



Monthly European Technology Venture Capital Bulletin

August 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 Advisers LLP 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:

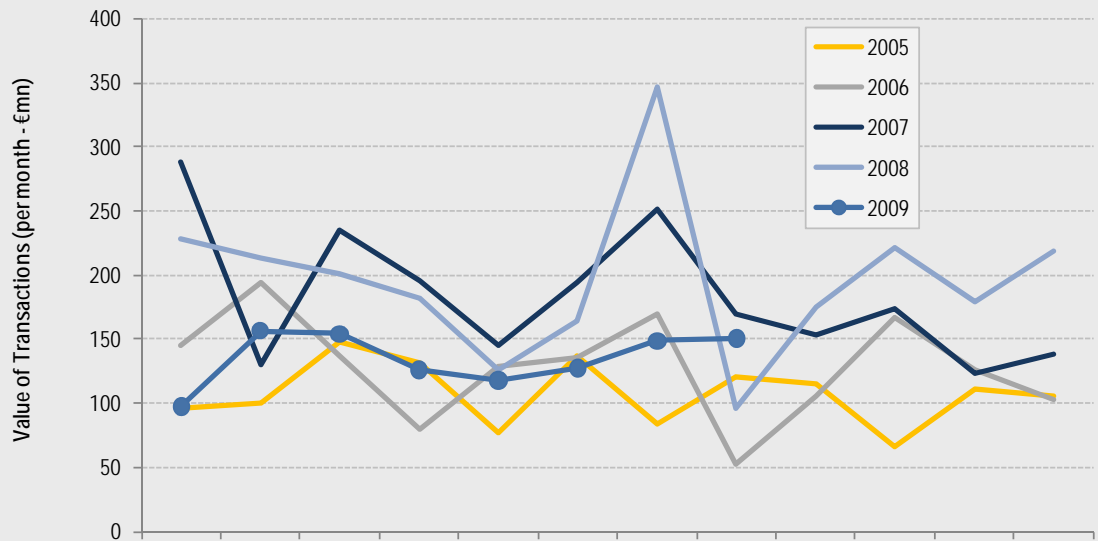
- Financing strategies
- Buy and build strategies
- Exit strategies (trade sale and IPO advisory)
- Strategic advisory and valuation

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.

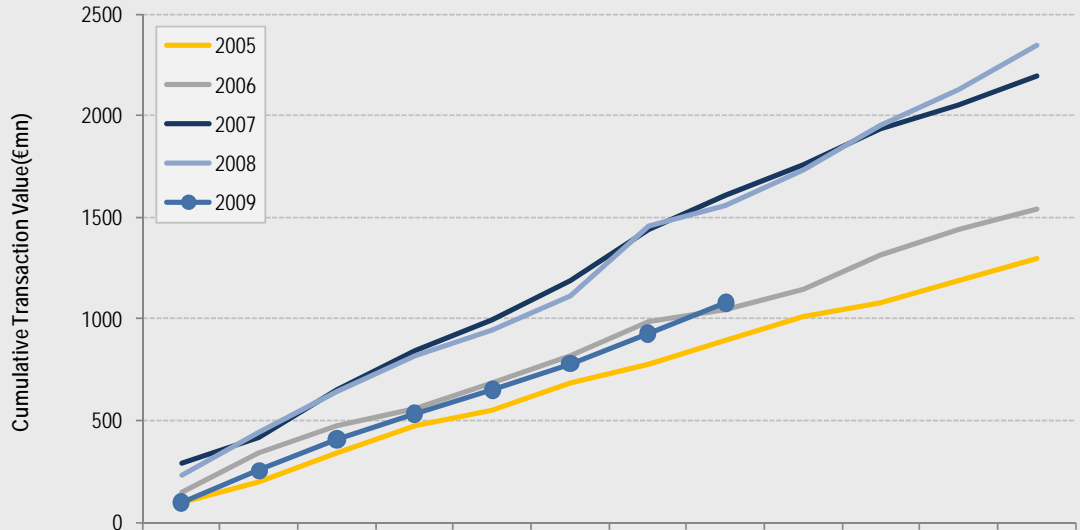
Further Go4Venture research is available on our web site at www.go4venture.com/research/hti.htm.

