MoneyTree™ Report

Q1 2008 results IL Report

The Q1 Israeli MoneyTree™ results are in! This special report provides summary results of Q1 2008. More detailed results, including an expanded version of this report, can be found on our web site at www.pwc.co.il

Approximately $427 million invested in Israel in high-tech companies backed by venture capital funds in first quarter of 2008

The highest quarterly investment for seven years

Mr. **Joseph Fellus**, Partner, Advisory & Hi-Tech Practice Leader

Mr. **Rubi Suliman**, Partner, Hi-Tech Practice

Mrs. **Inbal Spiegel**, Israeli MoneyTree Project Manager

The latest Kesselman and Kesselman PricewaterhouseCoopers MoneyTree™ Report shows that, during the course of the first quarter of 2008, venture capital-backed high-tech companies raised approximately $427 million in Israel, the highest quarterly investment since the first quarter of 2001. In monetary terms, this is an increase of approximately 93% in comparison with the previous quarter, in which approximately $221 million was raised, and an increase of approximately 39% in comparison with the corresponding quarter of last year, in which approximately $307 million was raised.

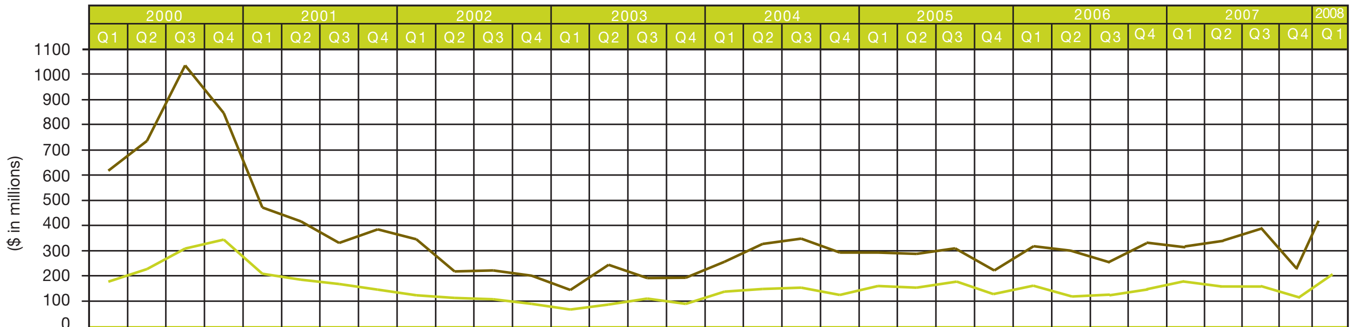
The report also reveals that 92 Israeli high-tech companies raised capital in the first quarter of 2008, as compared to 69 such companies that raised capital in the previous quarter and 81 companies that raised capital in the corresponding quarter of last year. The average investment per company was $4.6 million this quarter, as compared to $3.2 million in the previous quarter and $3.8 million in the corresponding quarter last year.

The data contained in the report point to a move towards investment in companies currently in the intermediate and later stages of their development. 74 such companies raised approximately $382 million, the highest amount of capital raised in a single quarter since 2000. This amount represents approximately 90% of the total investment for the present quarter. For the overwhelming majority of funds investing in these companies, the investments for this quarter constitute follow-on investments.

Joseph Fellus, Partner, Advisory & High-Tech Practice Leader at Kesselman and Kesselman PricewaterhouseCoopers, says that, when we take into account the growth in the software sector and the levels at which deals in this sector have been closed in the first quarter of the year, and when we also look at the growth in the communications and internet sectors, which sectors are also reliant upon a strong software infrastructure, it can be seen that the software sector and its offshoots have become the engine driving the Israel high-tech industry forward.

Rubi Suliman, Partner, High-Tech Practice at Kesselman and Kesselman PricewaterhouseCoopers adds that, at a time when the raising of capital on the stock exchange is difficult, most of the financing of companies in the later stages of development comes through follow-on investments by funds that have invested in these companies in the past. It may be expected that this trend will continue throughout 2008 and for such time as the crisis in the financial markets continues.

