

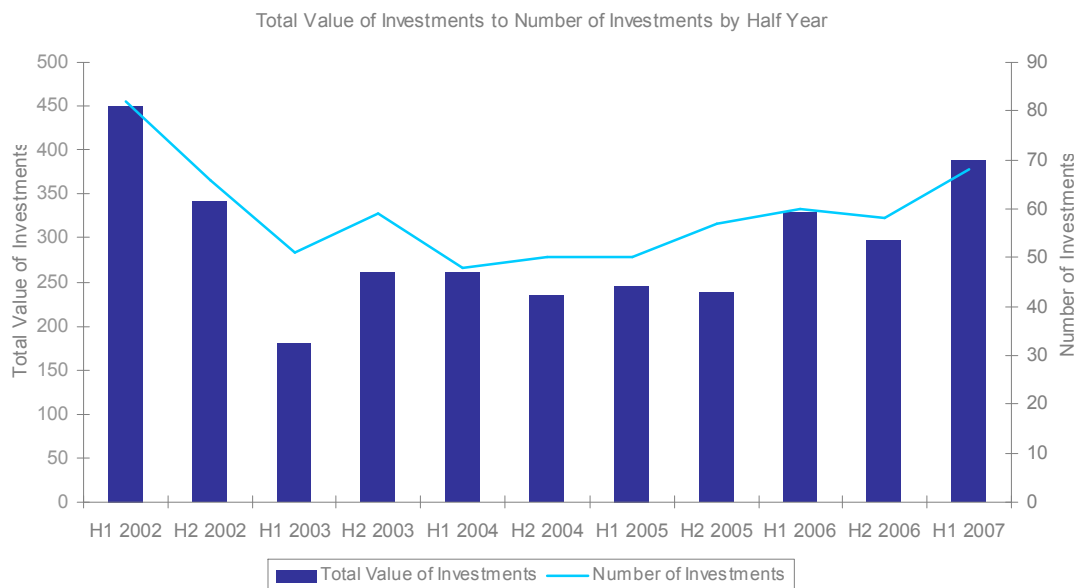
September 2007

H1 2007 Technology Funding Review

Cobalt Corporate Finance today released its 2007 H1 funding analysis, which looks at technology venture capital investments of £1m or above made in the UK and Ireland.

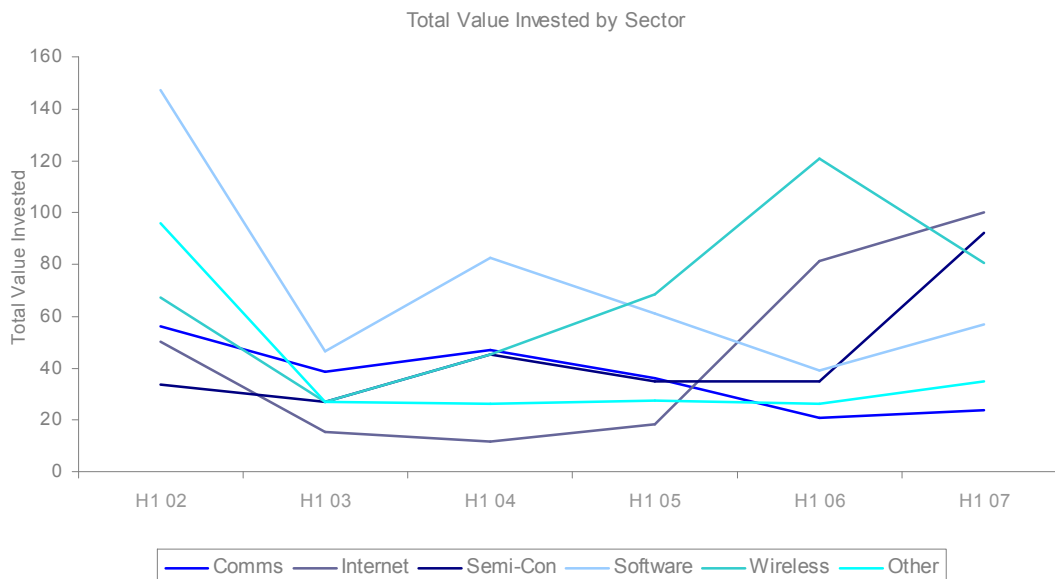
Overview

- The first half of 2007 saw a total of £388.5m invested across 68 deals, representing an 18% increase in the total amount invested over the same time period last year.
- Coming on the back of a superb first quarter, the second quarter of 2007 saw £141.6m being invested in 31 deals, again in excess of the figures from the same time period last year.
- The strong showing in the first quarter helped to pull the average level of investment to £5.7m; a small increase over the last year's corresponding figure, but the highest amount since 2001.



Sector and Deal Analysis

- Semiconductor deals grew by a spectacular amount over the first half of 2007 with over £105m being invested in the sub-sector. This figure is three times greater than the average for the previous four years. However this large increase is principally due to one single investment of £51m, without which, the sub-sector would have had results rather less newsworthy.
- The Internet sector built on its strong growth over the past three years, this time by receiving over £100m in investment. With the greatest number of deals out of all the sectors and a balanced mix of both small and large investments, it is likely that the internet sector will lead the way in the foreseeable future.
- Although overall growth has been robust in the last year, very little has been seen in the telecoms sector. Investment in the first half of the year is now barely half the level it was in 2003. There are few signs of a recovery for this sector as whilst competitive producers in high growth markets attract large funding, traditional telecoms businesses continue to prove unpopular with venture capitalists.



