

Venture Capital Investment in Health Industries Report Q4 and Full Year 2006 Results



PricewaterhouseCoopers/
National Venture Capital
Association MoneyTree™
Report based on data from
Thomson Financial

About the MoneyTree™ Report

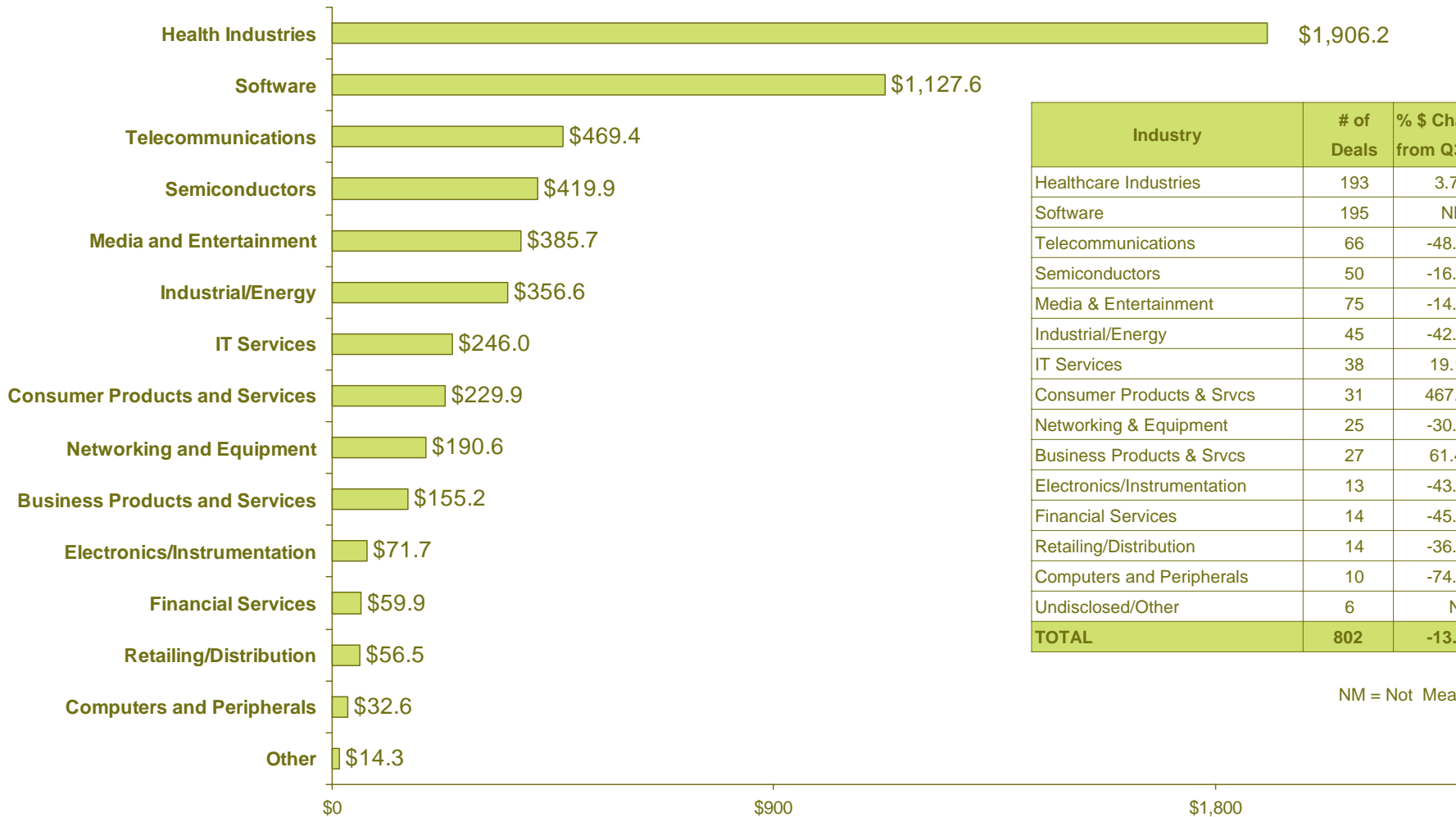
- PricewaterhouseCoopers and the National Venture Capital Association produce the MoneyTree™ Report based on data provided by Thomson Financial
- ‘Core’ measure of equity investments in venture-backed companies in the United States
- Companies have received at least one round of financing involving a professional VC firm or equivalent
- Captures: tranches, not term sheets, foreign VCs, qualified private placement
- Excludes: debt, bridge loans, recaps, roll-ups, IPOs, PIPEs, leasing, etc.
- MoneyTree™ research is in its 12th year
- Results online at www.pwcmoneytree.com, www.nvca.org, www.venturexpert.com

Health Industries vs. Other Industries – Q4'06

- Health industries are identified in the MoneyTree™ Report as three separate sectors: biotechnology and pharmaceuticals; medical devices; and health services and health information technology
- Combined together as one sector, health industries surpassed the other industries in investment amount for Q4 2006, representing 33.3% of the total VC investment figure of \$5.7B
- Coming in second to the health industries' \$1.9B Q4 investment amount was the software industry at \$1.13B. In deals, health industries nearly tied Software for first place, 193 to 195
- This quarter health industries represented 24.5% of the total 789 deals

Investments by Industry: Q4 2006

(\$ in millions)



