The data in this report is available on the 3i website
www.3i.com/gpe
and the PricewaterhouseCoopers website
www.pwcmoneytree.com

For further information on this Global Private Equity 2002 report, on the data sources and methodology used in the preparation of the report, or for details on 3i and PricewaterhouseCoopers offices and services in your country, please contact:

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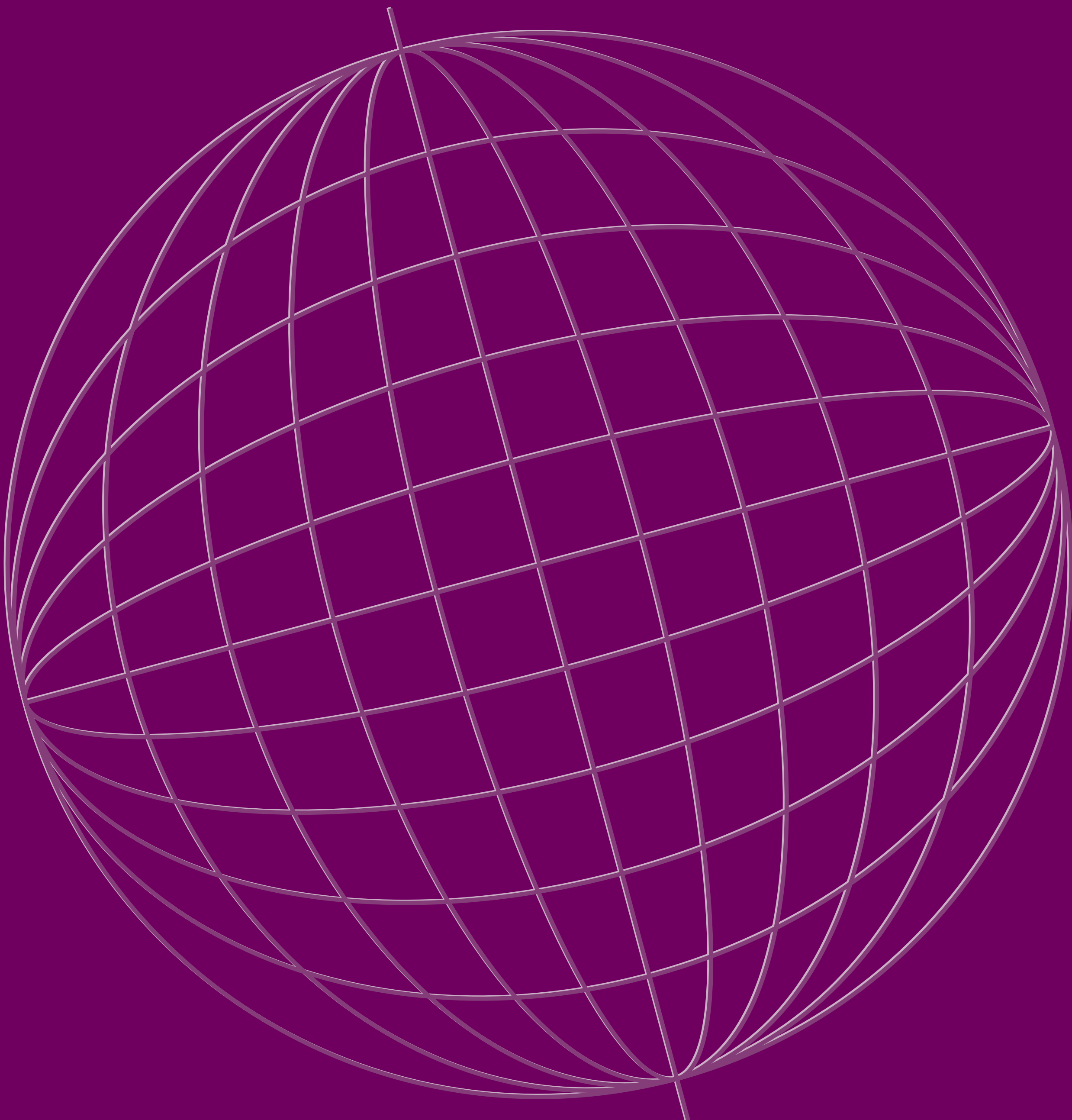
Global Private Equity 2002

A Review of the Global Private Equity and Venture Capital Markets



3i brings capital, knowledge, inspiration and connections to the creation and development of successful independent businesses around the world by providing funding for start-ups and early-stage, growth, management buyouts and management buy-ins.

A FTSE 100 company with assets over $8 billion, we invest in ambitious, growing businesses in all sectors through our network of teams in Europe, Asia Pacific and the USA. We have $2.8 billion of unquoted third party funds under management to invest alongside our own funds and invest over $5 million each working day. Technology businesses currently represent around 30% of 3i's portfolio.

PricewaterhouseCoopers (www.pwcglobal.com) is the world's largest professional services organisation. Drawing on the knowledge and skills of more than 150,000 people in 150 countries, we help our clients solve complex business problems and measurably enhance their ability to build value, manage risk and improve performance in an internet-enabled world.

The Global Technology Industry Group of PricewaterhouseCoopers works with both established global technology corporations and with fast-growth technology companies from start up to IPO and beyond in providing a full range of financial, tax and legal, corporate finance, assurance and business advisory services from professionals specialising exclusively in the technology industry.

Global Private Equity 2002

Brian Larcombe

Tracy Lefteroff

Welcome to our third annual report on Global Private Equity. This report brings together data, information and comment on all the main markets for private equity and venture capital, showing the activity for individual regions in the context of the global picture.

Drawn from a number of published sources and the knowledge within 3i and PricewaterhouseCoopers, it provides a unique perspective on investments made and funds raised in 2001. We are grateful to the publishers of the source data for their support.

As we forecast in last year's report, private equity and venture capital investment has seen a substantial contraction in 2001, with the global investment total at $100 billion, some 50% less than the all-time record of $199 billion set in 2000. Similarly, funds raised were down 39% at $151 billion, from their high of $247 billion in 2000.

The contraction in investment marked the return to more normal levels of investment following the over-hype in certain technology markets in 2000. Other factors which also had an impact included: the difficult equity and M&A markets, low business confidence and the events of September 11th. With all of this uncertainty there was a new caution in the private equity markets and a real focus on supporting existing portfolios.

Whilst all investment stages were affected, buyout investment increased and technology investment decreased as a proportion of the total. The US remained the largest market in 2001 but also experienced the greatest decline. Highest growth in 2001 was achieved in the Asia Pacific region, most notably in China, Australia and India.

2001 has certainly been a roller coaster ride, with significant downward pressures and occasional flashes of opportunity. Looking ahead to 2002, investment levels will depend on a recovery in the second half of the year. In the absence of this, and so far we are only seeing stirrings of it happening in the buyout market, it appears that investment around the world in 2002 could be down by at least a third on 2001.

