

Venture-Backed M&A Activity and Valuations Continued Steady Improvement in Q2 2004

Media and Entertainment Sector Enjoyed Strong Quarter

New York, NY, August 9, 2004 - Venture-backed merger and acquisition activity during the second quarter of 2004 rose for the fifth consecutive period to 86 companies acquired, with 48 reporting a total value of \$4.5 billion, according to Thomson Venture Economics and the National Venture Capital Association. The average valuation on disclosed deals also improved to \$94 million, up from \$88.6 million in the previous quarter. These figures continue to evidence steady, sustainable improvement in this critical exit environment for venture-backed companies.

“We continue to keep our eye on the valuations for these acquisitions as that, along with IPO activity, is what drives venture capital returns,” said Mark Heesen, president of the National Venture Capital Association. “The fact that the average value of a deal in the first half of 2004 is almost 50% higher than all of 2003 is a positive trend that suggests that we are moving towards healthier exits.”

Second quarter activity showed an improvement over the equally active first quarter when 77 companies were acquired, with 44 reporting a total value of \$3.9 billion. Over the first half of 2004, 163 targets were bought with 92 disclosing an aggregate transaction value of \$8.4 billion. The \$8.4 billion is already \$700 million over the \$7.7 billion total for all of 2003.

Venture-Backed M&A by Quarter, 2003-2004

Quarter	Total Deals	Deals with Disclosed Values	Total Disclosed Value (\$M)	Avg. Size of Disclosed Value Deals (\$M)
2003-1	68	21	1453.29	69.20
2003-2	74	27	1841.93	68.22
2003-3	77	41	2127.67	51.89
2003-4	71	34	2303.20	67.74
2003 Total	290	123	7726.09	62.80
2004-1	77	44	3900.00	88.64
2004-2	86	48	4514.59	94.05
Q1-Q2 2004	163	92	8414.60	91.46

Source: Thomson Venture Economics & National Venture Capital Association

The Media and Communications sector had a strong quarter with 8 deals and a total disclosed value of \$1.14 billion. Three companies in this sector accounted for \$1.06 billion and were all in the top ten including the largest deal of the quarter, the \$501 million acquisition of Interactive Search Holdings by Ask Jeeves. Additionally, Thomson Corp acquired TradeWeb for \$385 million, representing the third largest deal of the quarter. It is notable that both targets were Internet-focused entities.

Though the Software sector closed the most deals at 25 worth \$791 million, only one of the top five deals were counted among the quarter's top ten. In June, Brightmail was acquired by Symantec for \$370 million, the fourth largest deal of the quarter. The total value of software sector acquisitions dropped significantly from the first quarter when the industry saw 24 companies acquired and a reported \$1.35 billion in transaction values.

The quarter's second largest deal came in the Telecommunications sector, with Catena Networks being bought by Ciena in May for \$466 million. This deal helped rank the sector above software, with 9 targets and \$885 million in disclosed value.

According to Jesse Reyes, vice president at Thomson Venture Economics, "The latest figures indicate that the exits of industrial and media related companies continue to dwarf the values of the new economy software and other information technology related deals. That fact that the software sector represented the largest group of deals but prices below the overall average may indicate a heightened market appetite for other sectors right now."

Venture-Backed M&A by Industry, Q2 2004

Industry	Total Deals	Disclosed Value Deals	Total Disclosed Value (\$M)	Avg. Size of Disclosed Value Deals (\$M)
Media and Entertainment	8	7	1,140.65	162.95
Telecommunications	9	7	885.33	126.48
Software	25	10	791.27	79.13
Industrial/Energy	4	3	419.64	139.88
Networking and Equipment	10	5	335.20	67.04
Medical Devices and Equipment	3	2	293.00	146.50
Computers and Peripherals	2	2	173.21	86.61
Semiconductors	4	4	166.67	41.67
Healthcare Services	1	1	98.00	98.00
IT Services	4	2	66.00	33.00
Electronics/Instrumentation	2	1	55.00	55.00
Consumer Products and Services	3	1	49.21	49.21
Business Products and Services	2	1	15.35	15.35
Biotechnology	3	1	14.28	14.28
Retailing/Distribution	2	1	11.78	11.78
Financial Services	4	0	N/A	N/A
Q2 2004 Totals	86	48	4,514.59	94.05

Source: Thomson Venture Economics & National Venture Capital Association

The first half of 2004 also saw a significant shift in the ratio of transaction values to the amount of venture capital invested in target companies. Thus far in 2004 approximately

36% of targets attracted transaction values greater than four times their total venture investment, compared to the first half of 2003 when the proportion of deals in this return range was only 14%. Additionally, over the same time period in 2003, 37% of targets attracted values lower than the total amount invested in them. In 2004, those deals dropped to 32% of the total.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	1Q-2Q 2003	1Q-2Q 2004
Deals where transaction value is less than total venture investment	18	29
Deals where transaction value is 1-4x total venture investment	23	29
Deals where transaction value is 4x-10x total venture investment	6	19
Deals where transaction value is greater than 10x total venture investment	1	14
Total Disclosed Deals	48	91**

Source: Thomson Venture Economics & National Venture Capital Association

** In 2004 92 deals had a disclosed value, but one of these targets did not have a disclosed total investment

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