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LUÍS RAINHO

PAULO SOARES DE PINHO

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Chipidea

Successful Exit of a Venture Capital Investment

José Franca's office in the corner of the glass building of Chipidea was bathed by an especially bright sunny light on that mid-March morning, 2007. As usual, the first morning routine of the founder, shareholder, and CEO of Chipidea, a designer of mixed-signal semiconductors, was to check his laptop for urgent messages, such as day-to-day managerial matters, project updates and meeting requests. That day a certain email caught Franca's attention.

In the email, John Bourgoin, the CEO of MIPS Technologies (NASDAQ:MIPS), a worldwide player in the semiconductor industry, presented an unsolicited offer for the buyout of Chipidea. The interest from MIPS had developed a couple of months before, while assessing Franca's plans for the future development of Chipidea and quantitative data on operations and financials. That day, MIPS' interest became real with a substantial offer to back it up.

At that moment Franca realized what a long path had been travelled since the founding of Chipidea, in 1997. Thorough academic research in an underestimated field of electronics led a group of three researchers in the mixed-signal conversion area of microelectronics to create and develop the Portuguese start-up "Chipidea".

After € 25 Million of Venture Capital (VC) investment, the founders raised it to the scale of a worldwide player in the semiconductor intellectual property (IP) design industry. Now the time had come for founders and VC investors to decide whether Chipidea would remain a private company owned by a restricted few or whether it would be put up for sale during an especially positive year for the company in terms of revenue.

Franca's first move after receiving the unsolicited offer was to arrange for a Board meeting in the following days to consider all viable options. The Board's decision was to select a financial advisor and, after a quick round-up among sell-side advisory investment banks, shareholders assigned ABN AMRO the role of advising Chipidea in the sale process.

Franca considered several options in distinct timeframes. In the immediate, what kind of sale process should be conducted? A direct sale to MIPS, speeding up the transaction? Or a broad competitive bidding among industry players and financial investors?

Eventually, on the advice of ABN AMRO, a competitive bidding round was assembled among a group of previously identified industry players. This group included industry leaders such as ARM Holdings, Imagination Technologies, Mentor Graphics, Rambus, Tata Consultancy Services, WIPRO, Infosys Technologies, Satyam Computer Services, Cadence and Synopsys and, obviously, MIPS Technologies. On May 16, 2007, competitors were invited to submit a proposition by May 21.

Luís Rainho, MBA 2010 alumnus of the TheLisbonMBA of Nova School of Business and Economics and Católica-Lisbon School of Business and Economics, prepared this case under the supervision of Professor Paulo Soares de Pinho.

However, for the founders the sale of the company that had become key part of their lives raised some important questions. Is this the right time to sell? How would the sale influence Chipidea's future evolution? Would this catapult the company to the next level, with reinforced capital and larger stages to act on? What would be the role of founders and managers in each scenario? How would key employees react? And should they set aside the goal of taking Chipidea public on the NASDAQ?

Opportunity

José Franca founded the Integrated Circuits & Systems Research Group of *Instituto Superior Técnico* (a leading engineering school of the Technical University of Lisbon) in 1986. This research team was quickly able to reach several important milestones, such as building a team of 12 PhD and 20 MSc scientists and participating in 30 international R&D projects with leadership role in 6 of them. Overall, this group produced 60 journal papers, 200 conference papers, 5 patents, and several books. As a faculty team, researchers worked on a one-time project contract, which meant high uncertainty for team members and for the research group, with the negative consequence of the dispersion of highly specialized engineers when there were no projects in the pipeline. According to research, specialized engineers in the field of analog semiconductors may take up to 10 years of on-the-job training to reach satisfactory qualification.

With the goal of providing a stable work environment for this group of researchers and creating a research hub for mixed-signal semiconductors, in 1997 José Franca, Carlos Leme, and Joao Vital, three leading members of this group (Exhibit 1), decided to join forces with the corporate investor Atmel Rousset SA, now Atmel Corporation (NASDAQ: ATML). From this partnership, a designer of analog chips was born. The partnership provided the newborn start-up with a primary buyer for Chipidea's projects, and for Atmel secured a strategic supplier in a promising new technology, while allowing it to internally develop its own analog design capabilities.

From the beginning of the start-up project in 1997 until the sale process was initiated, only ten years went by, creating a path of innovative patent registration, a leading research platform in mixed-signal semiconductors, and a hub of highly specialised engineers in Portugal.

The real beginning of this journey might well have been a conference held in Singapore in 1982 that joined both academia and the electronics industry, where a top researcher of a renowned university presented his vision of the electronics industry:

"*The analog is dead. The future is digital.*"

For José Franca this statement was based on a somewhat inconsistent assumption, undermining such an extreme vision. Humans receive information via analog inputs – sound and vision are analog stimuli and binary code is not perceived as meaningful information. At the same time, corporations were betting large sums of money on the research of digital, offsetting the analog component, which was increasingly considered an archaic technology destined for extinction. In Franca's eyes this triggered the opportunity to focus on the ability to translate digital data to information perceivable by people, bridging the gap between digital and analog.

Chipidea is the result of the evolution of this research, focused on mixed-signal semiconductor IP development, from a university-based investigation center to a corporate context. The semiconductor circuits developed by Chipidea provide the conversion from analog to digital signal and vice-versa, and are ultimately present in applications with human interaction.

The business

In 2007 the semiconductor industry was populated by major players with diverse product lines, such as Intel Corp. and Samsung Electronics Co. Ltd., others that pursued focused lines of business, namely chips for communications and computing, as was the case of Broadcom Corp. and Advanced

Micro Devices Inc. (AMD), and a myriad of very specialized companies that developed specific contents or purposes for semiconductors. The proliferation of this kind of company marked the trend of specialization in the industry, and as these companies developed attractive and profitable areas of expertise, M&A operators catalyzed corporate strategies of mergers and acquisitions. Spin-offs of business units were also common in the restructuring of corporate strategies.

Chipidea became a leading intellectual property (IP) supplier of mixed-signal semiconductors for the wireless, digital consumer, and connectivity markets, offering solutions from Analog-to-Digital Converters, Digital-to-Analog Converters, Audio Codecs, and Power Management, and targeted clients in communications, digital media and consumer electronics. Semiconductor IP consists of predesigned blocks of circuits for use in making complete semiconductor devices. Chipidea was solely responsible for the conception and design of the circuits, but not directly involved in the actual manufacturing of these products.

Chipidea's business model offered a one-stop shop for complete design and integration of SOC (Systems On Chip), which are integrated circuits providing several functions on a single chip, for electronic systems. For its services Chipidea earned turn-key licensing for delivering its clients a complete and ready-to-use semiconductor project, and royalties for each semiconductor produced, for the use of its intellectual property (IP). The business model consisted of licensing the same IP core for several clients, but customizing it according to each one's individual specifications, thus lowering development costs for each product.

