

Technology VC/PE 2007 market overview and challenges for 2008

TMT Ventures Conference '08 Warsaw

February 27th, 2008



OVERVIEW

- Technology VC/PE market: key trends
- Overview of 2007
- Challenges for 2008

KEY TRENDS

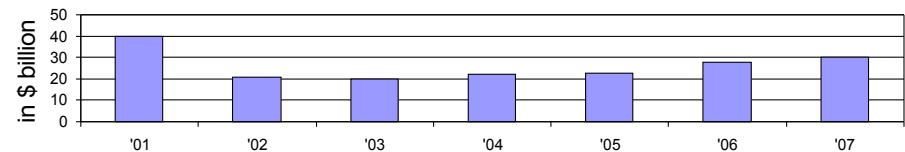
Global acceleration by the VC industry

- Growing investment in China and India by foreign VCs
- Increasing globalization of VC funds and VC-backed companies
- Focus on emerging sectors such as clean technologies
- It's official: Web 2.0. has gone global

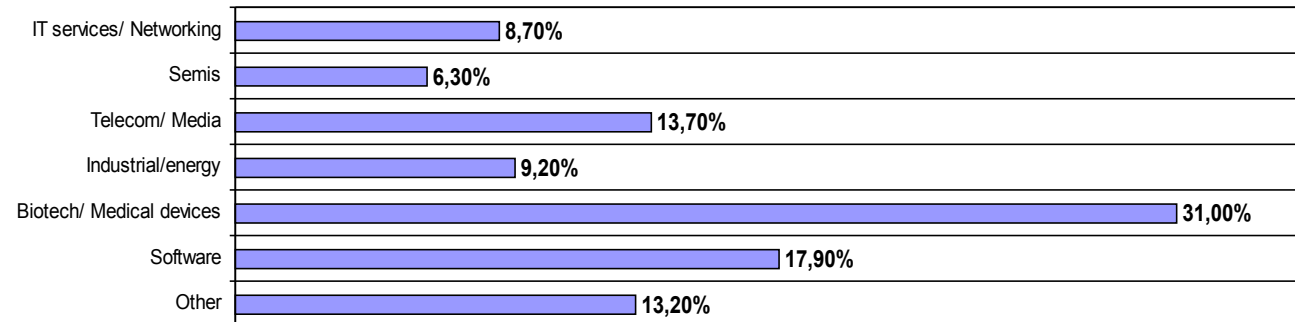
MARKET OVERVIEW 2007

- The highest level since 2001, the last bubble year with \$29.4 billion invested in 3 813 deals
- Investment in Clean Technology jumped 47% to \$ 2.2 billion
- Clean-tech companies two of the five biggest deals of the year
- Software and biotech – the largest investment categories

Annual investments



Investment breakdown by sector



Source: PWC Q4/Full year 2007 Money Tree Report

MARKET OVERVIEW 2007

Largest VC investments worldwide in 2007

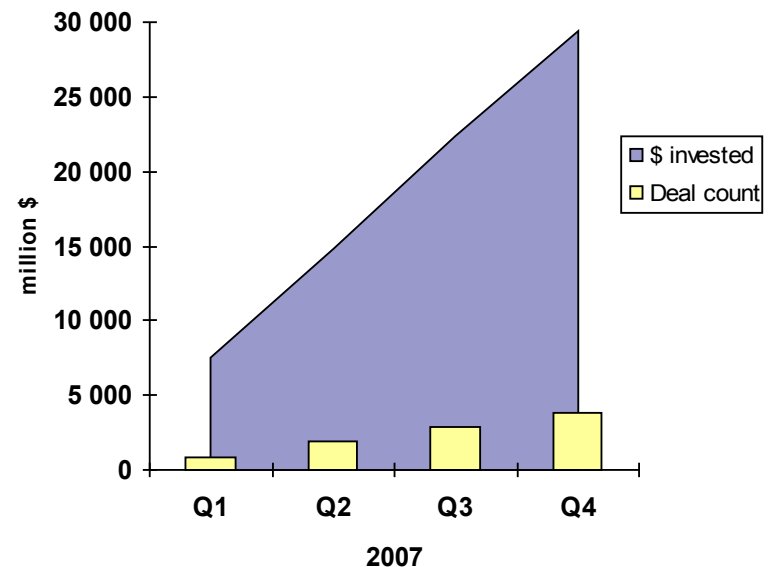
Company	Industry	Raised, in millions \$
CardioNet	Health care services	110
Globus Medical	Medical devices	110
Amp'd Mobile	Telecommunications	107,5
GreatPoint Energy	Industrial/energy	100
Summit Energy	Industrial/energy	83
HelioVolt	Industrial/energy	77
Ceres	Biotechnology	75
HowStuffWorks	Media/entertainment	75
iGPS Company	Industrial/energy	75
Advent Solar	Energy/alternative	73

