ARGOS EPSILON INDEX

Release of 2006 benchmark for Euro zone mid-market private company market values

Press conference, 27 March 2007

1. Methodology

2. The 2006 Argos Epsilon Index

3. Trade buyers v. LBO funds

4. Conclusion: outlook for 2007

Appendix: Sample overview

1. Methodology - The Argos Epsilon Index

A yardstick for European private company valuations

- **Argos Epsilon Index:**
  - M&A deals studied: 80% trade buyers, 20% LBO's
  - Mid market: Equity Value (*) between €15 and €150m
  - Target based in the Euro zone
  - Since 01/01/2004 (3 year historical record)

- **Carried out by mid market professionals**
  - Argos Soditic: independent European private equity group, active in the LBO mid market since 1990
  - Epsilon Finance: independent research house providing financial analysis on private M&A deals

- **Strict methodology, meaning the index is:**
  - Rigorous: based on in-depth research, analysis and financial calculations
  - Relevant: based on the multiples used by Corporate Finance professionals
  - Transparent: verifiable methodology and information sources
  - Stable: Six-monthly Index, rolling 12 month basis, since 01/01/2004

(*) Equity Value for 100% of the target

1. Methodology – Sources

Sources

Proprietary databases
[170.000+ deals]

- Professional databases distributed by Epsilon Finance:
- *CorpfinDeals* (M&A, LBO deals), *CompanyQuery* and *Worldscope* (company accounts)

Transaction analysis reports
[1000+ reports]

- Epsilon Multiple Analysis Tool™ (ε-MAT), since 2006
- Analysis of principle *small-mid market* private company deals by Epsilon's financial analysts
- Cross-checking and re-calculation of financials to establish multiples
- An innovative tool, accessible on-line, to help establish a private company's market value

Publicly available information

- Company accounts
- Annual reports (acquirers / vendors)
- Transaction press releases
- Press articles, deal participant websites

1. Methodology – Deal selection

Selection criteria for the deals in the sample analysed

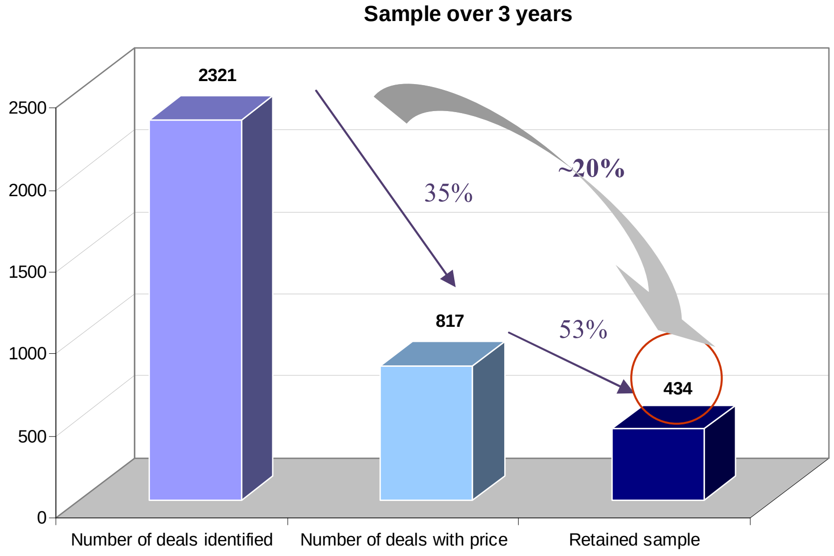
- **Period: 01/2004 – 12/2006** (announced transactions)
- **Acquisition of a majority stake**
- **Target based in a Euro zone country**
- **Mid market** – deal value (Equity Value) **between €15m and €150m**
- Deals excluded if target activity is banking/ insurance, property investment or hi-tech/ biotech
- Only companies for which financial results are available can be selected for multiple calculation

Out of an initial sample of 817 transactions

Sample of 434 transactions

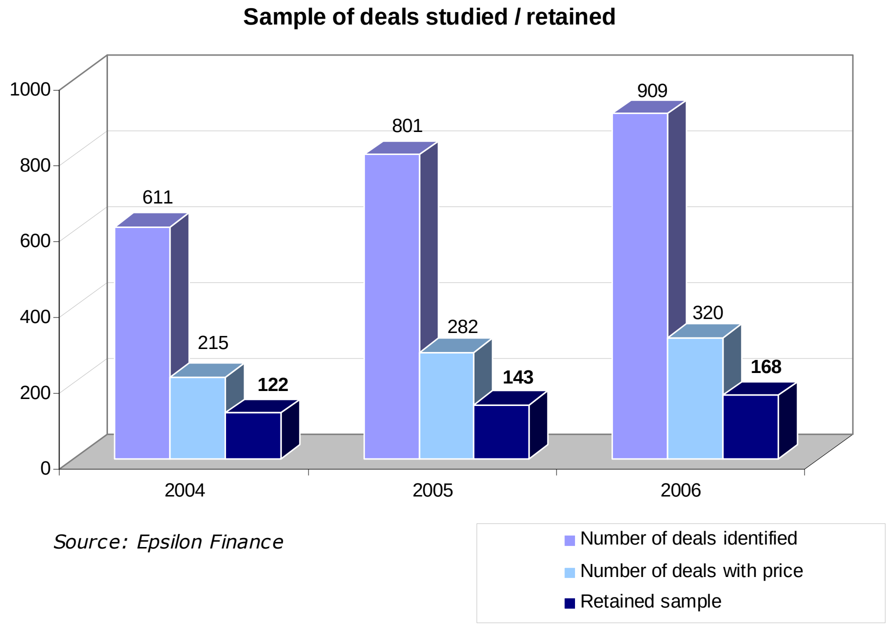
1. Methodology – Transaction sample

Number of mid market / Euro zone transactions in the sample



Source: Epsilon Finance

Deals for which financial information is available



Source: Epsilon Finance

- The sample has grown, from 120 to 170 transactions / index

1. Methodology – Sample stability

The deal samples making up the index have remained stable, in terms of:

[Detail in appendix]

- Deal size
- Deal type (Trade v. LBO)
- Breakdown by country
- Breakdown by industry

1. Methodology – which transaction multiples are retained?

- **Multiples studied: EV/CA, EV/EBITDA, EV/EBIT, P/E, Price to Book** representative of companies' operating performance and profitability.

