PRESS RELEASE

Buyouts create jobs in France

<u>Key findings of AFIC/Constantin study on the impact of LBO/buyouts on the French labor market</u>:

- **French companies financed through LBO/buyout capital generate 4.1% average annual job growth, with 78% of all new jobs created consisting of net new jobs.**
- **LBO/buyout capital has a positive impact on the work environment in terms of employee compensation and training and incentives, as more employees have an interest in the company's performance and equity.**

Paris, March 7, 2007 - The French Private Equity Association (AFIC) and Constantin Associés present the findings of their study on the labor market impact of LBO/buyout transactions in France

---

LBO/buyout capital is a medium- to long-term financing tool typically used by companies to facilitate a change in ownership. In most cases, the transaction is backed by management and financed through a combination of debt and equity. In such transactions, the role of buyout funds and investment firms is to provide the target companies with the resources to grow along with management guidance in their strategic choices.

Each year, more than 300 companies are involved in LBO/buyout transactions.

LBO/buyout capital is a key contributor to economic growth, as evidenced by the sales and job growth at companies taking part in LBO/buyout transactions. Over the average holding period for buyout funds, i.e. four years, target companies in LBO/buyout transactions generate 5.6% average annual sales growth. This rate is substantially higher than the national average of 0.7%. According to the study, this increase in sales is **accompanied by 4.1% average annual job growth, with 78% of all new jobs created consisting of net new jobs** throughout France. The national average over a comparable period is 0.6%.

By comparing a company's situation prior to and after a buyout transaction, **LBO/buyout capital clearly has a positive impact on the work environment for all company employees**:

- in terms of compensation, salaries rise by an average of 3.3% per year at the target companies in a buyout, compared with a national average of only 2.9%. Employees also have greater access to non-wage benefits such as stock ownership, company savings plans and stock options;
- employees at the target companies in a buyout are more involved in and loyal to their companies. The average absenteeism and turnover rates decline substantially after a buyout transaction;
- companies increase their training expenditures as a percentage of total payroll by 10%;
- 20% of the companies involved in such transactions enable non-management staff to acquire equity, and 61% allow management staff to acquire an interest.

These factors all confirm that the improved employment environment represents a key vector for creating value.

<u>Methodology</u>:

A survey was sent to 200 companies selected from a total of 800 qualified companies.

One of the selection criteria was that the company must have initiated the buyout transaction at least two years earlier, thereby ruling out all primary LBO/buyout transactions from 2005 and 2006.

The survey group was determined exclusively on the basis of information published in the business and financial press in order to be representative of the LBO/buyout capital market.

- *94 surveys were returned;*
- *15 individual interviews were carried out.*

The analysis was performed over the average holding period for LBO/buyout transactions, i.e. 3.5 years.

The relevance of the results was ensured on the one hand by the size of the survey group and number of responses and on the other by the representative nature of the responding companies with respect to:

- *sales: nearly 60% of the surveyed companies generate sales of less than €50 million;*
- *employees: nearly 70% of the companies surveyed have less than 500 employees;*
- *regional diversity: more than half the companies are based outside the Paris area;*
- *business sector: nearly 50% of the companies surveyed were in the industrial sector.*

Constantin Associés guarantees the confidentiality of the information gathered and has sole access to it.

<u>About Constantin</u>:

CONSTANTIN is active in three main areas: Audit, Accounting and Support Missions. The firm's organization, integrated on an international level, comprises several specialized departments, including the Transaction Support department and the Bank-Finance and Asset Management department. Under the CONSTANTIN name, over 1,100 professionals work worldwide, representing an annual turnover of 100 million euros. In France, CONSTANTIN is ranked as the second independent audit firm.

<u>About AFIC</u>:

Established in 1984, the French Private Equity Association (AFIC) has 233 active members covering all types of private equity activities in France: Venture Capital firms (FCR), Venture Capital Funds (FCPR), Innovation Funds (FCPI), Local Investment Funds (FIP), management companies, consulting firms, funds of funds, investment companies, etc. In addition, AFIC has 162 associate members from a wide range of related professions – attorneys, accountants and auditors, consultants, bankers, etc. – who support and advise investors and entrepreneurs in the structuring and management of their partnerships.

By virtue of its responsibilities in the areas of compliance, controlling and establishing generally accepted practices, AFIC is one of two associations recognized by the French Financial Market Authority (AMF). Management companies must be AFIC members in order to be certified by the AMF. AFIC is the only professional association focused on the Private Equity business.

In addition to its services on behalf of members (monitoring of legal, regulatory and tax developments; research studies and statistics; training; development and communication), AFIC serves as a central hub to represent and promote the Private Equity business to institutional investors, opinion leaders and public policy makers. Through its ongoing discussions, AFIC helps to improve the financing of the economy, notably for small business, and to promote economic growth and entrepreneurial spirit.

Private Equity supports a significant portion of employment in France and represents one of the main growth drivers for the French economy. It supports investments in more than 4,850 privately-held companies, essentially small- and medium-sized businesses, employing more than 1.5 million people (2005 figures), or 9% of the total in the private sector. In 2005, companies receiving private equity financing had total sales of nearly €200 billion.

In 2005, AFIC's members invested more than €8 billion in more than 1,250 companies. Accounting for 20% of the European market, the French Private Equity business is the largest in Continental Europe and the third-largest worldwide.

Media contacts:
Image 7 – + 33 1 53 70 74 70
Flore Larger – flarger@image7.fr
Sidonie Mérieux – smerieux@image7.fr