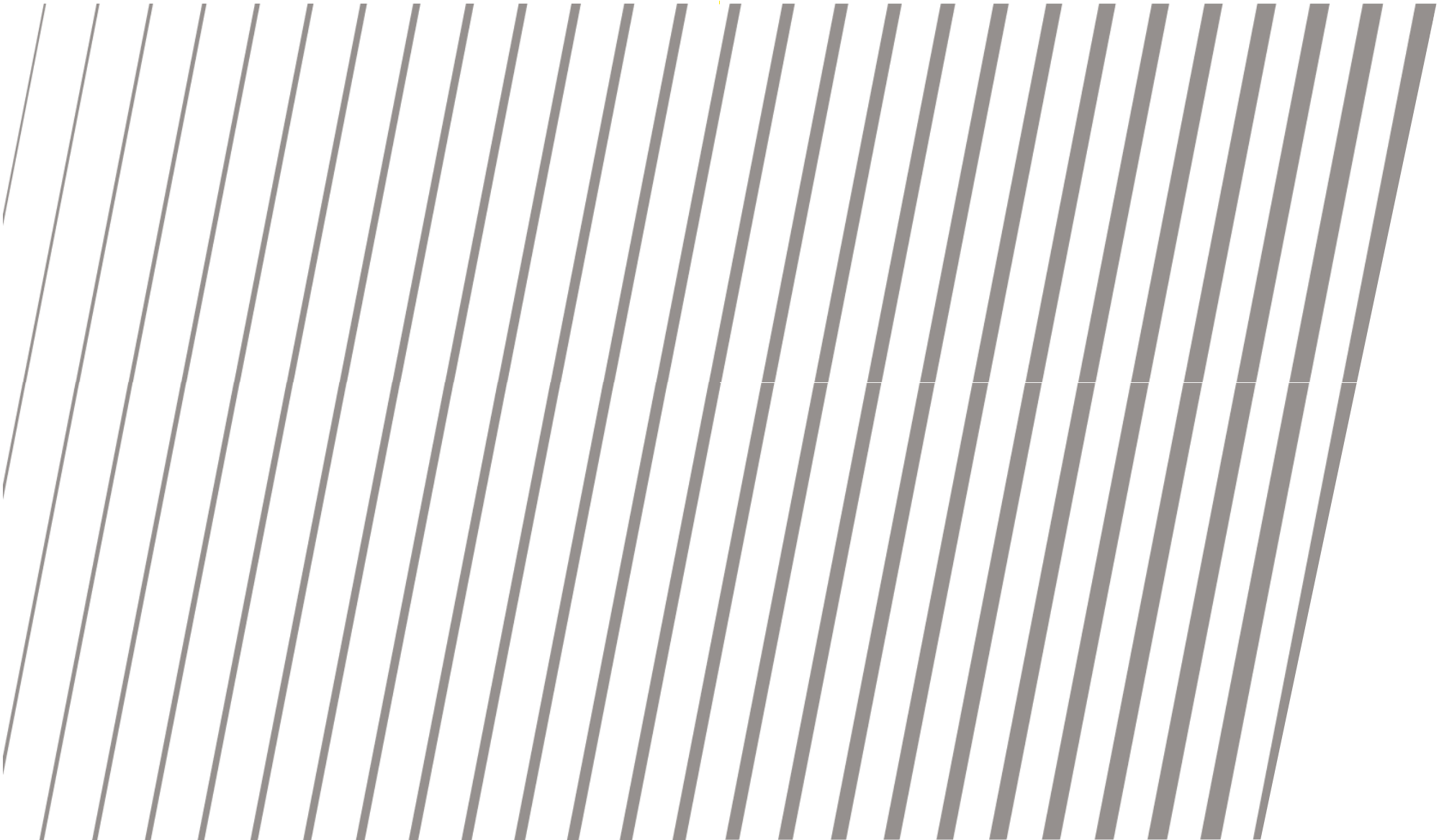


German Private Equity Activity 2010

Activities in Germany at a glance

31 December 2010

Summary of significant results

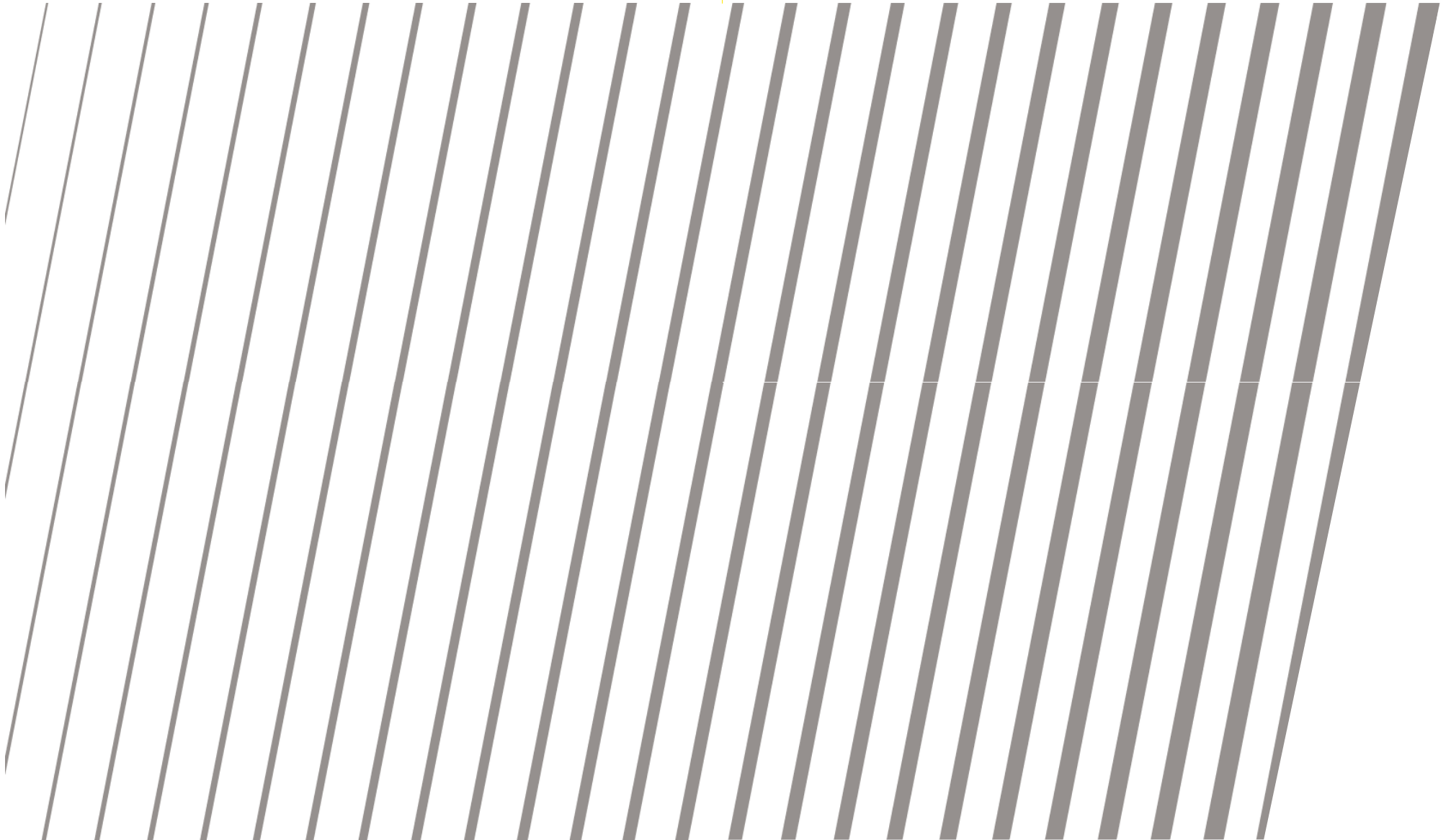


A year-end rally in PE investment activity as well as an intensified search for potential targets were observed in 2010HY2

Summary of significant results

Number of transactions	<ul style="list-style-type: none"> ▶ The portion of smaller transactions increased compared to previous years. The details of transactions in this segment are usually not released. Therefore only 22 of 103 PE investments were fully disclosed in 2010. ▶ Transaction value in 2010HY2 shows a positive trend despite the fact that some bigger deals with estimated deal values in the low three-digit million Euro range (e.g. the acquisition of Amor Group) are not reflected in our analysis as deal values were not disclosed.
Value of transactions	<ul style="list-style-type: none"> ▶ The total value of disclosed PE investments increased in 2010HY2 compared to 2010HY1 from EUR 0.9bn to EUR 2.5bn mainly due to the acquisition of Takko Modemarkt by Apax Partners LLP.
LTM analysis	<ul style="list-style-type: none"> ▶ Compared to 2009, PE investments declined by 8 to 103 in 2010.
M&A activity	<ul style="list-style-type: none"> ▶ As in 2010HY1, the value of strategic takeovers significantly exceeded the value of PE investments in 2010HY2. This development was mainly driven by the 45.01% stake in EnBW Energie Baden-Wuerttemberg AG acquired by the land of Baden-Wuerttemberg, the tender offer of Deutsche Bank AG to acquire all remaining shares in Deutsche Postbank and the acquisition of the wireless solutions business of Infineon Technologies AG by Intel Corporation.
