

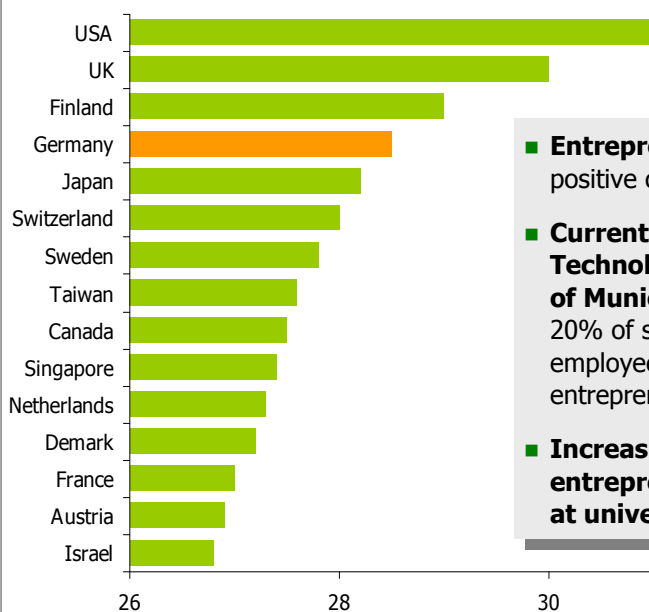
Seed Financing in Germany - time to act -

Prepared for:
Start Up & Grow
Forum for Entrepreneurship,
HassoPlattnerVentures

FHP Private Equity Consultants
Potsdam, June 13, 2005

Germany as location is certainly better than assumed

► Index of innovation capacity (top 15)



- **Entrepreneurship:**
positive change in values
- **Current Survey of Technological University of Munich:**
20% of students/academic employees could imagine an entrepreneurial activity !
- **Increasing number of entrepreneurship chairs at universities**

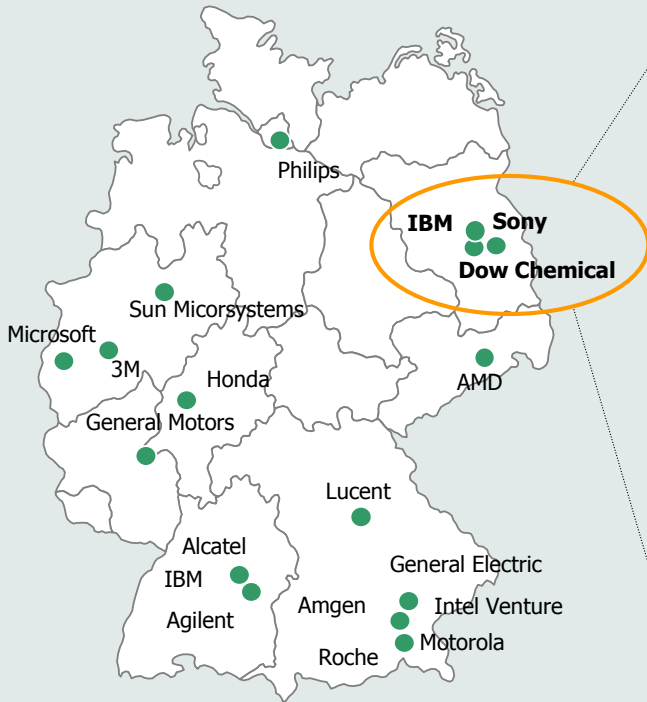
► Competitiveness of companies

⇒ **Germany in 3rd place !**

- 1 USA
- 2 Finland
- **3 Germany**
- 4 Sweden
- 5 Switzerland
- 6 Great Britain
- 7 Denmark
- 8 Japan
- 9 Netherlands
- 10 Singapore

Major US companies have already realized the potential of German technology,.....

R&D and corporate venturing centers of international companies in Germany



"debis was the first company to set up its headquarters on Postdamer Platz after the fall of the Berlin wall"

DaimlerChrysler AG

"We looked all over Europe, but Germany was by far the best option."

