



Monthly European Technology Venture Capital Bulletin

April 2006

The Go4Venture Monthly Venture Capital Bulletin is a publication commenting on the latest results from our European Technology VC Headline Transactions Index®.

Go4Venture's European Tech VC Headline Transactions Index is based on the number and value of transactions reported in professional publications. The Index is compiled on a monthly basis as an early indicator of the evolution of the market for venture capital funding for European information technology companies.

For more details please refer to the Methodology Note available at www.go4venture.com/resources/hti.htm

About Go4Venture

Go4Venture is a London-based corporate finance Consultancy firm focused on providing European technology entrepreneurs and their investors with impartial advice to help them develop and execute growth strategies.

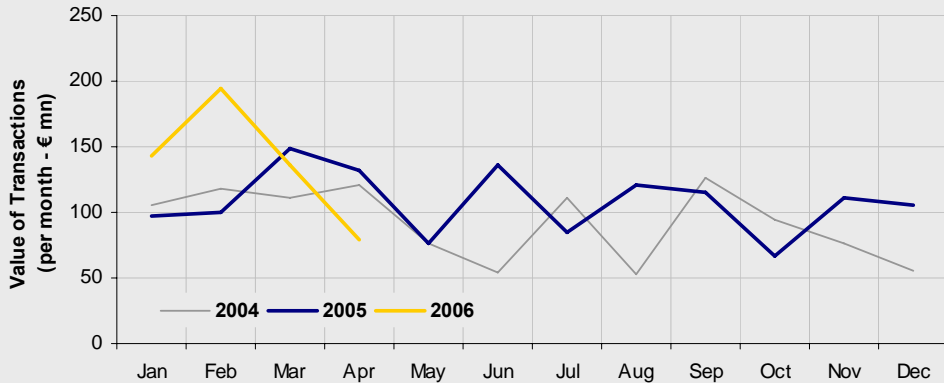
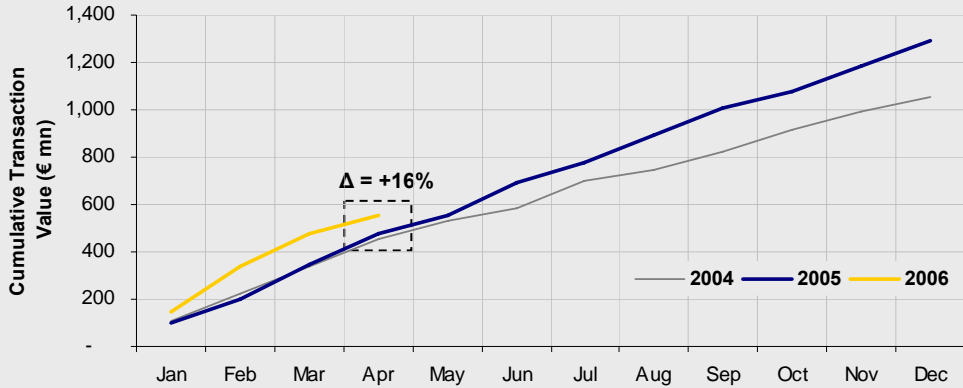
Our services encompass:

- Strategic information and valuation
- Financing strategies
- Buy and build strategies
- Exit strategies (trade sale and IPO Consultancy)

We are particularly well-known for our international equity private placement services, where we have developed a reputation second to none in Europe among international VCs.

April saw a dramatic slowdown in financing activity

Headline Transactions Index



- Fundraising activity was very quiet during April, with just three Headline Transactions of more than €7.5 million.
- Interestingly, none of these deals were in the UK, but two were in France, fully financed by local investors, re-emphasizing the significant depth of the French VC market (as well as the strong pipe-line of innovation coming from the country, on the back of high quality education and a vast panoply of subsidies and other mechanisms to support R&D).
- Despite the drop in deal flow this month, the Headline Transaction Index (HTI) is still comfortably ahead on a cumulative basis compared to the same period last year (€555 million total transaction value up to the end of April 2006 as compared with €476 million at the same point last year).