Industry	# of Deals	% \$ Change from Q3 '06
Healthcare Industries	193	3.7%
Software	195	NM
Telecommunications	66	-48.6%
Semiconductors	50	-16.4%
Media & Entertainment	75	-14.3%
Industrial/Energy	45	-42.8%
IT Services	38	19.1%
Consumer Products & Srvc	31	467.1%
Networking & Equipment	25	-30.6%
Business Products & Srvc	27	61.4%
Electronics/Instrumentation	13	-43.3%
Financial Services	14	-45.6%
Retailing/Distribution	14	-36.6%
Computers and Peripherals	10	-74.3%
Undisclosed/Other	6	NM
TOTAL	802	-13.4%

NM = Not Meaningful

Visit www.pwcmoneytree.com
for Industry definitions

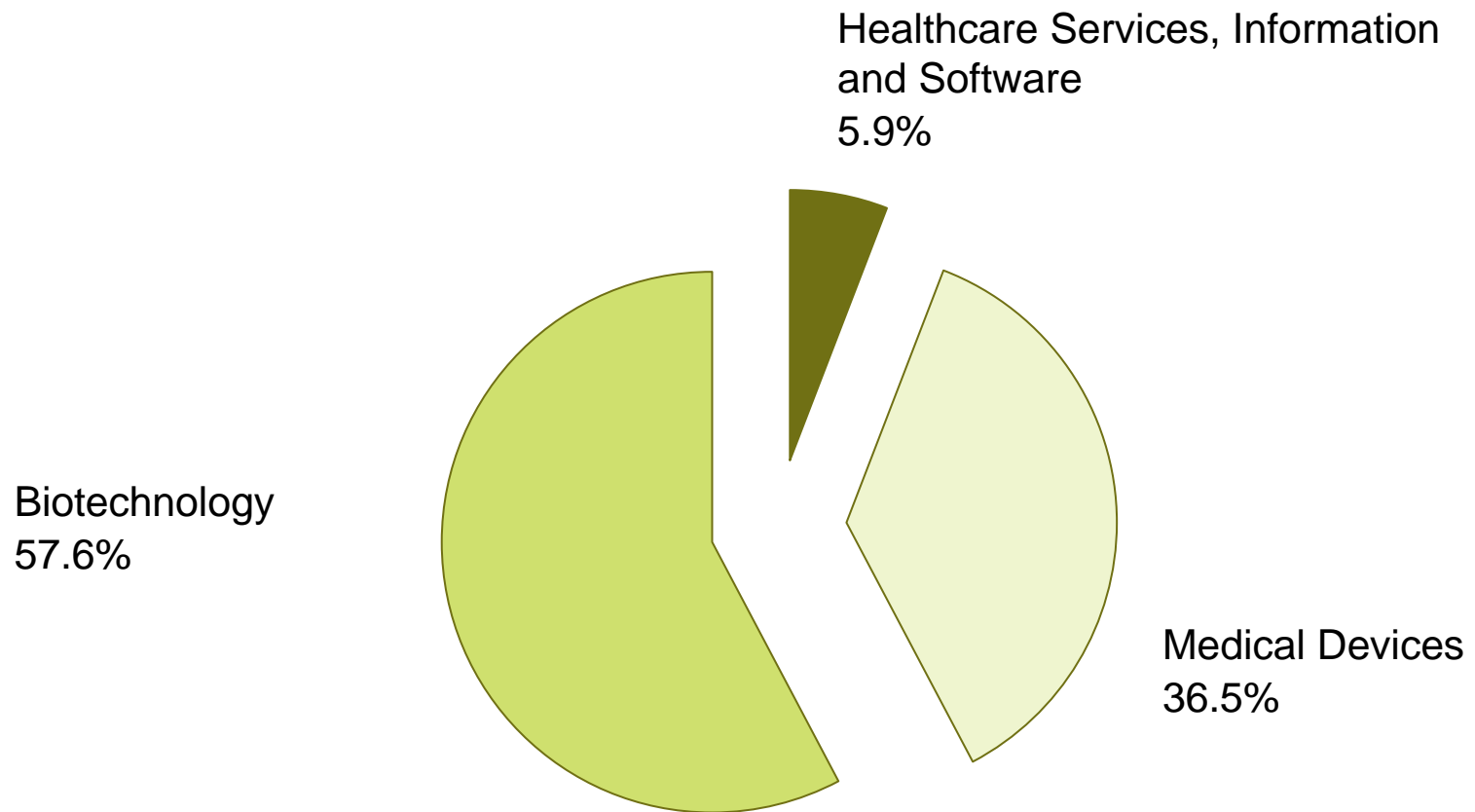
Q4 2006 Total: \$5,722

PwC/NVCA MoneyTree™ Report based on data from Thomson Financial

Investments in Health Industries Sectors – Q4 2006

Health Industry Sector	Total Industry Investment	Number of Deals	% of Total Q4 06 VC Investments
Biotechnology and Pharmaceuticals	\$1,098,823,200	106	19.2%
Medical Devices and Equipment	\$695,731,800	72	12.2%
Healthcare Services, Information and Software	\$111,598,900	15	2.0%

