



Monthly European Technology Venture Capital Bulletin

December 2008

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/research/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.

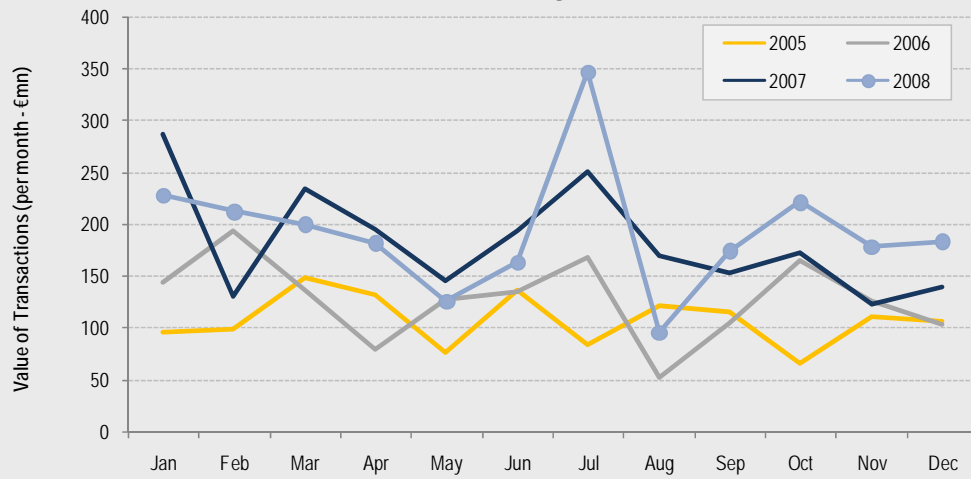
Our services encompass:

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

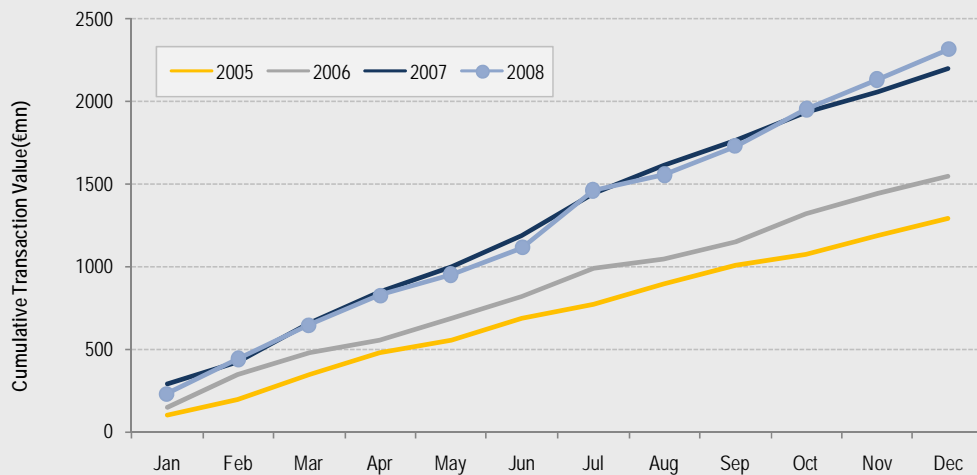
We are particularly well-known for our international equity private placement services, where we have developed a reputation second to none in Europe among international VCs.

Further Go4Venture research is available on our Web site at www.go4venture.com/research.hti.htm.

