



IN THIS EDITION

1 President's Letter

Lieven Jaspaert

2 BVA Academy

New BVA Members
BVA Agenda 2005

3 Belgian companies sought after for take-overs

By Jan Muyldermans & Chris Vandermeersche

4 News from our members



**The BVA wishes you
a very happy season and
an extremely succesful**



2005

BVA.news is the Belgian Venturing Association's newsletter; it appears three times a year.

Your suggestions, remarks and questions are more than welcome: please email them to info@bva.be

Coordination: Origo Management

Graphic design: Frank Andries Design

Responsible Editor: Peter Van den Brande, Gemeenschappenlaan 2, B-1140 Brussels, Tel. +32 (0)2 761 25 40, Fax +32 (0)2 761 25 41

Sponsored by



Origo Management

Consultants to the Venture Capital Industry
Zenith Business Park
Zandvoortstraat C47/21 • 2800 Mechelen • Belgium
Tel. + 32 (0)15 29 70 00 • Fax + 32 (0)15 29 70 19
Email: info@origomanagement.be
www.origomanagement.be

President's Letter

The other day, Claude Stoufs, my healthcare & biotech partner at Capricorn Venture Partners, came up with a very telling set of data. Even sobering, I'd say.

First, Claude pointed out to me that, based on numbers from Thomson Venture Economics, European venture capitalists invested in 377 seed deals in the course of 2003, compared to 181 such investments for the same period by their U.S. colleagues. And more interestingly, the average investment per European seed deal in 2003, standing at \$0,4M, paled in the face of the U.S. average investment of \$2,1M.

What do these numbers tell us? Could it be that we invest too little too often in Europe? That we avoid risk by investing a little in too many ventures, rather than by investing a lot in a few really promising ventures? Are we investing like cuckoos?

Then, Claude –a visceral numbers man– hit me with another series of data:

Investment per round	2002 (Million)	2003 (Million)	Q1, 2004 (Million)
US Early/Seed	USD 4.4	USD 4.1	USD 4.0
US all Venture Round	USD 7.0	USD 6.5	USD 7.4
Europe Early/Seed	EUR 0.9	EUR 0.6	EUR 0.9
Eur. All Venture Round	EUR 1.5	EUR 1.3	EUR 1.9
IRR (on Dec. 31, 2003)	5 Yr	10 Yr	
US Early/Seed VC	54.9 %	37.0 %	
US All Venture	22.8 %	25.4 %	
Europe Early/Seed VC	-1.8 %	1.3 %	
Europe All Venture	2.3 %	8.3 %	

Oh boy! The average U.S. early-stage and seed investment in 2003 stood at \$4.1M, compared to a mere \$0.6M in Europe, and the average overall venture capital investment at \$6.5M vs. just \$1.3M in Europe. And if you



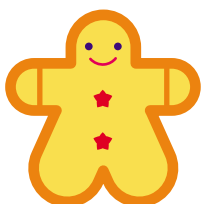
believe that the historical returns prove our European investment strategy right, think again. Just look at the numbers.

What does this tell us? First, we seem to underestimate the importance, and the risk, of seed and early-stage. But we shouldn't, since, judging from the U.S. numbers, that is precisely where the above-quartile returns that we all covet and claim can be obtained. Secondly, we seem to indulge in thinking small, rather than big. We are few in the early-stage area, we have little means, and we like to think small. Is that the problem? Maybe the lack of great European success stories such as Silicon Valley's Intel (which by the way was founded in the same year as Leuven's LMS) makes us uncomfortable to think big.

With my privilege as President for another two months, and with a safe haven beyond, I can afford to be a bit bold. I believe we often behave like bonsai investors. Bonsais are cute, little plants that are given just enough water and fertiliser so they don't die and, of all things, stay small. If they dare grow long branches, we prune them. That is what I have too often seen in our industry over the last couple of years. And it keeps amazing me. We have one of the best schooling systems on the globe. We have research centres that spin-off great intellectual property. Why, then, do we keep our new ventures on a low-capital diet, on low-risk ambitions and on a low-return potential?

This is food for thought for all of the stakeholders in the new venture creation game.