Israel VC's Investment



	2000				2001				2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total # of deals	105	129	166	193	132	133	117	106	76	70	72	86	60	70	76	74
Total Investments	617	735	1034	845	471	415	330	384	344	217	221	200	143	243	190	192
Israeli VCs	176	226	308	343	208	184	167	144	122	112	106	88	66	85	109	88
Israeli VCs(%)	29%	31%	30%	41%	44%	44%	51%	38%	35%	52%	48%	44%	46%	35%	57%	46%

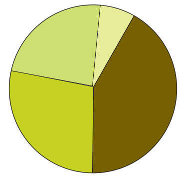
	2004				2005				2006				2007				2008
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total # of deals	82	70	75	78	87	78	85	73	90	59	66	80	81	80	74	69	92
Total Investments	255	326	347	292	292	286	311	221	318	300	253	330	307	319	350	221	427
Israeli VCs	137	147	152	123	159	153	178	128	161	118	126	150	164	159	160	118	204
Israeli VCs(%)	54%	45%	44%	43%	54%	54%	57%	58%	51%	39%	50%	45%	53%	50%	46%	53%	48%

PricewaterhouseCoopers

Companies Receiving Grants from the Chief Scientist

40 companies, representing 43% of all companies raising capital in the first quarter of 2008, have received grants from the Office of the Chief Scientist in Israel. Approximately $182 million of total investment funds has flowed into these companies.

Companies receiving grants from the Chief Scientist by sector



Analysis by Leading Technological Sectors

The **Software** sector takes first place in the first quarter of 2008, with 25 companies raising approximately $115 million, the highest amount raised by this sector in a single quarter for seven years. This compares with approximately $47 million invested in 18 companies in the previous quarter and with approximately $39 million invested in 19 companies in the corresponding quarter of last year. In monetary terms, this performance is equivalent to an increase of approximately 145% in comparison with the previous quarter and of approximately 193% in comparison with the corresponding quarter of last year.

The increase in this sector in both the overall and average investment levels for the present quarter is attributable to the fact that most of the companies operating in this sector that raised capital in the present quarter are currently at the intermediate or later stages of their development. These stages of development are marked by a requirement for relatively high levels of investment - 19 companies raising approximately $92 million.

The **Communications & Networking** sector takes second place with 22 companies raising approximately $104 million in the present quarter. This compares with 14 companies that raised approximately $58 million in the previous quarter and with 26 companies that raised approximately $111 million in the corresponding quarter of last year.

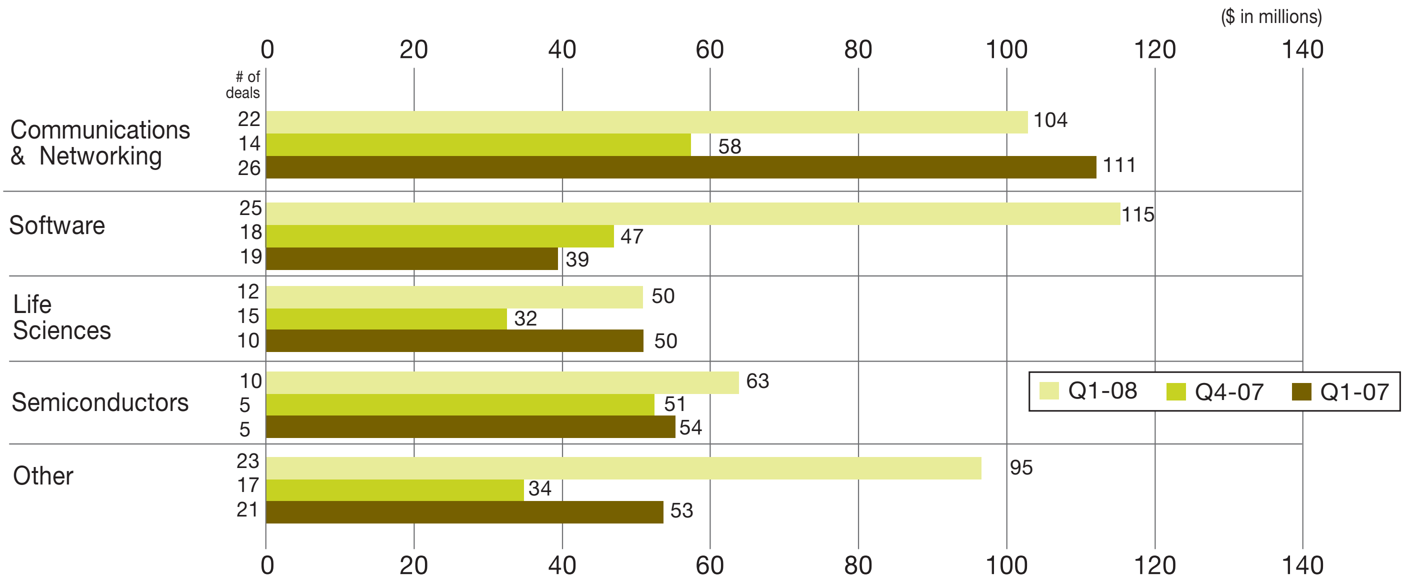
The **Semiconductors** sector shows an increase in the present quarter, with 10 companies raising approximately $63 million. This compares with 5 companies that raised approximately $51 million in the previous quarter and with 5 companies that raised approximately $54 million in the corresponding quarter of last year. In monetary terms, this performance is equivalent to an increase of approximately 24% in comparison with the previous quarter and of approximately 16% in comparison with the corresponding quarter of last year.

