



Monthly European Technology Venture Capital Bulletin

April 2009

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 advisory firm focused on providing European technology entrepreneurs and their investors with impartial advice to help them develop and execute growth strategies.

Our services encompass:

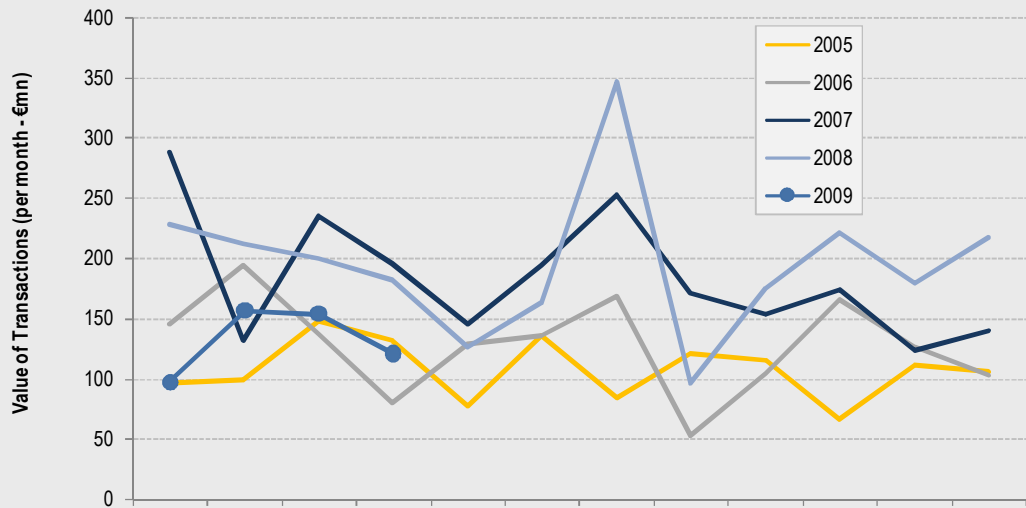
- Financing strategies
- Buy and build strategies
- Exit strategies (trade sale and IPO advisory)
- Strategic advisory and valuation

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.

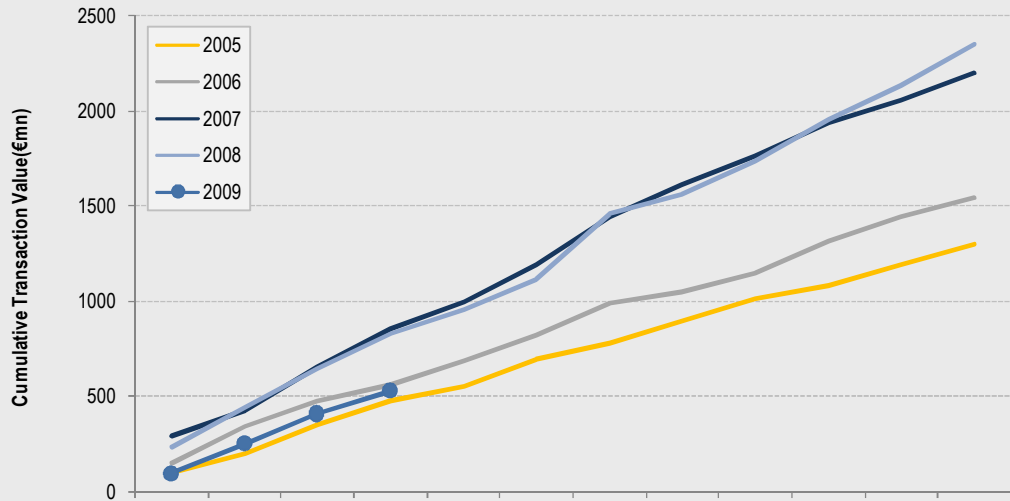
Further Go4Venture research is available on our web site at www.go4venture.com/research/hti.htm.

Go4Venture Advisers LLP is authorised and regulated by the Financial Services Authority (FSA).

