

FRENCH PRIVATE EQUITY PERFORMANCE

HIGHLIGHTS

- The 20-year net performance of French Private Equity companies and funds through December 31, 2007 was 14.7%.
- The 10-year net performance was 15.2%.
- Returns delivered by Private Equity companies and funds have grown steadily in recent years.

NET PERFORMANCE ANALYSIS:

PERFORMANCE DRIVEN BY BUYOUT CAPITAL /LBO AND GENERALIST FUNDS

- The 20-year net performance can be broken down by segment as follows:
 - +21.3% for Buyout Capital / LBO, the strongest performance;
 - +8.2% for Development Capital, the rate remained stable throughout the period;
 - -0.5% for Venture Capital / Early Stage, close to breakeven;
 - +13.3% for Generalist Funds, which have recorded the strongest growth.
- The 10-year net performance increased by a 0.7 percentage point.

Performance is measured on the basis of the internal rate of return (IRR) by an institutional investor on its investment in a Private Equity fund. The IRR is the rate that brings the net present value of future cash flows to zero.

NET IRR*	REPRESENTATIVENESS		20-YEAR NET IRR		10-YEAR NET IRR	
	Number of funds since 1988	Capital called between 1988 and 2007 (€ million)	Net IRR at the end of 2007	Net IRR at the end of 2006	Net IRR at the end of 2007	Net IRR at the end of 2006
Venture Capital / Early Stage	59	2,583	-0.5%	-0.5%	-0.7%	-0.6%
Development Capital	54	2,238	8.2%	8.7%	8.5%	9.2%
Buyout Capital / LBO	53	11,669	21.3%	20.1%	21.4%	20.1%
Generalist Funds	57	3,583	13.3%	11.5%	13.6%	13.8%
TOTAL	223	20,074	14.7%	13.4%	15.2%	14.5%

Sources: AFIC - Ernst & Young

* IRR calculated exclusively on the basis of mature funds and on a comparable database of respondents.

The less favorable economic environment in the second half of 2007 weighed on portfolio company valuations. Nevertheless, stronger performance in company exits carried out under the most favorable market conditions since 2004, combined with the inclusion of funds created in 2005 and now considered mature with the bulk of their capital invested in the Buyout Capital / LBO segment, more than offset the decrease in portfolio company valuations.

The Buyout Capital / LBO funds have generated the highest returns at 21.3%. The returns on Development Capital, which stand at 8.2%, illustrate a certain degree of stability. Although recent vintages have recorded positive returns, the Venture Capital / Early Stage segment has delivered returns close to breakeven (-0.5%) because of investments made at the height of the tech bubble. Even though provisions for these investments were made in previous years, they still weigh heavily on the segment's performance. Lastly, Generalist Funds have recorded the strongest growth, with returns up 1.8 percentage points to 13.3% as of December 31, 2007, thanks to strong performance on exits.

PERFORMANCE BY MULTIPLES: MAJOR RATES OF RETURN

MULTIPLES SINCE INCEPTION	REPRESENTATIVENESS		MULTIPLES		
	Number of funds since 1988	Capital called between 1988 and 2007 (€ million)	DPI	RVPI	TVPI
Venture Capital / Early Stage	59	2,583	0.33	0.65	0.98
Development Capital	54	2,238	0.49	0.75	1.24
Buyout Capital / LBO	53	11,669	1.05	0.60	1.65
Generalist Funds	57	3,583	0.80	0.84	1.64
TOTAL	223	20,074	0.85	0.66	1.51

Sources: AFIC - Ernst & Young

- **DPI (Distribution to Paid-In)**
Distribution of assets to investors divided by capital called – the effective rate of return.
- **RVPI (Residual Value to Paid-In)**
The estimated value of the fund divided by capital called – the potential rate of return.
- **TVPI (Total Value to Paid-In) = DPI + RVPI**
The sum of the effective and potential rates of return.

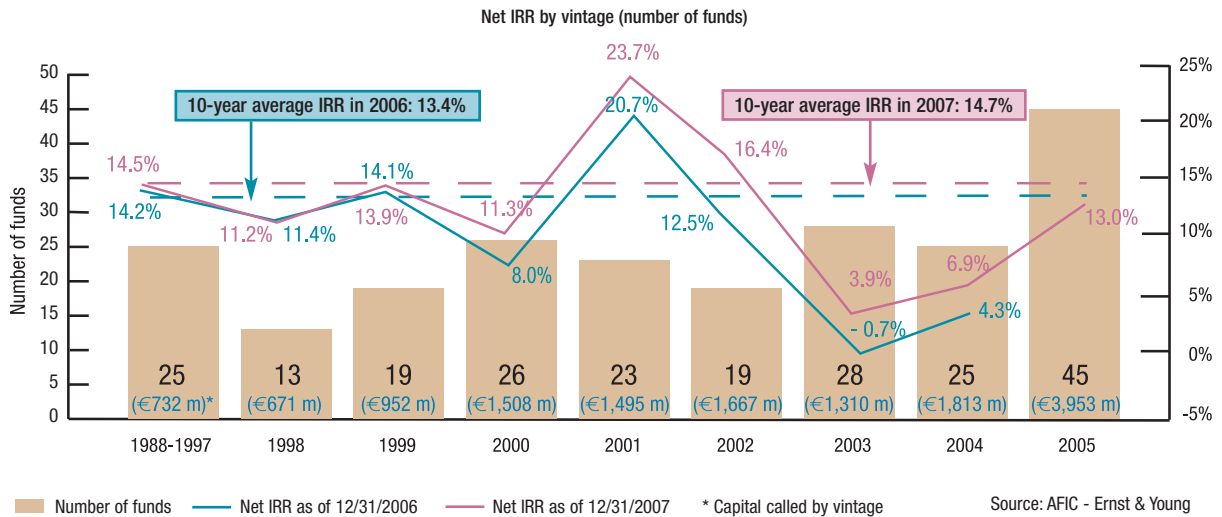
The multiple of the net performance of Private Equity firms in France since inception, measured as at December 31, 2007, was 1.51. In other words, for every 100 units of capital invested at inception, the institutional investor would have a potential return of 151 today, of which 85 has already been distributed.