Lieven Jaspaert



BVA Academy

On november 18 & 19, the second BVA Academy was held. With 25 people attending this academy – more than we had planned for –, it was a proof that our industry is still very much alive. Moreover, the quality and usefulness of the academy was highly appreciated by the participants.

We would like to thank all the speakers who contributed to the success of this academy. Our special appreciation goes to the organizers: Hilde Famaey (Alpinvest Partners) who led the whole effort, André-Xavier Cooreman (Sofinim) and Hilde Vandermeulen (BVA).

New BVA Members

We are happy to welcome four new members:

- **FUNDUS** joined us as a full member.
Fundus is a EUR 6 million fund which was founded by 5 business angels.
Contact: Ignace De Bock
President of the Executive Committee
Tel. +32 (0)9 365 60 80
- The law firm **LAWFORT** joined us as an Associate Member
Contact: Marie Evrard
Partner
Tel. +32 (0)2 710 78 70
- The law firm **ALLEN & OVERY** joined us as an Associate Member
Contact: Pascal Weerts
Senior Associate
Tel. +32 (0)2 780 24 70
- The law firm **MONARD-D'HULST** joined us as an Associate Member
Contact: Peter Rooryck
Partner
Tel. +32 (0)2 234 67 10

BVA Agenda 2005

Benelux Venture Capital Summit

We invite you to attend the next **Benelux Venture Capital Summit**. It will be a one-day event, held on **16 February 2005** at the KBC Headquarters, Havenlaan 2, 1080 Brussels. **SAVE THE DATE!**

It once again promises to be a very interesting event, combining discussion platforms, networking opportunities and opportunities to present yourselves and your portfolio companies to the

Continued on page 4

Belgian companies sought after for take-overs

Jan Muyldermans & Chris Vandermeersche

PwC has conducted a survey amongst the largest private equity houses in 9 European countries. Belgium, too, was well represented in the survey. Belgian players that took part in the survey included: GIMV, ING, Alpinvest Partners and Paribas Cobepa. A number of striking conclusions came out of the study:

- *Belgian firms are sought after by European private equity houses;*
- *Investors are more involved in target company policy than before;*
- *Tax plays a major role in how the take-over is actually structured.*

Belgian companies are sought after for take-overs

An initial interesting conclusion is that 68% of private equity houses may invest in Belgium according to their internal guidelines. Belgium has the highest score in this respect. France, the Netherlands and Scandinavia follow in equal second place, with 66%. When questioned as to which are the top investment regions in Europe, 50% answered Belgium. Our country thus ranks third, after the United Kingdom (54%) and Germany (52%). When asked about their investment plans, 52% of those surveyed said they were planning investing in Belgium, in fourth place after the United Kingdom (60%), Germany (58%) and France (56%).

The multi-cultural aspect and a good workforce are considered clear advantages of our country. The quality of our businesses and their management are clearly also appreciated by investment companies. There are still many family businesses that are ready for further growth, which they are often more easily able to achieve with help from an investment company. This is a win-win situation for both parties.

Tax plays an important role in the nuts and bolts of processing a take-over

For 74% of the subjects, tax is a key factor in how a take-over is carried through. 70% of respondents additionally say that taxation is becoming steadily more complex, and this complicates the structuring of European take-overs. No fewer than 90% of the private equity houses seek guidance from tax advisers for actually implementing a

take-over. Assistance from tax advisers in the structuring work is also more frequently sought than from lawyers (70%). Which all in all is a surprising conclusion.

The amount and regularity of a business's available cash flow plays a decisive role in the minds of an investment firm when selecting a prospective target. The applicable tax rules play a major role in that. For instance, if a take-over is partly funded with borrowings, it is relevant that the interest paid can be deducted from profit. 68% of the investment firms thus say that they place a great deal of importance on the tax-deductibility of interest. From a tax perspective, there is a general tendency in Europe to require an ever-larger percentage of 'own funds' in businesses. This is becoming less interesting for an investor (due to the tax-deductibility of interest). A further important factor is the tax-exemption on the capital gain that the vendor can realise upon the initial sale and the private equity house on the eventual sale. 58% of investment funds stick closely to this, therefore. In other words, how the take-over is actually structured (e.g. own funds versus debt, how the shares are transferred) has tax consequences.