Go4Venture HTI Index by Deal Value



Go4Venture HTI Index Cumulative Deal Value



- For our April 2009 Headline Transaction Index (HTI), we tracked 33 investments with a total of €124.2mn. From a number of transactions stand point, this is in line with the 30 deals in this same month a year ago, but total deal value is lower by 32%.
- Total amount of funding for the year is down by a similar level to our monthly total, reflecting the continued downturn in venture investing. YTD funding tracked by our HTI as of April 2009 was €531.9mn, down 35% from €823.4mn at this point last year.

- Seven of the deals in April 2009 deals were large (\geq €7.5mn, £5mn, or \$10mn in funding), compared to seven in a year ago in April 2008. There were no deals this month, however, with landmark status (\geq €20mn) versus four deals of this size in the same month a year ago.
- This month sees the return of large Series A fundraising rounds for non-cleantech companies. Two of the companies profiled this month, Go On Media (see page 5) and SpineGuard (see page 8) had first round investments. Both companies have French roots, but notably each is starting with a pre-packaged concept. In the case of Go On Media, the company was started in 2007 in France and now has taken on venture capital to fund its launch into the US market. SpineGuard was founded in 2009, but actually used its Series A funds to purchase a fully-developed product, the PediGuard, from another company. These are the type of 'de-risked' investments that will win early stage capital in this tough market.
- In addition, we did not track any large cleantech investments this month after seeing at least two per month since the beginning of the year. In Europe and throughout the world, large cleantech investment opportunities are now being held under the same scrutiny as other technology opportunities, and the financing for these deals is much harder to come by. It appears that these trends are now showing up in our index.

Top Headline Transactions

Ordered by decreasing deal size

Company Name	Sector	Round	EUR (mn)	Description	Investors
BuyVIP (Spain) www.buyvip.com	Internet Services	Later	14.9	Members-only shopping club website	Kennet Partners , 3i Group, Active Capital Partners, Bertelsmann Digital Media Investments
Go On Media (France) www.goomradio.com	Digital Media	A	12.1	Internet radio provider	Elaia Partners, Pertech International, Wellington Partners
Imbera (Finland) www.imbera.biz	Hardware	B*	11.4	3D chip packaging technology company	Northzone Ventures , Conor Venture Partners, Index Ventures
Glasses Direct (UK) www.glassesdirect.co.uk	Internet Services	C	11.1	Online retailer of prescription eyewear	Acton Capital Partners , Highland Capital Partners, Index Ventures
SpineGuard (France) www.spineguard.com	Hardware	A	8.3	Provider of spinal surgery technology	Credit Agricole Private Equity , Innovent Partenaires , A-Plus Finance
Swoopo (Germany) www.swoopo.com	Internet Services	B	7.6	Pay-to-bid auction site	August Capital
Arieso (UK) www.arieso.com	Software	C*	5.6	Software for cellular network optimisation and network planning	Oxford Capital Partners , Qualcomm Ventures

Source: Go4Venture

* Internal round

Bold indicates lead investor(s)

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
BuyVIP (Spain) www.buyvip.com	Internet Services	Later	14.9	Members-only shopping club website	Kennet Partners , 3i Group, Active Capital Partners, Bertelsmann Digital Media Investments

- **BuyVIP (Spain)**, a members-only shopping club website, **raised €14.9mn in a C round of funding led by Kennet Partners**, with 3i, Active Capital Partners and Bertelsmann Digital Media Investment (BDMI) participating. The additional funds will be used by the Company to expand its geographical coverage beyond current operations in Germany, Italy and Spain.

Founded in 2006 by Gustavo Garcia Brusilowsky and Gerald Heydenreich, who both previously founded e-auction provider PORTUM (acquired in 2006 by IBX Europe), BuyVIP has expanded to over 3.5 million members. The Company sells more than 400 lifestyle and fashion brands in time-limited sales at discounts of 30-70%. Membership is by invitation only.

BuyVIP's model is not new. Sample and end-of-line sales have been a factor in fashion retail for years. BuyVIP differs because its virtual store provides added benefit to both brands and consumers. Brands are protected from the dilution of selling under names such as TK Maxx and Overstock.com, associated with discount rather than luxury. Consumers are offered convenience and a sense of exclusivity given the time-limited nature of the sales and the site's invitation-only policy. It is no wonder the Company has successfully wooed brands such as Calvin Klein, Diesel, Ed Hardy, Gucci and Puma as suppliers.