- Plastic Logic was not only the largest investment in the first half of 2007, but also the largest since 2000. This spin-out from Cavendish Laboratory at Cambridge University has found a novel way of manufacturing semiconductors from plastic instead of silicon. It has been estimated that this new approach will lower production costs by up to 90%. Not

surprisingly this has earned the company plenty of accolades including over £77m in investment, £51m of which came in the first quarter of 2007.

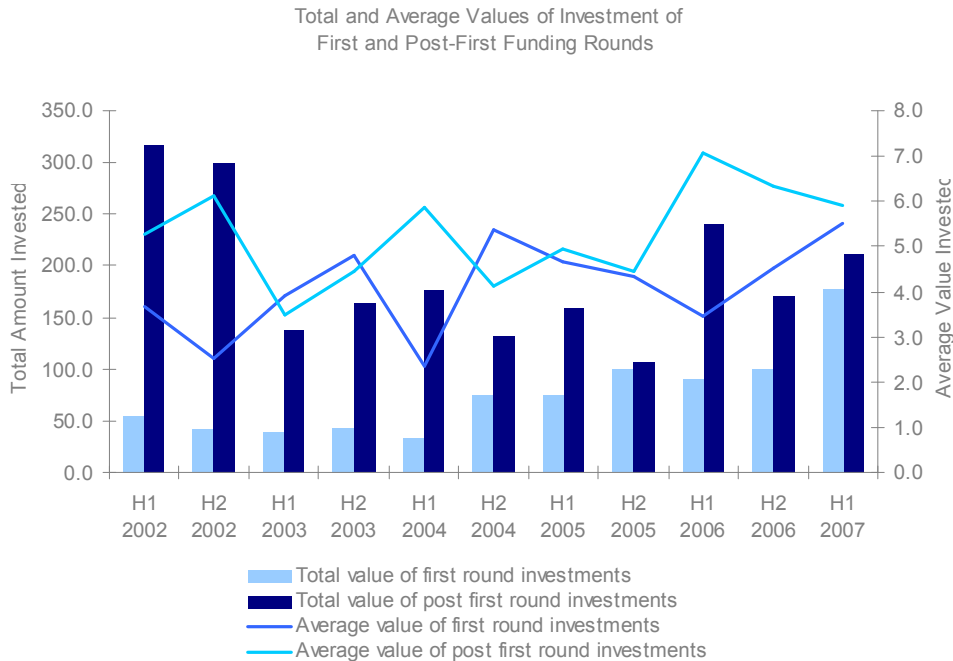
- Following in the steps of Plastic Logic was Ocado which gained the highest level of funding in the second quarter. Despite not having made a profit since its inception in 2000 (according to the company accounts), it secured £30m in fourth-round funding. The funding takes the total amount invested in Ocado to almost £200m; more than any other internet start-up in Europe.
- Another sizable investment in Q2 was VideoJug. VideoJug is one of the world's largest online collections of factual content. Featuring a Youtube-esque interface, users can upload, download and view video clips of the "how-to..?" variety online. This has attracted plenty of investment, the most recent being a £15m, second round investment in May.

The table below shows the ten largest investments for the first half of 2007:

Company	Activity	Investment	Quarter	VC's Investing
Plastic Logic	Plastic electronics	£51m	1st	Amadeus, BASF, Bank of America, Intel, Merfin, Oak, Quest for Growth, Tudor
Ocado	Online Supermarket	£30m	2nd	Undisclosed Investors
Picisel Technologies	Mobile embedded software	£23.3m	1st	Capital Intl, DCM-Soll, NIF SMBC, NTT DoCoMo, SBI
Frontier Silicon	Digital Circuitry	£16.0m	1st	ACT, Alta Berkley, Apax, BlueRun, Cheyne, Garrigan Lyman, Mitsui
Video Jug	Online Library	£15.0m	2nd	Colliers, Sloane Robinson
picoChip Designs	Fabless semiconductor manufacturer	£13.6m	2nd	Highland, Other Undisclosed Investors
Truefone	Mobile VoiP and Wi-Fi software	£12.5m	1st	Burda Digital, Eden, Independent, New & Media; Wellington
Workshare	Information security software	£11.7m	1st	Intel, Quester, Steelpoint
Cambridge Broadband	Wireless equipment	£11.4m	1st	Accel, Adara, Amadeus, TVM
ZBD	Electronic paper solutions	£10.3m	1st	Lansdowne, Espirit, Prelude, QinetiQ, Dow

- The total and average value of the ten largest investments in the first half of 2007 are the highest seen since the first half of 2002

Round and Syndication Analysis



- There has been a considerable increase in the level of first round funding over the years. H1 07 saw almost £180m being invested in the first round. This is almost 80% higher than H1 2006 and over three times greater than the corresponding figure five years ago.
- By value, the level of syndicated deals has remained constant with 72% for H1 07 against an average of 73% for 2003-2006. However this masks the fact that on a quarterly basis, just 62% of deals by value were syndicated in the second quarter of 2007, a considerable drop from an average of 75% over the past four years.

Summary Evaluation

The strong growth in venture capital investment in 2007 has momentum and is likely to continue to the end of the year.

This will be in marked contrast to private equity investment which at the top end will suffer from the credit crunch, while in the middle segment there is likely to be repricing of debt and some trickle down of the caution now applied to larger deals.

For the first time in many years, we could see venture capital stepping back into the limelight as private equity takes a quieter stance in the market.