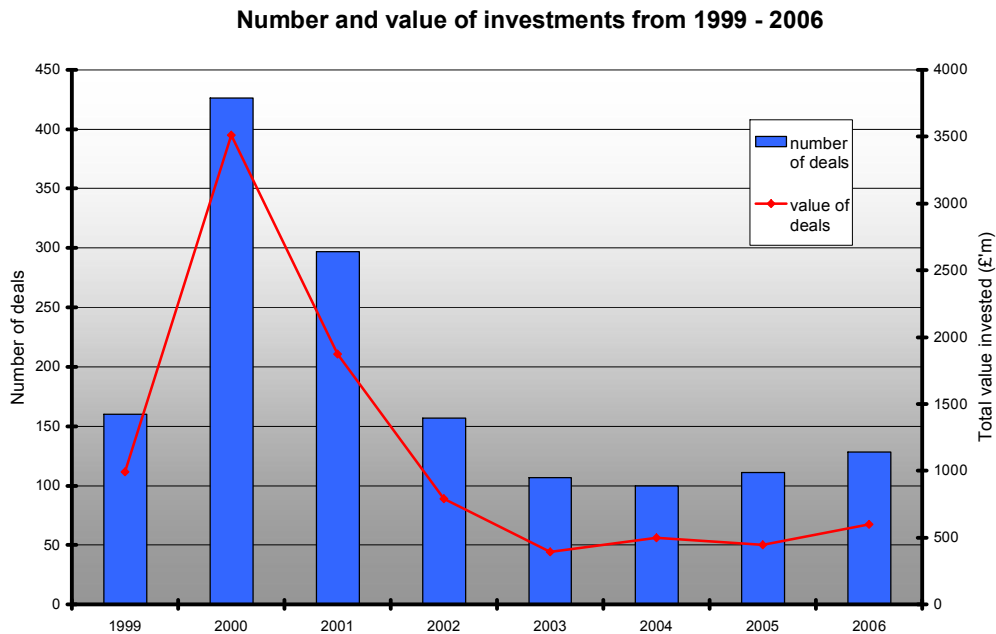


29 January 2006

Cobalt Corporate Finance, a leading Technology, Media and Telecommunications advisory boutique, today released its 2006 funding analysis, which analyses technology funding investments of £1m or more made in the UK and Ireland.

Headlines

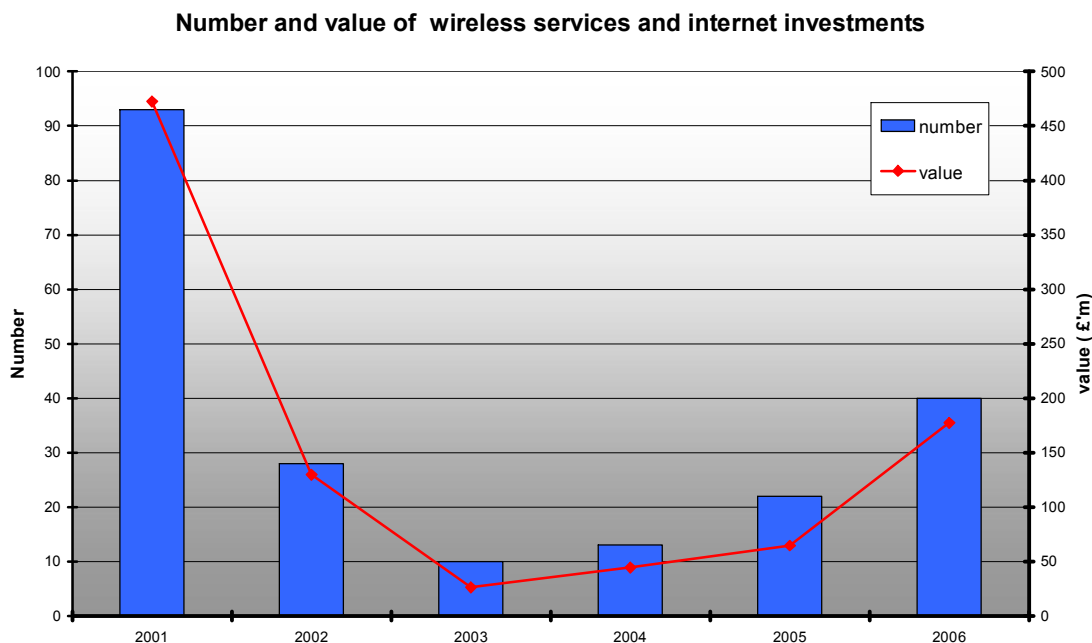
- Q4 of 2006 received £161m of investment over 34 deals, the highest levels by both number and value for any previous Q4 since 2001.
- In 2006 as a whole, £600m was invested over 128 investments. This compares to £445m over 111 such investments in 2005, representing an impressive 35% increase in value. The number of investments also increased by 15% from 2005; this compares to an 11% increase from 2004 to 2005.