The specialization areas of Chipidea's businesses rode on the increasing momentum of portable personal appliances with improved sound, image, and energy management features. The company provided IP design on four business lines such as Audio and Power Solutions (APS) for the conversion of audio and the power management of electronic systems, Data Conversion Systems (DCS) for high-performance converters, and Analog Front End (AFE) for Video, Imaging, Wireless, and Wireline communications applications, IP Connectivity Solutions (IPCS) for wired connectivity solutions such as USB, other standards such as HDMI, and also IP Wireless Solutions (IPWS) for Analog baseband for cellular communications ranging from 2G to 3G and LTE standards (4G), and RF solutions for satellite and WLAN (Wireless Local Area Network).

From set-top boxes, car audio, mobile phones, smartphones, handhelds, and portable media players, among many others, a wide range of *paraphernalia* of portable gadgets required the distinctive Chipidea's know-how in mixed-signal IP design.

Starting in the 1980s and 1990s, PC and dotcom (r)evolutions were followed, in the 21st century, by the Consumer Centric[1] *phenomena*. Consumer centric ultimately relates the experience of individuals with other individuals and information resources through personal gadgets, whether for professional, recreational use, or both. Notebooks, smartphones, mp3 and mp4 players, GPS-integrated systems, and similar equipment are examples of products developed according to the Consumer Centric philosophy.

Though the beginning of the 21st century was stagnant due to economic slowdown in the tech-related industries, business eventually picked up and led to substantial growth of the market size. In a quarter of a century the evolution in electronic systems evolved from 6% of semiconductor content in 1974 to 23% in 2007, according to The Mclean Report (Exhibit 2).

Being one of the most research-intensive industries, semiconductors focus on the development of electronics through miniaturization, in order to increase performance and reduce cost and energy consumption. With time, a multi-component board tends to be condensed onto a single-chip, consequently making the life cycle of products very short and forcing companies to nurture R&D as

[1]Consumer Centric - trend in marketing of making the consumer experience more complete and actionable to the last. This enabled the development of electronic equipment dedicated to the personal experience of consumers in communicating, enjoying music and video, and establishing interactions with others.

strategic for the long term, but no less important for short-term survival, or alternatively, to exchange internal development for specialized providers of IP design, such as Chipidea.

Funding

The Founders

In 1997 the founders invested € 25,000 of their own savings to start Chipidea. The founders - José Franca, Carlos Leme, and João Vital, joined efforts with Atmel Rousset SA, a global supplier of electronic systems solutions focused on industrial, consumer, security, communications, computing, and automotive markets.

More than a corporate investor, being a designer and manufacturer of semiconductors, Atmel Rousett SA was Chipidea's main client. This revenue base gave the company a stable starting point from which it could invest in R&D and people, develop services and distribution channels, and thereby reach further clients, such as Philips, Motorola, Samsung, Microsoft (X-box), Toshiba, and other players in several industries such as Health, Telcos, Electronics, and IT (Exhibit 3).

With Atmel Rousset SA and José Franca retaining 30% each, and Carlos Leme and João Vital, each holding 20% of the company's capital (Exhibit 4), founders' ownership and control conferred an informal environment on the Board. The simplified shareholder structure and early-stage and light-capital financing resulted in a simplified governance model. The Board had the main purposes of account reporting for the minority shareholder and acting as source of counselling for the executive committee.

First Round of Financing

In 2002 Chipidea raised A Series financing of € 3 Million from a corporate investor and two venture capital firms. The investors were Toshiba Electronics, as corporate investor, together with two venture capital funds - Fundo Caravela of BPI Ventures (controlled by the Portuguese banking group, BPI) and M Inovação Fund of BCP Capital (controlled by the Portuguese banking group, BCP). The Japanese-based company had in Chipidea a strategic supplier of semiconductors' IP projects. With this round, Toshiba held 1.90% of total equity, while BPI and BCP had 4.76%, each.

The first round of financing allowed for the investment in three design centers: Porto (Portugal), Gdansk (Poland), and Macau (PR China). In Porto, Chipidea invested in a Digital Designing Center and an IP Design Connectivity Solutions, while in Gdansk the design center specialized in Line Transceivers. Chipidea opened yet another design center, this time for developing converters, audio, video codecs, and power management. The decision for these locations was mainly driven by technical expertise availability, as is generally the case in the analog semiconductors business.

With the participation of corporate investors and financial institutions in the capital of Chipidea, governance aspects were reinforced, with increasing importance of the Board's role, as formal meetings were held more frequently to allow periodic reporting.

Second Round of Financing

In 2005 Chipidea raised a total € 12 Million in a new financing round, with BPI Ventures increasing its stake to 6.04% and BCP Capital to 6.72%. In this round (Series B Preference Shares), international Venture Capital (VC) funding entered the company's capital for the first time, with Kennet Venture Partners (20.46%) and Vision Capital (6.14%) holding exclusively B Series shares (Exhibit 13).

The second financing round brought more specialized VC players and the will to invest in fabless as a means of integrating vertically and growing the business. The fabless business model in electronics consists of supplying clients with a complete chip, by developing both IP cores and marketing the semiconductors to clients, while outsourcing the fabrication of the semiconductor to foundries, as an

external process. In this way, Chipidea would be able to supply clients not only with the design of the **semiconductor, but also with the finished product ready-to-assemble in the clients' circuits.**

As investment needs exceeded the capacity of generating matching cash flows, as had been the case up to that moment, the injection of fresh capital of utmost importance.

According to Michael Elias of Kennet Venture Partners, the investment in Chipidea would help the company leverage on its blue-chip client base and run a tighter business. Mr Elias added that "the moment a company starts running out of steam, it is a good investment trigger, as founders' time is completely taken by operational decisions or because they start to develop more risk-averse options as they see the value of the company increase. Additionally, by partially cashing out, founders secure the upside and become more available to take growth options". In this round the three founders of Chipidea partially sold their stake in the company's equity, with José Franca retaining 14.98% of the capital and Carlos Leme and João Vital 9.99% each (Exhibit 4).

Embedded in the VC's Term Sheet (Exhibit 5), the Management and employees were offered a Stock Option Plan of 15% of total equity, a direct result of the entry of international VC investors, creating a higher level of commitment and participation by the company's key people, while aligning incentives with their shareholders'. For the first time an independent member was appointed to the Board and other governance requirements had to be met to comply with investors' requirements, such as external auditors, an audit committee, and a compensation committee.

Following the B series, Rothschild Gestion, through R Capital Management, bought Atmel Rousset's stake of 18.49%, for € 5 Million.

In November 2005, Chipidea announced the acquisition of the technology assets and the business of TransDimension, the subsidiary of Oxford Semiconductor Inc. specialized in High-Speed USB IP controllers, building up its portfolio of High-Speed USB solutions. The acquisition figures were not disclosed to the market.