Sector analysis	<ul style="list-style-type: none"> ▶ In 2010HY2 consumer is the largest sector by transaction value followed by Industrial and Utilities. Other sectors - except for Software and Construction - show a weak deal flow over the past year. The major deal was the acquisition of Takko Modemarkt by Apax Partners LLP.
Origin country of PE investors	<ul style="list-style-type: none"> ▶ As seen in previous years, US, UK and multinational investors are rather focused on larger transactions whereas German investors primarily focus on small and mid-size transactions. Since almost no adequate targets were up for sale, no large PE investments were made by US, UK and multinational investors in 2010 - except for the acquisition of Takko Modemarkt at year-end 2010.
Major trends and outlook	<ul style="list-style-type: none"> ▶ Disclosed PE investments increased in terms of transaction value but decreased in terms of volume. ▶ Due to the positive development of the German stock market combined with a positive outlook for the next year, IPOs are expected to become a favorable exit option as a result of appealing stock market valuation. ▶ The German economy is recovering from the credit crunch and GDP growth exceeds previous forecasts for 2010. This might lead to a slight increase of PE investments in 2011, albeit not to the level seen in the PE boom years. ▶ The aforementioned development is supported by a year-end rally in terms of investment activity and the intensified search for potential targets (observed recent increase in VDD projects) both implying a slight increase in PE investment activity in 2011HY1. ▶ Investment activity in Germany is expected to catch up with buyout activity in other regions (in particular US and UK) during 2011.

