

## Summary of Finnish High-Tech Company Capital Raising activity – Q3 2010

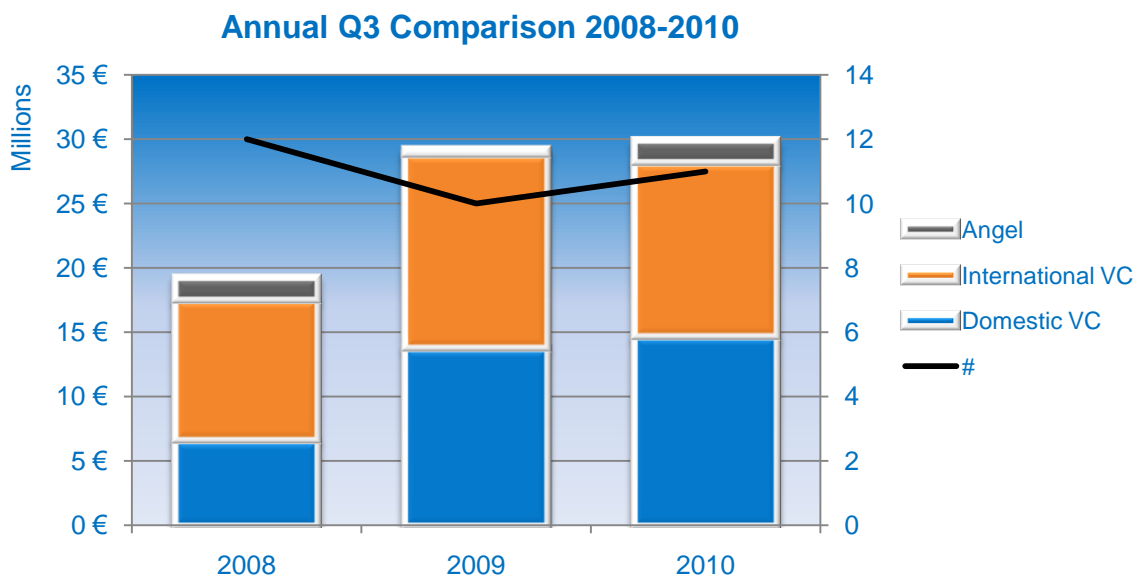
*Technopolis Online Reports: Finnish high-tech growth companies announced raising €29.9 million of risk capital during Q3 of 2010. The amount is comparable to Q3 2009, when Finnish high tech companies were able to attract €29.2 million.*

The following are the findings of the Quarterly Survey conducted by Technopolis Online, which is at the forefront of high-tech venture capital research in Finland. This Survey reviews capital raised by private Finnish high-tech companies from Finnish venture capital funds, foreign investors and angel investors. The Survey is based on both reported and proprietary information from Technopolis Online regarding over 300 Finnish and foreign business angels and investors, and almost 1,700 Finnish high-tech firms.

### Overview

During Q3 2010, Finnish high tech companies announced a total of eleven venture capital investments worth € 29.9 million. The amount was comparable to Q3 2009, when ten Finnish high tech companies attracted €29.2 million. Altogether, the investment atmosphere remained eminently stable and similar to the prior year's Q3. However, the average investment size in both Q3 2009 and Q3 2010 is remarkably larger than in 2008, when twelve companies attracted less than €20 million of venture capital financing.

Head of Technopolis Online **Timo Valtonen**: "The data shows a continued pickup and clear stabilization of high tech investments compared to the low point in 2008. Especially the increased round sizes are driving more rapid growth and internationalization of Finnish high tech companies."



### Key highlights

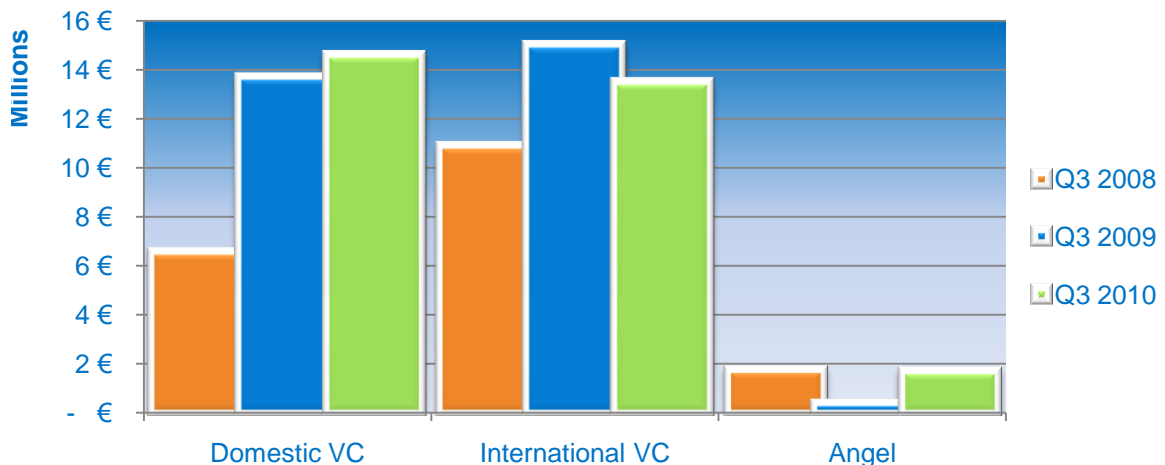
- Since 2008, the size of investment of domestic venture capitalists has grown by more than 100% - from 6,6 million Euro to 14,6 million Euro

