

PRESS RELEASE



European Private Equity &
Venture Capital
Association

2003 sees confidence returning to private equity/venture capital industry Industry optimistic for 2004

Geneva, 10 March 2004

The European private equity and venture capital industry saw the start of a return to confidence in the second half of 2003. Fundraising was slightly up on 2002 at almost 28 billion euros; investment activity stood at over 23 billion euros with a strong showing in the second half of 2003 and there was a 55.6% fall in write-offs on the previous year.

The preliminary fundraising, investment and divestment figures¹ for 2003 are announced today by EVCA at its 6th annual International Investors Conference in Geneva. The figures are compiled by Thomson Venture Economics and PricewaterhouseCoopers from data provided by private equity and venture capital funds in 28 European countries. They represent one of the most reliable indicators of the state of the industry.

Activity in the first quarter of 2004 – including a number of investments and exits completed in all the major European economies – is cause for cautious optimism and fundraising is beginning to gain momentum.

As the debate about building a stronger entrepreneurial culture in Europe continues, the availability of private equity and venture capital remains crucial. The industry has invested some 177 billion euros of equity capital in businesses across Europe in the last ten years.

2003 highlights:

Funds raised in 2003: 27.7 billion euros

Preliminary fund raising figures for 2003 show just under 28 billion euros raised, reflecting a slight increase on 2002's 27.5 billion euros. 2003 represents the third highest year in terms of fundraising since 1990.

The majority of funds raised in 2003 were for later stage and buyout investment.

Funds invested in 2003: 23.1 billion euros

Investment activity also improved in the second half of 2003 after a slow start to the year, which pulled down the overall figure. The total preliminary amount of equity invested was just over 23 billion euros, 67% of which went in to buyouts.

¹ Preliminary figures cited here are compared to final figures (released annually in June) for all preceding years.

While stock markets showed first signs of improvement, they remained virtually closed as exit routes for the bulk of private equity and venture capital investors in 2003. The main exit routes were secondary buyouts and trade sales, i.e. the sale of a private equity portfolio company to another private equity firm. This reached significant levels in the main European markets.

Divestment: divestment through IPOs, trade sales etc. are up, while 55.6 % fall in write offs

More importantly, the year saw a 55.6 % fall in write offs on the 2002 figure (from 3.2 in 2002 to 1.4 billion euros in 2003). Total divestment for 2003 was 9.5 billion euros, of which 15% was write offs, as against 10.7 billion euros in 2002, of which 30% was write offs. Sentiment on exits is optimistic for 2004 with a number of successful IPOs and trade sales already achieved in Q1 and more anticipated in Q2.

Encouraging prospects

Commenting on the figures, Jean-Bernard Schmidt, EVCA Chairman 2003-2004 and Chairman and Managing Partner Sofinnova Partners, said: "This industry is probably the most significant driver of economic growth and employment in Europe today supporting, as it does, companies with funding, strategic advice and business networking. The environment in 2003 was tough but, as in the US, the second half of the year saw a noticeable upturn in activity. The prospects for 2004 are encouraging - we see that investor confidence is returning, with a number of investments and exits completed in all the major economies. Fundraising is beginning to gain momentum as we go into a new cycle. On the entrepreneur side, there are fewer but better deals and the IPO and stock markets are picking up. In addition, the EU's expansion on 1 May will provide opportunities for the whole industry".

Keith Arundale, European Venture Capital Leader at PricewaterhouseCoopers, who with Thomson Venture Economics was responsible for compiling the figures, said: "The 2003 data again confirms that European private equity firms have focused on later stage and buyout deals. The industry anticipates increased venture capital activity in 2004 with write-offs now largely completed, better results from technology companies, more spending forecast on IT, and improving exit routes".

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Notes for editors:

1. **The European Private Equity and Venture Capital Association (EVCA)** established in 1983 and based in Brussels, promotes, facilitates and represents the needs and interests of the private equity and venture capital industry in Europe. EVCA has over 950 members in 36 countries, including the leading fund managers in the European private equity and venture capital industry. In 2002, the private equity industry raised €27,5 billion from institutional investors and invested €27,6 billion in Europe's growth companies.
2. **The Annual EVCA Survey of Pan-European Private Equity and Venture Capital Activity** is undertaken by Thomson Venture Economics and PricewaterhouseCoopers on behalf of EVCA and covers 28 countries. The Annual Survey covers the European universe of private equity and venture capital management companies (not only EVCA Members) and presents detailed, comprehensive fundraising, investment and divestment data for the whole year. It should be noted that secured debt amounts are removed from the investment figures, unless the secured debt derives from a private equity fund vehicle. Preliminary figures are based on survey responses received to date. No estimations are made.
Final results will be published 3 June 2004 at the EVCA Annual Symposium in Berlin, Germany.
3. **The EVCA Quarterly Activity Indicator** is undertaken by *Thomson Venture Economics* and *PricewaterhouseCoopers* and provides an indication of the evolution of activity within a year. The findings of this indicator complement the well-established Annual Survey of Pan-European Private Equity and Venture Capital Activity.
The EVCA Quarterly Activity Indicator surveys a pro-actively selected sample, which is representative of the European industry in size of fund, geographical breakdown and stage distribution of investments coverage. Data collection is compiled through completed questionnaires. No estimations are made.
4. **Terminology**
Venture Capital refers to Early-Stage (=seed and start-up) and Expansion finance. *Private Equity* provides equity capital to enterprises not quoted on a stock market and refers to all stages of industry, i.e. Venture Capital and Buyouts.