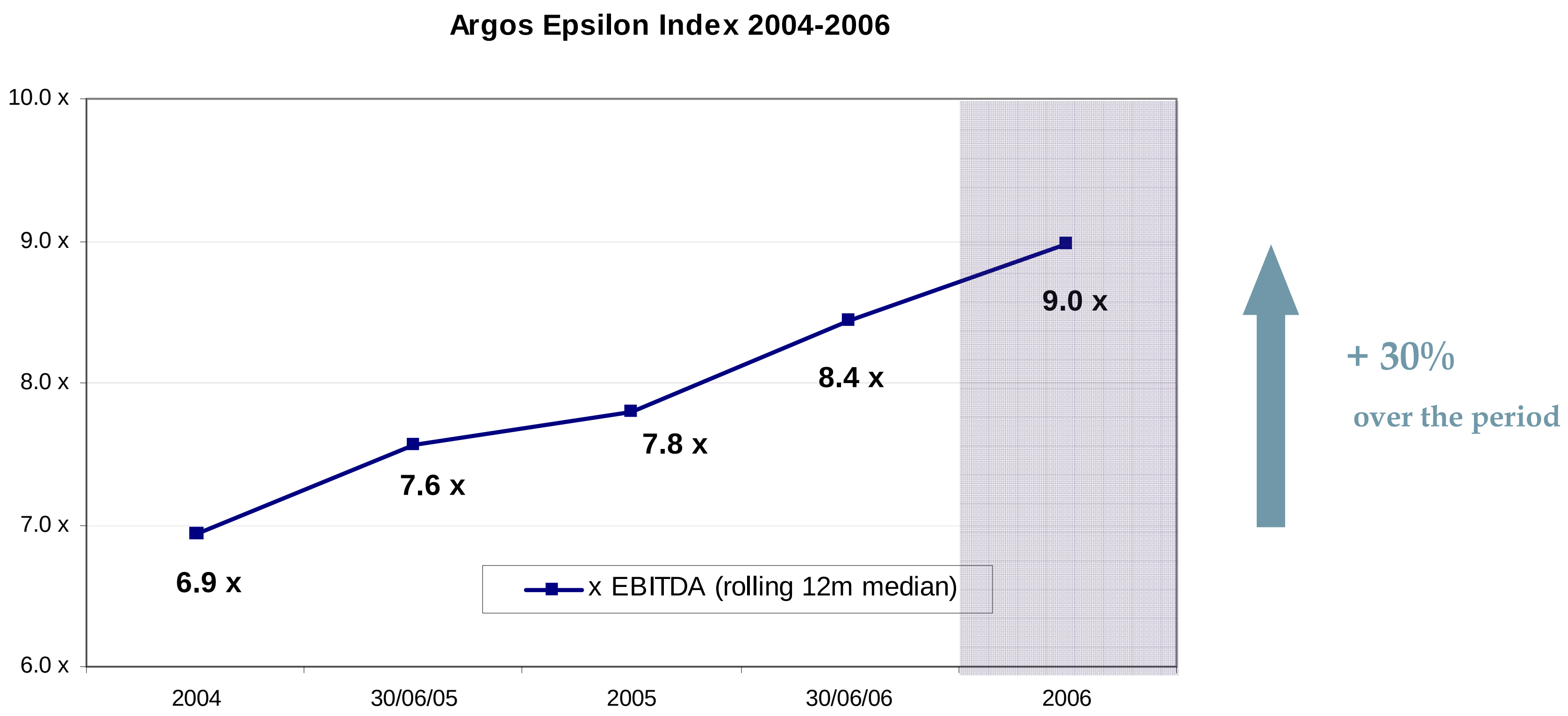
- **Multiples calculated based on historic accounts** (N-1 = last balance sheet date before transaction announcement, can be pro-forma) and **current** (N = year of announcement)

- **Principal restatements made:**
  - Exceptional items
  - Goodwill amortisation included
  - For French deals, staff incentive schemes included in salary costs
  - Pro forma (when half year accounts available / non-audited accounts)

- **EV/EBITDA: the best multiple for a European index**
  - Value not influenced by different accounting practices (depreciation, provisioning, etc.)
  - Best approximation of operating cash flow, key criteria in determining a company's value