Basis of information



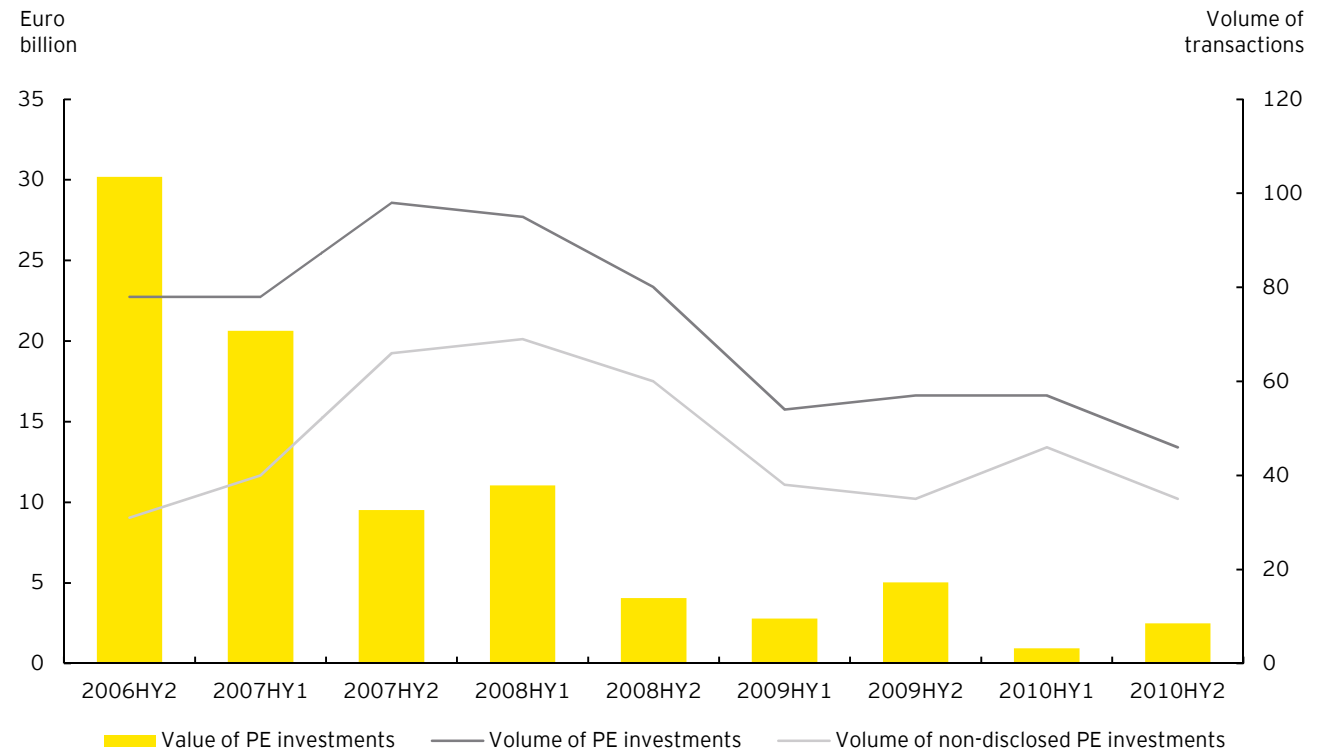
In 2010HY2 transactions increased in terms of value but decreased in terms of volume

Key Statements

- ▶ The volume of transactions where the transaction value is not disclosed is shown in comparison to the total volume of transactions and the value of disclosed deals.
- ▶ In 2010HY2 the value of disclosed transactions increased to EUR 2.5bn, although the total volume of PE-backed transactions decreased. This is mainly driven by the acquisition of Takko Modemarkt by Apax Partners LLP with a deal value of approx. EUR 1.2bn*, the only deal in 2010 exceeding EUR 1bn.
- ▶ Furthermore, some bigger deals are included in the non-disclosed transactions, e.g. the acquisition of Amor Group by 3i Group plc and the acquisition of Duales System Deutschland GmbH by Solidus Private Equity Partnership with estimated deal values in the low three-digit million Euro range.

