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Introduction

Dear BVA-members,

2003 is history. Time for looking back on what was realised of the good intentions and targets we set out at the start of the past year.

2003 was another difficult year for our industry in Belgium. A year of consolidation, a year of hard work for some of you to turn the portfolio around. A lot of follow-on investments and only a few new projects. In Belgium, the Ontex buy-out was the major event of the year. Although most of the Belgian PE-Funds were looking and hoping for attractive buy-out deals, realisations seem to be scarce. Quality still has a high price. The early-stage sector is still struggling to recover or break through. Unfortunately some promising ventures like Acunia and NDS failed. Others are fighting for survival. The consolidation of our industry seems to be realised by managing out existing funds. No secondaries, although expected, were realised to my knowledge. Exits were only possible through trade sales. Some of you were really successful.

2004 just started. New expectations, new forecasts, new targets are launched. The economic outlook and forecasts seem to be promising after two gloomy years. Spring is in the air for venture capital and private equity. We should be looking for real sustainable growth where the risk-reward ratio is acceptable. As in the song: "don't be afraid of the dark (the future)"! Without innovation, without entrepreneurs there is no progress. Long term

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

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(10 years) historical performance of Private Equity in Europe (IRR 13.6%) remains superior to that of public markets. This figure should give our sector the confidence to continue with even greater passion.

Although our sector was not in an excellent condition over the last two years, the BVA is doing well. Unfortunately we lost an excellent General Secretary but we will win a good friend within EVCA. Thanks Georges for your hard work for the BVA. We hope we will find a worthy successor. The Board organised a number of internal strategy brainstorming sessions and made up an action plan for 2004 with business as usual activities (appreciated by our members) and some new break through activities. Lieven and the new Board (to be appointed in February) will continue improving the performance of the BVA.

I hope to meet you all at our next Benelux Venture Capital summit on the 17th of February or on a promising Venture Partnering Forum on the 16th.

I wish you, your family and your Fund a healthy and successful 2004.

Frank Claeys
President BVA

Benelux Venture Summit

In Brussels, on February 16th and 17th 2004, the Belgian Venturing Association (BVA) and Europe Unlimited are organising two events under one same umbrella, the **Benelux Venture Summit**:

- 16 February 2004
Benelux Venture Partnering Forum
The Partnering Forum will stage 40 of the Benelux's top technology and life sciences growth companies that will meet with 60-80 top local and international corporates and investors.
- 17 February 2004
3rd Belgian Venture Capital Summit
The BVCS is the industry gathering of the private equity community in Belgium, organised for the 3rd time.

The main objective of the Summit is to promote a dynamic and professional private equity and entrepreneur market in the Benelux. Its ambition is to build the Summit and the Forum into a unique and powerful Benelux platform for meetings and interactive discussions between promising (mostly venture-backed) tech and life-sciences companies and active tech venture capital investors and corporate (venturing) contacts dealing with partnering, M&A and investment across the Benelux. You can check Europe Unlimited's website at www.e-unlimited.com/bvs/ for the program and more information on how to register.

New BVA Members

We are happy to be able to inform you that, since our last newsletter, 4 new members have joined the BVA:

- **Waterland Private Equity**
Contact: Mr. Rob Thielen (+32-3-218.21.36)
- **Sowalfin**
Contact: Mr. Liébin (+32-4-237.07.70)
- **PMV**
Contact: Bart De Smet (+32-2-229.52.30)
- **Linklaters De Bandt**
Contact: Paul Van Hooghten (+32-3-203.63.19)

BVA Agenda 2004 (still subject to change!!)

- 17/02/04 Venture Capital Summit + AGM
- 10/03/04 Presidents' Meeting
- March Workshop 1
- May Workshop 2
- 09/06/04 Presidents' Meeting
- 08/09/04 Presidents' Meeting
- September Workshop 3
- September casual day
- November BVA Academy
- 08/12/04 Presidents' Meeting
- December Workshop 4

Financing for growth

- does Corporate Governance facilitate access to finance -

Abigail Levrau, Senior Researcher IvB
Hilde Goossens, Development Manager IvB

In contrast to countries of comparable size, Belgium has fewer successful large international companies. Besides, the growth track record of many Belgian companies is far from excellent.

