

EDITORIAL

Beyond the obvious benefits to the Skype investors, eBay's acquisition of Skype is also very good news for the European venture capital scene.

Overshadowed by China in recent years, Europe needed to deliver a big winner to demonstrate to investors that this market has the ability to deliver the type of companies needed to match US style returns. With Skype it finally has its champion and demonstrable proof that early stage tech investing can be profitable in Europe.

While the success of the company lies clearly on the shoulders of its founders and managers, the complementarity of its investors, we believe also played a role. A combination of European and US investors, including Swiss Index Ventures, East Coast Bessemer Ventures and West Coast DraperFisher-Jurvetson demonstrates that transatlantic syndicates are the way to go and a model which we believe is a key to future European successes.

Of course, we are particularly proud to have been the first institutional investor to fund the company. We have followed the growth with curiosity, fascination and astonishment. We are confident that the company's next phase of growth will be successful as a more powerful and complementarity partnership would be hard to define.

[COMPANY IN THE SPOTLIGHT]

Skype, the Global Internet Communications Company is acquired by eBay

Barely two years after the Skype rocket was launched, the company is embarking on the next phase of its growth - this time in association with one of the webs most established brands. eBay recently announced the acquisition of Skype in a deal which will forever change e-commerce and while the transaction has attracted much comment, a more powerful team could not exist.

Extremely complementary with no, dare we say no overlap and consequently no conflict, this association is going to provide Skype with a tremendous platform for growth. The addition of voice to the e-commerce experience is a logical extension and continues the maturation process of transacting on the web. In a few years, we expect to look back and wonder about all the noise being made by the analyst community.

From its debut on August 29, 2003, Skype has indeed come a long way. With more than 55 million users in 225 countries and more than 2 million paying customers the company is quickly approaching the mythical barrier of 200 million downloads. Skype

has proven that Internet innovation can take place in Europe.

Such success is of course due to a number of factors including determination, grit and vision. The founders, Niklas and Janus are the major reason for this success as they initially had the courage to believe they could challenge an entrenched industry, and also because they surrounded themselves with good founding managers. Their ability to understand consumer behavior is another reason Skype is where it is. From the outset, they were convinced that usability would be a key to growth and they delivered a first product which met the "mom test" - every evolution since has been built with this in mind.

On the strength of the initial success, the company signed a slew of partnerships and expanded globally at a breathtaking speed culminating with the recent joint venture with tom online. The Skype team understood better than anyone that the Internet has no borders and that success does not have to be build on a US-centric strategy.

Participating in this adventure has been a privilege far beyond the obvious financial benefits. To say that it has been fun would be an understatement. It has been a ride to remember.



ABOUT MANGROVE

Mangrove Capital Partners is committed to turn entrepreneurial visions into realities as a means to drive capital appreciation for investors. Our hands-on philosophy in all areas of business and technological development is the cornerstone of our investment strategy and positions us as a true partner for growth.

Mangrove Capital Partners is an investor in among other the following companies: Skype (www.skype.com), Securewave (www.securewave.com), Dialcom Networks (www.dialcom.com), Sapiens Tech (www.sapienstech.com), Paseosoft (www.paseosoft.com), Netia (www.netia.fr).

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[PORTFOLIO NEWS]



WWW.SAPIENSTECH.COM

Sapiens, a provider of pioneering opinion management solutions for the asset management industry, has recently announced an OEM agreement with DSTI (dstinternational.com). According to Steve Edkins, the COO of DSTI "we took the decision to work with Sapiens Tech because the technology gives DSTI a unique offering in an under supplied segment of the asset management software market".



SecureWave

WWW.SECUREWAVE.COM

Securewave, a provider of ground braking security software has recently signed up its 100th distributor. The company has also recently been awarded the CSIA Claims Tested Mark for two of its Sanctuary products. It is the first EndPoint security solution to be awarded.



dialcom

WWW.DIALCOM.COM

Dialcom, a provider of video-over-ip launched a video plug-in for Skype with astounding results. More than 1 million downloads of Spontania video4IM attests to the quality of the solution as well as the consumer market's hunger for video features. The company will shortly be launching a second consumer product.



WWW.NETIA.FR

Netia, a provider of end-to-end solutions for the broadcast industry has recently been selected by the Media Development Authority of Singapore (MDA) for its Media Logging solution. This is a critical win for the company as it continues to diversify its geographic reach.

[INTERVIEW]

Paseosoft



Augustin Rousselet, CEO, Paseosoft

Could you describe Paseosoft in a nutshell?

Paseo is a software solution designed to optimize and automate the management of IT processes. Paseo takes advantage of any legacy infrastructure with all its components and allows to "do more with what you have". In other words, it largely facilitates and improves the work of any IT administrator or developer. The company has deployed major solutions within many blue chip customers in all fields like finance, industry, distribution, public services, etc.

What is the outlook for Paseo?

We are in a very exciting phase as we are in the process of revolutionizing our strategy. We have realized that the Internet is for us an unexploited but important accelerator and with Mangrove we have decided to define and deploy a new B2C strategy based on the Internet. This new approach is totally complementary to our current more classical B2B sales approach. Mangrove's tremendous experience in this domain has been key in this choice.

The goal with this new strategy is to build an International Paseo community of administrators and

developers and to get worldwide notoriety by offering a basic free product. While the majority of these users will stick to the free offering, part of them will be willing to do more and buy additional components and most importantly Paseo will become a known brand in a much larger B2B community.

What are the challenges in that Internet strategy?

We had to add to our company's DNA an Internet dimension. As of today, we have totally adopted this new "philosophy" and all the team is enthusiastic about it.

Then, any "Internet based" product has to be as simple as possible to use and to install. We currently focus our development efforts to re-engineer our product in order to simplify the user interface while keeping the power of the core engine. Moreover, a totally modular approach will allow to add components "on the fly".

The main challenge however is to build a large community of Paseo enthusiasts. In order to face this challenge, we have defined "smart" concepts that will lead to a viral adoption pattern of the product.

When will the new version be available?

We are working hard and the official launch is foreseen for Q1 2006. We are very optimistic as early versions already got tremendous feedback from various beta testers.

PASEOSOFT®



From the Market

Launched on June 15, 2004 by the Luxembourg parliament, the SICAR investment vehicle is making its way in the European private equity circles. The general sentiment when talking to European institutional investors is that the SICAR is considered as a very serious alternative.