

Monthly European Technology Venture Capital Bulletin

June 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.

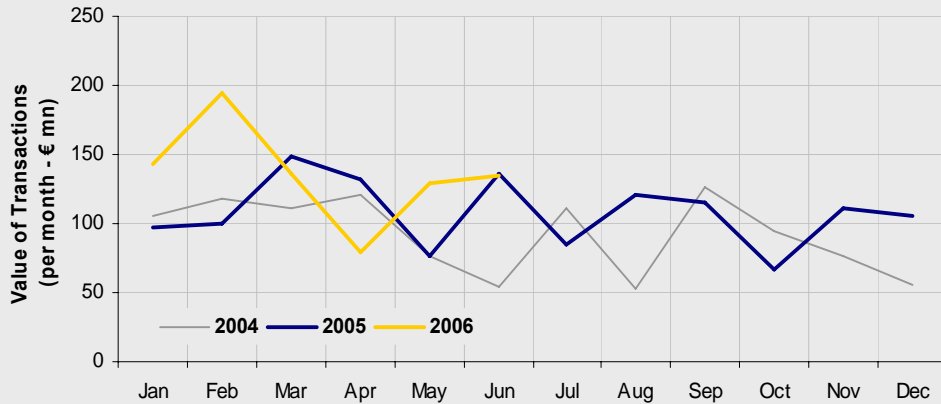
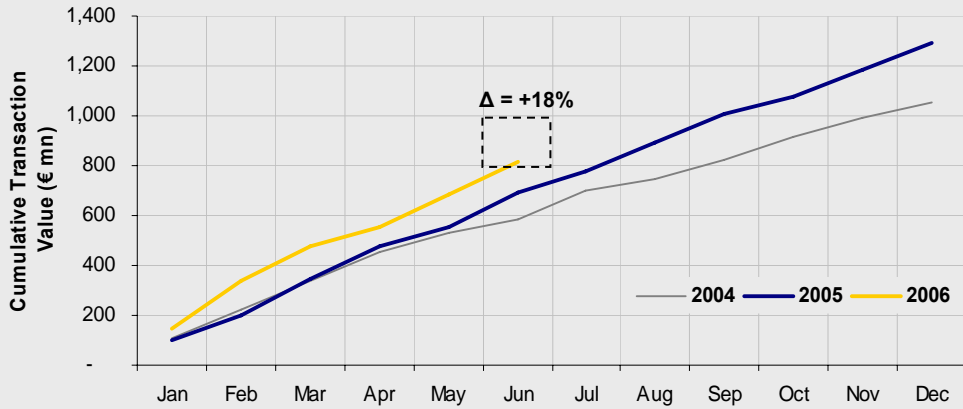
Our services encompass:

- 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.

June had a similar level of activity to May

Headline Transactions Index



Another busy month with 15 deals

- The market continues its steady progression with €135 million invested in June. Although this is flat compared to June last year, since the beginning of the year the market is 20% up compared to last year.
- Like last month we had a rather high number of Top Headline Transactions (i.e. investment of €7.5 million or higher) with 8 companies in that category.
- It is worth noting that the index this month is dominated by an unusual “convergence” investment, a €38 million investment in Digi TV Plus, an all-digital TV broadcaster using digital terrestrial television (DTT) standards.