Third and Final Round of Financing

Toward the end of 2006, ES Ventures, the venture capital subsidiary of Portugal's Espírito Santo banking group, entered Chipidea's investor base in a third and final round of financing of € 5 Million, entitling ES Ventures to 9.15% of the capital, while the existing shareholders opted-out from triggering pre-emptive provisions. This last round completed the Venture Capital financing in the company's history.

This new funding allowed Chipidea, in February 2007, to acquire the Data Converter Business Unit from Nordic Semiconductor for a total US$ 6 Million (€ 4.6 Million). With the closing of the deal, the acquisition was meant to be immediately accretive for Chipidea's P&L. Chipidea's investment in Nordic's business unit aimed to acquire know-how in third-party ASIC[2] designs and standard products, as Nordic's designs were considered cutting-edge in analog-to-digital converters (ADCs) and digital-to-analog converters (DACs) in areas such as digital photography, wireless networks, and video.

In the beginning, Chipidea used cash inflows to meet investment needs in a tight and efficient fashion, while the growth of the business brought higher capex needs, such as the opening of sales offices and design centers. From its original HQ in Lisbon, Portugal (SE corner of Europe), Chipidea expanded to Central Europe (France, Belgium, and Poland), Norway and Asia (Suzhou and Macau, China) in search of highly specialized human resources. In 2007 Chipidea had 8 engineering sites and 13 sales offices staffed with a team of over 300 people of which 97% held graduate degrees and 80% were Analog and Mixed-Signal Design Engineers.

[2] ASIC - Application-Specific Integrated Circuit is an integrated circuit customized for a particular use, rather than intended for general-purpose use.

Turnover and Valuation

In 2004, when international VC investors started approaching the company's management, Chipidea's revenues stood at € 13.1 Million (Exhibit 7). Profitable from the first year, in 2004, Chipidea's Pre-Tax Profit was € 0.82 Million and EBITDA reached € 1.82 Million. That same year, prospective VCs valued the company between € 30 – € 35 Million and backed their valuation with investment intentions (Exhibit 5).

Recognized efficiency in meeting clients' needs and specialized know-how were key in developing the business, promoting repeat purchase, and attracting blue-chip customers. To illustrate such recognition, Gartner market data for December 2005 (Exhibit 9) attributed to Chipidea leading ranking positions in several categories, with worldwide sales of € 15.7 Million, coming from A/D – D/A converters category, Other Analog and Mixed-Signal Solutions, USB, General Purpose Analog and Mixed-Signal, Wired Interfaces, and License Revenues.

According to the Semiconductor Industry Association (SIA), computers were the key driver of demand for semiconductors, explaining 40% of 2006's sales of chips (Exhibit 6). Next in line, were two other end-use markets for which Chipidea developed products: consumer electronics (20.5%) and wireless/cell phones (19.5%). Consumer electronics accounted for US$ 29.5 billion in semiconductors sales in 2006, representing a 31% increase from the previous year. The wireless and cell phone markets were responsible for US$ 37.2 billion in 2006's semiconductors sales. This figure was expected to grow to US$ 40 billion in 2007, according to research firm IDC. This researcher also indicated analog semiconductors' lead in sales, when compared to digital-only microprocessors, with US$ 37.3 billion in 2006's sales.

In 2006 Sales and Marketing costs, General and Administrative expenses (G&A), and Interest Expense substantially increased due to the management opting for a growth strategy. The renewed vigor was backed by new VC shareholders' fresh money and the clear option for the growth path, by reinforcing installed capacity with more design centers and sales representatives. With the second round of financing Chipidea received € 9 Million for investment in its business. 2006's P&L (Exhibit 7) displays the effects of Chipidea's increased investments in the design centers and sales people, preparing the company for a boost in sales the following year by focusing on larger clients and Asian markets.

2007 started as a very promising year for Chipidea, and the backlog was full of important projects and clients. Before the end of the first semester, sales were already expected to surpass € 32.5 M, increasing 70% from the previous year. This boost in revenues was the combined effect of the growth in the semiconductor industry due to increasing content of semiconductors in electronic equipment, coupled with the increased recognition of Chipidea as a worldwide player in the IP design industry, resulting in Chipidea's above-industry growth rate and market share competition with established players. Financial performance estimates (Exhibit 7) show an above-industry growth rate, with royalties flows from concluded projects and increasing market quota in mixed-signal solutions.

The Nordic acquisition's impact on revenues was estimated at € 3 Million in 2007.

The Exit

The unsolicited bid from MIPS Technologies was not a surprise in itself. Several players in the market and analysts had shown increasing interest in the analog business, and the M&A activity had not stalled, though it decreased as the economy was cooling its pace.

Throughout their participation in Chipidea, VC members had been preparing possible exit strategies and, for some time Chipidea had been reinforcing its ability to produce and report data, converging to public companies' accounting standards – all the while considering the scenario of going public in the US tech market NASDAQ.

The context in the Initial Public Offering (IPO) market in the technological sector was assessed by Chipidea's financial advisors to evaluate the timing of quoting shares in a public market. Since the beginning of 2005, an average of 27 growth companies per quarter had gone public. In contrast, in the first quarter of 2007, only 19 made it to market (Exhibit 8).

A trade sale was somehow a more conservative alternative among possible exit scenarios and for more recent shareholders, namely BES Ventures, this came as an early opportunity to cash out of the investment, well above waterline and with premature carry for the General Partners.

When the unsolicited bid from MIPS Technologies was presented to the Board, the decision was made to consult investment banks for advice in the sale process – Citigroup, Credit Suisse, Merril Lynch, Thomas Weisel Partners, and ABN AMRO presented proposals and eventually, after the Board's evaluation, the Dutch-based bank was hired.

The process involved financial evaluation of MIPS' bid, the selection of the sale process, including advisory on negotiations, tactics, and closing, the creation of a competitive bidding process by bringing more bidders to the table, while also presenting strategic alternative approaches in case of failure of closing. The range of the process alternatives considered the following options, each with different up and downsides to be evaluated by the Board:

1. Negotiated sale process with MIPS Technologies;
2. Accelerated auction, by contacting a restricted group of potential buyers with very limited timeframes to present offers;
3. Broad auction, targeting a wider range of interested parties, such as industrial and financial investors, with heavier logistics and lower confidentiality, although being more time consuming.

Keeping in mind the good prospects of 2007's sales, the Board was in favor of an accelerated process, but would not give up from having several bidders seeking the deal. Consequently, the accelerated auction alternative was chosen to evaluate the exit during 2007. After presenting the opportunity to several players in the industry, creating a data room displaying key performance data and arranging meetings between potential buyers and the company's management, ABN AMRO ran the bidding process and later announced to the Board the offers received from interested prospective buyers, stressing the most important conditions and deal specifics. Transactions' multiples in deals from 2001 until 2007 are shown in Exhibit 11.

With such information in its hands, the Board and José Franca, as founder, CEO, and investor in Chipidea had to present to shareholders a weighted and solid opinion on what to do with MIPS Technologies' offer or take other avenues for a timely and successful exit.