Go4Venture HTI Index by Deal Value



Go4Venture HTI Index Cumulative Deal Value



- In December 2008 we tracked 22 transactions in our proprietary Headline Transaction Index (HTI), in line with the 23 investments recorded in the same period last year. Total monthly amount invested was €183.9mn, 32% higher than €138.9mn December 2007.
- 2008 end of year cumulative volume is €2.3bn compared to €2.2bn in 2007, which itself was a record year since we started compiling our index in 2002. Counter intuitively to general market indicators, the HTI shows no slowdown in the market in the second part of the year. Given that the HTI leans more towards deals with larger reported values, this suggests that the top end of the market in terms of deal size is livelier than the market as a whole.
- We continue to see a healthy number of larger deals. We tracked seven large HTI deals (\geq €7.5mn, £5mn, or \$10mn) this month, compared to five in December 2007. Three of December 2008's deals were what we term 'landmark' in size (\geq €20mn): Icera (€53.9mn), MetallKraft (€22.8mn) and Patersons (€22.8mn). This compares to two deals of this size in this same month last year.

- Three of the seven large investments we tracked in December 2008 were internal rounds (Icera, Neocase and Taptu), which indicates that the lack of IPO and M&A activity as well as pressure on valuations has left companies increasingly looking to their current investors to extend the runway.
- Out of the four 'proper' rounds in which outside capital was raised, three are in cleantech, which remains one of the remaining growth areas in the current venture market. It is interesting to note that all of the cleantech deals profiled this month, Metallkraft, Chemrec and Recupyl, are recycling companies.

Top Headline Transactions

Ordered by decreasing deal size

Company Name	Sector	Round	EUR (mn)	Description	Investors
Icera (UK) www.icerasemi.com	Hardware	Later*	53.9	Fabless producer of software defined modem chipsets	3i Group, Accel Partners, Amadeus Capital Partners, Atlas Venture, Balderton Capital, ETV Capital, MMV Financial
Metallkraft (Norway) www.metallkraft.no	Cleantech	Later	22.8	Recycler of cutting slurry for the silicon wafer industry	Black River Asset Management, Capricorn Venture Partners , existing investors
Patersons (UK) www.patersons.net	Software	A	22.8	Provider of internet-based HR and payroll management software	Rho Ventures
Chemrec (Sweden) www.chemrec.se	Cleantech	B	15.6	Provider of energy and chemical recovery systems	Environmental Technologies Fund, VantagePoint Venture Partners, Volvo Technology Transfer
Recupyl (France) www.recupyl.com	Cleantech	B	14.5	Hazardous waste recycler	AGF Private Equity, Aloe Private Equity
Neocase (France) www.neocasesoftware.com	Software	Later*	7.7	Provider of customer service software	CDC, Iris Capital
Taptu (UK) www.taptu.com	Internet Services	B*	6.9	Mobile search company	3i Group, Sofinnova Partners

Source: Go4Venture

* Internal round

Bold indicates lead investor(s)

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Icera (UK) www.icerasemi.com	Hardware	Later	53.9	Fabless producer of software defined modem chipsets	3i Group, Accel Partners, Amadeus Capital Partners, Atlas Venture, Balderton Capital, ETV Capital, MMV Financial

- **Icera (UK)**, a fabless producer of software defined modem chipsets, **has secured €53.9mn (\$70mn) of new financing, of which €46.2mn (\$60mn) was provided as an internal round by 3i, Accel Partners, Amadeus Capital Partners, Atlas Venture, and Balderton Capital.** In addition, the Company raised €7.7mn (\$10mn) of debt financing from ETV Capital and MMV Financial. The funds will be used to carry the Company to profitability.

Started in 2002 by Element 14 founders Stan Boland and Simon Knowles, Icera focuses on the mobile high-speed packet access (HSPA) market and began shipping its silicon for the 3G broadband card market in 2007. The Company is headquartered in Bristol, UK, and has design locations in the France, North America and the UK, and sales and support offices in Asia, Europe and the US.

Icera's value proposition stems from the fact that the Company produces designs for software programmable chipsets that allow devices to be instantly upgraded to new protocols as they are released. Currently Icera has plans to support the next generation 4G Long-Term Evolution (LTE) communications standard for wireless broadband, which competes with WiMAX and is expected to be used by many of the major large wireless carriers. Icera's competition includes EMP and Qualcomm.