Thus, in take-overs, the tax rules play an extremely important role. For example, in Europe in 2003, there was around EUR 59 billion in take-overs by private equity houses. Supposing that half of this was funded by borrowing, we're talking about around EUR 500 million in tax deduction..

As to whether the direct corporation tax in one's own country is beneficial for investing in companies, only 54% of European private equity houses answered yes. Of the Belgian respondents, 66% answered in the affirmative.

In Belgium, for the time being things are good when you talk about the deductibility of interest and the fact that there is no tax on capital gains on shares. A con in all of this is that there is no tax consolidation in Belgium. It would be good if the government were to make quick work of tax consolidation in order to further stimulate investment.

Continued on page 7

Jan Muyldermans is the Lead M&A Partner at PwC Tax Consultants in Belgium; Chris Vandemeersche is a Director in the PwC M&A Tax Team.

Continued from page 2

international VC community. This year's overriding theme will be 'Being competitive in a changing industry'.

The registration fee is 600 eur. BVA members can benefit from a 20% reduction (use partner code "BVA" at registration). You can register online at www.e-unlimited.com where you will also find an overview of the full program, a list of presenting companies, international speakers and experts and more practical information on the venue and accomodation.

Annual General Assembly

As is customary, we shall also hold our General Assembly at the time of the Summit. It will be held on February 16, 2005 at 17h00, also in the KBC Offices, Havenlaan 2 in Brussels. A formal invitation will be sent to all the members in January.

EVCA – Annual Survey

In the first week of January, the EVCA-survey will be sent out to all the venture capital and private equity investors in Belgium and Europe. The deadline for responding will be January 28, 2005.

As you know, the BVA has decided not to hold an own survey this year, to limit the time you spend on filling out these different surveys. Instead, we will cooperate with EVCA to get an overview of investments by Belgian investors as soon as possible.

WE THEREFORE ASK YOU TO FILL OUT THE EVCA-SURVEY WITHIN THE REQUIRED DEAD LINE, SO THAT WE ARE ABLE TO PROVIDE YOU WITH THE AGGREGATE DATA AS QUICKLY AS POSSIBLE AS WELL.

As this year's survey will not be very different from last year's, it may be useful to prepare for this year's survey by already starting to gather most of the required data even before you have received the actual survey.



Origo Management

Consultants to the Venture Capital Industry

- Strategy and organisation
- Due diligence
- Investment management
- Fund raising
- Board representation

Zenith Business Park • Zandvoortstraat C47/21 • 2800 Mechelen
Belgium • Tel. + 32 (0)15 29 70 00 • Fax + 32 (0)15 29 70 19
Email: info@origomanagement.be • www.origomanagement.be

News from our members

22 juli 2004

E-Capital doet zijn intrede in het kapitaal van SPLEN NV

Brussel, 12 juli 2004 – E-Capital investeert via een "leverage buy-out" transactie in het kapitaal van SPLEN NV (Diest), naast de bestaande aandeelhouders van de vennootschap. Deze investering via de nieuw opgerichte holdingvennootschap Signs & Facades NV, gecombineerd met een gezamenlijk financieel engagement van alle aandeelhouders voor toekomstige kapitaaloperaties, heeft tot doel zowel de verdere interne als de externe groei van de vennootschap te ondersteunen. E-Capital zal SPLEN NV ook ondersteunen via haar zakelijk netwerk van ondernemers/aandeelhouders achter het E-Capital fonds.

Contact: Eric van Zuijlen
Associate Manager E-Capital
Tel. +32 (0)2 642 20 01
GSM +32 (0)478 98 96 12
Email: evz@e-capital.be

22 July 2004

Gevaert financiert management buy-out van BOMA

Antwerpen, 22 juli 2004 – De investeringsvennootschap GEVAERT heeft samen met het huidige BOMA-management 100% van de aandelen verworven van BOMA, totaalleverancier van professionele schoonmaakconcepten. Het management van BOMA blijft verantwoordelijk voor het dagelijks bestuur en verzekert hiermee de continuïteit van het bedrijf voor medewerkers, klanten en leveranciers. Met de steun van GEVAERT rekt BOMA erop om de continue groei van het bedrijf verder te zetten en internationaal actief te worden.