*deal value was not disclosed; amount based on estimations made in press articles

Volume of disclosed and non-disclosed PE investments

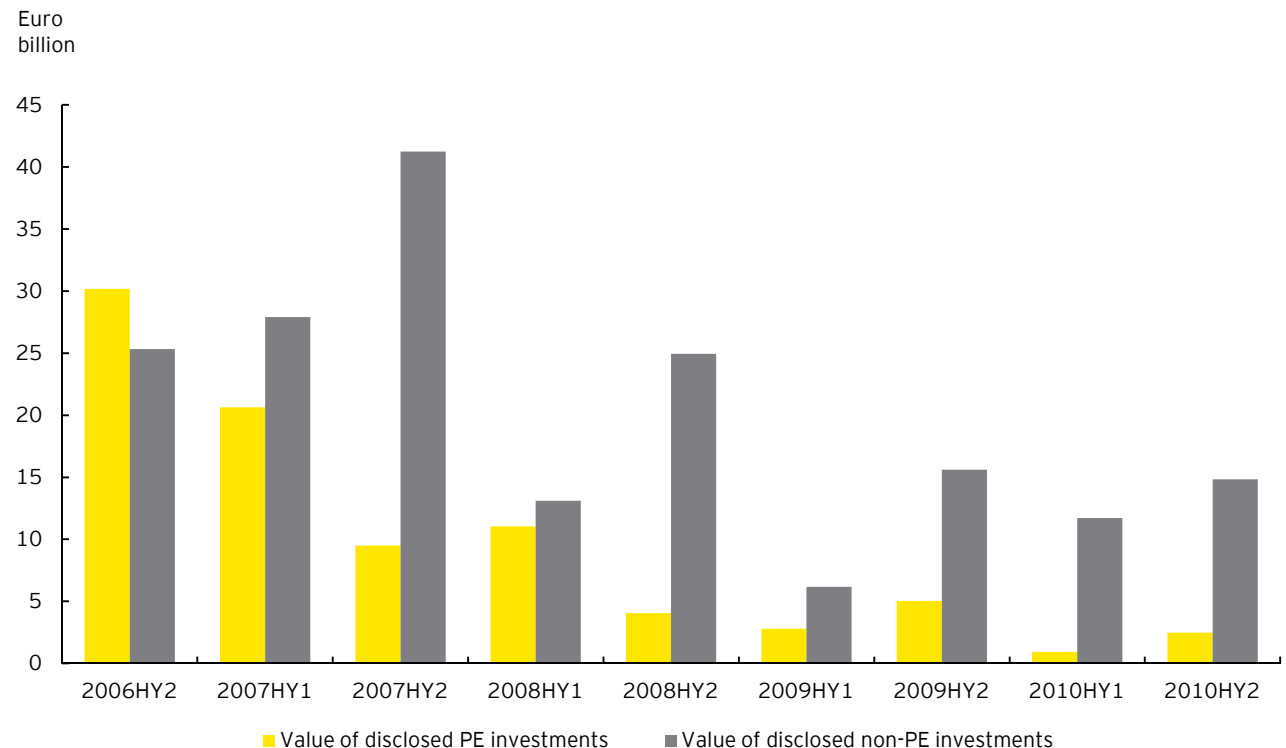


After a year-end rally in 2010 PE activity is expected to slightly increase in 2011HY1

Key Statements

- ▶ The graph shows the development of the German M&A market (i.e., non-PE investments) compared to PE investments.
- ▶ In 2010HY2 the value of strategic takeovers and investments increased by EUR 3.1bn compared to 2010HY1.
- ▶ PE investment value increased by EUR 1.6bn compared to 2010HY1.
- ▶ Except for the Takko Modemarkt acquisition with a deal value of approx. EUR 1.2bn*, no other disclosed PE investment exceeded EUR 0.4bn in value.
- ▶ However, an intensification in the search for potential investments by the PE houses can be observed.