This round comes fast on the heels of its April 2008 fundraise of \$40mn, led by large US hedge fund Tudor. The woes of the public markets were acknowledged by Icera in an interview by EETimes in May 2008. Executives then stated that the Company would raise more capital and delay an IPO from 2009 to 2010.

In the press release about this fundraising, Icera made statements about cost reductions which did not surprise us owing to the fact that the Company has had to shift its positioning from baseband vendor to supplier of complete reference designs, which uses valuable capital. In addition, it is becoming increasingly common in this market for companies to show financial prudence and lower costs in order to raise money.

The fact that Icera has some top tier global VCs behind it has certainly helped the Company weather the current economic storm, as many stepped up for this latest round. Now that many hedge funds have reduced liquidity and are experiencing their own problems, it is unlikely Icera could bring another Tudor to the table, even though its existing investor Amadeus Capital Partners (€675mn under management) has a track record of pairing up with Tudor for big ticket investments such as PlasticLogic's €76.5mn round in January 2007. In addition to Amadeus, the other existing investors participating in this round were Accel Partners (€5bn under management), Atlas Venture (€1.7bn under management) and Balderton Capital (€1.2bn under management). Prior Icera investors Benchmark and Bessemer, however, are noticeably absent.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Metalkraft (Norway) www.metalkraft.no	Cleantech	Later	22.8	Recycler of cutting slurry for the silicon wafer industry	Black River Asset Management, Capricorn Venture Partners, existing investors

- **Metalkraft (Norway)**, a recycler of cutting slurry for the silicon wafer industry, **raised €22.8mn in a later stage round led by Black River Asset Management (~€9.4mn contribution) and Capricorn Venture Partners NV (~€3.5mn contribution)**, with existing investors participating. Founded in 1999, Metalkraft has had an undisclosed number of previous investments from a range of investors including Convexa Capital, Hafslund Venture, Såkorninvest Sør and TrønderEnergi Invest.

Based in Kristiansand, Norway, Metalkraft employs patented technology initially developed by founder and current Research and Development Director, Dr. Knut Henriksen, to recycle slurry (abrasive silicon carbide particles and glycol) for reuse and recapture silicon (~45% of which is lost during cutting) and other pollutants for commercial use. The Company is specifically focused on the opportunities within the solar panel industry, where large amounts of slurry are quickly polluted during the wafer cutting process. Metalkraft is upgrading its plant in Norway and is scheduled to open a new plant in Yangzhou, China in early 2009, with another in Singapore in 2010.

Recycling has been a strong investment theme in the European cleantech sector in 2008. In addition to Metalkraft, we have profiled recycling companies Chemrec (page 7) and Recupyl (page 8) in this HTI newsletter, and have also written about AWP Environmental (March 2008 HTI) and AWS Ecoplastics (July 2008 HTI) during the year.

Capricorn Venture Partners (€150mn under management) is a Belgium-based independent manager of venture capital funds and is one of the most active European cleantech investors. Its third fund, which closed in May 2008 at €112mn, focuses exclusively on cleantech opportunities. Along with Participatiemaatschappij Vlaanderen (PMV) and European Investment Fund (EIF), Dexia Bank, Ethias, and Quest for Growth are investors in the fund. We wrote about Fluxome Sciences A/S, another Capricorn cleantech investment, in our July 2008 HTI monthly newsletter.

Black River Asset Management (\$7.5bn under management) was established in 2003 by Cargill, an international provider of food, agricultural and risk management products and services with 163,000 employees and annual sales of over \$120bn. A frequent investor in the cleantech space, its investments include Plasco Energy Group, Sopogy and SunEdison. The firm's name comes from the Black River in Wisconsin, USA where Cargill had a logging operation in the late 1800s.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Patersons (UK) www.patersons.net	Software	A	22.8	Provider of internet-based HR and payroll management software	Rho Ventures

- **Patersons (UK)**, a provider of internet-based Human Resources (HR) and payroll management software and services, **raised a €22.8mn Series A round from Rho Ventures**, its first outside investor. The funding will be used to expand sales, operations and customer support. Patersons had previously been funded only through private individuals.