Several fund raisings in media services this month

Top Headline Transactions

8 deals above our
€7.5 million
threshold

Company	Sector	Series	Size €mn	Description	Participants
Digi TV Plus (Finland) www.digitv.fi	TV & Media Services	B	38.0	Distributors of digital television channels in Finland.	Baker Capital Provider Venture Partners
BridgeCo (Switzerland) www.bridgeco.net	Hardware Equipment	D	19.1	Provider of IC's and processors for networking home audio systems and other digital home networking solutions.	Advent Venture Partners Benchmark Capital Cipio Partners Earlybird Fidelity Ventures Intel Capital Wellington Partners
Identec Solutions (Austria) www.identecsolutions.com	Semi- conductors	Later	11.8	Provider of radio-frequency identification (RFID) solutions that offer real-time visibility of company assets and activities.	RFID Invest AG
Scibase (Sweden) www.scibase.se	Hardware Equipment	B	10.9	Developer of instrumentation for non-invasive diagnostics and monitoring of tissue alterations and skin cancers.	CapMan Group Investor Growth Capital SEB Foretagsinvest
Sports Medias (France) www.sport.fr	Online Information Content	C	10.0	Provider of a weekly magazine, website and digital media featuring sports news in French.	Complete Leisure Group Credit Agricole Private Equity Galileo Partners Iris Capital
Ipnotic Telecom (France) www.ipnotic-telecom.fr	Telecom Services	A	9.6	Provider of alternative low cost telecomm solutions and services.	A Plus Finance CDC Entreprises Innovation CM-CIC Capital Prive Telemedia Networks Turenne Capital Partenaires
Nanoradio (Sweden) www.nanoradio.com	Semi- conductors	B	9.1	Provider of fabless semiconductors and system integration products for the cellular handset and consumer electronics markets.	Industrifonden Innovacom Nordic Venture Partners Teknoinvest Management
Lagan Technologies (UK) www.lagan.com	Application Software	C	8.6	Provider of customer relationship management software (CRM).	Cazenove Private Equity

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

- **Digi TV Plus (Finland)**, the distributor of digital television channels in Finland, has raised a €38 million Series B round of VC funding from Baker Capital as lead investor, with Provider Venture Partners, who provided the original €2 million Series A investment. This round will be used for the launch of its digital terrestrial TV (DTT) service in November 2006. Finland plans to shut down its analogue network nationwide within a year, making it the first European country to move fully to digital television.

Top Headline Transactions (cont.)

This funding is unusual in that it is a pure media investment, except that it leverages digital technology which leads us to include it as a technology investment, just like we include online retailers. The other unusual aspect is the size of the round, which makes it the largest tech investment for 2006. What is even more exceptional is that the company is only half a dozen people, which must be a recent record in terms of amount raised per head.

Baker Capital (www.bakercapital.com) is a New York-based fund with over \$1.5 billion under management which invests in the communications and networking space. They only have a handful of investments in Europe but have had a positive experience with their investment in Canal+ Television, the leading pay-TV provider in the Nordic region which they sold to SBS Broadcasting in February 2005.

- **BridgeCo (Switzerland)**, a provider of IC's and processors for networking home audio systems and other digital home networking solutions, has raised €19.1 million in a Series D round of VC funding from Advent Venture Partners and Wellington Partners, together with existing investors Benchmark Capital, Earlybird Venture Capital, Fidelity Ventures, Infineon Ventures (whose portfolio is now managed by Cipio Partners) and Intel Capital. Proceeds from the financing will be used to accelerate market adoption and product development activities.

BridgeCo is a typical case of a company originated in Europe (Switzerland) but has now moved its headquarters and top management to the US, closer to its key partners (the content companies in this particular instance), and has left its R&D remaining in Zurich. In our quest for tracking European successes, we believe it makes sense to keep these types of companies as part of our index. In the case of BridgeCo, the case is even more compelling since the round was led by two well established European VC's (following investment by blue chip US VC's such as Benchmark, Fidelity and Intel) with initial funding by Munich-based Earlybird.

- **Identec Solutions (Austria)**, a provider of radio-frequency identification (RFID) solutions that offer real-time visibility of company assets and activities, has raised €11.8 million in a late stage financing provided by RFID Invest AG. The new financing package will serve as a basis for long-term expansion of Identec Solutions' market leadership in industrial active RFID systems.

Top Headline Transactions (cont.)

Identec's financing follows recent investments in Tagsys, a provider of end-to-end RFID systems which recently raised €28 million (reported in our May 2006 edition) and Inside Contactless, a provider of contactless chipsets for RFID applications, which got a €9.3 million investment at the end of last year (reported in December 2005). These investments show that RFID technology is coming of age, with full-scale deployments now taking place.

RFID Invest AG (www.rfidinvest.eu) is a VC fund from Lichtenstein specialising solely in RFID companies, with investments in Bibliotheca, ER System, Identec, and Proveo, all companies in either Germany or Switzerland.

- **SciBase (Sweden)**, developers of instrumentation for non-invasive diagnostics and monitoring of tissue alterations and skin cancers, have secured a €10.9 million Series B investment led by Investor Growth Capital, joined by existing investors CapMan Group and SEB. The company is continuing its clinical studies and expect a further round of financing in the later part of next year.

