

Annual Report 2014



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Annual Report 2014





President's address

Dear members of LPEA,

Dear readers,

With the constant noise generated by media it would be easy to forget the exceptional year for the European Private Equity industry and the profound forces of progress at work in our economies. Among the many sources of development LPEA must outline the critical role played by Private Equity investors and the substantial amounts of positive energy our industry has continued to deploy in 2014 in contributing to make our companies more successful and ultimately make this world a better place.

As banks deleverage, they provide less loans to companies, especially to SMEs. The role of Private Equity funds is therefore critical in that respect as our industry acts as vital source of financing for SMEs. Private Equity takes significant participations in commercial companies and businesses supporting innovation, building competitive industry leaders creating hundreds of thousands of jobs across the world, and cooperates with management teams to create value for all stakeholders. Our industry is therefore a real force of economic progress, a force that must be reckoned with.

In addition, ours is an interconnected world where borders are disappearing. Opportunities are regional, if not global, and investors increasingly go wherever is needed, in order to seize them. This operational and economic reality sorely contrasts with the political view of countries vying to capture value locally along the way through antiquated systems.

The fact that Private Equity fund managers from all over the world manage money on behalf of pension funds, insurance companies, sovereign wealth funds and large corporates must not be forgotten, because the majority of these investors are institutional investors who manage our populations' savings and pension money. We owe these investors to maximize value.

In this context, the role of LPEA is that of maintaining a continuous dialogue with all relevant authorities, remind stakeholders of our industry's role and positive impact, ensure Luxembourg maintains a global perspective on the activities of Private Equity operating from Luxembourg and continues to defend tax neutrality of both funds and intermediary companies. On the basis of our conversations, LPEA is confident in our government's determination to establish an image that is more in sync with the new reality and remain in the top of competitive nations.

Jérôme Wittamer, *President*



Message from the Managing Director

Dear members of LPEA,

Dear readers,

As EVCA, the European Private Equity & Venture Capital Association states¹, Europe has a clear challenge over the next years to return to sustainable growth and durable employment. This will not be an easy task but the good news is however that Europe is blessed with world-class businesses, from innovative start-ups to established global brands. These can, with the right public policy support from Member States and at EU level, grow and develop further. Another good news is that the private equity and infrastructure industries are already playing their role in helping those businesses to expand and grow. Private equity backs over 25,000 companies in Europe, 83% of which are SMEs, in sectors as diverse as life sciences, retail and energy. And it invests for the long-term, channeling capital from pension funds and insurance companies that need to grow their funds to pay the pensions and meet the claims of European citizens.

Recently, the European Commission launched its Green Paper on the establishment of a Capital Markets Union (CMU). The objective of the CMU is to reduce Europe's reliance on bank lending in order to drive investment and growth. The aim in the short term is to unlock the availability of credit and, in the longer term, to support a more diverse, competitive and free-flowing financial system.

Positively, the Commission has placed **private equity, venture capital and infrastructure investment at the heart of the project**. Indeed, the Green Paper includes several very welcoming statements and explicitly names private equity and venture capital as an important source of direct financing. One of the questions posed in the Green Paper is: "How can the



EU further develop private equity and venture capital as an alternative source of finance for the economy? In particular, what measures could boost the scale of venture capital funds and enhance the exit opportunities for venture capital investors?"

At the national level, in the eyes of the PE industry, Luxembourg always had the reputation of being a stable and reliable environment from the legal and also from the fiscal perspective.

Luxembourg has indeed a very good legal framework (including the special limited partnership), a positive tax environment for business activities, and a business friendly government which is a great starting point to encourage more general partners and funds to relocate to Luxembourg. The 800 applications under the AIFMD that were filed with the financial services regulator, the CSSF, clearly show that Luxembourg is on the radar for PE houses.

Funds come to Luxembourg for innovative structure and world-class know-how as well as for financial stability and the country's competitiveness. We asked PE players last year to describe how they see Luxembourg. The most frequent qualifications were:

- Stable (AAA country)
- Flexible
- Attractive environment
- Professional and multilingual community
- Good infrastructure

We also asked what were the key decision factors for choosing Luxembourg for the location of their fund:

- Upon request of investors
- Good regulatory environment
- Availability of fund infrastructure
- Availability of the new limited partnership
- Tax aspects
- Reputation
- Stability

Private Equity is a growth industry in Europe and in Luxembourg. Our government has identified it as a strategic pillar of the Luxembourg's financial center and is actively supporting it.

In this context, the LPEA will continue to seize the opportunities to contribute developing Luxembourg as the European hub for Private Equity-Venture Capital.

Paul Junck, Managing Director

¹ EVCA: Essential work 2014-2019 Private Equity's Contribution to building European businesses



An introduction to Private Equity & Venture Capital

Smart money

Private equity is an asset class consisting of investments in equity securities and/ or debt instruments in operating companies that are not quoted on a stock exchange. Private equity investments span from seed stage minority investments in start-ups all the way to large majority buyout transactions. The universe of investors comprise private equity firms, sovereign wealth funds, venture capital firms or angel investors, to name only a few. Each of these categories of investor has its own set of goals, preferences and investment strategies; however, all provide working capital to a target company to nurture expansion, new product development, or restructuring of the company's operations, management, or ownership. Private equity has been able to exceed public markets performance by a healthy margin over the past decade, cementing its position as the star long term performer in most investors' portfolios.

Economic impact

Private equity investment has a significant role in the economy. It contributes significantly in the creation or stabilization of employment and company growth. Institutional investors such as pension funds and insurers supply private equity with capital, which private equity managers invest in portfolio companies. The returns from these investments are used by the institutional investors to meet their long-term liabilities which could be an insurance claim or pension.

Benefits

As well as the companies that grow as a result of investments, the key beneficiaries are institutional investors and their constituencies - the local authority that invests on behalf of its pensioners, the corporate pension fund, the university endowment or the foundation that relies on returns to continue operations. Pension funds, and other institutional investors invest in private equity as a means to strengthen their investment performance over that of bonds or the public equity markets and thus secure better returns to its

stakeholders. Private equity provides capital that is both committed, and long-term, to help unquoted companies succeed and experience more growth. Private equity can help to start up a company, expand an existing business, buy out an activity or division from a parent company, revive or turn around a company, or buy into a company. Unlike a traditional bank loan, it represents risk financing. When private equity is invested, the return on invested capital is a direct function of the value that has been created, whether expressed in profit or growth or both. Private equity firms are typically seasoned investors with managers that understand the industry they invest in and provide strategic and operational support to its portfolio companies with the objective to optimize the value of the company. Their incentives are aligned to those of the company managers in as much as full value will only crystalize upon a successful exit (typically in the form of a sale or public listing of the company).