Development of M&A transactions



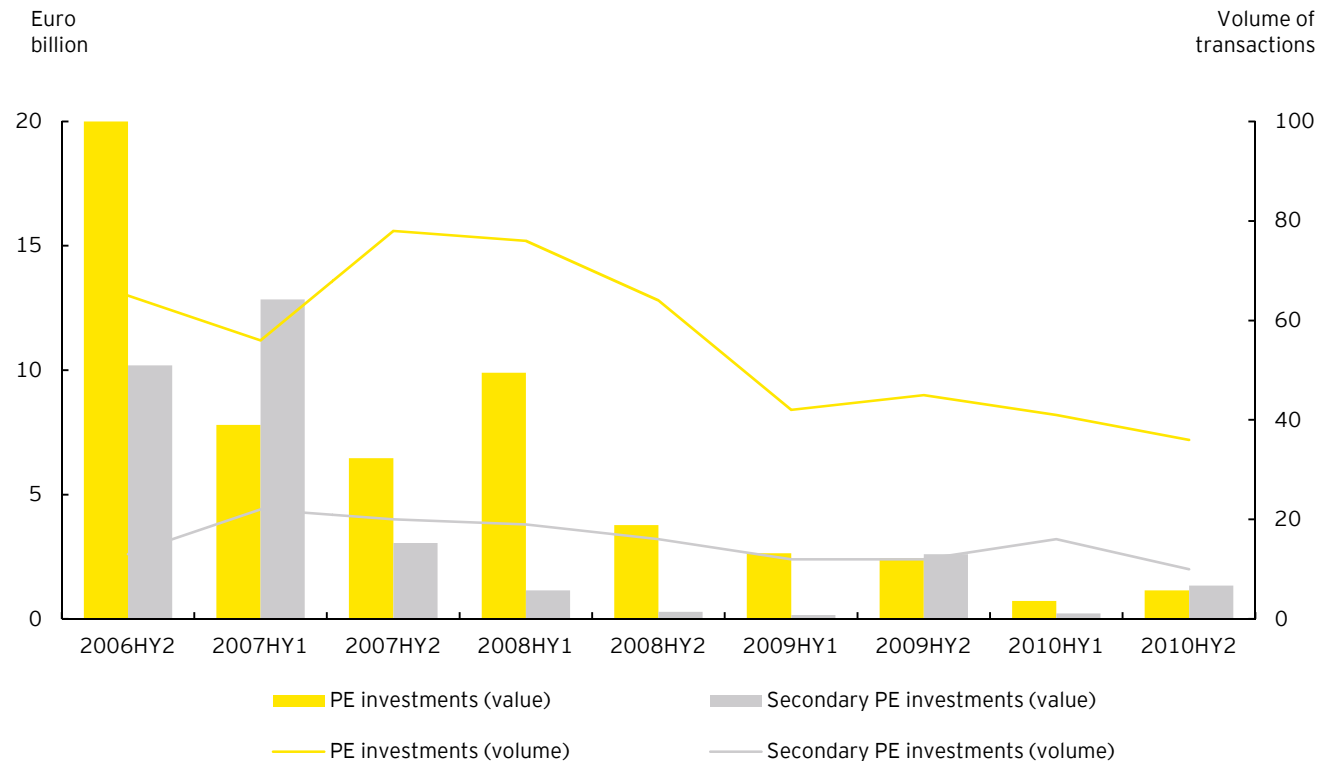
*deal value was not disclosed; amount based on estimations made in press articles

Secondary transactions are shifting into the exit focus as pressure on PE houses to invest/exit increases

Key Statements

- ▶ The graph shows the development of primary and secondary PE transactions.
- ▶ Secondaries increased in terms of value in 2010HY2 compared to 2010HY1.
- ▶ As growth in the German economy exceeded the previous forecasts for 2010, PE investment activities are expected to catch up.
- ▶ Secondary investments are expected to increase further as raised funds have to be invested within a certain period or else are returned to investors making future fundraising more difficult.
- ▶ Furthermore, most of the PE portfolios still include investments made in the PE boom years before the credit crunch. Pressure to exit these investments increases.