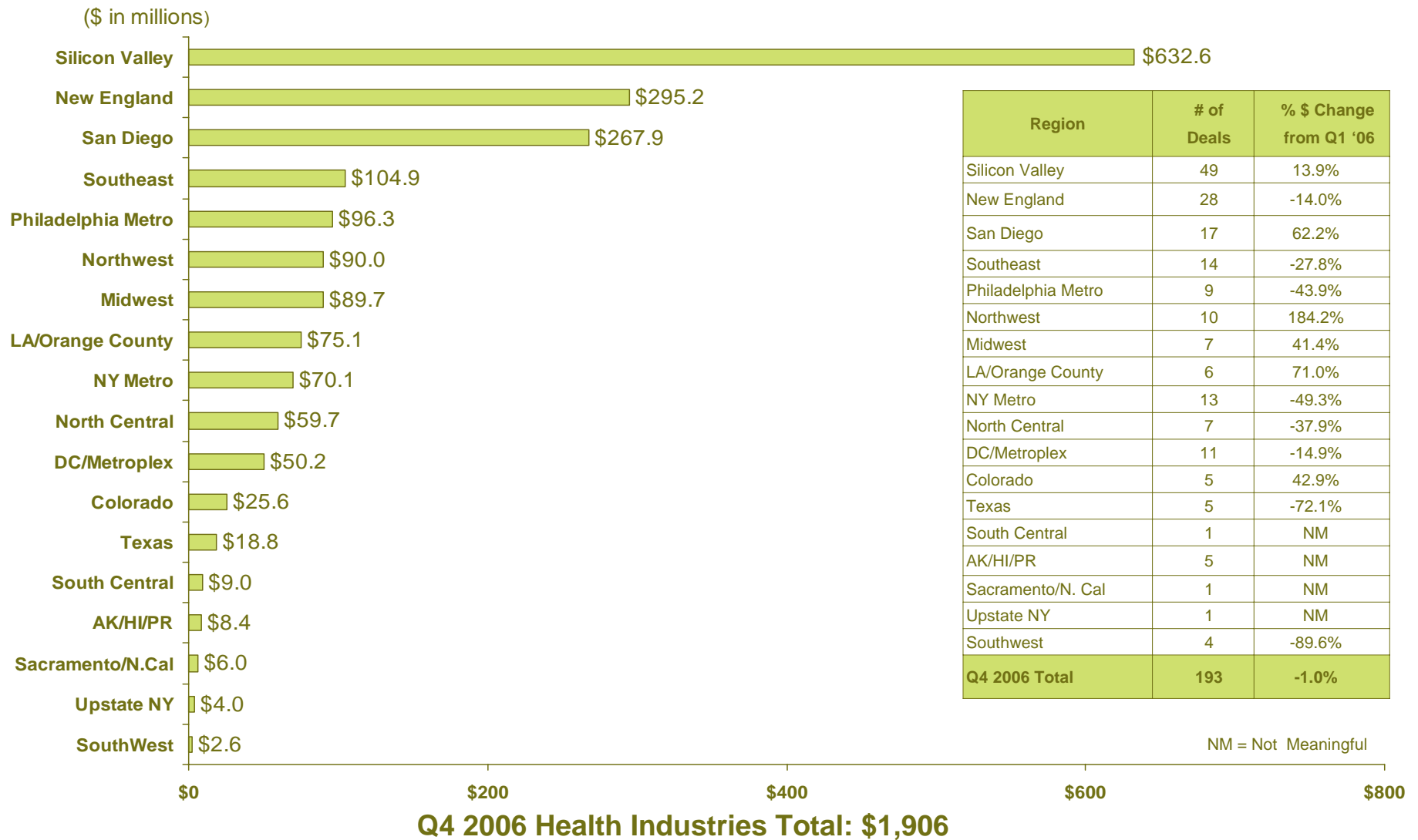
Percent of \$1.9B invested in Health Industries Sectors: Q4 2006



Investment in Health Industries by Region – Q4'06

- The top regions for the amount invested in health industries for Q4 2006 were Silicon Valley, New England, San Diego and Southeast, respectively
- Together these four regions made up \$1.3B of the \$1.9B invested in the three sub-sectors: biotech, medical devices and healthcare services. This is approximately 68% of the total amount
- Further, 108 of the 193, or approximately 56%, of total health industry deals made in Q4 were from these regions

Health Industries Investments by Region: Q4 2006



Change in Investment Dollars – Q3'06 vs. Q4'06

- The health industries investment amount remained stable for Q4 2006 in comparison to Q3 2006 at \$1.9B
- Biotechnology, the driving force in the sector, experienced a 6.0% decrease in investment dollars from prior quarter's \$1.2B dropping to \$1.1B. This amount is also lower than the Q2 amount of \$1.4B, but is higher than the Q1 amount of \$.9B
- Medical Devices & Equipment witnessed a 2.6% increase in investment amount to \$7.0B
- Healthcare services experienced a jump of 42.3% in investment amount, increasing from \$78.4M in Q3 to \$111.6M this quarter. The sector represented 5.9% of total health industry dollars

Change in Investment Deals – Q3'06 vs. Q4'06

- The total number of health industries deals for Q4 2006 was 193, remaining stable from prior quarter
- The number of biotech deals made in Q4 2006 is representative of the sub-sector's popularity amongst VCs. 106 deals were made, which is 55% of total health industries deals
- While Medical Devices experienced an increase in investment amount for Q4, the number of deals decreased from 82 to 72
- Healthcare services rose from 11 deals in Q3 to 15 deals this quarter