Paul Rivers-Latham, Partner at Cobalt Corporate Finance, said: “2006 demonstrated real strength in the VC market. Early signs for 2007 are equally encouraging and with the entry of new players such as hedge funds, we expect this upward trend to continue”.

Sector analysis

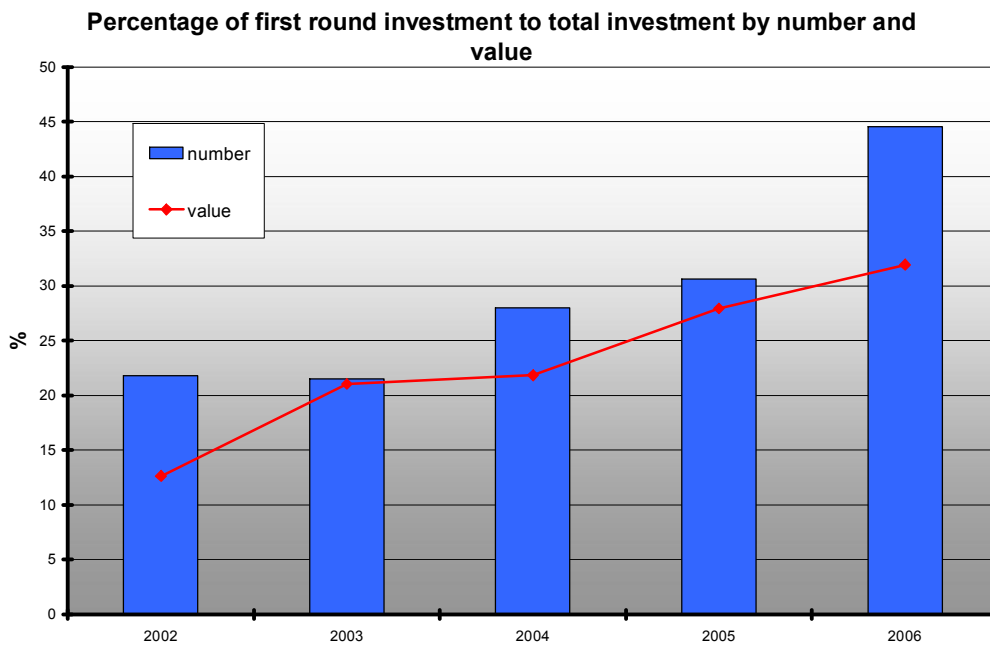
- For the wireless services and internet sub-sectors considered together, there has been a four fold increase in the number of investments, and nearly a seven fold increase in value invested, from 2003 to 2006. This compares to a 20% increase in the number of deals, and a 53% increase in value, for all the sectors together, over the same period
- From 2005 to 2006, investment by value almost trebled in the above mentioned sectors, increasing from £65m to £177m, and the number of investments increased by an impressive 81%, over the same period.



