

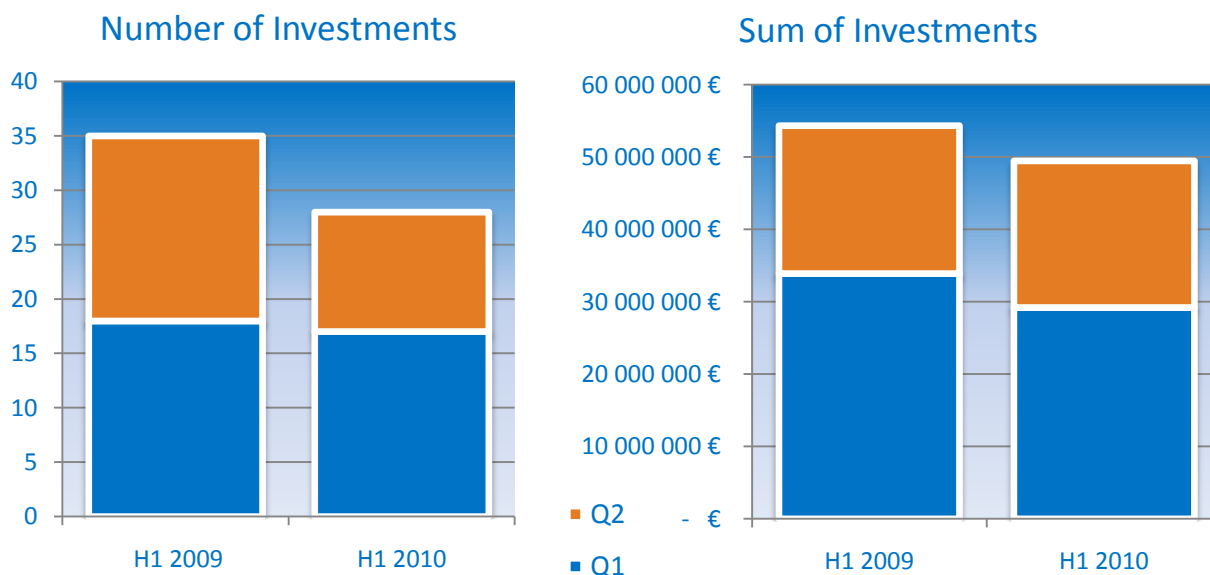
## SUMMARY OF FINNISH HIGH-TECH CAPITAL RAISING ACTIVITY – H1 2010

*Technopolis Online Reports: 28 Finnish high-tech growth companies announced that they have raised €49.5 million of risk capital during H1 of 2010. The amount is slightly less than H1 2009, when Finnish high tech companies were able to attract €54.3 million.*

Below 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 and foreign venture capital funds, as well as angel investors. The Survey is based on both reported and proprietary information regarding over 290 Finnish and foreign investors, and over 1,600 Finnish high-tech firms.

### Overview

The total number of investments made in H1 2010 was 28, worth 49.5 million Euros. Compared to the first half of 2009, the number of investments declined by seven (-17%) and the value of investments declined by approximately 4.9 million Euros. Thus, the value of investments dropped only 9 per cent from the previous year. This was mostly due to the fact that the average size of investment rose, even though clear “mega deals were missing” on first half of 2010. The trend is interesting because the international share of the venture capital financing in Finland continued to decrease but then on the other hand, the domestic investors were investing larger sums than on previous quarters.



### Other key highlights:

- The early stage investments are “ok”, late stage and exits are the problem
  - o The first round investments constituted 71% of all value invested
  - o The share of the second stage investments dropped from 53% to 18%
  - o There were no later stage investments in H1 2010
  - o There were no mega deals.
- Helsinki Metropolitan Area grabs majority of investments: It received 64% of all investments and 69% of capital

- Software was the most active industry, receiving nine investments totaling 7.2 million Euro. However, both life sciences and mobile companies attracted between € 10 to 15 million of capital despite fewer transactions.
- Lack of international investors in Finland is alarming:
  - o The value of domestic investors' investments increased 15% in H1 2010 from H1 2009
  - o International VCs made 35% less investments in terms of Euros compared to the level of H1 2009
- Drastically less angel investments (60%), still, the drop in invested Euros wasn't this significant (28%)

#### Positives:

- Domestic VC activity and increased deal sizes
- HMA remained attractive for both for domestic and international investors
- Seemingly enough early stage (especially first round) capital available spearheaded by Veraventure.
- Good dealflow – great new startups have been started and the more mature ones have gained good traction (Rovio, Aava Mobile etc.)

