

SUPPORTING EUROPEAN PRIVATE EQUITY AND VENTURE CAPITAL
25

EVCA Annual Report



2017



EUROPEAN
PRIVATE EQUITY &
VENTURE CAPITAL
ASSOCIATION



About EVCA

The European Private Equity and Venture Capital Association (EVCA) was established in 1983 and is based in Brussels. EVCA represents the European private equity sector and promotes the asset class within Europe and throughout the world.

With nearly 1,300 members, EVCA's role includes representing the interests of the industry to regulators and standard setters, developing professional standards, providing industry research, professional development and forums, facilitating interaction between its members and key industry participants including institutional investors, entrepreneurs, policymakers and academics.

EVCA's activities cover the whole range of private equity, from venture capital (from seed and start-up to development capital) to buyouts and buyins.



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Europeans benefit from private equity on a daily basis – most probably without even realising it.

A morning might start with a café latte at Starbucks or with bread from RHM rung up by a Wincorp Nixdorf point of sale system. Arriving at work, some online research may be done with a connection provided by Telenet and clients called via Skype. Lunchtime may include a visit to Pret a Manger or Burger King. After a day at the office, one might go to work out at Fitness First or Holmes Place while dressed in Umbro sportswear.

Arriving home, it is possible to listen to Last FM, order books and CDs from a national Amazon.com website or see pictures of friends and family on MySpace.com or YouTube. The average European can also watch TV from Cablecom, or talk with friends and family via CSR or Option mobiles powered with clean energy from Qcells.

For special occasions, a parent may shop for clothes at Tommy Hilfiger and New Look or search for vacation specials at destinations ranging from Hilton Hotels to a camping spot for their Pilote camper pulled by a rented vehicle from Hertz. Christmas gifts can include Jimmy Choo shoes, Tag Heuer watches, Tumi bags and suitcases or spirits from Marie Brizard.

None of those things would be possible without investments from buyout and venture capital.



Letter from the Chairman



A Quarter-Century of Achievement

Since EVCA was founded in 1983, we have experienced the upswings – and downswings – of business cycles in all sectors of our industry. These changes in the economic and financial market environments have tested us, provided us with tremendous opportunities and, above all, they have helped us to evolve our own business models. From fundraising to deal sourcing, from execution to exits, we have had to adjust to economic developments such as the state of the IPO markets, liquidity pressures, the rise of the emerging markets, the credit crunch which has morphed into a credit crisis and the banks' need to unload debt positions. The unavailability of large debt commitments for big buyouts and the focus by governments on creating new high-technology companies and their ongoing support for this sector have also proven to be very significant developments.

In this rapidly developing economic climate, we have been successful, continuing to provide our limited partners (LPs) with attractive returns, while delivering real added value to our portfolio companies. One sector, in particular, has been flying high in recent years: European buyouts have been consistently ranked as the most attractive place to put money for LPs. On the venture side of things, especially early-stage technology venture capital, the industry is slowly coming out of the difficult post-bubble years and has posted some very high-profile exits and good returns. Those VCs that are still around and raising new funds have learned to adapt, to duck the bullets and to turn challenges into opportunities.

Just one example: the sub-prime crisis and resulting financial turmoil has arguably created one of the toughest environments we've experienced during the past 25 years for the large buyout houses. Now, as banks look to free up capital, a number of them are considering unloading their leveraged debt – and private equity firms have been quick to step up to the plate.

But it is not just tough and fast-changing business conditions that we have had to contend with. In the last year, this industry (UK buyout firms in particular) has been under scrutiny as never before. Sustained attention from policymakers, the media and trade unions have forced us to climb down from our ivory towers and explain what we do – and how we do it. In the UK, responses to the voluntary Walker Guidelines (which requires funds to provide greater details about their operations) are now becoming available. The way in which the large firms have reacted thus far underlines their preparedness to adapt.

Although some of us have seen this move towards greater transparency as a potential threat to our *modus operandi*, we all appreciate that, to some degree, it is an inevitable, and essential, response to the heightened scrutiny of a rapidly growing, highly successful industry – an industry that is increasingly becoming a major player in the acquisition and restructuring of established businesses. For its part, EVCA has focused on finding acceptable and workable solutions to the twin issues of transparency and disclosure for the past two years. But because we represent the interests of firms in so many different sectors, like buyout, growth capital and early-stage venture, and in so many countries, we are very aware that any rushed reaction on our part would be entirely inappropriate.

Our job, as we see it, is to align the multiple interests of our members in 27 EU countries (and another 13 countries outside the EU) – and, above all else, to ensure that their voice is heard in Brussels. Since our launch, we have been an active player in the shaping of pan-European policy, as it affects the private equity industry. And we remain fully committed to this function. In other words, while we work closely with all the national industry bodies, we believe it is essential for these same bodies to take the lead in matters affecting members on their home turf.

EVCA has always insisted on the need for transparency and clear standards between funds and their limited partners. However, we also insist on the right of both general and limited partners to confidentiality in some key areas. Indeed, protecting that right is one of the central tenets of our work. And, looking ahead, we remain optimistic that a balance can and will be struck between our members' strategic priorities and the demands that are being made for more transparency. It has been both a pleasure and a privilege to serve as your Chairman over the past year. I have greatly appreciated the support and work of my colleagues on the Executive Committee as well as the time and effort given by members of the other standing Committees and working groups of EVCA. I would like to thank the EVCA management team and secretariat for their tireless work on behalf of the industry. I would also like to congratulate incoming chairman, Mr. Jonathan Russell of 3i, and wish him success in carrying out the critical work EVCA does for the industry.

Sincerely,



Dr Helmut M Schühlsler

EVCA Chairman 2007-2008 and Managing Partner, TVM Capital

- 1983 EVCA was founded.
- 1985 The Venture Consort Programme was launched in co-operation with the European Community. Its goal was to increase financing for small and medium-sized enterprises involved in new technologies through the creation of cross-border syndicates of venture capitalists.
- EVCA undertook its first Annual Survey of Pan-European Private Equity and Venture Capital Activity. This EVCA initiative surveyed the industry from venture to buyout.
- 1987 The first EVCA Institute private equity management training course took place in Brussels, Belgium.
- 1988 The European Seed Capital Fund Scheme was launched and continued until 1995. Its aim was to encourage private investment in young firms that were innovative and technology-based.
- 1990 EVCA published its first performance and measurement valuation guidelines for the private equity industry.
- 1993 EVCA launched a private equity support programme for Central and Eastern Europe. This pilot scheme was financed by the European Union's PHARE programme and focused on strengthening the private equity capital infrastructure of the region.
- 1994 EVCA co-ordinated a capital markets working group, which led to the creation of the European Association of Security Dealers (EASD). EASD's establishment resulted in the creation of EASDAQ in 1996.
- 1995 EVCA launched its first white paper, outlining the association's policy priorities.
- 1996 EVCA published the first *Economic and Social Impact Study of Venture Capital in Europe*, in association with Coopers & Lybrand.
- EVCA organised the first Technology Investment Conference in Brussels, Belgium.
- EVCA published the first ever European private equity performance figures. This was done with the view that high quality performance data was an essential step in persuading institutional investors to allocate assets to European private equity.
- 1997 EVCA launched the Newly Independent States (NIS) Venture Capital Programme. This was financed by the TACIS programme of the European Union and supported the development of venture capital in the former Soviet Union by providing training courses and networking opportunities for venture capital operators.
- 1999 EVCA held its first International Investors Conference in Zurich, Switzerland.
- 2000 EVCA published its first industry guidelines for reporting to investors.
- 2001 With funding from the European Union, EVCA launched its Entrepreneurship Education Programme, with the objective of raising the awareness and understanding among potential entrepreneurs about the use of venture funding in starting and growing a business.
- EVCA published an update of its valuation guidelines.
- EVCA launched its first European research into corporate venturing activity, explaining why and how these activities take place. The association also published its first study on the economic and social impact of buyouts.

- 2002** EVCA launched the Quarterly Activity Survey and Barometer publications. The latter measures macroeconomic variables influencing the private equity and venture capital industry. EVCA also launched the second survey of the economic and social impact of venture capital.
- 2003** The Association celebrated its 20th anniversary at its annual EVCA Symposium in Vienna, Austria.
- EVCA issued the *Governing Principles and Sound Practices for Establishment and Management of Private Equity and Venture Capital Funds*. EVCA also produced and published the first edition of a now regular benchmark survey called *Indicators of Tax and Legal Environments Favouring the Development of Private Equity and Venture Capital in European Union Member States*.
- 2004** EVCA defined its new strategic priorities for the next three to five years.
- The first Central and Eastern European Policy Meeting was held to discuss how value creation could be fostered in the new Member States of the European Union.
- 2005** EVCA presented its public policy priorities and measures for policymakers to help the EU achieve its Lisbon objectives of growth, competitiveness and innovation.
- AFIC, BVCA and EVCA developed the international private equity and venture capital guidelines, which were subsequently endorsed by 30 national and international private equity and venture capital associations. An independent board was also created to monitor market practices in the use of the guidelines.
- EVCA published corporate governance guidelines for the management of portfolio companies and issued a binder with a complete set of multi-jurisdictional professional standards.
- 2006** EVCA released the third Benchmarking European Tax and Legal Environments survey, enabling comparisons of tax and legal environments in 25 European countries, and the extent to which they affect the development of private equity and venture capital and encourage entrepreneurial activity.
- New reporting guidelines are issued at the EVCA Symposium 2006 in Monaco, which superseded the previous guidelines issued in March 2000.
- 2007** The association transformed its structure into a stronger, unitary organisation with three new units, called platforms, which mirror industry segments- Venture Capital, Mid-Market and Large Buyout.
- EVCA published the first survey of family offices in Europe, mirroring the increasing variety found in the industry's investor base of limited partners.
- Groundwork is completed on PEREP_Analytics, a fully functional, non-commercial, pan-European private equity database endorsed by 15 national associations and EVCA.



It has been nearly a quarter century since EVCA was founded. During that time, the effort and adaptability of the European private equity industry is a constant quality. What also shows is the industry's ability to champion European innovation, promote entrepreneurship and corporate vitality, invigorate competition and drive long-term value creation for investors, employees and the European economy at large.

From seed finance through to the largest buyouts, private equity is now an established asset class in Europe, attracting capital from institutions worldwide. When EVCA was founded in 1983 with the support of the European Commission, there were less than 50 member firms. Today, there are nearly 1,300 members in 58 countries, spanning a wide range of industry actors, from European general partners to major international fund managers investing in Europe to affiliated limited partners, intermediaries and service providers to the industry. Private equity's strength lies within a unity that keeps all of these members under the same roof, while allowing them to grow and adapt to changing circumstances.

The year 2007 was a landmark one for EVCA, with the Association adopting a new structure. EVCA continues to serve the needs of the entire industry, but with three member platforms- Venture Capital, Mid-Market and Large Buyout. This strengthens the overall focus of EVCA on general partners, with an agenda that is driven by GP groups organised along the same lines as the three platforms. In planning this shift, workshops and brainstorming meetings were held with the membership to discuss the evolution of private equity and the specific needs for each market sector. After this process, it was evident that the Association had been serving members for some time along informally-defined industry segments. The decision to formalise this structure was then proposed to and accepted by the General Assembly in June 2007.

The summer of 2007 also saw EVCA move its offices from near Brussels Airport in Zaventem to the centre of Brussels in the vicinity of European Union institutions. The new location reflects the increased stature of the industry and EVCA's drive to expand its offerings to members. At the same time, the Association has increased its interaction with members outside of Brussels, sponsoring workshops, seminars and other events based on direct member participation. The new location has also increased daily interaction with EU policymakers and officials.

EVCA now has forty people working closely with the platforms and ensuring full coordination across the areas of lobby, communications, research, conferences and training. The new structure also allows EVCA to focus resources in a more flexible and detailed manner than ever before.

This year's annual report reflects the Association's new look and structure. EVCA's horizontal activities (investor relations, professional standards, communications, publications, research, conferences and training) are presented in a way which demonstrates how their roles have developed in the course of 2007. This is done by showing the Association as a whole and each of the new platforms (Venture Capital, Mid-Market and Large Buyout). Readers may notice some overlap, but this is reflective of the single roof covering a diverse industry.

EVCA would not be able to speak on behalf of the whole of private equity without individual members who often spend significant amounts of scarce personal time working with the Association's committees and working groups. With the far-reaching changes of 2007, their work was, and continues to be, invaluable. The Association would also like to thank conference speakers and course teachers, who equally have been very generous with their time.

Working for the industry in Brussels means that EVCA not only defends private equity, but also works proactively. These two action channels work in tandem, often at times invisibly. This duopoly is most evident when seen in the light of non-continuous, or "seasonal", issues. For example, headlines in 2007 often featured stereotypes or populist-inspired simplifications. Defensively, the Association countered these kinds of misperceptions using a variety of tools and initiatives. Proactively, EVCA went further, educating and sharing information, going directly to European legislators, speaking to a trade union convention and more. Bridges made during the proactive phase can serve the Association and members in the future, long after headlines, or the seasonal issue itself, have faded.

Public Affairs Achievements

This section of the report shows how EVCA advanced the industry as a whole in 2007; a year when particularly the European Parliament came of age in terms of its relations to the European Commission. The Association has acted to meet this historic shift, developing new ways of reaching political stakeholders. EVCA's appearances at the European Parliament, workshops sponsored by the European Union and elsewhere are not by chance. They are the results of years of work and bridge-building. Effectively acting on behalf of members means knowing the true significance of a research paper, committee hearing or set of questions from a member of the European Parliament (MEP).

At the time of the writing of this annual report, the intense scrutiny and debates of 2007 were transforming into a political contest among European Union policymakers in 2008. This was not wholly unexpected. The work of 2007, therefore, is not ending, but is taking on a new meaning. At the same time, EVCA's strategy of proactive engagement is clearly beginning to pay dividends.

Maintaining and Enhancing Relationships

EVCA's working relationship with European parliamentarians moved to a new level in 2007. In addition to raising broader awareness of the industry and its role in the European economy, EVCA specifically acted to promote the industry in a variety of fora, engaging with European parliamentarians, trade unions and other stakeholders.

Meeting and engaging with industry stakeholders demands a good deal of time and effort; this policy of open dialogue and debate, though, has led to further invitations, such as meeting with trade union organisations at the European level. In November 2007, EVCA made a speech to the DGB (German Union Confederation) annual event in Berlin, which was an opportunity to highlight the positive impacts that the industry has had on Europe, and to disprove misconceptions about buyout houses. Being proactive in this manner provides an opportunity to engage with those most opposed to private equity and to begin to address their real concerns, which relate to the economic challenges faced by the EU and the underlying support of its social model.

Notably, some European politicians have yet to take EVCA up on the Association's offer of dialogue and discussion. The Socialist members of the European Parliament (PES), led by Poul Nyrup Rasmussen, launched a fierce attack in mid-2007 on the private equity industry. At the time, the Socialist parliamentary group came out with a document severely distorting the economic activity of the industry by focusing on individual cases and showcasing ideologically-driven policies. The report, though, was not supported by all PES members, and clearly showed the partisan attitudes of a few who have focused significant economic policy activity in attacking private equity. EVCA defended the industry from hostile questioning and refuted allegations using both fact and evidence-based analysis.

In November, EVCA took the unprecedented step of proactively writing an open letter to all Socialist MEPs, inviting them to continue in a dialogue with the industry. It also described a number of common misconceptions about private equity, and showed how these were untrue. The letter was supported by extensive research from among others, the European Central Bank, a number of the financial and general newspapers, specialist journals, EVCA publications and reports by third parties.