A study ordered by the Federation of Belgian Industry explained these observations by the fact that Belgian firms are lagging behind on each of the main ingredients for growth. Belgian companies do not have the right entrepreneurial attitude, their expenditures on R&D and market information are clearly insufficient and the level of investments is hampering higher growth ambition.

For the future growth of the country, it is necessary to release the potential offered by our many small and medium sized enterprises (SMEs). We would like to explain how corporate governance can help to eliminate the growth brakes and consequently facilitate access to finance.

Corporate governance at firm level

Corporate governance is not an end in itself, but a means of achieving the corporate objectives and strategy.

Corporate governance needs to put in place the structures and processes to allow companies to realise their ambitions. In this respect, corporate governance can become a fundamental factor for competitive positioning if -and only if- the governance mechanisms are adapted to the type of company. Today most governance recommendations (unfortunately) focus on the open, listed companies having a large dispersed list of shareholders. Nevertheless our country is rich of numerous not-listed SMEs. It is clear that these SMEs need other and flexible governance recipes to help them surpass the growth hurdles. Therefore the governance structures and -processes for these companies will differ from those of the open, listed companies.

Furthermore the governance structures and -processes will also change according to the development cycle of the firm. Each growth interval needs to be well prepared with a suitable governance structure that facilitates transition to the next phase of growth.

But flexibility without sufficient monitoring is useless. In many of our SMEs, the private equity partners are the toughest monitors. After all, several means are at their disposal such as contractual shareholder agreements, differentiated shareholder rights, board membership, close relationships with management etc. However, opening up to public investment creates quite other prerequisites to

build trust. Greater transparency and accountability, protection of minority shareholders and prohibition of inside trading... are some of the very important governance elements to pay attention to.

The corporate governance environment

Finding the right governance mixture is only one side of the picture. A company is also in need of a correct governance context, or as stated in the World Economic Forum competitiveness report : "A nation cannot be competitive, unless companies operating there are competitive... Successful economic development is however inextricably intertwined with the quality of the national business environment." According to this report Belgium does not belong to the top competitive contexts.

Many of our SMEs will have difficulties in prospering if our corporate governance environment is not adapted to their specific challenges and threats. In this respect, an important but contested growth financing barrier is the lack of defence mechanisms in Belgium. In our neighbouring countries, companies make active use of diverse mechanisms to keep control over their companies. In contrast, none of these restrictive mechanisms are used in Belgium. Also their limited appeal on the stock market is far more complex than just the problem of a small free float. Capital markets operate according to the rules for large open companies in particular using 'velocity' as basic indicator of attractiveness. Many of our small & mid-caps underperform on this driver.

In sum, stimulating entrepreneurial spirit or better access to external knowledge & know how will not be sufficient conditions for growth. Guaranteeing the required flexibility in the choice of the right governance model and paying more attention to creating the right corporate governance context will be primordial in facilitating access to finance.

"As a professional shareholder, you do not always have access to the information you would need. Corporate governance is a conditio sine qua non.", Roelof Prins, Nederlandse Portefeuillemaatschappij

This article is based on a speech by Prof. dr. Lutgart Van den Berghe at the 4th Symposium "The Taste of Entrepreneurship", Louvain-la-Neuve, 18/19 November 2003

News from our members

Deloitte & Touche Corporate Finance

(DTCF) heeft succesvol de verkoop afgesloten van de bedrijvengroep Primus, actief in de productie van industriële wasmachines. De koper is de Belgische divisie van de Amerikaanse risicokapitaalgroep Andlinger & Co. Primus is de directe concurrent van Ipso (omgedoopt tot LSG). Eddy Coppieters, ex-CEO van Ipso, is de nieuwe CEO. Primus telt zo'n 500 werknemers en heeft zijn commerciële hoofdzetel en de engineeringdivisie in Gullegem. De eigenlijke productie gebeurt in het Tsjechische Pribor. Primus is gespecialiseerd in wasmachines voor wasserettes, ziekenhuizen en andere collectiviteiten. Het zit niet in het zware industriële segment van de industriële wasserijen. Het dealteam voor DTCF bestond uit Hans Van de Velde en Chris Korver.