2. Argos Epsilon Index 2004 – 2006

➢ 2006 multiples are at an historic high



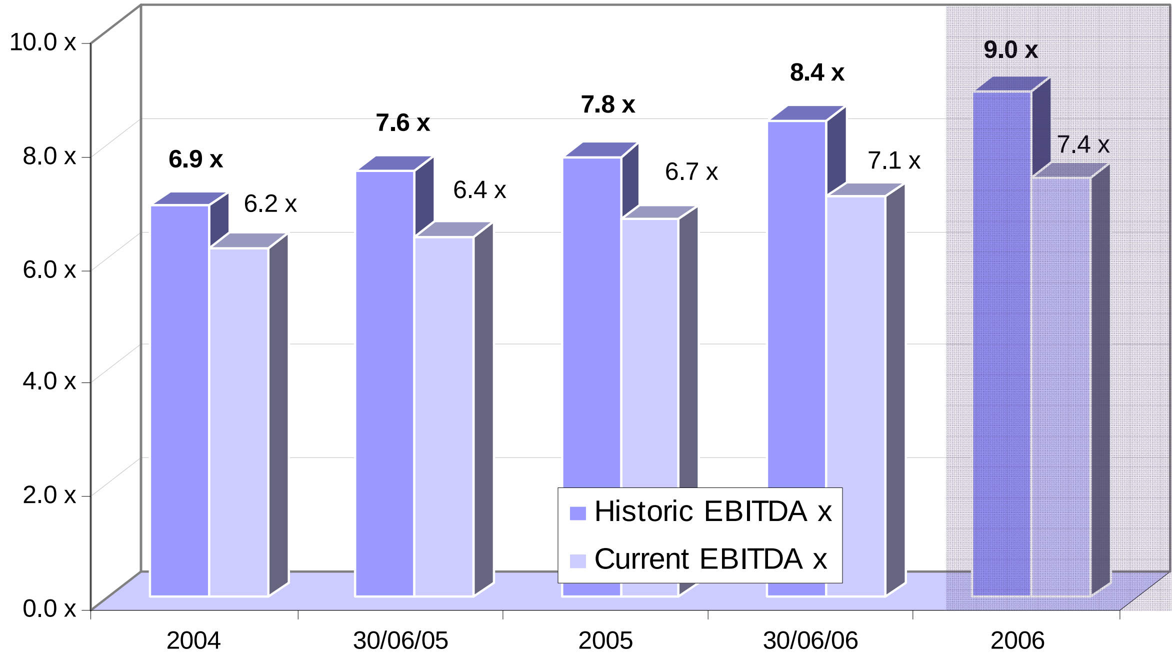
Source: Epsilon Finance

➢ NB: the H1-2006 index has been updated [slight decrease from 8.5x to 8.4x] after integrating new data obtained on transactions announced in the first half of 2006

2. A similar trend can be found in other indicators

➢ EBITDA multiples: historic v. current

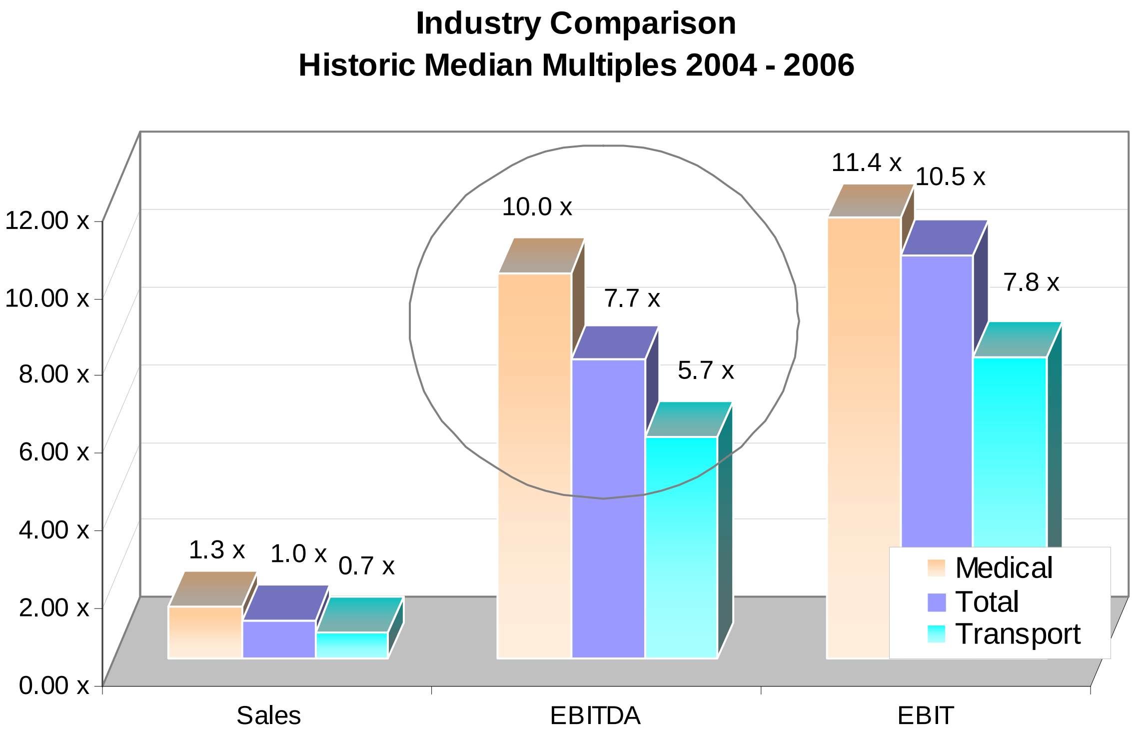
Compartive evolution of the EBITDA x



Source: Epsilon Finance

2. A similar trend can be found in other indicators

➢ But closer examination is necessary, leaving aside the overall trend



Source: Epsilon Finance

- Within the Argos Epsilon Index, major differences occur between business sectors / sub-sectors.
- The index cannot be used directly to value a company; it is simply a tool for measuring overall price movements
- Epsilon offers its clients specific sector indices, used in portfolio valuation

3. Factors underlying the rise in the index

- Limited impact of macro-economic factors
  - The cost of capital is still at an historic low
  - Marginal increase in growth expectations

- Micro-economic factors are no longer sufficient to explain the ongoing rise
  - The market is becoming more professional
  - Drop in the relative share of LBO funds in the M&A market in 2006 – after a strong increase in the period 2000-2005

- **A new factor in 2006 : it appears that trade buyers are pushing up multiples**