Exhibit 1 – Founders CVs

José Epifânio da Franca (CEO)

1978 - Graduated in Electronics Engineering - IST, Lisbon

1985 – Ph.D. - Imperial College, London

1986 – Founded Integrated Circuits & Systems Research Group – IST, Lisbon

1997 – Co-founded Chipidea

Fellow IEEE (Institute of Electrical and Electronics Engineers)

1999 – IEEE Golden Jubilee Award

1999 – 2002 – Board of Governors of IEEE Circuits & Systems Society

2000 – Full Professor, Department of Electrical and Computer Engineering, IST

2006 – *Grande Oficial da Ordem do Mérito* – Portuguese Presidency Civil Distinction

INSEAD Alumni Association Entrepreneurship Award

Doctor Honoris Causa in Science, University of Macau

2007 – International Entrepreneur of the Year Award, Ernst & Young

President and General Manager of MIPS ABG (Analog Business Group)

2008 – *Prémio Universidade de Coimbra*, University of Coimbra Award

Board of Directors of Grupo BES (non-executive)

2010 – Industrial Pioneer Award, IEEE Circuits & Systems Society

2012 – Chairman and CEO of Portugal Capital Ventures

Chairman of *PME Investimentos*

Member of CNEI (National Council for Entrepreneurship and Innovation)

Board of Directors of PVCI (Portugal Venture Capital Initiative)

Carlos Leme

1978 - Graduated in Electronics Engineering, IST, Lisbon

1988 – M.Sc. Electronics Engineering, IST, Lisbon

1994 - Ph.D. Microelectronics – ETH Zurich, Switzerland

1997 – Co-founded Chipidea

2007 – CTO and VP of Wireless Solutions, Chipidea

2007 - CTO and VP of Wireless Solutions, MIPSABG

2009 – Senior Staff, Analog Design Engineering, Synopsys

João Vital

1986 - Graduated in Electronics Engineering, IST, Lisbon

1990 - M.Sc. Electronics Engineering, IST, Lisbon

1994 – Ph.D. Electronics Engineering, IST, Lisbon

1997 – Co-founded Chipidea

2005 – VP Data Conversion, Chipidea

2007 – VP Data Conversion, MIPSABG

2009 - Director R&D - Analog IP Solutions Group, Synopsys

Exhibit 2 - Semiconductor Content in Electronic Systems
(The Mclean report © 2011 IC INSIGHTS, INC.)

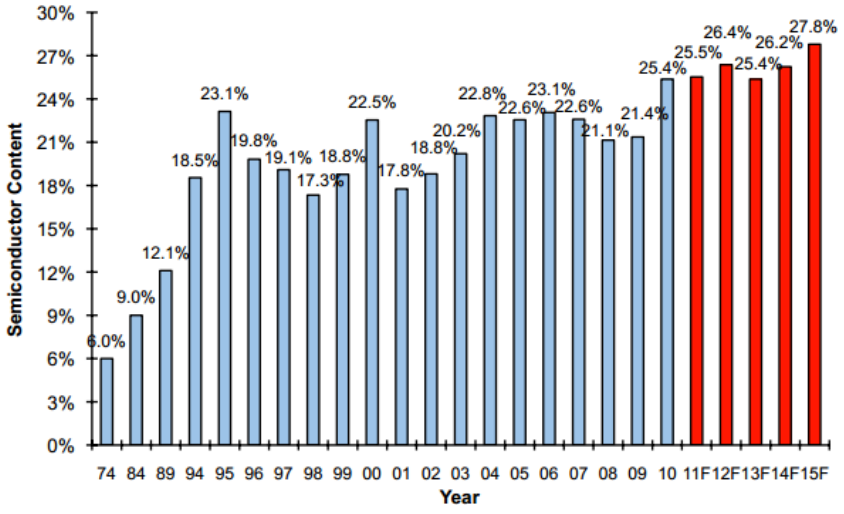


Exhibit 3 - Semiconductor sales leaders by year (iSuppli Corporation rankings for 2006)

Rank 2006	Rank 2005	Company	Country of origin	Revenue (M USD)	2006/2005 changes	Market share
1	1	Intel Corporation	USA	31 542	-11.10%	12.10%
2	2	Samsung Electronics	South Korea	19 842	12.00%	7.60%
3	3	Texas Instruments	USA	12 600	17.30%	4.80%
4	4	Toshiba Semiconductor	Japan	10 141	11.70%	3.90%
5	5	STMicroelectronics	France / Italy	9 854	11.00%	3.80%
6	7	Renesas Technology (merger of Mitsubishi and Hitachi Semiconductors)	Japan	7 900	-2.60%	3.00%
7	11	Hynix	South Korea	7 865	41.50%	3.00%
8	15	AMD	USA	7 506	91.60%	2.90%
9	10	Freescale	USA	5 988	7.00%	2.30%
10	9	NXP (spin-off from Philips Semiconductors)	Netherlands	5 874	4.00%	2.30%
11	8	NEC Semiconductors	Japan	5 679	-0.50%	2.20%
12	-	Qimonda (spin-off from Infineon)	Germany	5 413	N/A	2.10%
13	12	Micron Technology	USA	5 210	9.10%	2.00%
14	6	Infineon Technologies	Germany	5 119	-38.30%	2.00%
15	13	Sony	Japan	4 852	6.10%	1.90%
16	16	Qualcomm	USA	4 529	31.00%	1.70%
17	14	Matsushita Electric	Japan	4 022	-2.60%	1.50%
18	20	Broadcom	USA	3 668	37.3	1.40%
19	28	Elpida Memory	Japan	3 527	98.60%	1.40%
20	17	Sharp Electronics	Japan	3 341	2.30%	1.30%
21	19	IBM Microelectronics	USA	3 172	13.60%	1.20%
22	18	Rohm	Japan	2 882	-0.90%	1.10%
23	22	Analog Devices	USA	2 603	7.20%	1.00%
24	24	Spansion	Japan / USA	2 579	25.60%	1.00%
25	23	NVIDIA	USA	2 574	24.40%	1.00%
Other companies				81 912	7.30%	31.50%
TOTAL				260 194	9.30%	100.00%