In early 2008, the PES began a drive to publish a subsequent report on their own initiative. In the light of this new move by MEP Rasmussen, as well as broad press activity of a number of individual MEPs, there is no evidence of a willingness by the group to engage constructively with the industry. This new Socialist initiative will undoubtedly be an area of significant work for EVCA in the coming year. (Details can be found in the platform sections of this report.)



Working for Better Cross-Border Investing

Leading on from its activities in 2006, EVCA was heavily involved in the first part of 2007 in helping the European Commission bring together the EU Member States and industry practitioners to review existing legislation and bottlenecks around the cross-border operation of buyout and venture capital funds. This work focused not only on the day to day issues affecting funds and their portfolio companies, but also on their need to have efficient and effective access to the investor community.

The initiative focused heavily on the Venture Capital and Mid-Market sectors, encouraging among others, EU national administrations and supervisors to have mutually acceptable levels of supervision and transparency for funds wishing to invest across Europe. This has, in the past, led the way for the improved European and national framework under which the industry now operates. The current results of the work done in 2007 are very promising, and the Commission took the results of the deliberations into account and at the end of the year, launched an official communication as part of a wider blueprint for action.

Taxation Work

Launched in Spring 2007 with the support of EVCA and its Tax and Legal Committee members, the Commission began work with national government representatives to start to address the main tax barriers to cross-border private equity investment, with the aim of proposing viable solutions. The work is due to be finalised at the end of 2008.

Private Placement Work

In Spring 2007, the European Commission published a call for evidence regarding the functioning of private placement regimes in EU Member States. An earlier Commission White Paper on investment funds had identified the absence of a common approach to private placement under which fund shares can be sold privately to a limited number of eligible investors, as a possible stumbling block to mutually beneficial transactions between financial professionals.

Efficient pan-European arrangements for private placement could be particularly helpful in freeing up cross-border transactions in non-harmonised investment funds or institutional products, such as private equity investments, which are not suitable for retail investors. (The paper had referred to legal uncertainty and other organisational barriers to cross-border business which increase the costs of raising money, particularly by inflating legal and advisory fees, and their negative impact on the returns available to investors.)

EVCA responded to the Commission's request, and actively contributed to its ongoing policy work. This was just as the Commission began to consider a range of options for forthcoming proposals in 2008, notably to ensure that any regime that is introduced is complementary to existing, efficient national systems. This is one of the outcomes of the historical work of EVCA with the Commission.



Work with National Associations

Recent examples show the global nature of some of the critical challenges to the industry, notably intense public scrutiny. A new *modus operandi* began to be developed with national private equity and venture capital associations, where EVCA is supporting those national associations facing similar challenges. Cooperation developed in this way will help EVCA pursue issues on behalf of members in Brussels and while ensuring that common responses by the whole industry can be given on a consistent basis globally. EVCA has put together a password protected website where all worldwide research about private equity has been compiled, and offered to national associations for their use. National associations have contributed and continue to contribute to uploading this content.

Of several supported discussions and debates led by national associations in the course of 2007, EVCA was particularly active in supplying evidence and comment to the UK Parliamentary Committee Enquiry into the industry. EVCA provided a pan-European perspective and background evidence to the Committee during its deliberations. There was also significant work providing feedback to the Walker Working Group. (Details on this can be found in the Large Buyout Platform section of this annual report.)

Highlighting Professional Standards

Legislators in Brussels were not always aware that the private equity industry has, in fact, been working on professional standards for over two decades. EVCA always stresses that corporate governance in the industry is essential to ensure accountability and generate confidence and trust by employees, customers, investors, shareholders, regulators and the community at large. Apart from the Code of Conduct, EVCA guidelines cover valuation and reporting and corporate governance principles for managing funds, management companies and the portfolio companies.

In conjunction with regulators and supervisors, the Association is constantly monitoring how best to develop its industry standards to ensure they remain suitable for the task at hand and continue to evolve in line with regulatory realities.

Professional standards were centre-stage as EVCA responded to a number of consultations and requests for information from organisations such as the International Organisation of Securities Commissions (IOSCO), the Organisation for Economic Co-operation and Development (OECD) and national financial services authorities. Also of note was an invitation for EVCA to participate in the OECD Corporate Governance Steering Group which addressed key aspects surrounding private equity. Contributions by the Association were later used by the OECD in their own work.

Speeches and Presentations

There were a very large number of presentations that were made throughout 2007 which, either wholly or partially, served to raise the profile of the European sector. These presentations were to a variety of audiences, including limited partners, lawmakers and regulators.

- 07 February, Investor Relations at EVCA, Doctors Pension Funds, Utrecht
- 08 February, Expanding Existing Markets, Creating New Opportunities: Can Innovation Help?, Panellist House, London
- 12 March, "Integration of EU Financial Services: Who Is Gaining From It?" EU Parliament, Brussels
- 27 March, Brussels, Challenges Facing SMEs in the New Accession States, Brussels
- 29 March, European Socialist Party (PES) "Hedge Funds and Private Equity funds: Who Pays the Price for Their Success?" EU Parliament, Brussels
- 04 April, "SMEs in Health Research: Sources of Financial Support", European Commission, Brussels (industrial audience)
- 04 April, EVCA's Professional Standards and Regulatory Norms, Central Bank of UAE, Abu Dhabi
- 10 May, The Boom in Private Equity and the Rise of Hedge Funds: Which Way Ahead?, OECD Financial Roundtable, Paris
- 10 May, The Role of the PE/VC Industry in Europe, European Economic and Social Committee Hearing, Brussels
- 15 May, European Parliament Financial Stability Forum, on Financial Services, with a special session on Private Equity, Brussels
- 18 June, "Identifying Best Practices for Financing High Potential Companies Through Private Equity and Venture Capital", Geneva
- 22 June, The Private Equity Corporate Governance Model, OECD Conference on Corporate Governance, OECD, Paris
- 02 July, Corporate Governance and Labour in the Era of Financial Capitalism, Keynote speaker, Vrije Universiteit, Amsterdam
- 11 July, Hearing at the European Parliamentary Financial Services Forum, Strasbourg
- 18 July, Private Equity in Continental Europe, UK Permanent Representation to the EU, Brussels
- 08 October, The Relevant Role of Financing in Innovation Support, Portuguese Presidency of the European Union Forum Financing Innovation, Estoril
- 17 October, The Alternative Investment conference, on "Cross-Border PE/VC Investment: Why Is This an Issue?", Luxembourg
- 24 October, Is Regulation of Financial Investors Possible at European or OECD Level or No Regulation at All?, DGB Roundtable Debate, Berlin
- 26 October, Meeting with the Secretary General of the International Organisation of Securities Commissions, Madrid
- 13 November, OECD Corporate Governance Conference, Paris
- 13 November, The Case for European Venture Capital and EVCA's Set of Professional Standards, LP Workshop for Superannuation Schemes & Advisors, Sydney
- 21 November, Innovative SMEs: Is Europe Hindering or Fostering Them, BusinessEurope SMEs Conference, Brussels
- 21 November, Private Equity, Public Scrutiny, Social Impact, London Business School, London
- 22 November, Hearing at the European Parliament, Brussels
- 03 December, The Case for European VC, European Venture Capital Journal Fundraising Conference, London
- 05 December, Hearing at the European Economic and Social Committee, Brussels
- 10 December, The Globalisation of Venture Capital, Taiwan Venture Forum- Invest In Taiwan: Access to Asia, Taipei
- 25 Jan 08, European Parliament Economic Committee Hearing on Private Equity and Hedge Funds, Brussels
- 08 Feb 08, European Private Equity, Lessons Learned and Future Prospects, Super Return, Munich
- 10 Mar 08, Public Profile of the Private Investment Industry, International Bar Association, London
- 12 Mar 08, A View of the Private Equity Industry and Upcoming Challenges, IESE, Barcelona
- 01 April 08, Private Equity and Corporate Governance, ECODA, Brussels
- 08 April 08, European Parliament Economic Committee Hearing on Private Equity and Hedge Funds, Brussels
- 23 April 08, BVCA 25th Anniversary VIP Summit: The Elusive European Market, London
- 05-06 May 08, European Parliament Economic Committee Hearing on Financial Stability, Brussels

Promoting Entrepreneurship, Supporting R&D, Championing Small Business

The areas of research and development, entrepreneurship, and small business are important for the whole of the private equity industry. Activities in these areas go beyond the traditional remit of public affairs. The Association's position in Brussels is unique, and EVCA has balanced the industry, stakeholders and the media to make positive contributions to entrepreneurship, research and development and small business. Members can expect to see more results in this area in 2008.

Supporting Best Practices for Small Businesses

Under the Portuguese Presidency of the EU, EVCA was invited to participate in a major, high level conference in October 2007. The event led to the signing of the Estoril Declaration, which is backed by the European Commission and will lead to the founding of the Estoril Observatory. The Observatory will be used to identify, award and disseminate best practices in financing small and medium enterprises, innovation and entrepreneurship. EVCA will contribute directly by putting forward recommendations to support private equity investment.

Financing Innovation– From Ideas to Market

In October 2007, EVCA was involved with another initiative of the European Commission and the Portuguese EU Presidency. EVCA Chairman Helmut Schühlsler and Secretary General Javier Echarri ran a high-level workshop with key EU policymakers, providing inputs to the Estoril Observatory and guiding its direction.

Financing SME Growth– Adding European Value

EVCA participated in a European Commission Expert Group which aimed to identify the regulatory framework affecting funds for each participating country- both those domiciled in the country of investment and those domiciled elsewhere. The Group also served as a forum to detail the management and professional rules in different countries as well as to discuss possible common definitions.

Knowledge Transfer

In November 2007, EVCA, with the support from the European Commission, organised a Seminar on Private Equity and Venture Capital for the representatives of the Pan-EU network of European Information Centres (Euroinfocentres) to help spread awareness of the role of the industry and its business model. Also in that same month, with the support from the European Commission and to lead on from the event, EVCA prepared a detailed step-by-step *Guide on Private Equity and Venture Capital for Entrepreneurs*.

Championing Small Business

An initiative for a Small Business Act for Europe was welcomed in December 2007 by the European Council. The main aim of this proposal will be to set principles and concrete measures to improve the framework conditions for European small and medium enterprises, while taking full account of their diversity. EVCA has provided background input on this legal proposal and will be supporting it further in 2008.

Supporting Research and Innovation

In January 2007, the European Commission adopted the new State Aid Framework for Research, Development and Innovation (R&D&I). The Framework sets out a series of guidelines for specific types of state aid measures – such as aid for projects, aid to young innovative enterprises and innovation clusters – that could encourage additional R&D&I investments by private firms, thus stimulating growth and employment and improving Europe's competitiveness. EVCA contributed to the communication and was delighted to see the Commission support its call for aid to young innovative enterprises. The Association has been calling for young innovative company schemes which aim to help such firms overcome the difficult first years of existence by giving them incentives through extending tax credits in favour of research and development investment.

Unique Research

One of EVCA's significant strengths is its track record in reports and statistics on the industry. This area will significantly change in 2008, as a consequence of important preparatory work done in 2007.

PEREP_Analytics

In the past, EVCA members have expressed a need for more accurate, consistent and timely data. The Private Equity Research Exchange Platform (PEREP_Analytics), operational in 2008, will help fill this need with a centralised non-commercial pan-European private equity database. Importantly, the structure of PEREP_Analytics has been designed to ensure that it is independent and objective, as guaranteed by the creation of the Governing Board. PEREP_Analytics will be able to offer continuous access to standard data analyses under a consistent methodology, for office and market statistics, with full data aggregation freed from confidentiality constraints.

All national and regional associations in Europe were invited in 2007 to join EVCA in this exercise. So far 15 have joined and discussions are on-going with the few remaining. The vision is to turn PEREP_Analytics into the framework of a Private Equity Research Exchange Platform among cooperating national and regional associations and EVCA.

Under the chairmanship of Professor Christoph Kaserer of the Munich Technical University, the Governing Board will assess market demand for specific information in industry research projects, audit the processes and methodology underlying the database and data collection, review the objectives behind research studies, periodically amend the methodology (if necessary) and operate as a think tank for practitioners and associations in planning research.

EVCA Publications and Reports

EVCA publications are an important part of the Association's activities. There are a variety of reports and studies which are published throughout the year. Where a publication has been made with a key focus in an area represented by an individual platform, details can be found in their individual section.

- **May 2007, *Key Misconceptions Regarding Buyouts***
This publication was designed to dispel several common stereotypes about the private equity industry. More information on this study can be found in the sections outlining the activities of the Mid-Market and Large Buyout Platforms.
- **June 2007, *Pan-European Survey of Performance 2006***
The performance benchmark statistics are made by Thomson Financial on behalf of EVCA on a yearly basis. They allow EVCA members and potential investors to compare their performance with that of the industry overall or a relevant peer group.
- **June 2007, *Activity Survey 2006***
After release on a preliminary basis at the EVCA Investors' Forum in March 2007, the final results of the European Private Equity Activity Survey were published in June.
- **June 2007, *EVCA Yearbook 2007, EVCA Annual Report 2006***
The Association's yearbook and annual report were published at the time of the Symposium in Rome.
- **October 2007, *Central and Eastern Europe Statistics***
This document provides an update of annual activity statistics for the private equity and venture capital markets of Central and Eastern Europe in 2006.
- **October 2007, *The European Venture Capital Market: Scaling Beyond Current Boundaries***
European venture capital is showing a steady increase in the number of successful VC-backed companies and notable exits. Details on this unique study can be found in the section detailing the activities of the Venture Capital Platform.
- **October 2007, *Corporate Venturing 2006 - European Activity Report***
The seventh annual edition of the report monitored recent venture activity by corporations around the EU. More information can be found in the section on the Venture Capital Platform.
- **November 2007, *Europe's Family Offices, Private Equity and Venture Capital***
This new study by EVCA and the IMD Business School of Lausanne is the first of its kind. It showed that family offices have become an integral part of the European private equity investor community and that a trend of increasing allocation to private equity is likely to continue.
- **December 2007, *Global Trends in Venture Capital Survey***
This survey shows the degree to which venture capitalists are expanding their worldwide investment focus, identifies the territories they are targeting for expansion and reveals how their business practices are changing. More information on this study can be found in the section outlining the activities of the Venture Capital Platform.

Barometer Newsletter

The *EVCA Barometer* is a monthly publication that provides EVCA members with targeted small surveys and desk research. Issues cover survey-based industry snapshots, buyout- and venture capital-related topics and include an analysis of macroeconomic, stock market, IPO, M&A and leverage loan market indicators. *Barometer* was launched in September 2002, and is sent to over 7,000 readers every month.

In 2007, topics included:

- January: The tax and legal environment for private equity and venture capital in Europe
- February: Exit environment and future exit potential
- March: Environmental investing by European venture capital funds
- April: Eastern Europe: State of the market and future outlook
- May: Communication policies used by private equity and venture capital funds
- June: The 2006 PE and VC activity statistics – another year of records
- July: 2006 - a good year for private equity performance
- September: Further increase in the number of business plans received by European VCs in 2007
- October: The European mid and growth capital market
- November: Key events in 2007 and what the year 2008 will bring

Active Member and Stakeholder Engagement

The Association spends a great amount of time actively promoting, planning and enacting a range of activities and services for its members and industry stakeholders. As the times have changed over the past quarter century, EVCA has updated, changed and modified existing services and activities to ensure that they remain reflective of member needs and the current marketplace. At the same time, new offerings have been rolled out to meet the demands of an increasingly varied and complex industry.

Conferences

EVCA conferences bring together seasoned professionals and the whole private equity ecosystem three times a year to debate, network and stay current on the best practices in the field of venture capital and buyout.