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Go4Venture HTI Index by Deal Value



Go4Venture HTI Index Cumulative Deal Value



- After a somewhat dismal July in which we recorded investment value 56% lower than for the same month last year, our August Headline Transaction Index (HTI) numbers appear a bit brighter. We tracked 19 investments with a total investment value of €151mn, 57% higher than €96mn in investment value for 17 deals in the same month last year.
- The YTD total amount of investment is now down 30% versus this same time last year, bouncing back a bit to the YTD decrease seen as of June 2009 after taking the hit in July, when it was down 36%. We have tracked €1,078mn in total investment so far this year versus €1,556mn at this point in 2008.

- Seven of the deals in August 2009 deals were large (\geq €7.5mn, £5mn, or \$10mn in funding), compared to four a year ago in August 2008. Two, Spotify (€34.8mn) and Think (€32.9mn), have landmark status with a deal value \geq €20mn, versus one deal of this size in the same month a year ago.
- We continue to see a weighting of our large deals towards Series C or later stage rounds as early stage suffers in the current economic climate. Of our seven large deals tracked, five were third equity rounds or later for the companies, and two were internal, Ubiquisys (€7.7mn) and VirtenSys (€11.2mn).

Top Headline Transactions

Ordered by decreasing deal size

Company Name	Sector	Round	EUR (mn)	Description	Investors
Spotify (UK) www.spotify.com	Digital Media	B	34.8	Provider of streaming digital music	Li Ka Shing Foundation, Wellington Partners, undisclosed investors
Think (Norway) www.think.no	Cleantech	Later	32.9	Electric car producer	Ener1 Group , Investinor, Valmet Automotive
TMO Renewables (UK) www.tmo-group.com	Cleantech	C	12.8	Developer of a biomass to fuel conversion process	Diverso Management, Jupiter Asset Management, Libra Advisors, Noble Group, Presnow, RAB Capital, retail investors
VirtenSys (UK) www.virtensys.com	Hardware	C*	11.2	Provider of I/O virtualisation products for data centres	Celtic House Venture Partners, GIMV, Scottish Equity Partners
Ubidyne (Germany) www.ubidyne.com	Hardware	Later	10.1	Provider of digital radio transmission technology for wireless communications	GIMV , Baytech Venture Capital, Doughty Hanson, TVM Capital
United Maps (Germany) www.unitedmaps.net	Digital Media	A	10.0	Provider of cartography and geoinformation services	Bayern Kapital, High-Tech Gruenderfonds Management, SpaceTec Capital Partners
Ubiquisys (UK) www.ubiquisys.com	Telecoms	Later*	7.7	Provider of femtocell technology	Accel Partners, Advent Venture Partners, Atlas Ventures

Source: Go4Venture

* Internal round

Bold indicates lead investor(s)

Correction note: Two points have been made to us about our profile of Wonga (June 2009 HTI newsletter).

- In addition to the investors mentioned (Balderton joined by Accel and Greylock), Dawn Capital also participated in the round. Interestingly, Dawn got their ticket in via a secondary sale of shares in November 2008. Whilst a secondary sale is not always an easy discussion with existing investors, companies find it may be worthwhile to approach smaller, hungrier VCs such as Dawn Capital. For those who don't know them, Dawn Capital specialises in Financial Services and Tech, Media and Telecoms, and, in addition to Wonga, their portfolio includes Active Health Partners, Cognitive Match, Gnodal, and Mimecast.
- We implied in our write up that competitor TXTLoan did not check the credit of potential customers. A representative for the Company has stated that TXTLoan credit checks all of its customers before lending to them; and is authorised and approved by the OFT as a responsible lender.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Spotify (UK) www.spotify.com	Digital Media	B	34.8	Provider of streaming digital music	Li Ka Shing Foundation, Wellington Partners, undisclosed investors

- **Spotify (UK)**, a provider of streaming digital music, raised a **€34.8mn (£30mn) Series B round from the Li Ka Shing Foundation, Wellington Partners and undisclosed venture investors**. Founded in 2006, the Company has 75 employees and is headquartered in the UK with an R&D base in Stockholm.

Currently available in Finland, France, Norway, Spain, Sweden the UK, Spotify's service is offered free, using an advertising-financed business model, or as a premium monthly subscription at £9.99 per month, which not only provides an ad-free listening experience but also includes benefits such as mobile phone access and the ability to stream at a higher bit rate of 320kbps. Listeners have unlimited access to Spotify's legal, licensed music library and can create playlists which can be shared with friends. In early September 2009, the Company announced the launch of its service for Google Android and Apple's iPhone and iPod Touch. Spotify's music distributors and labels partners include CD Baby, EMI Music, Merlin, Naxos, Sony BMG, The Orchard, Universal Music Group and Warner Music Group, and artists can promote their music directly through Spotify.

