



Field report of a Venture Capitalist

Investor Forum 2007, 17 Oct 2007

GCP gamma capital partners

Dr. Oliver Grabherr

Vienna (Austria)	Main Office
Lindenberg (Germany)	German & Swiss Office
Bratislava (Slovakia)	CEE Office
Luxemburg (Luxemburg)	Fund Management Office

© gcp gamma capital partners 2007

Agenda

- Venture Capital - Overview
- Approaching a VC Investor
- GCP gamma capital partners

Venture Capital - Overview

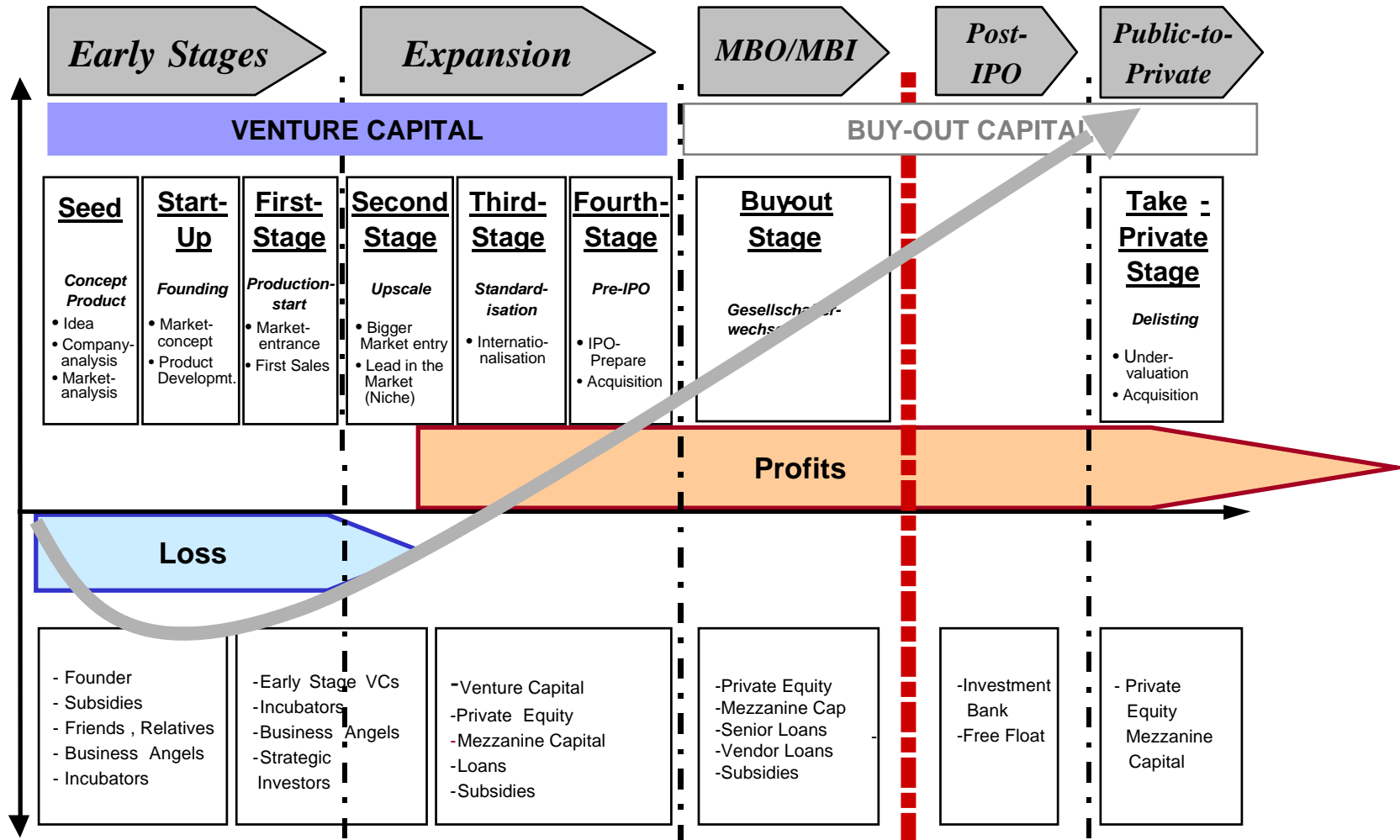
Venture Capital: What is it & how it works?

Venture Capital: Definition	Venture Capital: Model	Success Factors
<ul style="list-style-type: none">■ Equity financing for innovative & fast growing SMEs■ Co-entrepreneurship with full risk-sharing (upside and downside, no collaterals)■ Typically early stages, technology & minority ownership■ Goal: development, expansion & exit of promising businesses	<ul style="list-style-type: none">■ VC investment aims at maximisation of enterprise value, in line with founders■ Holding period of 3-7 years■ Remunerative sale with a target return of >40% p.a.■ Typically 12-20 companies in one VC fund to achieve portfolio diversification	<ul style="list-style-type: none">■ Market understanding and sense for (new) trends■ Experience in due diligence, structuring and negotiation■ Push for growth, active contribution to target achievement■ Right timing of the sale, network and knowledge of the transactions market



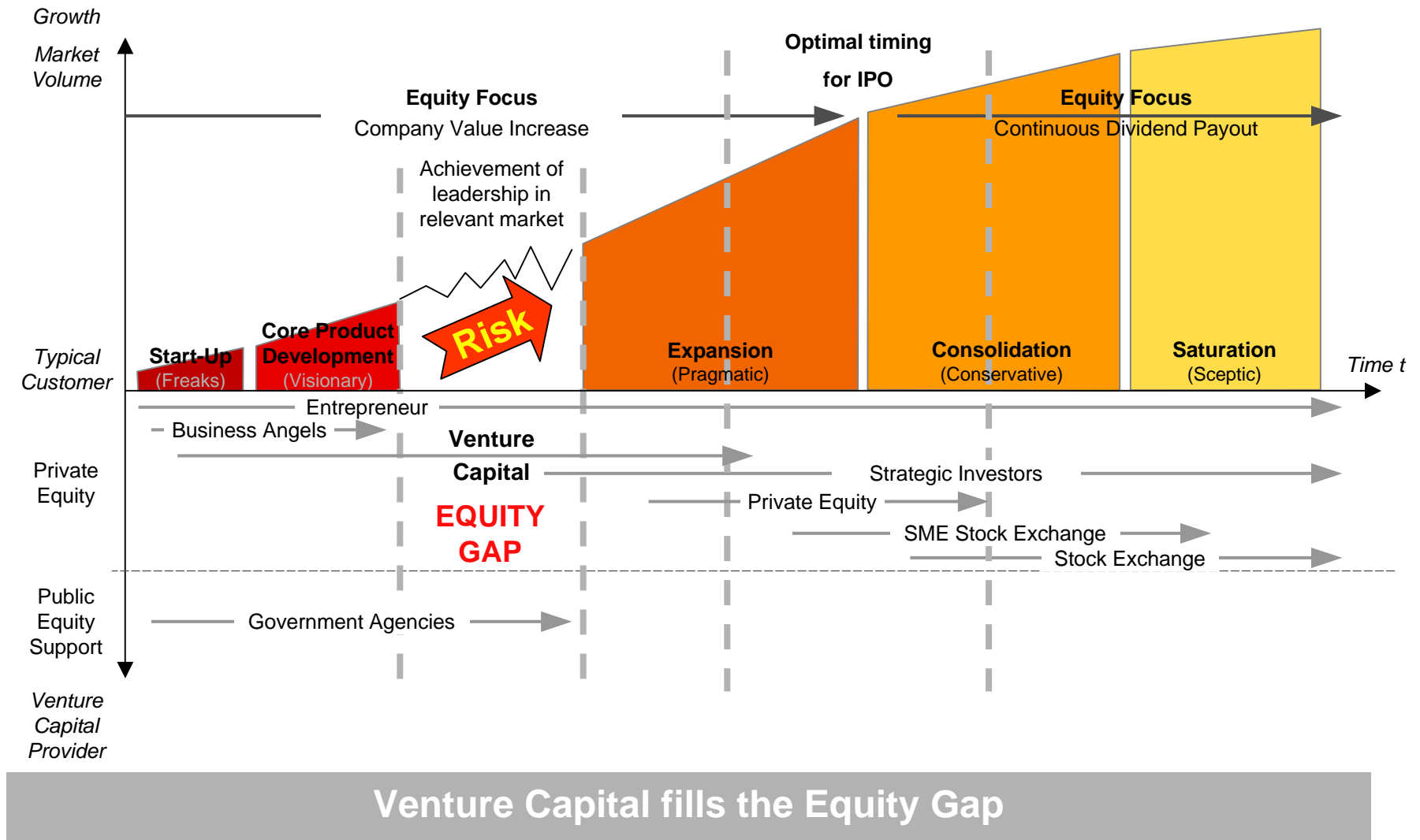
- Long-term partnership
- in young & dynamic companies
- with high growth potential
- to conduct a concerted exit (trade sale or IPO)