EVCA Investors' Forum

14-15 March 2007, Geneva, Switzerland

The 2007 edition of this conference was again restricted to EVCA Full Members (GPs), institutional investors (defined as pension funds, insurance companies, foundations, endowments, family offices and others) and funds-of-funds. The overall audience was purposefully limited to 200 LPs and 200 GPs. This focus on exclusivity and the provision of first hand information means that attendees get top quality networking and contacts (exemplified by the famous Rotating Dinner). Attendees were also able to see and hear information first-hand which will shape and impact future investments. Attendees came from 35 different countries, and the event was completely sold out. Notably, there were a growing number of limited partner participants from outside Europe (including five from Japan).

At the time of this report, the Investors' Forum 2008 had already taken place and was very successful. More details will be available in next year's annual report.

EVCA Annual Symposium

13-15 June 2007, Rome, Italy

The 2007 edition of EVCA's Annual Symposium was designed to offer a fresh perspective on the industry's changing landscape. It was also an opportunity to set the agenda for what was to become a critical year for the industry. More than a typical conference or networking opportunity, the Symposium served to promoting strategic thinking within and beyond the traditional borders of private equity. The Symposium's two-way feedback mechanisms gave all participants an opportunity to contribute to EVCA's near-short and long-term strategy, and share their opinions on the future of the industry. Overall, participants were satisfied with the renewed direction of the event.

Already in 2007, planning began for the 2008 edition. The Symposium was chosen as the event to mark the Association's 25th anniversary. The Symposium is designed to look back at all that has been achieved - and to look ahead together to where tomorrow's opportunities lie.

Venture Capital Forum

3-5 October 2007, Stockholm, Sweden

In 2007, this annual event was held in Scandinavia. The event included speakers from all sectors of venture capital, including IT, clean tech, medical tech and life sciences. It was also the kick-off event for the 100 Days Action Plan for Venture Capital. Details on this event can be found in the section concerning the activities of the Venture Capital Platform.

Workshops with Investors

EVCA Roadshows to Singapore and Australia

This initiative was made jointly by the EVCA Investor Relations and the EVCA Professional Standards Committee. It continued a programme started in 2006.

The visits had three major goals:

- To raise the profile of European general partners (along the same lines as the one done in Japan in November 2006).
- To raise interest amongst Australian and Singaporean limited partners in joining the EVCA Investors' Forum in 2008.
- To continue a dialogue with the Australian Venture Capital Association (AVCAL) and the Singapore Venture Capital & Private Equity Association (SVCA) and support coordination and cooperation on a global scale.

About 15 years ago, Australia introduced a compulsory pension saving system (called the Superannuation Scheme). Thanks to this system, Australia has now the 4th largest pool of managed pension capital worldwide and the biggest pool in terms of capital per capita. The allocation to alternative assets has grown over time from 7% to 15.1% in 2007 with an average of 4.5% to private equity. For European GPs this pool remains largely untapped.

The workshop on 13 November 2007 in Sydney was well attended, and consisted of three parts, presentation of the European buyout and venture capital asset class, the Case for European VC and EVCA's Professional Standards. The general feedback was that participants were interested to learn more about European private equity and would welcome a follow-up initiative in 2008 with workshops potentially taking place in Sydney, Melbourne and Auckland.

An outcome of the meetings in Singapore was a suggestion for a jointly-organised International Private Equity Valuation Masterclass for auditors and accountants in Singapore in order to promote a quality implementation of valuation guidelines by the Singaporean private equity industry. Follow-up on this meeting will take place in 2008.

EVCA Research Help Desk

Close to 1,400 substantial queries were answered in 2007 by EVCA's Research Help Desk, a 12% increase compared to 2006.

More than 6,500 questions from members, consultants, public bodies or academics were answered in the five-year period 2003-2007.

EVCA Institute

In today's fast-changing and growing European private equity industry, entrants and seasoned professionals from the industry, its advisors and corporates need professional development courses to either learn or enhance their knowledge about private equity investing. This is one area where EVCA provides unparalleled value for its members.

Not only were the Association's offices expanded as a result of the move from Zaventem, but the EVCA Institute received a big boost. Classes now have a dedicated premises, with state of the art technology in each classroom. This change allows EVCA to give more classes in a location which is more central and more comfortable than before. Additionally, participants in the courses have the possibility to network with EVCA team members.

EVCA Institute courses are based on active learning, with recent case studies used and evaluated in groups. These provide an opportunity to meet peers from across Europe as well as draw from the experience of instructors which include some of the leading senior industry professionals and academics. The classes are also a link between EVCA's activities on behalf of the industry, in such areas as standards, valuation and responsible corporate management, and actual private equity practitioners.

Since 2004, the courses have seen a steady increase in participants. This coincides with an increase in events, which shows not only that the courses remain current in a rapidly changing marketplace, but also that the range of course topics is continually expanding. Two levels of classes are offered: foundation and master.

Foundation Courses

These educational classes are designed to teach the basics of a given subject to a variety of audiences and to meet their needs for practical, usable knowledge about the private equity industry.

Foundation Course for Investment Professionals

The EVCA Foundation Course for Investment Professionals is a three-day training programme designed for early-career practitioners. The modules of this course have been specifically designed to offer participants an overview and a broad understanding of the different milestones and processes in private equity investment. The course offers two parallel tracks, one for buyout and one for venture capital. This allows participants to align the programme with the segment they are working in.

Foundation Course for Support Staff

This course is aimed at those staff who are not directly involved with investments but who want to learn about the key aspects of the private equity business and enhance their own contribution to the success of the organisation which they work in. The course is designed around an interactive simulation of the investment process that allows participants to experience different phases of the cycle and understand the concepts involved. Participants cover the key vocabulary, the different steps in the investment process and the players involved at each stage. This course has been a great success since it was first launched, and had three sessions in 2007. A significant portion of the participants are from the buyout community.

Pan-European Tax & Legal Course

This course, led by senior lawyers from top law firms with expertise in European private equity, provides a pan-European perspective on tax and legal issues and the resulting challenges faced by private equity professionals during the life cycle of a fund. The strength of this educational offering can be seen in the fact that it has been officially acknowledged by the Flemish Bar (OVB) in the framework of continuing professional development.

This course is open to legal counsels, investment managers, financial and back office staff wishing to extend their knowledge of pan-European tax and legal issues. The areas of laws and tax are always changing, and the course is constantly updated and revised.

Private Equity Foundation Course for Limited Partners

The Private Equity Foundation Course for Limited Partners is a three-day training programme designed for early-career professionals investing in private equity funds. Modules are organised around three different consecutive sections, dealing initially with the knowledge required before investing in private equity, moving into the selection of a private equity fund and ending with the management and monitoring of a private equity investment portfolio.

The course is open to professionals working in institutions, banks, pension funds that are investing or are considering investing in buyout and/or venture capital funds. This course was in the start-up phase in 2007, but has attracted substantial interest from limited partners.

Finance and Administration Course

The course aims to enable the participant to better understand the challenges and the pitfalls of managing a private equity back office. The EVCA Professional Standards form an important part of this course as they are a vital component of aligning business practices and investor relations. The Finance and Administration Course looks at a variety of topics, including:

- International Private Equity and Venture Capital Valuation Guidelines
- EVCA's Reporting Guidelines, looking at reporting best practices both from the fund manager's side as well as an investor's perspective
- EVCA's Governing Principles and Sound Practices for Establishment and Management of Private Equity and Venture Capital Funds
- Benchmarking private equity performance
- The impact of IFRS on private equity accounting

The participation rate of this course has been very satisfactory. An extremely popular course, the number of participants had to be capped to ensure a collegial, yet still pedagogical, atmosphere.



Master Classes

These educational courses are designed to teach about a given topic on an advanced level, often to those who have a number of years of experience.

Building and Managing Boards Master Class

This master class looks into the legal, relational and practical issues that investment professionals face when they sit on a board of directors. It covers subjects such as structure and role of a board, legal aspects and liabilities, processes and interpersonal relationships. There is also a focus on practical implications, and several cases and practical exercise are included in the programme.

The limited group size allows participants to raise questions and discuss issues with peers and specialists. It also provides a unique networking opportunity with peers from all over Europe.

Due Diligence Master Class

This class analyses the process of due diligence in all its aspects in order to enable participants to build a structured approach to this phase of the investment cycle. Throughout the course, participants look at themes common to both venture capital and buyout, preliminary due diligence and full due diligence as well as the involvement of specialists during the process.

Participants are divided in two groups to deal with the specifics of venture capital and buyout. Each track has the benefit of the specific expertise of teachers and how this can apply to the student's industry segment.

Divestments Master Class

The objective of this master class is to analyse the process of divesting as the end point of the private equity cycle. It provides a structured approach to IPOs and trade sales, taking participants through the main steps of the exit routes, best practices, tips and real-world scenarios, with particular emphasis on the role of the investment manager and on the assessment of the market environment. All explanations are supported by real-world examples and case studies.

Fundraising and Investor Relations Master Class

Looking into the essential aspects of the relationship between general partners and limited partners, this class tackles where the different parties involved (GP, LP, placement agent, lawyer, and others) are challenging each other. The course includes subjects such as fundraising, terms and conditions, reporting, disclosure and management of investor relations. Focusing on best practices and operational aspects, it aims to provide the answers to very practical questions and issues as well as improve your day-to-day operations.

Impact of IFRS on Fund Accounting Master Class

This one and a half day master class focuses on understanding and applying the new IFRS standards to fund accounting. Through examples, participants have the opportunity to debate and evaluate the possible interpretations and applications of IFRS. Topics covered include: current status and development of IFRS, general format and presentation of financial statements, the functional currency problem, consolidation, financial instruments held by a fund, financial instruments issued by a fund and accounting for carried interest.

This class started off with a very high participation rate, but lagged somewhat in 2007. One of the major issues on this master class was the overlap that existed with the IFRS session at the Finance & Administration Course. Significant work has been done to make the course into a more distinct offering.

International Private Equity and Venture Capital Valuation Guidelines Master Class

The focus of this master class is on understanding and applying the International Private Equity and Venture Capital Valuation Guidelines. The emphasis is on practical examples, discussion of case studies and day-to-day challenges, with great attention to the specificities of both venture capital and buyout, including: the development and content of the Valuation Guidelines, the International Private Equity and Venture Capital Valuation Board (IPEV), the concept of fair value, the selection of the appropriate valuation methodology as well as the Reporting Guidelines. Participants also have the possibility to get directly in touch with some of the authors of the Guidelines and receive their view on questions.

Intellectual Property Master Classes

The aim of this master class is to equip participants with an understanding of the regulatory environment in Europe with regards to the protection of intellectual property rights. Different case studies are discussed to highlight the changing role of intellectual property according to the different stages of the investment (early or late) and the different phases of the investment cycle (due diligence, holding period, exit). The master class includes subjects such as patents, copyright, trademark, trade secrets - all applied in different contexts and situations.







Last year was a busy year for Georges Noël, who manages the new Venture Capital Platform. The new platform was rolled out by a series of workshops after a launch at the Association's annual Venture Capital Forum in Stockholm in October 2007. Crucial to the launch of the new Venture Capital Platform was a project called "The 100 Days Plan". Combined with the workshops, the two covered topics fundamental to the segment, ensuring that EVCA's new structure reflected member needs and expectations.

The Plan had several key initiatives. One of these was a strategy of attracting more attention for European venture capital, and key to this has been an EVCA document called *European VC: A High Potential Industry Ready for Take Off*. Among the positive messages were that: Europe ranks high on a number of key technology creation indicators; the pool of serial entrepreneurs is more solid than generally perceived; and there is a favourable competitive landscape in Europe.

While the Venture Capital Platform was not only started last year, it picked up work which the overall Association has been doing for its venture capital members. For example, a point that will be critical for the segment's future in Europe is the removal of barriers to cross-border investment. This is something which EVCA has been promoting to European Union officials for some time and there is already substantial progress.

The Venture Capital Platform will continue to urge the removal of the existing obstacles so that the industry can perform more efficiently and invest further in European SMEs. Venture capital in Europe does not yet fully benefit from the Single Market. Fragmentation along national lines makes cross-border investments unnecessarily complicated, and indirectly hinders innovative small and medium size enterprises from reaching economies of scale and specialisation.

Readers will notice that activities started in 2007 will follow into 2008. The coming year will certainly be a busy one, but the Venture Capital Platform will continue to move forward with the momentum gained in 2007.



Positioning Venture Capital

Speeches and Presentations

There were a number of presentations that were made throughout 2007 which, either wholly or partially, served to raise the profile of European venture capital. These presentations were to a variety of audiences, including limited partners, lawmakers and regulators.

- 08 February, Expanding Existing Markets, Creating New Opportunities: Can Innovation Help?, Panellist, Chatham House, London
- 27 March, Challenges Facing SMEs in the New Accession States, Brussels
- 04 April, "SMEs in Health Research: Sources of Financial Support", European Commission, Brussels (industrial audience)
- 18 June, "Identifying Best Practices for Financing High Potential Companies Through Private Equity and Venture Capital", Geneva
- 08 October, The Relevant Role of Financing in Innovation Support, Portuguese Presidency of the European Union Forum Financing Innovation, Estoril
- 13 November, The Case for European Venture Capital and EVCA's Set of Professional Standards, LP Workshop for Superannuation Schemes & Advisors, Sydney
- 21 November, Innovative SMEs: Is Europe Hindering or Fostering Them, BusinessEurope SMEs Conference, Brussels
- 03 December, The Case for European VC, European Venture Capital Journal Fundraising Conference, London
- 10 December, The Globalisation of Venture Capital, Taiwan Venture Forum- Invest In Taiwan: Access to Asia, Taipei

Stakeholder Engagement

Workshops with Members

Within the 100 Days Plan, three workshops were organised in Munich, London and Paris. The meetings had several aims:

- To present and discuss about the key findings of *The European Venture Capital Market: Scaling Beyond Current Boundaries* study.
- Underline communalities or differences between venture capitalists and their approach when building up a successful company in Europe and to showcase some of the many successful investments and learn from the experience of the business founders and their venture capitalists.
- To present and get feedback on the action plan of the VC Platform
- To meet with media representatives and discuss about the findings of the study and the state of the European VC market in general.

The three workshops were an overwhelming success as members perceived the value of the newly created platform organisation of EVCA. The interaction and feedback sessions allowed for a range of discussions of common interest and benefit. At the time of the writing of this annual report, additional workshops had been held in Barcelona and Stockholm, and were foreseen for Dublin, Zurich, Ljubljana and Moscow.

Conferences

For members of the venture capital community, EVCA conferences bring them together with the rest of the private equity industry for debates, networking and staying current on the best practices in the field.

Biotech Roundtable

EVCA Chairman Helmut Schühsler took the initiative on behalf of the Association to create a standing roundtable gathering all major stakeholders of the biotechnology industry in Europe. The mission of the roundtable is to contribute to a more favourable environment for the industry, including the launch of a number of joint initiatives. As a first potential action, the roundtable members are considering the organisation of a joint biotech event on the model of the BIO Conference in the United States. A decision has been made to start a working group. Additional meetings of the roundtable have been scheduled for 2008.

Venture Capital Forum

3-5 October 2007, Stockholm, Sweden

In 2007, this annual event was held in Scandinavia. It was consolidated as a venture-only event, designed at covering the entire VC ecosystem. Moving the venue from year to year also means that strong connections with local markets and members around Europe are maintained. The 2007 Forum included speakers from all sectors of venture capital, including information technology, clean tech, medical tech and life sciences. The event welcomed delegates from 29 different countries, including members, associate members and others.

The 2007 edition of the Forum was the official announcement and the kick-off for the new Venture Capital Platform and a dedicated task force. The aim of the latter is to further increase the quality and scope of this event in order to ensure that it reflects member needs and market realities.