Contact: Luc Bresseleers
CEO Boma
Tel. +32 (0)3 231 33 89
Jo Breesch
Senior Investment Manager Gevaert
Tel. +32 (0)3 443 02 40

12 August 2004

Golden Bytes raises expansion capital from Waterland

Golden Bytes B.V. has received expansion capital from Waterland, a private equity investment firm, by issuing new shares. Golden Bytes is market leader in the Dutch premium SMS services market, focusing on both the development of SMS applications and the servicing of SMS traffic. Premium SMS are messages with paid content. In 2004, the company expects to process over 82 million messages. Waterland is an independent private equity investment firm that supports entrepreneurs in realising their growth ambitions. For Waterland, the participation fits the strategy of investing in growing markets with 'buy and build' opportunities within the outsourcing & efficiency, ageing population or leisure & luxury themes.

Contact: Waterland
K. Steup or L. Douze
Tel. +31 (0)35 694 16 80
Golden Bytes
M. Wendt
managing director
Tel. +31 (0)70 302 59 99

1 September 2004

SG Capital Europe, GIMV and management acquire Sovitec Group

The Sovitec Group (Sovitec) has been acquired by a group of investors led by SG Capital Europe. GIMV invested alongside SG Capital Europe as well as the Sovitec management. The financial details of the transaction are not disclosed.

3 September 2004

Management Buy-In places Bever Zwerfspor in hands of Bert Hondebrink and investment company GIMV

Bever Zwerfspor, the specialist and market leader for outdoor articles in the Netherlands, has been taken over by buy-in manager Bert Hondebrink and by investment company GIMV, via its Corporate Investment Netherlands (Halder) business unit. Bever Zwerfspor's founder-owner Fred van Olphen has transferred his entire interest into a specially set up holding company. At the same time Fred van Olphen has transferred the management of the company as of the 1st of September to Bert Hondebrink, who has

become General Manager of Bever Zwerfspor. Van Olphen will remain involved for a time in an advisory capacity.

21 September 2004

Deminor Rating increases GIMV's Corporate Governance Rating of "DR 7.5" to "DR 8.0".

Deminor Rating assigns a DR 8.0 to GIMV. This rating reflects the very good overall performance of the company regarding its current corporate governance structures and functioning. In comparison with similar ratings available to Deminor Rating, the current score for GIMV implies that it performs better than the average Continental European listed companies.

23 September 2004

GIMV posts very strong first half performance and raises dividend

GIMV posted a very strong performance in the first half of 2004, confirming its positive results for 2003 in all areas. Net profit (limited consolidation – group's share) climbed to a record EUR 168.5 million. Capital gains totalling EUR 174 million came from sales of shareholdings in companies like Barco, Crucell, Deme, Exelixis, Kazintel, Kinopolis, Macrae Food Group and Option. At the same time net unrealised capital losses were down to just EUR 4 million.

Increased investment activity, with once again more new investments than follow-up ones, brought a new impetus and a balance to the portfolio.

Following the strong first half result and the positive development of the second half year to date, GIMV has decided to revert to its earlier dividend level, and will therefore be paying an interim dividend of EUR 0.74 on 29 October 2004.

15 October 2004

GIMV sells its entire stake in Option

GIMV announces that it has sold its entire stake in Option. The sale took place through different transactions during 2004 and offers GIMV in 2004 a total gross capital gain of 24.2 million euro.

Contact: Frank De Leenheer
Tel. +32 (0)3 290 22 90

15 October 2004

Creafund II neemt participatie in Georges Veldeman NV en plant kapitaalverhoging

Het Vlaamse durfkapitaalfonds Creafund II heeft een participatie genomen van 3 miljoen EUR in het bedrijf Georges Veldeman NV, gevestigd te Bree en gespecialiseerd in de productie, verkoop en verhuur van tijdelijke structuren in aluminium (tenten). G. Veldeman NV is de vijfde participatie van het 25 miljoen EUR grote fonds.

Ingevolge de vraag van een aantal partijen tot toetreding tot het kapitaal van Creafund II, besliste het management om het kapitaal van het fonds opnieuw open te stellen voor geïnteresseerde partijen.

Contact: Veldeman
Ludo Ost
Tel. +32 (0)89 47 31 31
Creafund
Johan Heirbrandt / Herman Wielfaert
Tel. +32 (0)9 272 62 00

26 October 2004

Quest for Growth invests EUR 2 million in Clear2Pay, a Belgium based private company specialized in next generation payment solutions for the international financial services industry.