This is a good example of a medical technology investment, which are becoming more prevalent among traditional European technology VCs. The sector used to be spurned as providing too middle of the range returns (e.g. bone implants) but the application of digital technologies is broadening the range of applications leading to higher volume markets and therefore more scalable companies.

Investor Growth Capital (www.investorab.com) is the VC arm of Investor, the investment arm of the Wallenberg family, with over \$0.5 billion under management. They have a considerable track record of investment in medical technology and to a lesser extent in life sciences, and a handful of investments in IT. CapMan (www.capman.com) is one of the largest private equity investors in the Nordic region, with \$2.3 billion under management and has been quoted on the Helsinki stock exchange since 2001. SEB Foretagsinvest (www.foretagsinvest.seb.se) is the VC arm of SEB, the Swedish banking group operating across Scandinavia.

- **Sports Medias & Stratégie (France)**, a provider of weekly magazines featuring sports news in French, have secured a third round of funding for €10 million (Series C) from Iris Capital, Complete Leisure Group, and its existing financial investors Galileo Partners and Crédit Agricole Private Equity. This round of funding is to be used to launch its free weekly magazine SPORT in the UK and to expand its online media business.

Top Headline Transactions (cont.)

Sports Media is one of those investments which straddle media and technology. The business model itself is quite innovative and is turning the traditional media business model on its head by not charging readers a fee. As an innovative company they also plan to use modern communication technologies to exploit their content and customer base. Worthy of note also is an early internationalisation strategy, which by itself is also quite novel for such an early stage media company. Final feature worth highlighting is a UK-based co-investor to accompany the expansion into the UK.

- **Ipnotic Telecom (France)**, a provider of IP telephony and VoIP services in France, has announced that they have raised a €9.6 million Series A round of financing led by Turenne Capital, together with CM-CIC Capital Privé, CDC - Entreprises Innovation (CDC-EI) and A Plus Finance.

Ipnotic is a spin-off from Telemedia Group (www.telemedia.fr), a leader in value-added services in the early 1980s, which funded the initial R&D to the tune of €3 million. This investment follows the successful €16 million fund-raising of B3G Telecom (reported in January 2006), another IP-based telecom operator. This confirms the market interest for next generation alternative operators.

- **Nanoradio (Sweden)** is a fabless semiconductor company which claims to have developed the world's best WiFi chipset (smallest and lowest power) targeting headsets, mobile phones and portable media devices. Nanoradio has just announced a €9.1 million Series B entirely provided by existing investors Industrifonden, Innovacom, Nordic Venture Partners and Teknoinvest Management. This is to secure volume ramping of its first generation WiFi chipset, and continue funding R&D. Volume shipments should be available by October at a price which will result in savings for users estimated at \$1 to \$2 per unit.

This is a case of existing investors providing the next round of financing to avoid unnecessary dilution in the expectation of a value uplift after the next milestone (in this case volume shipment in the Fall). In other circumstances, investor may have chosen a bridge financing (typically a convertible loan) to avoid setting too low a price or force dilution on founders and management. Depending on the amount required, a venture loan may also be a useful tool to "time-shift" setting the price.

Top Headline Transactions (cont.)

- **Lagan Technologies (UK)**, a provider of customer relationship management software (CRM) has announced that they have closed an €8.6 million Series C round of funding from Cazenove Private Equity to support the company's next phase of growth in the UK and international public sector markets.

Lagan is an example of a successful vertical application software provider, taking an horizontal application (CRM) and making it specific to the needs of a particular sector, central and local governments. Interestingly, the company is taking its solutions across borders (UK and US), which is key to making a vertical sector approach sufficiently exciting for VCs. What is remarkable here is that public sectors are typically very different from one country to another, which suggests the full use of modern, easily customisable IT.

It is also worth mentioning that, following their merger with early-stage investment fund Prelude and their spin-off from their parent, Cazenove Private Equity are now known as Esprit Capital Partners (www.espritcp.com). As often with Cazenove, the investment is concomitant with a strengthening of the management team, with the appointment as CEO of Jon Brooks, the former managing director of Geac Software Solutions.

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