Growth and Funding



Source: Grabherr, Oliver in Stadler Wilfried (Hrsg.), *Venture Capital und Private Equity*, Köln/Wien 2001

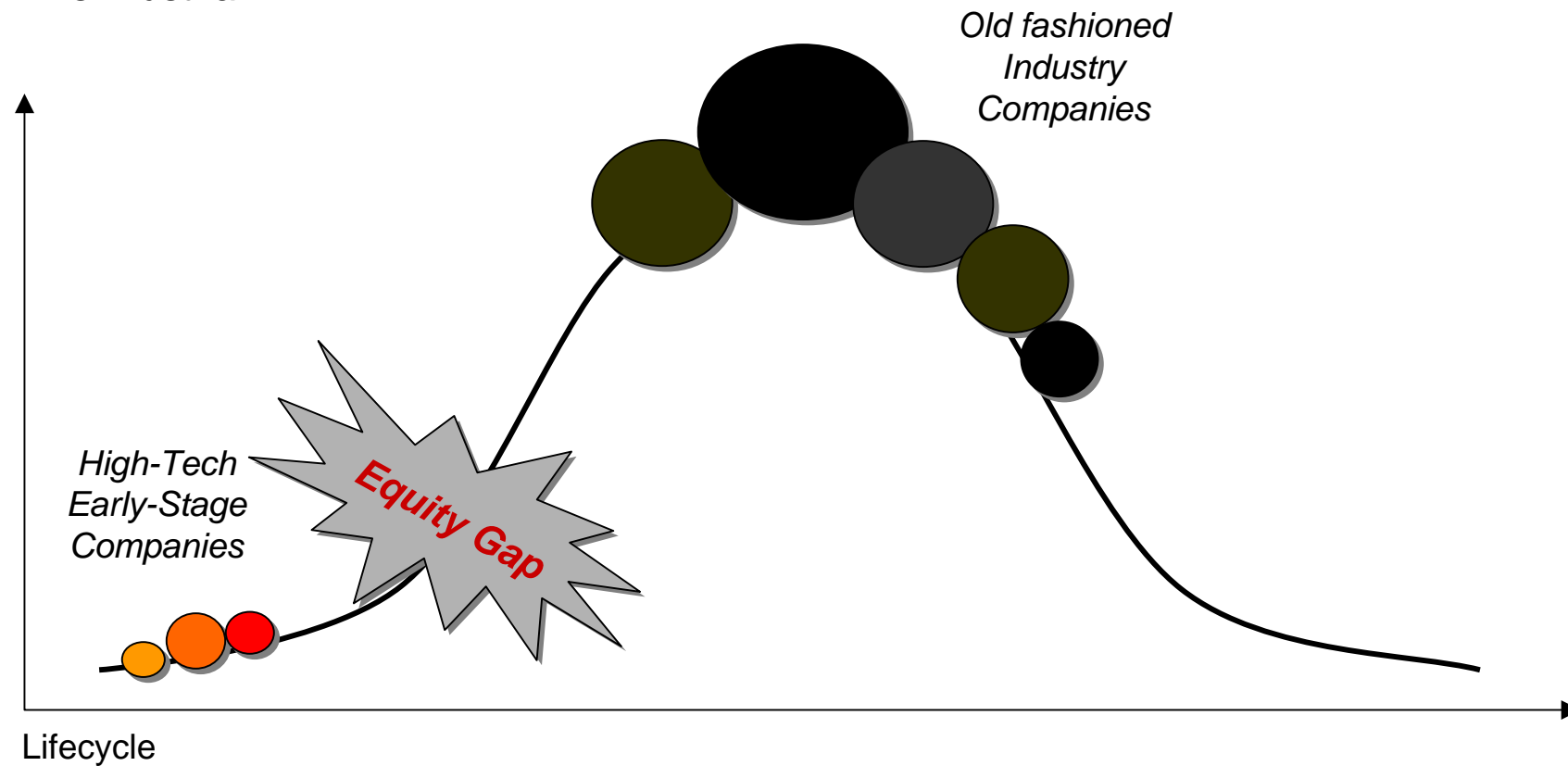
Company Stages and Investors



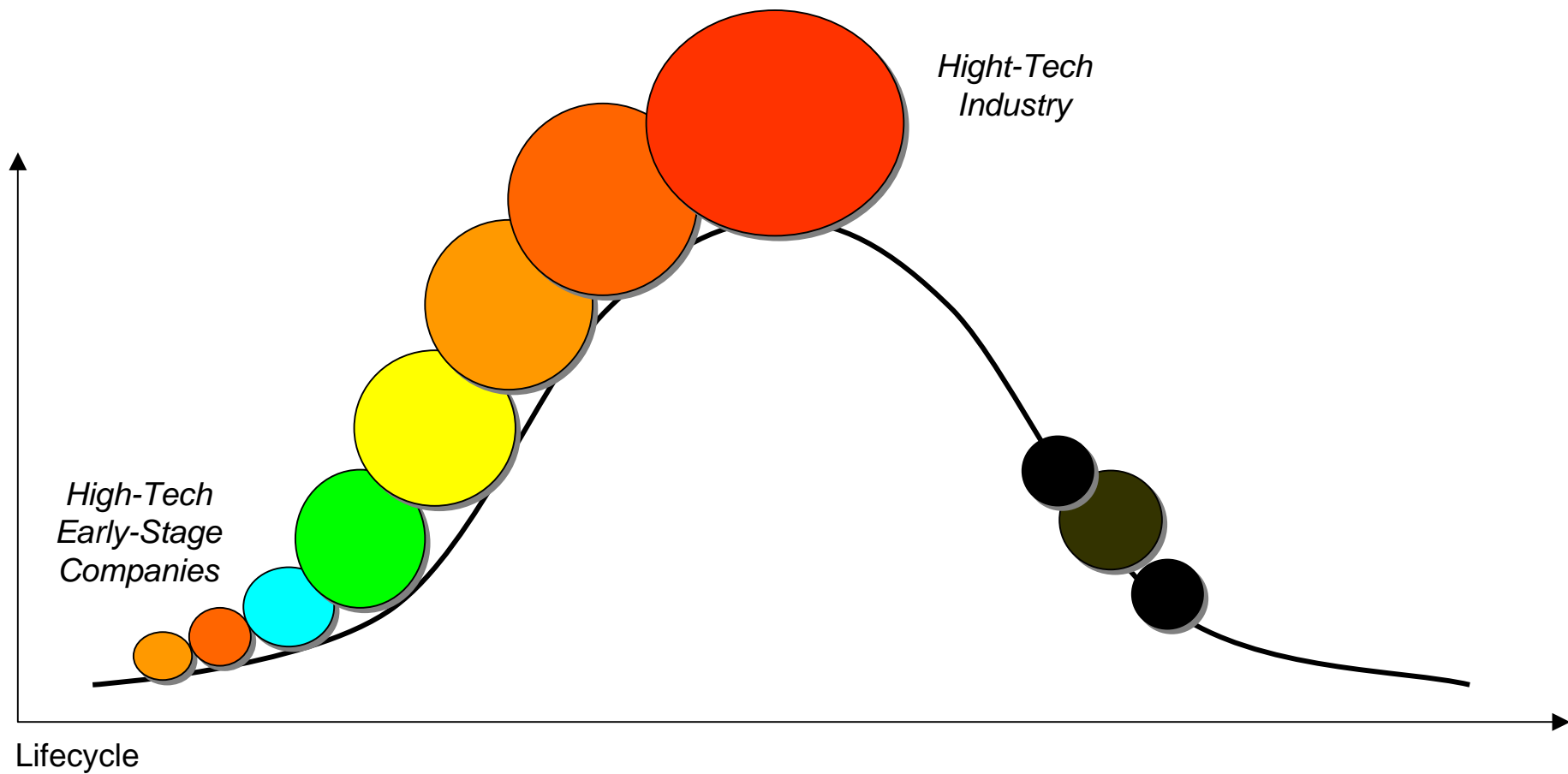
Macro View