- Software industry attracted most investments (4) – however, the average value of investments was low (300,000€)
- Mobile industry attracted the most value, totalling 18m€
- The share of third round investments measured by value increased from 0% to 57%
- The share of seed investments when measured by volume more than doubled, from 20% to 46%
- Helsinki Metropolitan Area companies attracted 75% of all invested Euros

## Investments by Investor Type

Domestic venture capitalists continued to increase the size of their investments for the third straight Q3. Since 2008, the investment size has grown by more than 100% - from 6,6 million Euro to 14,6 million Euro. International venture capitalists invested a little bit less than in Q3 2009 (13,5m vs. 15m), but still more than in Q3 2008 (10,9m). Angel investments rose from Q3 2009 (450k -> 1,75m) but was still less than in Q3 2008 when the number was 1,8m Euro.

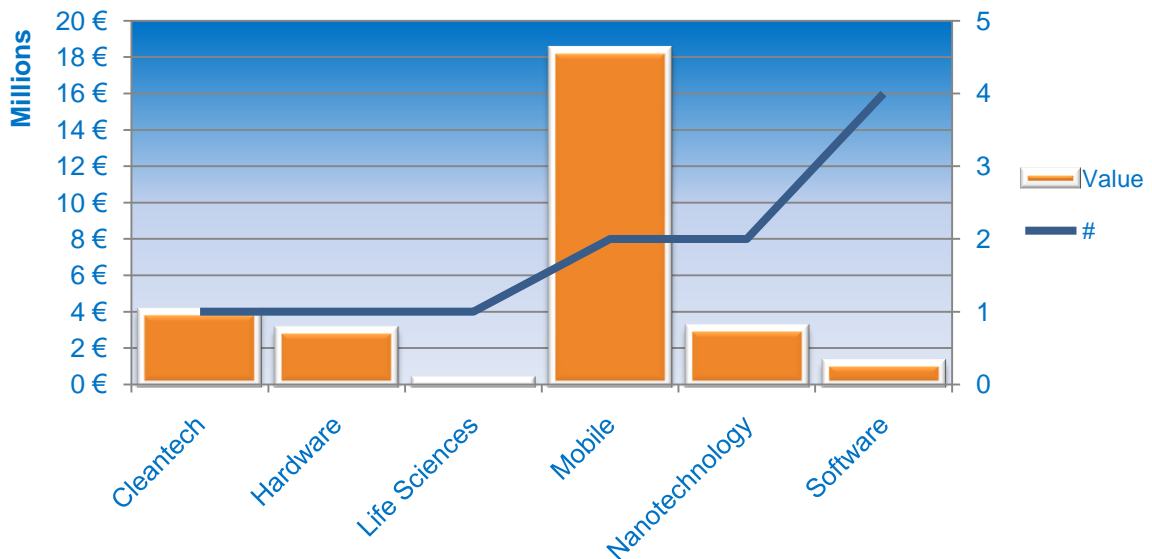
### Invested Euros by Investor Type



## Investments by Industry

Software industry attracted more investment rounds than any other industry, closing altogether four investment rounds during Q3 2010. However, the total investments to software companies counted only € 1.2 million which was a drastic drop from Q3 2009, when investors invested € 6.5 million. In terms of Euros, mobile telecoms companies attracted a clear majority of all investments receiving over € 18 million of venture capital. The figure was strongly driven by the huge €17 million third round investment of Blyk. Otherwise, the distribution of venture capital financing between industries didn't offer any shocking surprises, but remained pretty similar to the comparable quarters from previous years.