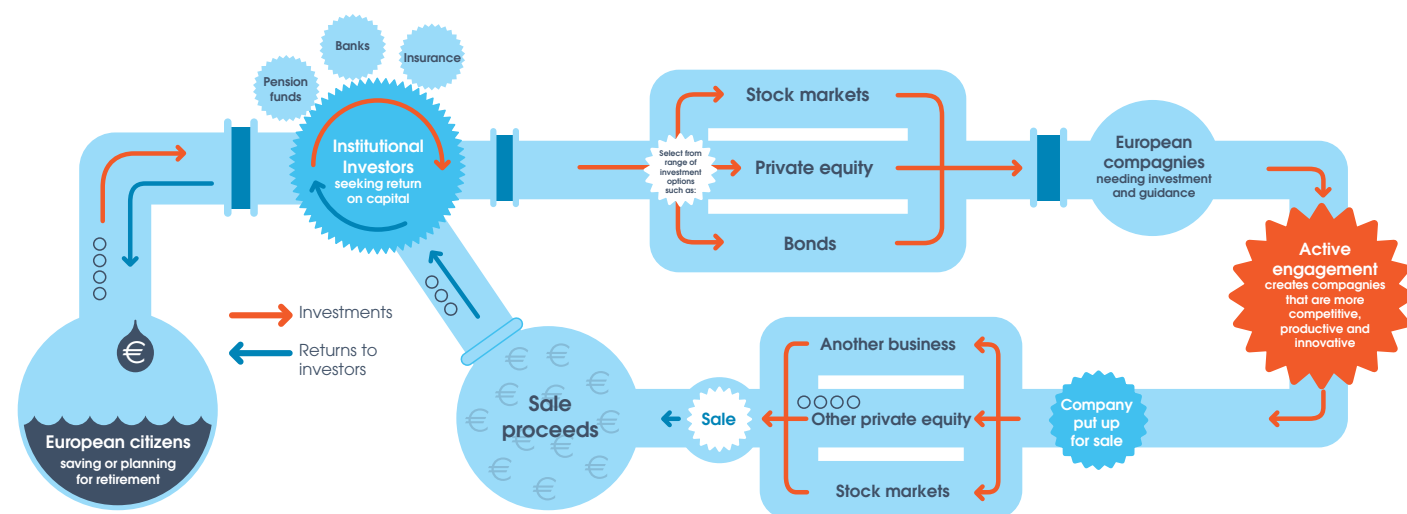
Advantages of PE

Private equity ownership has a number of important advantages that allow it to create value and realise capital gain in a repeatable fashion.

- The universe of potential company investments for private equity is huge. It is a vast and uncharted land of opportunity. They can invest in unlisted companies that are at the beginning of their growth journey and in private hands; they can invest in the divisions of larger corporations; or they can take-private those listed companies under-valued by the stock markets.
- Private equity firms are extremely selective and spend significant resource assessing the potential of companies to understand the risks and how to mitigate them.
- Private equity firms invest in a company to make it more valuable, over a number of years, before selling it to a buyer who appreciates that lasting value has been created.
- The management team of companies owned by private equity are answerable to an engaged professional shareholder that has the power to act decisively to protect its shareholding.
- The combination of this clear accountability between company managers and shareholders combined with the need for a realisation means that incentive structures can directly link tangible value with reward. There are no rewards for failure.
- Such clear accountability has many benefits. For instance, it gives comfort to potential lenders, allowing investments to be leveraged.

Private equity's role in Europe's economy

There are many different ways in which funding is channelled from individual citizens into productive use. Alongside banks and public stock markets, private equity is one of these ways. It can help pensions and savings to grow and create stable jobs



Source: EVCA

Some interesting figures

WORLDWIDE

Private equity and venture capital assets under management (AuM) continued to grow in 2014. Compared to June 2013, the total amount of dry powder available has increased by 9,3% and a \$224bn increase in unrealised portfolio values from December 2013 to June 2014 has driven total AuM to a new high of \$3.8tn. Fund raising has slightly decreased in 2014 with \$495bn capital raised and 994 new funds closed. The global aggregate value of the 3423 private equity-backed buyout deals was of \$332bn, the highest in the post-crisis period. The same trend applies for venture capital reaching 7475 deals worth \$86bn. The highlight of 2014 goes to the continued strong distributions back to Limited Partners (LP) as General Partners (GP) used favourable market conditions to exit many portfolio investments. The slight 3% increase of buyout exits (1604) amounted to \$428bn, a value 30% higher than the previous year. A similar pattern applied to venture capital exits with a jump of 64% to \$120bn and a 12% growth in the number of businesses exited. The growing sector is home today to 6000 firms actively managing private equity and venture capital funds worldwide.

EUROPE

Europe's AuM accounts for 24% of worldwide records after the leading market of North America (57%). Europe-focused funds attracted 23% of capital raised and \$131bn, the largest amount since the financial crisis and in counter-cycle to the North-American market which decreased 12% of capital raised. Buyout remained stable with 1039 deals valued at \$94bn and venture capital decreased 18% in the number of deals summing a total of \$9.2bn investment. The value of buyout exits increased in 42% while the number of exited deals remained stable.

Sources: 2015 Preqin Global Private Equity & Venture Capital Report

Private Equity in Luxembourg

Luxembourg has set an ambitious agenda to attract Private Equity houses to provide more middle-office related services from Luxembourg, in particular with regard to increasing substance requirements and AIFMD-related regulatory standards.

Out of the 10 largest Private Equity houses worldwide, 9 are doing business out of Luxembourg. Most have started by leveraging the advantages that Luxembourg holding companies provide when structuring Private Equity acquisitions. But business interests have since driven more substance to Luxembourg. This originally discrete business with little local presence in Luxembourg has fundamentally changed as Private Equity houses have been enhancing their presence in Luxembourg by establishing or ramping up operations and other capabilities.