Research

European Venture Capital: Scaling Beyond Current Boundaries

EVCA commissioned the Private Equity Institute of London Business School (LBS) in collaboration with the Center for Entrepreneurial and Financial Studies (CEFS) of Technische Universität München, to make a study about successes in the European venture capital market since 2001. The results of this work were published in 2007. The purpose of the study was threefold:

- To stimulate the discussion about the European venture capital market and its successes.
- To underline communalities or differences between venture capitalists and their approach when building up a successful company in Europe.
- To showcase some of the many successful investments and learn from the experience of the business founders and their venture capitalists.

The study has become a starting point for EVCA members and the European venture community at large to talk more loudly about their achievements. In turn, this encourages more limited partners to take a closer look at what European venture capital has to offer.

Corporate Venturing 2006– European Activity Report

Following the 2005 update study carried out by EVCA on direct corporate venturing investment across Europe, this report not only focuses on the level of corporate venturing activity in terms of independent fundraising, investments and divestments, but also describes various qualitative variables (organisational aspects of corporate venturing in Europe, information on the strategic and financial aims of players, and their interactions with portfolio companies).

The approach of this report is to focus on direct corporate venturing activity, although the importance of indirect investments is also considered briefly.

Global Trends in Venture Capital Survey

Produced by Deloitte Touche Tohmatsu in cooperation with EVCA, this survey shows the degree to which venture capitalists are expanding their worldwide investment focus, identifies the territories which they are targeting for expansion and reveals how their business practices are changing to accommodate a more global approach to investing. The publication also shows where there are barriers to establishing footholds in various geographic markets and highlights the ongoing challenges venture capitalists encounter doing business in other territories.

PEREP_Analytics

In 2007, a new statistical tool, PEREP_Analytics, was under development. It has a special significance for EVCA's venture capital members. When fully up and running, PEREP_Analytics will be able to provide sector and stage data which has not been previously available. EVCA will be encouraging members to participate in order to be able to produce additional research and reports.



Public Affairs Achievements

Task Force on State Aid

A key activity last year was to launch a task force on state aid with the involvement of members of the EVCA Tax and Legal Committee. To date, the European Commission has adopted a range of “frameworks”, “guidelines” and “block exemption regulations”. Now, the Commission plans to group all of these into one single regulation and expand the areas in which national, regional and local authorities can grant support.

The new General Block Exemption Regulation on State Aid will cover areas already covered by block exemptions (training, employment, SMEs) and new areas (innovation, environment, risk capital and regional aid). The state aid framework for R&D and innovation entered into force in January 2007.

Task Force on Taxation

Launched in the Spring of 2007, EVCA is involved in the Expert Group on Taxation of Venture Capital Funds Operating Cross-Border. Representatives of governments from all over Europe are identifying the main tax barriers to cross-border venture capital with the aim of proposing solutions.

Promoting Research, Development and Innovation

In January 2007, the European Commission adopted the new State Aid Framework for Research, Development and Innovation (R&D&I). The framework sets out a series of guidelines for specific types of state aid measures, such as support for projects, aid to young innovative enterprises and aid to innovation clusters. This could encourage additional R&D&I investments by private firms, thus stimulating growth and employment and improving Europe’s competitiveness. EVCA provided input to this initiative and was happy to see that aid to young innovative enterprises was included.

EVCA has been advocating for schemes which help young innovative firms overcome the difficult first years of existence by extending them tax credits in favour of research and development investments.

Founding Member of the Estoril Observatory

EVCA signed the Estoril Declaration in October 2007. This agreement, which is backed by the European Commission, will lead to the founding of the Estoril Observatory. The objectives of this initiative will be to scan, award and disseminate best practices on financing small and medium enterprises, innovation and entrepreneurship. This scheme will see further work and roll out in 2008.

Supporting European Commission Initiatives for Entrepreneurs

Entrepreneurship was one of the focal points of the “The 100 Days Plan”, and with the support from the European Commission, EVCA provided a seminar on private equity and venture capital to the representatives of the Euroinfocentres and prepared a *Guide on Private Equity and Venture Capital for Entrepreneurs* in November 2007. For European venture capital, the cultivation and reward of serial entrepreneurship is a way of ensuring successful investing in the future.



Mid-Market Buyout Platform





Under the new EVCA structure, Marie-Annick Peninon-Bernard was given the task of leading the efforts towards the middle segment of buyout houses. Instead of working via a formally established committee, a relatively large number of mid-market players gather around her to provide input and advice as well as identify specific activities for the platform.

The mid-market segment is responsible for more than nine out of every ten buyout deals in Europe. A successful track record of investing has typified it in recent years, and small and medium enterprises are the main beneficiaries of these investments. Drawing attention to this under-reported segment and supporting its well-balanced development are of the utmost importance.

The Mid-Market Platform aims to create a sense of shared goals and common benefit among EVCA members in the segment, without regard to the size of a buyout firm, its home country or business model. This process extends to defining unique aspects of the mid-market, but, at the same time, preserving recurring commonalities with the venture capital and large buyout segments.

Planning the rollout of the Mid-Market Platform took up a significant part of the end of year 2007, including the assessment of time frames and urgent matters, organising contacts and materials, the selection of an external message grid and conducting public affairs initiatives.

This work has allowed EVCA to present the segment to stakeholders in a way which is more detailed and nuanced than previously. The definition of the size for the mid-market in Europe and an adapted message range, have allowed for a turnaround in the perceived image at the level of the European and international institutions, and in public opinion as well. While the lobby work is often similar to that of the Large Buyout Platform, there are significant differences.

This progress in bringing attention to the mid-market has resulted in specific language and measures being promoted in the policy and working documents of the EU Commission, European Parliament, and OECD.

With preliminary work completed, and very much centred around the immediate challenges posed by regulators and policymakers, the Mid-Market Platform has been going to its members, holding regional meetings with active practitioners. Those meetings allow the combining of the Brussels and international work of EVCA with the market concerns of our members at the regional level. This is needed in order to anticipate market moves and adapt EVCA actions accordingly.

Positioning Mid-Market Buyouts

EVCA has been working to ensure that legislators recognise that mid-market firms act as a facilitator in an environment where entrepreneurs and SMEs often find it difficult to get the funding they need to grow their businesses.

Meeting with European Union Officials and MEPs

The creation of the Mid-Market Platform has allowed EVCA to approach members of the European Parliament and individual officials as a distinct industry segment. For example, the segment has been represented as an active participant in different expert groups (such as those held by the Directorate Generals of Tax, Internal Market and Enterprise) and in public hearings organised by the European Parliament during 2007 and early 2008. The platform has been able to present and point out not only the vital role of financing small-sized and medium-sized firms, but also the unique concerns of this category of companies.

Misperceptions Publication

In April 2007, EVCA published a paper called *Six Key Misperceptions Regarding Buyouts*. This occurred at a time when the industry was under intense media and political scrutiny. The *Misperceptions* paper was designed to be used by EVCA members when talking to the press, industry stakeholders or others. It remains useful in 2008.

Speeches and Presentations

There were a number of presentations that were made throughout 2007 which, either wholly or partially, served to raise the profile of the European mid-market sector. These presentations were to a variety of audiences, including limited partners, lawmakers and regulators and in most cases have been followed by press meetings.

- 08 February, Expanding Existing Markets, Creating New Opportunities: Can Innovation Help?, Panellist, Chatham House, London
- 27 March, Challenges Facing SMEs in the New Accession States, Brussels
- 29 March, European Socialist Party (PES) "Hedge Funds and Private Equity funds: Who Pays the Price for Their Success?" EU Parliament, Brussels
- 04 April, "SMEs in Health Research: Sources of Financial Support", European Commission, Brussels (industrial audience)
- 10 May, The Role of the PE/VC Industry in Europe, European Economic and Social Committee Hearing, Brussels
- 18 June, "Identifying Best Practices for Financing High Potential Companies Through Private Equity and Venture Capital", Geneva
- 22 June, The Private Equity Corporate Governance Model, OECD Conference on Corporate Governance, OECD, Paris
- 18 July, Private Equity in continental Europe, UK Permanent Representation to the EU, Brussels
- 24 October, Is Regulation of Financial Investors Possible at European or OECD Level or No Regulation at All?, DGB (German Trade Union) Roundtable Debate, Berlin
- 21 November, Business Europe (EU Employers Federation), Brussels
- 22 November, Hearing at the European Parliament, Brussels
- 05 December, Hearing at the European Economic and Social Committee, Brussels
- 25 Jan 08, European Parliament Economic Committee Hearing on Private Equity and Hedge Funds, Brussels
- 01 April 08, Private Equity and Corporate Governance, ECODA, Brussels
- 08 April 08, European Parliament Economic Committee Hearing on Private Equity and Hedge Funds, Brussels
- 05-06 May 08, European Parliament Economic Committee Hearing on Financial Stability, Brussels

Active Member and Stakeholder Engagement

Workshops with Members

Crucial to the rollout of the Mid-Market Platform has been series of meetings with members. These are designed to hear directly from members what they think, have to deal with and want from EVCA as an overall association and from the Mid-Market Platform in particular. At the time of the writing of this annual report, three meetings had already taken place in Warsaw (for Central and Eastern Europe), Paris (for France and the Benelux) and Madrid (for the Iberian peninsula). More are planned for the UK and Ireland, Nordic area and German-speaking (Germany, Austria, Switzerland, or DACH) countries.

Topics discussed at the meetings are diverse. The initial planning discussions and the three workshops already held show a number of conclusions:

- There is a need to combine the work of EVCA in Brussels with the market knowledge of members at the regional level to ensure that the Association remains prescient of market shifts before they happen.

- Working closely with EVCA's committees on investor relations, tax and legal issues and professional standards is a constant necessity. Combining their knowledge and insight with conferences and training courses will help meet stakeholder demands on topics of public interest.
- The mid-market segment has specific research needs. These can begin to be met by the new PEREP_Analytics database. It will be a cornerstone for data analysis using geographic, financial and/or social factors.
- Special research dedicated to the mid-market can help define and clarify the segment, such as special research on limited partner investment allocation criteria or a look into the debt market environment. In turn, this may make the segment more attractive to limited partners when allocating assets.
- Monitoring regulatory issues, such as the Prospectus Directive, or the preparatory work towards a private placement framework on a constant basis is critical to strengthening the position of the mid-market segment and cross-border fundraising.

Research

PEREP_Analytics

In 2007, a new statistical tool, PEREP_Analytics, was under development. It has a special significance for EVCA's mid-market members. Because firms in this segment are developing cross-border investment activity, the database's operation will allow for rapid and consistent statistical analysis, covering regional and economic topics. EVCA mid-market members will be able to take advantage of the database's potential and have access to research reports that have not been previously available to them.

Public Affairs Achievements

Supporting Small Business

An initiative for a Small Business Act for Europe was welcomed in December 2007 by the European Council. The main aim of this proposal will be to set principles and concrete measures to improve the framework conditions for European SMEs, while taking full account of their diversity.

For EVCA's mid-market members, the fostering of beneficial conditions for small and medium size enterprises is a way of ensuring that there are attractive investment opportunities in the future. EVCA has provided background input on this legal proposal and will support it further in 2008.

Expert Group Participation

EVCA participated in the European Commission's Expert Group on Financing SME Growth – Adding European Value. This group aimed to identify for each participating country the regulatory framework affecting funds - both those domiciled in the country of investment and those domiciled elsewhere. It also served to report on the management and professional rules in different countries as well as to discuss possible common definitions. Most importantly, the group looked to find solutions to overcome the existing obstacles for private equity and venture capital funds investing cross-border within Europe. One of the primary beneficiaries of this work will be mid-market private equity firms, who are limited by their size, cost of fundraising and setting up in other countries.

The Single European Passport for Investing

This is an issue which EVCA has worked on for many years, and continues to place great emphasis upon. With a Single European Passport in place, mid-size funds would be able to fully take advantage of the pan-European market.

Monitoring Current Research and Directive Implementation

Staying up to speed on the latest reports and research is crucial to the public affairs work of the Mid-Market Platform.

The long list of reports which will have a bearing on the segment include:

- Private Placement Rules, which amend the Prospectus Directive (European Commission, expected summer 2008)
- Keeping up on market and expert reports on the implementation of MiFID
- DG Tax Expert Group report on cross-border investment (European Commission, expected by the end of 2008)
- Proposals for modernising VAT for financial services (reporting from the European Commission as of late spring 2008)
- Economic Committee of the European Parliament Report on Private Equity and Hedge Funds (expected summer 2008)
- Committee of the European Parliament Report on Transparency for Institutional Investors in Private Equity and Hedge Funds (to be published in June 2008)
- Employment Committee of the European Parliament comments on both of the directly aforementioned reports
- The International Organisation of Securities Commissions report on private equity (expected May 2008)



Didier Guennoc was given the task of being the Large Buyout Platform leader from the EVCA Secretariat. He took the position at a time when this segment of the industry was under specially intense public scrutiny. The creation of the Large Buyout Platform has followed a carefully set plan involving a reorganisation of EVCA committees and the implementation of a set of strategies that focus on the large buyout segment. Structurally, the work of the Buyout Committee has been transformed, and a new Large Buyout Steering Group was founded.



The result is a new forum for representatives of large buyout houses to meet and discuss issues of common interest and to decide on common initiatives, particularly in the fields of communications and public affairs. All of this, however, would not be possible without the active support of members in the large buyout segment, who have been a critical asset in helping EVCA and the industry.

One of the first priorities of the Large Buyout Platform was a normalisation and demystification strategy aiming at the largest possible audience. This combined interaction with the media, engaging European policymakers, global and international institutions and talking with trade unions.

An important goal of the aforementioned strategy was the dispelling of misperceptions, stereotypes and other misinformation that had spread during the public debate of the first half of 2007. Doing this successfully required looking at problems methodically and rationally, identifying audiences and stakeholders and finding the right approach for each group.

The plan has made good use of EVCA's work and position in Brussels. For example, the Association continues to meet on behalf of members with bodies such as the European Parliament, European Commission, European Council, OECD and the United Nations. As the voice of the industry, EVCA is in a position to coordinate and enhance the individual efforts of members in their public affairs initiatives in Brussels.

In 2007, initiatives in five other areas were launched. These will be further developed in 2008. To ensure that the Large Buyout Platform is as close as possible to members, regular meetings and consultations are held.

- Engaging with global and international institutions. As an example, EVCA will carry on strengthening its relationship with the OECD. This has already resulted in a very positive report on the role of the industry on corporate governance. EVCA is planning, among others, further exchanges with the International Organisation of Securities Commissions.
- Engaging with European policymakers. The Association's action targets have, on an equal basis, traditionally been the European Commission, the European Parliament, the Council and the European Economic and Social Committee. Now, though, the main focus is on the European Parliament, due to the active campaign led by the Party of European Socialists.
- Engaging with national policymakers. EVCA will continue to work with national associations, but will extend its Brussels role by engaging policymakers who are both influential within the European institutions and in their home country.
- Engaging with trade unions. Trade unions tend to have a different rhetoric when communicating to the press and when being involved in discussions with policymakers. The Association has had pragmatic exchanges with ETUC, and will continue the dialogue either directly with them or via different channels like the European Economic and Social Committee. EVCA will also commission research on buyouts. In an environment characterised by an unceasing stream of academic papers of various quality, it is important that the industry has sound academic work to support its messages.
- Engaging with employer federations. These stakeholders often play a very important role which is rarely in the media, and EVCA will be meeting with these federations in 2008 on issues of common interest.