MARKET OVERVIEW 2007

Selected VC investments in the U.S. - the largest market

- **Benchmark Capital:** JavaOne (Spring), Metacafe (video entertainment), Gizmoz (social service)
- **Draper Fisher Jurvetson:** Vizu Answers, CastTV, ViVOtech (mobile phone payment)
- **Sequoia Capital:** Meraki Network, Dash Navigation – Express, TokBox (online video chat), SynapSense Wireless Green Data Center Solution
- **Index Ventures:** WeatherBill.com, VirtualLogix, Telegent Systems (mobile TV)

Total equity investments 2007



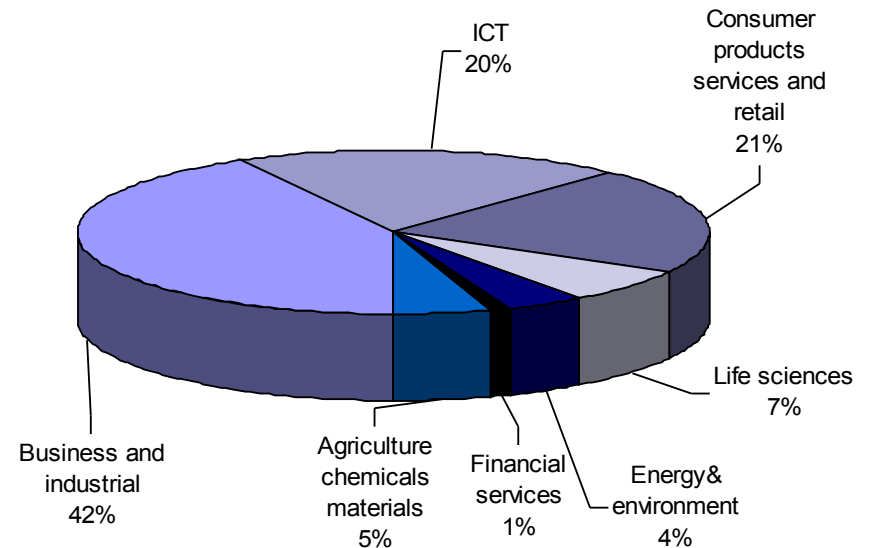
Source: PWC Q4/Full year 2007 Money Tree Report

MARKET OVERVIEW 2007

Selected VC investments in Europe:

- The most active: UK, Germany and France – represented 75% of total amount invested
- Index Ventures (London) Last.fm (social music service)
- Seraphim Capital (London): Flirtomatic (social service)
- European Founders (Munich): Nasza-klasa (social service), sport1.de (Germany's largest sports portal)
- Seventure (France): Digital Pen & Paper technology from HP by Kayentis

Investments in Europe by sectors



Source: PWC Q4/Full year 2007 Money Tree Report

MARKET OVERVIEW 2007

Investment patterns in Poland and in CEE Region mirror global trends...

- BBI Capital
 - LoVo: VoIP-based convergent telephony operator
 - ATON: microwave-based utilization of hazardous waste
 - KFK-based funding for a new seed fund (PLN 60 mln in size)
- Business Angel SeedFund
 - Screen Network (outdoor ads)
 - Hub 3.0. (e-commerce service – expected introduction in Feb'08),
 - Centrum Podróży (new travel portal – expected introduction in Feb'08)
- Capital Partners
 - 123market.pl (shopping online)
 - Livechat Software (contact center communicators/instant messenger)
- IIF launched new investment fund in Poland
 - „IIF Seed Fund”: 20 mln PLN for early-stage enterprises in high technology IT, electronic media and internet sectors
 - Personal TV (Premium Personal Program Guide)
- IQ Partners
 - Betplatform.com – gaming site
 - LegenHit – lead generation platform

Source: Helix Ventures Research

MARKET OVERVIEW 2007

Investments in Poland and in CEE Region mirror global trends (2)

