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Darmstadt, 10 Feb 2011

CIP Meeting 2 Feb 2011

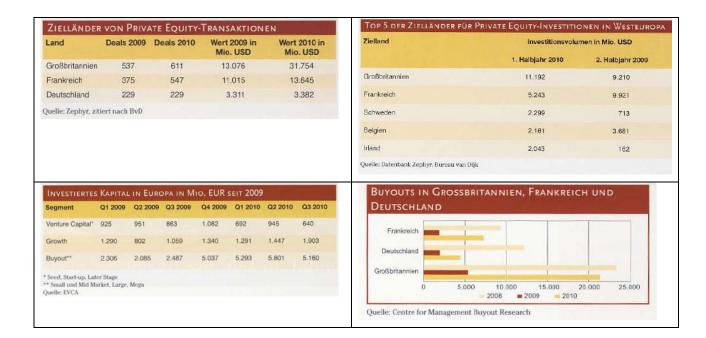
Dear Sirs,

it was my pleasure meeting you in the recent CIP meeting in Brussels. With this letter I would like to summarize also in written my impressions, partly communicated orally during the meeting and in discussions with your colleagues.

The private equity market in Europe is by far not equally distributed: as you can see from the figures below, the largest presence is in the UK followed by France, Germany – or some other EU countries, depending from the source- follow with a very large distance the two first ones (fig 1 & 2). Also the type of private equity is highly interesting: the majority of private equity is directed towards later stages of investment rather than VC or early stage financing (fig 3). The relative distribution of availability of Private Equity between countries is reflected also in the structure of buyout transactions (fig 4).

According to my understanding, the above differences in distribution of Private Equity preferences are not reflecting at first glance the fundamental financial data between countries (industrialization, market size, BIP etc) but rather reflect "cultural" habits within countries. As a result, Germany is characterized (some say affected) by a mid-size type of business, the so-called "Mittelstand companies". These companies have typically 200 – 20.000 employees and serve specialized industrial markets with high profit margins. Their profile is strongly family-owned, financially independent and very long-term oriented since they typically remain in the property of the family over several generations (see attached article from Economist). Obviously such companies, witch account for a large part of the German BIP, are not oriented towards VC and share holder capital. They are looking exclusively for bank loans to finance their growth and pay their debits back without diluting their property shares.

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I have no facts about other countries, but in the meeting was addressed that Scandinavian countries show a similar profile.

As a conclusion, I strongly support the "Bank Loans" Instrument (in addition to the VC leverage instrument) in order to offer a plurality of choices to a differentiated European market, where not every country is following the Anglo-Saxonal business paradigm.

Yours sincerely,

- Prof. Dr.-Ing. Georgios Sakas -

Head of the Cognitive Computing & Medical Imaging Department

Cc: Pierre Marro, Khalil Rouhana