Exhibit 4 – Financing Rounds in Chipidea

	Founders' Round						A Series Rounds				B Series Round				C Series Round	
Shareholders	February-97		September-99		October-01		December-02		November-04		May-05		October-05		December-06	
	Absolute (#)	(%)	Absolute (#)	(%)	Absolute (#)	(%)	Absolute (#)	(%)	Absolute (#)	(%)	Absolute (#)	(%)	Absolute (#)	(%)	Absolute (#)	(%)
SO Plan (Vested)											3,134,906	5.88%	3,134,906	5.88%	3,134,906	5.34%
Atmel Rousset SA	75,000	30%	966,750	30%	2,228,750	28.66%	4,995,055	26.57%	9,859,620	26.57%	9,859,620	18.49%				
José Franca & family	75,000	30%	966,750	30%	2,228,740	28.66%	4,995,055	26.57%	9,859,620	26.57%	7,988,725	14.98%	7,988,725	14.98%	7,988,725	13.61%
Carlos Leme	50,000	20%	644,500	20%	1,485,830	19.11%	3,330,030	17.71%	6,573,065	17.71%	5,325,805	9.99%	5,325,805	9.99%	5,325,805	9.07%
João Vital	50,000	20%	644,500	20%	1,485,830	19.11%	3,330,030	17.71%	6,573,065	17.71%	5,325,805	9.99%	5,325,805	9.99%	5,325,805	9.07%
Toshiba Electronics					159,750	2.05%	358,030	1.90%	706,705	1.90%	706,705	1.32%	706,705	1.32%	706,705	1.20%
BPI Fundo Caravela					187,750	2.41%	895,165	4.76%	1,766,945	4.76%	3,222,085	6.04%	3,222,085	6.04%	3,222,085	5.49%
BCP Capital							895,165	4.76%	1,766,945	4.76%	3,585,870	6.72%	3,585,870	6.72%	3,585,870	6.11%
Kennet Partners II											10,913,535	20.46%	10,913,535	20.46%	10,913,535	18.59%
Visions Acquisitions											3,274,060	6.14%	3,274,060	6.14%	3,274,060	5.58%
ES Ventures															5,369,220	9.15%
R Capital Management													9,859,620	18.49%	9,859,620	16.79%
Ordinary Shares	250,000		3,222,500		7,429,150		16,650,170		32,865,370		28,499,955		28,499,955		28,499,955	
A Series					347,500		2,148,360		4,240,595		4,240,595		4,240,595		4,240,595	
B Series											17,461,660		17,461,660		17,461,660	
C Series															5,369,220	
Stock Option Plan											3,134,906		3,134,906		3,134,906	
Total # shares	250,000	100%	3,222,500	100%	7,776,650	100%	18,798,530	100%	37,105,965	100%	53,337,116	100%	53,337,116	100%	58,706,336	100%

Founders' Shares
A Series' Shares
B Series' Shares
C Series' Shares
R Capital buys Atmel stake

Exhibit 5 – Kennet Venture Partners' Term Sheet

Term Sheet - Investment in Chipidea

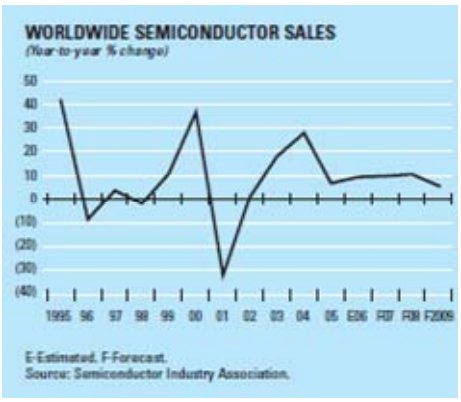
October 15th, 2004

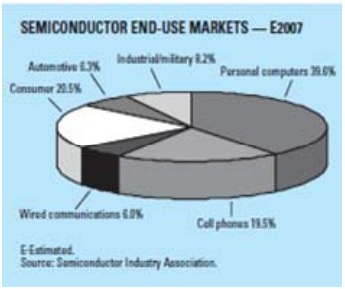
Kennet Venture Partners Ltd ("Kennet") is prepared to invest in Chipidea subject to the completion of satisfactory due diligence, final approval of the Kennet Investment Committee, and upon the terms and conditions below.

Participating Preferred Shares ("B Shares")	Funds advised by Kennet, together with certain additional investors to be agreed with the Company (the "Co-Investors") would subscribe for up to €12m of B Shares. The B Shares would comprise a mixture of newly issued preferred stock, and ordinary shares purchased directly from current shareholders which would subsequently be assigned identical rights to the new B Shares. This investment would be based on a valuation for Chipidea of €30-35m pre-money on a fully-diluted basis, including the exercise of all outstanding stock options and warrants.
Sale, Merger and Liquidation Preference	The new B Shares will rank senior to existing share classes for the purposes of liquidation preference. Upon sale, merger, liquidation or winding up of the Company, holders of B Shares will be entitled to receive from the proceeds an amount equal to the subscription price per B Share multiplied by the number of B Shares owned by the holder.
Voting Rights	Holders of the new B Shares shall have voting rights equivalent to those of the existing Ordinary Shares (one vote per share).
Pre-emptive Rights	The Investors will be granted rights to participate in future equity financings of the Company based upon their pro-rata ownership of the Company. The Investors shall have a right to subscribe for shares not taken up by other shareholders in proportions equal to those represented by their existing shareholdings (total number of shares held of any class in proportion to the total number of shares in issue of any class).
Drag-Along Provision	In the event of an offer to purchase 100% of the Company's issued shares which has been accepted by shareholders holding 75% or more of all issued shares (such offer having Kennet's approval if that would otherwise be required) then the remaining shareholders shall be obliged to offer their shares to the prospective purchaser at the same price per share and on the same terms as accepted by the other shareholders.
Tag-Along Provision	In the event that any of the founder shareholders offer their shares for sale to a third party, holders of B Shares will have the right to offer a pro rata number of their shares to the third party on terms that reflect the economic value (as defined in 'Sale, Merger and Liquidation Preference' above) of the B Shares relative to Ordinary Shares being offered by the other shareholders.

Anti-dilution Protection	On each occasion that the Company issues additional equity securities at a subscription price less than that paid by the Investors for the B Shares (a Dilutive Financing), the Company will issue additional B Shares to the Investors at a nominal price so that each Investor's aggregate subscription price divided by the number of B Shares held is equal to the weighted average price of this investment and the impending Dilutive Financing.
Registration Rights	In the event of an Initial Public Offering in the U.S., the Investors shall have the right to register their shares in a customary manner at the Company's expense. The form of the registration rights shall be agreed with the Company prior to the closing of this investment.
Board of Directors:	The Board shall initially consist of a maximum of 5 directors and will meet at least 8 times a year. Kennet will have a continuing right to appoint one representative to the board (the "Kennet Director"). In addition, Kennet will have a continuing right to appoint a board observer whose role will be to support the development of the company as required by the Kennet Director. The composition of the board of directors will need to be agreed with the founders, but a suggested make-up would be as follows: 2 representatives of ordinary shareholders 2 representatives of the Investors, of which one shall represent Kennet 1 Independent director
Information	The Company shall deliver to Kennet audited financial statements for each fiscal year within ninety (90) days after the completion of each year and monthly management accounts within fifteen (15) days after the completion of each month.
Stock Option Pool	The existing shareholders will agree to authorise an additional pool of stock options to be used to motivate and reward new employees of the Company. The existing shareholders will agree to increase the size of the existing option pool to 15% of the total post-financing outstanding equity of the Company.

