

**U.S. VCs to Expand Global Investments;
China and India Named as Top Global Targets,
Says Survey by Deloitte & Touche LLP and National Venture Capital Assn.**

United States Top Target for VC Firms Worldwide

SAN JOSE, Calif., June 22, 2005 — U.S.-based venture capitalists expect to expand their global investments, with China and India among their top targets, according to the Deloitte and NVCA 2005 Global Venture Capital Survey conducted jointly by Deloitte & Touche LLP and the National Venture Capital Association (NVCA). At the same time, the United States remains the most attractive investment target for venture capital (VC) firms worldwide. Conducted between February and April 2005, the survey measured attitudes and intentions regarding investment regions and industry sectors of 545 venture capitalists worldwide.

"The United States is exporting entrepreneurialism," said Mark Jensen, partner and national director of Deloitte & Touche LLP's Venture Capital Services Group.

"People come here from all over the world, obtain experience in the U.S. technology marketplace, then take their knowledge home with them and build their own companies. The U.S. venture firms are following the entrepreneurs no matter where they are around the world."

"The United States has been and will continue to be the worldwide leader in entrepreneurship," said Mark Heesen, president of the NVCA. "It is critical that we continue to foster an environment that protects innovators, encourages risk takers, and allows the best companies to enter the public markets when ready."

U.S. VCs to Expand Globally While Maintaining U.S. Investment

According to the survey, 20 percent of U.S.-based VC respondents plan to increase their global investment activity over the next five years, up from 11 percent currently investing abroad. Forty-two (42) percent plan to invest abroad only with other investors that have a local presence; 39 percent plan to develop strategic

alliances with experienced foreign-based venture capital firms; and 30 percent plan to open satellite offices in select regions globally. The U.S. VCs indicated they expect to maintain their U.S. investment presence, both in terms of physical presence and investment levels.

“U.S.-based venture capitalists are the most experienced investors in the world, and their planned global expansion indicates a maturation of the U.S. venture capital community,” said Jensen. “Foreign investors are increasingly interested in U.S. venture capital firms, indicating that the U.S. VC industry will be well-fueled to expand globally without diminishing its pace of U.S. investments.”

According to the U.S. VCs, the countries of greatest investment interest over the next five years are China (20 percent), India (18 percent), Canada/Mexico (13 percent), Continental Europe (13 percent), Israel (12 percent) and the United Kingdom (11 percent).

“We are operating in a global economy, and most U.S. VC firms have an international strategy in place,” Heesen said. “Even if the firm is not making direct investments abroad, the U.S. portfolio companies that they are funding have global strategies. Innovation is occurring around the clock and around the globe, and the U.S. venture capital community is poised to leverage the breadth of emerging technologies.”

United States Top Investment Target for Domestic and Most Foreign VCs

All of the U.S. VC firms indicated they will continue their investing activity in the United States. Sixteen (16) percent of foreign firms indicated they expect to increase investing activity in the United States over the next five years. Combined, 65 percent of all VCs surveyed worldwide indicated plans to invest in the United States over the next five years.

“The survey indicates that the United States is clearly a top investment target for venture capitalists worldwide,” added Jensen. “With a wide range of quality deals,

experienced local investors and a solid IPO market, the United States is seen by VCs as a mature, proven marketplace.”

Regional findings include:

- Of Canadian VC respondents, 29 percent plan to increase investment activity in the United States over the next five years. Currently, 48 percent are investing in the United States, with 67 percent planning to invest in the United States over five years. All Canadian VCs plan to continue investing in Canada.
- Middle East VCs (comprised 100 percent of Israel-based respondents) indicated that the United States and Israel are their top two destinations for investment, with 19 percent indicating plans to increase investment in the United States. Currently, 44 percent are investing in the United States, which is expected to increase to 56 percent investment over the next five years. Forty-three (43) percent are currently focusing their investment plans on Israel, and the same number plans to invest in Israel over the next five years.
- For Continental European VCs, 19 percent indicated they will increase their foreign investment focus, and 43 percent indicated they plan to increase their investment in the United States over the next five years. Eighty-five (85) percent indicated plans to continue their current geographic investment focus on Europe. While the United States is the primary foreign market where European VCs plan to invest now and over the next five years, they also plan minor investment in China (14 percent), India (10 percent), Australia (8 percent), Israel (8 percent), Canada/Mexico (6 percent) and Taiwan (4 percent).
- Asia Pacific VC respondents (of which 84 percent are based in Taiwan) indicated that the United States is their primary non-APAC destination for investment. In fact, 40 percent of all APAC VC firms indicated plans to invest in the United States over the next five years, up from 31 percent of those currently investing in the United States. Taiwan is the primary investment target for 77 percent of the respondents.

The Future: Energy/Environment

According to the survey, venture capitalists worldwide are planning to increase their investments in companies operating in the energy/environment sector. Twelve (12) percent of all VCs surveyed said they are currently focusing on investments in energy/environment, with that figure jumping to 21 percent over the next five years.

“The increased interest in energy/environment reflects the opportunities the VC industry sees in developing cost-effective energy sources,” Jensen said.

There is also an increasing interest in consumer business. Nineteen (19) percent of all VCs surveyed said they are currently focusing on consumer business companies, with that figure moving to 21 percent over the next five years.

“Venture capital is opportunistic, and many of these subtle shifts in industry focus reflect a natural evolution of the market,” said Heesen. “We moved from hardware to software in the 1990s; we are now moving from corporate buyers to consumer buyers.”

“The interest in consumer business reflects the recent boom in products that people use every day, such as cell phones and mp3 players,” Jensen added.

VCS indicated current investments in biopharmaceuticals at 32 percent, with that figure expected to decrease slightly to 29 percent over the next five years. Currently, technology is the lead focus for 51 percent of the VCs. This is expected to remain relatively steady at 48 percent over the next five years. Technology comprises software, communications/networking, information services, semiconductors, electronics and hardware.

About the Deloitte & NVCA 2005 Global Venture Capital Survey

The Deloitte and NVCA 2005 Global Venture Capital Survey was conducted jointly by Deloitte & Touche LLP and the National Venture Capital Association. It was administered to venture capitalists in the Americas, Europe and the Middle East (EMEA) and Asia Pacific (APAC). Deloitte received 545 responses from general partners with assets under management ranging from less than \$100 million to greater than \$1 billion. The survey was conducted between February and April 2005. Of the total number of respondents, 257 were based in the Americas, 141 in EMEA and 147 in APAC.

About NVCA

The National Venture Capital Association (NVCA) represents approximately 460 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the United States in 2003. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.

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