Founded in 1996, Salisbury-based Patersons provides HR and payroll management to large multinational companies through a Software-as-a-service (SaaS) platform. Patersons' software is designed to be flexible and module-based, and can be connected to legacy HR systems for a gradual upgrade. Its products include Logon2Global, a consolidated payroll reporting system, and a Business Intelligence suite which allows users to drill down on the data. Through its international partner network in 160+ countries, Patersons can provide customer service and support worldwide.

Providing payroll and HR management services over the Internet makes a lot of sense - ADP has been providing payroll services through a service bureau model for many years. SaaS lends itself to niche applications because one can add functionality steadily and as needed, rather than the traditional 'waterfall' model of entirely switching from one platform to the next. The space is fairly competitive with large companies such as ADP and smaller companies such as Spain's Meta4 vying for business, therefore the success achieved by Patersons in a little more than ten years is all the more remarkable.

This is a Series A round in name-only, as Patersons was founded 13 years ago. The Company raised this round to finance sales and operations expansion, not to develop its product or finance its first few sales. This is the type of growth capital deal so many European VCs are looking for these days.

In many ways, this transaction is similar to the last round for PCH, a supply-chain management company which raised expansion capital of €14mn from a number of US VCs in September 2008 (see our September HTI newsletter). Both companies were founded in 1996, and both grew without VC investment in competitive and superficially unattractive spaces. Later stage deals are very popular amongst VCs currently, and with Patersons and PCH we see US VCs crossing the pond to get into the European game.

Rho Ventures (€1.7bn under management) is probably a new fund name to many European investors, although the firm has been active investors for more than 25 years. Patersons is its first investment in Europe and only its third investment outside of North America. Rho is stage-agnostic and invests across the board in IT, New Media, Healthcare and Energy. Past Rho investments include Ciena, CommerceOne, Compaq, and Silicon Graphics.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Chemrec (Sweden) www.chemrec.se	Cleantech	B	15.6	Provider of energy and chemical recovery systems	Environmental Technologies Fund, VantagePoint Venture Partners, Volvo Technology Transfer

- **Chemrec (Sweden)**, a provider of energy and chemical recovery systems, **raised €15.6mn (\$20mn) in Series B funding led by the Environmental Technologies Fund**, with participation from VantagePoint Venture Partners and Volvo Technology Transfer. Chemrec later announced that Richard LeBlanc, previously of Siemens Building Technologies, has been appointed CEO, and its previous CEO Jonas Rudberg is now COO.

Chemrec specialises in the thermochemical conversion of 'black liquor', a by-product of pulp and paper mills, into syngas (synthetic gas, as opposed to natural gas) which can be used to create biomaterials, electricity or motor fuels such as Fischer-Tropsch Diesel (FTD) and Dimethyl ether (DME). Its gasification technology has been developed over the past 20 years, and the Company has over 100 patents. Two active mills use Chemrec's process: the Company's own in Pitea, Sweden and Weyerhaeuser's New Bern plant located in North Carolina. Industrial scale plants are currently planned for the US and Sweden.

In the cleantech sector, it is difficult to tell what the market preference will be for a new technology. In the case of automobiles, will they run on combustible liquids in the future, on electricity, or as a hybrid (a la Toyota Prius)? Whatever the answer is, Chemrec's process is applicable, which mitigates some of the risk for investors because they are in essence covering their bases. Currently, the company's primary focus is on producing liquid biofuel from syngas, but the combustion of syngas can also be used to drive gas turbine generators, and the heat from the process can produce steam powering separate steam turbine generators, both producing electricity. Other companies in the space include Choren, Future Energy, Shell, Uhde, and Värnamo/Chrisgas.

Chemrec claims that recycling of black liquor globally is equivalent to 45bn litres of gasoline annually, or 2% of global fuel demand, therefore pulp and paper companies can earn additional revenue streams by selling greater amounts of biofuels. Black liquor is currently burned in boilers to produce moderate amounts of electricity and plant steam.