On October 26, 2004 QUEST FOR GROWTH announced the investment of EUR 2,000,000 in Clear2Pay NV/SA, a software vendor specializing in next generation payment solutions for financial institutions. Other investors in this round, which closed at EUR 6.1 million, are current investors Technology Venture Partners (Australia); Koceram (Belgium) and Clear2Pay's management.

Contact: Quest Management nv
René Avonts
Managing Director
Tel. +32 (0)16 28 41 28
Fax +32 (0)16 28 41 29
Katrin Geyskens
Investment Manager
Tel. +32 (0)16 28 41 28
Fax +32 (0)16 28 41 29

29 October 2004

Acquisition of Saluc Technologie S.A. and its 100% subsidiary Saluc S.A.

Callenelle/Waterloo, 29 October 2004 – We are pleased to announce that Saluc International S.A., a new company formed by an international investor group, the Armand Capital Group, LLC, has acquired 100% of Saluc Technologie SA and, indirectly, its 100% subsidiary Saluc SA. from Indufin S.A. Saluc is the world leader in the production and commercialisation of the famous Aramith "Belgian Billiard Balls" made of phenolic resin. Financing provided by Fortis Bank NV/SA and Synerfi SA. The amount of the transaction has not been disclosed.

Contact: Armand Capital Group
Denis Mola
Tel. +1 (312) 475 1316
Local representative
Frederic Agneessens
Tel. +32 (0)2 482 11 40
Saluc
Curt Bossuyt
Tel. +32 (0)69 77 82 11
Indufin
Jo Santino
Tel. +32 (0)2 351 08 05

18 November 2004

Phönix SonnenStrom shines brightly on IPO debut

Phönix SonnenStrom (www.sonnenstromag.de) made a successful IPO debut on the stock exchanges of Munich, Frankfurt, Berlin and Stuttgart on November 18th, 2004. The trade started with an opening price of EUR 8,5 yielding a market capitalisation of EUR 42,7 million. Sustainable Energy Ventures (www.sev.be), the largest financial investor holding a 4% equity position, made its investment in the company in the beginning of 2001.

Contact: Sustainable Energy Ventures
Paul Decraemer
Tel. +32 (0)2 229 53 10

8 December 2004

GIMV subsidiary Halder sells stake in Gealan to AXA Private Equity and realises capital gain of 79 million euro

Antwerp, 8 December 2004 – GIMV announces that its Halder subsidiary in Germany has sold its stake in Gealan through a secondary buy-out to several funds advised by Axa Private Equity. On November 16th GIMV already announced that it was negotiating on a partial or full realization of its German Gealan investment. The transaction is now concluded but is still subject to approval of the German anti-trust authorities. GIMV will reinvest a small amount for a 10% stake in the new buyout company.

Contact: Frank De Leenheer
Tel. +32 (0)3 290 22 90

Continued from page 3

Belgian companies sought after for take-overs

Jan Muyldermans & Chris Vandermeersche

Remuneration of the target's management

80% of respondents offer between 5% and as much as 20% of the shares to the target's management. In Belgium, the percentage is usually between nil and 10% (in the case of 83% of those questioned). In practice, we often see that this percentage is inversely proportional to the scope of the take-over sum.

Although around 66% of the respondents claimed that creating incentives for management to manage the target in a tax-optimal manner helps create "shareholder value", only a minority of 38% seem to deploy a pay policy that takes account of this. In Belgium, such techniques are even rarer: 83% answered that they take no account of this in composing a compensation package.

For the majority of respondents, the management incentives are the so-called 'ratchets' (68%). These provide benefits to the management if the business achieves a higher return (ROI) than was projected at the time of the take-over. This formula is less common in Belgium because the tax treatment of ratchets is shrouded in uncertainty. In second place come stock option plans (56%), for which beneficial rules do exist in Belgium. 83% of Belgian private equity houses work with stock options. In third and fourth places come share purchase plans and cash-bonus programmes. It is noticeable that management incentives are adapted locally according to the tax climate (82%).

The full report can be downloaded from the PwC website (www.pwc.be).