There are many competitors in this space, including 24h00, Brand Alley, brands4friends (profiled in the November 2008 issue of our newsletter) and Privalia, all focused on different geographic markets but increasingly overlapping. All have a long way to go to catch the pioneer of the sector, Vente-Privee, which was founded in 2001 in France and turned over revenues of just under €560mn last year.

Interest in expansion stage deals remains strong and we're not surprised to see Kennet Partners, a growth equity specialist with over \$500mn under management, leading this round. Interestingly, 3i (€14.7bn assets under management) returns again as an investor, while it simultaneously is exiting many of its previous venture investments. Barcelona-based Active Capital Partners (€18mn assets under management) has also returned to invest once again after supporting BuyVIP's A and B rounds in 2007.

This deal is highly representative of the robust, and close knit, German investment community at work. The German Samwer brothers, who founded alando (which became eBay Germany), invested in BuyVIP's B round through their European Founders Fund, and the Valkiria Network run by Jesús Aldana and Michael Kleindl (co-Founder of AdLINK) also invested in BuyVIP's Series A. The Company's investor base also includes the leading €17bn global media company Bertelsmann AG, not only through its BDMI venture arm, but also through its Hamburg-based subsidiary company Gruner + Jahr, the largest European printing and publishing firm. It is worth noting that publishing competitor Georg von Holtzbrinck is an investor in rival brands4friends.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Go On Media (France) www.goomradio.com	Digital Media	A	12.1	Internet radio provider	Elaia Partners, Partech International, Wellington Partners

- **Go On Media (France)**, the company behind internet-based GOOM Radio, **raised €12.1mn (\$16mn) from Elaia Partners, Partech International and Wellington Partners in a Series A round of investment.** Go On Media was founded in late 2007 by Emmanuel Jayr and Roberto Ciurleo, two former executives from NRJ, France’s leading radio station company with over 12mn listeners per day. Funds will be used to support the US version of GOOM Radio, and to build infrastructure and a sales team.

GOOM Radio is advertisement-supported, and offers a combination of traditional radio stations, programmed by a team of professionals, and user-created radio stations that can be broadcast in HD sound and offered as podcasts. GOOM Radio is led by Rob Williams, the former president and market manager for Clear Channel New York. Chief Sales Officer Drew Hilles was formerly a director with dMarc Broadcasting, acquired by Google. Joe Anastasi, a 20-year radio industry veteran, has also recently joined from Google Audio as account executive of the sales team.

Numerous companies offer free music or online radio with various degrees of success, including Imeem, Last.fm, Napster, Pandora and Spotify. These businesses have been impacted by two issues that dominate the sector: cost of delivery and music ‘filtering’.

A number of companies have been hobbled by music collection organisations such as UK-based PRS for Music (formerly The Performing Rights Society) which have, until recently, levied uneconomically high rates for streaming radio. Pandora aborted a launch in the UK and YouTube recently began removing music content for UK users because of high prices. In May 2009 PRS for Music announced it is lowering the cost per streamed song from 0.22p to 0.085p (65%) from July onwards. This distinct change should give GOOM Radio, with its sizeable war chest, a strong position from which to benefit.

GOOM Radio is also aiming to meet the demand to filter the growing amount of online music. Owing to software advances, high quality music is cheaper than ever to produce, and consumers are being flooded with choice. Radio stations, DJs and producers continue to offer an incredibly effective filter but have obvious scalability issues in an online world, and User Generated Content (UGC) such as play lists often trends towards the ‘norm’ or more popular music. By offering a mix of the two approaches, GOOM Radio is betting it can stream ‘stations’ that are rewarding to listen to and profitable for the shareholders.