The present quarter saw two large transactions (investment in amounts exceeding $10 million per company) in this sector in a total amount of approximately $34 million, this representing 54% of the total investment in the sector.

12 companies operating in the **Life Sciences** sector, which also covers Medical Devices and Biotechnology, raised approximately $50 million in the present quarter. This compares with 15 companies that raised approximately $32 million in the previous quarter and 10 companies that raised approximately $50 million in the corresponding quarter of last year.

Amongst the companies operating in the **Other** sectors category are companies operating in the internet sector, the clean tech sector and the media sector. This category recorded an increase in total investment levels, with 23 companies raising approximately $95 million, the highest amount raised in a single quarter by companies classified within this category for seven years. In monetary terms, this performance is equivalent to an increase of approximately 184% in comparison with the previous quarter, in which 17 companies raised approximately $34 million, and of approximately 79% in comparison with the corresponding quarter of last year, in which 21 companies raised approximately $53 million.

The present quarter saw two large transactions (investment in amounts exceeding $10 million per company) in relation to companies classified within this category. These transactions, totaling approximately $38 million, represented 40% of the total investment in this category.



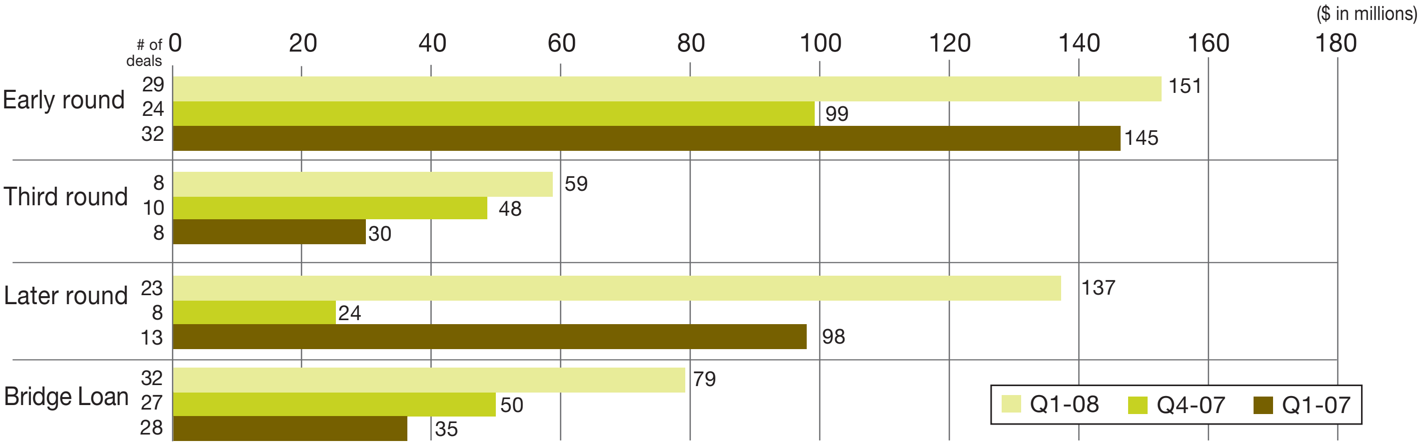
Analysis by Investment Round

In the present quarter, 29 companies raised approximately $151 million in the **Early round** (the first and the second rounds combined). This compares to 24 companies that raised early round investment funds of approximately $99 million in the previous quarter and to 32 companies that raised early round investment funds of approximately $145 million in the corresponding quarter of last year.

In the present quarter, 8 companies raised **Third round** investment funds of approximately $59 million. This compares to 10 companies that raised third round investment funds of approximately $48 million in the previous quarter and to 8 companies that raised third round investment funds of $30 million in the corresponding quarter of last year.