Development of PE investments and secondary investments

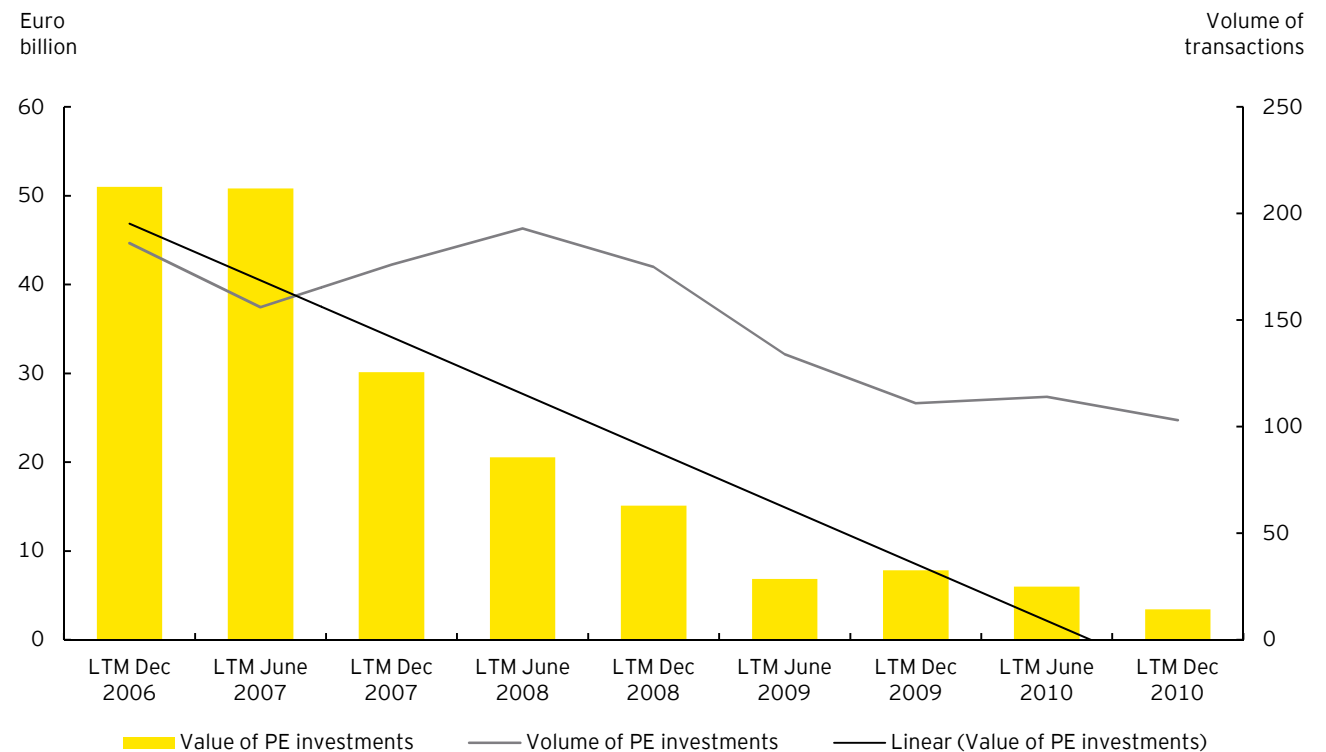


PE investments are expected to increase as the German economy is recovering from the credit crunch

Key Statements

- ▶ The graph sets out the development of PE investments by value and volume on an LTM basis over the past three years.
- ▶ In line with the past transaction development volume and value of transactions on LTM basis decreased.
- ▶ Based on the observed increase in search activities we expect investment activities to slightly increase in 2011HY1.