#### Concerns:

- Lack of later stage deals and exits is alarming – If this situation remains, it will affect to the early stages as well
- Fundraising environment remains uncertain. More competition is needed, especially from outside. It is very likely that without increasing competition from the deal-flow, the entrepreneurs will be a clear underdogs in with the investors

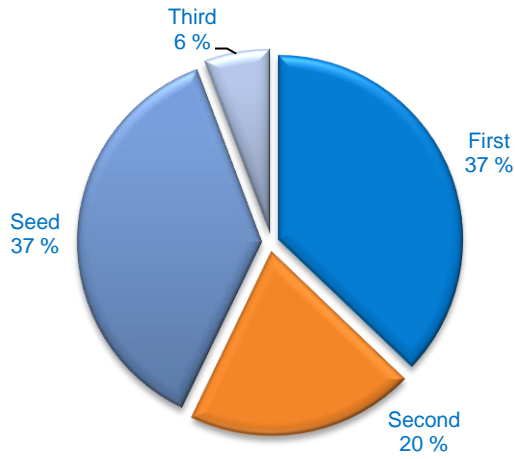
Technopolis Development Services Director Jukka Rauhala: "Both the number of investments and the Euro value decreased year on year from 2009. This was mainly due the nearly 35% decrease of investments from international investors. However, the first round investments of € 7 million in Footbalance Systems Ltd and € 4 million in Oncos Therapeutics Ltd indicate, that it is possible for a Finnish company to raise funding for international growth already in the first round. Finland needs good references and new success stories, like potentially these two companies, to attract more international and national visibility and investors to invest in Finnish start-ups. We simply need to do better job in attracting foreign venture capital into Finland. There are no excuses."

## Stage Distribution

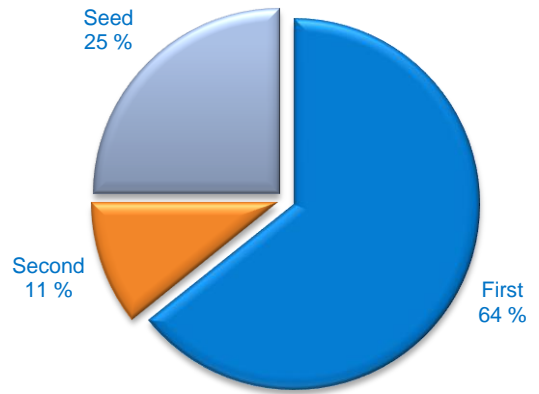
In stage distribution by number of investments, the first round investments grew their share of all investments from 37% in H1 2009 to 64% in H1 2010. The biggest drop was in the seed stage rounds from 37% to 25%. Another big change was the decrease of second round investments from by nine per cent to 11% total. More importantly, third and fourth round capital injections were missing completely on the first half of 2010 which was a continual on the trend of decreasing later stage deals from 2008 onwards.

In the value distribution, the major development was emphasis on the first round investments, which constituted 71% of all the value when a year ago its share was 16%. The second stage investments instead dropped from 53% to 18%. The key factor for the drop was Imbera's significant round last year worth 11,3m Euro. The seed stage investment value remained on a nearly equal level, shifting few percentages from 14% to 11%. Nevertheless, both the distribution by value and number of investments underlie the trend of decreasing late stage deals – and more recently – even the decrease of second stage deals.