Thomas P. Limberger, General Electric Germany

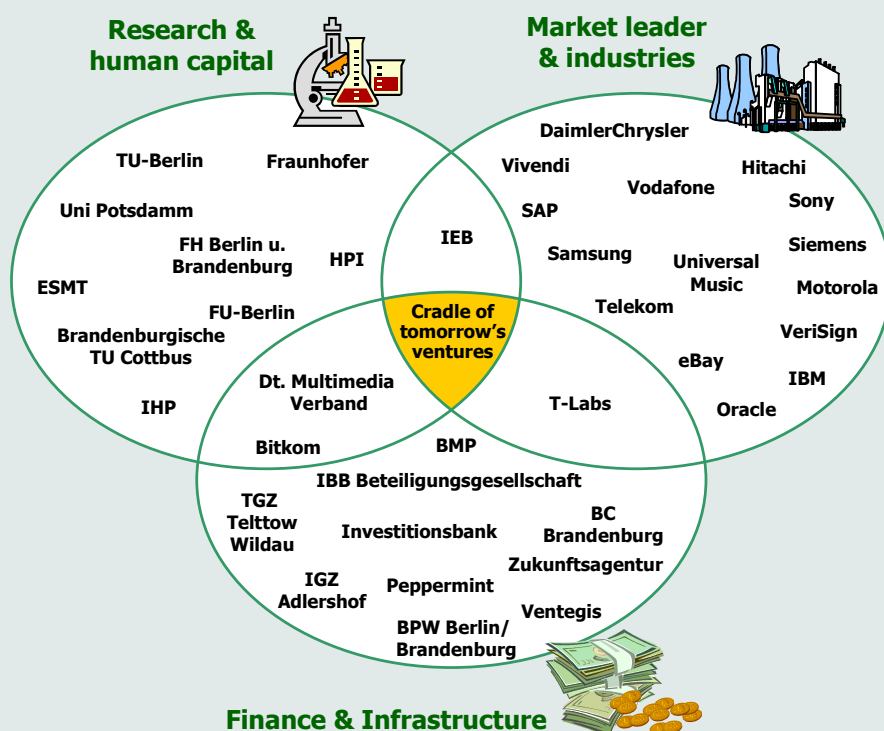
"In 2000, Sony made the strategic decision to locate to Berlin and set up operations on Potsdamer Platz"

Dr. Baltasahr Schramm, Deutschland Chef Sony Music

"In the USA, Germany has a reputation for being totally bureaucratic. I was most pleasantly surprised that everything went so fast"

Jeff Bezos, Founder and CEO of amazon.com, Inc.

And WHY Berlin-Brandenburg? - Because it belongs to the top European clusters in information and communication technology (ICT)



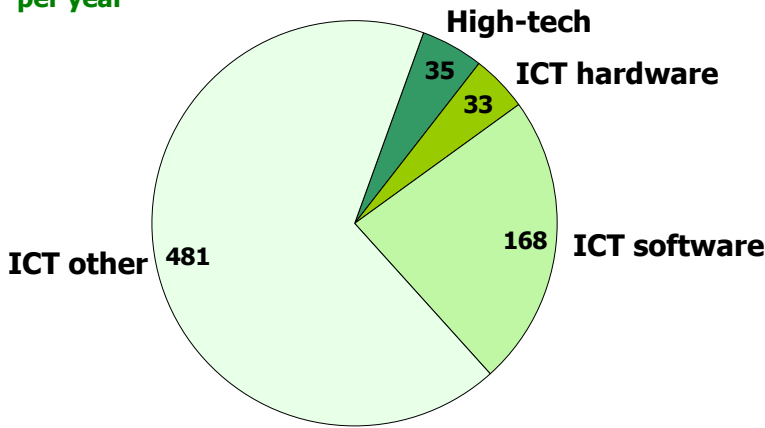
Why Berlin-Brandenburg?