- 3TS-Cisco Growth Fund III:
 - Mission of supporting TMT start-ups in Central and Eastern Europe (30 mln €)
- Intel Capital
 - Grono.net (social Internet service) in Poland
 - Nexcom (commercial Wi-Max service provider) in Bulgaria – co-investment with MCI Management
- MCI Management
 - NaviExpert, a „Traffic-Free Navigation” system and community for mobile phones
 - NetPress Digital (e-press)
 - Czech gaming company Geewa
 - First investment in biotechnology – Finepharm;
 - KFK funding for a new VC early stage fund, Helix Ventures Partners – a PLN 40 mln fund (a JV with Helix Ventures)
- Innova Capital
 - GTS CE (a group of telecom service providers in Poland, Czech, Hungary, Romania)
- Mid Europa Partners
 - Mobile operators in: Austria – One GmbH and Lithuania – Bite

Source: Helix Ventures Research

MARKET OVERVIEW 2007

Valuation of WEB 2.0 companies have more doubled in 2007

U.S. market

- U.S. dominates the Web 2.0 market – 66% of all deals worldwide
- „Enterprise 2.0” area – companies that use Web 2.0 technologies: online collaboration to improve traditional business functions – most of deals in the first half of 2007
- N2N Commerce (software provider) – the largest Web 2.0 deal of the first half 2007 – \$ 30 million
- The most active investors in Web 2.0 in 2007 are Sequoia Capital and DFJ

Europe and Asia market

- Global Web 2.0 deals up 14% in first half of 2007 – a rising interest in Web 2.0 in Europe and Israel
- Israeli Web \$ 2.0 – 15 mln in 5 deals
- UK – \$ 22 mln in 7 deals;
- France – \$ 16 mln in 5 deals;
- More investors are turning to Web 2.0 plays in emerging markets in Europe;
- China posted just 9 Web 2.0 deals;

Source: Helix Ventures Research

MARKET OVERVIEW 2007

NewConnect as an alternative to VC

- Alternative trading system allowing smaller companies to float shares in a more flexible regulatory environment than that of WSE/the main floor
- Launched on September 30th 2007 with 5 companies listing; closed year with 24 companies; 100 expected at the end of August 2008
- Aiming for young, growing companies in the high-tech sector which need equity to tap the potential of innovation;
- Funding for risky R&D
- Targeted at investors with a bigger „risk appetite“:
 - ⇒ higher potential of growth – higher investment risk
- Digital Avenue and S4E from the portfolio of MCI were the first companies listed on NewConnect
- IQ Partners was the 1st de facto VC fund listed there

MARKET OVERVIEW 2007

Fund of Funds

National Capital Fund closing the equity gap

- „Investing vehicle” aiming to effectively invest funds given by the Polish government and European Union in VC/PE
- 47,4 mln PLN allocated for investments in early stage companies in the high-tech sector
- The First Open Tender of Offers was announced in July 16th 2007
- The First Tender winners are: BBI Seed Fund, Inveno and MCI Capital TFI
- Ministry of Economy forecasts to invest in 20 VC/PE till 2013 that will support ca. 170 SMEs

CHALLENGES FOR 2008

„For venture capital firms, 2008 will be the year we begin to see larger funds raised at a faster pace, as many firms in the industry will focus on sectors that have increasing capital requirements such as life sciences and clean technology.”