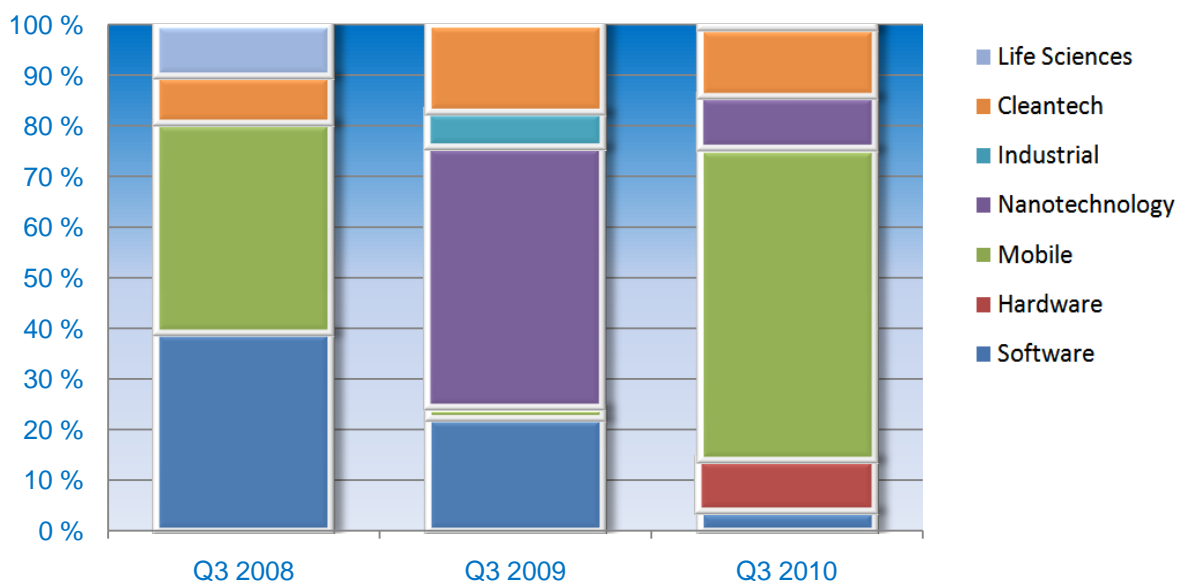
## Number and Value of Investments by Industry Q3 2010



## Proportional Investments by Industry

Comparing which industries have been able to attract the available cash in each third quarter is interesting. One of the notable trends is the fall of value invested in software industry. Despite the fact that software companies gathered no fewer than 4 different investments, the average sum invested was only €300.000, comprising only 4% of the total value in Q3 2010. In comparison, the percentage of software industry was 22% in Q3 2009 and 39% in Q3 2008. Hardware investments had been non-existent in previous third quarters, however, Mitron's €3 million investment brought some light to the business. As the single investment in Heptagon dominated in Q3 2009, likewise Blyk's received €17 million constitutes alone more than half of the value invested. When not taking Blyk's round into account, almost all industries gathered investments rather uniformly with the exception of industrial companies, which did not receive a single investment.

## Proportional Investments by Industry

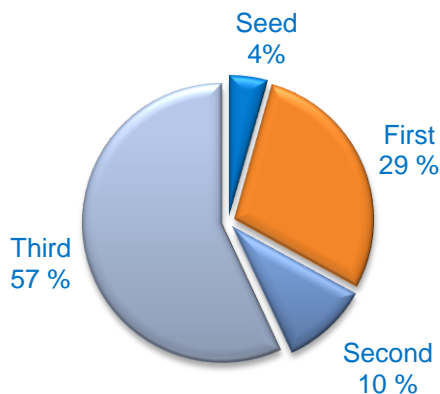


## Stage Distribution

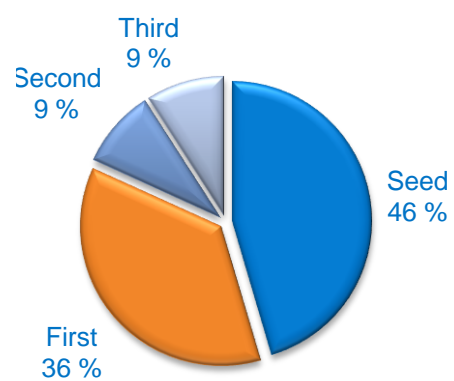
In terms of value distribution by stages, the clearest difference is in third round investment value, which went from zero per cent in Q3 2009, to 57% in Q3 2010. The reason for this is the Blyk investment, which was the only third round investment but constituted 17m Euro. The biggest drop was witnessed in second round investments, where the value of investments dropped from 62% to 10%. The first round investments didn't fluctuate significantly, representing only a 6% drop year on year (35% -> 29%). The seed stage investments also remained relative the same, dropping only 1% in value (4% -> 3%).

