



Monthly European Technology Venture Capital Bulletin

September 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

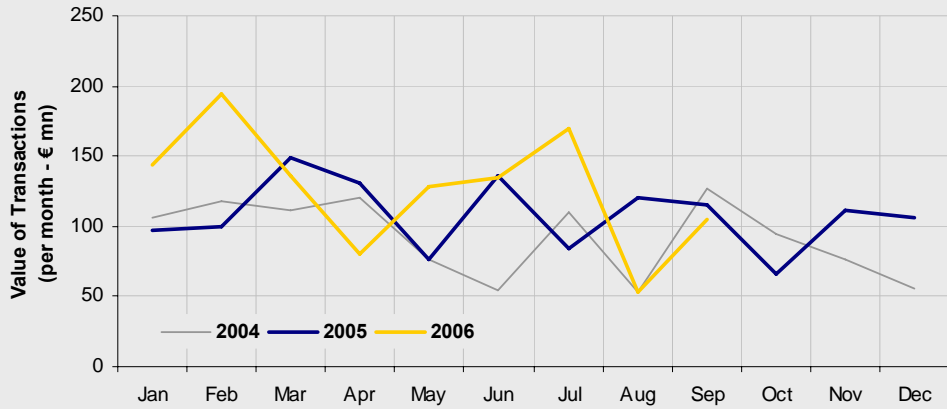
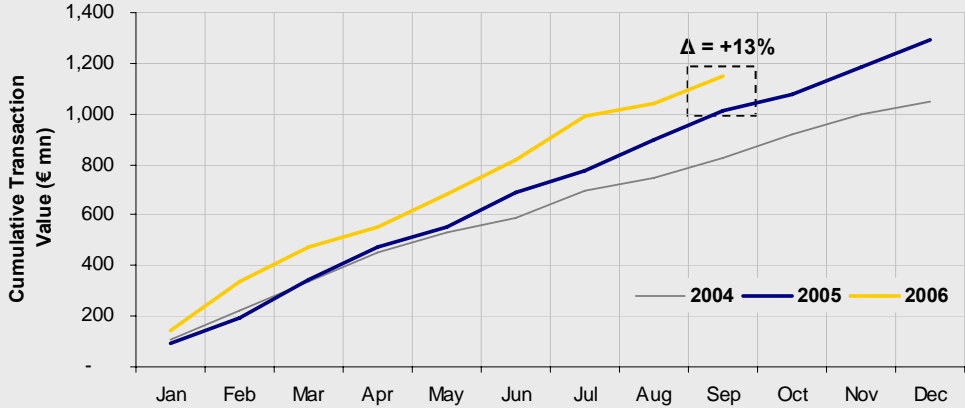
Go4Venture is a London-based corporate finance Consultancy firm focused on providing European technology entrepreneurs and their investors with impartial advice to help them develop and execute growth strategies.

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.

Headline Transactions Index



Activity has picked up since August this year

A fairly busy month with 6 deals

- Fund raising activity remained sustained with a 10% increase compared to August (admittedly a usual low point in the calendar) making September 2006 slightly ahead of September last year (+13%).
- Six headline transactions this month with one large series A financing (EUR 15.7 million which is unusually large) by Rebtel Networks.
- As usual, the UK and France top the list of nations for having raised the most amount of finance.
- Sofinnova Partners, Advent Venture Partners and Accel have been the most active this September with two, two and three deals respectively.

One large series A funding this month

Top Headline Transactions

6 deals above our
€7.5 million
threshold

Company	Sector	Series	Size €mn	Description	Participants
Inside Contactless SA (France) www.insidefr.com	Semiconductors	Later	19.6	Developers of contactless semiconductor technology which are used in smart cards, key fobs, mobile phones, handheld devices, POS and PC peripherals.	Equitis European Technology Ventures EuroUs Ventures GIMV Granite Global Ventures Siparex Group Sofinnova Partners Vertex Management Vertex Venture Capital Israel VISA International
Rebtel Networks (Sweden) www.rebtel.com	Telecom Services	A	15.7	Providers of VoIP services from mobile phones to international destinations at economic rates.	Benchmark Capital Index Ventures
DeepStream Technologies (UK) www.deepstream.com	Hardware Equipment	B	12.0	Providers of intelligent embedded sensors for housing, automation, lighting and motion control.	3i Group Doughty Hanson Technology Ventures
Operax (UK) www.operax.com	Telecom Services	C	11.8	Bandwidth management specialists and providers of QoS control for IP broadband networks.	Nomura International Nordic Venture Partners Innovacom Emano
Ubiquisys (UK) www.ubiquisys.com	Telecom Hardware	B	9.4	Developer of 3G access points for the residential market using zonegate femtocell technology.	Accel Partners Advent Venture Partners Atlas Venture
Oxxius (France) www.oxxius.com	Hardware Equipment	B	7.9	Providers of solid state laser modules and light solutions.	AXA Investment Managers Private Equity Sofinnova Partners Sofinnova Ventures

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

- Inside Contactless (France)**, a provider of contactless chipset technology, has raised EUR 20 million in a later round of financing led by new investor **Granite Global Ventures (GGV)**. Another new investor in this round was EuroUS Ventures as well as original investors which include Equitis, European Technology Ventures, GIMV, Sofinnova Partners, Vertex, VISA International and the Siparex Group. Inside Contactless is the only company dedicated exclusively to semiconductor contactless technology. They have 55 patents gathered over 10 years and the technology that they provide is what is being used increasingly these days for items like transportation cards, mobile phones, car parks and toll stations among other applications. The funding will mostly be used to finance a greater sales and marketing presence in the US and Asia.