- „80 % of Californian GDP is produced by companies younger than 20 years!“
- 10 Billion USD flow in Silicon Valley in Venture Capital Investments annually!

■ vs. Austria:



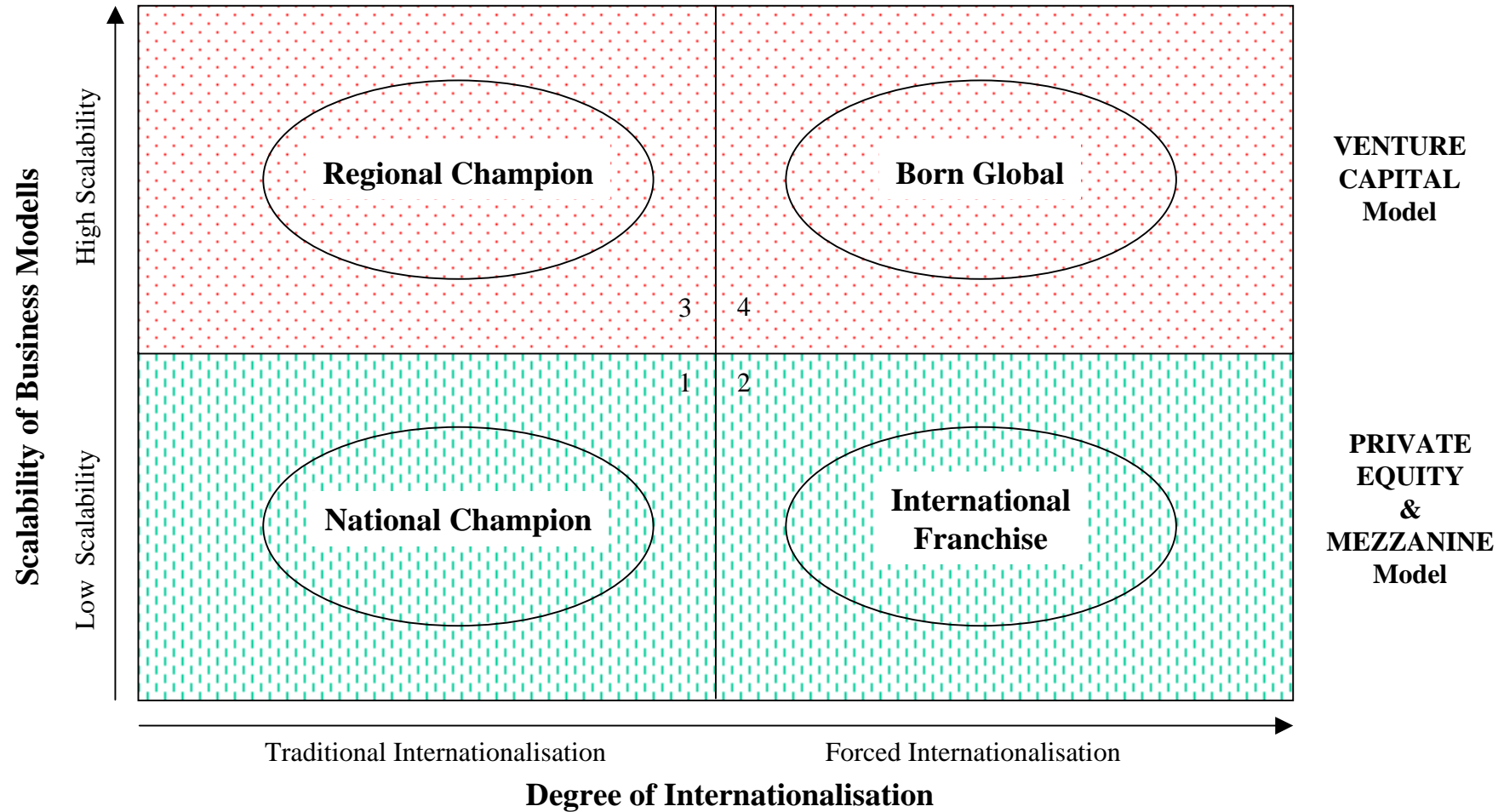
- „High-Tech Industry as the engine for economy!“