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Eerste closing voor Halder-GIMV Duitsland Fonds op 78 miljoen euro

Eerder dit jaar maakte GIMV bekend dat het aan de oprichting van een buy-out fonds werkte dat zich specifiek richt op de Duitse KMO-markt via middelgrote buy-outs. Vandaag kondigt GIMV de eerste closing voor het Halder-GIMV Duitsland Fonds aan ten belope van 78 miljoen euro. De fondsen-werving werd gestart voor de zomer en wordt verwacht 150 miljoen euro te bereiken begin 2004.

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NIB Capital Private Equity completes purchase of UCB Methylamines and Derivatives division

Antwerp, 30 September 2003 – NIB Capital Private Equity has completed the purchase of the Methylamines and Derivatives division of UCB, a transaction first announced on 6 August 2003. The transaction was led by the current management team with the support of NIB Capital Private Equity. The company will as of today trade under the name of 'Taminco', which was the name of the business unit in which the Methylamines & Derivatives business of UCB was grouped together.

Taminco is one of the world's largest producers of methylamines, a key building bloc for the pharma and chemicals industry. Furthermore Taminco specialises in a selection of the many methylamine derivatives serving industries such as agro-chemicals, animal feed additives, specialized solvents, water treatment and surfactants.

The company is headquartered in Ghent with sales offices world wide. The Company employs approximately 500 people and generated a turnover of EUR 186 million in 2002.

The methylamines division of UCB goes back to 1895, however it was only in 1962 that methylamines were first produced followed by a range of derivatives. In 1993 a production entity in Leuna (former Eastern Germany) was acquired from the Treuhand. The acquisition of the Leuna site gave Taminco the opportunity to extend its market share in methylamines and solvents both in Eastern Europe and Asia, and to become a low cost producer. In 1996 Taminco expanded in China, at first as a JV, later as a 100% subsidiary. Over the last 10 years, the Ghent and Leuna plant have been developed into state of the art sites.

Methylamines are highly reactive chemical intermediates derived from ammonia and methanol which are difficult to transport and thus are typically derivatised into higher value products. Taminco manufactures three methylamine compounds: monomethylamine (MMA), dimethylamine (DMA) and trimethylamine (TMA). These are sold directly to customers, or transferred to the various business units for use in the manufacture of specialised derivatives.

Within methylamines, the company has a well-balanced product portfolio ranging from intermediate products to derivatives sold to end-users. Over the past five years Taminco has been successful in expanding its activities downstream into derivatives making the business less dependent on the more commodity type products such as methylamine intermediates.



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Taminco has succeeded in establishing itself as a low cost producer through a high level of integration between methylamines and derivative products, the size of its sites, and its proprietary technology. The combination of Taminco's high margins from its specialty type products and its low production costs leads to a sustainable leading market position.

The future strategy of Taminco is aimed at further strengthening this leading market position by expanding its operations world wide, backed by the financial strength of the global network of NIB Capital Private Equity. Taminco's strategy will further focus on taking advantage of its technological innovations and continuously improving client relationships.

Pol Vanderhaeghen, Chief Executive Officer of Taminco, comments "We are very pleased with the transaction as it creates clarity about the future of Taminco for our clients, employees and other stakeholders. The existing capabilities of the Methylamines and Derivatives business, combined with a strong financial partner, positions the company well to achieve its ambitious growth strategy. Central to the company's strategy is its expansion into new methylamines derivatives markets and geographic expansion."

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ORIGO Management expands team

André Bosmans joined Origo Management as a Partner in June 2003 and was previously, from 1995 on, active in Mergers & Acquisitions. First as an internal advisor for Generale Bank (now Fortis Bank), with a special assignment in Germany and afterwards as an independent M&A-advisor with a special focus on cross-border deals of medium sized companies located in the Benelux countries and Germany.

Prior to 1995, he was Financial Director of the Belgian Coordination Centre of Daimler-Benz responsible for setting-up and implementing treasury and cash management systems, intercompany factoring and intercompany financing.

Before that, he was active in international consortial credits and corporate banking at the Chase Manhattan Bank(Handelsbank) and Commerzbank. He also gained experience in "Acquisition Finance".

André has a Masters degree (licentiate) in Applied Economics.

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Kris Claessens joined "Origo Management" as an Analyst in November 2003.

He has 2 years of experience as a financial analyst with Fredell & Co Structured Finance in Brussels where he contributed to various European securitisation transactions. In 1999 and 2000 he was an international trade legal assistant for Dewey Ballantine LLP, a law firm based in Washington DC.