Investments in Health Industries Sectors – Q3'06 vs.Q4 '06

Health Industry Sector	Q3 2006 \$ amt.	Q4 2006 \$ amt.	% Change	Q3 2006 # deals	Q4 2006 # deals	% Change
Biotechnology and Pharmaceuticals	\$1,168,518,100	\$1,098,823,200	(6.0%)	103	106	NM
Medical Devices and Equipment	\$678,274,900	\$695,731,800	2.6%	82	72	(12.2)%
Healthcare Services, Information and Software	\$78,410,000	\$111,598,900	42.3%	11	15	36.4%

NM = Not meaningful

Change in Health Industries Sector: Q4 '05 vs. Q '06

- There was a slight increase in investment dollars in Q4 '06 as compared to the same quarter last year, however, the number of deals made in health industries decreased by 6
- Biotech jumped 9.0% to \$1.1B. The number of deals increased by 7, from 99
- Healthcare services, decreased by \$33.0M, or 22.8%, in comparison to the same quarter last year. This is consistent with the 25.0% drop in the number of deals made, down to 15 deals
- The Medical Devices sub-sector increased by 4.4%, with an investment amount of \$695.7M versus \$666.4M in Q4 2005. The number of deals decreased from 80 to 72

Change in Health Industries Investment Amount and Deals – Q4'05 vs. Q4'06

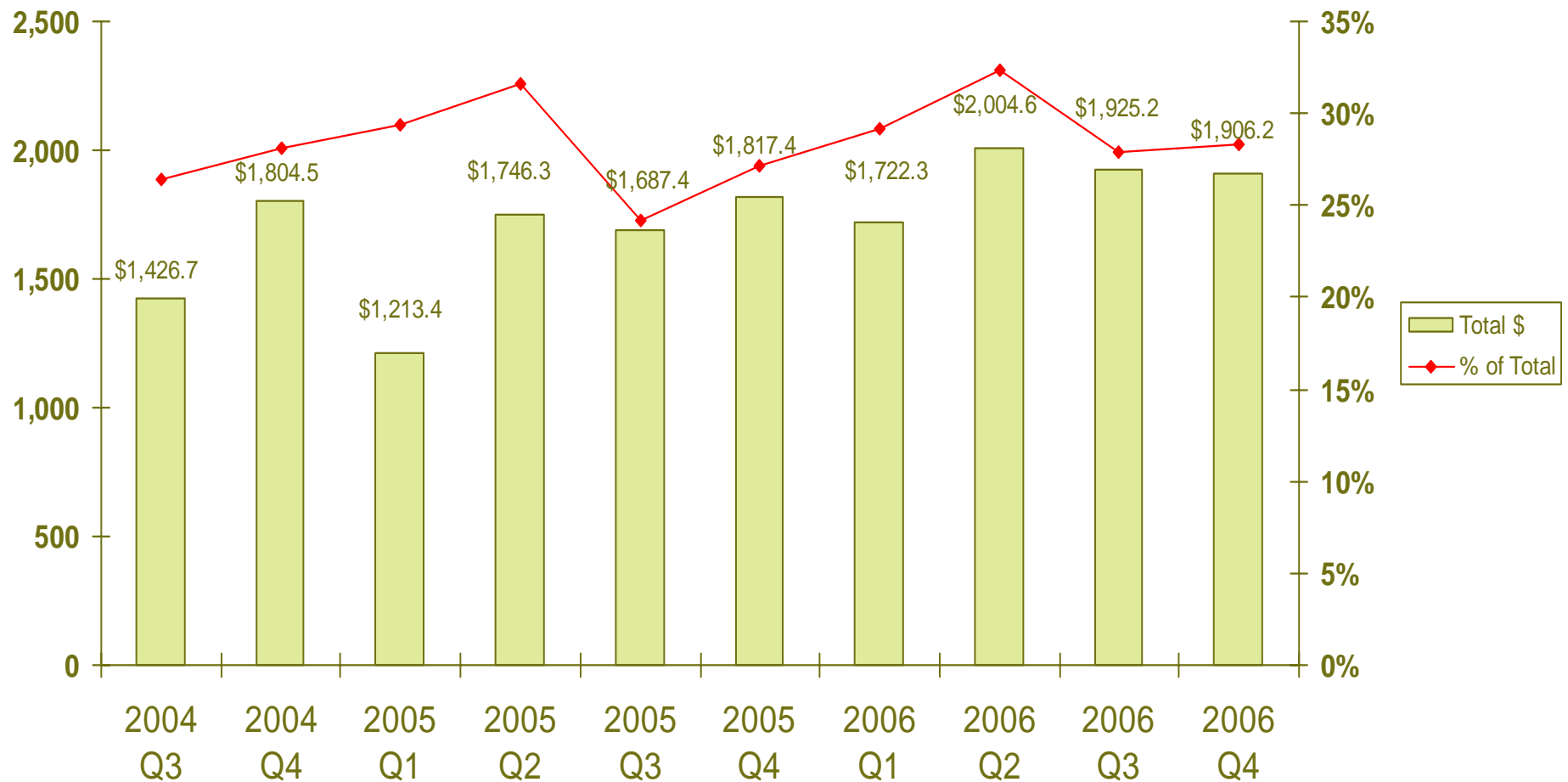
	Q4 '05	Q4 '06	Change	% Change
Total Health Industries Venture Capital Dollars	\$1,817,361,100	\$1,906,153,900	\$88,792,800	4.9%
Total Number of Health Industries Deals	199	193	6	3.0%