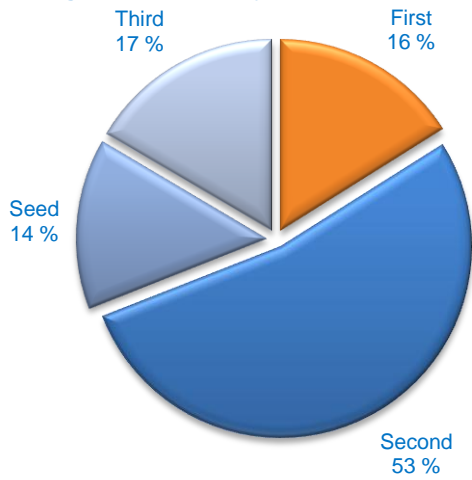
**Stage Distribution by Number of Investments H1 2009**



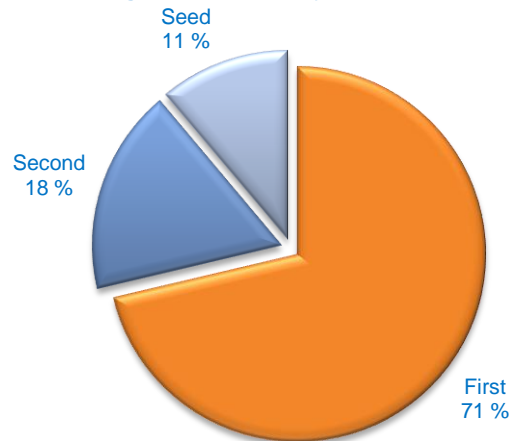
**Stage Distribution by Number of Investments H1 2010**



**Stage Distribution by Value H1 2009**



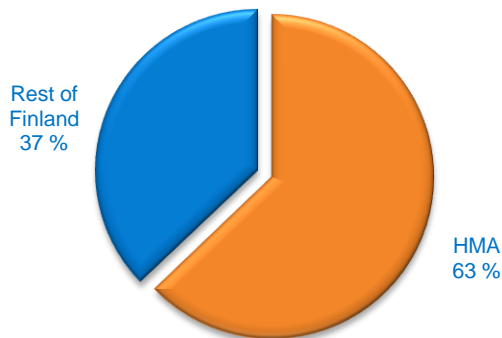
**Stage Distribution by Value H1 2010**



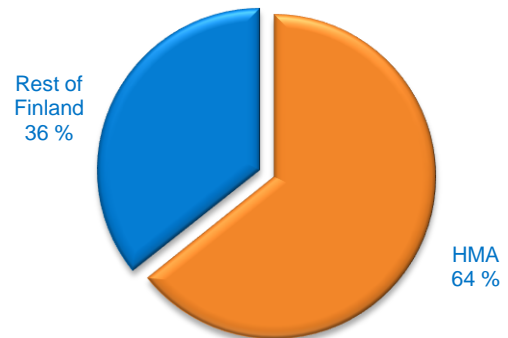
## Geographical Distribution

Geographical distribution of investments in H1 2010 remained very similar to the situation in H1 2009. Helsinki Metropolitan Area companies attracted 64% of the investments and even 69% of the value of investments. Both figures were a bit below the previous year (63% & 72%) but still verified the importance of HMA as a hub for both domestic and international VCs. Also notable was that every international investment was addressed at HMA companies (4), whilst also three biggest deals measured by value were addressed in HMA companies.

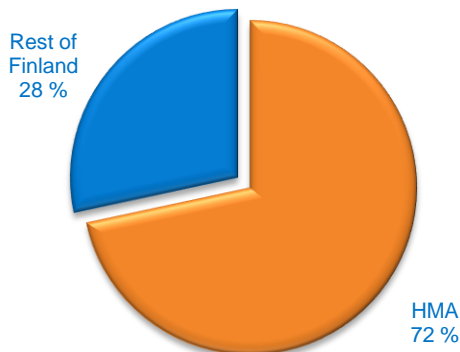
**Geographical Distribution of Number of Investments H1 2009**