Kris has a B.A. in Economics and a minor in Art History (The George Washington University, Washington DC).

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Quest for Growth invests £ 1,000,000 (1,450,000 EUR) in Cyclacel, a U.K. based biopharmaceutical company developing a novel anti cancer drug technology

On October 31, 2003 QUEST FOR GROWTH has invested £1,000,000 (1,450,000 EUR) in Cyclacel Limited as part of a private placement.

Following the investment in Futura Medical, this is Quest for Growth's second investment in an unquoted company this fiscal year. QfG continues to look for new high quality pre-IPO private equity investments.

Cyclacel Limited is a biotechnology company engaged in the discovery and development of modern therapeutics for cancer and other serious diseases.

The company designs and develops small molecule drugs that act on cell cycle regulators to stop uncontrolled cell division in cancer and other diseases involving abnormal cell proliferation. Cyclacel discovery integrates cell cycle biology expertise with a library of gene-based targets, RNAi functional genomics, chemogenomics and clinical biomarker technologies to rapidly deliver new drugs. The Company has six research and development programs underway. Most advanced is CYC202, a Cyclin Dependent Kinase (CDK) inhibitor, in Phase II trials for breast and lung cancer. It is also being explored for use in glomerulonephritis, an inflammatory disease associated with kidney cell proliferation. CYC381, a clotrimazole analogue acting on the cancer

cell cycle, is in preclinical development. Cyclacel has entered into corporate alliances with AstraZeneca, CV Therapeutics and a top 5 pharmaceutical major all in the oncology field.

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Sofindev II invests in ARO, Devan and Tissage de Kalken

Sofindev II, the successor of Sofindev, remains active in the Private Equity market for medium size companies. Sofindev II started to invest in the summer of 2002. At this moment the fund has a portfolio of 5 investments, of which 3 were added recently, i.e. ARO, Devan and Tissage de Kalken.

These investments fit perfectly in the strategy of the new fund, i.e. to invest in mature, profitable enterprises in traditional production or service sectors. This can be as growth capital, take-over of existing shares, management buy-out (MBO) or buy-in (MBI). Sofindev II does not get involved in day-to-day management of the portfolio companies. Sofindev considers itself as a professional investor and an active board member, adding value in the planning and execution of an (often international) expansion strategy and ensuring proper corporate accountability and governance. It serves as a constant sounding board to the management team.

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Afronding van verkoop kabeltelevisiebedrijf Coditel Brabant NV

Op 19 september 2003 bereikten Sofinim, de private equity dochtervennootschap van Ackermans & van Haaren, en Suez een principeovereenkomst betreffende de verkoop van hun respectievelijke deelnemingen (20.54% en 79.46%) in Coditel Brabant NV aan Altice One.

Na realisatie van de in de principeovereenkomst voorziene opschortende voorwaarden, heeft op heden de definitieve verkoop plaatsgevonden.

Sofinim ontvangt naar aanleiding van de verkoop een bedrag van 16,8 m euro deels als verkoopprijs van haar deelneming en deels via een uitzonderlijk dividend. Ackermans & van Haaren, dat een belang van 74% heeft in Sofinim, realiseert in haar geconsolideerde rekeningen over 2003 een meerwaarde van 1 miljoen euro op deze transactie.

Er wordt aan herinnerd dat de niet-kabelgebonden activiteiten van de groep Coditel, waaronder voornamelijk het 50% belang in Worldcom NV, buiten deze transactie blijven. Deze activa worden aangehouden door Blomhof NV waarin Sofinim een deelneming van 20.54% heeft.

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Sale of Medisearch International NV

Together with the founders, Mr and Mrs Remi and Evelyne Van den Broeck - Denys, Sofinim NV has sold its 48,5% shareholding in Medisearch International NV (« MSI ») to SGS Belgium NV (« SGS »).

MSI, founded in 1995, is a rapidly growing full service contract research organisation which provides clinical development and biometrical services to life science companies and outsources qualified personnel for such services to life science companies. In the year ending on 31 March 2003, MSI recorded a consolidated turnover of 12,9 million euro. The company has offices in Mechelen (Belgium), Barcelona (Spain) and Germantown, Maryland (USA) and has over 200 employees.