We have had to ask ourselves whether this is an industry seeing a short term stumble on the path to long term growth or one which is moving to a different path altogether. We firmly believe it is the former, and that whilst private equity returns are coming under pressure, the case for substantial out performance of the public markets remains intact. Given the outlook for the public markets going forwards, the case for investing in private equity could well be even stronger.

We hope you find this report of interest, and welcome your comments.

Brian Larcombe
Chief Executive,
3i Group plc

Tracy Lefteroff
Global Managing Partner,
Private Equity and Venture Capital
PricewaterhouseCoopers

September 2002

Contents

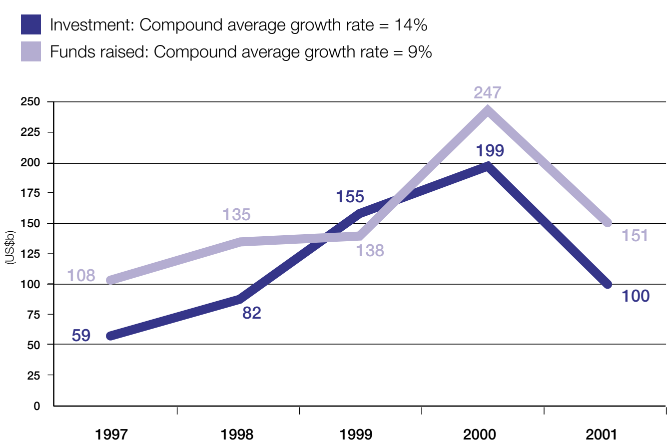
The World View

- At least $100 billion of private equity and venture capital was invested globally in 2001 – a decrease of 50% on the 2000 record amount of $199 billion.
- This is equivalent to 0.32% of the world's gross domestic product (down from 0.63% in 2000).
- At least $151 billion of funds were raised globally in 2001 – down 39% from the record $247 billion in 2000.

As predicted, within the context of a difficult economic climate, 2001 saw a significant fall in world-wide private equity investment. It is interesting to reflect whether this was driven by a fall in demand for private equity or a fall in the willingness of the private equity community to invest. We believe it was a bit of both. In the venture capital markets fewer entrepreneurs were coming forward, although those that did, generally had business plans of much higher quality. At the same time investors were becoming more cautious, as their focus changed from new investments to the support of their existing portfolios. In the buyout markets a value perception divide started to develop between private equity buyers and large corporate/family vendors who were unwilling to accept the prices being offered.

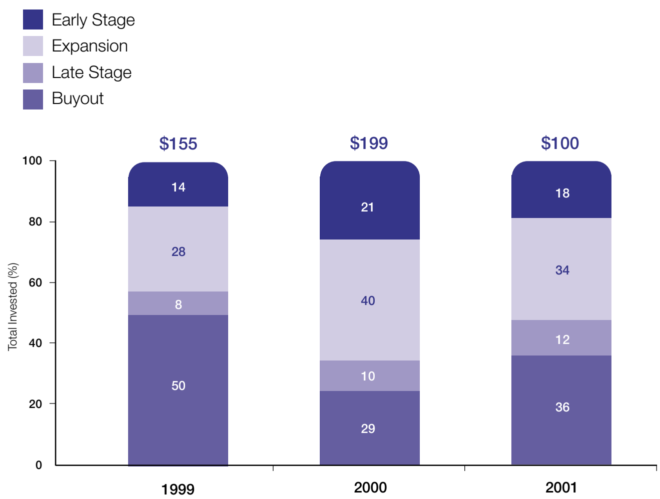
One thing is certain, the fall in investment was not driven by a lack of supply. With funds raised exceeding investments by at least $51 billion, together with a significant excess of funds raised over investments in the years 2000, 1998 and 1997, there is in excess of $180 billion now available for investment. Looking ahead to 2002 and beyond, there will be pressure from investors to make investments or to return capital.

Global Investment and Fund Raising Trends



All stages were affected by the downturn and the split in investment by stage adjusted slightly. Although management buyout investment fell by 38%, buyouts represented a slightly larger share of total world-wide investment, up from 29% to 36%. Investments in early-stage companies (seed and start-up) fell by more than half in 2001 and represented 18% of total investment ($18 billion), down from 21% ($42 billion) in 2000. Expansion accounted for 34% of total investment ($34 billion), down from 40% ($80 billion) in 2000.

Stage of Investment – % of Global Market*



* % figures based on data for top 3 regions.

The World View cont’d

2001 saw a renewed emphasis on the more developed markets as South American countries disappeared from the global top 20. Once again North America invested and raised the most private equity and venture capital in 2001, with $63 billion invested (62% of global investments) and $103 billion raised (68% of global funds raised). These were smaller proportions than in 2000 and now represent just three times the investment and funds raised in Western Europe, down from more than four times in 2000.

Top 20 Countries by Investment – (versus 2000 ranking)

The map indicates regional % share of global investment

North America

1	USA	(1)
4	Canada	(5)

Middle East & Africa

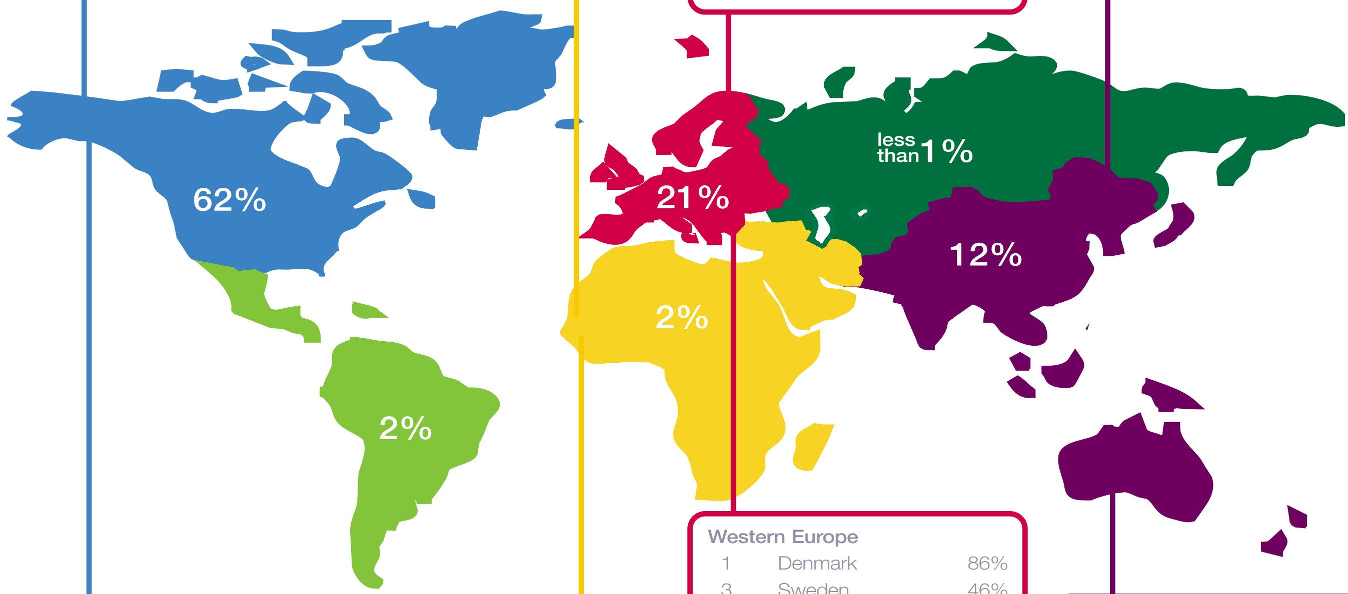
13	Israel	(6)

