



PRESS RELEASE
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VC Fund-raising Environment Remains Uncertain for European Tech Companies in 2004

Newly launched Headline Index reveals slowdown in VC funding in 2004-H2 after a healthy start in 2004-Q1

London, UK – 4 October 2004 – Go4Venture, a London-based corporate finance boutique specialising in mergers & acquisitions (M&A) and equity private placements for European technology companies, reports an uncertain fund-raising environment for European technology companies. After a healthy start in Q1 2004, fund-raising figures since May 2004 reveal a volatile climate for companies seeking investments from VCs.

The reported slowdown in VC funding was announced today with the official launch of Go4Venture's European Tech VC Headline Transactions Monthly Index®, the "Headline Index", which is now available from Go4Venture's web site at www.go4venture.com.

Despite headline grabbing announcements such as the recent \$27mn funding for mobile gaming company In-Fusio or the \$22mn raised by fabless semiconductor start-up Icera, the Headline Index has started indicating a relative slowdown of activity since May 2004 compared to the year before, with September seemingly compensating for the comparatively low activity of May, June and July.

According to Go4Venture, the recent relative slowdown in VC funding is the result of at least three trends:

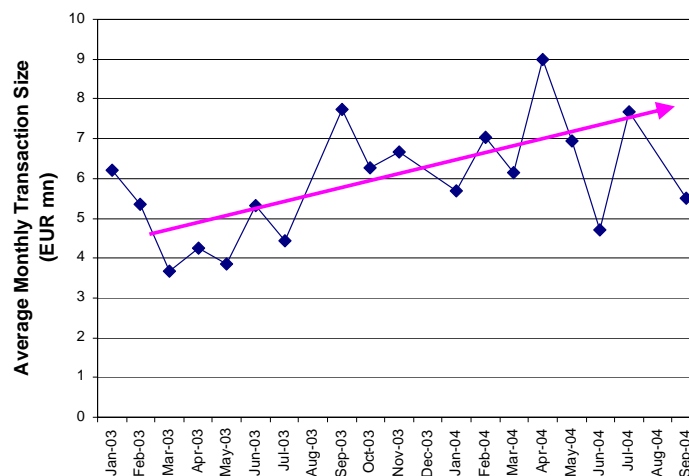
1. Just like the European VC market did not contract to the same extent as the US, the European market is not returning to its previous health nearly as rapidly, reflecting perhaps a lack of confidence of market participants in European VC returns.
2. As a corollary, VCs are showing extra care in deploying money in Europe, resulting in slow decision making to get to termsheet and elongated due diligence processes.
3. Finally, a number of VCs are simply running out of money, having been unable to raise another fund during the last few years. As a result, they have reduced investment activity to conserve cash for their existing portfolio lines and are focusing their operations on their own fundraising.

“Although the market sentiment is getting better, this is more driven by recent successful exits such as the sale of UK KVault Software to Veritas for \$225mn or, earlier in the year, the successful acquisition of Kelkoo by Yahoo! for \$575mn”, said Go4Venture Managing Director, Jean-Michel Deligny. “When looking at the hard facts of fund-raising, the market is becoming incredibly selective, creating a much more demanding environment for European technology entrepreneurs.”

An increasingly demanding fund-raising environment

From its data, Go4Venture sees a market increasingly dominated by deep pocketed international investors, focusing on fewer but larger investments, resulting in a growing average fund-raising size since the beginning of 2003.

Average Size of European Tech VC Headline Transactions (per month)



“This analysis underlines once more the ever greater selectivity of the VC market, just like public markets look at IPOs on a deal by deal basis, with much more scrutiny than ever before. In the VC fund-raising world, this translates into elongated processes and often the need to cast the net wider into the broader international VC community,” commented Ian McLoughlin, a Director with Go4Venture. “As a result we are seeing an increasing use of advisers as a way to maximise the chances of fund-raising success, just like VCs themselves use specialists when seeking funds from institutional investors.”