Positioning Large Buyouts

Publications, presentations and messaging are a strategically important part of the broad-based and integrated communications and public affairs campaign which EVCA ran during the whole of 2007. Activities were designed to position the large buyout segment vis-à-vis the European economy. Once that was done, it became easier to show how the segment is a normal part of the European financial scene. Maintaining and expanding the large buyout segment's positioning is a major aim for 2008. The perception about the industry and the tone of the press articles have certainly improved from the days of the beginning of the trade union attacks. This clearly shows a much better understanding of the issues. Private equity today is in a situation where public scrutiny is dealt with in a more rational and open manner.

Speeches and Presentations

There were a number of presentations that were made throughout 2007 which, either wholly or partially, touched on the European large buyout segment. These presentations were made to a variety of audiences, including lawmakers and regulators. They were followed or accompanied by press activities.

- 29 March, European Socialist Party (PES) "Hedge Funds and Private Equity funds: Who Pays the Price for Their Success?" EU Parliament, Brussels
- 10 May, The Boom in Private Equity and the Rise of Hedge Funds: Which Way Ahead?, OECD Financial Roundtable, Paris
- 10 May, The Role of the PE/VC Industry in Europe, European Economic and Social Committee Hearing, Brussels
- 15 May, European Parliament Financial Stability Forum, on Financial Services, with a special session on Private Equity, Brussels
- 22 June, The Private Equity Corporate Governance Model, OECD Conference on Corporate Governance, OECD, Paris
- 02 July, Corporate Governance and Labour in the Era of Financial Capitalism, Keynote speaker, Vrije Universiteit, Amsterdam
- 11 July, Hearing at the European Parliamentary Financial Services Forum, Strasbourg
- 18 July, Private Equity in continental Europe, UK Permanent Representation to the EU, Brussels
- 24 October, Is Regulation of Financial Investors Possible at European or OECD Level or No Regulation at All?, DGBRoundtable Debate, Berlin
- 26 October, Meeting with the Secretary General of the International Organisation of Securities Commissions, Madrid
- 13 November, OECD Corporate Governance Conference, Paris



- 21 November, Private Equity, Public Scrutiny, Social Impact, London Business School, London
- 22 November, Hearing at the European Parliament, Brussels
- 03 December, The Case for European VC, European Venture Capital Journal Fundraising Conference, London
- 05 December, Hearing at the European Economic and Social Committee, Brussels
- 25 Jan 08, EU Parliament Hearing, Brussels
- 08 Feb 08, European Private Equity, Lessons Learned and Future Prospects, Super Return, Munich
- 10 Mar 08, Public Profile of the Private Investment Industry, International Bar Association, London
- 01 April 08, Private Equity and Corporate Governance, ECODA, Brussels
- 08 April 08, EU Parliament Hearing, Brussels
- 23 April 08, BVCA 25th Anniversary VIP Summit: The Elusive European Market, London
- 05-06 May 08, EU Parliament Hearing, Brussels

Engaging with the Party of European Socialists

EVCA not only took the opportunity to talk with European Socialists (PES) in 2007, the Association also issued an open letter that was sent to all members of the European Parliament who are part of the PES parliamentary grouping. This letter invited PES members to continue a dialogue with the industry. It also described a number of common misperceptions about private equity, and showed how these were untrue. Extensive research went into the letter, using, among others, evidence from the European Central Bank, financial and general circulation newspapers, specialist journals, EVCA publications and third-party research. (The full contents of the letter are available from the EVCA website.) Unfortunately, some members of the PES have yet to take up the Association's invite of open dialogue, and have launched new initiatives. This will be the focus of significant work in 2008.

Publications and Research

Several publications were made and specific research done on behalf of the large buyout segment in 2007. These were written to specifically position EVCA members during an intense, fast moving debate which started to unfold in the beginning of the year and reached a high point in the early autumn.

Misperceptions Publication

In April 2007, EVCA published a paper called *Six Key Misperceptions Regarding Buyouts*. This occurred at a time when the industry was under intense media and political scrutiny. Six misperceptions were discussed in this publication.

Arguments and Facts About Private Equity

Building upon the *Six Key Misperceptions Regarding Buyouts*, a publication called *Arguments and Facts About Private Equity* was produced. Its aim was to provide sound, researched evidence for supportive policymakers, EVCA and EVCA members who needed talking points that could be used to counter stereotypes about the industry. Topics covered by the special paper included: regulation and supervision of the private equity industry, transparency and disclosure, social responsibility vs. profit, corporate and employee interests, taxation, conflicts of interest and market risk. A comprehensive list of supporting research pieces and arguments compiled by EVCA was included for each subject.

ITUC Report

EVCA quickly reacted to the report of the International Trade Union Confederation (ITUC) titled *Where the House Always Wins: Private Equity, Hedge Funds and the New Casino Capitalists* in 2007. This report characterised private equity as “basically antagonistic to labour” and “worsening a range of problems with regards to financial stability, transparency, corporate governance and economic development.” In response, EVCA showed that the industry is focused on growth and innovation. Going further, the Association pointed out that the industry is regulated in variety of ways, and that the key to managing risk lies with the ultimate debt holders (the Capital Requirement Directive, among other European and Member States legislation is part of achieving this). Furthermore, private equity abides by local labour laws and practices.

Walker Guidelines Feedback

In 2007, a series of guidelines focusing on large buyout houses were published in the United Kingdom. Put together by the Walker Working Group, these guidelines were designed to set parameters on transparency and disclosure on private equity. The origination of the Walker Guidelines adequately answered concerns that were raised by various stakeholders in the United Kingdom in the first half of 2007.

The industry’s role in the European economy and cross-border investment has grown in recent years and EVCA recognises the need for greater communication about industry activities to a wider group of stakeholders. This meant that the Association needed to thoroughly assess the Walker initiative from multiple perspectives.

EVCA worked with members to come up with constructive comments and feedback for the Walker Working Group. One of the biggest concerns about the draft guidelines was that they would contain significant challenges to companies operating in or from other jurisdictions. Other areas of concern included the differentiation between large private equity-owned companies and other privately-owned companies. The Large Buyout Platform was happy that EVCA’s comments were taken into account in the final guidelines document. Consequently, EVCA is currently monitoring their future implementation.

Public Affairs Achievements

The Large Buyout Platform worked on a variety of topics that were of immediate concern to large buyout members in 2007. The industry found itself with a number of challenges, and some threatened to expand beyond their original parameters. It is too early to tell what the final outcome of the action of EVCA's activities will be, as the initiatives launched as the result of the public debate around private equity will take precise shape only during the second half of 2008. What the Association has achieved so far is to keep key policymakers and institutions informed. Despite the political campaign launched against private equity, the industry's track record in European economy is a positive one of growth and competitiveness.

At the very beginning of 2008, the Large Buyout Platform was focusing its attention on the following specific items:

- The European Economic and Social Committee is considering the production of a report on private equity, following on its hearing on 5 December 2007 where the EVCA Secretariat was a speaker. (The Committee is influential within the European Union on industrial relations matters.)
- The International Organisation of Securities Commissions (IOSCO) is writing a report on private equity. EVCA is submitting feedback on this report and is expecting further initiatives by IOSCO related to private equity
- The European Parliament is expected to produce two initiative reports on private equity. This will certainly be one area where the Association will have to be very active.
- EVCA participated in several sessions organised an advisory group to the French prime minister. The results are expected to be published in 2008.
- The final report of the UK Select Treasury Committee on Private Equity is due.
- The World Economic Forum and communications around the study led by Josh Lerner have been on the agenda. At least one trade union has already construed a part of the preliminary findings as evidence for a very biased public relations drive. EVCA has been very proactive in monitoring the potential impact of the report and its conclusions.





Membership Categories

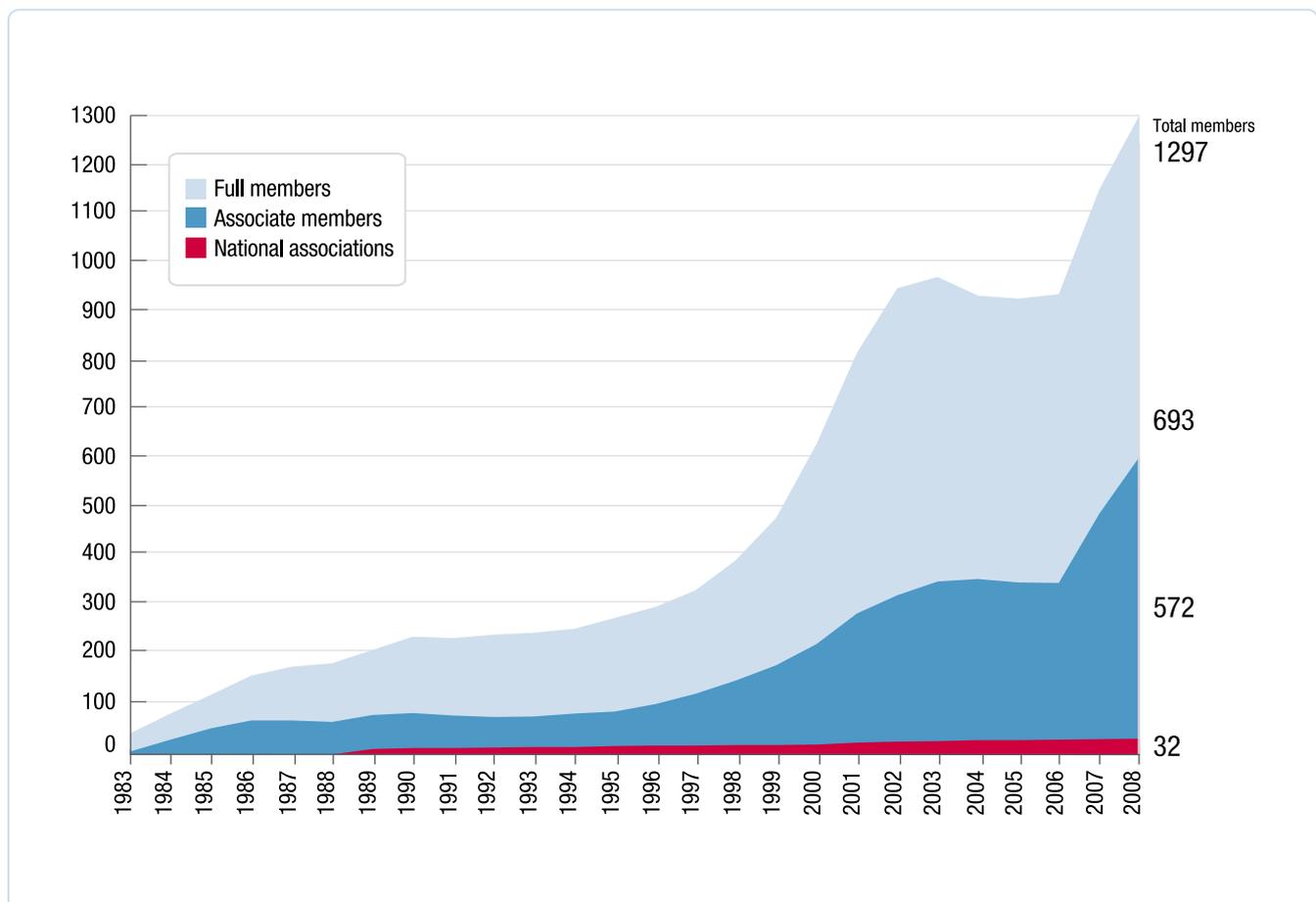
EVCA membership can be divided into different categories:

- Full membership is open to organisations actively engaged in private equity and venture capital, and whose main business is carried out in Europe. All network offices automatically become EVCA full member.
- Associate membership is open to private equity companies from outside Europe; organisations investing in private equity such as banks, insurance companies or pension funds; and organisations providing services to the private equity sector such as law firms, investment banks, accountants, consultancy groups, research institutes and universities. All network offices, if applicable, automatically become EVCA associate member.
- National private equity and venture capital trade associations.

At the end of March 2008, EVCA counted 1,297 members, of which 693 were full members, 572 associate members and 32 national associations. EVCA has members in 60 countries. The number of head offices/members of EVCA remains constant.

EVCA members are required to abide by the Association's Code of Conduct.

Membership Evolution



Membership by Size and Financing Stage

Of all EVCA's members almost 96% are European and 4% come from outside Europe.

Approximately 48% of full members have capital under management below €150 million, 14% manage between €150 and €300 million, 38% have funds under management over €300 million.

Full members often invest in more than one financing stage. Only a few invest in all stages of investment.

Chart 2 shows how many of our full members invest or look to invest in the different financing stages.

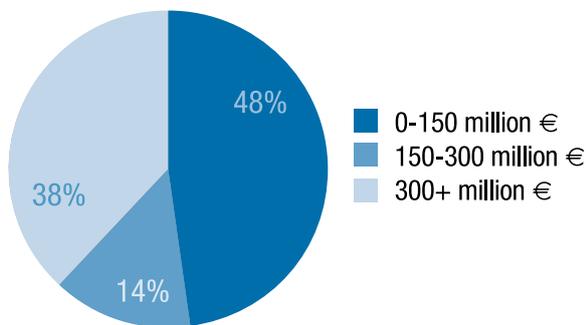


Chart 1 - Full members by size
(capital under management in € million)

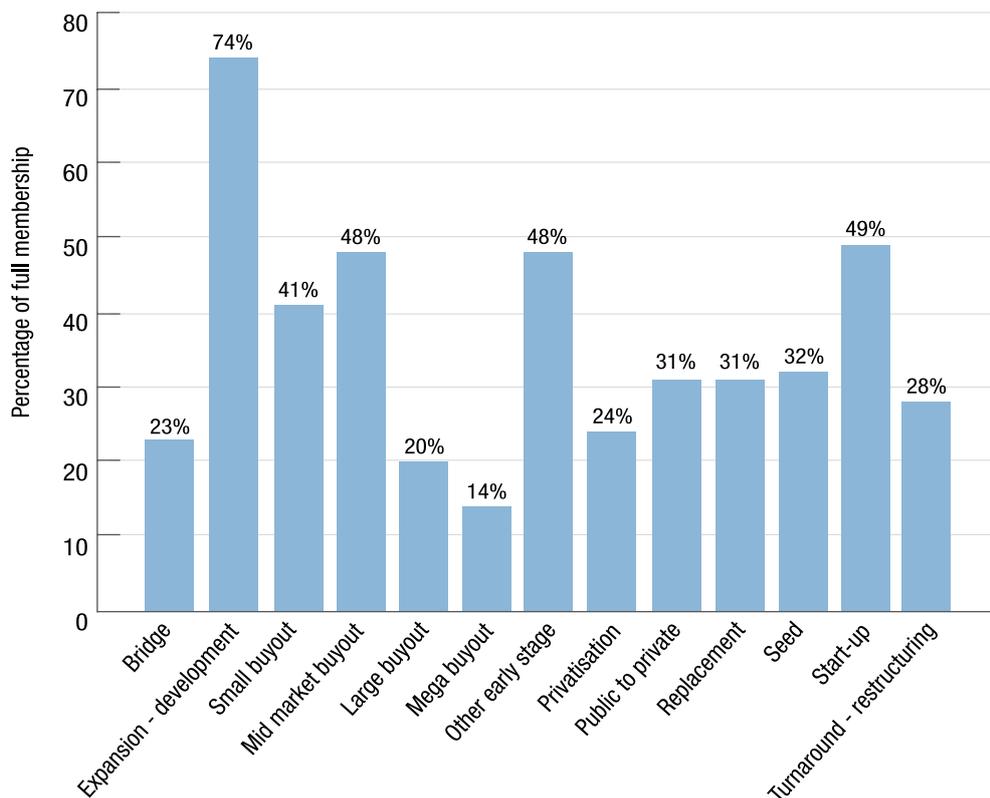


Chart 2 - Full members by financing stage
(% of full members investing in mentioned financing stages)