Western Europe

2	UK	(2)
3	Germany	(4)
5	France	(3)
7	Italy	(7)
8	Sweden	(11)
12	The Netherlands	(12)
17	Spain	(15)
19	Belgium	(-)
20	Denmark	(-)

Asia Pacific

6	Japan	(10)
9	Korea	(8)
10	Hong Kong	(9)
11	China	(17)
14	Australia	(19)
15	India	(18)
16	Singapore	(13)
18	Taiwan	(14)



North America

11	Canada	24%
17	USA	10%

Middle East & Africa

4	Israel	38%

Western Europe

1	Denmark	86%
3	Sweden	46%
5	Spain	38%
8	Italy	30%
9	Germany	27%
13	France	20%
15	The Netherlands	18%
16	Belgium	16%
19	Norway	7%
20	UK	5%

Asia Pacific

2	India	72%
6	Australia	37%
7	China	34%
10	Singapore	26%
12	Hong Kong	23%
14	Japan	18%
18	Korea	8%

Top 20 Countries* based on Investment Growth – compound average %

*With investment of at least $0.25 Billion in 2001

In terms of individual countries, as in previous years, the USA led the way in 2001 with $60 billion invested (down more than half from $141 billion invested in 2000). The UK was again the country with the next largest share of investments, almost 10 times smaller with just over $6 billion invested (also down by half). Germany regained third place from France and Canada moved up to fourth place, relegating France to fifth place. A number of European countries slid down the rankings whilst those that moved up were mainly in Asia Pacific.

Whilst the overall picture was bleak, 2001 was not a difficult year for every country around the world. China, Australia, India, Spain and Denmark all experienced private equity investment growth in 2001. It is interesting to observe that the most mature markets were the ones to suffer the most. This could be a result of the stronger connection between the equity markets and the private equity community in these countries, with the undermining of the capital markets in 2001 having a significant impact.

Over the last five years, the more mature private equity markets have also seen the lowest compound growth rates, with the USA growing an average of only 10% and the UK an average of 5%. Sixteen countries have grown faster on average than the USA; the top three are Denmark at 86%, India at 72% and Sweden at 46%.

Technology* investments totalled at least $53 billion in 2001, over half of worldwide investment.

Investments in technology related companies were 53% of the total, down slightly from their 55% share in 2000 (but significantly greater than their 40% share ($61 billion) in 1999).

Whilst the USA remained the key driver for technology investments worldwide, there are differences in the rankings for the other countries, as compared to the total investment league table. Notably Canada, which takes second place in the technology top ten, and China and Israel, which take fifth and sixth places respectively.

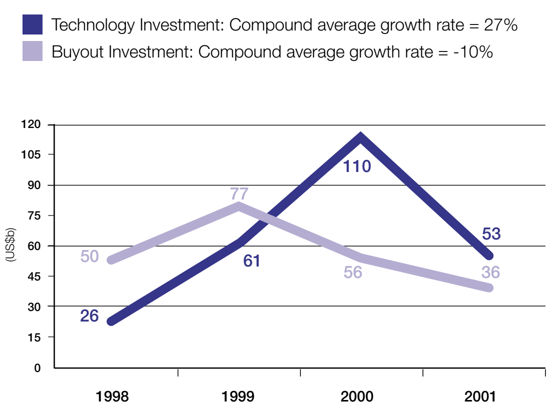
The top ten countries for technology investment in 2001 were:

1.	USA	$30.0 billion (vc only)†
2.	Canada	$2.9 billion
3.	United Kingdom	$2.4 billion
4.	Germany	$1.6 billion
5.	China	$1.6 billion
6.	Israel	$1.5 billion (vc only)†
7.	France	$1.1 billion
8.	Hong Kong	$1.0 billion
9.	Italy	$0.9 billion
10.	India	$0.9 billion

†Excluding Buyouts

Looking ahead to 2002, technology investment is likely to fall substantially below the level seen in 2001, with a return to sustained growth not expected in the short term. This will only occur when the large corporations increase their technology spending and investment liquidity improves in terms of renewed growth in IPOs and trade sales

Global Buyout and Technology Investment Trends



Based on actual published data – not up-weighted, see methodology on page 15

* Technology investments include those in the following sectors; communications, computer related, other electronics related, biotechnology and medical/health related.

At least $36 billion was invested globally in buyouts in 2001.

The global buyout market peaked earlier than the technology market, with 1999 reaching a record investment of $77 billion. The decline since then has mainly been driven by the fall in the buyout market in the USA which has been constrained by tight debt markets in recent years.

Buyout activity is particularly concentrated in North America and Europe, which take a 64% and 27% share of investment respectively. Asia Pacific is still a relatively small buyout region, but in 2001 experienced rapid growth, driven by increased buyout investment in Japan, which ranked as the fourth largest buyout market.

The top ten countries for buyout investment in 2001 were:

1.	USA	$23.3 billion
2.	United Kingdom	$3.5 billion
3.	France	$1.7 billion
4.	Japan	$1.6 billion
5.	Germany	$1.5 billion
6.	Australia	$0.9 billion
7.	Sweden	$0.9 billion
8.	Italy	$0.9 billion
9.	Korea	$0.8 billion
10.	Netherlands	$0.8 billion

Looking ahead to 2002, there will have to be a fairly significant recovery in the second half of the year to match the buyout investment levels achieved last year. However, there is an expectation that investment in the buyout market will strengthen going into 2003 and we are seeing the first signs that this is starting to happen in the US and Europe. Large corporates are coming under increasing pressure to restructure their businesses and the price perception gap is closing.