- ✓ "Capital of Talent"
- ✓ Most dense R&D landscape within Europe
- ✓ Ahead in wireless technologies
- ✓ Large/leading companies
- ✓ 3700 medium-sized IT businesses
- ✓ Active startup scene
- ✓ Best government aid

In Berlin-Brandenburg, 700 companies are founded in the ICT sector each year

► ICT company formations in Berlin-Brandenburg

Total: 717 companies per year



Remarks

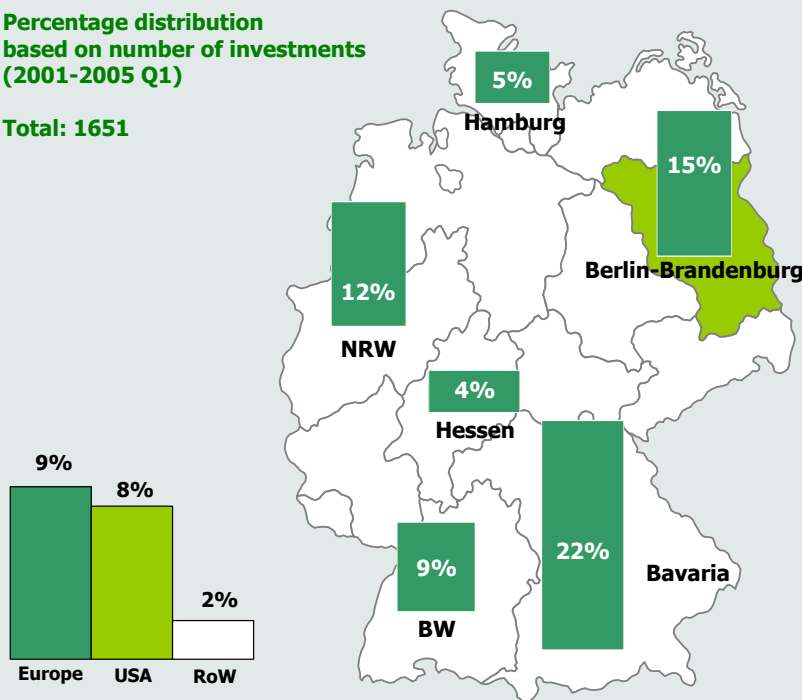
- Software company startups are above average
- About 20%-30% of all companies require seed and/or growth financing
- Major (deal-flow) sources are Fraunhofer institutes, universities and spin-offs from corporations

Source: ZEW Gründungs-Panel

Berlin-Brandenburg is among the top VC locations in Germany

► Percentage distribution based on number of investments (2001-2005 Q1)