A clear trend toward enhanced transparency and regulation drove Luxembourg to respond by introducing the regulated private equity and venture capital vehicle SICAR in 2004 and the SIF in 2007 which, in retrospect, anticipated many of the legal requirements that were introduced in the Alternative Investment Fund Managers Directive ("AIFMD") in July 2013.

Combining flexibility in legal and tax structuring, a reputable and stable financial environment and efficient infrastructure has brought hundreds of Private Equity participants, both established and emerging, to set up some or all of their Private Equity structures in Luxembourg.

Background and historic evolution

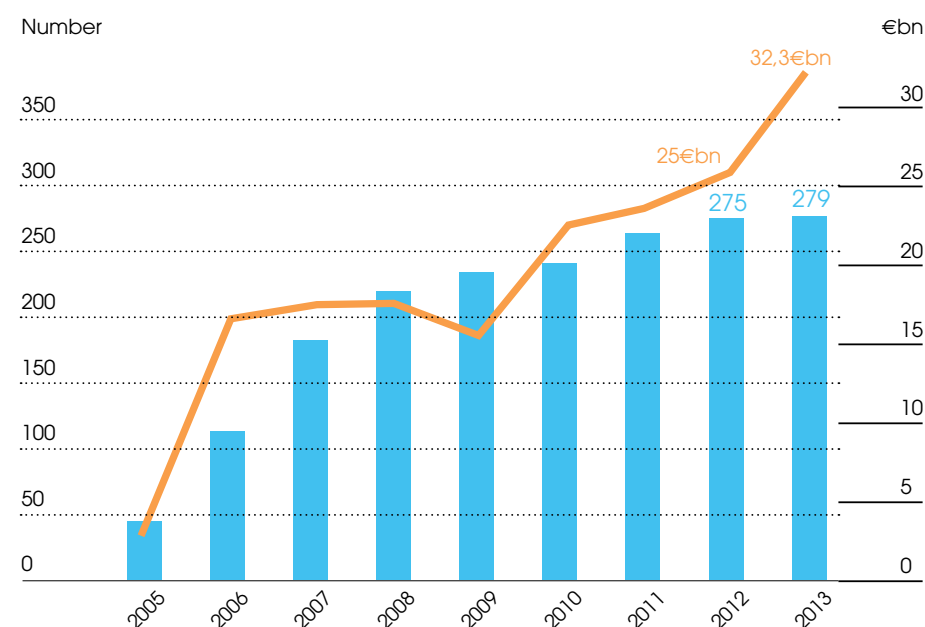
Luxembourg has been used for many years for the structuring of international acquisitions via unregulated vehicles such as SOPARFIs, building on the infrastructure, expertise and knowledge that Luxembourg has developed in the retail funds industry over the past 30 years and combining this with a favourable environment for Private Equity.

Today Luxembourg is the domicile of approximately 50,000 registered holding companies of which a considerable number is used to structure Private Equity acquisitions.

SICARs were created upon an industry initiative specifically designed to meet the needs of private equity and venture capital actors; SICARS are lightly regulated, offering flexibilities on the structuring of its constitutive documents and operations.

For the regulated SICAR and SIF the following are the most recent figures, as published by the Luxembourg supervisory authority of the financial sector, the CSSF (Commission de Surveillance du Secteur Financier):

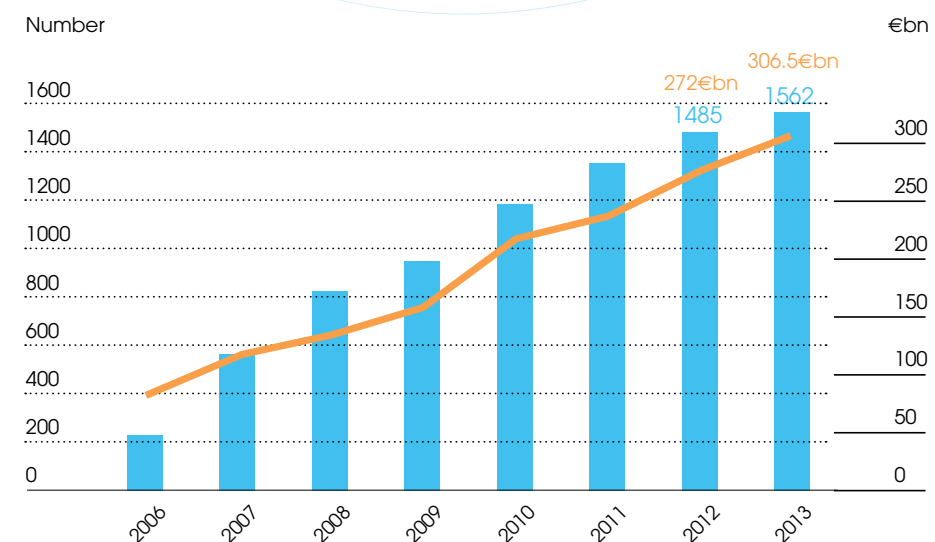
SICAR



■ Evolution of the number of SICAR ■ SICAR's net assets in Bn EUR

- The number of authorized SICARs was at 279 at the end of year 2013
- In 2013, out of the 279 SICARs, 237 were investing in Private Equity, 114 in Venture Capital, 9 in Mezzanine and 3 in Private to Public projects (multiple nominations possible)
- From a sector perspective, 180 SICARs were Multi-Sector, 41 invested in Opportunistic Real Estate, 38 in the Services Industry, 31 in Technology Firms, 20 in Energy, 17 in public-to private projects, 13 in Industry, and another 23 in other sectors
- As regards the initiator origin, the largest share of SICARs was attributed to French initiators (19%), followed by Swiss, German and Luxembourgish initiators. The largest number of non-European SICARs was set up by US-based Private Equity houses with 7%. 36% came from other European and non-European countries
- Assets under management of these SICARs were approx. € 32.3 bn.

SIF



■ SIFs Number of SIF ■ SIFs Net assets in Bn EUR

- By the end of 2013, there were 1,562 SIF registered with € 306.5 bn assets under management
- Contrary to SICARs, SIFs may, in principle, be used for any type of investment in transferable values. As of December 2013, 21 SIFs invested € 0.94 bn in high-risk assets, the terminology used by the CSSF for investments in Private Equity and Venture Capital funds, while 111 SIFs had invested € 10.87 bn in any non-listed assets
- SIFs accommodate a considerable number of vehicles investing in clean technologies, infrastructures and tangible assets such as art, wine, jewellery and similar assets.