In terms of market segment, Buyout Capital / LBO stands out by delivering both the highest total value to paid-in ratio (1.65) and the distribution to paid-in ratio (greater than 1). The returns generated by Generalist Funds were close to those of the Buyout Capital / LBO segment, with a 1.64 TVPI. Nevertheless, almost half remains to be distributed. The residual value to paid-in (RVPI) for Venture Capital was 66%, while that of Development Capital was around 60%.

PERFORMANCE BY VINTAGE:

PRIVATE EQUITY, AN ASSET CLASS THAT DELIVERS SUSTAINABLE HIGH PERFORMANCE OVER TIME

- A closer look at the net performance of funds by vintage reveals a strong growth in their returns, which has risen steadily throughout the period.
- These results demonstrate the capacity of this asset class to generate value sustainably, even in the face of highly variable economic cycles, stock market environments and credit and liquidity conditions.

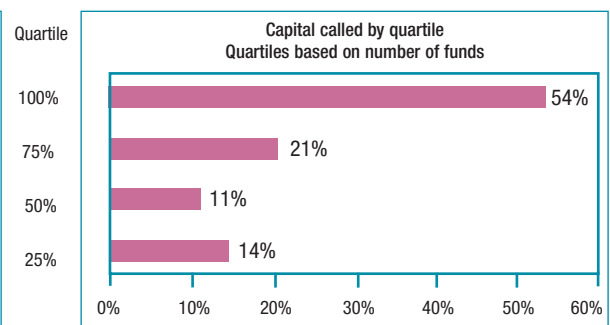
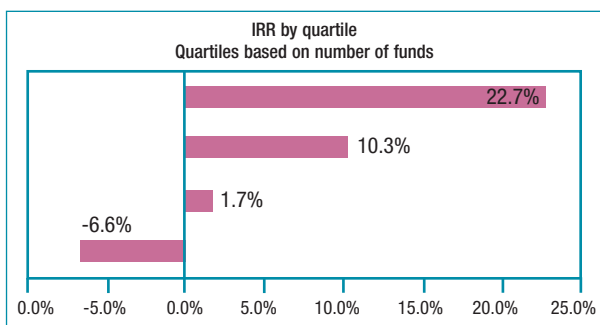


A closer look at the net performance by vintage reveals:

- generally improved performance of funds created between 2000 and 2005;
- very strong performance of funds created in 2001 and 2002 which benefited from the most favorable exit conditions in recent years;
- weaker performances for the 1998 and 2000 vintages as investments were mainly carried out during the tech bubble.

PERFORMANCE BY QUARTILE SINCE INCEPTION: SIGNIFICANT DISPERSION OF FUND PERFORMANCE

- The first quartile recorded a 22.7% net IRR since inception and accounted for 54% of total capital called since inception.
- The last quartile generated a 6.6% negative performance and accounted for 14% of total capital called since inception.
- The second and third quartiles generated positive performances and accounted for 32% of total capital called since inception.
- These results illustrate the very significant dispersion of Private Equity fund performance that can increase or decrease according to the market segment.



Sources: AFIC - Ernst & Young

DEFINITION AND METHODOLOGY

Definition of Internal Rate of Return (IRR)

IRR is the rate that brings the present value of future cash flows to zero.

The net internal rate of return (net IRR) is also referred to as the internal rate of return to investors since it measures the net performance of an investor in a private equity investment vehicle (private equity fund, private equity company, limited partnership, etc.). This ratio factors in the negative cash flows related to the successive fund calls and positive cash flows from distributions (in cash and occasionally shares) as well as the net asset value of the shares in the investment vehicle at the time of calculation. The net IRR takes into account management fees, carried interest for fund managers, net cash impact and the effect of time.

Research methodology

AFIC and **Ernst & Young** wanted to measure the returns offered by French Private Equity and conducted a joint study on net performance. This study, carried out in accordance with the European methodology, is based on a significant representative sample of Private Equity companies and funds created over the last 20 years.

The net performance as of December 31, 2007 was calculated on a monthly basis by aggregating all the flows (capital calls and distributions) of all mature funds related to investments made between 1988 and 2007 and the portfolio's residual value measured as at December 31, 2007.

The investments covered relate to €29.6 billion in capital called between 1988 and 2007 by French Private Equity participants (excluding investments in France by foreign Private Equity participants). The survey population comprises 102 investment companies, a total of 368 funds.

The analysis is based on mature funds (i.e. those in existence for more than two years), in accordance with the European methodology. The survey population is therefore more limited and comprises 223 mature funds, managed by 72 investment companies and corresponds to €20.1 billion in capital called.

The Net IRR figures for 2006 and 2007 were calculated using a comparable base of respondents. The 2006 figures in the current study therefore differ from those in the previous study as it includes new respondents. The 2006 study comprised 59 investment companies, 159 funds and €9.7 billion in capital called.

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Given its responsibilities in the areas of compliance, control and the development of industry standards, AFIC is one of the two associations recognized by the AMF (French financial market regulator). To receive AMF authorization, private equity firms must belong to AFIC. It is the only professional association focusing specifically on Private Equity.

AFIC's priorities include promoting the importance and role of Private Equity and actively participating in its growth by federating the entire industry and establishing best practices, methods and tools for the professional conduct of private equity investors. The association includes all Private Equity market participants located in France and has more than 270 active members.

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