Known in some circles as 'the iTunes killer', Spotify provides a very smooth user experience and the Company's momentum is a signal that streaming music, rather than downloading tracks on a pay-as-you-go basis, is finally coming of age. Nevertheless, the Company has been criticised about the comprehensiveness of its catalogue as well as the fact that recording artists are not receiving income from its service, despite the fact that Spotify is expected to discourage illegal music downloading. Spotify's competitors include Pandora, which does not let one choose a track to listen to, Napster, sold in September 2008 to Best Buy for \$121mn, and Rhapsody, which offers a premium streaming service for roughly the same price as Spotify and also recently launched on iPhone.

To successfully navigate a tricky market where others have had limited success, it helps that Spotify was founded by two experienced Web entrepreneurs, Daniel Ek and Martin Lorentzon. Ek, Spotify's CEO, also founded Advertigo and Evertigo and was CTO of Stardoll, and Lorentzon was one of the co-founders of Tradedoubler.

Spotify's first round was raised in September 2008 from undisclosed large music label companies as well as Creandum (€120mn under management) and Northzone Ventures (€374mn under management). Notably, Creandum and Northzone did not participate in the Series B. Instead, Spotify raised this sizeable round (at a high €217mn post-money valuation) from the philanthropic Li Ka Shing Foundation (undisclosed assets under management), founded by Chinese entrepreneur and investor Li Ka-shing, who also invested in Facebook. Also participating in this round is well-known European venture firm Wellington Partners (€800mn under management), whose other digital media investments include Adconion, GameDuell, Goom Radio, and Livebookings.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Think (Norway) www.think.no	Cleantech	Later	32.9	Electric car producer	Ener1 Group, Investinor, Valmet Automotive

- **Think (Norway)**, an electric car producer, raised €32.9mn (\$47.0mn) in a later stage round of funding led by **Ener1 Group**, with Investinor and Valmet Automotive participating. The Company had previously sought court protection in 2008 after it ran out of cash and ceased operations. With the capital raise, Think announced that it had exited this protection and that the Norwegian courts had approved its debt settlement plan.

Think is a cleantech automotive engineering company which designs, develops and, until 2008, manufactured environmentally-friendly vehicles in its Norwegian assembly plant. The Think City, the Company's latest generation electric vehicle (EV), is a two-door sedan with a hatchback. It can reach a top speed of 100 km/h, has a 180 kilometre range, and according to the Company is the first vehicle of its type to be granted pan-European regulatory safety approval and EEA Conformité Européenne (CE) safety certification. The Think City will be manufactured starting in the fourth quarter of this year at Valmet Automotive's plant in Uusikaupunki, Finland, where the Porsche Boxster and Cayman models are also assembled. Although manufacturing is being relocated in conjunction with this financing, Think's senior management, sales, marketing, design and engineering staff will continue to operate from the Company's headquarters in Oslo.

They may have tried to kill the electric car, but it's not dead yet. Founded 18 years ago in 1991 with the name Pivco, Think is one of the pioneers of EV technology, having built 1000+ cars by 1998. Clambering at the time to comply with California's Zero Emission Vehicle mandate, the Ford Motor Company bought the Company in 1999, changed its name to Think Nordic and invested \$150mn in product redesign and infrastructure. Ford then sold Nordic four years later to a Swiss electronics firm after the requirements of the California mandate were changed. Similarly, General Motors stopped production of the EV1, the first mass-produced electronic vehicle, around this time as well. Subsequently, Think was bought by Norwegian investors in 2006, but despite three rounds of funding totalling €66mn the Company ran out of cash in 2008.

Prior to leading the current financing round, Ener1, the parent company of EnerDel, a US manufacturer of advanced lithium-ion automotive battery systems, provided Think with a bridge loan of €4.7mn in January 2009. With the investment in this later stage round, Ener1 Group will own approximately 31% of Think. In addition, EnerDel will supply batteries to Think and the two have entered an agreement to manufacture and market electric drive trains.