Investment and Funds Raised by Country – US $ Billion

Country Ranking 2001		Investment Amount	Funds Raised
1.	USA	59.7	99.6
2.	United Kingdom	6.2	18.4
3.	Germany	4.0	3.3
4.	Canada	3.2	3.0
5.	France	3.0	4.9
6.	Japan	2.1	3.1
7.	Italy	2.0	1.7
8.	Sweden	1.8	1.6
9.	Korea	1.8	1.2
10.	Hong Kong	1.8	2.3
11.	China	1.8	1.9
12.	Netherlands	1.7	0.6
13.	Israel	1.6	1.4
14.	Australia	1.3	0.7
15.	India	1.1	0.4
16.	Singapore	1.1	1.0
17.	Spain	1.1	0.7
18.	Taiwan	0.8	1.0
19.	Belgium	0.4	0.6
20.	Denmark	0.3	0.4

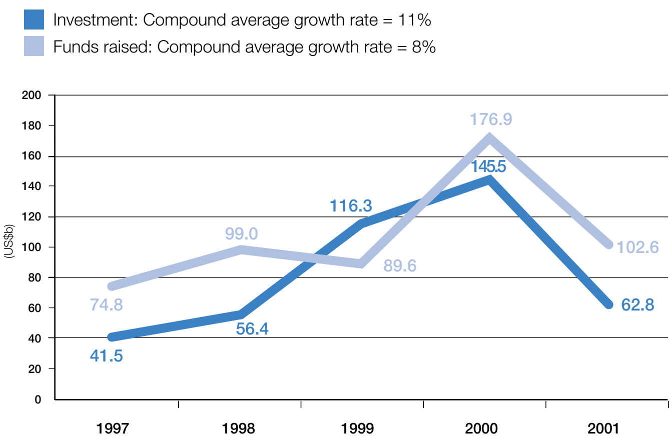
North America

- $62.8 billion of private equity and venture capital was invested in North America in 2001 – a decrease of 57% on 2000.
- This is equivalent to 0.58% of North American GDP.
- $102.6 billion of funds were raised in North America in 2001 – a 42% decrease from 2000.

Investments in North America fell by more than half in 2001 from their record high of $145.5 billion in 2000, with decreases across all investment stages. Investment and fund raising in North America continued to be dominated by the USA, with the USA's share of investments and funds raised representing 95% and 97% of the total, respectively.

Investments in North America have shown a compound average growth rate of 11% over the last five years, whilst the compound average growth rate of funds raised is just 8% for the same period.

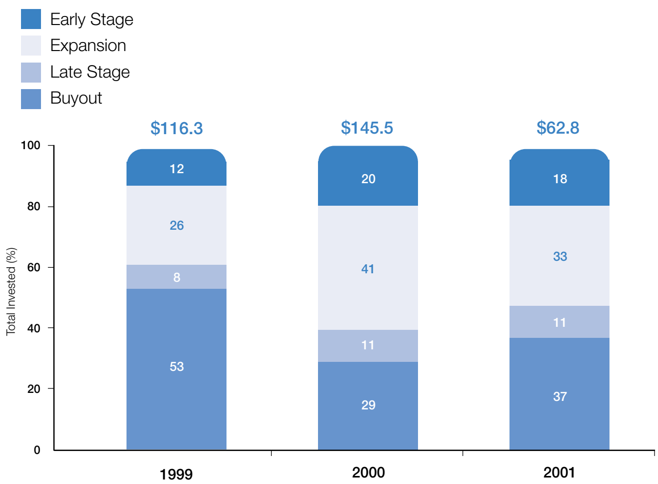
North America Investment and Fund Raising Trends



At least $33 billion was invested in technology investments in North America in 2001, less than half in 2000.

Technology investments in North America fell dramatically in 2001 from their high of $78 billion in 2000, reducing the compound average growth rate of technology investments to 41% (from 45%) over the past five years. In the USA, technology-related investments amounted to $30.0 billion in 2001, down 60% from $74.4 billion in 2000. Activity fell as venture capital companies focused on their existing portfolios and took much longer over due diligence on new investments. The market experienced an effective closure of exit routes, with the public markets and M&A activity all quiet in 2001, together with a downward trend in IT spending by the large corporations. In Canada, technology investments were $2.9 billion in 2001, as compared to $3.9 billion in 2000, a decrease from 2000 of just 25%.

North America – Stage of Investment



At least $23 billion was invested in buyouts in 2001, a decrease of 44% on 2000.

A key factor in this fall was the inability of private equity houses to arrange the appropriate amount of debt for new deals. However, the proportion of total investments made in the buyout stages was 37%, up slightly from 29% in 2000 and now the largest investment stage. Buyout investments in Canada represented a much smaller amount at $0.17 billion, although this was an increase from $0.15 billion in 2000.

Expansion investments accounted for 33% of the total investment amount in North America at $21.0 billion in 2001, down from 41% in 2000 at $59.7 billion.

Seed and start-up investments were 18% of the total investment amount at $11.4 billion, down from 20% in 2000 at $29.1 billion.

Looking to 2002…

Fund raising in the USA in the first half of 2002 is around $19 billion, some 60% down on the same period last year. This is driven partly by institutional investors reducing their commitments to private equity funds in the light of limited realisations by the private equity houses, and also because many top-performing firms have adequate funds on hand for at least another year. Buyout houses raised the largest share of funds at around $11 billion in the first half of 2002 whilst venture capital firms raised just $3 billion. The early stage venture firms raised relatively more funds than their later stage counterparts, a low point in the economic cycle being seen as an attractive time to start new ventures. Funds raised for the full year 2002 could be the lowest in five years.

Venture capital investment in the USA totalled $12.1 billion for the first six months of 2002, down 53% from the first six months of 2001 ($25.6 billion). It is likely that total investments for the year 2002 will be well below 1999, the first of the 'bubble' years. However, 2002 is still likely to be the fourth largest year ever for venture investing in the USA. This return to more normal historical levels of investment reflects the uncertain economic environment and the weak IPO market.

Around $9.4 billion in buyout investments were made in the first six months of 2002, down 36% on the same period last year. There are however signs that the buyout market may be improving – the number and size of deals was greater in the second quarter of 2002 than in the first quarter. Buy-out firms now have less competition from corporate buyers who are more concerned with addressing accounting and shareholder confidence issues.

"The year 2002 may be the harbinger of the decade for the equity markets – public and private. The markets will either find stability and therefore liquidity, or they will continue a stuttering decline back toward the early 90's. The underlying strength of the global economy makes the former more likely than the latter".

Tracy Lefteroff – Global Managing Partner, Private Equity and Venture Capital, PricewaterhouseCoopers

Sources:
PricewaterhouseCoopers / Venture Economics /
National Venture Capital Association MoneyTree™ Survey
Asset Alternatives, Wellesley MA 781-304-1400 / www.assetnews.com
Macdonald & Associates Limited for the Canadian Venture Capital Association (CVCA)

…and beyond

The public markets, and especially the IPO market, are showing no signs of recovery, corporate profits are suspect or declining and the pipeline of venture-backed technology companies ready for public financing is clogged. A sustained recovery with increased investment in 2003 is unlikely until technology spending by corporations increases and the public markets improve dramatically and demonstrate stability. But, despite the slowdown in investment growth, the USA continues to be by far the leading global investor.

"The next couple of years are going to be very challenging for venture capital. In the second quarter, for the first time ever, venture capital firms gave more money back to their investors than they raised. However, there are deals around and whilst portfolio companies still require support, there is more capacity to make new investments. What you find is that the quality threshold that VCs are looking for has stepped up a further gear and there is a concentration of quality into the top tier firms. This is ensuring that the top syndicates are less affected by the difficult market conditions and still continue to be active."

Martin Gagen – President & CEO, 3i USA and Asia Pacific

All indicators appear to support the on-going development of the Canadian venture capital industry. Despite its low share of 5% in North American investments, Canada continues to rise up the ranks on a global level, now at fourth place (up from fifth place in 2000).