PE investments by value and volume

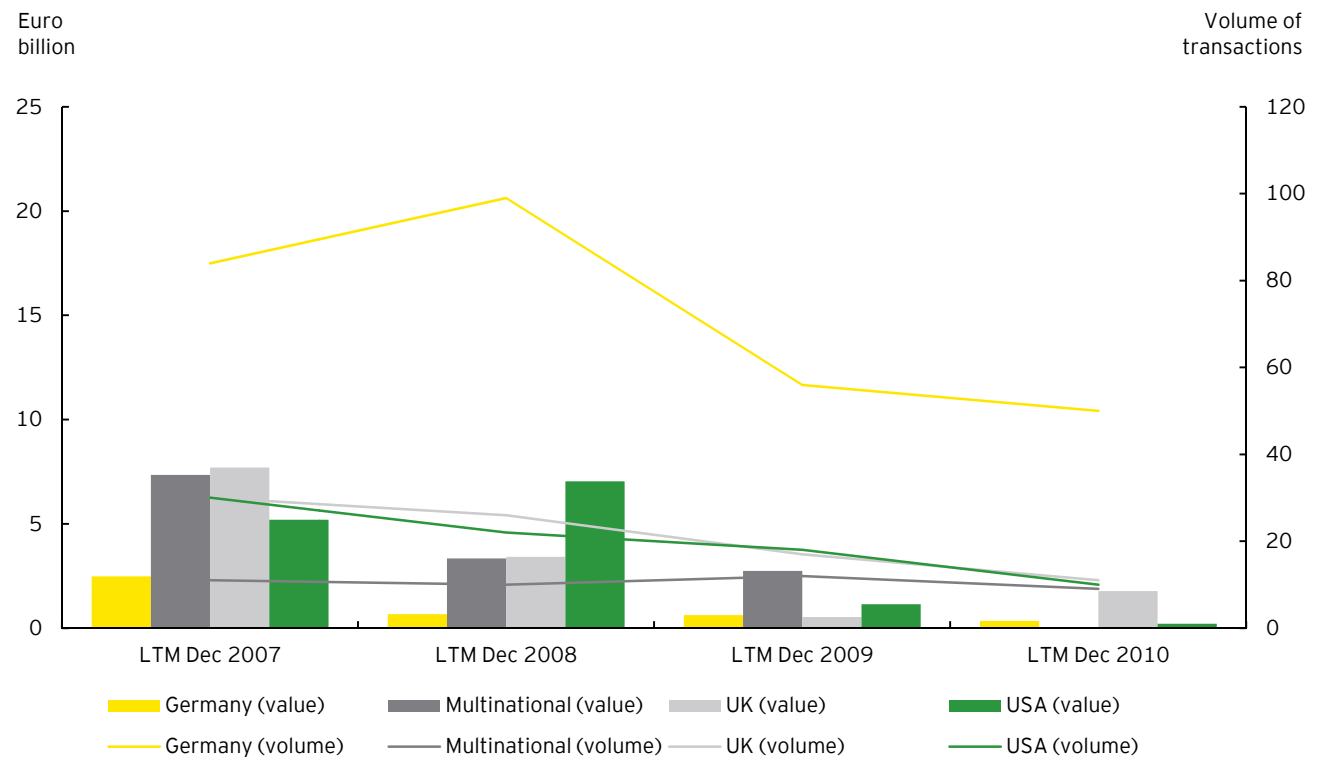


Investment activity of foreign investors remained on a low level as almost no adequate targets were up for sale

Key Statements

- ▶ The graph shows the development of the number and the value of PE transactions according to the origin country of investors.
- ▶ The peak years for PE in Germany were predominantly driven by multinational syndicates and US-based funds with focus on large transactions.
- ▶ The acquisition of Takko Modemarkt by UK-based investor Apax Partners LLP was the only large transaction in 2010.
- ▶ On a LTM December basis transaction value decreased continuously since 2008 - except for UK-based PE houses due to the aforementioned acquisition.

Development of PE investments according to the origin country of investors

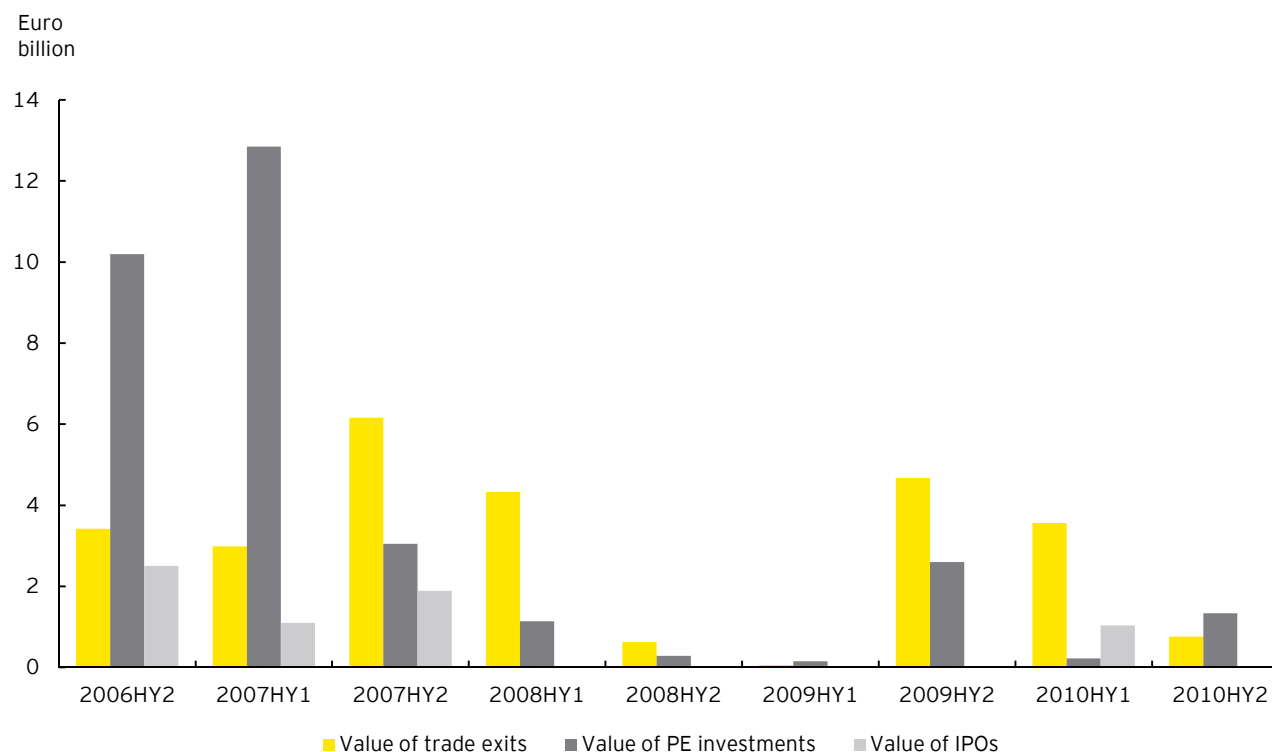


Due to the positive development of the German stock market, PE investors again used IPOs to exit investments in 2010

