

SUMMARY OF FINNISH HIGH-TECH COMPANY CAPITAL RAISING ACTIVITY – Q309

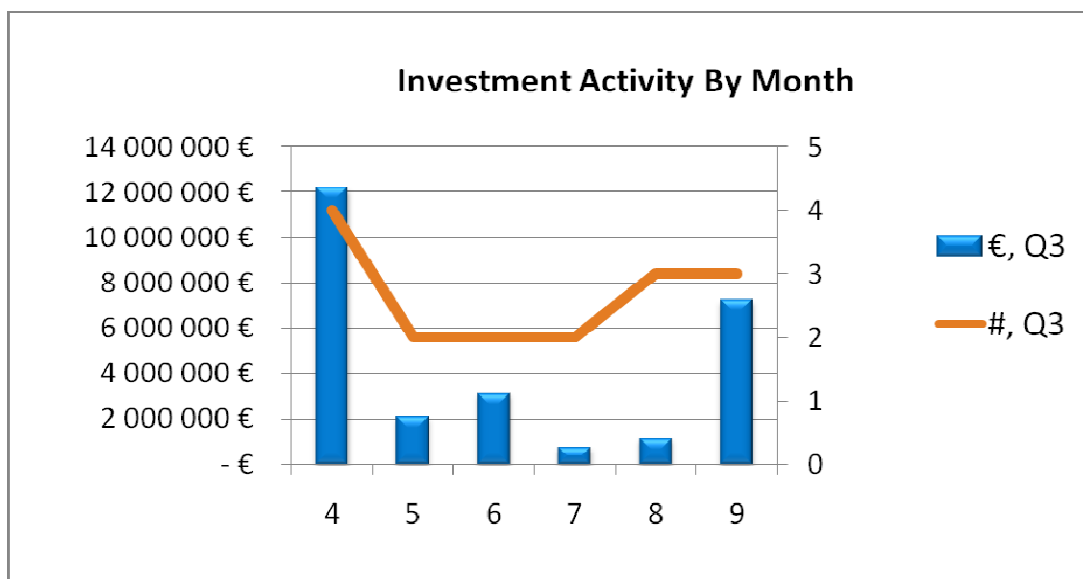
Technopolis Online Reports: Finnish high-tech growth companies announced raising nearly €9.2 million of risk capital during Q3 of 2009. The amount is low compared to Q3 2008, when Finnish high tech companies were able to attract €19.3 million.

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 regarding over 150 Finnish and foreign investors, and almost 1,500 Finnish high-tech firms.

Overview – In the third quarter of 2009, eight Finnish high-tech companies reported roughly €9.2 million of funding received from both angel and venture capital investors. The amount raised was 52.6 % below the amount raised by twelve companies in the Q3 2008. Overall, the risk capital performance in Finland was one of the lowest ever recorded since the industry truly started to operate. A lone positive signal was increased investment activity in September 2009 (€7.3 million) when compared to September 2008 (€5 million). It was the first month since April 2009 that performed better than the same month a year earlier.

Only two companies disclosed investments larger than €1 million during Q3. Norrhydro (hydraulic cylinder design) closed its second financing round worth €2 million, while Nokia spin-off, There Corporation (smart home software and hardware), secured a €4.5 million first round investment. The average investment size was €1.1 million, which was lower than in Q3 2008 (€1.6 million), but is not a very good measure due to the small and skewed number of investments.

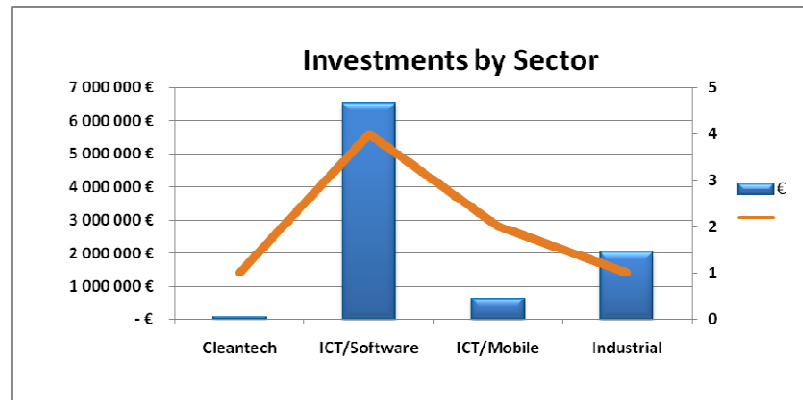
“Third quarter was expected to be low and now it gave as few investments as normally happen in July or August in Finland”, said **Will Cardwell**, Director of Technopolis Development Services. “It is important to understand that even very small investment rounds are always meaningful to a startup company, since it shows a level of validation, and even a 100k investment usually enables significant matching funding from the government. However, we very much hope to see larger rounds done in the 4th quarter.”