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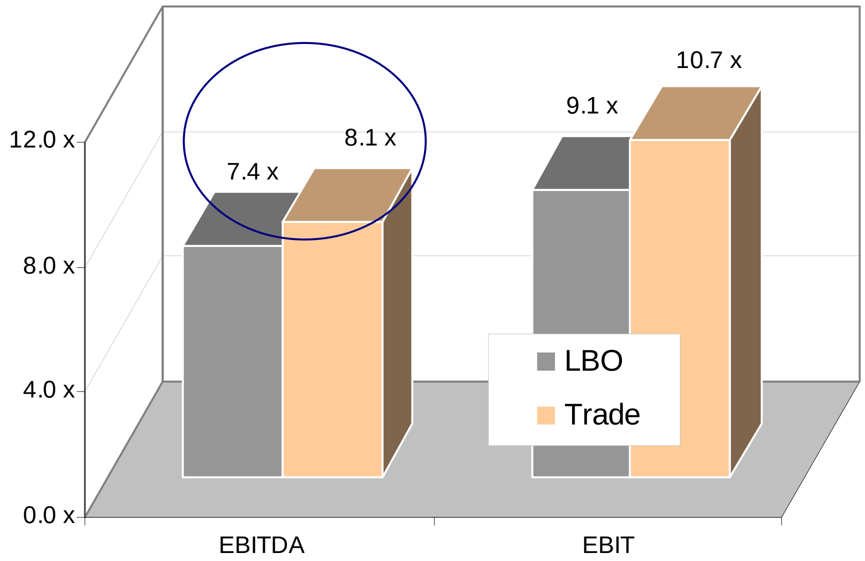
3. The role of trade buyers

➢ By their nature trade buyers can pay higher prices…

- ➢ Acquisition multiples over 3 years: trade buyers v. LBO funds

Historic Median Multiples 2004 - 2006



Source: Epsilon Finance

- ➢ Trade buyers have been paying ~10% higher prices for their acquisitions than LBO funds
- ➢ Trade buyers can pay for synergies
- ➢ LBO funds can be more exacting acquirers (due diligence)
- ➢ For trade buyers there is a closer correlation with stock market multiples

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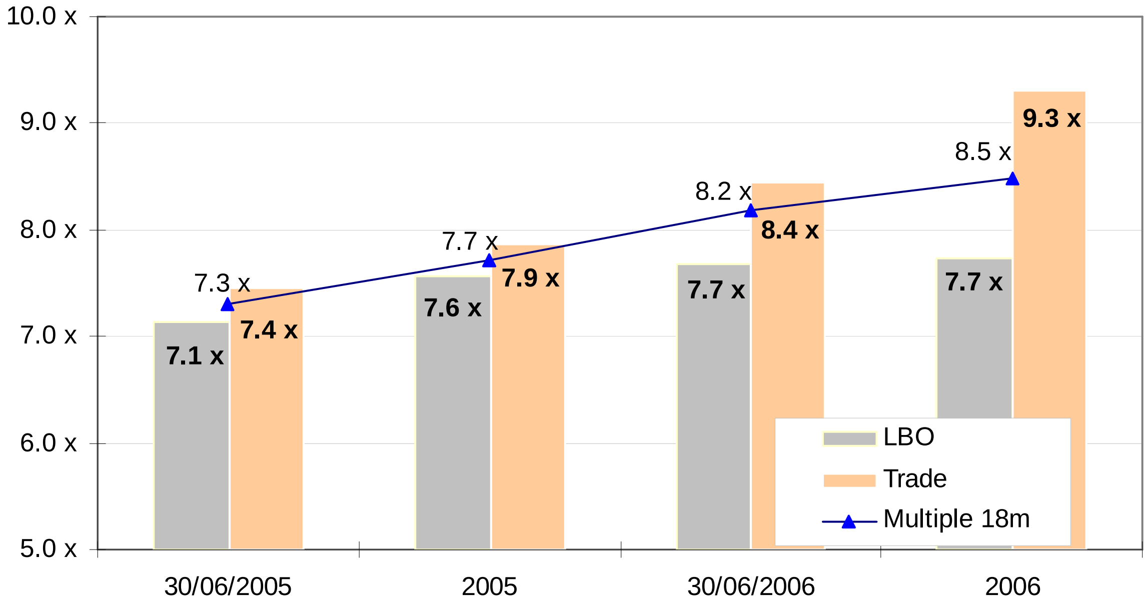
3. The role of trade buyers

... and appear to have pushed up multiples in 2006

- Change in EBITDA multiples over rolling 18 month periods

Comparative change in EBITDAx
LBO v. Trade



Source: Epsilon Finance

- Steep rise in acquisition multiples paid by trade buyers
- Multiples paid by LBO funds practically identical for the last two years
- 20% premium in 2006