Exhibit 6 – Semiconductor Industry Association – 2006 Annual Report





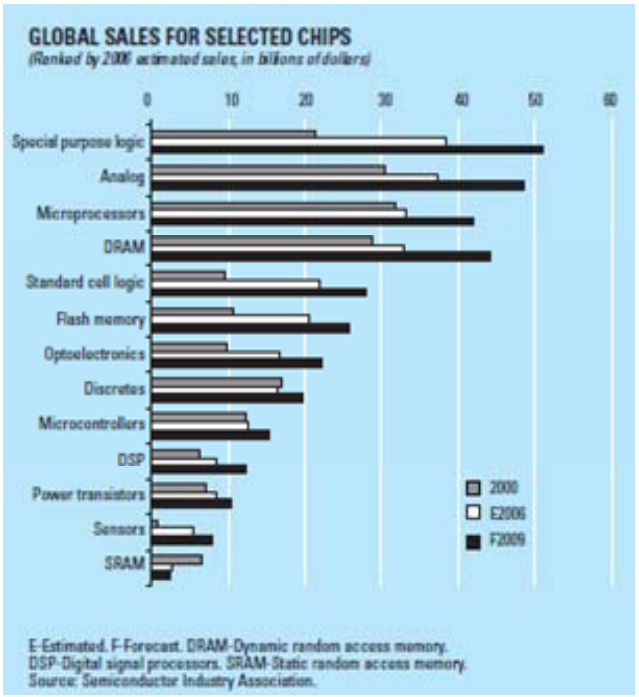


Exhibit 7 - Chipidea P&L (EUR)

INCOME STATEMENT (amounts in euro)	2004	2005	2006	E 2007	E 2008	E 2009	E 2010
Revenue	13,073,329	15,685,161	19,244,482	32,554,000	43,400,000	58,000,000	77,500,000
Licensing and Services	12,199,833	14,253,258	16,819,782	29,225,000	37,300,000	49,000,000	65,000,000
Royalties	605,059	1,212,774	2,408,847	3,200,000	5,000,000	6,500,000	8,500,000
Turn-key	268,437	219,129	15,854	129,000	1,100,000	2,500,000	4,000,000
Cost of Sales	6,670,764	8,003,471	10,440,205	14,345,241	19,400,000	25,000,000	34,000,000
Cost of Sales	6,068,171	7,280,490	9,365,680	13,016,672	17,603,291	22,684,653	30,851,128
Depreciations	602,593	722,981	1,074,525	1,328,569	1,796,709	2,315,347	3,148,872
Other					650,000	650,000	650,000
Gross Margin	6,402,565	7,681,690	8,804,278	18,208,759	23,350,000	32,350,000	42,850,000
%Sales	49%	49%	46%	56%	54%	56%	55%
Less	5,583,338	6,319,597	9,470,270	16,127,413	18,042,609	20,260,547	26,110,235
R&D	532,680	564,496	532,260	2,961,870	2,400,000	2,900,000	3,500,000
Sales & Marketing	1,346,750	1,427,187	2,645,703	3,666,994	4,500,000	5,900,000	8,500,000
G&A	2,980,465	3,158,479	4,492,044	8,057,504	8,900,000	10,500,000	12,800,000
Depreciation	251,817	123,183	126,699	305,382	420,000	510,000	590,000
Impairment of Assets (Income)/Loss	283,483	168,815	239,285	387,823	375,694	503,734	654,854
FX (Gains)/Losses	302,138	-297,498	270,237	0	0	0	0
Interest Expense/(Income)	149,303	119,930	467,973	819,173	310,000	388,000	466,000
Non Recoverable Taxes/Losses	0	1,182,758	665,993	1,081,651	1,148,054	-437,637	-398,202
Extraordinary (Gains)/Losses	-263,296	-127,751	-140,448	-1,152,984	-11,139	-3,550	-2,417
Other			170,524				
Pre Tax Profit	819,227	1,362,093	-495,469	2,081,346	5,307,391	12,089,453	16,739,765
Income tax expense (25%)	213,216	340,523	-1,462,036	520,337	1,326,848	3,022,363	4,184,941
Profit after Tax	606,011	1,021,570	966,567	1,561,010	3,980,543	9,067,090	12,554,823
EBIT	968,529	2,664,781	638,497	3,982,170	6,765,445	12,039,816	16,807,563
D&A	854,410	846,164	1,201,224	1,633,951	2,216,709	2,825,347	3,738,872
EBITDA	1,822,939	3,510,945	1,839,721	5,616,121	8,982,154	14,865,163	20,546,435

Exhibit 8 - Semiconductor Market Environment (2005 to Present Completed IPOs)

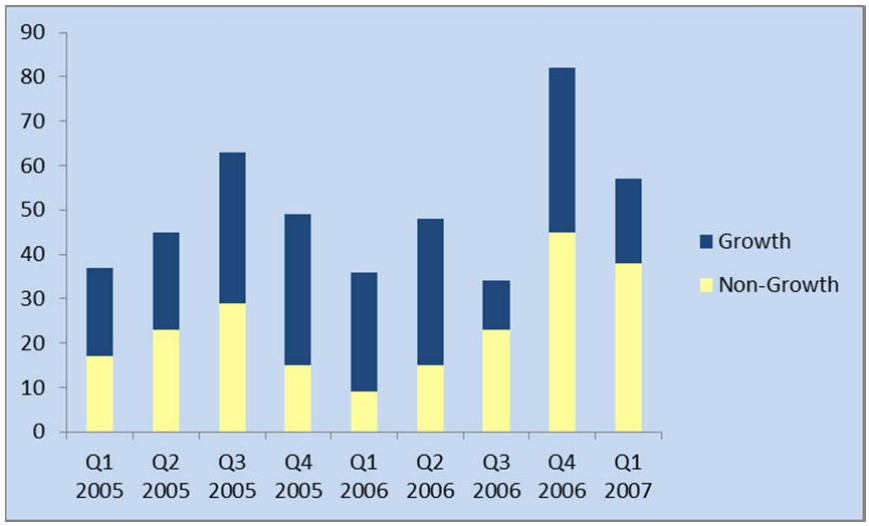


Exhibit 9 - No. 1 Analog & Mixed-Signal IP Supplier Worldwide (Gartner Dataquest, 2006)

IP Semiconductor, worldwide (USDm)

	2004	2005
ARM	312.2	373.1
Rambus	144.9	157.2
Synopsys	76.2	81.2
Saifun	30.6	78.6
MIPS Technologies	56.9	58.7
Virage Logic	53.0	51.3
Mosaid Technologies	13.5	40.4
Ceva	37.7	35.6
Imagination Technolog	28.6	29.2
Mentor Graphics	26.9	28.8
Tensilica	18.7	27.0
TTPCom	17.8	25.0
	18.2	24.5
Faraday Technology	18.0	22.9
Sci-Worx	13.5	19.7
ARC International	19.8	19.0
Silicon Image	20.8	18.5
Cadence Design Syst	12.0	17.6
ZSP (LSI Logic)	16.1	17.5
Newlogic (Vipro)	18.4	15.5