Overall 2009 trend:

Investments by sector

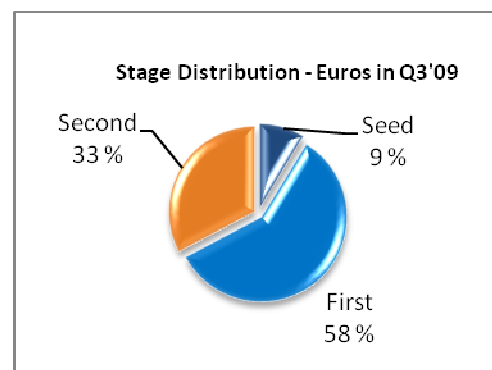
Software companies were again able to attract more investments than any other industry (4), similar to the situation in H1 2009. Altogether, software companies raised €6.5 million which was by far the largest amount any industry received during Q3. Altogether, software companies managed to snatch over 71% of all invested Euros. In industrial



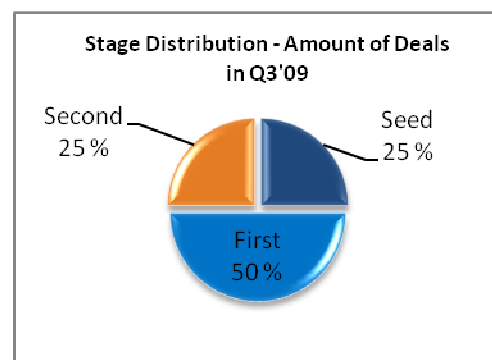
industry Norrhydro was able to raise a €2 million round. In cleantech industry City Cool Solutions Ltd was able to raise a small angel round, worth 50,000€, which was the first investment in the industry this year. However, we also note that both Norrhydro and There Corporation have cleantech applications, so that sector is stronger than it appears relative to other sectors.

Regional distribution - Capital region headquartered companies attracted four investments, and 25.6% of all invested Euros, plus several of the companies also have substantial operations in the capital. Tampere, Oulu and Jyväskylä-based companies also received investments.

Stage distribution – All investments in Q3 were made in seed- and early stage companies. The trend is very similar to H1 situation, when seed- and early stage companies attracted over 93% of all investments. During Q3 an average seed round was the size of €400,000, while first and second round investments were typically a bit larger than €1 million. The clear message here is that there are very few, if any, expansion stage rounds happening at the moment, which along with the lack of exits is a major concern for the market.



Investments by type of investor – There were no international investments in Finland for the first quarter in recent memory, comparing to 4 international investors making investments in Q3 2009. Domestic venture capitalists were the major source of funds, committing €8.7 million compared to €6.6 million in Q3 2008. Angel investors were also quite inactive during the quarter, investing less than €500,000.



Other Clear Results from our Data

Looking for a few positives, it was nice to see that new domestic investors were establishing their operations. Folmer Management closed its first fund, Folmer Equity Fund I, at the end of July. The fund's first closing was at €29 million and the management company is already reported to be negotiating with possible target companies. In addition, Eqvitec Partners, one of Scandinavia's leading Venture Capitalist (VCs), announced that it will begin focusing much more on early stage. Another potentially high impact actor is Aalto Capital Ltd, which is an investment bank with a focus on high tech high growth companies. It was established in Helsinki in September 2009 and its main

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founders come from Privanet, a company that had specialized in offering a market place for non-listed companies.

The illiquidity in the venture capital and angel markets is a direct result of illiquidity in the public stock markets for technology companies – the emergence of alternative exchanges like Privanet and First North may in the longer run help make early stage investing more attractive.

Currently the biggest concern, besides the continuing lack of exits, is that international VC's made no investments in Finland last quarter. Many factors are environmental and thus out of the control of the ecosystem players. VCs overreact to economic shocks – if the public market sneezes, the VC market catches the flu. In addition, the VC market normally lags the public markets. Thus, while we see the public market rising, the VC market will take its time to adjust. The good news is that more venture-backed IPOs are happening all the time in the US – the bad news is that still they are at a very low level, and there are none in Europe. The cross-border M&A markets are active again, with great deals like the \$3bn deal where Cisco bought Tandberg (video conferencing and telepresence) from Norway.

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' 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 will be publicly launched in September 2009.

For further details, please contact:

Will Cardwell, director Technopolis Development Services (will.cardwell@technopolis.fi)

Karri Hautanen, Head of Technopolis Development Services & Technopolis Online (karri.hautanen@technopolis.fi).