Health and Life Sciences Investments, Trailing Ten Quarters

- The health industries sector has experienced mild fluctuation in investment amount for seven quarters starting Q3 2004 through Q1 2006, ranging from \$1.2B to \$1.8B. In the last three quarters of 2006, the industry remained stable, receiving approximately \$2.0B each quarter
- Overall in the last ten quarters, health industries has remained in the range of 24% - 32% of total venture capital investment dollars

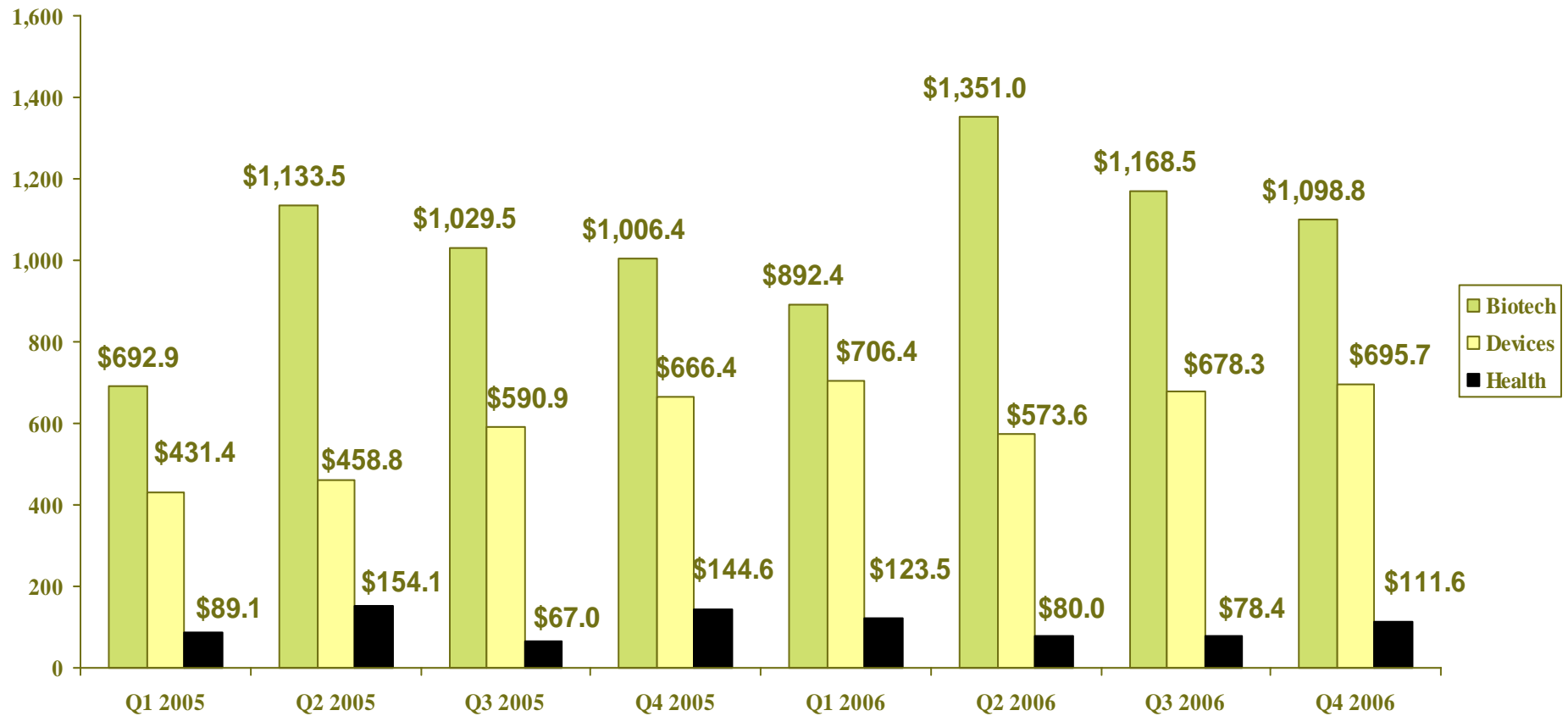
Health and Life Sciences Investments, Trailing Ten Quarters

(in millions)



Sector Investments, by Q1 2005 – Q4 2006

(in millions)