Source: CSSF Annual Report 2013



The Luxembourg Private Equity and Venture Capital Association (LPEA) is the representative body of private equity and venture capital professionals in Luxembourg.

Created in 2010 by a leading group of private equity and venture capital players in Luxembourg, LPEA plays today a leading role in the discussion and development of the investment framework and actively promotes the industry beyond the country's borders.

LPEA provides a dynamic and interactive platform for its members to discuss and exchange information and organises working meetings and networking opportunities on a regular basis.

Mission statement

The mission of LPEA is threefold:

- towards its members: represent and promote the interest of Private Equity and Venture Capital ("PE") players based in Luxembourg.
- towards Luxembourg: support government and private initiatives to enhance the attractiveness of Luxembourg as an international hub for carrying out PE business and/or servicing the PE industry in all its dimensions.
- towards the EVCA and other relevant international PE industry bodies: represent the interests of the members of the LPEA and the industry as well as Luxembourg as a place for doing PE business.

Scope of action

As a general rule LPEA shall encompass and represent the interests of all actors that shape or serve the PE value chain in Luxembourg, which include:

- fund managers of PE focussed investment vehicles ("General Partners" or "GPs"),
- institutional or non-institutional investors in PE ("Limited Partners" or "LPs"),
- service providers to the PE industry.

Governance

Board of Directors (May 2014 – May 2016)

The Association's Board of Directors is nominated by the General Assembly and convenes on a quarterly basis. The Board of Directors has the powers conferred to it in the Association's bylaws and otherwise serves as a key input provider and sounding board for the Executive committee.

The Board of Directors will be composed at all times of a majority of representatives from members qualifying as Full Members.

Company

3i Luxembourg
 Allen & Overy Luxembourg
 Alterdomus
 Apollo
 Arendt & Medernach
 Atoz S.A.
 Banque Privée Edmond de Rothschild Europe
 Capman
 Cinven Luxembourg S.à.r.l.
 CVC Capital Partners
 Deloitte S.A.
 Elvinger, Hoss & Prussen
 EQT Management S.à.r.l.
 EY Luxembourg
 Genii Capital
 GGM Venture Capital
 Investindustrial (Bi-Invest Advisors)
 KPMG
 Linklaters
 Loyens & Loeff
 Mangrove Capital Partners
 Marguerite Adviser S.A.
 Ogier
 PAI Partners S.à.r.l.
 Permira Luxembourg S.à.r.l.
 PriceWaterhouseCoopers
 SGG
 Sofina
 The Carlyle Group (Luxembourg) S.à.r.l.
 Wildgen

Representative

Antoine Clauzel
 Marc Feider
 Philippe Leclercq
 Fabrice Jeusette
 Pierre Beissel
 Olivier Remacle
 Christoph Lanz
 Svetlana Panfilova
 Danièle Arendt
 Emanuela Brero
 Benjamin Lam
 Xavier Le Sourné
 Karl Heinz Horrer
 Alain Kinsch
 Jérôme Wittamer
 Nicolas Milerieux
 Eckart Vogler
 Yves Courtois
 Nicolas Gauzès
 Thibaut Partsch
 Hans-Jürgen Schmitz
 David Harrison
 François Pfister
 Benoît Chéron
 Séverine Michel
 Vincent Lebrun
 Arnaud Bon
 Stéphanie Delperdange
 Andrew Howlett-Bolton
 Pierre Metzler

• Executive committee

The Association is managed by an Executive committee elected by the Board of Directors. The Executive committee meet on an as-needed basis but at least monthly.



Jérôme Wittamer
President



Hans-Jürgen Schmitz
Honorary President



Emanuela Brero
Vice-President



Alain Kinsch
Vice-President



Benoît Chéron
Member



Antoine Clauzel
Member



Gilles Dusemon
Member



Paul Junck
Managing Director



Christoph Lanz
Member



Patrick Mischo
Member

• Team

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Managing Director
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Luís Galveias
Marketing &
Communication Manager
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Kheira Mahmoudi
Personal Assistant
to the Managing Director
kheira.mahmoudi@lpea.lu

• Strategy implementation

LPEA: From an Idea to a Reference

LPEA is a relatively young organisation created by a small group of leading players in the Luxembourg private equity and venture capital (PE/VC) industry. Counting over 120 members today, recognised by national and European peers and considered amongst the country's highest instances as the reference representative for the industry, LPEA has certainly met the most demanding expectations for an emerging trade association.

Armed with the credibility and visibility earned over the years, LPEA is now in a strong position to defend and support the growth of its industry. Over the course of 2014, the association's members conducted a strategy exercise with this in mind, which the association is now executing. Here is an overview of the key items the strategy implies:

• Enhanced Dialogue

LPEA actively promotes a deeper dialogue between general partners, service providers, government, political constituencies and the CSSF. In addition, LPEA demonstrates it cares for local business development through its involvement with the real economy (eg. business, academia, innovation centres, trade associations, etc.) and foreign counterparts.

• Thought Leadership & Beyond

The unique expertise LPEA's members contribute to our technical committees can be seen in the high quality of our publications, events and other initiatives. LPEA intends to further strengthen its thought leadership on all PE/VC related developments, namely by actively contributing and proposing new and improved policies for an attractive and dynamic legal, tax, judiciary and regulatory framework.

• Luxembourg, the European Private Equity Hub

Luxembourg is an early adopter of the highest international standards. As demonstrated with UCITS, this has proven to be the country's best tool to not only position itself at the forefront of the most competitive nations hosting PE/VC activities but also to showcase its compliance leadership vis-à-vis international regulations. It is an established fact that few jurisdictions, if any, can match the combination of advantages that Luxembourg offers. Few have reached a critical size of AIFMs allowing the regulator and professional services firms to reach a level of understanding and expertise necessary to deliver outstanding service. While we will always aim at improving and never accept the status quo, Luxembourg is clearly at the very edge. Therefore, we intend to carry on and further deploy our marketing efforts with a view to attracting new players to the market.



International Footprint

One of LPEA's first priorities has been to put Luxembourg on the map. This is why we attached great importance to presenting Luxembourg as the European hub for Private Equity. LPEA will continue these efforts but with a focus on new geographic areas like the Scandinavian countries and the US and keeping the regular visits to key Western Europe financial centres.