In the present quarter, transactions executed in the context of **Later round** investment (fourth round to mezzanine) reflected 32% of total investment, with 23 companies raising approximately $137 million. This compares to 8 companies that raised later round investment funds of approximately $24 million in the previous quarter and to 13 companies that raised later round investment funds of $98 million in the corresponding quarter of last year.

In the present quarter, 32 companies raised approximately $79 million through **Bridge loans**, the highest amount raised through this investment avenue since 2000. This compares to 27 companies that raised bridge loan finance of approximately $50 million in the previous quarter and to 28 companies that raised bridge loan finance of approximately $35 million in the corresponding quarter of last year.



Analysis by Company Development Stage

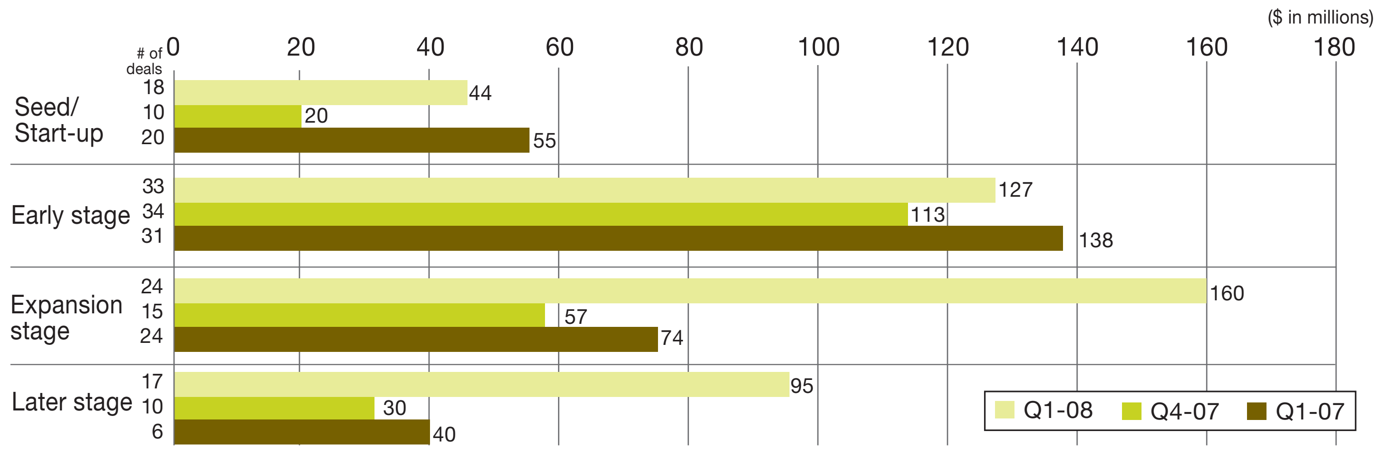
18 companies at the **Seed/ Start-up stage** raised approximately $44 million during the first quarter of 2008. In monetary terms, this represents an increase of approximately 116% in comparison with the previous quarter, when 10 companies raised just $20 million. In the corresponding quarter of last year, 20 companies raised approximately $55 million.

57 companies at the **Intermediate stage** of development raised approximately $287 million, the highest amount raised in a single quarter by companies at this stage of development for three years. This compares to 49 such companies that raised approximately $170 million in the previous quarter and to 55 such companies that raised approximately $212 million in the corresponding quarter of last year. The first quarter of 2008 saw eight large transactions (investment in amounts exceeding $10 million per company) in a total amount of approximately $122 million, this representing 42% of total investment in intermediate stage companies.