Full-Year 2006

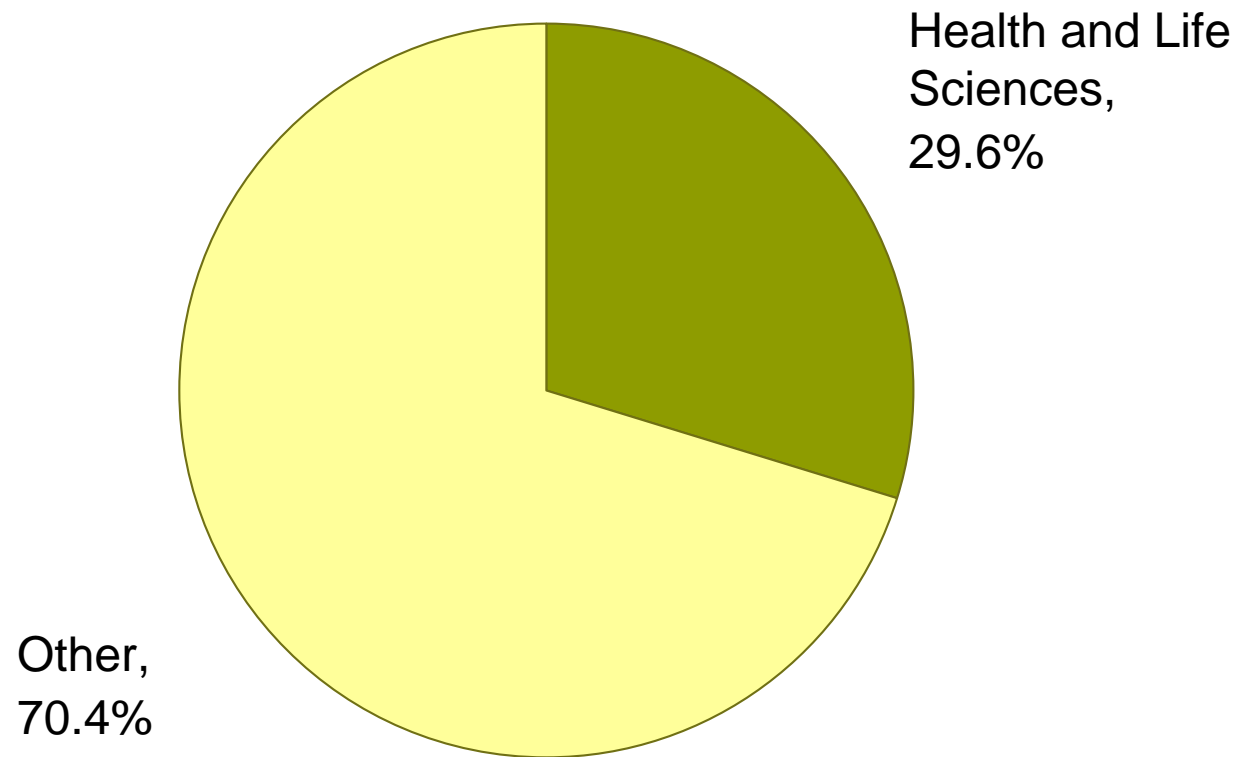
Distribution of Venture Capital Funds, Full-Year 2006

- As a percentage of venture capital dollars, investments in health industries have generally increased in the 12 year history of MoneyTree™ research
- In 2006, investment in health industries accounted for 29.6% of all venture capital dollars
- From 2005 to 2006, total health industry investments increased from \$6.5B to \$7.6B
- The number of total health industry deals increased from prior year by 73 deals, reaching 789

Change in Health Industries Investment Amount and Deals – YE 2005 vs. YE 2006

	2005	2006	Change	% Change
Total Health Industries Venture Capital Dollars	\$6,464,530,600	\$7,558,231,500	\$1,093,700,900	16.9%
Total Number of Health Industries Deals	716	789	73	10.2%

Distribution of Venture Capital Funds, Full-Year 2006



Investment by Health Industries Sector: YE 2006

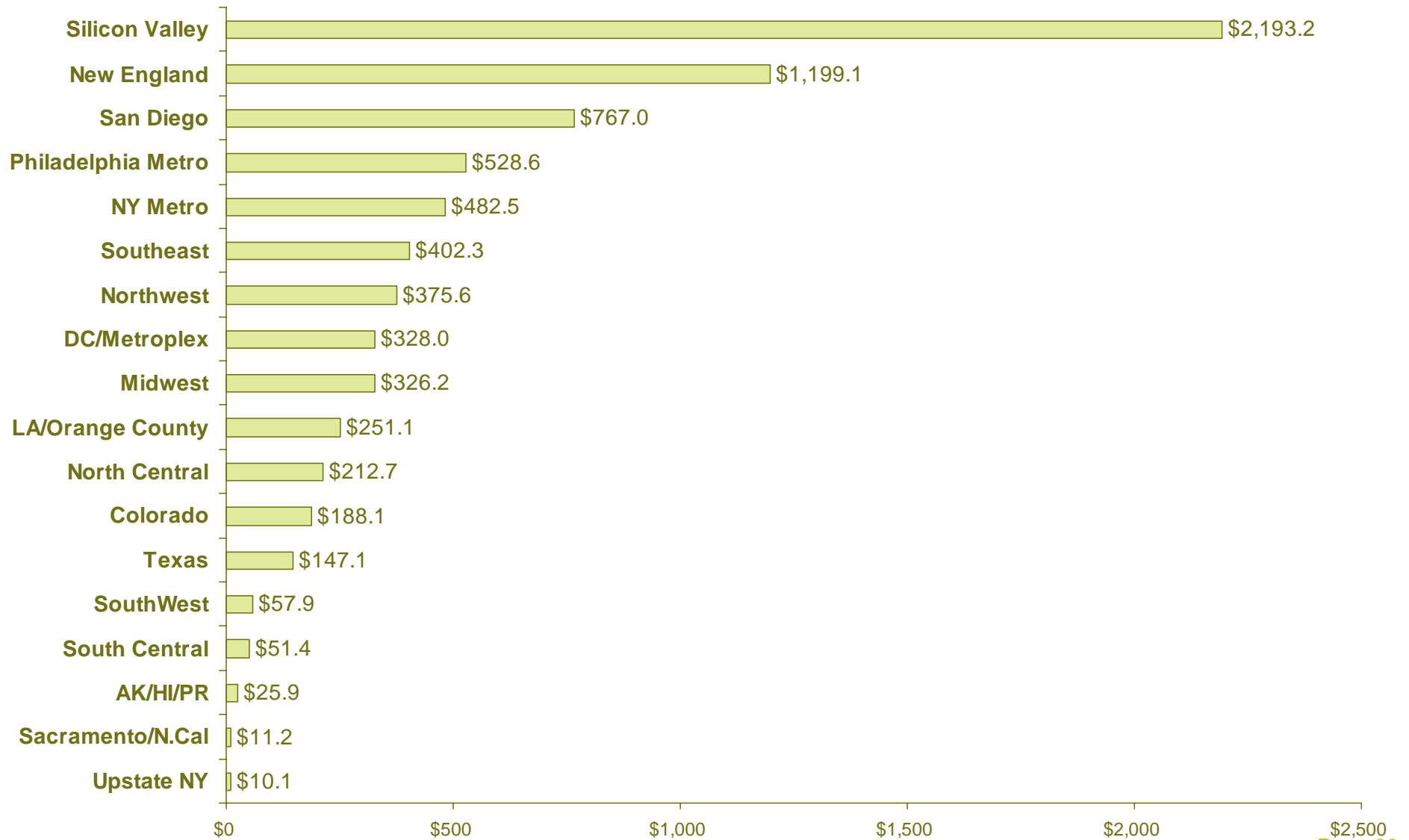
- Biotechnology companies continue to attract the largest amount of venture capital funds among the health industries. Of the \$7.6B invested in health industries in 2006, 60.0% of the dollars went to biotechnology companies. This amounted to \$4.5B
- Medical devices and equipment received \$2.7B, or 35.1% of the total health industries dollars
- Healthcare services and technology received \$393.5M or 5.2% of total health industries investments in 2006. In the last five years, this subsector has remained under 10% of the total sector investment