Also contributing to this round with an investment of \$5mn is Investinor (€281mn under management), a venture fund backed by the Norwegian government's Ministry of Trade and Industry. Think's new manufacturing partner, Valmet Automotive, a Finnish provider of engineering and manufacturing services to the automotive industry, supported the round as well.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
TMO Renewables (UK) www.tmo-group.com	Cleantech	C	12.8	Developer of a biomass to fuel conversion process	Diverso Management, Jupiter Asset Management, Libra Advisors, Noble Group, Presnow, RAB Capital, retail investors

- **TMO Renewables (UK)**, a developer of a biomass to fuel conversion process, raised €12.8mn (£11.0mn) in a **Series C** round of funding from new investors **Presnow, Diverso Management, and Libra Advisors, together with existing shareholders Jupiter Asset Management, Noble Group, RAB Capital and retail investors.**

Founded in 2002, TMO Renewables has developed a process for producing fuel ethanol from any cellulose-based material using bacterial thermophilic microorganisms (TMO). These compost bacteria organisms thrive at high temperatures and quickly digest a wide range of feedstock. The Company's intellectual property is based on ground-breaking research by Professor Anthony Atkinson, TMO Renewables' technical director, an acknowledged expert in the field of thermophile genetics and manipulation.

In the US, the most common biofuel is corn ethanol, a first generation biofuel. The conventional process to produce ethanol from corn has been criticised for being wasteful of food, energy and money, and hence not very 'green'. TMO Renewables offers its second generation process as a 'bolt-on' solution to the corn ethanol industry to address these criticisms, delivering massive energy savings while also increasing yield and profit margins.

It is interesting to note that TMO Renewables had hoped to close this round a year ago, but was unable to due to the economic uncertainty of the time. No doubt President Barack Obama's victory in the 2008 US elections and commitment to finding alternate fuel sources to decrease America's dependence on oil and fossil fuels has boosted market confidence since then. The intent of this new round of funding is to bring TMO Renewables into the US market to take advantage of these market conditions.

A secondary market for TMO Renewables is the use of its TM242 micro-organism to cleanly and productively dispose of biomass agricultural or industrial by-products based on any cellulose-based materials (such as paper or food). This is notable for the European market, where the burning of straw from cereal crops is largely prohibited.

TMO Renewables has raised approximately €40mn to date including this funding. Jupiter Asset Management (circa €20bn under management), publicly listed London-based hedge fund RAB Capital (€3.5bn under management, AIM: RAB), and Hong Kong-based Noble Group, a publicly listed (SGX: N21) agricultural, energy, and mining supply chain management company, all returned for this round. Joining them is agricultural processing and logistics investment firm Presnow (undisclosed under management) who invested £4mn, Chinese private equity cleantech fund Diverso Management (undisclosed assets under management) which invested £2mn, and Libra Advisors (undisclosed assets under management), a New York-based hedge fund.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Virtensys (UK) www.virtensys.com	Hardware	C	11.2	Provider of I/O virtualisation products for data centres	Celtic House Venture Partners, GIMV, Scottish Equity Partners

- **Virtensys (UK)**, provider of input/output (I/O) virtualisation products for data centres, **raised an €11.2mn (\$16mn) Series C round from existing investors Celtic House Venture Partners, GIMV and Scottish Equity Partners.** The funding will be used to broaden the Company's markets and operations internationally.

Virtensys was founded in Manchester in 2005 and opened its US headquarters in Beaverton, Oregon, at the start of 2008. Its I/O Virtualisation switches, the VIO-4001 and VIO-4008-HDD, are based on PCI Express (Peripheral Component Interconnect Express, a high-speed peripheral interconnect introduced by Intel in 2002) and can consolidate and virtualise the major types of server networking and storage connectivity such as Ethernet, Fibre Channel over Ethernet (FCoE), SAS/SATA and Fibre Channel. The Company sells its products through its partner network, and recently won the Gold Award in the "New Technology" category at the Best of VMworld 2009 Awards.

Between the servers in the standard corporate data centre, which are already being consolidated and virtualised to decrease their footprint, and the various networks within a corporation such as LAN, WAN or SAN, data traffic has been controlled by aggregation switches. While effective, separate switches are necessary for different standards (Ethernet, Fibre Channel, Infiniband), limiting re-configuration capabilities and resulting in underutilised capacity. With Virtensys' products, these I/O switches can be consolidated into one box that can dynamically allocate and optimise according to application needs, eliminating physical re-configuration and improving I/O utilisation (the Company claims upwards of 80%). I/O switches based on these principles also provide self-healing benefits and use less power.