Sofinim, the private equity subsidiary of Ackermans & van Haaren, acquired a 48.5% interest in MSI in 2000. Ackermans & van Haaren, which holds 74% of Sofinim, realises a consolidated capital gain of 3,9 million euro on the sale.

SGS Group is the global leader and innovator in verification, testing and certification services. SGS Group has 32.000 employees worldwide and operates in 140 countries. In Belgium, the group offers services to the life science industry through the subsidiaries SGS Lab Simon and SGS Biopharma. Services include toxicology, stability and bio-analytical studies as well as clinical trial management. SGS operates two Phase I units of respectively 78 and 8 beds.

Combining the pre-clinical expertise and the Phase I capabilities of SGS with MSI's experience in running complex clinical trials in Europe and North-America and their strong biometrics skills, will generate substantial operational and commercial synergies. The combined entity creates a full service CRO with a leading position in Europe.

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Top Belgian managers confirm their confidence in the economic upturn

Business take-overs have the wind in their sails

Brussels, Thursday, 13 November: 85% of major Belgian businesses have trust in the upturn in the economy and envisage a relaunch of merger and acquisition activity, the engine for external growth. The main reason for this development is the need to be able to cope with the globalisation of our economy and the strategy of concentrating on core activities.

Adequate preparation and support for take-over transactions and subsequent integration are crucial to their success. Thus the conclusions drawn by PricewaterhouseCoopers from its in-depth survey of business leaders in Belgium.

Following a fall of nearly 50% in the overall value of take-over and merger transactions between 2000 and 2002, the volume and number of transactions between Q4 2002 and Q1 2003 grew by no less than 40%. The second and third quarters of 2003 confirmed this trend.

Mergers and acquisitions again on the up

“In the course of our mergers and acquisitions business in Belgium, we were finding over time that activity was certainly on the up. The major reasons underlying this resurgence in mergers and acquisitions are: globalisation and deregulation of the world economy, the enlargement of the European Union, the privatisation of nationalised industries and the relatively low level of interest rates and share prices,” says Jan Muyldermans, Mergers and Acquisitions Tax Partner with PricewaterhouseCoopers. “We wanted to know whether this growth was generalised and not just limited to those clients for whom PricewaterhouseCoopers works, and so we decided to carry out our survey. The results show that companies doing business in Belgium believe in continuing economic growth and particularly in significant external growth through mergers and acquisitions.”

The study was carried out during summer 2003 using a representative sampling of businesses in Belgium that have engaged in mergers and acquisitions activity in the last three years.

Critical mass and core activities

60% of the businesses questioned confirmed that their mergers and acquisitions strategy had been toned down as a consequence of the slowdown in the economy. Current prospects of an economic revival are bolstering confidence in the future, which for 71% of the companies surveyed

translates into sharpened interest in new merger and take-over transactions. This confidence contrasts somewhat with reality as regards the revival as announced for the European continent, the effects of which are not expected to materialise until mid-2004 on the most optimistic of economic forecasts. However, companies want first and foremost to remain “fit and strong” and, secondly, “sooner be big than small” in order better to face the challenges posed by the globalisation of the world’s economy.

Top managers that took part in the survey clearly indicated that the most important drivers for the increased number of mergers and acquisitions are the need for adequate critical mass in response to the trend toward globalisation and (re-)concentration on their core activities. “In our experience, businesses are busy now with putting right mistakes they made in the past, such as buying too much or at too high a price, and are thus selling non-strategic activities to others that are looking for critical mass or market consolidation,” says Jan Muyldermans.

Financial and fiscal expertise needed for success

Failure of a take-over or merger is mainly due to failure of the integration process after the deal has been done. Although the top managers taking part in the survey confirmed this, in 41% of cases, they neither have any internal organisation nor do they call on outside firms to provide guidance in successful implementation of the integration process.

There is a general recognition that financial, fiscal and human resources expertise before, during and after a merger or acquisition is of crucial importance. Although most of those questioned have financial, tax and HR expertise in house, external advice in such transactions is regarded as essential. The survey also highlights that the need for external support is heightened by the manner in which businesses are being bought and sold. Thus, the increasing importance on the Belgian market of open bid or auction processes (derived from the private equity market in the UK) will affect the value-added of external advice and the manner in which businesses deal with take-overs.

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