Hypotheses VC/PE v. Non-VC/PE

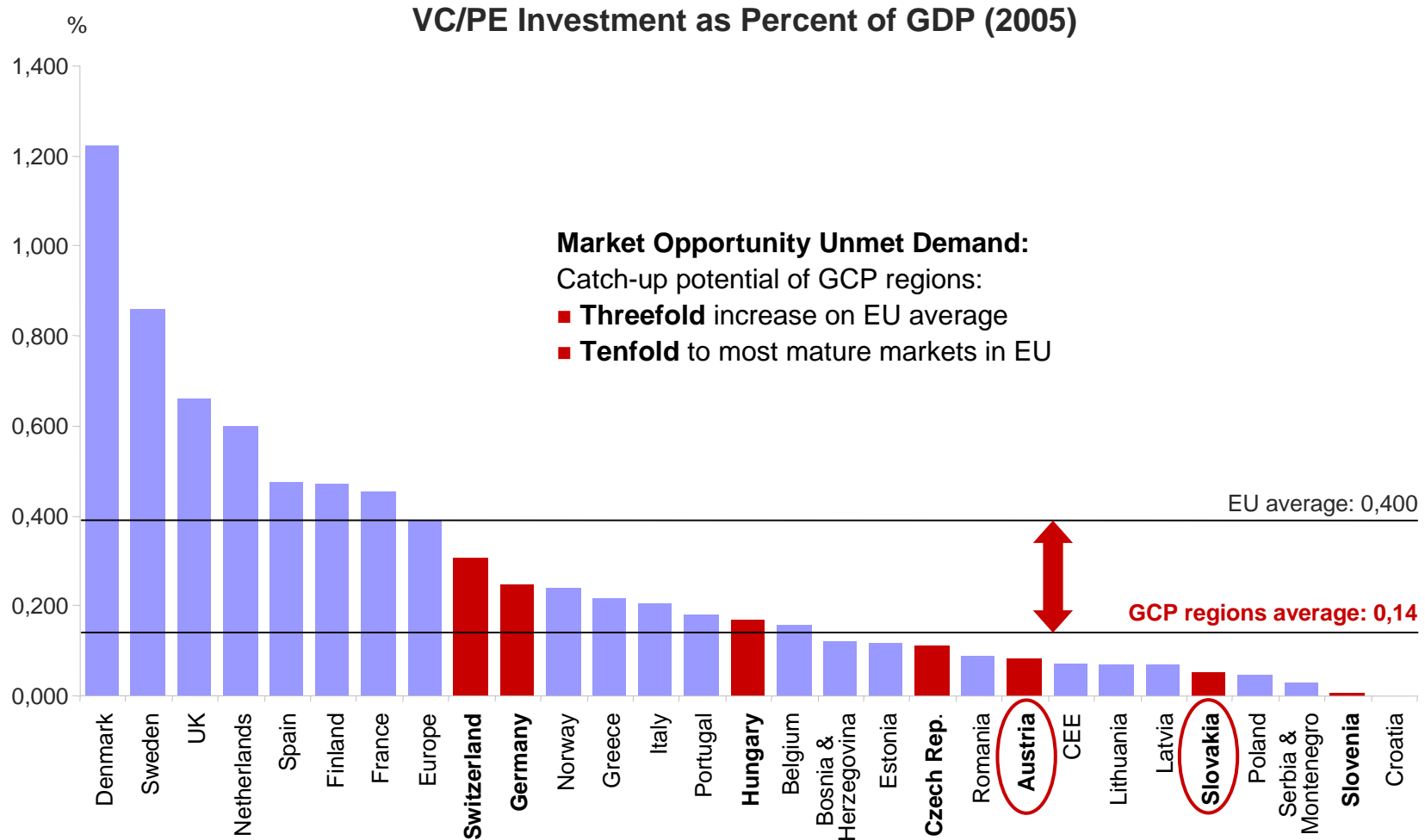
- Hypotheses for VC/PE financed companies (compared to non-VC/PE financed)
 - » More capital for Innovation and R&D
 - » More patents and property rights
 - » Faster and strong Internationalisation
 - » More capital for acquisitions
 - » Broader product basis
 - » Better marketing
 - » More aggressive sales

Internationalisation – Born Global and Traditionals



Source: Dr. Oliver Grabherr, In: Wachstumsmanagement für Mittel- und Kleinbetriebe, Kailer/Pernsteiner (Hrsg.)

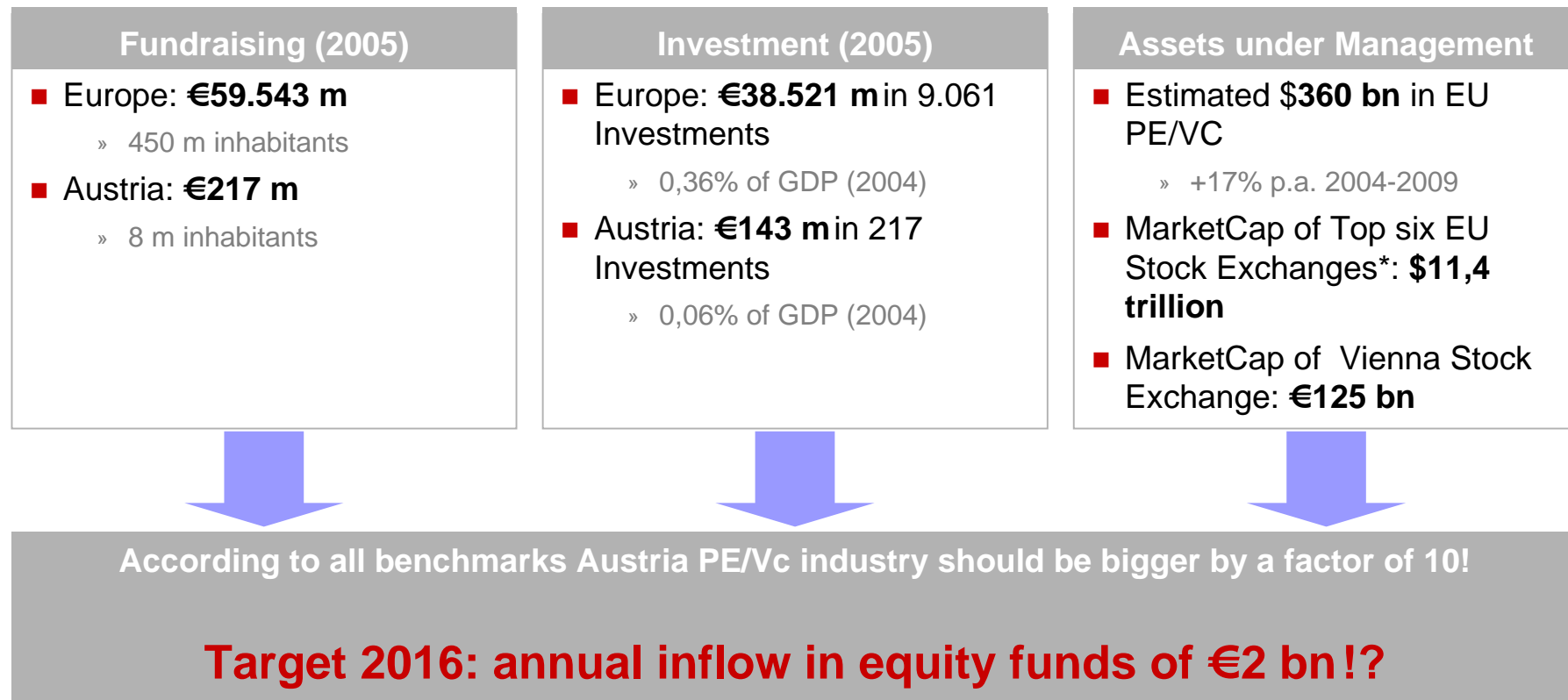
European Comparison



Underserved markets: Enormous catch-up potential

Source: CEE Statistics 2005 – An EVCA Special paper – Nov 2006

Austrian VC/PE - Formula 10 x 10 = 2



* Top six exchanges by trading volume: LSE, Euronext, Deutsche Börse, BME (Spain), SWX, Borsa Italiana – figures end of April 2006

Communications & Network Industries

IP Telecom
Web 2.0
New Media

Investment Opportunity

- IP communication service providers
- Web 2.0 business models
- Mobile and fix wireless
- Rich media integraation
- ASPs, hosted services

Examples

- **Inode** (ISP): acquired by LGI Inc.
- **ucp morgen** (mobile software services): Acquired by QPass Inc.
- **3-united** (mobile services): acquired by Verisign Inc.

