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Contacts:
Jeanne Metzger, National Venture Capital Association, 703-524-2549x116, jmetzger@nvca.org
Starr Million, Porter Novelli for PricewaterhouseCoopers, 512-241-2237, starr.million@porternovelli.com
Jesse Reyes, Thomson Venture Economics, 973-645-9734, jesse.reyes@thomson.com

VENTURE CAPITAL INVESTING MAINTAINS STEADY PACE IN Q3 2003

-- Life Sciences Show Continuing Strength --

Washington, D.C., October 28, 2003 – Venture capitalists invested $4.2 billion in 667 entrepreneurial companies in the third quarter of 2003, continuing the stable pace of investing seen for more than a year according to the PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree Survey. The third quarter survey results represent a slight decline of 8% of dollars invested and 5% of number of deals compared to the second quarter, but represent a slight uptick from the first quarter of this year. For five consecutive quarters, beginning with the third quarter of 2002, venture capitalists have invested in the range of $4 billion per quarter, sustaining a healthy pace of investing in new and existing portfolio companies.

Tracy Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers, said: “We are settling back into a realistic balance between entrepreneurial enthusiasm and venture capital risk. Within this more stable framework, genuine innovation is nurtured to fruition over time, with appropriate levels of investment along the way. At the same time, the renewed activity in the IPO market encourages further confidence in future venture capital investing.”

Mark Heesen, president of the National Venture Capital Association, observed: “This ongoing, sustainable investment level continues to support the fact that venture capitalists are back to investing for the long-term at a consistent pace. Confidence in our market is increasing, but we are pleased that venture capitalists are showing prudence and patience in light of some positive economic signs. We are not looking for major swings in activity at this point."

Sector And Industry Analysis

For the first time in seven years, Biotechnology was the number one industry with $873 million, displacing Software as the leading category. Investments in Biotechnology companies increased 31% from the previous quarter and 88% from a year ago. The broader Life Sciences sector, which includes Biotechnology and Medical Devices & Equipment, totaled $1.24 billion, an impressive 30% of all dollars invested, clearly demonstrating that venture capitalists believe that the innovation occurring in these fields will translate into profitable new products and services in the future.

The Software industry was down 11% compared to the previous quarter, dropping it into the number two position with 160 companies receiving $819 million. Telecommunications fell to a five-year low, of $492 million, but remained in third place. Medical Devices with $376 million followed in fourth. Networking also fell to a five-year low with $331 million, finishing fifth.

First-Time Financings

Despite the perception that the venture environment is growing more receptive to brand new start-up companies looking for initial capital, the percent of first-time financings remained at similar levels seen in recent quarters. A total of 148 companies received their first round of venture capital, representing 22% of all companies. They garnered $766 million, or 18% of all dollars invested. Venture capitalists clearly continue to be discerning regarding new investments.

The ranking of industries receiving first-time venture dollars varied notably from the overall industry rankings. Software companies lead with 38 companies attracting $138 million. Biotechnology was second with 16 companies and $72 million. Medical Devices followed with 15 companies receiving $54 million. However, Telecommunications and Networking both fell well down the list. Only seven Telecommunications companies received first-time financing, nearing an eight-year record low. Also, the number of Networking companies remained depressed, with only six companies getting venture capital for the first time.

Stage of Development

Venture capitalists continued to put the majority of their money into expansion stage companies, which made up 55% of the dollars invested in the third quarter, or $2.3 billion. Later stage companies received 22%. And early stage companies received 20% of the dollars invested, or $821 million. Again, these figures were similar to the prior quarter with minor variations.

The number of deals at each stage also held to the general pattern of the prior quarter. A total of 175 early stage companies accounted for 26% of all deals. Later stage companies were 17% and expansion stage companies were about half.

According to Jesse Reyes, vice president at Thomson Venture Economics, "The relatively static distribution of investments across all stages of company development confirms that the venture industry is no longer 'swinging for the fences'. Rather, they are implementing a more conservative strategy that emphasizes longer-term returns. The hurdles venture capitalists have set for initial investing are higher than they were a few years ago. The goal is to increase the odds of harvesting more winners out of their portfolios."

Survey results can be found at http://www.pwcmoneytree.com.

Note to the Editor
When referencing information included in this release or other venture capital investment information produced by the three MoneyTree Alliance partners, the information should be cited in the following way: "The MoneyTree™ Survey by PricewaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association", or "PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree™ Survey". After the first reference, subsequent references may refer to PwC/TVE/NVCA MoneyTree Survey, PwC/TVE/NVCA or MoneyTree Survey. Charts and tables displaying the data are sourced to PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree™ Survey. After the first reference, subsequent references may refer to PwC/TVE/NVCA MoneyTree Survey, PwC/TVE/NVCA or MoneyTree Survey.

About the PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association Money Tree Survey
The MoneyTree™ Survey measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. The survey includes the investment activity of professional venture capital firms with or without a US office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments in a qualified and verified financing round the entire amount of the round is included. Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spun-out of existing companies.

The survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing.

Investee companies must be domiciled in one of the 50 US states or DC even if substantial portions of their activities are outside the United States.

Data is primarily obtained from a quarterly survey of venture capital practitioners. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies. Only professional independent venture capital firms, institutional venture capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

The **National Venture Capital Association** (NVCA) represents over 450 venture capital and private equity organizations. NVCA's mission is to foster the understanding of the importance of venture capital to the vitality of the U.S. and global economies, to stimulate the flow of equity capital to emerging growth companies by representing the public policy interests of the venture capital and private equity communities at all levels of government, to maintain high professional standards, facilitate networking opportunities and to provide research data and professional development for its members. For more information visit www.nvca.org.

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