Germany-based Wellington Partners (€800mn under management) takes a board seat with this investment, as well as Partech International (€707mn under management), a French VC whose US and European offices have recently formally split. Another French VC, Elaia Partners (€60mn under management) participates in this round, straying from their usual focus on software investments.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Imbera (Finland) www.imbera.biz	Hardware	B	11.4	3D chip packaging technology company	Northzone Ventures, Conor Venture Partners, Index Ventures

- **Imbera (Finland)**, a 3D chip packaging technology company, **has raised €11.4mn (\$15mn) in an internal round of Series B funding led by Northzone Ventures**, with participation from Conor Venture Partners and Index Ventures. The funds will be used to establish a new high-volume manufacturing plant in South Korea with PCB manufacturer Daeduck Electronics, where production is scheduled to commence in Q4:09, and to continue R&D on Imbera's proprietary Integrated Module Board (IMB) technology at the Company's R&D and prototyping facility in Espoo, Finland.

Imbera has developed a manufacturing process that enables the integration of both active and passive components inside a printed circuit board (PCB) structure. CTO and founder Risto Touminen worked on the technology as part of a research project at the University of Helsinki in 1999. Elecoteq Network SE and Aspocomp Group set up Imbera Electronics in 2002 and evolved Touminen's research into an industrial process. Now headquartered in Florida, USA, Imbera offers three main products: single integrated circuit (IC) packages, system-in-board modules and system-in-package modules.

The increasing demand for hand held miniaturized electronic devices has pushed traditional methods for attaching components to PCBs to their limit. New methodologies such as chip stacking and flip-chip packaging have stepped up to the challenge, offering miniaturization and size savings as well as shorter path lengths with low inductance, high input/output (I/O) density and superior thermal management.

Imbera's IMB technology takes innovation in this area one step further by allowing chips to be embedded into PCBs (including passive components which usually have been on separate chips) without the bulky pin-based packaging associated with most chips. While the idea for embedded chips is not new, up until now there has not been a supplier with a process that integrates all of the separate vendor functions into a single solution. Imbera's 3D chip packaging solution offers improved electrical performance over other methods while achieving a competitive manufacturing cost.

The Series B is a significant upshot from the Company's €2.5mn first round in April 2007. Nordic-focused Northzone Ventures (€373mn assets under management) and Geneva-based Index Ventures (€1.8bn assets under management) are well-known in the European tech community, but Conor Venture Partners may be a new name for many. Conor is based in Imbera's R&D base city, Espoo, Finland, and closed its first fund at €20mn in October 2006 with limited partners Finnish Industry Investment Ltd, a government-owned investment company, Etera Mutual Pension Insurance Company and industrial holding company Atine Group. Conor seeks to invest €500K to €1mn in early-stage companies located in the Baltics, Finland and Sweden with disruptive technologies in electronics, embedded systems, Information and Communications Technology (ICT), new materials and optics.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Glasses Direct (UK) www.glassesdirect.co.uk	Internet Services	C	11.1	Online retailer of prescription eyewear	Acton Capital Partners, Highland Capital Partners, Index Ventures

- **Glasses Direct (UK)**, an online retailer of prescription eyewear, **raised €11.1mn (£10.0mn) in a third round of funding from an international syndicate led by new investor Acton Capital Partners**, as well as existing investors Highland Capital Partners and Index Ventures. The funds will be used to further scale the UK business as well as to expand into the US and potentially other European markets.

Founded in 2004, Glasses Direct (the brand name of UK-based Prescription Eyewear Ltd.) offers its own range as well as designer prescription and non-prescription eyewear online at discounted prices to high street retailers. The Company has developed an innovative 'virtual mirror' website feature which allows users to upload photos and 'try-on' different frames. Glasses Direct also offers a 10-day home trial for £5 (applicable to the first order) where a customer can evaluate four pairs of glasses at home. The website features a comprehensive list of brands such as Benetton, DKNY, Fila, Just Cavalli, Kenneth Cole, Timberland and Vera Wang.

Glasses Direct is a classic entrepreneurial story. The Company was set up by founder Jamie Murray Wells while still at University in the UK using his student loan as seed funding. Fast forward the clock five years later and Glasses Direct has not only closed a round of funding in a difficult economic climate, but has recently hired Kevin Cornils, previously CEO of buy.at (advertising network sold to AOL's Advertising.com for a rumoured €107mn) and Managing Director, Europe for premier online dating site Match.com, to take it to its next level of growth. Wells remains very visible as Executive Chairman.