New EVCA Members 2007 - 2008

Full Members

360° Capital Management SA (LU)
 AAC Capital Partners (NL)
 ABÉNEX Capital (FR)
 ABN AMRO Asset Management, Private Equity Fund Investments Group (UK)
 Advanced Capital (IT)
 Apposite Capital LLP (UK)
 Arx Equity Partners Limited (Channel Islands)
 Audur Capital (IS)
 Augur Capital Advisors S.A. (LU)
 BNP Paribas Asset Management SGR SpA (IT)
 Capital-E Partners (BE)
 Chemolio Management AG (CH)
 Circadia Ventures LLP (UK)
 Conversus Capital L.P. (Channel Islands)
 CreditProm Capital Ltd (UA)
 DAM Capital Management Sarl (LU)
 Duke Forest Capital (NL)
 East Capital Private Equity (SE)
 ECS - Sociedade de Capital de Risco, SA (PT)
 EKO Investors (LV)
 Estonian Development Fund (EE)
 Entrepreneurs Fund Management LLP (UK)
 Eurazeo Management Lux (LU)
 Favonius Ventures (NL)
 Gain Capital Participations GmbH (AT)
 Global Cleantech Capital (NL)
 H.I.G. European Capital Partners LLP (UK)
 ICOS Capital Management B.V. (NL)
 Inova Capital Management S.G.E.C.R., S.A. (ES)
 KADE GROUP (UA)
 LF Europe Investments (UK)
 LFPE S.A. (CH)
 Nomura New Energy & Clean Technology Ventures (UK)
 Nova Capital Management Ltd (UK)
 NRW.Bank (DE)
 OFI Asset Management (FR)
 ParticipatieMaatschappij Vlaanderen NV (BE)
 Pohjola Capital Partners Ltd. (FI)
 Siguler Guff UK LLP (UK)
 SPARK Ventures (UK)
 Sunstone Capital (DK)
 The Blackstone Group International Limited (UK)
 The Challenge Fund Trading Company Limited (UK)
 Thule Investments (IS)
 Valanza (ES)
 WHEB Venture Partners LLP (UK)
 ZFHN Zukunftsfonds Heilbronn GmbH & Co. Kg (DE)
 Zurmont Madison Management AG (CH)

Associate Members

Addleshaw Goddard LLP (UK)
 AKD Prinsen Van Wijmen (NL)
 Arendt & Medernach (LU)
 Athena High Technology Incubator Ltd. (CY)
 California Public Employees Retirement System (USA)
 Campbell Hooper Solicitors LLP (UK)
 Capgemini Telecom Media and Networks Netherlands B.V. (NL)
 Coeli Private Equity (SE)
 Control Risks Group Ltd (UK)
 d.o.b. Foundation (NL)
 Dahlia Partners (FR)
 Delta Partners (AE)
 Dubai International Capital (AE)
 European Fund Administration (LU)
 First Avenue Partners (UK)
 GESSEL. Beata Gessel-Kalinowska
 vel Kalisz i Wspólnicy sp.k. (PL)
 Gomez-Acebo & Pombo Abogados (ES)
 HealthpointCapital LLC (USA)
 Heller Ehrman (Europe) LLP (UK)
 HRJ Capital (USA)
 Iberian Capital Consultancy, S.L. (ES)
 IDeA Capital Funds SGR SPA (IT)
 IDFC Private Equity Company Limited (IN)
 Intermezzo Capital Limited (UK)
 IPSO Management Limited (UK)
 Ithmar Capital (AE)
 Kaupthing International Private Equity (IS)
 KfW IpeX-Bank GmbH (DE)
 LEVEL FIVE Consulting GmbH (AT)
 Lustenberger Glaus & Partner (CH)
 Luxempart S.A. (LU)
 Lydian (BE)
 Macquarie Fund Management (UK)
 Marccus Partners SELAS (FR)
 MEAG MUNICH ERGO AssetManagement GmbH (DE)
 Mediobanca S.P.A (DE)
 Morley Fund Management Ltd (UK)
 New Venture Partners LLC (USA)
 OJSC Russian Venture Company (RU)
 Orrick Rambaud Martel (FR)
 PMA Executive Interim Management (BE)
 Portfolio Advisors LLC (CH)
 Portolani NV (BE)
 Portolano Colella Cavallo - Studio Legale (IT)
 Rising Tide Kft, Budapest, Schaffhausen branch (CH)
 Robert Bosch GmbH (DE)
 Roux Capital (FR)
 Sardis Capital (UK)
 SEG Swiss Equity Group AG (CH)
 State Street (USA)
 Studio Legale Agnoli Bernardi e Associati (IT)
 SUVA (CH)
 The Bank of New York Mellon (UK)
 Visa Inc (USA)

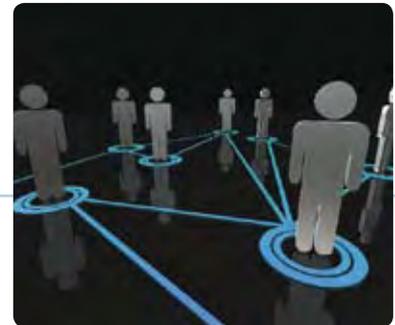
National Association

South Eastern Europe's Private Equity Association (RO)



Association Structure and Corporate Governance





EVCA (the “Association”) is an international not-for-profit organisation under Belgian law, governed by a Board of Directors and an Executive Committee. The daily management of the Association is carried out by a Brussels-based Secretariat, headed by a Secretary-General.

Taking place in June each year, the General Assembly is convened of all members of the Association. Every full member of the Association is entitled to one vote. Associate membership carries no voting rights. The General Assembly elects Directors, decides on amendments to the Association’s Charter and the dissolution of the Association, and approves the annual accounts and budget. The Board of Directors, chaired by the Chairman of EVCA, is made up of at least six but no more than 30 directors who are elected among the full members of the Association by the General Assembly. The General Assembly has the authority to perform all legal acts useful or necessary to the realisation of the Association’s purpose.

The Board of Directors is entrusted with oversight of EVCA’s budget and strategic annual review. It is responsible for the establishment of the Association’s Code of Conduct and its observance by the members. The Board of Directors may delegate its powers to the Executive Committee (except the general management) including, but not limited to, the determination of the strategic priorities of the Association and all other powers entrusted to the Board of Directors by law or by the EVCA Charter. The Board of Directors is also entrusted with the nomination of the members of the Executive Committee and the supervision of the Executive Committee.

The Executive Committee, chaired by the Chairman of EVCA, consists of a minimum of four and a maximum of ten people, the majority of which should be full members. It has oversight of areas not specifically presided over by the Board of Directors. The Executive Committee must include the Chairman, Chairman-Elect, immediate Past-Chairman, and the Treasurer, all elected among members of the Board as well as the Secretary-General. The current Executive committee, as per Board decision of June 2007, also includes the Venture Capital Platform Chairman, the Mid-Market Platform Chairman and the Large Buyout Platform Chairman. The chairmen of the operating committees do not have to be members of the Board of Directors. The Board may choose to appoint to the Executive Committee specific people on the grounds of their ability to contribute to the work of EVCA. The Executive Committee advises and prepares decisions of the Board of Directors and executes them. It also coordinates the activities of the operating committees and supervises the operational activity of the Association’s Secretariat.

Association Structure and Corporate Governance

EVCA seeks to identify and highlight best practices of corporate governance in and for the private equity industry. One of the core values communicated within EVCA is a belief that the highest standard of integrity is essential in business. These principles are also followed in the conduct of the business of the Association.

EVCA's mandate is to represent, promote and protect the long-term interests of the private equity and venture capital industry in Europe. Its goal is to create a more favourable environment for equity investment and entrepreneurship.

The Board and the Executive Committee recognise that the long-term interests of the industry are advanced when EVCA is responsive to the concerns of general partners, investors, EU, country and international institutions, employees, policymakers, and other stakeholders.

The Association is committed to having a constructive dialogue with all industry stakeholders to ensure that it understands what is important to them and to allow ourselves the opportunity to present and defend our position. Engagement helps identify new risks and opportunities to ensure that the industry's long-term strategy is sustainable. In some instances, the Association may find that working with stakeholders in partnership can help deliver shared goals. It might not be able to satisfy all stakeholder concerns all the time but through engagement the best can be done to balance competing demands. The Association's programme of engaging with stakeholders is ongoing. EVCA is committed to maintaining a good dialogue with shareholders through proactively organising meetings and presentations as well as responding to a wide range of enquiries.



The EVCA Secretariat

The Secretariat in Brussels is the heart of EVCA's activities. It oversees the activities and operations of the Association. Personnel are divided between those whose responsibilities are with the whole Secretariat, those in individual departments and those working in a matrix structure for ad-hoc projects.

Financial / Membership

The Finance Department is responsible for handling all financial matters for EVCA. The department plays an important role in the relations between members and the Association. Part of its mission is to provide the internal and external users of financial statements with timely accurate and relevant information and to ensure that the necessary financial control is adhered to in order to safeguard EVCA's assets. The department is also in charge of all aspects of procurement within the Association. One of the financial department's most crucial tasks is monitoring EVCA memberships. This work will be streamlined in 2008, as some functions are streamlined through the implementation of new backoffice systems.

Public Affairs

The Public and Regulatory Affairs Department works to raise awareness among politicians, regulators and stakeholders of key issues surrounding the legislative and administrative environment for private equity. In direct cooperation with many EVCA members, the department works to promote and protect member interests at the highest level on the matters that affect their future. It enables EVCA to send clear messages about the industry by developing and implementing actions around public policy decision making, addressing short as well as longer term issues. The Association attaches a high degree of importance to this work, and the positive benefits that can be derived for the industry. Although the work of the department may not always be immediately visible, its benefits are tangible for all of EVCA's members.

Conferences

As a service provider to members, the conferences team organises annual large-scale conferences and smaller scale industry specific workshops. All of these initiatives provide high-level discussion platforms for sharing ideas on cutting-edge topics and are designed to maximise networking, learning and benchmarking opportunities with recognised professionals in a low-pressure environment.

Communications

The Communications Department works with all parts of the Secretariat to ensure that EVCA sends clear messages to members, decision-makers and industry stakeholders. Work covers a wide area, from generating the annual report to press releases, planning for events and publications, arranging interviews with journalists, strategic projects and interacting with the media. The department also has a direct relationship with EVCA's committees and members.

Research

The EVCA Research Department coordinates the collection, analysis and publication of studies and industry statistics. Over the years, the team's surveys have grown to include activity and performance data as well as qualitative information on industry-specific topics. The research team also provides opinions on reports released by independent researchers, and answers ad-hoc queries from members and stakeholders on various research topics.

Training

Courses at the EVCA Institute are based on active learning, with recent case studies used and evaluated in groups. These courses also draw on experiences of instructors which include leading senior industry professionals and academics. Although attendees come predominantly from Europe, there are increasing numbers of participants from around the world. This provides an opportunity to network with peers from across the industry.



Committee Members



Venture Capital Platform Steering Group

The Venture Capital Platform Steering Group oversees the work of the Venture Capital Platform, ensuring that EVCA's activities for this segment are aligned with member needs.

Chairman:	Mr. Patrick Sheehan	Environmental Technologies Fund (UK)
Members:	Mr. Hendrik Brandis	EarlyBird (DE)
	Mr. Simon Cook	DFJ Esprit (UK)
	Ms. Anne Glover	Amadeus Capital Partners (UK)
	Dr. Joost Holleman	Alpinvest Partners (NL)
	Dr. François Lainée	Auriga Partners (FR)
	Mr. Thierry Laugel	AGF Private Equity (FR)
	Mr. Jan Lundahl	CapMan Capital Management Oy (FI)
	Mr. James McNaught-Davis	WHEB Venture Ltd (UK)
	Mr. Vincenzo Narciso	Union Bancaire Privee (CH)
	Dr. Bjorn Odlander	HealthCap (SE)
	Mrs. Chantal Parpex	CDC Innovation (FR)
	Mr. Kaj-Erik Relander	Accel Partners (UK)
Secretary:	Mr. Georges Noël	EVCA (EUR)

Mid-Market Platform Steering Group

The Mid-Market Platform Steering Group oversees the work of the Mid-Market Capital Platform, giving guidance and insight to EVCA's initiatives and offerings for this segment of the industry.

Co-chairmen:	Mr. Javier Loizaga	Mercapital (ES)
	Mr. Walter Butler	Butler Capital Partners (FR)
Members:	Mr. Simone Cimino	Cape Natixis (IT)
	Mr. Jean-Louis Delvaux	Natixis Private Equity (FR)
	Mr. Julian Tzvetkov	MFB Invest (HU)
	Mr. Aris Wateler	Parcom Ventures (NL)
Secretary:	Mrs. Marie-Annick Peninon-Bernard	EVCA (EUR)

Large Buyout Platform Steering Group

The Large Buyout Platform Steering Group guides the work of the Large Buyout Platform, ensuring that EVCA's activities for this segment are in tune with an ever-changing marketplace.

Chairwoman:	Ms. Carol Kennedy	Pantheon Ventures (UK)
Members:	Mr. John Barber	Bridgepoint Capital Ltd. (UK)
	Mr. Chris Davison	Permira (UK)
	Mr. Javier Echarri	EVCA (EUR)
	Ms. Sophia Harrison	The Blackstone Group International (UK)
	Ms. Christina Pamberg	Kohlberg Kravis Roberts & Co. (UK)
	Mr. Marc St John	CVC Capital Partners Limited (UK)
	Ms. Emma Thorpe	The Carlyle Group (UK)
Secretary:	Mr. Didier Guennoc	EVCA (EUR)

Professional Standards Committee

The Professional Standards Committee is a listening committee. Professional standards encompass a very wide range of matters which impinge on the professional lives of industry players and the workload of the Professional Standards Committee is very diverse.

Chairman: Dr. Helmut Schühslser	TVM Capital (DE)
Members: Ms. Tina Baker	Brown Rudnick (UK)
Mr. Dirk Boogmans	GIMV (BE)
Mr. Javier Echarri	EVCA (EUR)
Ms. Uli Fricke	Triangle Venture (DE)
Mr. Vincent Neate	KPMG (UK)
Mr. Michael Russell	Altius Associates (UK)
Mr. Christoph von Einem	Whitecase (DE)
Secretary: Mr. Georges Noël	EVCA (EUR)

Tax and Legal Committee

The Tax and Legal Committee provides in-depth analysis and insight to EVCA members on the tax and legal environment for private equity and venture capital across Europe, as well as internationally. It also serves as an invaluable advisory source for EVCA's public and regulatory affairs activities, assisting EVCA by presenting evidence-based support for its interactions with policymakers and regulators. The Tax and Legal Committee members are:

Chairman: Mr. Ulf Söderholm	Andulf Advokat (SE)
Members: Mrs. Ana Sofia Batista	Abreu Advogados (PT)
Dr. Fabio Brunelli	Di Tanno e Associati (IT)
Mr. Marco de Lignie	Loyens & Loeff (NL)
Mrs. María Gracia Rubio	Baker & McKenzie (ES)
Mr. David Huff	3i Group (UK)
Mrs. Maria Leander	European Investment Fund (LU)
Mr. David Widger	A&L Goodbody (IE)
Ms. Robin Painter	Proskauer Rose (US)
Mr. Bernard Peeters	Tiberghien (BE)
Mr. George Pinkham	SJ Berwin Paris (FR)
Mr. Daniel Schmidt	Proskauer Rose (FR)
Mr. Olivier Stahler	Lenz & Staehelin (CH)
Mr. Jyrki Tähtinen	Borenus & Kemppinen (FI)
Mr. Jacob Vinther	ACCURA Advokataktieselskab (DK)
Ms. Daniela Weber-Rey	Clifford Chance (DE)
Mr. Klaus Weinand-Härer	Clifford Chance (DE)
Mr. Simon Witney	SJ Berwin (UK)
Dr. Andreas Zahradnik	Dorda Brugger Jordis Rechtsanwälte GmbH (DE)
Mr. Javier Echarri	EVCA (EUR)
Secretary: Mr. Justin Perrettson	EVCA (EUR)

Investor Relations Committee

The mission of the Investor Relations Committee is to support the fundraising efforts of our members and to function as an Advisory Board to the Annual EVCA Investors' Forum.