Volvo has 14 prototype trucks that can run on DME, and Volvo Technology Transfer (€32mn under management), the car maker's venture arm, has invested in both the Series A and the current round for Chemrec. Chemrec and Volvo appeared at the 2005 SYNBIOS automotive biofuel conference where Volvo displayed its prototype DME-fuelled truck for the first time.

Founded in 2006, Environmental Technologies Fund (ETF) is a London-based pure play cleantech investor with €140mn under management. We wrote about ETF's investment in Novel Polymer Solutions in our May HTI newsletter. Existing Chemrec investor VantagePoint Venture Partners (€3.7bn under management) is a large Silicon-valley VC that recently raised a second cleantech fund worth €360mn. Bernard Bulkin, former Chief Scientist of BP and current venture partner with VantagePoint, is chairman of Chemrec's board.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Recupyl (France) www.recupyl.com	Cleantech	B	14.5	Hazardous waste recycler	AGF Private Equity, Aloe Private Equity

- **Recupyl (France)**, a hazardous waste recycler, **raised €14.5mn in Series B funding, led by AGF Private Equity**, with Aloe Private Equity participating and INPG Entreprise maintaining a stake in the Company. The Company was founded in 1993 to capitalise on the research at the Grenoble Institute of Technology (INPG) of Dr. Farouk Tedjar, now Recupyl's CEO.

Recupyl uses hydrometallurgy to recover metals and applies its process to the recycling and valorisation of batteries (its main focus), CRT displays, flat screen displays, fly ash from waste incineration, spent chemical baths, and asbestos. Currently Recupyl has recycling plants in France, Singapore, Spain and the UK (under license).

With mobile phones each containing about \$1 worth of precious metals (mostly gold) and old monitors containing up to seven pounds of lead, the market opportunity for companies like Recupyl is quite evident. Recycling is becoming somewhat of a crowded market, with a number of consumer-facing companies such as Flipswap (California), ReCellular (Michigan) and Second Rotation (Massachusetts) announcing respective funding of \$14mn, \$15mn and \$6mn in rapid succession before Recupyl.

While these companies are indirect competitors for Recupyl, there are a number of direct competitors that recycle electronic waster (e-waste), including Attero (India) and Umicore (Belgium). Attero recently raised \$6.3mn from NEA-IndoUS Ventures and Draper Fisher Jurvetson and will remain focused on the Indian market. Umicore (BRU: UMI), one of the world's largest recycler of precious metals, is the obvious gorilla in the room. With €8.3bn in turnover and 14,800 people, Umicore has the resources to make further investments, having already put €250mn into its recycling operation.

Recupyl is a good example of the sophisticated level of IP that continues to come out of European Universities, supported by 'in-house' venture funds. Founded in 1991, INPG Entreprise is a private subsidiary of INPG and has made a total of 12 investments across a wide range of technologies such as semiconductors, medical devices, optics and consulting services.

Lead investor AGF Private Equity, a member of the Allianz Group, manages an investment portfolio of €2.6bn and has €384mn under management. Original Recupyl investor Aloe Private Equity (undisclosed assets under management), a green private equity firm founded by Dr. Vivek Tandon (who sits on Recupyl's board) and Jean-Pascal Tranié, is currently investing out of its second fund and has 11 portfolio companies. Aloe principally focuses on investments in India, China and other emerging countries through direct investment as well as through investment in European companies whose technologies benefit these countries.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Neocase (France) www.neocasesoftware.com	Software	Later	7.7	Provider of customer service software	CDC, Iris Capital

Neocase (France), a provider of customer service software, raised €7.7mn (\$10mn) in internal later stage funding from **Caisse de Depots et Consignation (CDC)** and **Iris Capital**. The funds will be used to finalise applications for the retail, healthcare and software sectors, slated for release in 2009. Headquartered in Paris, Neocase also has a North American headquarters in San Francisco and a Northern European branch in London.