Stronger recovery going forward

Interestingly, as VCs have started to return to Series A investments, the average fund-raising size has started to reduce, a sign of the market returning to health in the months to come, with the new crop of early-stage start-ups underpinning the next VC investment cycle for the next 3 to 5 years as VCs raise new funds.

As more funds improve their exit track record and succeed in raising new money during the course of 2005, Go4Venture expects the market to rebound more.

“We are on record¹ as predicting a slowdown of activity during the second part of this year with a more solid recovery in 2005. The trends highlighted by the Headline Index support this view”, added Deligny.

The Headline Index captures the deals prominently featured in major publications and news feeds read by VC professionals. As a result, it can be compiled on a near real-time basis and aims to offer VCs and entrepreneurs a snapshot of the level of VC funding activity in Europe on a monthly basis. Started initially in September 2002, the Headline Index has now two years worth of data, and has proven a good proxy for established industry surveys.

About Go4Venture

Go4Venture (www.go4venture.com) is a London-based independent corporate finance advisory firm focused on providing equity private placement and M&A services to Europe’s leading technology companies and their investors. Set up in 2001 by Jean-Michel Deligny, a former Head of European Technology Corporate Finance at UBS, the company has completed five fund-raising transactions in the last two years, including a ground-breaking deal for Zurich-based esmertec (www.esmertec.com), a world leader in java technologies for mobile phones, for which Go4Venture raised a EUR 23.5mn third-round in October 2003 - at the time, the largest fund-raising in the European software sector for the previous 18 months.

About Go4Venture’s Headline Index

Go4Venture’s European Tech VC Headline Transactions Monthly Index® is an index compiled by Go4Venture on a monthly basis as an early indicator of the evolutions of the market for VC funding for European information technology companies. The index tracks the deals reported in major publications and news feeds. From October 2004, the Index will be available two working days after the end of the calendar month on Go4Venture’s web site.

The underlying data is available by request from ian.mcloughlin@go4venture.com.

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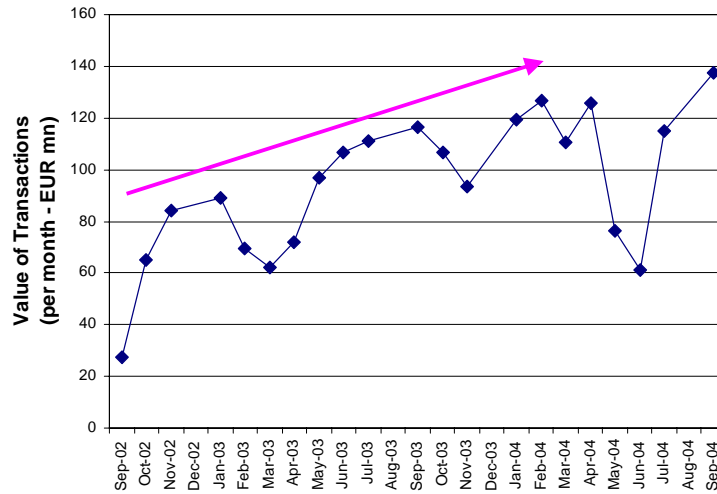
¹ See Market Review: Technology Private Equity – 2004 Market Trends, ComputerWire Technology Finance, January 2004.

Notes to Editor – more information from the Headline Index :

Recovery since summer 2002 – but at a slow pace

The Headline Index has charted the growing recovery of the European VC market since September 2002 and is now being used by Go4Venture to measure how strong and sustainable the recovery may be in the context of an uncertain macro environment. The Headline Index data shows a strong recovery from September 2002 up to April 2004, once the expected seasonality around Summer and the end of the year is excluded.

Total Value of European Tech VC Headline Transactions (per month)



Contrasted – and uncertain - 2004

When comparing 2004 year-to-date vs. 2003, the results are less clear, with an obvious acceleration between January and April 2004, but a relative slowdown since then.

Total Value of European Tech VC Headline Transactions (per month) 2003 and 2004 (Year-to-Date) Comparison