Western Europe

- $21.5 billion of private equity and venture capital was invested in Western Europe in 2001 – a 33% decrease from 2000.
- This is equivalent to 0.26% of Western European GDP.
- $34.0 billion funds were raised in Western Europe in 2001 – a 22% decrease from 2000.

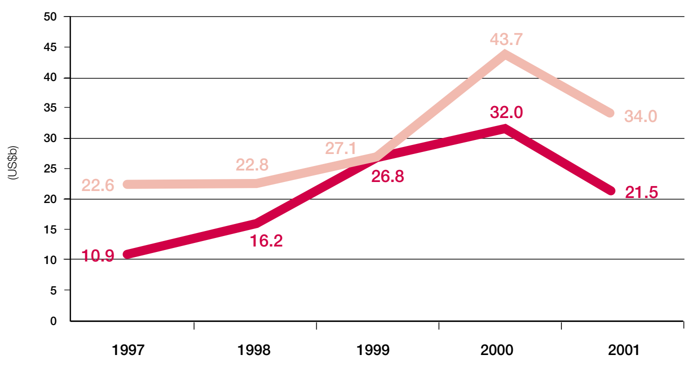
Investments in Western Europe saw a substantial decline in 2001, although by no means as marked as in North America. The record investment set in 2000 was driven by a huge leap in funds raised and a large appetite for technology investments. The bursting of the dot.com/internet bubble, refocusing on existing portfolios by VCs and the collapse of the public markets drove the investment trend downwards in 2001.

Of the funds raised in 2001, the UK contributed 54%, with UK funds raised actually increasing over 2000 levels by some 12%. 56% of funds raised in Western Europe were allocated to buyouts and 25% to technology early-stage and expansion.

The UK continued to become less dominant in terms of investments, representing 29% of the total investment amount, down from 38% in 2000 and 45% in 1999. The second largest country for investment was Germany (18%) followed by France (14%).

Western Europe Investment and Fund Raising Trends

Investment: Compound average growth rate = 18%
Funds raised: Compound average growth rate = 11%



Source: EVCA

In terms of compound average growth rates over five years, Denmark led at 86%, followed by Sweden at 46%.

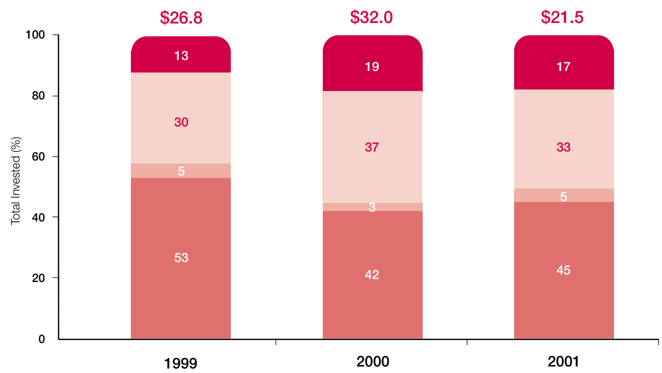
Technology investments in Western Europe totalled $8.3 billion in 2001, down 38% from 2000 levels.

Around 38% of total investments were made in the technology sectors. Computer software was the largest individual category within technology, accounting for a third of investments in terms of both number and amount. The UK led technology investments by amount and Germany led in terms of number of deals.

This decline was due to the dot.com and internet debacle, reduced spending on information technology by many corporates, poor revenues and earnings from the major technology corporations, delays in third-generation wireless applications coming on stream and the current lack of exit routes. Nevertheless, developments in technology continue and require financing. Technology continues to offer attractive investment opportunities in such areas as the mobile internet, where Europe has a lead over the USA, encryption and security software, nanotechnology and biotechnology, provided valuations and investment time frames are realistic.

Western Europe – Stage of Investment

Start-up
Expansion
Replacement Capital
Buyout



Source: EVCA

Buyout investments decreased by 27% to $9.7 billion in 2001.

Whilst buyout activity got off to a good start in 2001 with some record breaking deals, economic uncertainty led to a dramatic slowdown in the second half of the year. Institutional investors, banks and equity players became more cautious and vendors became increasingly unwilling to sell as the prices offered fell. Buyouts ended the year representing a 45% share of all investments by amount, up from 42% in 2000. The UK, France, Germany, Sweden and Italy were the top five countries for buyout activity in Europe. Belgium had the highest average five year growth rate in Europe, followed by Switzerland at 46%.

Expansion investments accounted for 33% of the total amount invested in Europe at $7.1 billion, down from a 37% share in 2000 ($11.8 billion).

Seed and start-up investments accounted for 17% of the amount invested at $3.7 billion, down from 19% in 2000 ($6.1 billion).

Looking to 2002…

Recent estimates indicate that 2002 will at best, match, but more likely undershoot 2001 investment levels. The market has had a difficult start to the year with considerable uncertainty in the stock markets, and both technology and buyout investment down around 50% on the same period last year. The first quarter EVCA "Activity Indicator" of a sample of private equity firms in Europe reveals that $3.6 billion was raised for investment in European companies and $3.0 billion was invested, with $1.7 billion invested in buyouts and $1.2 billion invested at the venture capital stages.

"In 2001, both M&A activity and investment in the European buyout market fell. In particular large, highly leveraged deals became more difficult to complete, leading to a slow down in activity at the top end of the market. This trend has continued into 2002, which looks like a flat year at best, although we anticipate strong growth if the M&A cycle picks up. There is still a lot of corporate restructuring to be done in Europe and private equity will play a key role in the process."

Jonathan Russell – Director, 3i Transactions

"The volatility and lack of confidence displayed by the public markets recently, together with a lack of visibility of corporate earnings, has led to a dramatic downturn in the level and rate at which funds have been invested. However, as in previous cycles, as we come out of the bear market we can expect to see a resurgence in activity levels, particularly in Continental Europe."

Peter Jacobs – Head of Private Equity EMEA, PricewaterhouseCoopers

…and beyond

It is likely that 2003 will see an upturn in the buyout market, with the stock markets and M&A activity unlikely to recover before then. Technology investing is likely to take longer to recover and may not show growth until 2004.

"The key issues facing entrepreneurial technology companies currently include the low level of corporate IT spending and the need to persuade their customers about payback. Venture capital has always been a cyclical industry and whilst these are challenging times, we are still seeing technology companies with strong management teams and a clear vision of the future, that continue to attract new funding."

Rod Perry – Director, 3i Technology

The next year or two is likely to see further consolidation in the private equity and venture capital industry with a focus on the international, cross-border firms and the niche, stage and/or industry specific firms.

"The odds of raising venture capital for early stage technology investments in Europe in the current climate are stacked in favour of well-researched, innovative propositions with seed finance already in place. For later stage VC investments, there is a need to be able to demonstrate a revenue stream, the potential to take a leading position in an expanding market, protected intellectual property and an experienced management team."