Health Industries Investment Amount by Region Full-Year 2006

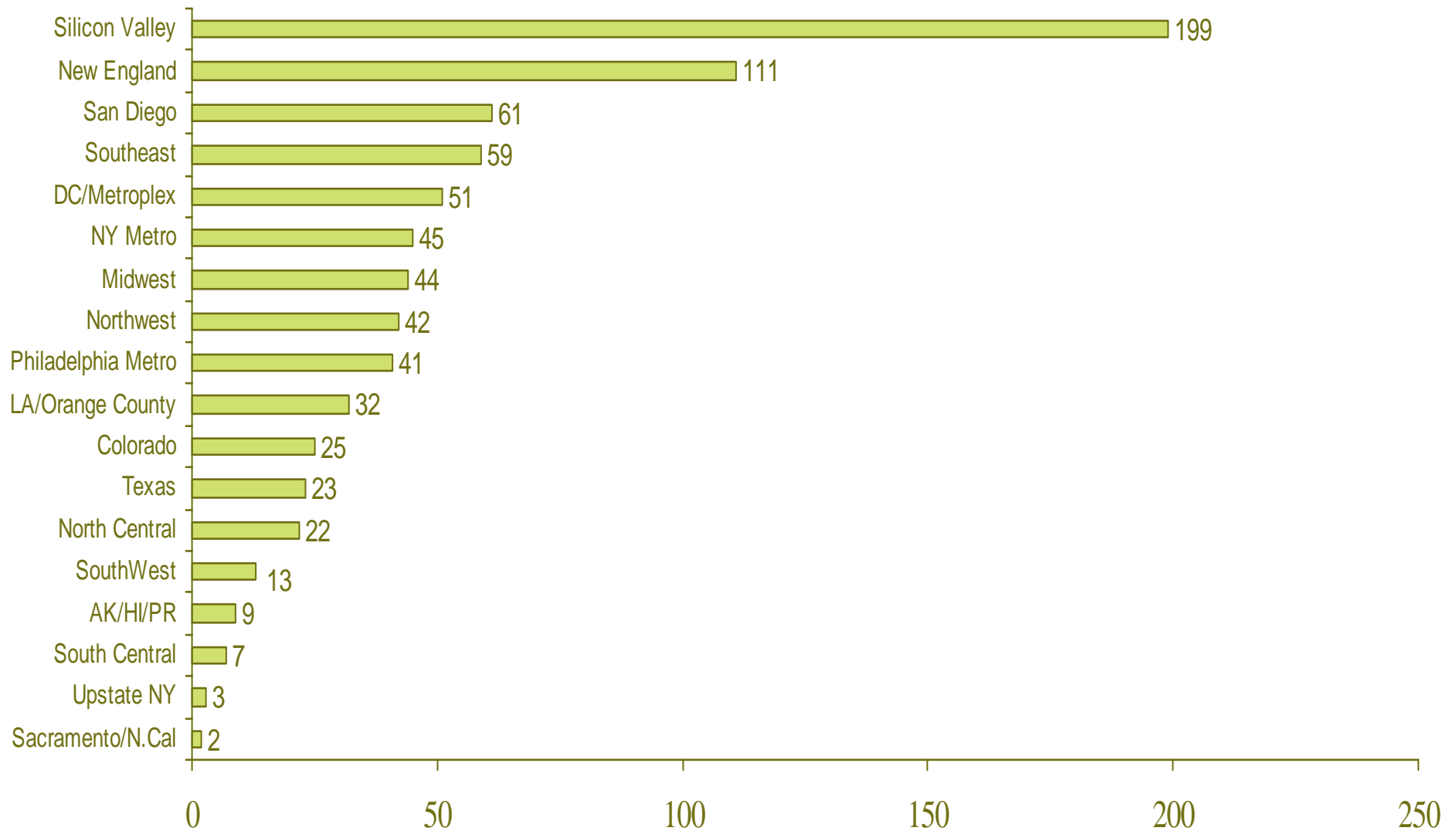
- Health industry companies in Silicon Valley, New England, San Diego and the Philadelphia Metro received the most venture funding in 2006
- Combined, these four regions received \$4.7B, more than half, of total venture capital dollars invested in health industries
- These regions also made up 412 out of the total 789 deals made in health industries during the year