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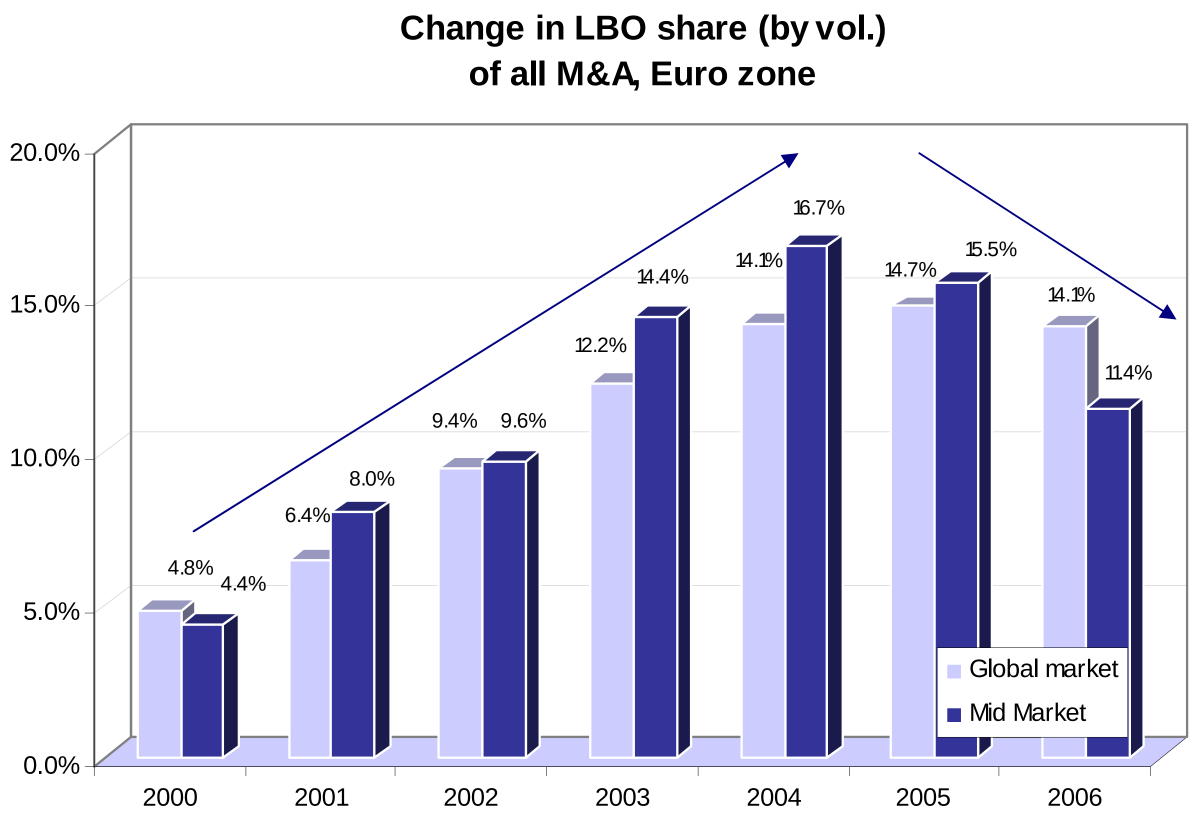
3. The role of trade buyers

➢ Are LBO funds being squeezed out of the market?



Source: Epsilon Finance / CorpfinDeals

- ➢ Drop in LBO funds' share of the M&A market…
- ➢ …pressure even greater in the mid market
- ➢ Linked to the return of trade buyers since 2004

- On the basis of M&A+LBO deals covered by *CorpfinDeals*
- Roughly 3,000 deals p.a., of which around 500 mid-market (deal value available)

3. The role of trade buyers

Are LBO funds being squeezed out of the market?

- Why is the trade buyer premium increasing?
  - They can pay with equity (or issue shares) and have therefore benefited from rising stock markets
  - Following a round of restructuring (2002-2004), they have plenty cash for acquisitions
  - Their IRR requirements (= WACC, at an historic low) are generally well below those of LBO funds, whose own investors are in search of higher returns than those available on the stock market

- The private company market has a dynamic of its own
  - LBO funds value their deals based on targets' intrinsic attractiveness and IRR calculations => stock market correlation relatively low
  - This explains why the multiples paid by LBO funds are relatively stable and why the Argos Epsilon Index is more stable than stock market benchmarks
  - But privately owned buyers risk being squeezed out if stock markets continue to rise strongly

4. Outlook for 2007

What choices do LBO funds face?

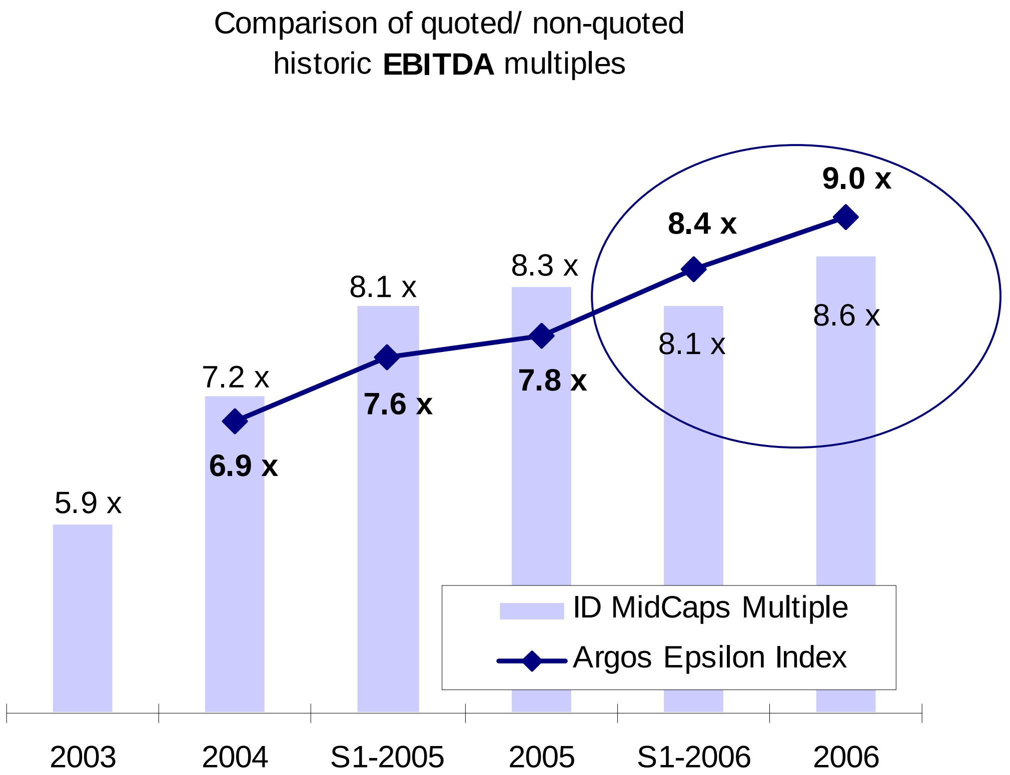
- Factors which could effect the 2007 Argos Epsilon Index
  - Interest rates, risk premium and cost of capital
  - Companies' operating performances (growth, operating margins)
  - The direction of stock markets because of the particular role trade buyers are currently playing in the market – an ongoing rise in stock markets would allow trade buyers to continue paying higher prices