This is an internal round. Virtensys has received a total of €33mn in funding from these three investors since its Series A in 2006. Since Virtensys is a spinoff from Xyratex, the investors are benefitting from the development work previously done on the product. Focusing on the IT and communications sectors, Celtic House Venture Partners (€416mn under management) was started by serial entrepreneur Terry Matthews (of March Networks Mitel, and Newbridge) and has now become a leader in Canada's VC industry. GIMV (€1.7bn under management) is a large Belgian investor who participates both in private equity transactions as well as venture capital across the cleantech, life sciences and technology sectors. The firm is listed on Euronext Brussels (BRU: GIMB) and had already invested €11mn in Virtensys before this round. Scottish Equity Partners (€441mn under management), also known as SEP, is a relatively stage-agnostic London-based VC focused on energy, healthcare and IT. Virtensys' Chairman, Andrew Roberts, was also chairman of another SEP portfolio company, SurfKitchen, a mobile content software provider.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Ubidyne (Germany) www.ubidyne.com	Hardware	Later	10.1	Provider of digital radio transmission technology for wireless communications	GIMV, Baytech Venture Capital, Doughty Hanson, TVM Capital

- Ubidyne (Germany)**, a developer of digital radio transmission technology for wireless communications, **raised €10.1mn (\$14.4mn) in a later stage round of funding led by GIMV**, with Baytech Venture Capital, Doughty Hanson and TVM Capital participating. The funding will be used to accelerate the Company towards production and global marketing of its Antenna Embedded Radio product.

Spun out of Siemens in 2005, Ubidyne's R&D has focused on improving upon radio frequency technology for the mobile communications industry. The Company's Antenna Embedded Radio is designed to optimise network coverage, capacity, space usage, and energy consumption, as well as to support broadband data services for mobile multimedia applications on third-generation (3G) networks. The Company has offices in Germany and Tempe, Arizona.

The market for mobile multimedia applications is booming in line with the consumer take up of 3G services, as well as smartphones and other devices that rely on broadband data services. This places pressure on mobile network operators when it comes to maintaining and enhancing base transceiver stations that make 3G mobile data delivery possible.

Ubidyne's patent-pending micro-radio technology, which can be embedded in base stations, revolutionises the economics of wireless communications by eliminating the need for coaxial feeder cables, remote electrical tilt and additional amplifiers on antenna towers and masts. With Ubidyne's technology, mobile network operators can fine-tune their networks for coverage and capacity without having to visit the base station site. This results in reduced energy consumption as well as improving radio performance, deployment flexibility, coverage and capacity.

The Company is positioning this fundraising as a completion of its Series 'B', initially closed in May 2008 with €22mn (\$48.4mn) in raised capital from Accel Partners, Baytech Venture Capital, Doughty Hanson (lead), and TVM Capital (profiled in our May 2008 HTI newsletter). However, we are categorising this current fundraising as a later stage round owing to the fact that the May 2008 round was actually the Company's third (not including a bridge loan in October 2007), making this round Ubidyne's fourth. But hey, who's counting? It is highly commendable that the Company has raised this amount of capital in a tough market.

Leading this fundraising is Belgian publicly listed private equity and venture capital firm GIMV (€1.7bn under management, BRU: GIMB). Investors from May 2008 all return to support the round, including early stage investors BayTech Venture Capital (€232mn under management), and Doughty Hanson Technology Ventures (\$272mn under management) as well as Techno Venture Management (TVM) Capital (€1.3bn under management), which has backed Ubidyne in every investment round since the Company launched.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
United Maps (Germany) www.unitedmaps.net	Digital Media	A	10.0	Provider of cartography and geoinformation services	Bayern Kapital, High-Tech Gruenderfonds Management, SpaceTec Capital Partners

- **United Maps**, a provider of cartography and geoinformation services, **raised Series A funding of €10mn from Bayern Kapital, High-Tech Gruenderfonds Management and SpaceTec Capital Partners.**

Based in Munich and founded in February 2008, United Maps licenses base maps from leading industry providers such as Navteq, Tele Atlas or national mapping agencies (NMOs) and then enhances them with its proprietary algorithms to create a new generation of 'hyperlocal' maps for mobile devices, web services, and business process optimisation. Through the work of its 16 professional cartographers, editors and GIS-experts, United Maps produces high-resolution vector cartography. Its first product, introduced after six months in production, is 'UM-DE': a comprehensive map of Germany in scales up to 1:2000. The Company will use its new funding to produce maps of additional cities and regions around the world, including South Africa in time for the 2010 Football World Cup.