Glasses Direct is positioning this round in its press release as a Series B, but according to Venturesource this is the third financing round for the Company, following €5mn raised in July 2007 and €4mn in May 2008. Glasses Direct also closed nearly €2mn in venture debt from Silicon Valley Bank (SVB) in May 2008.

Glasses Direct's syndicate is composed of Acton Capital Partners (€126mn under management, formerly Burda Digital Ventures), a Munich-based fund focused on early stage, consumer-oriented business models based on internet or mobile technology, as well as well-known Index Ventures (€1.9bn under management) and Highland Capital Partners (€2.5bn under management) who both returned for this round. This is the second investment this month that we have profiled for Index who also invested in the Series B of Imbera, a semiconductor component packager (see page 6).

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
SpineGuard (France) www.spineguard.com	Hardware	A	8.3	Provider of spinal surgery technology	Credit Agricole Private Equity, Innoven Partenaires, A-Plus Finance

- **SpineGuard (France)**, a medical device start-up focused on spinal surgery, **raised an €8.3mn (\$11mn) Series A round led by Credit Agricole Private Equity (CAPE) and Innoven Partenaires**, with A Plus Finance participating. The funding will be used to purchase the PediGuard product from SpineVision (Paris-based spinal implant and instrumentation company), further develop the product and build partnerships with distributors worldwide. The Company was co-founded in 2009 by Pierre Jérôme, previously an executive with Medtronic, and Stéphane Bette, previously an executive with SpineVision.

SpineGuard's PediGuard device is used in pedicle screw stabilisation, a surgical procedure to treat spine instabilities and deformations. Placing the screws carries a number of risks for the patient (including quadriplegia), leading to increased litigation exposure for the doctor. PediGuard is a handheld product, and uses real-time monitoring of electrical conductivity to alert the surgeon before a breach of the spinal cortex is made. It has been used in over 7,000 procedures in 20 countries. SpineGuard aims to improve both screw placement speed and accuracy, but also reduce the amount of intra-operating X-ray imaging exposure doctors' incur by approximately 30%.

There is an inherent demand for technology that makes medical procedures safer and/or cheaper, and investment in medtech has been relatively strong throughout the current economic downturn. Three Paris-based investors are participating in this Series A, which is different from the majority of early-stage transactions in that product development is already complete.

Pedicle screws have a misplacement rate as high as 40%, and with an estimated one million spine procedures using pedicle screws performed in 2008 according to SpineGuard, it appears its product has a large and attractive target market. The PediGuard product already has FDA clearance and a CE Mark, which allows the product to be sold in the EEA.

With runways to profitability becoming unpredictably lengthy, and the future of some VCs becoming uncertain owing to limited partner issues, syndicates for early rounds are growing in popularity. The VC equivalent of 'covering your bases', a syndicate provides a company with more investors to fall back on for additional top-up investment later on. CAPE, a wholly-owned subsidiary of Credit Agricole S.A. with €2.8bn under management, leads this syndicate with Innoven Partenaires, a venture capital firm with more than €200mn under management. A Plus Finance is a venture capital firm focused on IT with €220 under management. All three investors join SpineGuard's board with this investment.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Swoopo (Germany) www.swoopo.com	Internet Services	B	7.6	Pay-to-bid auction site	August Capital

- **Swoopo (Germany)**, a pay-to-bid auction site, **has raised €7.6mn (\$10mn) in a Series B round from August Capital**. Founded in 2005 as Telebid, Swoopo has 58 employees and has moved its headquarters from Munich to California's Silicon Valley. The Company launched its UK site in 2007, and in 2008 opened sites for Spain and the US.

With almost 2 million users worldwide, the Company offers its members a chance to win items such as consumer electronics, jewellery and other luxury goods by placing bids, which each cost the user a small amount, €0.50. With every bid placed, the price of the item increases by €0.10 and the auction time lengthens by 20 seconds. When the bidding ends, the last bidder wins and pays the price for the item that has been reached. Swoopo estimates that winning bidders save an average of 65% off of recommended retail prices.