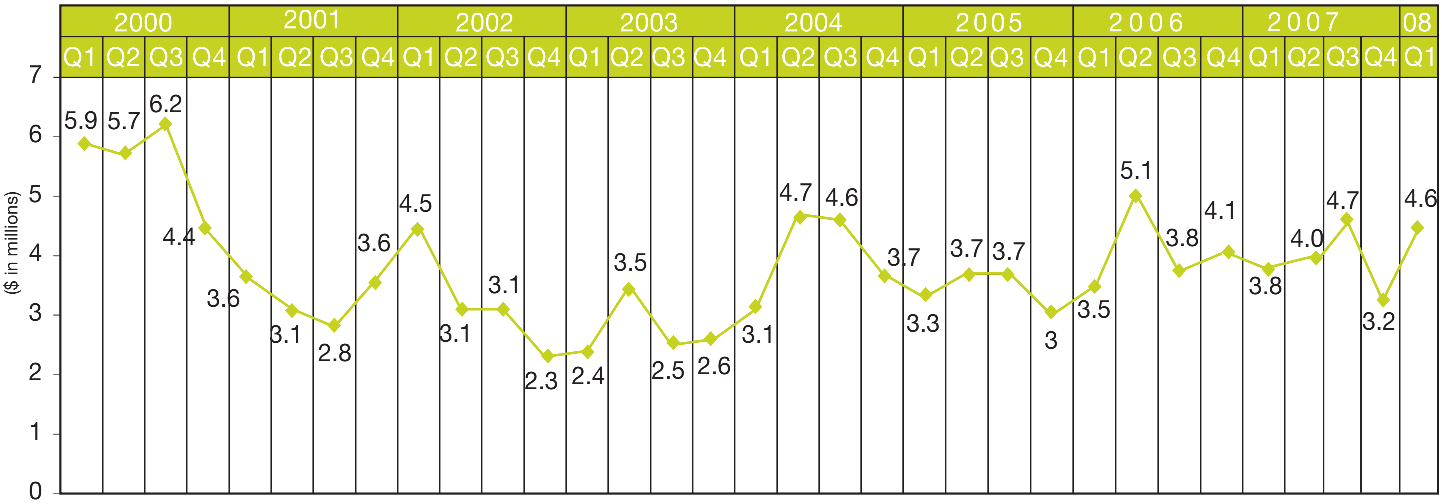
An internal analysis of transactions involving **Intermediate stage** companies has revealed that the **Expansion stage** has been the most prominent stage of development in the present quarter, with 24 companies raising approximately $160 million, this representing 56% of total investment in companies at the Intermediate stage of development. One half ($74 million) of the large transactions involving companies at the intermediate stage of development related to expansion stage companies.

In the present quarter, 17 companies at the **Later stage** of development raised approximately $95 million, the highest amount raised by companies at this stage of development in a single quarter for seven years. This compares to 10 such companies that raised approximately $30 million in the previous quarter and to 6 such companies that raised approximately $40 million in the corresponding quarter of last year.

The present quarter saw four large transactions (investment in amounts exceeding $10 million per company) involving companies at this stage of development in a total amount of approximately $48 million, this representing 50% of total investment in later stage companies.



Average Deal Size



Participating Venture Capital Funds in the Q1-2008 MoneyTree™ Report (listed alphabetically)

Alon Technology Ventures
Apax Partners
Argoquest
Ascend Technology Ventures
Atara Technology Ventures
Aviv Venture Capital
Benchmark Israel Venture Capital
BioMedical Innovations
Carmel Ventures
Catalyst Investments LP
Cedar Fund
Concord Ventures
Corex Israeli Industries
Delta Ventures
Denali Ventures
DOR Ventures Fund
Eurofund L.P.
Evergreen Ventures Partners
Formula Ventures (FV)
Gemini Israel Funds
Genesis Partners
Giza Venture Capital
Greylock Israel
Israel Healthcare Ventures (IHCV)
Israel Infinity Venture Capital
Israel Seed Partners
Jerusalem Global Ventures (JGV)
Jerusalem Venture Partners (JVP)
Kaptech Holdings / Nehemiah Kaplan Investments
Magma Venture Capital
Medica Venture Partners
Peregrine Ventures
Pitango Venture Capital
Platinum Neurone Ventures (PNV)
Platinum Venture Capital
Poalim Ventures
SCP Vitalife
Sequoia Capital Israel
StageOne Ventures
Star Venture Capital (SVM)
Tamar Technology Ventures
Tamir Fishman Ventures
TechnoPlus Ventures
Teuza - A Fairchild Technology Venture
The Challenge Funds
Vally Venture Capital
Veritas Venture Partners L.P.
Vertex Venture Capital
Vitalife Life Sciences Ventures
Walden Israel
Yozma

About the Israeli MoneyTree™ Report

Kesseslman & Kesselman PricewaterhouseCoopers Israel conducts the Israeli MoneyTree™ Report quarterly to promote investment in Israeli start-up ventures. We appreciate the support of the Venture Capital industry in this endeavor. The Israeli Report, initiated in 1997, has become the definitive source for Israeli investment data.

For more information on PricewaterhouseCoopers Israeli MoneyTree™ Report please contact Inbal Spiegel, at 972-3-7954718, e-mail: inbal.spiegel@il.pwc.com or visit our web site: www.pwc.co.il