Total: 1651

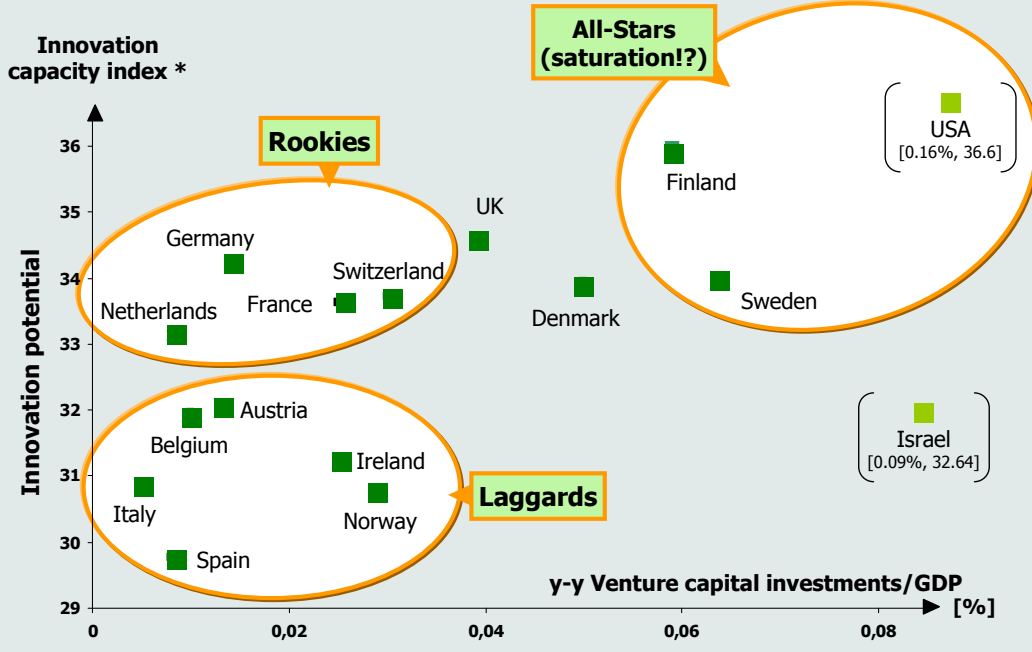


Remarks

- 2004 just 4 seed investments in Berlin-Brandenburg (26 in Germany)
- Only one mayor, local VC-Investor
- Biotech and ICT are preferred sectors

Source: VC Panel FHP (partly rounded figures)

Conclusion Germany: Measured in terms of innovation potential/deal flow, Germany is undercapitalized – there is a substantial need to catch up !



*) Michael E. Porter, Harvard University, Scott Stern, National Bureau of Economic Research: The Impact of Location on Global Innovation (2003); Source: EVCA; Global Competiveness Report 2002-2003; Fanalysis FHP Private Equity Consultants

Conclusion BERLIN/BRANDENBURG

The IT region of Berlin-Brandenburg, is not only where Konrad Zuse invented the first computer in 1936 !



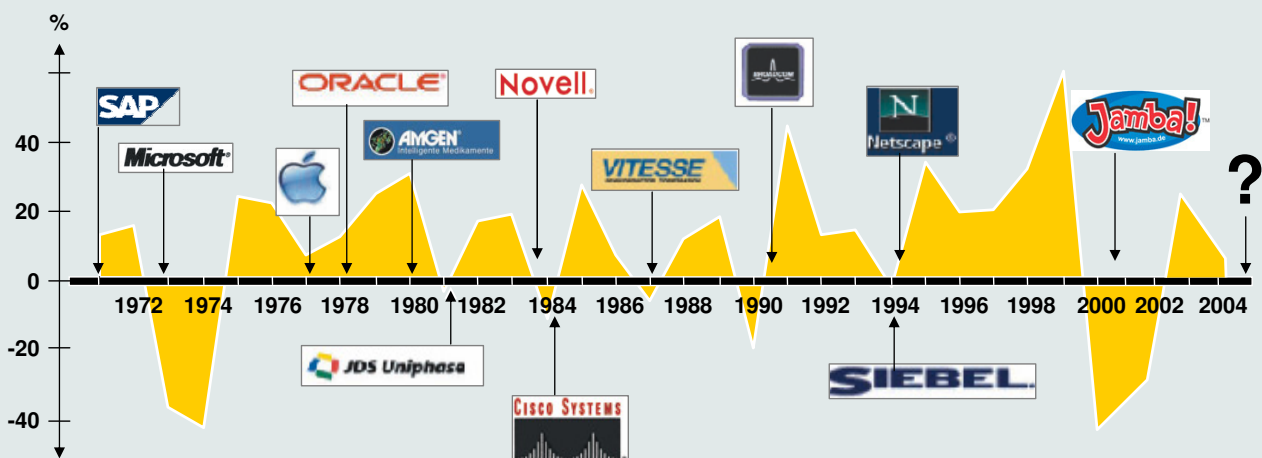
Recommendations

- ✓ **Increase willingness to take risks among company founders and investors**
- ✓ **Grow end-to-end financing power on the part of providers of capital**
- ✓ **Mobilize government and private capital (PPP)**
- ✓ **Have successful entrepreneurs provide hands-on coaching**
- ✓ **Set up links between startups and large industrial companies**

➔ **Close the seed financing gap in the market !**

Many leading companies are founded in times of "depression"

► Change annual NASDAQ return (%)



➔ **time to act now**

Contact

Please contact us with any further questions you might have

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