When looking at the number of investments by stages, the clearest difference was in the seed stage investments, which more than doubled its share from 20% to 46%. First and second stages lost their share of the investments; first stage by 14% (50% -> 36%) and second stage by 21% (30% -> 9%). In Q3 2009, there were no third stage investments, so due to the Blyk investment, its share rose to 9%.

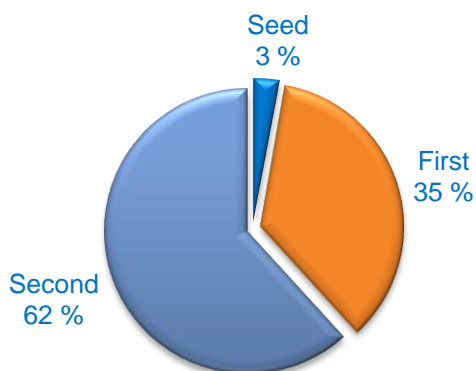
**Stage Distribution - Value of Investments Q3 2010**



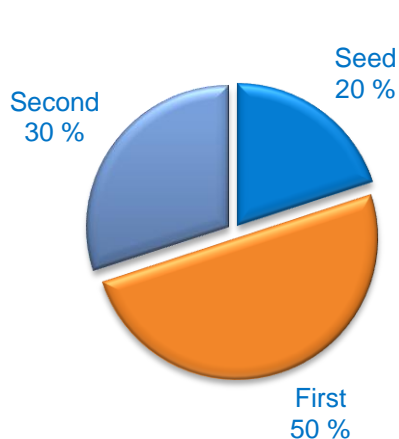
**Stage Distribution - Number of Investments Q3 2010**



**Stage Distribution - Value of Investments Q3 2009**



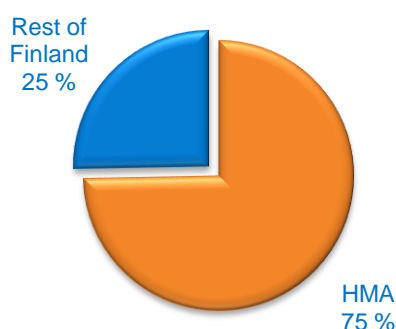
**Stage Distribution - Number of Investments Q3 2009**



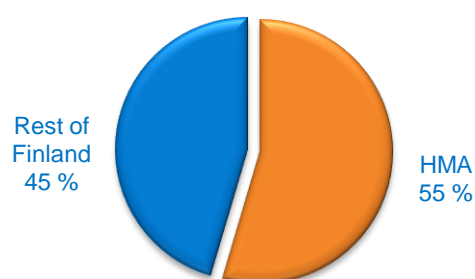
## Geographical Distribution

Helsinki Metropolitan Area based companies attracted a majority of investments, raising 55% of all investment rounds during Q3 2010. In terms of Euros, Helsinki Metropolitan Area companies did even better closing 75% of all invested Euros. The situation remained very similar to the prior year's Q3, when HMA-based companies attracted 60% of investments and 77% of all invested Euros. The trend of HMA region outperforming the rest of Finland has remained steady over the last year and underlines the theory that growth companies have easier access to strategic partners and investors when they are based in the Helsinki Metropolitan Area.

Value of Deals Q3 2010



Number of Deals Q3 2010



## Our Methodology

We begin with investments reported in the press, using the assumption that a round is completed on the day when it is announced in the press. We then add all investments that are recorded by the teams in Technopolis Ventures' 6 locations around Finland. We then make any necessary estimates regarding to the sizes and distribution of investment among investor classes, based on the known characteristics of the investors in question. Finally, we use primary information sources - i.e. interviews of the entrepreneurs and/or investors - to confirm our estimates to the degree that they will provide us information. While these estimates have drawbacks, we believe that our information is the best available given the relatively secretive nature of venture capital investing in Finland. Using the announcement date as the "completion date" is a strong assumption, and we believe that it may create a significant lag in the results, but our goal here is to have a consistent methodology that allows year-on-year and international market comparisons.

## About Technopolis Online

Technopolis Online is the most comprehensive investment database of Finnish high tech industry that combines validated company data and the latest financing rounds to provide a platform for visibility, business intelligence and transparent market information. By offering an unparalleled depth of market information in Finland and enabling the first national, real time statistical process and validation, Technopolis Online is the foremost information tool for all high-tech financing activities. Technopolis Online is operated by Technopolis Plc. The service was publicly launched in September 2009.

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