Software

Enterprise IT:
(Production, Logistics,
Sales, Finance)

- B2B – collaboration
- Production management & optimisation
- Logistics & supply chain management– track&trace
- Business process outsourcing
- Security & integrity systems

- **UC4** (Systems SW): acquired by Carlyle
- **decision team** (Oil prospecting SW): acquired by Schlumberger

Electronics and Computer Hardware

RFID & Wireless Communications
Semiconductor & Chip Design

- Imaging (HDTV)
- RFID: Logistics – track & trace
- WiFi, WiMax components
- Polymer Electronics
- Production metrology / quality control

- **New Logic** (Semicon): acquired by WisPro
- **Identec Solutions** (RFID)

Life Sciences

Biotech
Medtech
Healthcare

- Innovative therapies and devices
- Cost-reducing approaches and business models in all Life Science sectors (Biotech, MedTech, healthcare, incl. IT)
- White and green biotech

- **Intercell** (vaccines): IPO Vienna
- **NABRIVA** (Antibiotics): €42m A-round

Chemicals and Materials (Energy)

Specialty Chemicals
Material Innovation
Alt. Energy & Environmental Tech

- Alternative / renewable energy
- Environmental technologies
- Waste / materials recycling
- Nanotechnology for various applications / industries
- Development of new (compound)materials
- Functional food / nutraceuticals
- Emerging agro-generics market

- **QSEL** (polymer electronics): acquired by Konarka Inc.
- **Plastic Electronics** (Conductive Polymers)
- **Nanoldent** (Polymer Sensors)

Approaching a VC Investor

Business plan & Executive Summary

Business plan

■ Should be

- » Written by the entrepreneur him/her self – an advisor should have a supportive role only
- » Concise – content wise and optical
- » Realistic

■ Should contain

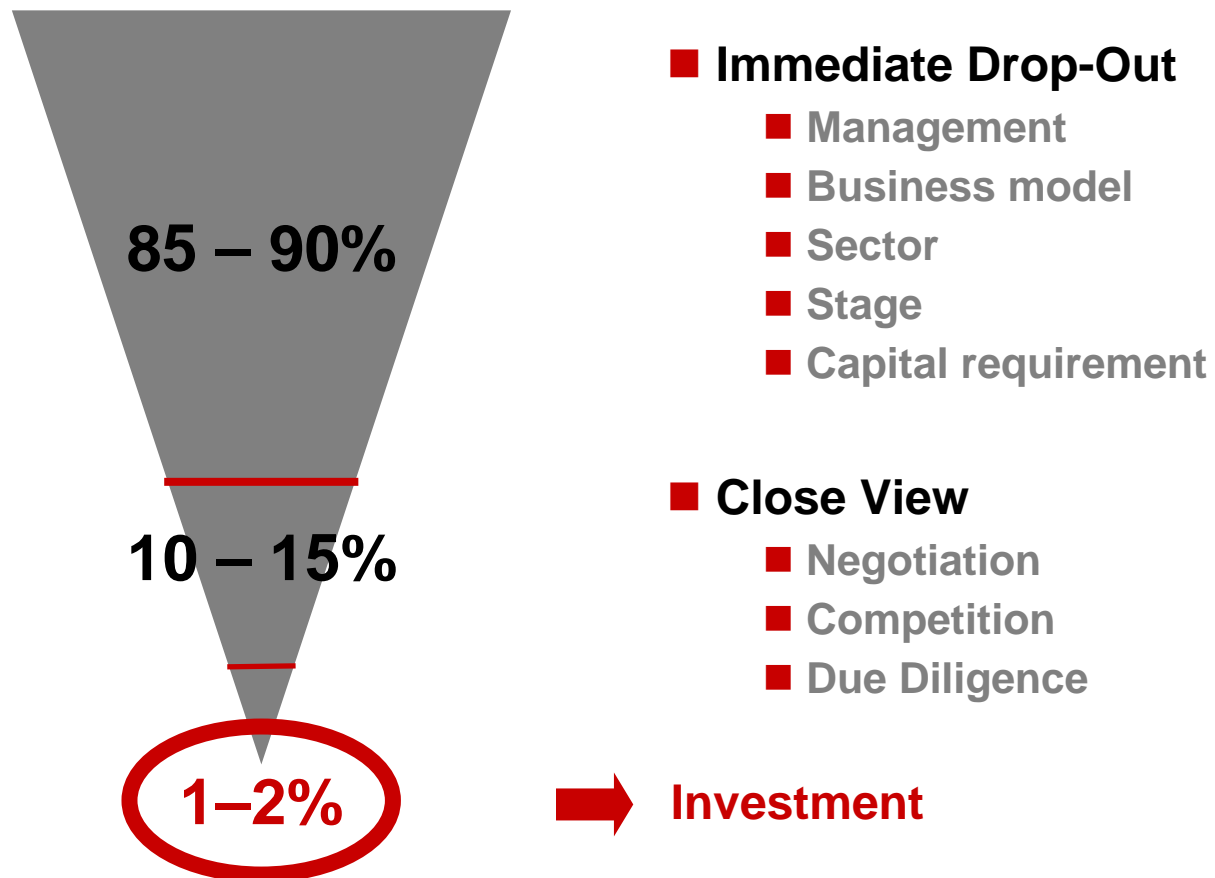
- » Your business activity – technology, know-how, products etc.
- » Team profile with relevant experience, expertise & skills; advisers; business angels; board
- » Analysis of the competitive position – unique differentiator from your competition
- » Quantitative analysis of the scale of the market opportunity
- » Business model description – how will you make money?
- » Financing needs – what exactly do you need the money for?
- » Financials – profit & loss statement, balance sheet, cash-flow statement, head count
 - Historical for 2-3 years back, if possible
 - Future plans – projections for the next 3-5 years
- » Contact details

Executive Summary – Teaser

- » Write it after the business plan is completed!
- » One to two pages, three pages maximum!