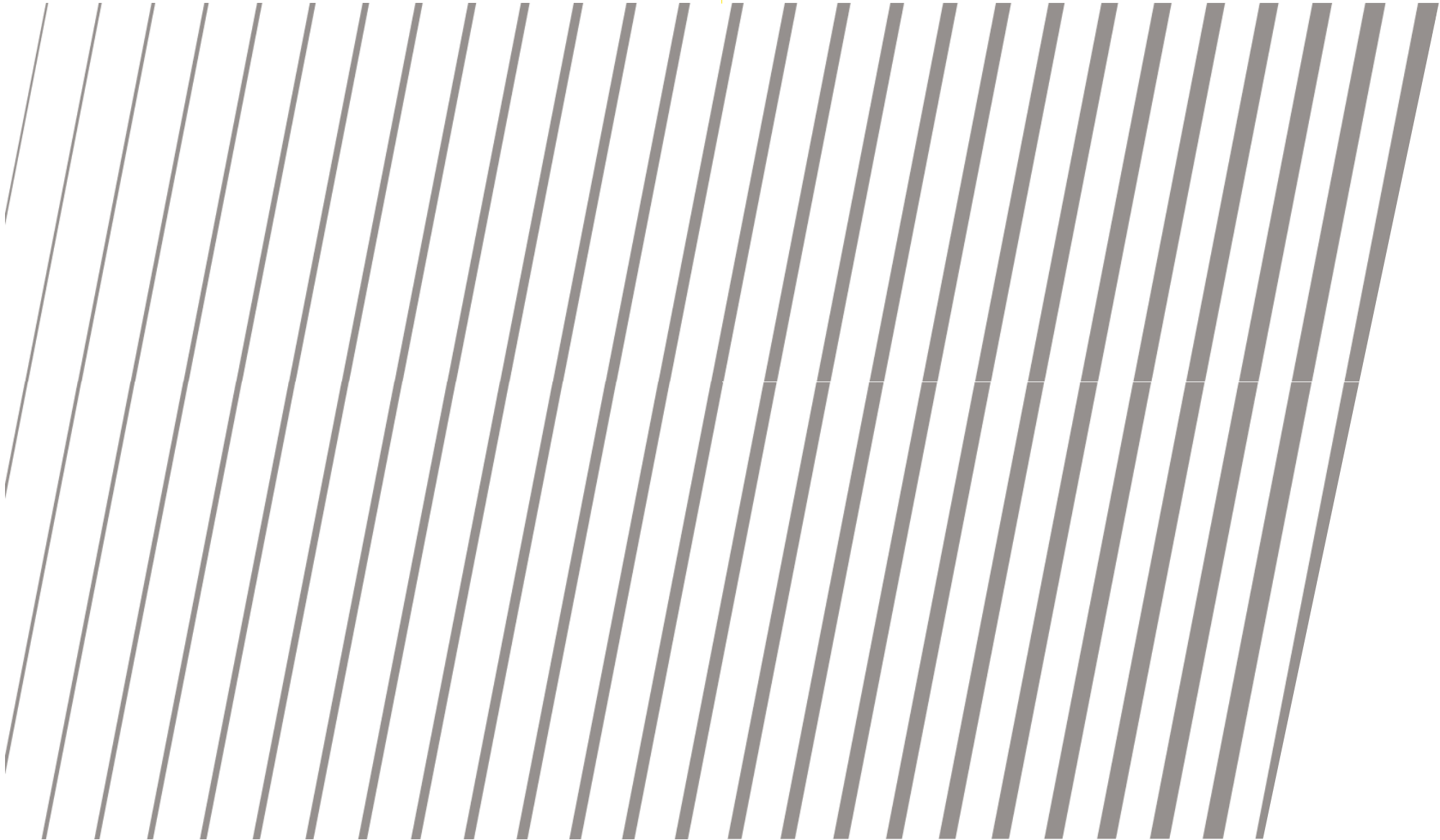
Key Statements

- ▶ The graph shows the development of PE exits since 2006HY2.
- ▶ In 2010HY2 total exit value decreased significantly compared to 2010HY1.
- ▶ As the German economy is recovering from the credit crunch, sellers' pricing expectations are rising. Therefore, IPOs become a favorable exit option (examples are the public offerings of Kabel Deutschland, Brenntag Holding and Tom Tailor).
- ▶ Exits of large investments are more often performed via a dual track approach. PE houses typically exit an investment via sale or IPO (for example Advent International evaluated both exit strategies for its portfolio company Takko Modemarkt).

Development of PE exits



Contacts & Sources



Contacts & Sources

The involvement of Ernst & Young in PE investments

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Ernst & Young employs a broad range of transaction professionals who advise on financial and tax due diligence, tax structuring, transaction integration as well as IT, pensions and operational due diligence.

Sources

- ▶ Mergermarket
- ▶ Thomson One Banker
- ▶ PE insight
- ▶ Deutsche Börse

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