

FOR IMMEDIATE RELEASE

For more information:

Michelle Jeffers
Dow Jones VentureOne
(415) 439-6666
Mobile: (415) 608-1593
michelle.jeffers@dowjones.com

Hilary Mariassy
Ernst & Young LLP
(212) 773-2593
hilary.mariassy@ey.com

**LATER-STAGE INVESTMENTS PUSH OVERALL U.S. VENTURE-CAPITAL
INVESTMENT TO HIGHEST LEVEL IN FOUR QUARTERS**

*Ernst & Young LLP/VentureOne Quarterly Venture Capital Report Also Finds Largest
Number of Later-Stage Deals This Quarter Since 2002.*

SAN FRANCISCO and NEW YORK (July 25, 2005)—The U.S. venture-capital industry showed some improvement from earlier this year, posting 524 deals in the second quarter of 2005—raising a total of \$5.39 billion—according to the Quarterly Venture Capital Report released by Ernst & Young LLP and VentureOne, a unit of Dow Jones Newswires and the publisher of VentureSource. However, this represents a decline of 11% in deals and 6% in U.S. dollars from the second quarter of last year, which was the highest quarter of the past 10.

But the numbers shifted upward by 7% and 14%, respectively, from the first quarter of this year. In fact, the dollars invested are at the highest level in a year—a result related to a 9% increase in later-stage deals, which generally involve larger sums.

Through the first six months of 2005, \$10.11 billion has been invested. This compares to the \$21.28 billion invested in all of 2004.

“The large number of later-stage companies that received financing this quarter is a strong indication that the level of innovation in young companies continues to grow.

These investments suggest venture capitalists are confident in the prospects for their portfolio companies and willing to fund them to their next stage of growth,” said Joseph Muscat, Ernst & Young’s Venture Capital Advisory Group Leader for the Americas. “It is also encouraging to see a significant number of early-stage companies being funded, demonstrating that investors are also willing to take risks on promising innovations.”

The number of later-stage deals climbed to 210 this year from 193 in the second quarter of last year, while the amount invested increased 23% during the same period to \$2.98 billion from \$2.42 billion.

“This is the most capital directed toward later-stage rounds in almost four years, and a considerable amount of it was deployed in the information-technology (IT) segment, indicating investors remain positive about the exit potential for these companies,” said John Gabbert, vice president of worldwide research for VentureOne. “Later-stage capital for communications companies was more than a third higher than a year ago, and later-stage investment for electronics companies nearly doubled.”

By industry category, much of the increased investment level was in the products-and-services category. There were 77 products-and-services deals in the second quarter—three fewer than occurred in the second quarter of 2004—but the amount invested nearly doubled to \$1.04 billion, a 92% increase from a year ago. The median size of a deal in this category was \$6 million—its highest level since 2001. The category was home to three of the 10 largest deals of the second quarter, including the \$320 million investment in New York-based Integro, an insurance services provider. This was the largest venture-capital investment since 2000.

The health-care category—with 122 deals and \$1.35 billion invested—posted declines in nearly all segments. Only biopharmaceuticals saw a slight increase from a year ago with 62 deals, although the amount invested in the segment was lower. There did appear to be interest in the health-care category for early-stage deals, which represented 36% of health-care rounds, most of those for biopharmaceutical and medical devices companies.

IT declined 16% in deal flow and 18% in investment, with 300 deals and \$2.83 billion invested. Those numbers represent an improvement from the first quarter of this year. Within the category, the communications segment saw some growth: Investment capital was up 19% over the second quarter of 2004, although deal flow was flat. Overall, only 26% of all the IT deals were for seed and first rounds, while 45% were for later rounds. Those early-stage rounds also were smaller: The median deal size for an IT first round was \$4 million, the lowest it has been since 1999.

###

The investment figures included in this release are based on aggregate findings of VentureOne's proprietary U.S. research and are contained in VentureSource. This data was collected by surveying professional venture capital firms, through in-depth interviews with company CEOs and CFOs, and from secondary sources. These venture capital statistics are for equity investments into early-stage, innovative companies and do not include companies receiving funding solely from corporate, individual, and/or government investors. No statement herein is to be construed as a recommendation to buy or sell securities or to provide investment advice.

[Copyright](#) © 2005, VentureOne.

About VentureOne

VentureOne (www.ventureone.com), a unit of Dow Jones Newswires, has been the leading provider of finance and investment data to the venture capital industry for almost 20 years. VentureSource, a sophisticated electronic database on the venture capital industry, is published by VentureOne.

About Dow Jones Newswires

Through its Dow Jones Newswires unit, Dow Jones (www.djnewsletters.com) produces focused, sector-specific online databases, newsletters and industry events as well as providing (www.djnewsires.com) real-time news for financial professionals in the equities, fixed-income, foreign exchange and energy markets, and also offers news for financial firms' Web sites. Newsletters published by Dow Jones include

Private Equity Analyst, VentureWire Professional, and Daily Bankruptcy Review. In addition to Dow Jones Newswires, Dow Jones & Company (NYSE: DJ) publishes The Wall Street Journal and its international and online editions, Barron's and the Far Eastern Economic Review, Dow Jones Indexes, MarketWatch, and the Ottaway group of community newspapers. Dow Jones is co-owner with Reuters Group of Factiva, with Hearst of SmartMoney and with NBC Universal of CNBC television operations in Asia and Europe. Dow Jones also provides news content to CNBC and radio stations in the U.S.

About Ernst & Young

Ernst & Young, a global leader in professional services, is committed to restoring the public's trust in professional services firms and in the quality of financial reporting. Its 100,000 people in 140 countries pursue the highest levels of integrity, quality, and professionalism in providing a range of sophisticated services centered on our core competencies of auditing, accounting, tax, and transactions. Further information about Ernst & Young and its approach to a variety of business issues can be found at www.ey.com/perspectives. Ernst & Young refers to all the members of the global Ernst & Young organization.