Chairwoman:	Ms. Hanneke Smits	Adams Street Partners (UK)
Members:	Mr. John Barber	Bridgepoint Capital Ltd. (UK)
	Mr. Philip Bassett	Permira (UK)
	Mr. Andrea Bonomi	Investindustrial Limited (IT)
	Mr. Jonathan Colby	The Carlyle Group (US)
	Mr. Duke DeGrassi	Hamilton Lane Advisors (UK)
	Mr. Mounir Guen	MVision Private Equity Advisers (UK)
	Mr. Anders Strömblad	AP Fonden 2 (SE)
	Mr. Tellef Thorleifsson	Northzone Ventures (NO)
	Mr. Javier Echarri	EVCA (EUR)
Secretary:	Mr. Georges Noël	EVCA (EUR)

National Associations Committee

The National Associations Committee plays an important coordination and information sharing role between the national associations across Europe and EVCA. Recently, its main focus has been on the harmonisation of data collection methodologies however, its public affairs related activities are increasing. In today's fast changing and growing market, the NAC's role is to ensure that the industry players are united and looking in the same direction. The NAC's members are:

Chairman:	Mr. Emile van der Burg	Jenburg Management & Advisory Services (NL)
Members:	Ms. Dominique Barthel Denis	ASCRI (Asociación Española De Entidades De Capital-Riesgo) (ES)
	Mr. Tom Berggren	SVCA (Swedish Private Equity & Venture Capital Association) (SE)
	Mr. Ib Boeghave	DVCA (Danish Venture Capital Association) (DK)
	Ms. Regina Breheny	IVCA (Irish Venture Capital Association) (IE)
	Mr. Paulo Caetano	APCRI (Associação Portuguesa de Capital de Risco) (PT)
	Ms. Anna Gervasoni	AIFI (Italian Private Equity and Venture Capital Association) (IT)
	Mr. Guy Geldhof	BVA (Belgian Venture Capital & Private Equity Association) (BE)
	Ms. Nátalia Gömbös	HVCA (Hungarian Venture Capital and Private Equity Association) (HU)
	Ms. Iveta Griacova	SLOVCA (Slovak Venture Capital Association) (SK)
	Mrs. Dörte Höppner	BVK (German Private Equity and Venture Capital Association) (DE)
	Mr. George Kourtis	HVCA (Hellenic Venture Capital Association) (GR)
	Ms. Petra Kursova	CVCA (Czech Venture Capital Association) (CZ)
	Dr. Jürgen Marchart	AVCO (Austrian Private Equity and Venture Capital Organisation) (AT)
	Ms. Tjarda Molenaar	NVP (Nederlandse Vereniging van Participatiemaatschappijen) (NL)
	Mr. Dominique Nicolas	AFIC (Association Française des Investisseurs en Capital) (FR)
	Ms. Albina Nikkonen	RVCA (Russian Venture Capital Association) (RU)
	Ms. Barbara Nowakowska	PPEA (Polish Private Equity Association) (PL)
	Mr. Maurice Pedergnana	SECA (Swiss Private Equity & Corporate Finance Association) (CH)
	Mr. Hans-Jürgen Schmitz	Luxembourg Committee (LU)
	Mrs. Krista Rantasaari	FVCA (Finnish Venture Capital Association) (FI)
	Mr. Knut Thomas Traaseth	NVCA (Norwegian Venture Capital Association) (NO)
	Mr. Zare Tomsic	SLEVCA (Slovenian Venture Capital Association) (SI)
	Mr. Simon Walker	BVCA (British Venture Capital Association) (UK)
	Mr. Javier Echarri	EVCA (EUR)
Secretary:	Mrs. Marie-Annick Peninon-Bernard	EVCA (EUR)



Overview

In the past few years, EVCA has provided an array of focused products and services for members and information for wider stakeholders in our industry. Historically, the Association has reviewed its strategic priorities every three years. In 2007, though, it was agreed that this should be done on an annual basis. In 2008, the priorities will be devised on the basis of the first annual evaluation of trends in the industry and implications of those trends for EVCA and its members.

On the basis of regular feedback from members, the Secretariat is of the opinion that the industry showed remarkable resilience in the face of the credit squeeze in 2007, while making real steps to address issues arising from wider debate on our business model. The effects of both challenges remain in 2008 and influence our thinking.

A proposal on new priorities will be submitted at the General Assembly in June 2008. After approval, the Secretariat will proceed with implementation.

Initial Proposals for 2008-2009

In past years, EVCA has listed a large number of activities that it would be undertaking for the succeeding year. The association's new platform-based structure makes it easier to define projects that have benefits for membership. The following is a look at, but not all of, the activities and initiatives planned for 2008.

Industry Standards and Transparency

Objectives

The private equity industry has a long history of professional standards and self-regulation. While the industry has not always highlighted its standards and regulations to those indirectly concerned in its operations, the track record of self-regulation is something that EVCA was able to reference successfully at EU level many times in 2007. EVCA will reinforce this to wider constituencies and stakeholders in 2008-2009, and reinforce the validity and credibility of the industry's own self-regulation.

An example is valuation guidelines. Private equity and venture capital managers refer to these when they estimate the value of their assets in their financial statements and reports to investors. EVCA was closely involved in establishing the International Private Equity Valuation Guidelines (IPEV). An objective for 2008 is to achieve global recognition and application of these guidelines as the IPEV Board is expanded to include new representatives from European countries, Australia and the USA.

Actions

- Ensuring thorough understanding among EU and national policymakers of the effectiveness of the industry's professional standards and self-regulation alongside national regulation.
- Training practitioners in professional standards.
- Producing annual benchmarking studies on the tax and legal environments for private equity across Europe, as guides for policymakers and regulators.

Positioning EVCA and the Industry

Objectives

Communication has become an ever-more important aspect of EVCA's work, with bearing on the long-term positioning of the industry and of EVCA. We will continue to draw attention to the different strengths of the three segments of private equity while affirming their common values. This can only be done if stakeholders are addressed effectively by the sum of the parts of the industry through EVCA and national associations.

Reinforcing EVCA's unique position as a pan-European membership-based association will be top-of-mind in 2008. The Association is responsible for representing the industry at European Union level and, while independent of national associations, works closely with them on industry-wide self-regulation, professional training and data, and providing support as required on national issues. Doing this benefits EVCA members and the industry.

The Association will be making the case for the industry at EU level and supporting general partners at local level in ensuring that stakeholders in the activities of the industry understand what it does, how it functions, and the long-term benefits of private equity to employees, employers, suppliers, customers, pensioners and the economy at large.

Actions

- Persevere in efforts to coordinate and encourage information sharing with and between the national associations across Europe to ensure that the industry presents a common face, particularly on public affairs issues.
- Continue to promote the industry to investors both in Europe and internationally.
- Support and assist with the respective communications activities of the three platforms.
- Develop EVCA positioning in relation to international organisations, such as the OECD, IOSCO and the Financial Stability Forum.
- Maintain and foster communications channels with European policymakers and regulators, trade unions and employers' federations.

Research

Objectives

EVCA plans to publish a number of independent studies on topics central to the debates on the industry's activities in 2008-2009. To make the case for buyout and venture capital, it is necessary first to qualify and quantify the benefits that the industry brings and to be realistic about any negative effects. These studies will show findings in such areas as returns and industrial relations.

One example of EVCA's work is the development of independent data provider PEREP_Analytics, whose first industry data is being used in 2008. The culmination of nearly two years' work, PEREP_Analytics is an independent non-commercial database, supplied with data by EVCA and 14 national associations and monitored by an independent board. This database will be a source of increasing detail about the industry, not previously available.

Actions

- Ensuring efficient data collection to assist in the analysis of long-term trends and to meet the demands for information from governments, regulators and other stakeholders.
- Using EVCA data analyses to increase the understanding of general partners and limited partners of the direct and indirect impacts of legislative initiatives at European and global level.
- Continuously updating and revising EVCA regular publications.
- Supporting the continued development and wider endorsement of PEREP_Analytics.
- Assisting in independent research projects to assess the economic impact of the industry.

Active Member Engagement

Objectives

EVCA will develop interaction between the Association and more of its members through the three platforms that were created in 2007- Venture Capital Platform, Mid-Market Platform and Large Buyout Platform.

Actions

- Organising workshops and discussion forums with member segments throughout the year.
- Using a variety of online tools and the new enhanced members section of the redesigned EVCA website.
- Maintaining and building upon successful EVCA Institute training programmes.
- Continuing developing and adapting the content of courses to meet evolving needs of the industry.
- Continuing proactive membership outreach and recruitment.
- Developing and fine-tuning targeted products and services to various member market segments.

Legal and Regulatory Horizons

Objectives

The public affairs team at EVCA is planning for a busy 2008. Building on lessons learned, EVCA has widened the scope of issues in which the industry is directly, or tangentially, involved. Monitoring topics, debates and the people involved across Europe and in Brussels took up a good deal of time at EVCA in 2007; the effort will start to pay visible dividends in 2008.

EVCA is planning to continue and expand engagement with lawmakers and other stakeholders in Brussels and across the EU and to meet the demands of the shift of power from the Commission to the Parliament in Europe.

A tool which EVCA has developed to inform and influence is the Benchmark Study, which has been used over time to highlight the disparities in operating environments for private equity across Europe. With the context of the European Commission's plan to increase Europe's economic competitiveness, the report has taken on a new significance. A range of activities and initiatives, including a conference for policymakers at the European Parliament and the publication of the next Benchmark Study are planned for the second half of 2008.

Actions

- Continuing EVCA's proactive engagement in public and regulatory affairs, particularly through participation in working groups or interacting regularly with its large network of policymakers.
- Increasing engagement of GP members in the discussion of – and reaction to – critical industry-related policy issues.
- Reacting robustly to policy proposals that may adversely affect, directly or indirectly, any aspect of private equity and venture capital.
- Raising the awareness of policymakers and politicians on key policy issues and improving their understanding of private equity and its contribution to economic growth and job creation.
- Continuing to identify and build upon the necessary relationships with policymakers and other relevant contacts at various levels.
- Launching proposals for further improvement of the legal and fiscal environment for venture capital and buyouts.





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Auditor's report to the general meeting of members of European Venture Capital Association asbl/vzw on the financial information for the year ended 31 December 2007

In accordance with your instructions, we are pleased to report to you on the performance of the audit mandate which you have entrusted to us.

Unqualified opinion on the financial information

We have audited the financial information for the year ended 31 December 2007, prepared in accordance with the accounting policies presented in the notes, which show a balance sheet total of € 5.469.113,80 and a profit for the year of € 11.102,94.

Responsibility of the board of directors for the preparation and fair presentation of the financial information

The board of directors is responsible for the preparation and fair presentation of the financial information. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the auditor

Our responsibility is to express an opinion on the financial information based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial information is free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the association's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control. We have evaluated the accounting policies used, the reasonableness of significant accounting estimates made by the association and the presentation of the financial information, taken as a whole. Finally, we have obtained from the board of directors and the association's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information for the year ended 31 December 2007 gives a true and fair view of the association's financial position and the results of its operations in accordance with the accounting policies presented in the notes.

Antwerp, 21 May 2008

Ernst & Young Bedrijfsrevisoren BCVBA
Auditor
represented by

Rudi Braes
Partner

08RBR0071



Burgerlijke vennootschap die de rechtsvorm van een coöperatieve vennootschap met beperkte aansprakelijkheid heeft aangenomen.
Société civile ayant emprunté la forme d'une société coopérative à responsabilité limitée.
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Bank - Fortis - Banque 210-0905900-09



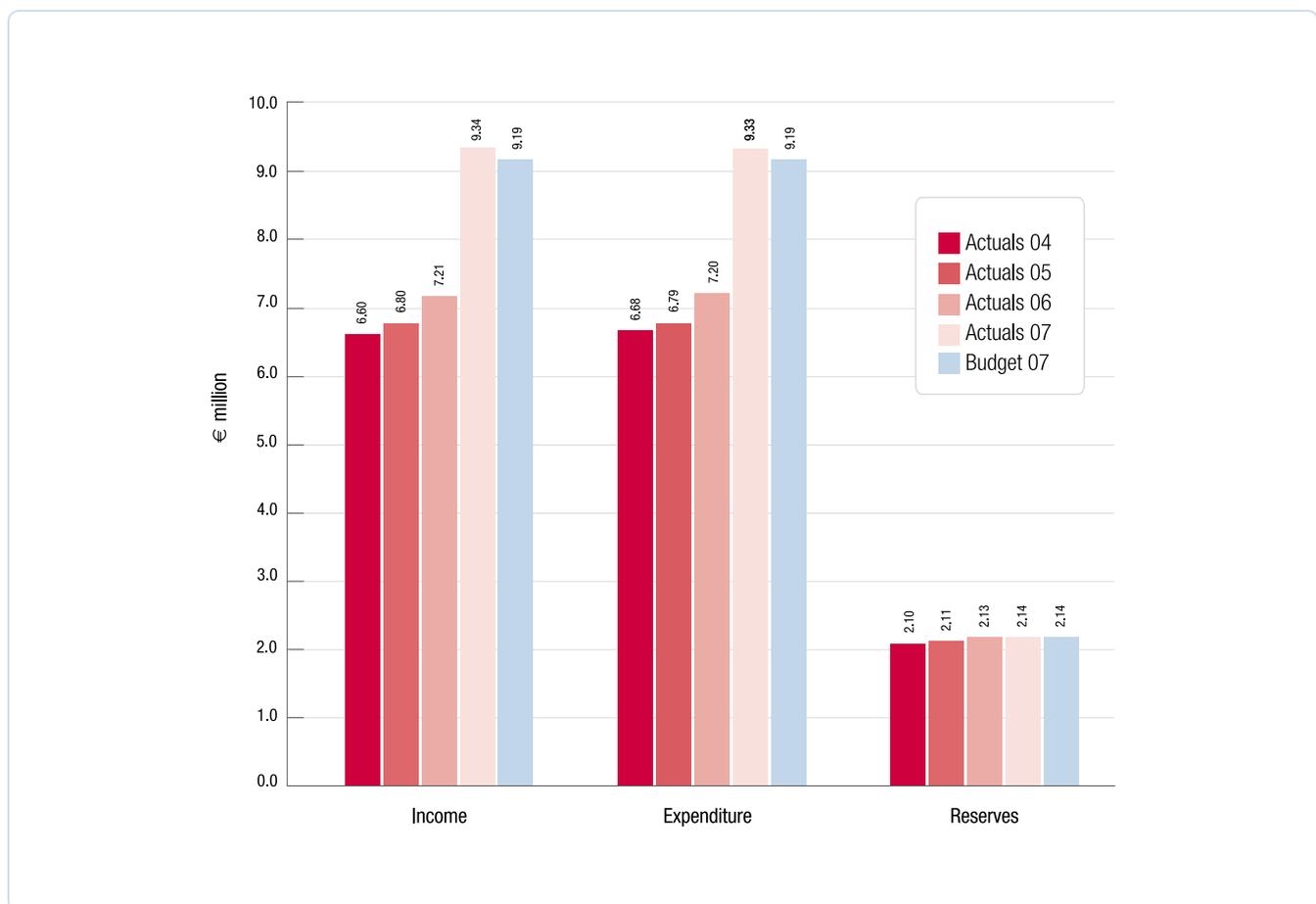
Financial Information for 2007 and Notes

The 2007 statement of income over expenditure shows an end of the year result for 2007 in equilibrium:

- Total income of €9.34 million, an increase of 29.42% compared to €7.21 million in 2006.
- Total expenditure of €9.33 million, an increase of 29.53% compared to €7.20 million in 2006.
- Profit of €11,103 compared to the profit of €14,518 in 2006.