Top Headline Transactions (cont.)

With this round, Inside Contactless has raised in excess of EUR 50 million, making it part of the fairly small league of heavily capitalised European VC-based companies. Interestingly the round is led by GGV (www.ggvc.com), a Menlo Park-based VC fund. This is GGV's first investment in Europe which is yet again another example of US funds without local presence venturing in Europe. It is also worth pointing out that Sofinnova Partners, who themselves only got into the company in 2005, remain the largest shareholder. Altogether, the existing investors contributed more than half the total amount raised in this round. Another recurring feature is that the business is now headed by an experienced industry executive, Remy de Tonnac, formerly with Gemplus and ST Microelectronics followed by a stint as a venture partner with investor Vertex.

- **Rebtel Networks (Sweden)**, a provider of inexpensive international calling services from mobile phones, have **secured EUR 16 million in a series A round of financing from Index Ventures and Benchmark Capital**. What is unique about this company is the extremely cheap call rates for unlimited calls even from mobile phones. It allows users to set up local numbers in over 35 countries which users can then dial from or get their overseas friends to dial to.

By amassing \$20 million in a Series A within 9 months of starting, Rebtel Networks must be establishing a new record for a European startup – or pretty close. But then again it demonstrates that in internet and mobile services VCs value momentum, particularly for companies set up by successful entrepreneurs. The two founders were behind Sendit, a company which they sold for \$130 million to Microsoft in 1999.

- **DeepStream Technologies (UK)**, a manufacturer of embedded intelligent sensors which are used to capture valuable data from remote devices, have **secured a series B round of EUR 12 million led by the 3i Group** to enable the expansion of the company's range of solution platforms for new markets. DeepStream's sensor technology captures data and this helps customers in the energy management sector to improve their product offerings for building automation applications or electrical appliances. Other investors in the round were Doughty Hanson Technology and DeepStream Technology Ventures Management themselves.

The company's strength is its ability to embed intelligent sensor components into electromechanical products at very little extra cost. Initial applications include the electronic protection of switchgear products, building automation and energy management. The company originated in Wales and has benefited from a considerable amount of local support, bringing the total funding to £25 million for only £14 million of VC and management's money invested.

Top Headline Transactions (cont.)

- **Operax (Sweden)**, a provider of carrier grade solutions for Quality of Service (QoS) and bandwidth management of multi protocol, multi vendor broadband networks, have **secured EUR 11.8 million in a series C round of financing led by Nomura International** with existing investors Nordic Venture Partners, Innovacom and Emano also participating.

Since its start in 2000, Operax has been through a number of financing rounds raising a total of EUR 30 million, which makes it a substantial investment by European standards. The whole area of network optimisation and quality control is an area which has attracted a lot of interest from corporate buyers, with deals such as Cisco's \$200 million acquisition of P-Cube in August 2004 or Juniper Networks purchase of Perebit for EUR 260 million in April 2005.

Another point worth highlighting is the return of Nomura International to European tech VC investments. Nomura was very active in the late 1990s and early 2000s but retreated from the European market in more recent years, while continuing their investments in the US. No doubt another sign of the European tech VC market rebounding.

- **Ubiquisys (UK)**, a provider of mass market wireless access points for residential real estate have **secured EUR 9.4 million in a series B round of funding led by Accel Partners, Advent Venture Partners and Atlas Ventures**. Ubiquisys use advanced femtocell technology to provide high-quality, low cost indoor coverage for consumers using existing GSM/UMTS (a 3G standard) handsets.

The investment in Ubiquisys is reminiscent of the investment in IP.Access, featured in our March 2006 Newsletter (they raised a EUR 12.2 million Series A investment led by SEP, together with Intel Capital and Rothschild & Cie Gestion). Ubiquisys is another variation on the pico cell model, this time focused on the mass-market, offering mobile operators a way to keep their mobile users by allowing them to piggy back on their DSL lines while still using their mobile handsets. The company was initially financed by Advent Venture Partners and Atlas Venture, with Accel now joining as a Series B investor.

- **Oxxius (France)**, a manufacturer of ultra compact, low cost lasers for industrial and scientific applications, has **secured a series B round of financing for EUR 8 million from lead investor Sofinnova Partners** who is joined by sister fund Sofinnova Ventures and AXA Private Equity.

This is the second investment by Sofinnova Partners in September and again, another example of them following through on one of their previous investments as a lead investor. They are taking full advantage of their fifth EUR 385 million January 2005 fund. Sofinnova Partners display a fairly aggressive investment style more like some of the high profile US funds rather than the traditional European VCs.

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