- A difficult choice for LBO funds in 2007
  - Accept that they have to pay higher prices for acquisitions in order to continue investing funds raised
  - Slow the pace of investment and fund raising
  - Increase average deal size – but pricing pressure will increasingly impact the market for larger deals (where competition is already strong)

4. Outlook for 2007

- 2006: the Argos Epsilon Index remains higher than ID MidCaps stock market benchmark

Index variation compared to mid market quoted company multiples



Source: *Epsilon Finance/ ID Midcaps*

ID MidCaps methodology:

- Sample of 245 French mid cap stocks
- Median EBITDA multiple, end of period share price
- Sample overview in appendix (p.30)

4. Outlook for 2007

How will the Index move in 2007?

- The multiples appear to have hit a peak
- Macro-economic factors: upward pressure on interest rates and lower growth expectations
- Confirmation that the quoted / private company curves were inverted in 2006, which should mean trade buyers begin to resist the upward pressure on acquisition multiples
- In this context, a continued rise in the Index in 2007 would suggest that a speculative bubble is forming in the private company M&A market…

4. Argos Epsilon Index – To follow

- **An ongoing measure of variations in private company transaction prices**

  - The Index is published **every six months**

  - **The H1-2007 Index** will be released at a breakfast presentation in late September/ early October 2007

  - Each half yearly presentation brings the opportunity to give a **regular review** of the direction of European private mid market company prices

For further information on the index:

www.argos-soditic.com

www.epsilon-finance.com

The participants

Gilles MOUGENOT, President of ARGOS SODITIC

- Founded in 1989, Argos Soditic is an **independent European private equity group**.
- **With offices in Paris, Geneva and Milan**, Argos Soditic seeks out and structures equity investments in medium sized companies based in Continental Europe.
- For over 15 years, the team has been backing managers in corporate deals including MBO's (Buffet Crampon, Oxbow, Kermel), MBI's (Eau Ecarlate) and BIMBO's (Saime). They have structured over 40 deals for companies with a combined turnover of over 3 billion euros.
- Active funds (Euroknights IV and Euroknights V) represent **cumulated committed funds of more than 400 million** euros.

Grégoire BUISSON, President and t co-founder of EPSILON FINANCE

- **An independent research and analysis bureau with offices in France and the UK, specialising in the European private company M&A/ LBO market**
- **A European client base of *small-mid market* players:** Private Equity firms, corporate finance professionals, corporates
- Since 2005, Epsilon has established a unique offering to assist clients in **valuing private companies on the basis of "fair market value"**, including:
  - The first ever database of analysis reports (including multiple calculations) for small & mid-market transactions
  - A tailored service for regular Private Equity portfolio valuations

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Appendix: Sample overview

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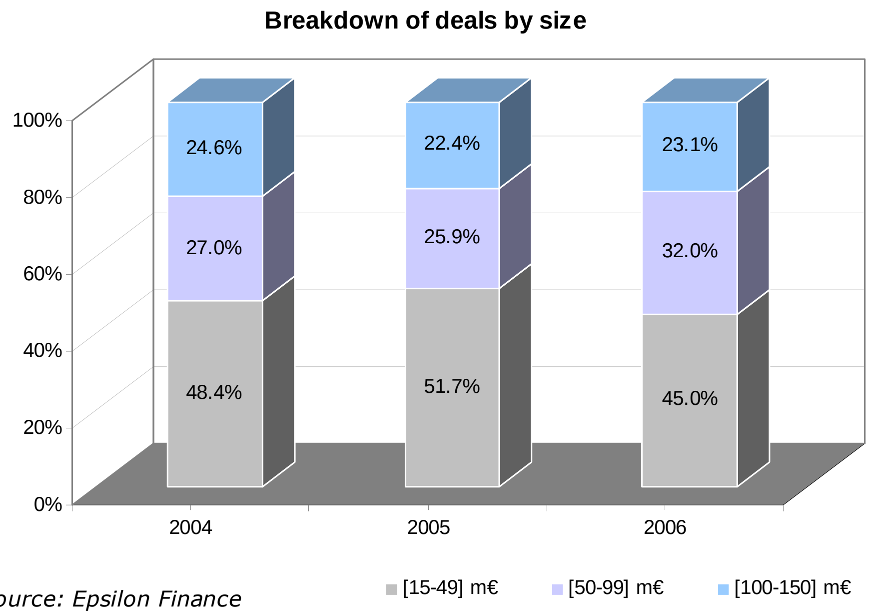
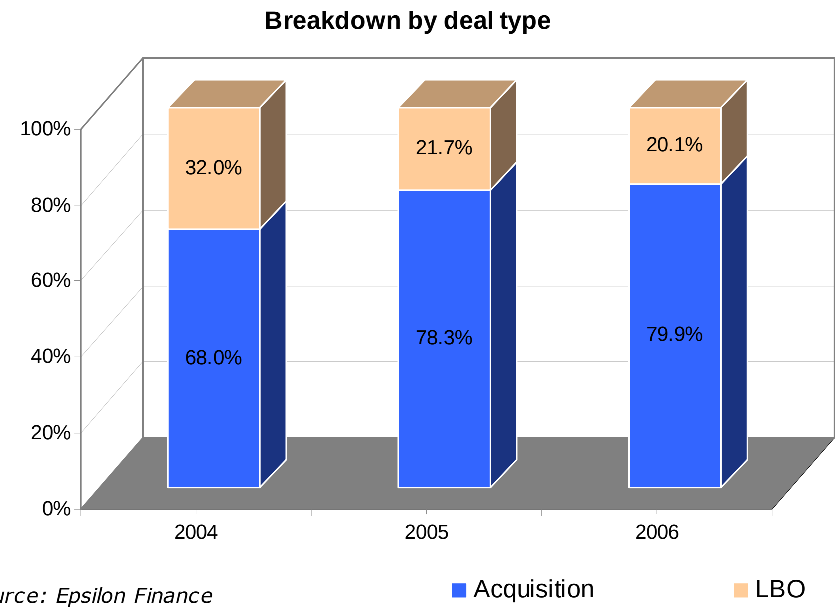
➢ The sample has remained stable in terms of deal type/ size