Your grandmother called it 'throwing good money after bad,' and academic theories have explored the topic for years, including economist Martin Shubik's dollar auction experiment and organisational behaviour professor Barry Staw's escalation of commitment hypothesis. All attempt to explain the very real and irrational human phenomenon of vested interest. The fact that Swoopo's bids cost money increases the likelihood that someone will bid again to protect his/her 'investment', and the expanding size of Swoopo's user base is proof that this behaviour is alive and well. Copy cat sites are already popping up, most notably Madbid (launched 2007), where bids are £1.20 (€1.37) each, even more expensive than Swoopo.

For these auction sites, as well as pay-to-bid reverse auction sites such as Bidster, there are many losers for every winner and bidding fatigue can set in very quickly. Keeping current members bidding and recruiting new members is a constant challenge. Sites may try and up the ante by putting attention-getting items like cars up for auction, but this practice does not provide sustainable advantage. Paradoxically, the more people added to the bidding base, the more difficult it is to 'win' an item, which can accelerate the problem.

Another risk for sites like Swoopo is that they tread a fine legal line between gambling and auction. Swoopo gets into even stickier territory with auctions of cash or other Swoopo bids. In an effort to be transparent, Swoopo bills itself as an 'entertainment shopping' site, but the future viability of this sector is very much in the hands of government authorities.

Challenges aside, investors nevertheless see the value in the strong revenue-generation capabilities of Swoopo and similar companies. However, despite this, Swoopo first round investor Wellington Partners (€800mn under management) appears to have passed on participating in this round. Instead, August Capital of Menlo Park, California (€1.6bn under management) takes the plunge. Specialising in funding early stage IT companies, August Capital was founded in August 1995 (hence the name) and was among the first institutional investors in well-known companies such as Intuit, Microsoft, Seagate, Sun, Symantec and Visio.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Arieso (UK) www.arieso.com	Software	C	5.6	Software for cellular network optimisation and network planning	Oxford Capital Partners, Qualcomm Ventures

- **Arieso (UK)**, a provider of cellular network optimisation and network planning software, closed €5.6mn (£5mn) in an internal Series C round led by Oxford Capital Partners, with Qualcomm Ventures participating.

Started in 2002, Newbury-based Arieso was founded on the vision of self-optimising networks, and it now has a full product set which addresses the subscriber experience as well as network management for the carrier. The Company's software offerings include applications for automatic cell planning and network optimisation (ariesoACP), capital management (ariesoCMP), dynamic network adaptation (ariesoDNA) and geo-located network performance monitoring (ariesoGEO). These solutions can be delivered as software installations or as fully outsourced services. Customers include global telecommunications companies such as AT&T, Nortel, O2, Qualcomm and Vodafone. In December 2008, Arieso announced it has been chosen by one of the top three US mobile carriers for a country-wide deployment (covering 50,000 cell sites) of its automatic cell planning (ACP) solution.

The mobile phone is increasingly data-centric. The addition of wireless data services such as video streaming, gaming and podcasting are an expensive challenge for carriers to implement and maintain on 3G architectures, and future networks based on 4G will be no less complex.

Arieso's products aim to reduce the expense of engineers and technicians needed for network management and trouble-shooting by automatically monitoring for problems and enabling self-healing architectures. The Company claims that it can typically save carriers 30% on network capital and operating expenditures.

Oxford Capital Partners (€54mn under management) leads this round after co-leading Arieso's \$10mn Series B round in February 2008 with Qualcomm Ventures. Oxford Capital Partners was founded in 1999 and was one of the first Enterprise Investment Scheme (EIS) funds, based on the UK government's tax relief scheme for investments in qualifying companies. Oxford now manages five EIS funds. Qualcomm Ventures (€416mn under management) returns as a supporting investor for this round, and is the investment arm of Qualcomm Incorporated. Add Partners (€223mn under management), who led Arieso's Series A and participated in the Series B, is notably absent from this fundraising, most likely reflecting their inability to raise a new fund and subsequent conservation of cash for other portfolio companies. Add Partners' first and only fund was raised in 2001.

Go4Venture Advisers LLP

48 Charles Street
Berkeley Square
London
W1J 5EN

+44 (0)20 7529 5400
vcbulletin@go4venture.com
Director of Research: Marie Kluth

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: 2009 Go4Venture Advisers LLP. All rights reserved.