Keith Arundale – Director of Business Development and Venture Capital Leader, Global Technology Industry Group EMEA, PricewaterhouseCoopers

Source:
European Private Equity and Venture Capital Association (EVCA), www.evca.com

Asia Pacific

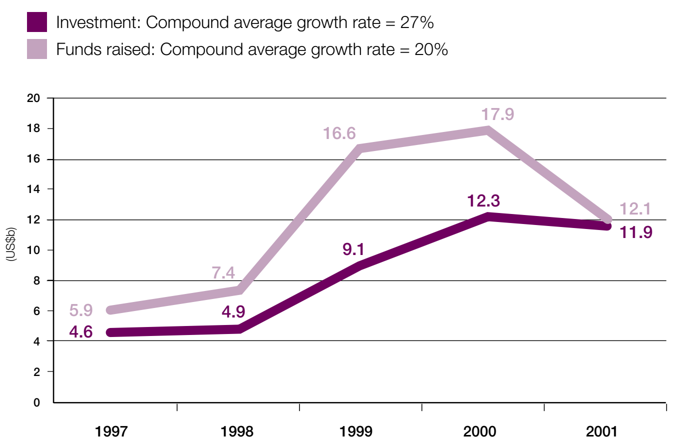
- A predicted $11.9 billion of private equity and venture capital was invested in the Asia Pacific region in 2001 – a 3% decrease from 2000.
- This is equivalent to 0.15% of Asian GDP.
- $12.1 billion of funds raised are predicted for 2001 – down 32% from 2000.

Total investment in Asia Pacific in 2001 was estimated at $11.9 billion, representing just a 3% decline over 2000 compared to a 50% decrease in global investments. This is due to a number of different factors. First, the private equity industry in Asia Pacific is still in the early stages of development and as a result did not perhaps experience the same excesses as occurred in the more mature regions. Secondly, buyout investment grew strongly over the period, offsetting the fall in technology investment. Finally, the awareness and understanding of private equity is continuing to grow in the region and local capabilities are developing.

Funds raised during the year fell in line with the global trend. The overhang of funds is expected to be more than sufficient to sustain likely investment levels going forward.

Within the region, Japan was estimated to have invested the most in 2001, moving from third position last year to take the lead ahead of Korea and Hong Kong. The key markets to experience growth in investment were China, Australia and India and they moved to fourth, fifth and sixth positions respectively, overtaking both Singapore and Taiwan in the rankings.

Asia Pacific Investment and Fund Raising Trends



Buyouts drove investment growth in the region, with $2.6 billion invested, although expansion investment remains significant.

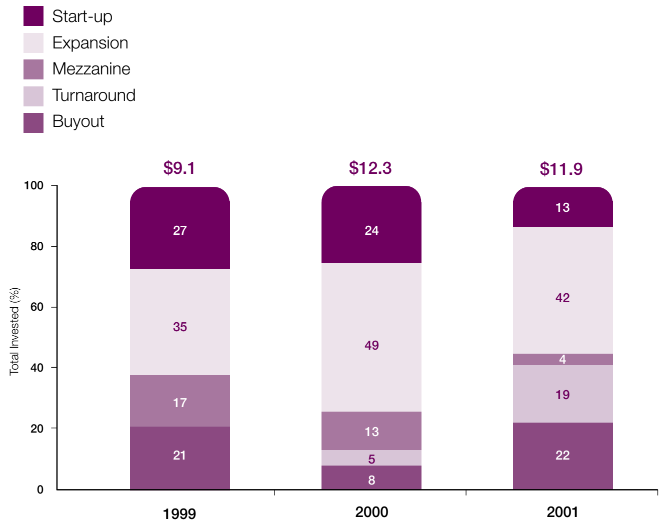
The amount invested in buyouts at $2.6 billion represented an increase of 165%, up from less than $1 billion in 2000. This represents 22% of investment, up from 8% in 2000. Buyouts are attracting increasing attention, particularly in Japan, Korea and Australia. This is in line with continued restructuring in the region and a focus on core businesses.

Whilst investment levels were fairly stable, the region clearly was affected by the downturn, with investment in turnaround situations also increasing from 5% to 19% of total investment.

Expansion capital remained the largest single stage of investment accounting for 42% of all investments (down from 49%). A total of $5.0 billion was invested at this stage, down 17% on 2000.

As would be expected, the share of seed and start-up investments fell, moving from a 24% share of all investment in 2002 ($3.0 billion) to 13% ($1.5 billion) in 2001.

Asia Pacific – Stage of Investments



Technology investment still accounted for almost half of total investment in the region.

Technology investments in Asia Pacific in 2001 amounted to $5.2 billion, down slightly from $5.6 billion in 2000. The compound average growth rate of technology investments in Asia Pacific over the last four years was 44%.

Looking to 2002 and beyond

Investment in the first half of 2002 was $5.1 billion, down 33% on the first half of 2001. It is likely that investment for the year will not match 2001 levels, with some growth in 2003 and an acceleration of growth into 2004. The industry continues to develop in the region: the infrastructure is improving; local capabilities are developing; and awareness of private equity is increasing.

"The industry is still in the early stages of development. It is growing in tandem with corporate finance activity and prospects for the long term are strong. The trend to later stage investment is a natural progression in restructuring economies and is likely to prove to be a significant driver of economic growth. Looking ahead, 2002 is unlikely to be strong in investment terms. However the current environment offers opportunities for investors with a medium term perspective, and we expect investment levels to rebound as we move in to 2003 and 2004."

Martin Gagen – President & CEO, 3i USA and Asia Pacific

Buyouts are likely to continue to comprise a significant proportion of total investment but are unlikely to show the same growth rates as in 2001. However, growth in buyout investment is expected in the long term, driven by continuing restructuring and increasing focus on core business activities by regional conglomerates.

On the technology front, a return to sustained growth in technology investments is not expected in the short term. While there may be some recovery in later stage technology investing, this is not anticipated to drive total investment in the year ahead. Looking forward, we do expect technology investment to show stronger growth into 2004.

Fund raising in 2002 is expected to be lower than in 2001 due to caution in the marketplace and the excess of funds raised in earlier years. Fund raising is expected to recover gradually as market conditions improve and as the fund overhang begins to clear.

Source:
The Asian Venture Capital Journal, www.asiaventure.com

Some risks exist, most notably the effect of political change in the region and any resulting effect on the regulatory process, restructuring and general economic activity. However, on balance the long term prospects look positive, particularly in Greater China, Japan and Korea.

"The private equity and venture capital industry is still developing in Asia Pacific. It is likely that investment for 2002 will not match 2001 levels but some growth is expected in 2003 with an acceleration in growth in 2004. The potential big growth areas in Asia Pacific are likely to be Japan, Taiwan and Korea, with China (via Hong Kong) continuing to come through as an important market for both technology and expansion capital.

"Australia, Hong Kong and Singapore are also racing to attract expansion venture capital investment for their life sciences and biotechnology industries. The key being an understanding of which areas the particular country can leverage their existing scientific skills as a competitive advantage. An example being Australia's strength in proteomics, hearing and respiratory medicine."