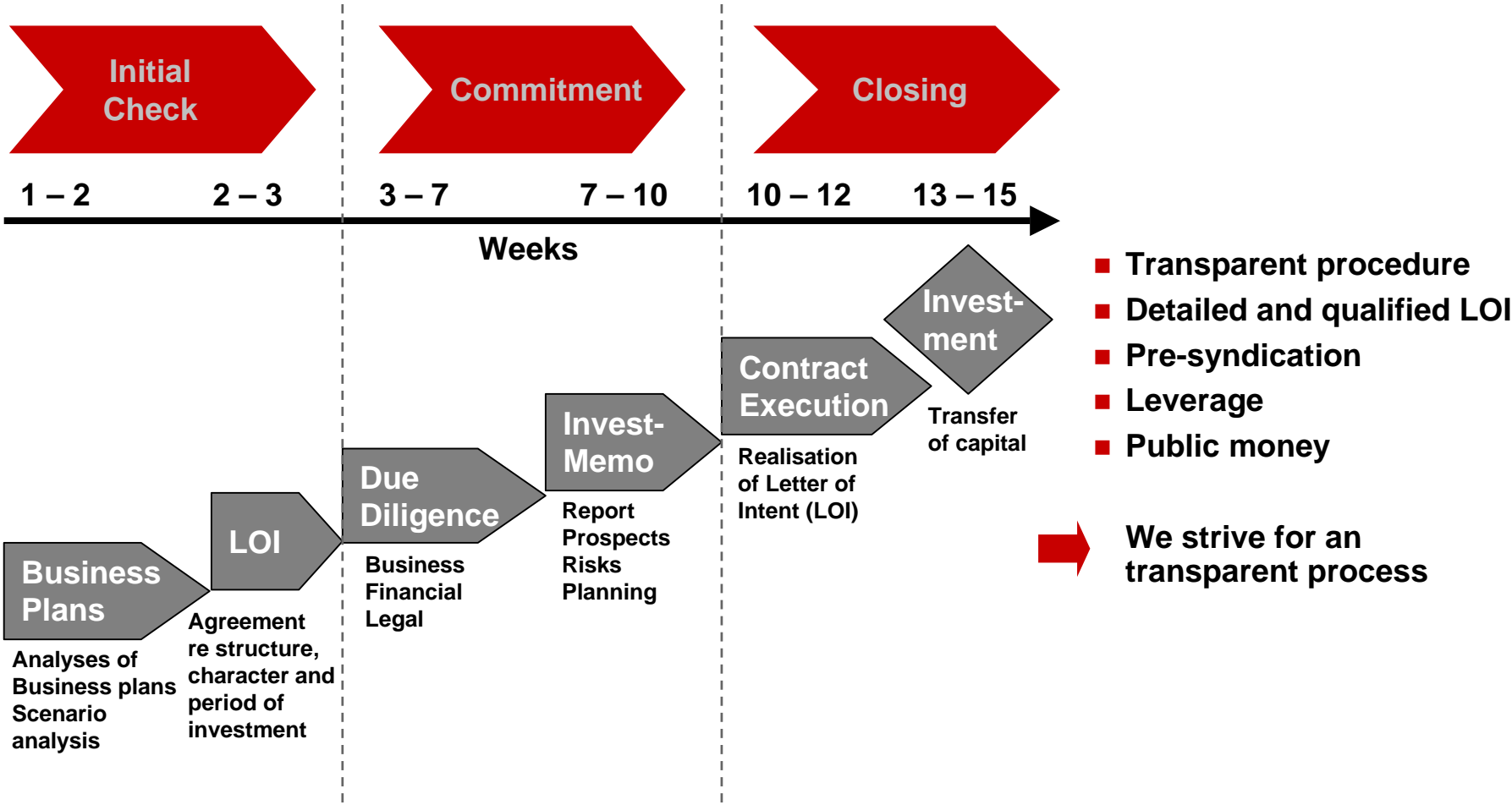
Selection Process

Three strikes and you are out !



Investment Process

GCP's procedure – how do we advance?



VC on Board: Consequences

Advisory or Supervisory Board Seat

- A VC exercises significant influence on the portfolio company
- All major strategic & other decisions are taken jointly

Reporting

- Short monthly report,
 - » Containing sales figures, costs, liquidity
- Extensive quarterly report, containing
 - » Profit & Loss Accounts
 - » Balance Sheets
 - » Cash-Flow-Statements
 - » Order book
 - » Order inflow
 - » Current business status & developments
 - » Business outlook

GCP gamma capital partners

Investment Strategy: Overview

Investment Strategy

- GCP generates attractive returns by focusing on value creation opportunities in:

Technology Sectors	Focus Regions	Stages
<ul style="list-style-type: none">■ Communications & New Media■ Software■ Electronics■ Life Sciences■ Chemicals & Materials	<ul style="list-style-type: none">■ German-speaking Europe (D A CH)■ EU countries bordering Austria (CZ, H, SLO, SK)	<ul style="list-style-type: none">■ Focus on early-stage and expansion opportunities■ Selected seed, later stage and special situations opportunities
Attractive growth and margin potential, high barriers to entry	Complementary growth, cost and industry lifecycle characteristics	Adapted to industry focus; target allocation to optimise risk-return

- Specifically, GCP focuses on
 - » **Global Technology Plays:** start-ups developing path breaking technologies that address global markets, highly scaleable business-model
 - » **Regional Champions:** Regional leaders in attractive markets; value creation driven by accelerating growth through enforced internationalisation and/or consolidation (tech buy-and-build)
- GCP is uniquely placed to exploit the arbitrage potential between its core markets

Great sectors, strong regions → outstanding opportunity

Current Funds & Investors

iLab24	iLab24 MFAg	gamma II Beteiligungs-AG	gamma II AG	gamma III SCA SICAR	gamma III SCA SICAR
Volume	€20,4 million	Volume	€17,3 million	Volume	€32,6 million (1 st Close)
Vintage year	2000	Vintage year	2003	Vintage year	2007
Status	Divesting	Status	Divesting	Status	Raising & Investing
Strategy	Early & expansion stage technology	Strategy	Early & expansion stage technology	Strategy	Early & expansion stage technology

Selected Investors in GCP funds

Institutional Investors

- Over 60% of gamma III's 1st close from existing LPs
- All of these repeat investors increased their commitment

Team Commitment

- Incentive alignment: GCP team has invested in all three funds

Private Investors

- Trusted advisor: Five foundations and HNWI with stakes above €500k
- Entrepreneurs' endorsement: over 10 successful entrepreneurs invested