- The wireless services and internet sub-sectors together received a greater number of investments than any other sub-sector, with 40% of all the investments.
- Web 2.0 companies such as Viagogo (an online exchange that allows people to buy and sell tickets to live events) have helped to fuel this increasing investment into internet software. This was a first round, £13.5m investment in August 2006 by a syndication of investors including Qventures, 123 Ventures, Triangle Venture Capital, Equinet Venture Partners and Softfront. The low set up costs of such companies has likely provided an incentive to investors.
- Within 2006, the software sub-sector also experienced sustained increase in activity. By value, investment increased from £15m to £51m from Q2 to Q4, and from 4 to 12 investments over the same period.

Round Analysis

- There have been consistent increases in the percentage of first round investment by value each year since 2002, and by number since 2003.
- In 2006, 45% of investments were first round, and this accounted for 32% of the total value for that year.



- This increasing confidence in early stage investment is indicative that the sector is in the early stages of a growth cycle. As the majority of young companies will be supported by further, usually larger, rounds of funding from their backers in subsequent years, we would expect to see the value of investment made increase further on the back of these expansion rounds.

Syndication

- In 2006, 83% of deals by value were syndicated. This is the largest proportion of syndicated value since Cobalt's records began in 1999. This record high also comes at the end of two consecutive years of increasing proportions of syndication: 65% in 2003 and 76% in 2005.
- By number, 70% of deals were syndicated in 2006. The average number of syndicated investments since 1999 has been 63%, so 2006 was a fairly typical year.

Region analysis

- In 2006, 82% of the number of deals were invested in England & Wales, 7% in Scotland, and 11% in Ireland. This was the highest proportion of investment into England and Wales since 2000.

Who are the biggest investors of 2006?

The table below shows the five most active VCs by value invested. The table excludes investments where the amount invested was undisclosed.

VC	Value invested	Number of investments	Average value of investment
Accel	£93.9m	12	£7.8m
Benchmark	£72.2m	8	£9m
3i	£69.9m	11	£6.3m
Amadeus	£66.4m	6	£11m
Esprit	£63.9m	9	£7.1m

- Icera received two large investments in 2006: £23m in March, and £10.5m October. All of the top four VCs by value participated in one or both of these rounds – successful syndications that enabled Icera to secure more funds than any other company in 2006.
- While the semiconductor sub-sector only accounted for 8% of investments in 2006, investments such as Icera are an indication that VCs are willing to invest substantial sums for the right opportunity. The recent £50m investment into electronics company Plastic Logic in January 2007 is further evidence of this trend. Cobalt will be looking at this sub-sector with particular interest in the upcoming year.
- If Icera's investments are ignored, it is the wireless services and internet sub-sector which received the greatest proportion of the invested value, with an average of 51% of the funds of the top four VCs by value.

The table below shows the five largest investments of the year:

Company	Value invested	Company's activity	VCS investing
Picisel Technologies	£25m	Wireless software developer for mobile communications	Undisclosed investors
Icera	£23m	Develops flexible, wireless microchips	Amadeus, Benchmark, Accel, Atlas
Irish Broadband	£17m	Fixed and wireless broadband provider	NTR, Kilsaran Concrete
Apertio	£17m	Software developer for systems management	Add Partners, Deutsche Venture Capital, Motorola Ventures, T-Venture Holdings
Real Time Worlds	£15.6m	Games software developer	New Enterprise Associates

The largest deal of the year was the £25m, fourth round investment into Picisel Technologies by undisclosed US and Japanese investors. Picisel produces embedded software in mobile phones that enables the delivery of all documents and formats. The user can edit, mix, print or otherwise alter the presented information with no need to re-cast or re-engineer the content. The company had more than doubled revenue in the last year, and “surged into profitability”, making it a highly attractive asset commercially and financially.

About Cobalt Corporate Finance Limited

Cobalt is one of the most active TMT specialist advisors in the UK specialising in M&A and fundraising.

Formed in 1996, Cobalt Corporate Finance is London based and specialises in providing corporate finance advice to Technology and Media companies on:

- M&A – both sell side and buy side;
- Fund raising – from venture capital, private equity, corporate and institutional investors;
- MBOs/BIMBOs – combines both M&A and fund raising; and
- Advisory services – go-to-market strategy; strategic reviews; pre-sale planning, etc.

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