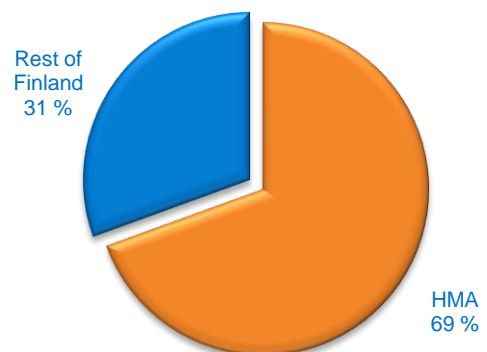
**Geographical Distribution of Number of Investments H1 2010**



**Geographical Distribution of Value of Investments H1 2009**

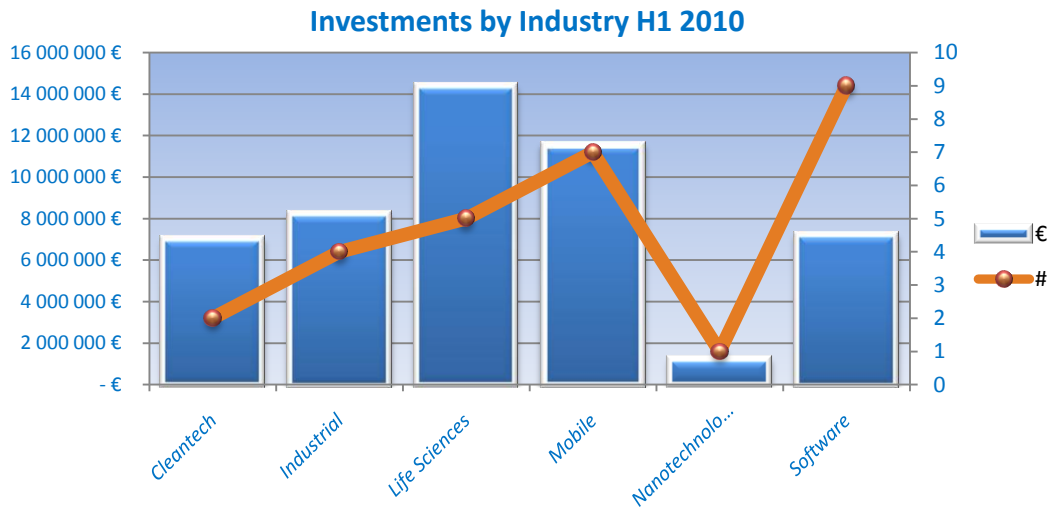


**Geographical Distribution of Value of Investments H1 2010**

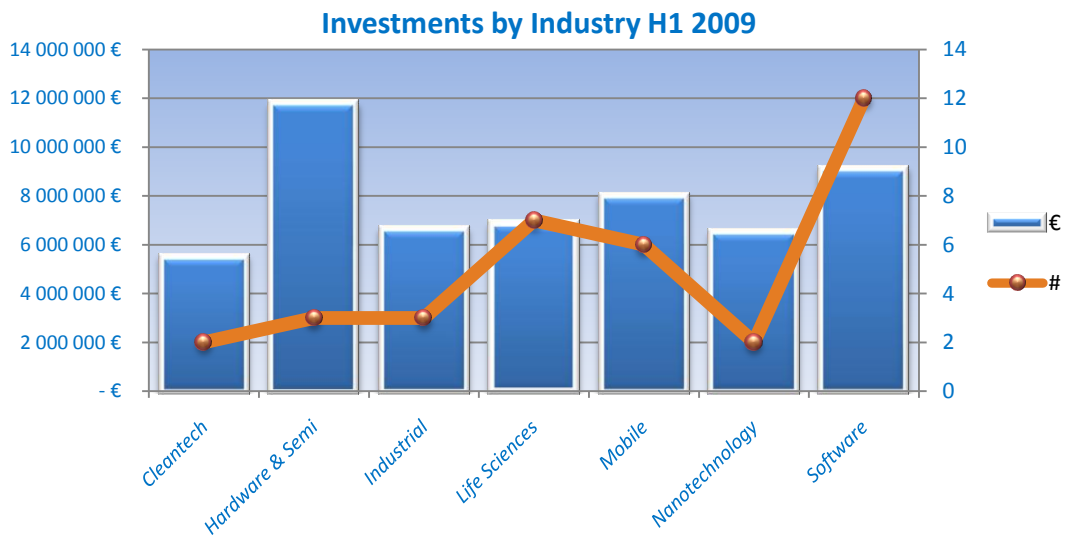


## Investments by Industry

Similar to the situation in 2009, software companies received the majority of investments (9) during half one 2010. However, by value, life sciences companies closed most of the financing worth 14.4 million Euros, whilst mobile firms became second receiving 11.5 million Euros of venture capital.



The biggest changes from H1 2009 were the drastically decreased value of nanotechnology and hardware investments. Nanotechnology companies, who closed more than € 6 million of financing in the two first quarter's of 2009, managed to attract only 1.2 million euro over the same period in 2010. In the meanwhile, hardware & semiconductor companies closed no financing at all. Cleantech and industrial companies instead performed most stable, receiving roughly equal share of deal flow and deal value on the first half of both years.



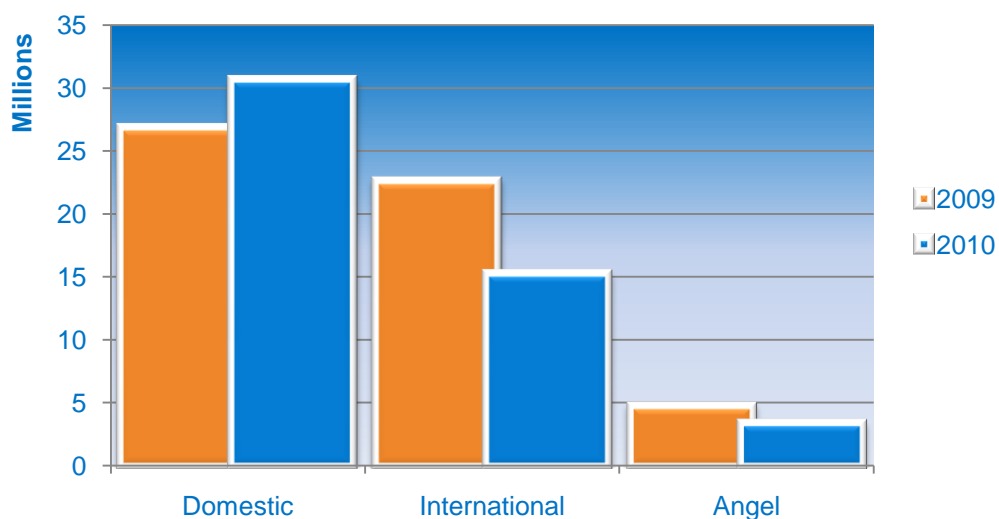
## Investments by Investor Type

In H1 2010, especially domestic VCs increased their average investment sums which then drove the total domestic investments to increase by 3.8 million. Compared to the previous year's half one, the domestic investors invested 14% more venture capital. Still, the amount of investment by domestic VCs remained on an equal level. Altogether, the decreased amount of overall investment in the Finnish market was largely due to the lack of international investments. International VCs invested 34% less capital in Finnish companies compared to the level on H1 2009. However, the

fact is not that concerning when compared the investment round amounts; H1 2010 saw four investments whilst within the same period in 2009 the market had attracted six international investments. Still, it's important to note that the half's yet another bad performance in attracting international VC money.

In H1 2010 we saw remarkably less angel investors participating in financing rounds. Only 10 angel investors invested either individually or together with other business angels, whilst the figure in H1 2009 was still as high as 25. Angel investors invested 3.5 million compared to 4.8 million (-1.3 million) in H1 2009. However, the average angel investment sum rose significantly, similarly to the situation of domestic investors' average investment.

**Invested Euros by Investor Type - Comparison Between H1 2009 and H1 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' six 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.

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