Roadshow to Zurich (January 15)

This workshop presented the reasons Luxembourg has become an increasingly important jurisdiction for Private Equity and Venture Capital funds over the last few years and the measures Luxembourg is taking to maintain its leading financial position in Europe. Leading Private Equity and Venture Capital experts from Luxembourg and Switzerland discussed issues such as fundraising, tax, legal and regulatory developments that affect the choice of jurisdiction and show the solutions Luxembourg presents for Swiss PE and VC funds.

SuperReturn International Berlin (February 25-27)



LPEA was represented in February at the SuperReturn International Conference in Berlin.

SuperReturn International was launched in 1998 and has been growing annually, and this year attracted over 1,000 private equity executives.

Well prepared with the LPEA Private Equity brochure and issues of our Capital V magazine, the ideally-positioned stand attracted the interest from GPs, enquiring about Luxembourg, especially as Luxembourg is one of the first European countries having implemented the AIFM Directive. A lot of questions were also asked about the Limited Partnership regime introduced in Luxembourg in July 2013.

An LPEA delegation, led by Hans-Jürgen Schmitz, Chairman of the Association, also had the opportunity to meet with the Luxembourg Ambassador in Germany, Mr. Georges Santer and Mrs. Cindy Tereba, attachée commerciale, to give the Luxembourg Embassy a better understanding of the PE industry and the role of the LPEA as well as to explain the opportunities the financial centre of Luxembourg has to offer to PE and VC houses.

Roadshow to London (March 11)

In March the Luxembourg Private Equity and Venture Capital Association (LPEA) held its long-awaited workshop in London's Natural History Museum in South Kensington in front of an audience of 120 participants. With a panel consisting of experts from Luxembourg and the UK, the session was attended by over 100 representatives of the PE servicing industry and a good number of PE houses, some already with experience in structuring deals through Luxembourg, others contemplating Luxembourg for future fund structuring. Under the title "How Luxembourg is evolving into the European platform for Private Equity Funds I Focus on Private Debt & Infrastructure" experts shared their experience post AIFMD's introduction in terms of regulation, discussed typical structures, set-up and substance solutions with more than 100 attendees. The speakers also gave examples on how the Luxembourg offering is used in practice.

The event was kindly sponsored by CACEIS, Clifford Chance and Loyens & Loeff.

Roadshow to Stockholm (August 20)



LPEA hosted its first Roadshow in a Nordic country. The session, held in Stockholm under the title “How Luxembourg is evolving into the European platform for Private Equity Funds”, attracted over 60 representatives from the Scandinavian PE-VC industry and from the service providers community of Luxembourg’s financial centre. The subjects discussed focused in the implementation of the AIFMD, the limited partnership regime, the AIF and AIFM structures in practice as well as Luxembourg’s operating model and service infrastructure. Last but not at least a case study (EQT Senior debt FCP-SIF) was shared with the participants.

The event was kindly sponsored by Alter Domus, Caceis, Crestbridge and Loyens & Loeff.

Roadshow to New York (October 8-9)



(Picture: H.E. Pierre Gramegna, Minister of Finance of Luxembourg)

In October LPEA hosted its first Roadshow in New York in the context of a wider Luxembourg financial Center promotional effort. The meeting took place at the Metropolitan Club and provided US based colleagues to learn about PE fund distribution in Europe, AIFMD, tax structuring and new trends. The Breakfast was complemented by a Cocktail Reception co-organised with ALFI, LFF and the Consulate of Luxembourg in New York.

LPEA was honoured by the presence of the Finance Minister, Pierre Gramegna who opened LPEA’s session and highlighted the government commitment towards a growing and international Private Equity industry in Luxembourg. The session was attended by over 80 participants and was kindly sponsored by Linklaters, Arendt & Medernach, King & Wood Mallesons SJ Berwin, Alter Domus and SGG.

Roadshow to Munich (December 9)



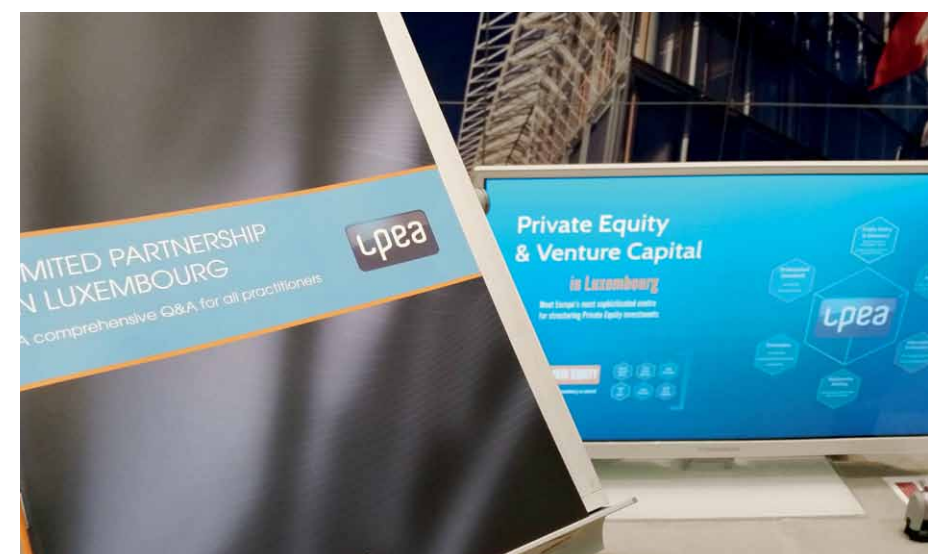
LPEA held its second roadshow in Munich under the title: “Luxembourg: Luxembourg als attraktive und dynamisch wachsende Plattform für Private Equity / Venture Capital Fonds” to an audience of more than 50 professionals from the industry.

The panellists discussed amongst other topics, the Luxembourg PE business model, the Limited Partnership regime and presented the business case “ZBI Opportunity Real Estate”.

The event was kindly sponsored by Bonn & Schmitt and King & Wood Mallesons SJ Berwin.

Venture Capital IT, Lisbon (December 9)

LPEA was represented at Portugal’s Venture Capital IT, a 2-days conference featuring the country’s entrepreneurial and venture industry. The event gathered a hand full of international guests among which LPEA which through its Marketing & Communication Manager Luis Galveias, featured the current state of play of the VC and PE industry in Luxembourg.