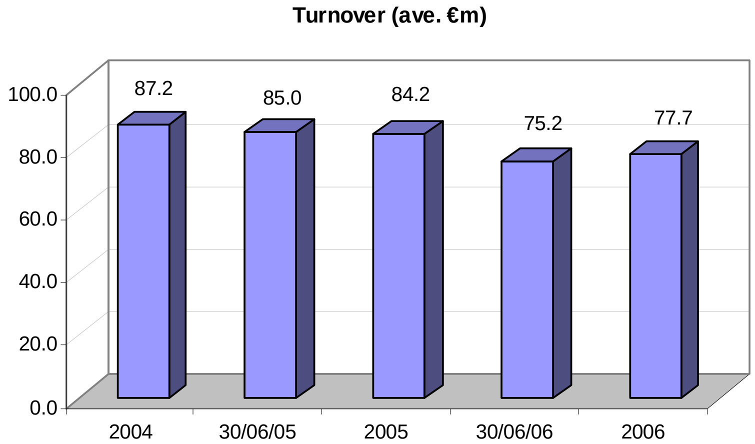
Source: Epsilon Finance



Source: Epsilon Finance

Appendix: Sample overview

➢ Sample stability – Enterprise value and average turnover



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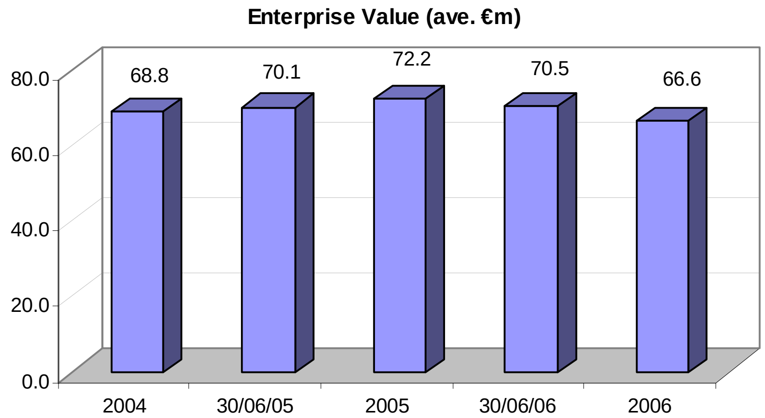
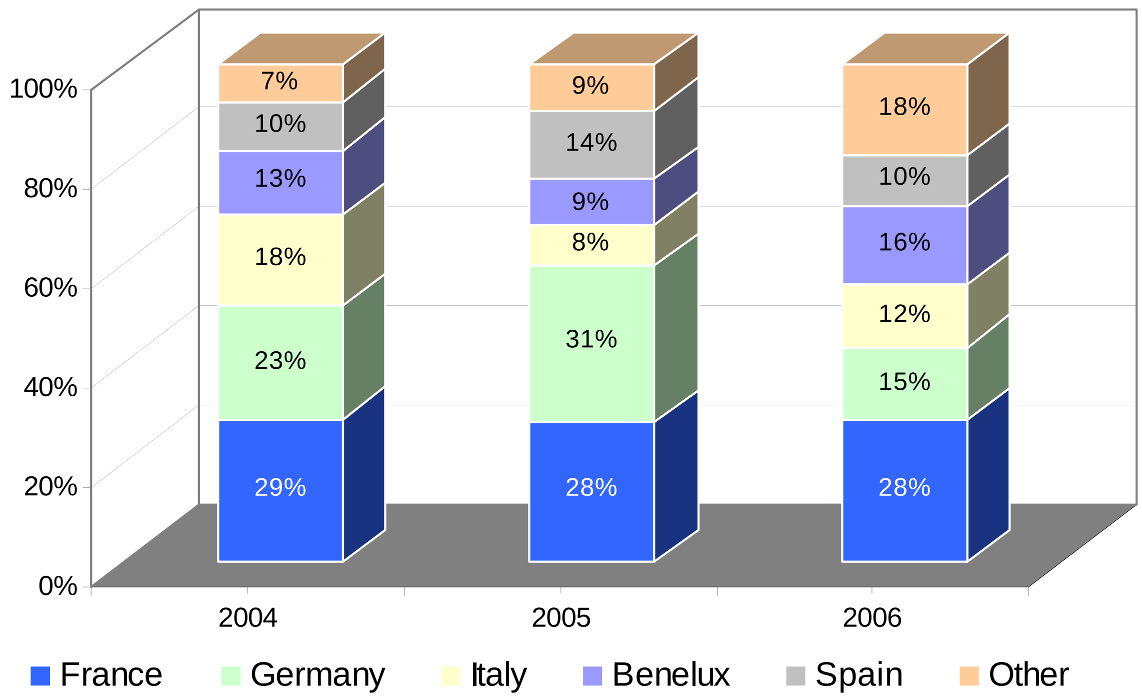