As the graph below shows, general reserves at the end of 2007 increased to €2.14 million from €2.13 million at the end of 2006.

Evolution of Income, Expenditure and Reserves



Assets	2007	2006
Fixed assets		
At cost less depreciation	557,566.91	87,758.08
Current assets		
Receivables	534,970.13	385,643.20
Provision for bad debts	(103,774.26)	(34,247.26)
Deposits and pre-payments	111.54	37.18
VAT	293,388.22	96,571.16
Deferred charges	86,410.31	59,349.30
Accrued income	73,181.18	42,701.01
Cash at bank	4,027,259.77	3,905,647.42
Total current assets	4,911,546.89	4,455,702.01
Total assets	5,469,113.80	4,543,460.09
Liabilities	2007	2006
General reserves		
Opening balance	2,126,105.83	2,111,587.16
Attribution of profit/loss	11,102.94	14,518.67
Closing balance	2,137,208.77	2,126,105.83
Provisions		
Provision event risk	283,450.00	231,283.00
	920,000.00	660,000.00
Current liabilities		
Supplier	1,150,171.29	890,289.30
Payroll accruals	499,828.74	372,241.96
Deferred income	478,455.00	263,540.00
Total current liabilities	2,128,455.03	1,526,071.26
Total liabilities	5,469,113.80	4,543,460.09

Assets

Fixed assets at cost less depreciation

Fixed assets increased substantially in comparison to 2006, due to the move to the new premises since July 2007. Fixed assets are depreciated at 33.33% per annum.

Receivables and provisions for bad debt

Receivables increased in comparison to 2006. Receivables were at €534,970.13 and include unpaid membership fees for 2007 and previous years, sponsorship fees for 2007, and registration fees for events. Consequently the provisions for bad debt have been adapted and increased to €103,774.26, and include membership fees invoiced in 2007 and previous years that were unpaid at the end of February 2008.

VAT

VAT amounted to €293,388.22 and is the total amount which was due by the Belgian government for the full year of 2007. This amount will be reimbursed in 2008.

Deferred charges

Deferred charges increased to €86,410.31 and include expenditures for conferences and training courses to be held in 2008.

Accrued income

Accrued income was at €73,181.18 and includes interest and other income related to 2007 but only credited in 2008 on EVCA's bank account.

Liabilities

General reserves

Given that all transactions are purely financial and fixed assets represent less than 5% of the balance sheet total, the cash position of EVCA exceeds the amount of total reserves. The cash position at 31 December 2007 covers approximately 43.4% of the estimated expenses for 2008.

Provisions

Provisions (excluding the provision for bad debt in respect of unpaid membership fees – see above) increased to €283,450 at the end of 2007 (+22.56%) and is equal to three months of remuneration and charges. The provision for events risks created in 2005 has been increased this year with €260,000 and amounts now to €920,000 in total.

Suppliers

The outstanding balance for suppliers was paid in the first quarter of 2008. The increase in 2007, 29.19% compared to 2006, was not due to any change in payment policy from EVCA but rather to late arrival of invoices.

Payroll accruals

Payroll accruals totalled €499,828.74 at the end of 2007 and include:

- | | |
|---|-------------|
| ■ legal holiday provision for personnel on EVCA's payroll | €245,535.74 |
| ■ social charges for December 2007 (paid in January 2008) | €254,293.00 |

Deferred income

Deferred income amounted to €478,455 and includes invoiced income for sponsorship and registration fees relating to EVCA conferences and training courses in 2008.

Statement of Income Less Expenditure

	Actuals 2007	Budget 2007	Actuals 2006
Membership	5,026,496.75	4,650,000.00	3,723,833.31
Conference & Training	2,986,145.13	3,621,550.00	2,552,224.00
Publications	108,995.00	80,000.00	96,890.00
Sponsoring	829,987.87	723,000.00	607,500.00
Bank interest & miscellaneous	216,808.18	105,000.00	127,532.04
Exceptional revenue	169,192.65	15,000.00	106,766.21
Total revenue	9,337,625.58	9,194,550.00	7,214,745.56
Personnel costs	3,701,275.72	3,499,494.00	2,857,168.28
Professional services	1,771,112.36	2,293,462.00	1,146,766.72
Housing costs	436,641.73	457,050.00	264,895.22
Accommodation events	1,095,341.41	1,271,538.00	1,282,691.42
Travel & representation	345,769.15	431,476.00	345,355.75
Communications	284,838.60	392,910.00	242,584.98
Printing & audio-visuals	541,530.01	607,390.00	452,395.97
Various office costs	479,097.69	172,976.00	135,908.75
Finance costs	86,704.48	68,254.00	50,793.88
Attribution to Provision for Events Risk	260,000.00		330,000.00
Provisions/other costs	324,211.49		91,665.92
Total Expenses	9,326,522.64	9,194,550.00	7,200,226.89
Net result	11,102.94	0.00	14,518.67

Membership fees

Income from membership fees in 2007 exceeded the 2007 budget and rose substantially from €3,723,833.31 to €5,026,496.75 in 2007, an increase of 34.98%, predominantly due the change in membership fee since January 2007.

Fees and subscriptions

2007 income from registration fees (for conferences, trainings and master classes) and from the sales of publications amounted to €2,986,145.13 and €108,995 respectively. Both were higher than in 2006. This is due to the increase in revenues for conferences, training courses and master classes by 17% as well as an increase of 12.49% from the sales of publications.

Sponsorship

Income from sponsorship of conferences and publications increased by 36.62% to €829,987.87 in 2007 compared to €607,500 in 2006. Sponsorship revenue related to the conferences increased compared to last year (Investors' Forum by 45%, Symposium by 18% and Venture Capital Forum by 15%). The EVCA Directory 2007 and Institute have been sponsored for the first time.

Bank interest

A higher bank account amount earlier in the year, as a consequence of the fee collection efforts, resulted in higher bank interest.

Unforeseen

This includes revenues resulting from the 2007 European Private Equity Awards, an allocation from the landlord to cover for a part of the renovation works in the building and income from a cross marketing agreement between EVCA and CNBC.

Personnel costs

Staff costs increased by 29.54%, which is due to the indexation rates, the recruitment of more senior staff, and the full year effect of the team built throughout 2006.

Fees for professional services (inter-related costs)

Professional fees doubled and are related to special projects, such as awareness campaign, data gathering, lobby, website and ad hoc research.

Housing costs

Housing costs increased by 64.84% to €436,641.73 compared to last year, due to the move to the new premises in the centre of Brussels. But stays below budget 2007.

Accommodation events

Accommodation for events, decreased by 14.61% to €1,095,341.41, due to an improved control of the costs related to venue rental and accommodation for EVCA conferences and training courses.

Travel and representation

Travel and representation costs amounts to €345,769.15 and stays in line with 2006, includes the attendance of EVCA and non-EVCA conferences, committees and training courses and the membership campaign.

Communication

Communication costs, which include telecommunication and mailing costs, increased by 17.42% to €284,838.60.

Printing and audio-visual

Printing and audio-visual costs increased by 19.7% to €541,530.01 compared to 2006, due to the constitution of the EVCA Digital Library and the more exhaustive Directory (inclusive all European network offices). 50% of printing and audio-visual costs relate to conferences and training course collateral. The actual 2007 figure is 9% below 2007 budget.

Various offices costs

The office costs include the depreciation costs related to the renovation works of the new building, office equipment, various subscription costs and the cost from a cross-marketing agreement between EVCA and CNBC (see also income, unforeseen).

Financial charges, exchange differences and miscellaneous

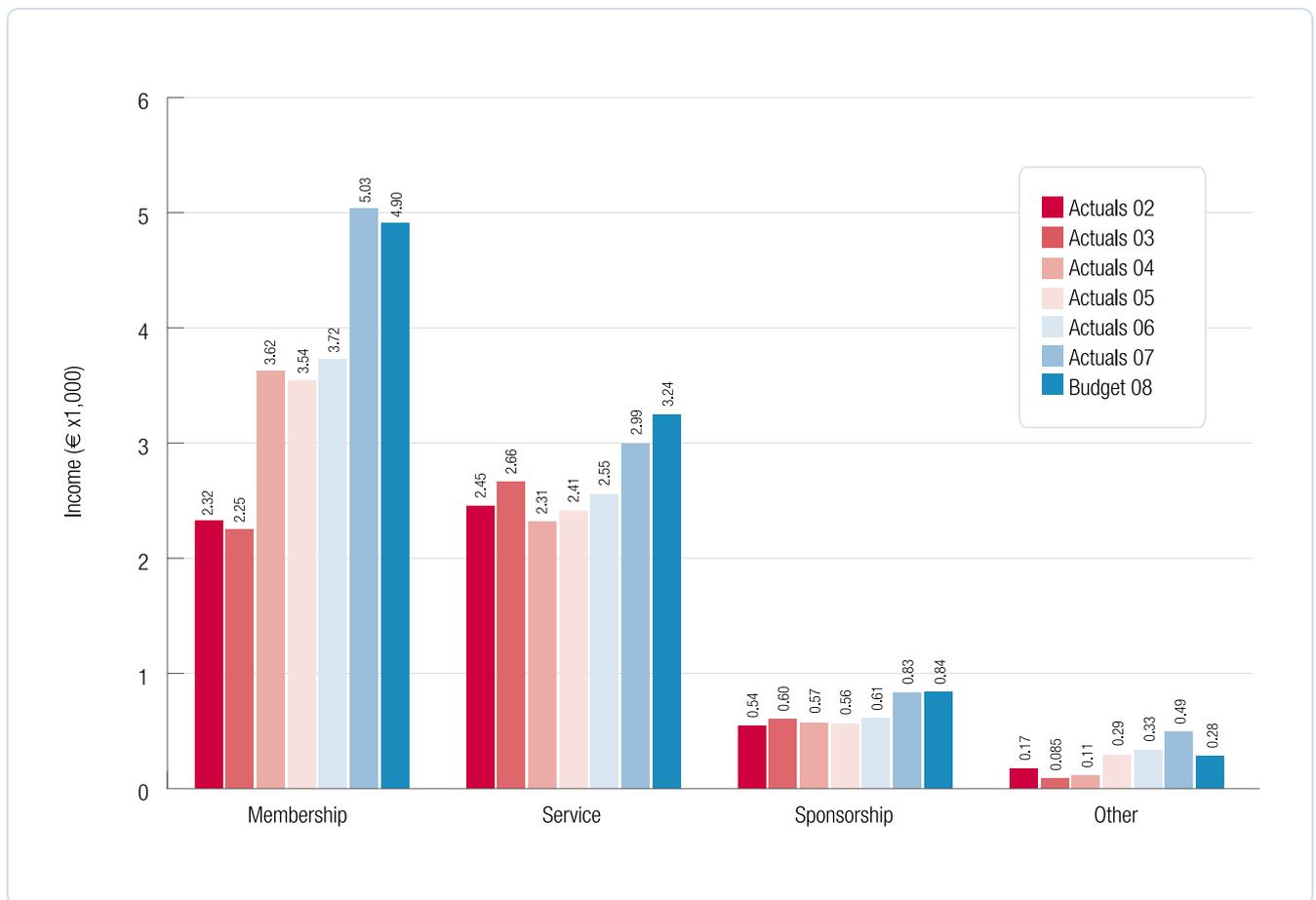
The financial charges increased mainly due to the withholding taxes related to the interests received.

The total 2008 budget foresees:

- Total income of €9.28 million, compared to 2007 income of €9.34 million;
- Total expenditure of €9.28 million, compared to 2007 expenditure of €9.33 million;
- Budget is in equilibrium.

The graph below shows an increase in income from services including registration fees for EVCA conferences, training courses, sponsorship and sales of publications. The income from membership stays below the actual 2007 figure.

Evolution of Income, Expenditure and Reserves



	Budget 2008	Actuals 2007
Membership	4,900,000.00	5,026,496.75
Fees Conference & Training	3,244,975.00	2,986,145.13
Order Publications	130,000.00	108,995.00
Sponsoring	841,750.00	829,987.87
Bank interest & miscellaneous	150,000.00	216,808.18
Exceptional revenue	15,000.00	169,192.65
Total revenue	9,281,725.00	9,337,625.58
Personnel costs	3,803,000.00	3,701,275.72
Professional services	2,021,205.00	1,771,112.36
Housing costs	460,000.00	436,641.73
Accommodation events	1,291,530.00	1,095,341.41
Travel & representation	366,565.00	345,769.15
Communications	369,655.00	284,838.60
Printing & audio-visuals	518,910.00	541,530.01
Various office costs	283,050.00	479,097.69
Finance costs	61,810.00	86,704.48
Attribution to Provision for Events Risk		260,000.00
Provisions/other costs	106,000.00	324,211.49
Total Expenses	9,281,725.00	9,326,522.64
Net result	0.00	11,102.94

Membership fees

The 2008 budget takes into account the increase in membership fees which came into effect as of 1 January 2007, but remains conservative.

Fees and subscriptions

The budget foresees an increase of 8.67% in registration fee income from conferences, training courses and master classes. The increase in income from conferences is due to a fee increase for the Investors' Forum, Symposium and Venture Capital Forum. The revenue increase for master classes is due to projected new projects during the year.

Sponsorship

Budgeted income from 2008 sponsorship is equal to the 2007 actual income from sponsorship. The sponsorship revenue related to conferences is in line with actual 2007. The budget contains also sponsorship revenue for publications and EVCA Institute.

Other income

Other income is conservatively kept 30% lower than the 2007 actual income and only takes into account bank interest.

Personnel costs and professional services

The 2008 budget foresees an increase in personnel costs by 3% to €3,803,000 due to legal indexation rates. Budgeted fees for professional services increased by 14.12% and are related to projects, such as website, in-house statistics, lobby and ad hoc research. Professional services related to conferences, trainings and master classes are in line with the actual 2007 figure.

Housing costs

Budgeted housing costs increase by 5.35% to €460.000.

Accommodation events

The budget foresees an increase to €1,291,530 compared to 2007. Meeting costs for conferences are mainly based on existing contracts signed with hotels and congress centres.

Travel and representation

The travel and representation costs are in line with 2007.

Communications

Budgeted communication costs, which include telecommunications costs as well as costs for post mailings, increased due the re-positioning of the Symposium, and the higher number of staff at the Secretariat.

Printing, conference material and audio-visual

The budget decreased by 4.18% to €518,910 and is based on the actual 2007 figures.

Various office costs

Subscription to publications, software purchase are stable, where the main decrease of 40.92% can be contributed to the end of overlap between previous office depreciations and new premises' investments.

Financial charges, exchange differences and miscellaneous

The increase in the financial charges, mainly credit card fees, is in line with the number of training courses and master classes. It also includes the discount on the sales of publications and the taxes.

Summary of significant accounting policies

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight line method.

Cash or cash equivalents

Cash and cash equivalents are carried at nominal value.

Receivables

Receivables are carried at nominal value.

Provisions

Provisions are recognised for probable outflows or resources to settle probable obligations when a reliable estimate of the amount can be made. In addition to that, the company provides out of purdceny for: events risks, three months of remuneration and charges.

Liabilities

Trade payables and payroll liabilities are carried at nominal value.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. With respect to the rendering of services, revenue is recognised by reference to the stage of completion.





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