Source: Gartner Dataquest (May 2006)

Segmented statistics on a world wide basis, all in USDm

License revenue, all subcategories

	2004	2005
ARM	146.6	180.5
Synopsys	66.6	71.2
Saifun	22.6	65.6
Virage Logic	44.6	39.8
Rambus	24.3	26.9
Mentor Graphics	21.3	25.0
MIPS Technologies	29	24.9
Ceva	26.3	23.9
Tensilica	17.4	23.5
	17.4	21.9

Wired Interfaces

	2004	2005
Synopsys	27.6	35.7
Rambus	16.2	20.3
Silicon Image	20.8	18.5
	5.2	10.6
Aware	11.7	10.2
Faraday Technology	8.9	8.8
Mentor Graphics	8.5	5.9
ARM	3.9	5.7
Cadence Design Syst	8.5	5.2
PLD Applications	4.0	4.1

General Purpose Analog and Mixed Signal

	2004	2005
	9.1	12.8
Simple Silicon	5.0	10.0
Cadence Design	0.8	8.1
QualCore Logic	5.4	7.4
SliceX	3.0	4.0
True Circuits	2.5	2.6
Snowbush Microelectr	1.5	1.8
Dolphin Integration	1.1	1.8
Integrated Circuit	1.0	1.5
Acco Microelectronica	0.9	1.4

A/D and D/A Converters

	2004	2005
	3.4	5.2
Cadence Design Syst	0.4	4.7
QualCore Logic	2.5	3.8
Dolphin Integration	0.8	1.8
e-vision	0.6	1.1
SliceX	0.8	1.0
Silicon Designs Intern	0.5	0.8
Sarnoff	0.5	0.8
Acco Microelectronica	0.4	0.6
Nordic / Chipidea	1.9	0.6

Other Analog and Mixed Signal Functions

	2004	2005
Simple Silicon	4.9	9.9
	5.7	7.6
QualCore Logic	3.0	3.6
Cadence Design Syst	0.4	3.4
SliceX	2.2	3.0
True Circuits	2.5	2.6
Snowbush Microelecti	1.4	1.7
Integrated Circuit Des	1.0	1.5
Mosaid Technologies	0.0	0.9
Memscap	0.5	0.8

USB

	2004	2005
Synopsys	20.7	26.9
	5.2	10.6
Faraday Technology	8.2	8.3
Innovative Semicondu	3.0	3.4
Mentor Graphics	5.1	3.3
Sci-Worx	0.8	1.0
Araqio Solutions	0.2	0.9
C-Logic Semiconducti	0.5	0.6
Cast	0.1	0.4
Evatronix	0.1	0.2

Exhibit 10 - Annual Exchange Rate EUR/USD (end of period) in Banco de Portugal

Dez-05	1.1797
Dez-06	1.3170
Dez-07	1.4721
Dez-08	1.3917
Dez-09	1.4406
Dez-10	1.3362

Exhibit 11 - IP, WLAN/Bluetooth IC, Wireless IC transactions (2001-2007) - Company information, mergermarket and ABN AMRO

Date	Acquiror	Target	Business Description	Target Profile	Amount EURm	CY Revenue multiple
IP Company Acquisitions						
01-Jun-06	Motorola	TTP Com	Wireless IP (radio and baseband)	Public	148	2.9x
19-Dec-05	Wipro Limited	NewLogic	WLAN, RF and Bluetooth	Private	47	3.4x
23-Aug-04	ARM holdings	Artisan Components	IP for system-on-a-chip ICs	Public	741	9.3x
22-Aug-04	Amphion Semiconductors	Conexant Systems Inc	IP for video system-on-a-chip, ASIC, prog. Logic ICs	Private	24	na
13-Jan-03	TTP Com	Cadence WLAN Division	WLAN IP from Cadence Design foundry	Division	na	na
15-Mar-02	Ceva Inc	Parthus	Wireless and application IP	Public	120	2.6x
	Median					4.5x
Wireless IC Company Acquisitions						
08-Feb-07	NXP	Silicon Labs (Cellular business)	Single-chip phone and power amplifier products	Private	221	1.6x
20-Sep-04	Broadcom	AlphaMosaic Ltd	Multimedia processors for wireless devices	Private	101	12.9x
15-Jun-04	Broadcom	Zyray Wireless	Base band co-processors for CDMA/3G	Private	79	na
07-Jun-04	Zoran Microelectonics	Emblaze Semiconductor	IC for mobile media appliances	Private	44	na
17-Jun-02	TriQuint Semiconductor	IBM wireless phone chipset	Wireless radiochipsets (VCO's receivers)	Division	23	1.6x
12-Jun-02	Infineon	Ericsson micro. Wireless	Mobile handset and base station ICs, Bluetooth ICs	Division	400	1.6x
02-May-02	VIA technologies	LSI Logic CDMA Design Center	Wireless handset ICs for CDMA	Division	na	na
08-Apr-02	Broadcom	Mobilink Telecom	GSM/GPRS Baseband Ics	Public	293	6.4x
01-Mar-02	Texas Instruments	Condal AG	GSM Protocol software	Public	96	3.3x
17-Dec-01	Alpha Industries	Conexant wireless division	Wireless ICs for mobile phones/infrastructure	Division	2,142	7.5x
	Median					5.0x
Electronic Design Automation Acquisitions						
12-Jan-05	Cadence	Verisity Ltd	Verification solutions	Private	224	5.1x
01-Dec-04	Synopsys	Nassda Corp	Full-chip circuit simulation and analysis software	Private	149	4.8x
24-Feb-04	Magma Design Automation	Mojave Inc	IC manufacturability and verification technology	Private	112	na
11-Dec-03	Verisity Ltd	Axis Systems Ltd	Simulation technology	Private	66	4.0x
20-Oct-03	Magma Design Automation	Silicon Correlation Division	Pre-packaged software	Division	27	7.0x
	Median					5.2x

Exhibit 12 - MIPS Technologies' 2006 Financial Reports (Year ended June 30)

P&L

(In thousand US$ except per share)	2001	2002	2003	2004	2005	2006
Royalties	41,931	16,791	15,693	23,439	29,988	36,675
Contract Revenue	42,978	30,970	23,397	24,446	31,231	27,429
Total Revenue	**84,909**	**47,761**	**39,090**	**47,885**	**61,219**	**64,104**
Operating Income	**25,917**	**-13,332**	**-26,966**	**326**	**13,897**	**3,154**
% Revenue	30.5%	-27.9%	-69.0%	0.7%	22.7%	4.9%
Net Income	19,062	-9,390	-28,907	-1,531	14,909	5,757
Common shares outstanding-diluted	40,309	39,013	39,505	40,434	41,501	44,608
Net income per diluted share	0.47	-0.24	-0.73	-0.04	0.36	0.13

Balance Sheet

(In thousand US$)	2001	2002	2003	2004	2005	2006
Total Current Assets	130,683	111,641	92,249	99,023	116,868	129,052
Other Assets	9,750	17,347	13,100	9,680	10,678	19,745
Total Assets	**140,433**	**128,988**	**105,349**	**108,703**	**127,546**	**148,797**
Current Liabilities	17,725	12,323	14,073	17,006	16,229	16,324
Long-term liabilities	0	770	1,900	2,038	2,938	3,023
Stockholders' equity	122,708	115,895	89,376	89,659	108,379	129,450
	140,433	**128,988**	**105,349**	**108,703**	**127,546**	**148,797**

Exhibit 13 – Investors Profile

BPI Ventures SGPS, S.A. (*Inter-Risco*) – *Fundo Caravela*

BPI Ventures is the PEVC arm of the Portuguese financial group *Banco Português de Investimento* (BPI). BPI Ventures acquired a stake in Inter-Risco, which, in 1994, became responsible for managing € 7.5 Million VC funds.