National Footprint

Over the last five years LPEA has succeeded in becoming the representative of the PE&VC industry in Luxembourg by organizing knowledge sharing, networking events and conferences, either alone or in partnership with other organisations. Find below some of the events organised in Luxembourg for which LPEA contributed:

Venture Lounge Biotech 2014 (April 29-30)

The Venture Lounge Biotech is an annual Conference held in Luxembourg with the support of the Ministry of the Economy and Foreign Trade. The two-day event is dedicated to selected investors, entrepreneurs and major stakeholders of Benelux, France, Germany, Austria & Switzerland's life sciences communities. Selected innovative Biotech-companies & Investors had the chance to present their business model and listen to lectures by biotech corporates, industry experts and members of the Ministry of the Economy and Foreign Trade. LPEA was again a co-sponsor of this second edition.

GP Club Meeting (May 21)

This General Partners (GP) members exclusive session, held at Ikki, provided participants with an "Introduction to the OECD's action plan against BEPS" delivered by Paul Berna, member of LPEA's Tax Committee. A networking lunch followed the presentation.



LPEA Breakfast on BEPS (July 4)

LPEA organised a roundtable session under the topic of "The OECD's action plan against BEPS and its impact on Private Equity" with the guest participation of Dr. Tom O'Shea, Senior Lecturer in Tax Law of Queen Mary, University of London.

The breakfast was kindly hosted by ATOZ and welcomed over 40 participants.

Founders in a Castle (October 17)

LPEA sponsored the first edition of the international initiative Founders in a Castle held at Mudam and House 17 in Luxembourg. This event gathered some of the most ramping startups from Luxembourg and from abroad to which was given the floor to present their business to investors. LPEA President Jérôme Wittamer was one of the guest members of the jury.

IFE/ LPEA Conference: Private Equity (October 21)

LPEA partnered once more with IFE to share and support their Private Equity training to Luxembourg professionals. Paul Junck and Luis Galveias attended this session which was partially delivered and attended by several LPEA members.

The Effect of Startups and Venture Capital in the Field of Technology in Turkey (November 5)



LPEA collaborated in the organisation and dissemination of the seminar "The Effect of Startups and Venture Capital in the Field of Technology in Turkey" together with the Chamber of Commerce, the Turkey Luxembourg Business Club and the Embassy of Turkey to Luxembourg. The session was moderated by LPEA's Chairman, Jérôme Wittamer and welcomed the participation of Ali H. Karabey (212), Elbruz Yilmaz (3TS) and Praveen Paranjothi (European Investment Fund).

LPEA's presence in the ALFI European Alternative Investment Funds Conference in Luxembourg (November 25-26)



LPEA participated in the ALFI European Alternative Investment Funds Conference in Luxembourg on November 25th and 26th with a promotional booth and with contributors to the Conference pannels.

Jérôme Wittamer, LPEA's President, was a regular guest on stage together with other LPEA Board Members Alain Kinsch (EY) and Stéphanie Delperdange (Sofina).

Paul Junck, LPEA's Managing Director and Luis Galveias, Marketing and Communication Manager, were the two representatives welcoming participants willing to learn more about the industry.

With many participants demonstrating interest to join and strengthen the association, the booth was particularly useful to hold new contacts and plan for upcoming activities.

The event was also the right opportunity to release and distribute LPEA's most recent publications: the "Private Equity in Luxembourg" 2014 brochure and the "Limited Partnership in Luxembourg - A Comprehensive Q&A for all practitioners".

GP Club Meeting (December 2)



A new General Partners Club Meeting was organised towards the year-end which covered the hot topic of "Luxembourg Tax agreements in the court of public opinion" in a light but informative session delivered by Lionel Noguera (Bonn & Schmitt). The GP-exclusive meeting, held at Ikki, was the appropriate setting for members to meet and update on each other's activities.

LPEA also established a fruitful collaboration with Luxembourg for Finance as well as with ALFI.

LPEA endorsed a couple of ALFI's leading edge conferences and was represented at ALFI's European Alternative Investment Funds conference (booth and PE stream chair).

In addition to the up-mentioned events, LPEA also partnered with multiple international events with which discounted prices were negotiated to LPEA's members. Among these we will find ICBI Events (Super Return, Super Investors, Emerging Markets), PE Conferences (Iberian, Swiss, Nordic...), IFE, among others.

Political advocacy

The objectives of LPEA's advocacy and public policy are twofold:

- facilitate ongoing dialogue with Government, lawmakers, political parties, administrations and CSSF, press...
- promote a favourable environment for the development of the PE-VC industry, by enhancing understanding and support for our industry among stakeholders.

The LPEA has regular contact with the Ministries of Finance and Economy, members of Parliament, tax authorities, the regulator and Luxembourg for Finance in order to get the "best" out of current law and regulation initiatives and to maintain or enhance the competitive advantages of Luxembourg, developing Luxembourg as a favourable ground for PE-VC activities.

In addition to welcoming the Minister of Finance Mr. Pierre Gramegna in LPEA's Roadshow in New York, LPEA held a dedicated meeting with the Minister of Finance and his team to provide an outlook of Luxembourg's Private Equity & Venture Capital sector in Luxembourg. The meeting provided the room for the discussion of further improvements that can contribute to consolidate Luxembourg as a leading international Private Equity hub.

Communication

Explaining what the PE&VC industry is doing, sharing knowledge with our members and promoting Luxembourg as the PE hub for Europe are key for LPEA. Our association is publishing a variety of publications such as:

- **a quarterly newsletter**
 - giving a lot of useful information regarding tax, legal, regulatory and accounting matters regarding our industry as well as an update of LPEA's activities



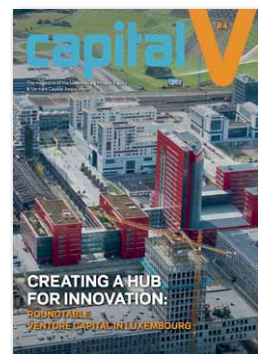
- **the newflash**

- communicating urgent technical news to our members,



- **the bi-annual capital V magazine**

- informing and marketing LPEA and Luxembourg through interviews, PE success stories and subject matter articles.



- **the PE in Luxembourg brochure**

- an update of LPEA's flagship publication providing a technical overview and update of the PE relevant tax, legal and accounting frameworks in Luxembourg



- **the Limited Partnership in Luxembourg**

- a comprehensive Q&A for all practitioners produced by LPEA's Accounting & Valuation Committee to facilitate the implementation of the new regime



- **the Extranet**

- which emerged with a new platform by the year-end granting access to discussion forums, room to store internal documents and a feature to share members' only events.