Founded in 2001 as a spin-off from a call centre environment, Neocase Software develops solutions for customer service, human resources, financial resolution and customer relationship management. Its software is deployable as traditional site licenses or via software-as-a-service (SaaS). Neocase's CRM solution interfaces with the sales force automation (SFA) and marketing capabilities of Microsoft's Dynamics CRM 4.0 solution. The Company has over 200 clients including Air France, L'Oreal, Renault-Nissan, SNCF, Thomson and Toshiba.

As we too often experience ourselves when on the phone with customer service, frequently agents are unable to solve cases on their own. Capitalising on its call centre roots, Neocase facilitates collaboration across the enterprise to help solve issues more quickly. This approach is a somewhat different than the marketing and sales force automation focus of other CRM solutions such as Oracle/Siebel and Sage.

Around the same time this fundraising was announced, Julien Dahan was promoted from COO to CEO, replacing founder Philippe Gaillard. Dahan's experience includes senior roles at InfoVista and 3Com, in addition to co-founding Arche Communications, which eventually was sold to Siemens.

The Company is operating in a relatively mature software sector where there is little space for differentiation - not easy in this environment. Against the larger players in the market, Neocase has only raised about €20mn over five rounds, typical of the 'drip feed' we see in the European venture capital landscape.

CDC is a large French government-owned financial institution and is the leading administrator of savings deposits and retirement funds in France with a total asset portfolio of €221bn. Having invested in each round for Neocase starting with its CDC Kineon fund in 2002, CDC is the Company's largest shareholder with a 48% share before this investment. It is unusual for one fund to have such a large stake in a company. Paris-based Iris Capital (€350mn under management) specialises in media, communication and IT venture capital and has invested in three out of the five rounds for Neocase, starting in 2006.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Taptu (UK) www.taptu.com	Internet Services	B	6.9	Mobile search company	3i Group, Sofinnova Partners

Taptu (UK), a mobile search company, **raised €6.9mn (£6.5mn) in an internal Series B round from 3i Group and Sofinnova Partners.** The Company also announced that Andreas Bernstrom, previously COO at Internet marketing company TradeDoubler, was joining Taptu as COO. Taptu was founded by CEO Steve Ives, former founder of Trigenix, which was acquired by Qualcomm in 2004. Ives served as VP of Business Development of Qualcomm after the acquisition.

Founded in 2005, Taptu is available via the Web and is specially designed to produce highly targeted, media-rich searches started from a mobile phone browser more quickly than standard search engines. It also aims to enable users to share results more easily via email, text and Twitter. In January 2008, the Company released an API to allow 3rd party sites (such as Moblr) to tailor results to users. Taptu's service is free to use barring charges from mobile carriers for Web access.

Searching on the Web via a mobile phone can be a frustrating experience for end users, with long waits for pages to come up and many irrelevant results to scroll through. Google and Yahoo have both been late in pushing the mobile versions of their search engines to the market. Taptu, with about one million mobile searches per day, is small but is trying to develop a niche by providing a fast, socially-oriented service with emphasis on viewing and sharing videos, pictures, and music files.

Some of the smaller players in the mobile search space aiming for a piece of the pie include Skweezer (partnering now with mobile advertising service JumpTap), 4Info, Medio, Novarra and Obovo. JumpTap has received €60mn in funding and Novarra €79mn, therefore Taptu's €17mn funding to date looks small indeed. Although mobile services are seen as hot right now, VCs admit the space is relatively crowded, tricky to navigate and difficult to monetise.

In this economic environment, having strong, supportive existing investors is key, enabling companies to raise capital through internal rounds. Although 3i (€18bn under management) has backed out of the venture business, the firm is still supporting companies in its existing portfolio, to the benefit of Taptu. Sofinnova Partners is a large French VC with €1.3bn under management, and invests primarily in life science and technology start-ups that are early in their life cycles.

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