The company raised over € 30 Million for the late 2002 "*Fundo Caravela*" targeting Portuguese SMEs in expansion phase. The investment phase subsisted until 2007 and is still active, though in the harvesting phase.

Chipidea was the first sale of the *Caravela* fund, which participated in A and B rounds, with 37% IRR, 2.8 investment multiple, and € 6 Million profit.

www.bancobpi.pt

BCP Capital

BCP Capital has many similarities with BPI Ventures profile. Also an A and B Series investor in Chipidea, BCP Capital is the VC arm of *Banco Comercial Português*' Portuguese financial group. This fund is aimed at Portuguese small and medium-sized companies with high-growth potential, with BCP Capital managing over € 35 Million.

BCP Capital was created in 1997. In 2002 and 2005 it invested in Chipidea in A and B rounds with results equivalent to BPI Ventures.

Vision Capital

This General Partner is a technology-driven investor, whose partners delineated the value proposition of helping companies cross the Atlantic to enter US and Europe markets with growth capital. This VC invests in rapidly expanding companies with a trans-Atlantic vision and helps settle the cultural and economic differences in establishing businesses in the US and in the different European economies.

Vision Capital, along with Kennet Venture Partners, participated in the B round helping Chipidea to expand its lines of business and presence in markets abroad.

www.visioncap.com

Kennet Venture Partners

Michael Elias, managing partner in Kennet Ventures, approached Chipidea pursuing the strategy of acquiring European technological companies which had know-how in the field of power management. The relationship with José Franca started in 2002 and culminated in 2005 with the participation of Kennett Partners in the B series round.

Kennet Partners' aim was to push growth in the company, thus injecting capital into the company to enable both geographic and business line expansion.

www.kennetcapital.com/

R Capital Management

Through its R Capital Management European Private Equity firm, Rothschild Gestion invested in Chipidea in 2005 in a Venture Round. With a $ 5.9 Million investment. R Capital Management bought Atmel Rousset's stake in Chipidea, serving as a secondary fund to allow this investor to exit its position in Chipidea's equity.

R Capital Management focuses on Information Technology, Healthcare, and Energy, financing organic growth or build-up strategies, or to cash out existing shareholders.

www.rothschild.com/merchant_banking/r_capital_management/

ES Ventures

ES Ventures is the affiliated company of Espírito Santo Financial Group (ESFG) dealing with Venture Capital investments. ES Ventures invests in innovative projects with international exposure and intellectual property as a means of sustaining the competitive advantage and protecting the investment.

Cleantech, Healthcare, and IT are focus areas, though the company (and particularly ES Ventures II – the fund that invested in Chipidea) does hold participations in agro-business.

www.es-ventures.com

Exhibit 14 – VC General Partners and Funds in Chipidea

General Parner	Founded	AUM (Assets Under Management)	Name of the Fund	Target	Fund (M)	Portfolio	Year	Investment (M€)
BCP Capital - Soc. Capital de Risco, S.A	1997	€ 35.5 M	M Inovação - Fundo Capital Risco	Portuguese small and medium-sized companies with high-growth potential.	€ 7	…	2002 2005	1.24 (A) 1.25 (B)
Inter-Risco – Soc. Capital de Risco, S.A.	1988	€ +80 M	Fundo Caravela	Direct investment in Expanding Portuguese SMEs. No leverage. Limit of individual investment is 10% of fund.	€ 30	Chipidea, Serlima, Ibersol, Vista Alegre Atlantis, Douro Azul; TvTel, and Quinta da Aveleda	2002 2005	1.3 (A) 1 (B)
Kennet Partners Ltd	1997	$ +600 M	Kennet II L.P.	Growth investment in technology-enabled business services, digital media, e-commerce, consumer Internet, enterprise software, telecoms software and infrastructure, semiconductors, and IT services. Targets firms with $ +10 M in Sales in North, West , Eastern, Central and South Europe and North America.	$ 205	FRSGlobal, Telemedicine Clinic, NTRglobal, Schoolwires, Go Viral, Academix Direct, Recommind, Spreadshirt, BuyVIP, Altitun AB, Cataloga, Consul Risk Management (Acquired by IBM), E-Marketing, Monis Software Ltd, Paragon, urbia.com AG, Volantis, Aspective, CitiKey, Cramer Systems Ltd, Interance, No Wires Needed B.V., Oxygen Solutions Ltd, PipingHot Networks, VDSL Systems, Inc., and Spirea	2005	12 (B)
Vision Capital A Trans-Atlantic Fund	1996	$ 110 M	Vision Capital III L.P.	Leading European technology companies in the communications, semiconductor, software, and Internet/e-commerce-related arenas, assisting companies in achieving their US market goals.	$ 110	Metorex, OneBox.com, Virtutech, Inc., MoreMagic Solutions, Visual Wireless, Sphera Corporation, Saqqara Systems, Atlantech, Atempo, SEQUANS Communications, Straatum, Media Lario, Massana, Avalon Photonics, and Syntune	2005	2.5 (B)
R Capital Management	2000	…	R Capital Privé Technologies	Mid-venture, late venture, middle market, mezzanine financing, emerging growth, growth investments, recapitalization, and buyouts in Information Technology, Healthcare and Energy sectors in European countries, with focus on France and Italy.	€ 5	CCM Benchmark, Danionics, Eve, Fircosoft, ip.access, Laboratoires Ponroy, LDR, Loglogic, Myriad, Octo Telematics, Paradigm, PicoChip, Travelfactory, Vistaprint, and Weka Entertainment	2005	Secondary
ES Ventures	2000	€ +223 M	Espírito Santo Ventures II	Technology based companies and innovative business projects with high-growth potential. Clean Tech, Health Care, and IT.	€ 88	Multiwave, Malo Clinic, Atraverda, TxVia, Super Bac, Ydreams, Oceanlinx, UltraCell, Nanosolar, Prepaid Media, Prepaid Capital, Aquaspy (former Agrilink), Global Active, Coreworks, Ophthalpharma, OutSystems, Iosil, and Sousacamp	2006 (Q4)	5 (C)