The Company's tag line is 'maps made for mobile humans, instead of cars'. Currently, conventional maps largely focus on vehicle and automotive traffic. Detail at the pedestrian level is poor, and there is little if any support for multimodal navigation (i.e. taking into account several different types of transport used in a journey such as walking or catching a bus/train/tram). This data is especially relevant for the mobile phone, smartphone and personal device market, where geodata and geoservices, known as the 'geoweb', is rapidly expanding in importance. United Maps bridges this gap in map content through its technology and is not only focused on the geoweb opportunity but also on location-based media and services, a very hot market especially owing to younger users who are growing up with 3G networks and little to no experience of navigating using paper-based maps.

This round is a good example of German government involvement in funding technology companies in its country. This Series A follows a November 2008 seed investment round backed by the same investors and led by High-Tech Gruenderfonds Management (€272mn under management). High-Tech Gruenderfonds was founded in 2005 by the Federal German government, BASF, Deutsche Telekom, KfW banking group (sponsored by the German government and previously tbg-Technologie-Beteiligungs-Gesellschaft mbH) and Siemens to fund young German technology companies and transfer innovation from science into the commercial market. Bavarian VC Bayern Kapital (€190mn under management) was founded in 1995 as a subsidiary of the LfA Foerderbank Bayern, Bavaria's development bank, and generally acts as a co-investor. The firm has invested in United Maps through its SeedFonds Bayern and Clusterfonds Start-Up! funds, both focused on early-stage investments. Munich-based SpaceTec Capital Partners (undisclosed assets under management) is a private venture capital firm that focuses on satellite applications markets such as earth observation, geo data, navigation and SatCom.

Top Headline Transactions (cont.)

Company Name	Sector	Round	EUR (mn)	Description	Investors
Ubiquisys (UK) www.ubiquisys.com	Telecoms	Later	7.7	Provider of femtocell technology	Accel Partners, Advent Venture Partners, Atlas Ventures

- **Ubiquisys (UK)**, the leading developer of 3G telecom convergence solutions known as femtocells, raised €7.7mn (\$11mn) in Series D funding from existing shareholders Accel Partners, Advent Venture Partners and Atlas Venture. The Company will use the funds to support a global product rollout across consumer and enterprise markets.

Ubiquisys provides plug-and-play technology designed to enable users to access a range of mobile services using existing GSM or universal mobile telecommunications system (UMTS) handsets. The Company's flagship product, ZoneGate, is an indoor device designed to use existing broadband connections to carry traffic between mobile phones and operator networks. In 2009 analysts ABI Research ranked Ubiquisys the number one femtocell vendor for both product innovation and implementation. The Company founded the Femto Forum and was recognised as a World Economic Forum 2009 Technology Pioneer. Its product, manufacturing and solution partners include Kineto, Motorola, NEC, Nokia Siemens Networks, NETGEAR, Percello, picoChip, Sony and Tatara.

Some industry observers have dismissed femtocell technology, which acts as the bridge between fixed and mobile networks, as one innovation that has missed its chance for mainstream market success. Given the significant sum which Ubiquisys' investors are ploughing into the Company's next stage of product development for the consumer and enterprise, the nay-sayers may have been mistaken.

Femtocells sit at the intersection of multiple networks including mobile, internet, home and office and can radically alter the economics of mobile data by providing massive bandwidth indoors to mobile devices at very low cost. They also make it easy for people to share their digital content across various previously isolated networks, and provide the potential for many more applied uses. Ubiquisys' founding of the Femto Forum allows it to shape the progress of the technology towards a common service framework and standard application program interfaces (APIs).

Ubiquisys coupled this funding news with the announcement that Alison Sparshatt, previously of Anthropics Technology, NetBenefit and Pixology, will be joining as CFO. This is another internal round we have profiled this month in addition to VirtenSys (page 7). However, this one is different in that one of the existing investors, Google (the only corporate investor for Ubiquisys), chose not to participate. The ones that did return are all well-known VCs in the European landscape. Both Atlas Ventures (€2bn under management) and Advent Venture Partners (€1.7bn under management) have supported each of the Company's rounds since the first in 2005. Atlas also funded the bridge financings in 2006 and 2009. Accel Partners (€5bn under management), stepped in with the Series B round and has continued to invest through Ubiquisys' Series C and now D rounds.

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