Martyn Mitchell – AsiaPac Leader, Global Technology Industry Group, PricewaterhouseCoopers

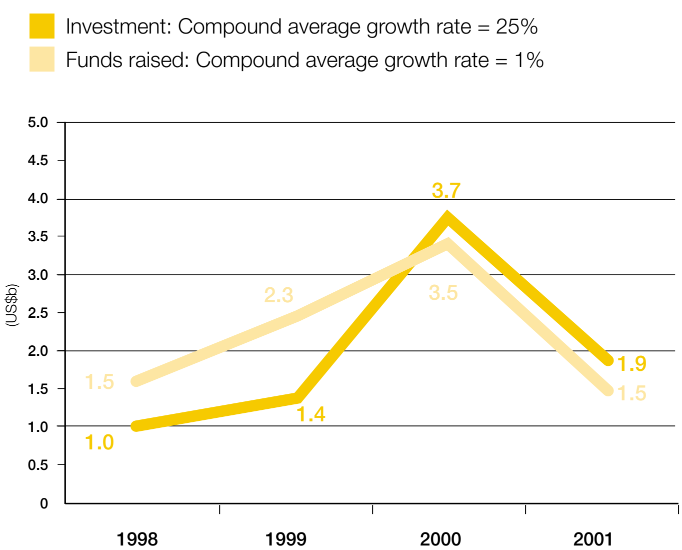
Middle East & Africa

- $1.9 billion of private equity and venture capital was invested in the two main countries – Israel and South Africa – in 2001 – a 49% decrease from 2000.
- This represents 0.81% of the GDP in these two countries.
- Approximately $1.52 billion funds were raised in 2001 in the region – a 57% decrease from 2000.

Private equity activity in the Middle East and African region is measured in the two main countries that make up the majority of the regional market. Israeli investments continued to dominate in 2001 with $1.6 billion (down from $3.2 billion in 2000), which constitute 84% of all investments. South African investments were $0.27 billion, 14% of the market, down by 45%. In addition, North Africa invested an estimated $0.03 billion.

Israel raised $1.4 billion of funds in 2001 (down from $3.7 billion in 2000). South African funds further declined to $0.13 billion (down from $0.25 billion).

Middle East & Africa Investment and Fund Raising Trends



85% of total investments in 2001 were made in the technology sector.

Investments in the technology sector in the Middle East and Africa amounted to $1.6 billion in 2001, down 44% from $2.8 billion in 2000. In Israel, high-technology investments accounted for 95% of all investments (up from 84% in 2000), whilst South African high-technology investments constituted only 34% (up from 27% in 2000). Israeli technology investments have held up remarkably well in view of the political situation. There is a strong technology environment, well linked in to the scientific pool, and a continuing entrepreneurial culture in the country.

There is no record of buyout investment in Israel in 2001. 45% of the overall investments in the region were made in the early-stages (down from 75% in 2000).

Looking to 2002 and beyond

Venture-backed investments in technology companies in Israel in the first quarter of 2002 amounted to $344 million, compared to $384 million invested in the last quarter of 2001 – a 10% decline. The decline accelerated substantially in the second quarter of 2002, with investments falling to $217 million, a further fall of 37% from the first quarter. Venture-backed investments in technology companies in Israel are now at their lowest level since the second quarter of 1999. The focus of venture capital funds going forward is likely to be on later stage rounds. Whilst there is no shortage of funds for earlier stage enterprises, VCs are being very selective in making their investment decisions.

Investment in Israel is of course impacted by the ongoing Israeli-Palestinian conflict. There are examples of investors refusing to meet commitments due to the political problems in the region. The recent escalation of political tensions casts uncertainty over the country's economic prospects, in particular with regard to the technology industries, although as many companies develop products mainly for export, the Israeli-Palestinian conflict does not have as great an impact as might be imagined.

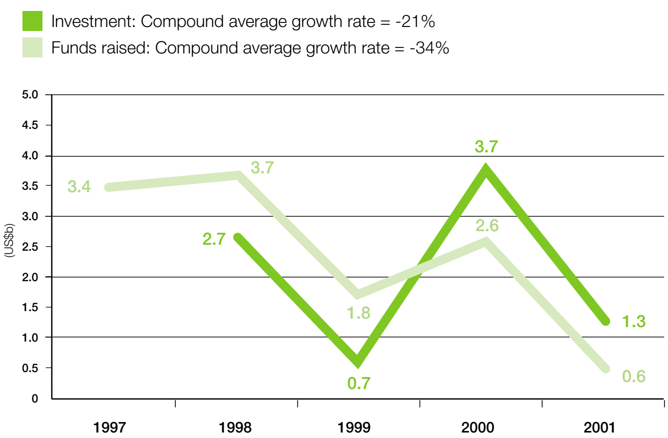
Sources:
KPMG and the South African Venture Capital and Private Equity Association 2001 Private Equity Survey
The Kessleman & Kesselman PricewaterhouseCoopers MoneyTree Survey, Israel
IVC Research Centre, www.ivc-online.com

Central & South America

- At least $1.3 billion of private equity and venture capital was invested in Central & South America in 2001 – a decrease of 64% from 2000.
- Approximately $0.6 billion funds were raised in Central & South America in 2001 – a 76% decrease on 2000.

2001 showed a significant decline in Central and South American investments and funds raised, to the lowest levels seen for five years. The compound average growth rate in investments is -21% over the past four years. The decline was mainly due to the deteriorating economic and business environment. Investments in 2001 decreased from $3.7 billion to $1.3 billion, funds raised accounted for $0.6 billion, down from $2.6 billion in 2000. In 2000, there was an influx of venture capital from international players wanting to benefit from the opportunities offered by the growing Latin American e-commerce market. With e-commerce activity substantially reduced in 2001 there is less activity from the international players.

Central & South America Investment and Fund Raising Trends



Technology investments in Central and South America totalled at least $0.7 billion in 2001.

Investments in the Central and South American high-technology sectors constituted 51% of all investments in the region in 2001 but were substantially down from the $2.8 billion invested in technology in 2000.

Source:

Asset Alternatives, Wellesley, MA / 781-304-1400 / www.assetnews.com

Buyouts in the region accounted for approximately 42% of all investments.

Looking to 2002 and beyond

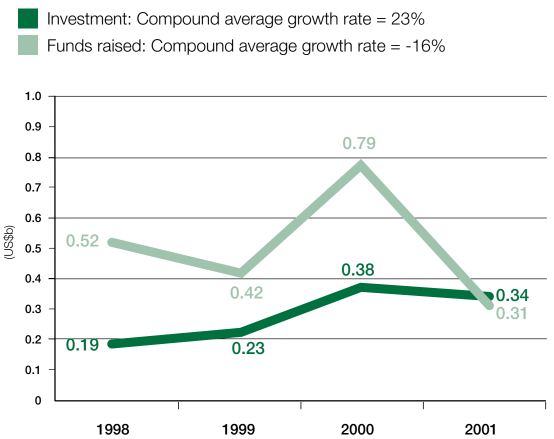
Overall investment levels in 2002 are expected to be less than in 2001 due to the greater economic and political risks now prevailing in Brazil and Argentina. Looking further ahead to 2003 and beyond the situation should improve with higher levels of foreign direct investments leveraging VC money. There is likely to be less investment in the technology sectors with more focus on expansion and the financing of industrial consolidation.