*Mark Heesen
President of the NVCA*

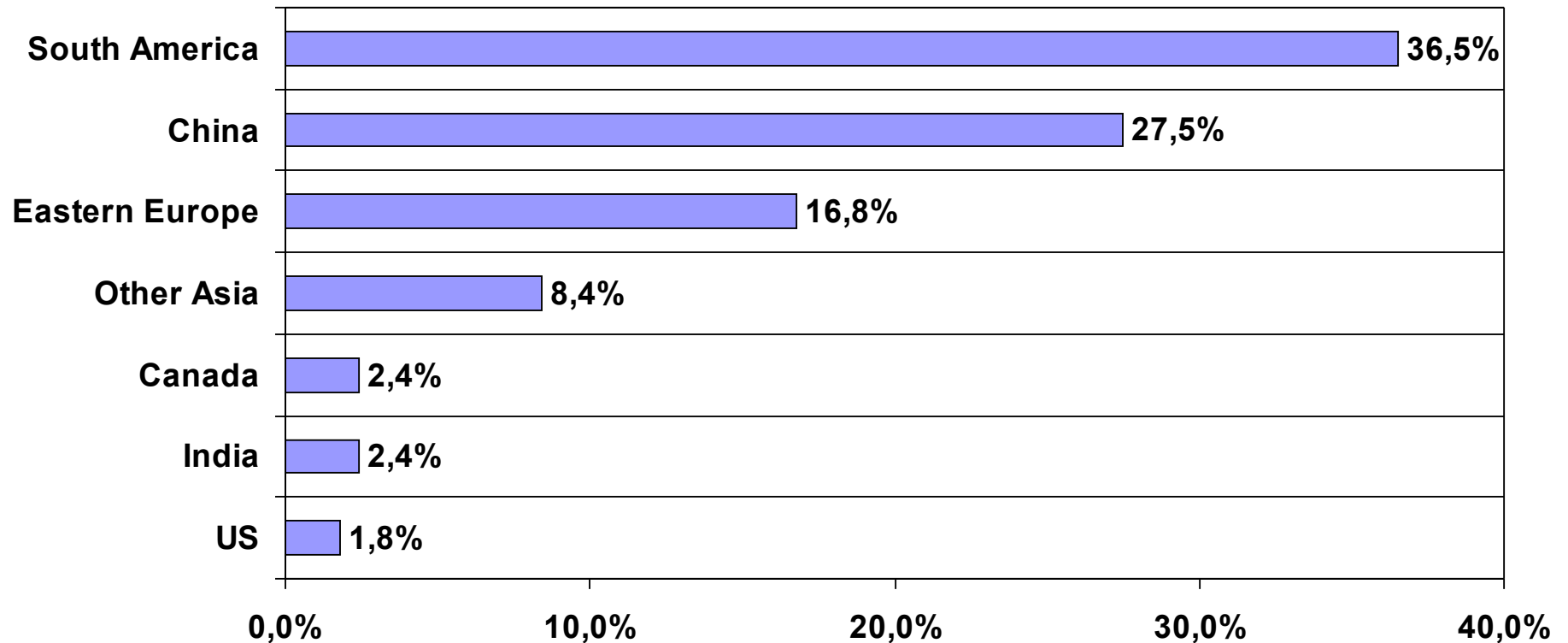
CHALLENGES FOR 2008

MEGA TRENDS

- Beyond BRICs:
A new wave of fast growing economies: Brazil, Russia, India and China – ***increasing of 35% annually***
- Clean Technology
Poised to become the first breakthrough sector of the 21st century – ***tomorrow's market leaders***
- Carbon Innovation
Required technological innovation – energy storage, low-emission mobility, green buildings, solar and biofuel industries

CHALLENGES FOR 2008

Of which single global investment region are you most leery?

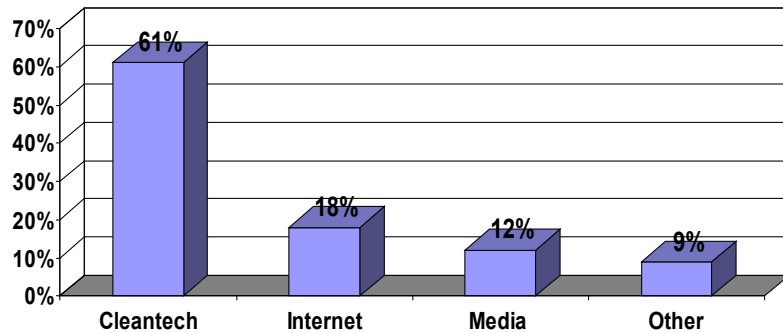


Source: NVCA 2008 Prediction Survey

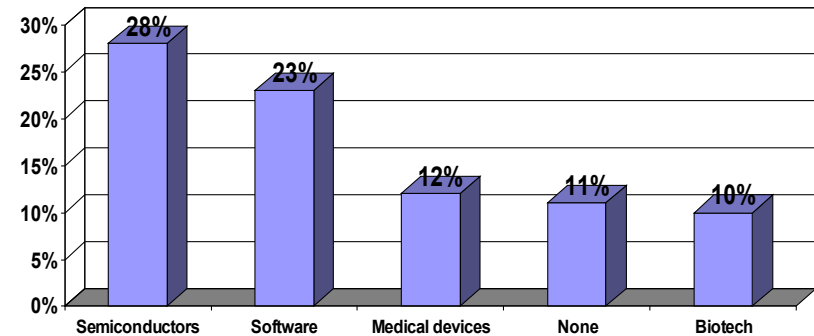
CHALLENGES FOR 2008

Which single industry will be ...

overvalued in 2008?



undervalued in 2008?



Source: NVCA 2008 Prediction Survey

CHALLENGES FOR 2008

In conclusion – an evolution, not revolution

- We are at the beginning of a new technology cycle driven by globalization...
- The first billion customers in the technology came from North America, Europe and Japan – the next one will come from emerging markets, generating less revenue but much more quickly

Trends: Deals Bigger, Up Across All Stages

Thank You!

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