

Press release Library House study on venture capital in Europe

Brussels, 5 June 2007

The European venture capital market is still five times smaller than the US and will struggle to stay ahead of China and India over the next few years, warns a report from UK-based research company Library House.

Library House, the essential source on fast-growth, innovation-led private companies across Europe, presented today “Venture Capital, Innovation and IT: Driving Forward the Knowledge Based Economy”, a survey of information technology venture capital funding in Europe in 2006.

The study, which was sponsored by Microsoft and launched at this year’s Microsoft European Venture Capitalists Summit - confirms that venture capital is a key driver of innovation in Europe, and has given birth to many of the recent successful start-up companies.

Venture capitalists have invested €6.4 billion¹ in 2006 in Europe, 36% of this went to start-ups in the IT sector. But despite this impressive figure, Europe should be worried about competition from China and India: with a growth rate of 55% per annum, China is set to match Europe venture capital investments within 2-3 years. India is likely to follow within 4-5 years.

Dr. Roger Franklin from Library House said: “2006 was a strong year for European venture capital. With the impressive growth rates of the venture markets in China and India, Europe will have to ensure strong and effective support for innovation to maintain its strong position as a global center for investment.”

The report concludes that the main advantage for venture capital investors in the US over Europe is access to a larger pool of investment-ready companies. One reason for this is the lack of funding in Europe, as compared to the US, to help get companies to an investable position and insufficient links between public procurement processes and small companies.

George Coelho of Benchmark Capital Europe said: “In the 17 years I have been investing in Europe, I have witnessed a huge change. Early-stage entrepreneurship is alive and well in Europe; just look at the quality of the entrepreneurs and the many successes we have seen. There is still a lot to learn from the US model, as well as continuing evolution needed to improve our basic structures here, but these are also changing for the better”.

The report was released at a Microsoft-sponsored gathering of 140 venture capitalists and high-potential European start-ups. Microsoft contributed to the Library House research.

¹ * This number is slightly different to a previous Library House data release due to ongoing changes in 2006 data as additional deal information becomes available.

Jan Muehlfeit, Chairman of Microsoft Europe, said: “Small technology companies have a big impact on jobs and growth, but they need our help. Today’s summit of venture capitalists and high-potential start-ups in Brussels has brought the two communities closer together and shown what can be achieved when European entrepreneurship meets capital.”

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Notes to editor

Key Library House report findings

- European venture capital backed companies attracted over €6.4bn of institutional funding in 2006; 36% of this was invested in the IT sector
- In Europe, the UK is the most active venture capital market attracting 31% of total institutional investments across all sectors in 2006
- US venture backed IT companies attracted over five times as much institutional funding as European companies in 2006
- Indian and Chinese venture capital markets are growing by 90% and 55% per annum respectively and will catch up with Europe in 3-4 years
- Public sector support for young IT companies in Europe has delivered results but it could be delivered much more effectively
- Israel and the US show what can be achieved by focusing on proof of concept funding and linking early stage companies to public procurement (e.g. The SBIR programme in the US)

Background on Library House

With over 6,000 private companies and more than 3,000 investors covered by its online service, **VenturePedia**, Library House is the leading intelligence on fast-growth, innovation-led private companies. Library House monitors the companies and trends of the future whether it is the hottest new companies; important sectors to watch; investor summaries; deals and exits; entrepreneurs shaping the future; regional analysis or an overall picture of the state of entrepreneurialism in the UK or Europe as a whole.

Since its founding in 2002, Library House has provided investors, private companies, governments, universities and professional services advisors - access to the most-up-to-date information and analysis that previously had only been available about public companies through its database, reports, events and analysis. Library House is the only company that provides an accurate picture of Europe’s fastest growing private companies. For further information visit www.libraryhouse.net

Background on Microsoft EBT

At Microsoft, the Emerging Business Team (EBT) is focused on matching partners and technology to form innovative collaboration. These tailored partnerships enable companies to benefit from support that accelerates their business growth and

potential, increases their innovative capacities, and helps them get a real foothold in the market place. For more information on the Microsoft Emerging Business Team, please go to www.microsoftstartupzone.com.