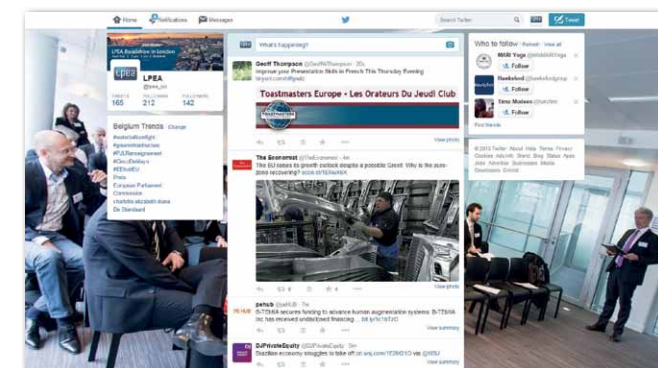
- **The website**

- continues to be the first point of contact for many LPEA contacts. It comprises LPEA's institutional information, latest publications, the latest news from the association and a calendar with upcoming events. Visitors to the website grew 36% in 2014 with a total of 13.500 visits and 38.000 page views.



- **Social media**

- In 2014 LPEA has also started communicating on Twitter and LinkedIn where it hosts a growing community of followers and interacts with the international PE&VC community by sharing the association's latest publications, news and updates from events.



Technical committees activities

Technical committees are core to the value added of an association. LPEA is no exception and much of its value resides in the contributions of its members. We hereby express LPEA's gratitude for the members' commitment and the excellent work realised in 2014. The work of the technical committees in LPEA is performed in the following manner:

- The Technical Committees review the environment in Luxembourg and abroad in respect of private equity and venture capital investment vehicles and private equity and venture capital management activity.
- The Technical Committees consider any regulatory, legal and tax developments affecting the prospects of the private equity and venture capital sector in Luxembourg. When necessary, they contribute to LPEA responses and comment on these developments.
- The Technical Committees develop recommendations to improve the attractiveness of Luxembourg as a centre to domicile, administer and/or manage regulated and non-regulated private equity and venture capital investment, acquisition or financing vehicles or funds.
- The Technical Committees participate in the design and implementation of promotional activities in this sector in Luxembourg and abroad.

Legal committee

The Legal Committee continued examining and addressing legal and regulatory issues to improve the Luxembourg framework for the implementation of investment structures as well as management and advisory functions.

Furthermore the Legal Committee finalised a draft LPEA Code of Conduct to be implemented in 2015. The Code of Conduct aims at preserving and strengthening:

- the integrity of the Luxembourg marketplace for private equity and venture capital as well as its worldwide reputation;
- the confidence of investors and professionals principally active in the field of private equity and venture capital, in the broadest sense of the terms;
- the existing high standards for authorised fund managers – so that they are best equipped to manage the structures; and
- the growth and development of small and medium-sized enterprises (SMEs) in the countries of investment.

Tax committee

The Tax Committee's focus during 2014 has been to monitor the competitiveness of the Luxembourg tax environment for Private Equity, both from a direct tax and VAT perspective.

The Tax Committee has commented on the draft circular regarding the tax treatment of limited partnerships and has provided documents to the Luxembourg Chamber of Commerce regarding the draft advance tax agreement procedures.

Furthermore the Tax Committee has joined the efforts of the BEPS (Base Erosion and Profit Shifting) working groups of EVCA and BVCA to respond to the OECD's discussion papers.

A position paper regarding VAT treatment of limited partnerships, in particular with respect to partnership with GP, is under preparation.

An ongoing monitoring process of issues regarding the new advance tax agreement procedures has been put in place as well as an ongoing collaboration with EVCA regarding BEPS.

Accounting & Valuation committee

The primary goal of this committee is to provide our members with a forum for exchanging ideas on practical accounting and valuation matters that are relevant to the Private Equity community in Luxembourg.

As one example amongst many we would like to mention the presentations on Transfer Pricing issues relevant to our industry.

In 2014 the Accounting & Valuation Committee finalised the "Limited Partnership in Luxembourg - a comprehensive Q&A for all practitioners".

The purpose of this important and useful user guide - which has been a long collaborative effort by many of the committee members - is not to provide an exhaustive accounting, legal and tax framework but rather to answer some of the typical questions private equity managers and service providers may have when setting up and administering a Luxembourg limited partnership vehicle. Finally the Committee took an active role in the "Commission des Normes Comptables" consultation regarding the "révision du plan comptable normalisé".

Promotion committee

The Promotion committee developed recommendations to improve the attractiveness of Luxembourg as a center to domicile, administer and/or manage regulated and non-regulated private equity and venture capital funds and investment, acquisition or financing vehicles or funds.

The committee has undertaken a combination of marketing and promotion activities in the broadest sense supporting the association in respect of all LPEA communication efforts such as roadshows, breakfast conferences, newsletters and newflashes, PE brochure....

The Promotion Committee also played an important role in the translation of the new strategy guidelines into LPEA's day-to-day organisation of events and meetings

Market Intelligence - Training committee

LPEA and EVCA are in discussion to work closer together concerning data collection in order to improve market statistics regarding the Luxembourg PE-VC industry.

The Market Intelligence-Training Committee furthermore is preparing a competitive watch list in order to maintain or even improve the attractiveness of Luxembourg as the European PE-VC hub.

In addition, the Committee has established close contacts with the IFBL regarding PE-VC Training.

SECTION 5

Priorities for the Future



Priorities 2015

For 2015, the priorities of the LPEA are:

Dialogue on three levels

Promote further exchange of knowledge and information between general partners, service providers, government, political constituencies and the CSSF. In a broader extent, also open the dialogue to other real economy players (eg. business, academia, innovation centres, trade associations, etc.) and foreign counterparts.

Thought Leadership

Further develop LPEA's leadership on all Private Equity/Venture Capital related developments, namely by actively contributing and proposing new and improved policies for an attractive and dynamic investment framework. LPEA members' participation through technical committees and the expertise these provide to the sector through publications, events or other initiatives was identified as a key area.