Source: Epsilon Finance

Appendix: Sample overview

➢ Breakdown by country also stable

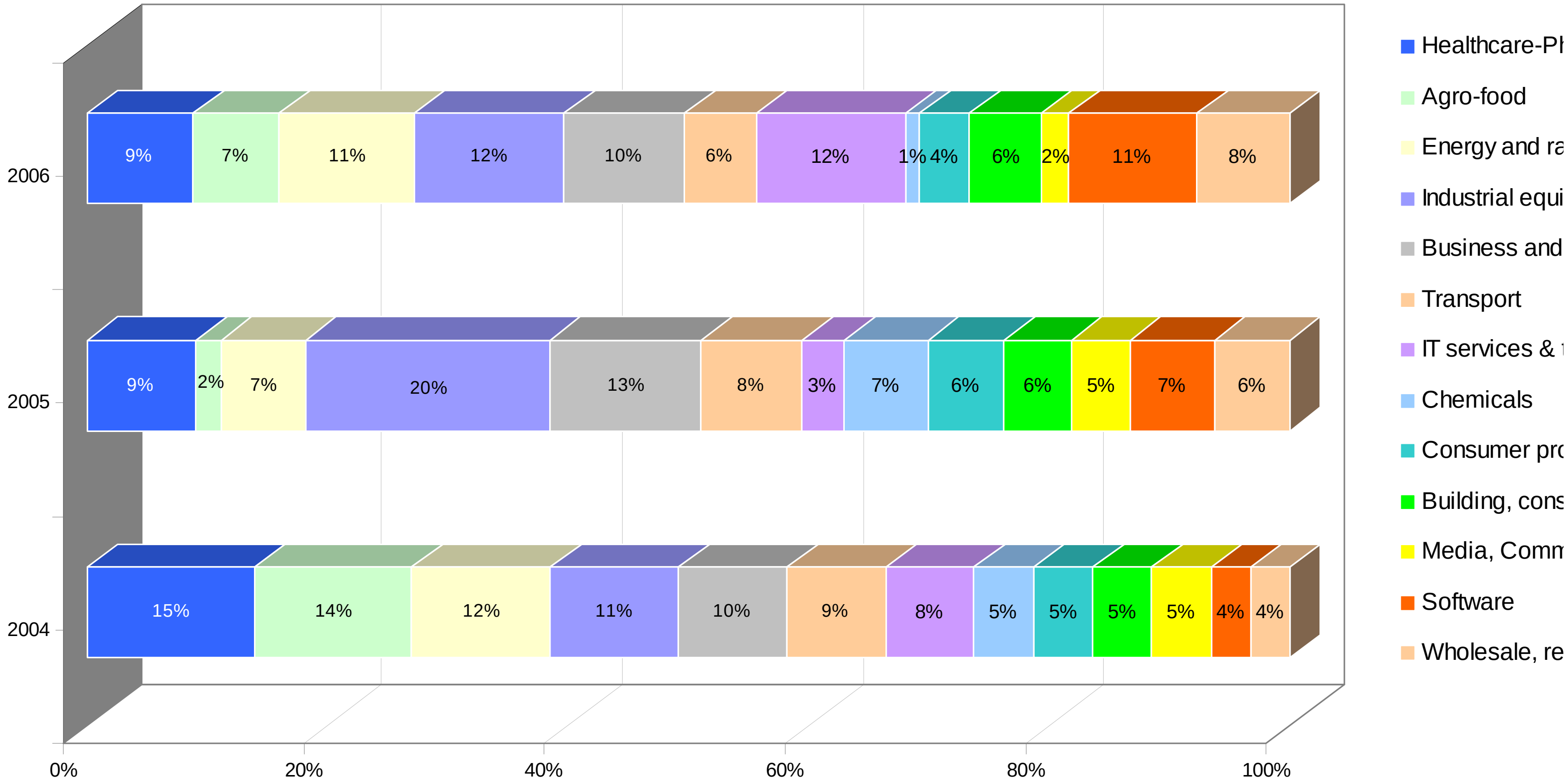
Country breakdown, Argos Epsilon Index



Source: Epsilon Finance

Appendix: Sample overview

➢ Balanced split in business sectors



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Appendix: ID Midcaps sample overview

- The basket of stocks making up the index includes **245 small and mid cap French companies**, quoted on Euronext
- The **sample make up** by market, size and business sector is given opposite
- The same stocks are used for the ID MidCaps risk premium calculation

Marché	Part de l'échantillon	En #
Alternext	4.9%	12
Eurolist A	2.4%	6
Eurolist B	36.7%	90
Eurolist C	53.1%	130
Marché Libre	2.9%	7
	100%	245

Répartition par secteurs d'activités	En %	En #
Industrie	33.9%	83
Technologie	30.2%	74
Services	18.8%	46
Distribution	9.4%	24
Autres	7.8%	19
	100.0%	245

Répartition par taille	
Capitalisation agrégée	72.4 milliards
Capitalisation médiane	140 millions
Capitalisation moyenne	295 millions
Capitalisation extrêmes	8.5 millions à 2.5 milliards
Chiffre d'affaires agrégé	97 milliards
Chiffre d'affaires médian	157 millions
Chiffre d'affaires moyen	394 millions
Chiffres d'affaires extrêmes	6.1 millions à 3.9 milliards

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