Health Industries Investment Amount by Region Full-Year 2006

(in millions)



Health Industries Investment Deals by Region Full-Year 2006

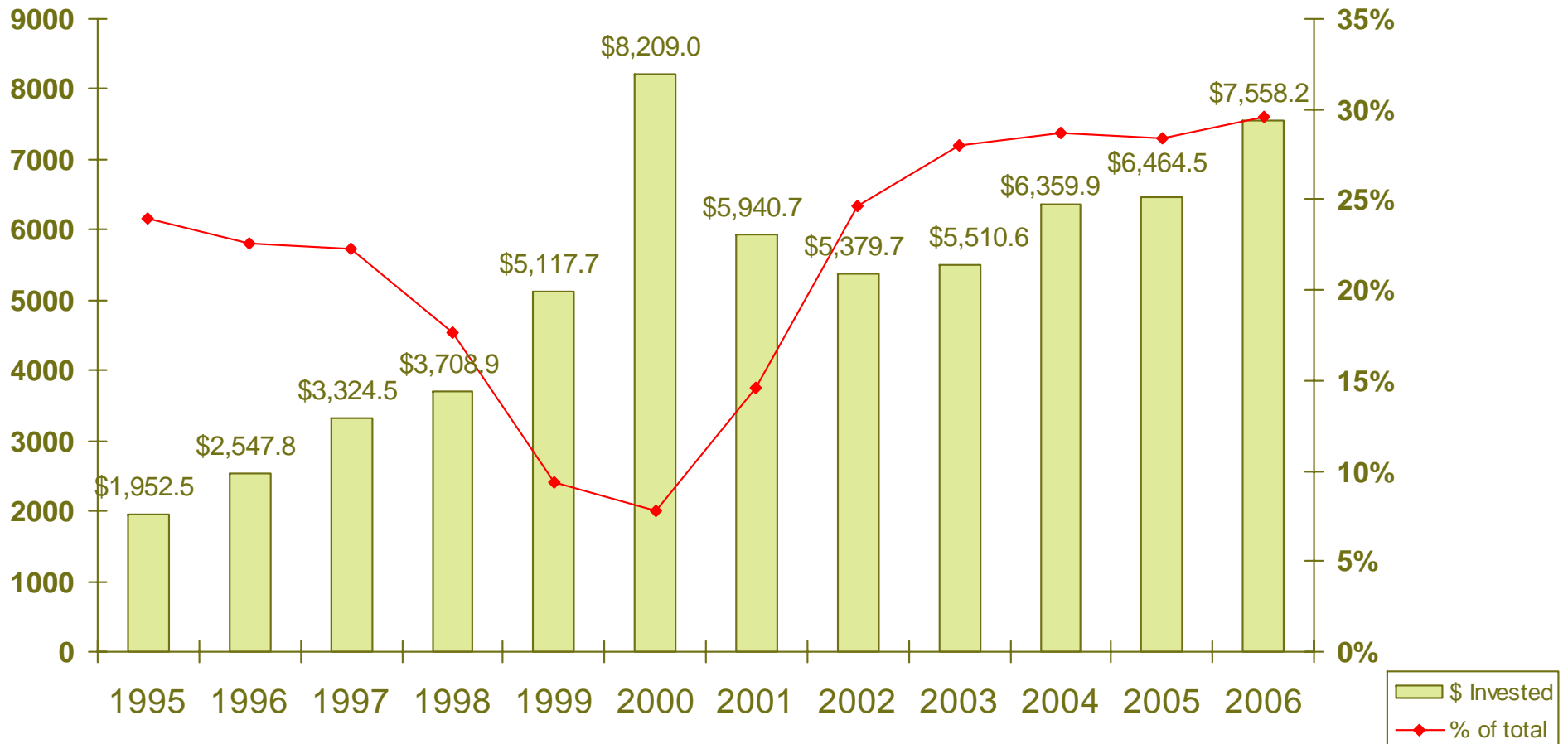


Health and Life Sciences Investments, 1995 - 2005

- Health industries investments peaked in 2000 at a time when venture capital was hitting record levels
- As a percentage of venture capital dollars, health industries investments reached a survey-high of 29.6% in 2006

Health and Life Sciences Investments, 1995 - 2006

(in millions)



Sector Investments, 1995–2006

- While investments in all the health industries sectors have been down from the 2000 peak, funding has been slowly gaining momentum since 2002
- Biotechnology remains the largest sector within health industries
- Medical devices and equipment venture capital investment has been on the rise since 2003
- Investment in healthcare has not reached the \$1B point since 2000, but has remained stable in the last three years at approximately \$400M

Sector Investments, 1995–2006

(in millions)