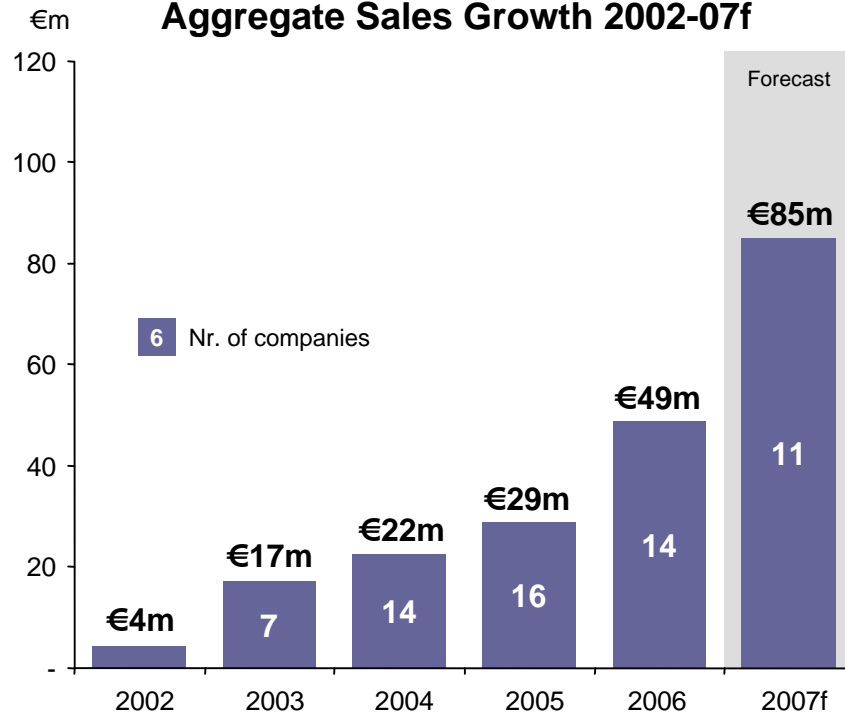
GCP Value Added

- Hands-on investor
- Minority shareholdings
- Entrepreneurial thinking
- Finance know-how (e.g. public aid money, debt financing or further financing rounds)
- Intensive interaction with management and board on strategic business issues (seat on board of directors)
- Partner and coaching approach – being as a partner instantly and honestly informed about potentials, opportunities and deteriorations
- Complementary network (national and international)
- „Sitting in one and the same boat“ „Pulling at one and the same string“
- Improved exit opportunities with higher return expectations

Added value & comparative advantages of VC compared to other financing forms

GCP Portfolio Top-line Traction

GCP Portfolio Companies, Aggregate Sales Growth 2002-07f



Awards & Prizes to GCP Portfolio Companies

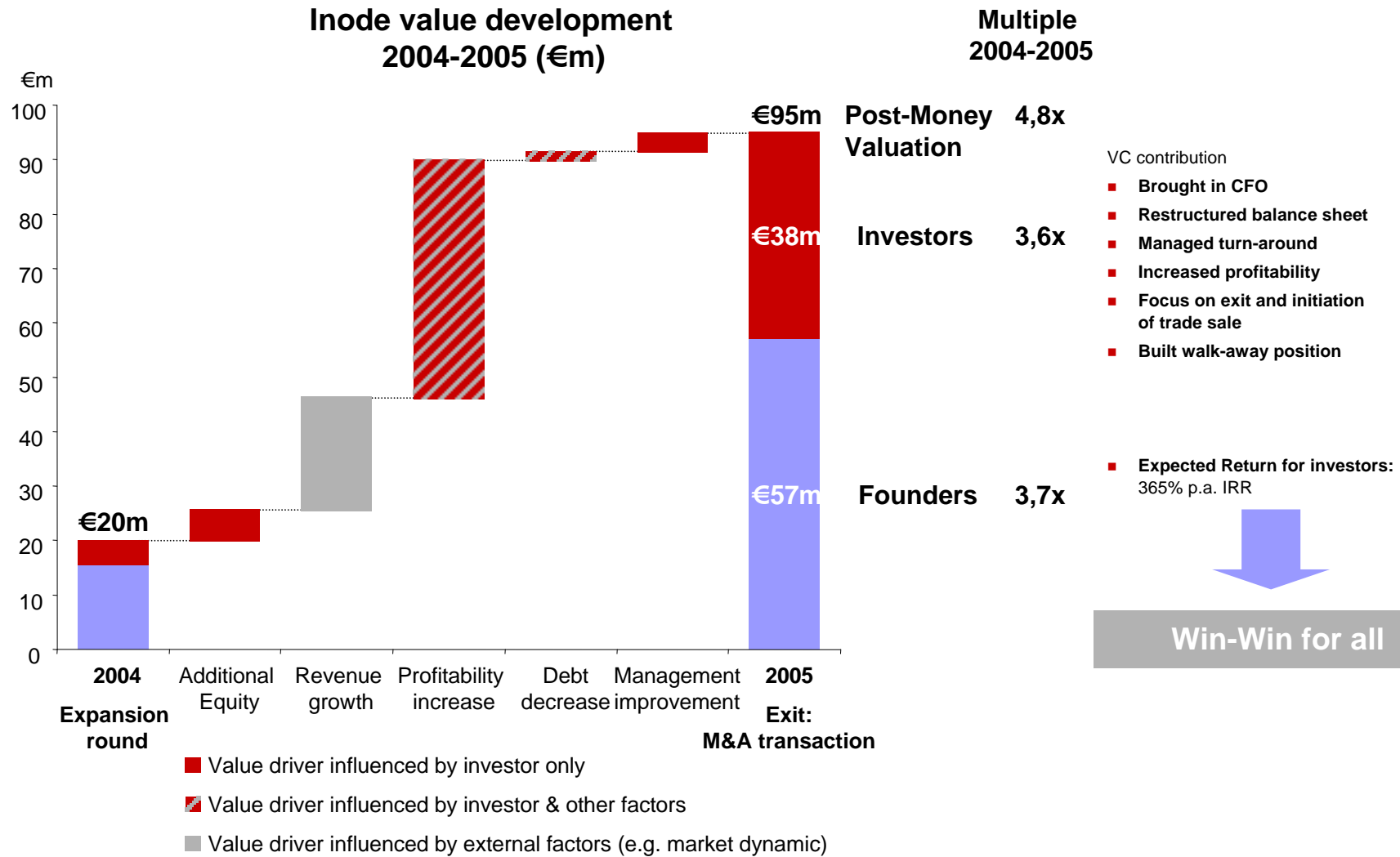
- 2003** National Award for Innovation (CNSystems)
Winner i2b Business plan competition (ON DEMAND)
GO entrepreneurship award (ON DEMAND)
CRM Best Practice Award (Sensix-Netragon)
- 2004** Red Herring Top 100 Award (CNSystems)
Austrian VC/PE Award (inode & ORIDIS)
CRM Best Practice Award (Sensix-Netragon)
Embedded Award (ON DEMAND)
1st place, Vienna Life Science Call (EUCODIS)
- 2005** Austrian VC/PE award (inode)
CRM Best Practice Award (Sensix-Netragon)
OUTPUT Top 75 software player (Infoniqa)
- 2006** Red Herring top 100 finalist (ON DEMAND)
CRM Best Practice Award (Sensix-Netragon)
Frost & Sullivan Product Line Award (Identec)
Gewinn top 3 young Austrian companies (ON DEMAND)
- 2007** Red Herring top 100 winner (Identec)

Significant topline traction in portfolio, numerous external endorsements

Source: GCP Quarterly reports; topline sales figure excludes inode

Case Study: Inode (Value added)