SECTION 6 Membership

The Association, similar to other national PE associations and compliant with the rules and recommendations by the EVCA, has two types of memberships:

The Full Member status will be open exclusively to organizations or persons:

- whose substantial activity consists in the management of equity or quasi-equity financing in privately held enterprises with significant growth potential
- whose main objective is long term capital gains
- who provide active management support to investees

The Associate Member status will be open to organizations or persons:

- who provide ancillary services to the private equity and venture capital industry
- who represent special interest groups that can influence the development of private equity and venture capital

Persons eligible to become associate members include – without limitation – auditors, lawyers, accountants, tax advisers, banks, development organisations and associations etc.

Members

As of April 30th 2015 LPEA is supported by 119 members.

48 FULL MEMBERS:

- | | |
|--|---------------------------------|
| - 3i Luxembourg | - Cipro Partners |
| - AC Nordic Investments | - CVC Capital Partners |
| - Adiant Solar Opportunities | - DHC Luxembourg V |
| - Allegro | - EQT Management |
| - Alpha Private Equity Fund & Management | - Equinox |
| - AMI (Luxembourg) | - Eurazeo Management Luxembourg |
| - Aquasourca | - European Investment Fund |
| - Bain Capital Luxembourg | - Field Point |
| - Bamboo Finance | - Five Arrows Managers |
| - Bridgepoint Services | - Genii Capital |
| - CapMan | - GGM Venture Capital |
| - Castik Capital | - HgCapital (Luxembourg) |
| - Cinven Luxembourg | - IDI Emerging Markets |
| | - IK Investment Partners |

- | | |
|---|----------------------------------|
| - Investindustrial (Bi-Invest Advisors) | - Royalton Partners |
| - LetterOne Holdings | - Saphir Capital Partners |
| - Lone Star Capital Investments | - Sofina Private Equity |
| - Luxempart | - SwanCap Investment Management |
| - Mangrove Capital Partners | - The Carlyle Group (Luxembourg) |
| - Marguerite Adviser | - TPG Capital Luxembourg |
| - Monitor Clipper Partners | - Trilantic Capital Partners |
| - Oaktree Capital Management | - Warburg Pincus |
| - PAI Partners | - Wert Investment Holdings |
| - Permira Luxembourg | - Winvest Conseil S.à.r.l. |
| - Riverside | |

71 ASSOCIATE MEMBERS:

- | | |
|---|---|
| - ABN Amro Bank (Luxembourg) | - Intertrust (Luxembourg) |
| - AIG Europe Limited | - IPES |
| - Allen & Overy | - JTC (Luxembourg) |
| - Alter Domus | - KBL European Private Bankers |
| - Arendt & Medernach | - King & Wood Mallesons (SJ Berwin Luxembourg) |
| - Astris | - KPMG Luxembourg |
| - Atoz | - Linari Law Firm |
| - AVEGA | - Linklaters LLP |
| - Aztec Financial Services (Luxembourg) | - Loyens & Loeff |
| - Baker & McKenzie Luxembourg | - LRI Invest |
| - Banque de Luxembourg | - Luther |
| - Banque Privée Edmond de Rothschild Europe | - Luxembourg Investment Solutions |
| - BDO Tax and Accounting | - Mazars Luxembourg |
| - BIL Luxembourg | - MNKS |
| - Bonn & Schmitt | - Ogier |
| - Bonn Steichen & Partners | - OPF Partners Luxembourg |
| - Brown Brothers Harriman | - Oppenheim Asset Management Services |
| - Caceis Bank Luxembourg | - Orangefield Luxembourg |
| - Capita Fiduciary | - Pandomus |
| - CBP Quilvest | - PriceWaterhouse Coopers |
| - Citco Luxembourg | - RBS Global Banking (Luxembourg) |
| - Citibank International PLC | - Roemers Trapp Pautot |
| - Clément & Avocats | - Sanne Group (Luxembourg) |
| - Clifford Chance | - Sedlo Jimenez Lunz |
| - Crestbridge | - SGG |
| - Deloitte Audit | - Société Européenne de Banque |
| - DLA Piper Luxembourg | - Intesa SanPaolo |
| - DLP Law Firm | - Société Générale Bank & Trust |
| - Elian Fiduciary Services (Luxembourg) | - State Street Global Services (Alternative Investment Solutions) |
| - Elvinger, Hoss & Prussen | - Stibbe Avocats |
| - Etude Loesch | - TMF Luxembourg |
| - Experta Corporate & Trust Services | - United International Management |
| - EY Luxembourg | - Vandenbulke |
| - Grant Thornton Weber & Bontemps | - Vistra Luxembourg |
| - Halsey Group | - Wildgen, Partners in Law |
| - Hogan Lovells (Luxembourg) LLP | |
| - ING Luxembourg | |



Audited Annual Accounts

ASSETS	2014 EUR	2013 EUR
FIXED ASSETS		
Intangible assets	3.004,90	5.603,21
Tangibles assets	0,00	3.588,00
CURRENT ASSETS		
Other receivables within one year	4.000,00	1.250,00
Cash at bank and in hand	267.095,72	175.421,43
TOTAL ASSETS	274.100,62	185.862,64
LIABILITIES		
NET WORTH		
Income surplus brought forward	164.246,49	169.875,04
Surplus / (deficit) for the financial year	80.132,71	(5.628,55)
	244.379,20	164.246,49
NON-SUBORDINATED DEBTS		
Payable within one year	29.721,42	21.616,15
TOTAL LIABILITIES	274.100,62	185.862,64

Profit & Loss

INCOME	2014 EUR	2013 EUR
Membership fees	371.750,00	259.250,00
Sponsoring income	64.850,00	22.275,00
Financial income	345,60	799,53
Other income	700,02	-
Deficit for the financial year	-	5.628,55
TOTAL INCOME	437.645,62	287.953,08
CHARGES		
Wage and Salaries costs	190.018,61	168.250,07
Marketing expenses	93.489,88	43.938,25
Travel expenses	16.062,29	10.732,87
Membership fees	14.600,00	20.465,00
Other general and administrative expenses	30.756,23	32.612,26
Audit fees	5.926,00	2.300,00
Other external charges	350.853,01	278.298,45
Value adjustment on tangible and intangible assets	6.186,31	9.455,06
Bank charges	473,59	199,57
Income Surplus	80.132,71	-
TOTAL CHARGES	437.645,62	287.953,08



LPEA | Luxembourg Private Equity & Venture Capital Association

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