Central & Eastern Europe

- At least $0.34 billion of private equity and venture capital was invested in nine countries in Central Europe in 2001 – an 8% decrease on 2000.
- At least $0.31 billion of new funds were raised in 2001 – a 60% decrease on 2000.

Investments held up well in Central Europe in 2001 compared to the 33% decrease in investments experienced in Western Europe. Data for 2001 is taken from nine countries – Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Estonia, Latvia and Lithuania. Two countries showed significant growth in investments over 2000: Hungary at 171% and Slovakia at 470%.

Central & Eastern Europe Investment and Fund Raising Trends



$0.15 billion was invested in technology in Central Europe in 2001, down 35% from 2000.

$0.1 billion, 31% of investments by amount, was invested in buyouts in 2001, up from $0.02 billion in 2000.

Buyouts represented just 6% of total investment in 2000.

40% of the total investment was at the expansion stage ($0.14 billion), down from 74% in 2000; 14% at the seed and start-up stages ($0.05 billion), compared to 15% in 2000.

Poland represented 39% of all investments in Central and Eastern Europe at $135 million, down from 48% in 2000. Hungary was the next most significant country representing 37% of investments at $129 million.

Source:

European Private Equity and Venture Capital Association (EVCA), www.evca.com

A poor macroeconomic environment in Poland, and a substantial economic slowdown, impeded growth. In contrast, Hungary saw an increase in investment in 2001, a significant proportion of which was targeted at non-domestic companies.

Looking to 2002 and beyond

Despite the downturn in 2001, in Poland there are better prospects for the future as the Polish economy recovers on the back of a global recovery and the country's proximity to the European Union. The Polish market still has reasonable potential with the largest and most active capital market in the region.

In certain other countries in the region, such as the Czech Republic, whilst understanding and appreciation of the benefits of private equity has continued to develop, funds still face the problem of promoting a clear understanding as to their role in the investment and economic development process. The potential for private equity in the future is evidenced in some countries by the growing number of regional funds built up with foreign equity. The issue is whether companies with strong growth potential can be matched with strong management teams who treat private equity funds as partners and follow the more traditional models of activity prevalent in Western Europe.

In other countries, such as Bulgaria, government sponsored initiatives are anticipated to be the dominant force in providing private equity.

Russia is not included in the above data, as there are no official statistics currently available. The main sources of venture capital in Russia are institutional investors and foreign public sources, with The European Bank for Reconstruction and Development (EBRD) perhaps the main investor.

Methodology & Data Sources

The findings and results presented have been generated by a significant programme of desk based research conducted by the PricewaterhouseCoopers International Survey Unit in Belfast, supplemented by observations from directors and/or partners at 3i and PricewaterhouseCoopers.

It is widely recognised that the diverse nature of the industry makes it extremely difficult to measure. A wide range of regional and country level information has been utilised to generate the estimates included in this report. Whilst we have brought together data from a range of sources, we have made no attempt to adjust or extrapolate data in order to 'smooth' inconsistencies in methodologies. However, we have used some estimations at the global level in those regions where private equity and venture capital investment and fund raising was not deemed to be representative of the entire market in a particular region or where 2001 data was not yet available.

Historical data has been revised based on amendments published in 2001. The new figures for USA venture capital investments produced by the PricewaterhouseCoopers/ Venture Economics/ National Venture Capital Association MoneyTree™ Survey have had the greatest impact on global figures.

The summary below outlines the treatment of the various regional sources of data

North America: The PricewaterhouseCoopers/ Venture Economics/ National Venture Capital Association MoneyTree™ Survey provides a comprehensive review of the venture capital market in the USA. These sources were then added to the CVCA Survey (conducted by Macdonald and Associates) to produce figures for North America as a whole. Buyout data in the USA was sourced from Venture Economics. The figure for private equity fund raising in the USA was sourced from the Private Equity Analyst (a publication by Asset Alternatives) and added to the CVCA figure to produce a regional fundraising figure.

Western Europe: The European Private Equity and Venture Capital Association (EVCA) Survey conducted by PricewaterhouseCoopers is the most comprehensive review of the venture capital and private equity market in Western Europe, therefore no estimations have been made to this data.

Asia Pacific: The AVCJ Survey is considered to be a comprehensive review of the venture capital and private equity market in Asia Pacific, therefore no further estimations have been made. However, since the 2001 data is not due for release until after the publication of this report, the AVCJ have provided predictions for 2001.

Middle East & Africa: There is no single source of data outlining venture capital and private equity activity in the Middle East and Africa. Therefore several different sources of data were combined to create the regional figures. This included the Kesselman and Kesselman PricewaterhouseCoopers Israeli MoneyTree™ Survey, the Israeli Venture Capital Survey (conducted by IVC) and the SAVCA Private Equity Survey (conducted by KPMG).

The regional data is based on Israel and South Africa as we were unable to source data on any other countries in this region. However, it is expected that this may be a slight under-estimation of the region as a whole and the data was subsequently upweighted by 10% (for inclusion in the global data) to take account of any other activity (including buyouts in Israel, which are not recorded by MoneyTree™).

Central & South America: There is no comprehensive source of venture capital and private equity investment data in Central and South America. Data was obtained from the Latin American Private Equity Analyst, published by Asset Alternatives, and from Venture Equity Latin America (VE-LA). However, it is expected that there may be a slight under-estimation of the region as a whole and the data was subsequently upweighted by 30% (for inclusion in the global data) to take account of the fact that the value of many deals was not disclosed.

Central & Eastern Europe: The EVCA Survey conducted by PricewaterhouseCoopers provides an indication of the venture capital and private equity market in Central Europe, covering nine countries although five of these were surveyed as pilots in 2001. It is therefore expected that this is an under-estimation of the region as a whole and the data was subsequently upweighted by 40% (for inclusion in the global data) to take account of non-response and missing countries such as Russia, which were not included in the survey.

Currency Conversions

Local currencies have been converted to $US to aid comparability between regions, using the Interbank rate provided by OANDA.com. A yearly average, calculated from the four quarterly averages was applied to local currency values.

Stages of Investment

Global investment stages are as follows:

Early Stage	—	seed, start-up and other early stage
Expansion	—	expansion
Buyout	—	buyout and buy-in
Other	—	late, replacement, mezzanine, turnaround, unspecified

Technology Investments

Technology definitions vary from region to region and for the purposes of this report, technology investments have been calculated based on the sector in which the investment was made. This definition includes:

* Telecommunications
* IT/computer related
* Other electronics related
* Biotechnology
* Medical/health related

Growth Rates

Growth rates are the compound average growth rate over the five years 1997 to 2001 (in some cases four year growth rates have been used).

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