HTI is still well ahead of last year on a cumulative basis

Top Headline Transactions

3 deals above our usual €7.5mn threshold

| Company | Sector | Series | Size €mn | Description | Participants |
|---|-------------------------------|--------|----------|--|---|
| Varioptic (France) www.varioptic.com | Semiconductors | C | 16.4 | Provider of electrically-controlled optical liquid lenses for optical designers. | Delphis Iris Capital PolyTechnos Venture Partners Sofinnova Partners XAnge Private Equity |
| Smart Fuel Cell (Germany) www.smartfuelcell.de | Application-specific hardware | Later | 15.0 | Provider of fuel cell systems for portable devices. | Not disclosed |
| Streamezzo (France) www.streamezzo.com | Telecom software | B | 11.0 | Provider of a software suite for rich-media technology on mobile devices. | AXA Investment Managers Private Equity France Telecom Technologies GET Valorisation I-Source Gestion Sofinnova Partners Sofinnova Ventures |

Note: **Bold** indicates lead or co-lead investor(s)

- Varioptic (France)** completed a €16.4 million Series C financing with existing investors Sofinnova Partners and Polytechnos Venture Partners, joined by new investors Iris Capital, XAnge Private Equity and Delphis. Varioptic has developed a technology to manufacture auto-focus liquid lenses for applications in camera phones, digital cameras and other mobile imaging devices. From a comparatively low base in 2005, the company is projecting revenues of €5 million for 2006, as royalty fees from optical module manufacturers (particularly for the mobile phone market) ramp up.

Varioptic is in the same field as Dialog Semiconductor which announced a €22.3 million Series A spin-off round in February 2006, also targeting the mobile phone market. Where Dialog attracted 3i, Doughty Hanson and GIMV, Varioptic instead opted for an all-French round, which demonstrates the depth of the French VC market, the second largest in Europe after the UK. Among the new investors, it is worth highlighting XAnge, a fund sponsored by the French Post Office, and Delphis, a fund managing the private equity interests of Marc Fourrier. M. Fourrier is a well known French serial entrepreneur, having founded a series of successful companies such as Eurosept Associates (sold to EDS), Cleversys (sold to Kurt Salmen & Associates), Ilog (PAR: ILO), Wavcom (PAR: AVM) and most recently Kyala (private).

Top Headline Transactions (cont.)

- **SFC Smart Fuel Cell (Germany)** has raised €15 million in equity capital from several unnamed European institutional investors. SFC develops innovative portable energy supply solutions based on methanol-powered fuel cells ('Direct Methanol Fuel Cell' technology or DMFC). In 2005, an SFC product became the world's first fuel cell to be fitted as standard in a vehicle (a motor home). Compared to traditional batteries, fuel cell technology has a number of advantages; in particular, fuel cells have a limitless number of cycles, are clean and efficient. Until recently, fuel cells have been expensive to produce but as prices come down they are now a leading candidate for the next generation of batteries for portable device applications.

PriCap Venture Partner AG and 3i have been participating in SFC as investors since its start in 2000. PriCap is a €50 million early-stage German VC fund founded in 1998. Why the company does not identify its new investors is anybody's guess.

As investors try to diversify away from IT, energy is proving to be a fruitful field of innovation where VCs may find attractive investment opportunities. Part of the interest is driven by successful IPOs in fields such as solar energy production (e.g. Q-Cell and ErSol last year on the German market) or oil extraction technologies (e.g. OHM on the UK AIM market).

- **Streamezzo (France)** has secured an €11 million Series B funding round from lead investors Sofinnova Partners and Sofinnova Ventures, who join existing investors AXA Private Equity, I-Source, France Telecom Technologies Investissements and GET Valorisation (a French education institute specialising in telecoms). Streamezzo develops a technology which allows streaming of media content onto mobile phones using LAsER, the most recent addition to the MPEG family of compression standards. The technology is used in rich media user interfaces for mobiles, and streaming solutions for TV and other mobile content. According to Streamezzo, the market for TV applications and rich-content portals is estimated to be worth \$50 million in 2006, growing to \$1 billion by 2009.

Streamezzo is a spin-off from France Telecom's R&D labs. The company aims to set the standards for rich content media delivery to mobile phones, an exciting market driven by the ever increasing number of mobile TV service pilot launches. The market is obviously highly competitive, with players such as Qualcomm and its Flo solution and Adobe/Macromedia with its Flash family of products. It is noteworthy that the two Sofinnovas invested together. Sofinnova Partners is the European arm of the franchise, with Sofinnova Ventures focusing on the US market. They have a number of other investments in common such as Volubill, a mobile infrastructure software company, and Upek, a leading manufacturer of fingerprint readers for portable devices. Some other well-known funds (such as Accel and Benchmark) have the same model, whilst other VCs (such as Atlas Venture) prefer to invest from a single, global fund.

Go4Venture

1 Hay Hill
Berkeley Square
London
W1J 6DH

+44 (0)20 7958 1672
vcbulletin@go4venture.com

Disclaimer

The contents of this publication are for general information and use only and are not intended to address the particular investment or other requirements of any recipient. In particular, the information provided does not constitute any form of advice, representation or recommendation regarding any investments and does not constitute an offer to buy or sell the securities of any company. This publication is not intended to be relied upon in making any specific investment or other decisions. Appropriate independent advice should be obtained before making any such decision.

Copyright: 2006 Go4Venture. All rights reserved.