ILLUSTRATIVE



Portfolio: ICT

Sector	GCP Company	Business Description	Comment	Status	Investment
Electronics	Identec Solutions Lustenau (A)	RFID (Radio Frequency IDentification) solutions	Identec is a major innovator in the emerging segment for intelligent tracking devices, so-called RFID solutions (Radio Frequency IDentification), which allow users to automatically identify, classify, track and localise their assets.	Private & Independent	Lead €4m, 03/2004
	ON DEMAND Vienna (A)	Digital signal processors for video & image processing	ON DEMAND has developed the world's first fully programmable high definition (HD) video processing silicon (Vector Signal Processing - VSP) for global digital video and digital TV applications. Several lead customers and an excellent position in a global dynamic market, set to experience explosive growth.	Private & Independent	Lead €3,2m, 06/2004 €6,5m, 09/2005
IT Services	Sensix (Netragon) Vienna (A) Starnberg (D)	Customer Relationship Management (CRM) solutions	Sensix (Netragon) was formed by merging Sensix and Netragon, two first tier CRM service providers in Austria and Germany. The combined group ranks among the leading CRM companies in DACH and specialises on internationally oriented medium-large companies, as well as their expansion into CEE.	Private & Independent	Lead €0,8m, 06/2003 €0,3m, 07/2006
Software	appliLog Klagenfurt (A)	Supply chain management software (focus Automotive)	appliLog develops and markets logistics software solutions (esp. supply chain event management) for the automotive industry. With several leading logistics groups as key-customers, appliLog targets rapid expansion along the growth of the automotive industry in CEE.	Private & Independent	Lead €2m, 06/2005
	CenterPoint Villach (A)	Manufacturing optimisation software (focus Semiconductors)	CenterPoint develops and markets software for Integrated Manufacturing Solutions (IMS), Advanced Process Control (APC) and Advanced Equipment Control (AEC) for industrial applications, especially Semiconductor Manufacturing. CP's product allows for yield increases of up to 20%.	Private & Independent	Lead €2m, 03/2005
	INFONIQA Holding Vienna (A)	Enterprise software	INFONIQA Holding ("IFH", formerly GES) is the tech buy-and-build platform for GCP's business software activities and a wholly owned subsidiary of GCP Funds iLab24 & gamma II.	Private & Independent	Lead €3,5, 06/2006
	<i>Infoniqa IT (IFH)</i> Vienna (A)	<i>IT full service provider</i>	<i>Infoniqa IT is a leading IT-solutions partner for internationally operating SME based in DACH & CEE. INFONIQA IT focuses on the manufacturing, retail and services sectors. Infoniqa was acquired by IFH/GES in 2006 and is a wholly owned subsidiary.</i>	<i>Private & Independent</i>	<i>Lead n.a., 07/2006</i>
	<i>Kendox (IFH)</i> Zurich (CH)	<i>Knowledge management software</i>	<i>Kendox is a Swiss-based developer of document and knowledge management software providing information analysis & exchange, teamwork, document processing & archiving solutions (minority held by IFH).</i>	<i>Private & Independent</i>	<i>Lead n.a., 06/2006</i>
	<i>r.z.w. cimdata (IFH)</i> Weimar (D)	<i>Enterprise software</i>	<i>r.z.w. is a German software company, offering Enterprise Resource Planning (ERP) and Enterprise Commerce Software (ECS) solutions. r.z.w. specialises in IT-Solutions for SME with broad product ranges (plastics, furniture, equipment or automotive industries). (majority rights held by IFH)</i>	<i>Private & Independent</i>	<i>Lead €5,5m, since 12/2002</i>
	<i>Xactdata (IFH)</i> Feldkirch (A)	<i>Supply chain management software (focus Retail)</i>	<i>Xactdata is a specialist for supply chain management software. The company's lead product, the Open Commerce Framework (OCF), is a leading-edge interface software, which enables the streamlining of all processes connected to goods in the supply chain. (majority held by IFH)</i>	<i>Private & Independent</i>	<i>Lead €2m, 09/2004</i>

Portfolio: Life Sciences & Other Technology

Sector	GCP Company	Business Description	Comment	Status	Investment
Biotech	EUCODIS Vienna, Paris	Cell-line optimisation for therapeutic, industrial and agroveterinary applications	EUCODIS has developed innovative technologies (<i>in vivo</i> recombination & hypermutation) to enhance desirable traits in cell lines and create new phenotypes. Highly attractive value potential in proprietary therapeutic programmes and short-term revenues from white & green biotech partnerships (e.g. enzyme optimisation). Company est. in Aug. 2004, first lead customers won in 2005.	Private & Independent	Co-Lead €3,6m, 11/2004
	ORIDIS Biomed Graz (A)	Targeted treatment solutions for liver and metabolic diseases	ORIDIS Biomed has developed a proprietary discovery and development platform with a pipeline of candidates in pre-clinical development. Unique tissue-based technology and disease specific approach allows rapid advancement of own products and revenue generation from partners. Current customers include Boehringer Ingelheim, Roche, Medarex etc.	Private & Independent	Lead €5,3m, 08/2004
MedTech	CNSystems Graz (A)	Non-invasive cardiovascular diagnostics	CNSystems is a medical technology firm, specialising in non-invasive heart-monitoring and diagnostic systems (impedance cardiography), a billion \$ market. CNS' lead product, the TaskForce™ Monitor, allows non-invasive measurement of key cardiac parameters such as continuous blood pressure and stroke volume. CNS has attractive OEM partnerships with leading Medtech players and a scaling international business development operation.	Private & Independent	Lead €2m, 04/2001
	Pro-Med Linz (A)	Innovative intravenous drug delivery system	Pro-Med is a medical technology company which develops and markets SmartDose®, a simple to use <i>plug & play</i> disposable drug delivery system that efficiently addresses the growing needs for increased safety, improved ease of use and cost containment in controlled drug infusion. OEM partnerships with leading Pharma players.	Private & Independent	Local Lead €3m, 06/2004
	The Siesta Group Vienna (A)	Medical software for sleep-research	The Siesta Group provides cutting edge, automated solutions in the field of sleep and vigilance analysis to sleep research laboratories, clinics and the pharmaceutical industry. In 2004 The Siesta Group launched its flagship product, the Somnolyzer 24x7.	Private & Independent	Lead €1,2m, 11/2004
Spe. Materials and Chemicals	GAT Microencapsulation Ebenfurth (A)	Micro-encapsulation technology	GAT Formulation owns a patent-protected technology allowing improved delivery of compounds for agro and food applications. GAT is the first mover in the highly dynamic segment of agro-generics in Western and Eastern Europe and a leading innovator in the upcoming market of functional food and wellness additives (e.g. Omega 3) for the food industry.	Private & Independent	Lead €2m, 08/2003 €0,6m, 11/2005

Thank you for your attention!!!

Dr. Oliver Grabherr

Managing partner

German & Swiss Office

gcp gamma capital
Deutschland Beratungs GmbH

Businesspark Lindenberg

Lauenbühlstrasse 59

D-88161 Lindenberg

GERMANY

T: +49-(0)8381- 8077-71 or -72

F: +49-(0)8381- 8077-73

Main Office

gcp gamma capital partners
Beratungs- & Beteiligungs AG

Reisnerstrasse 40/3

A-1030 Vienna

AUSTRIA

T: +43-(0)1- 513 1072-100

F: +43-(0)1- 513 1072-200

CEE Office

gcp gamma capital partners
consulting s.r.o.

Zámocká 22

SK-811 01 Bratislava

SLOVAK REPUBLIC

T: +421-(0)2-541 313 78

F: +43-(0)1- 513 1072-200

www.gamma-capital.com
office@gamma-capital.com