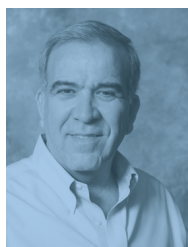


MoneyTree™ Report

Q3 2008 results IL Report



Mr. Joseph Fellus,
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This report provides summary results of Q3 2008. More detailed results, including an expanded version of this report, can be found on our web site at www.pwc.co.il

Approximately \$393 million invested in Israel in high-tech companies backed by venture capital funds in third quarter of 2008

Despite the crisis in the financial markets, an increase in the rate of investment in high-tech companies

The latest Kesselman and Kesselman PricewaterhouseCoopers Israel MoneyTree™ Report shows that, during the course of the third quarter of 2008, venture capital-backed high-tech companies raised approximately \$393 million in Israel, an increase of approximately 35% in comparison with the previous quarter, in which approximately \$291 million was raised, and an increase of approximately 12% in comparison with the corresponding quarter of last year, in which approximately \$350 million was raised.

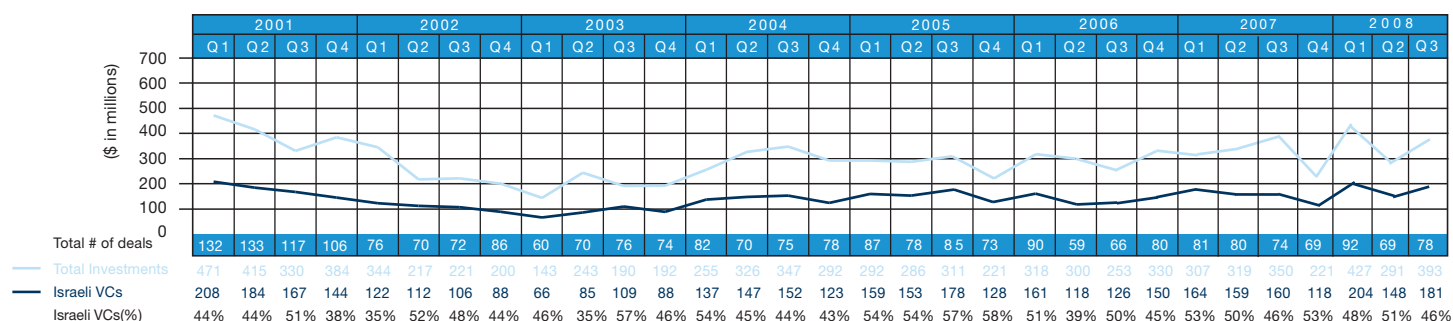
The report also reveals that 78 Israeli high-tech companies raised capital in the third quarter of 2008, as compared to 69 companies that raised capital in the previous quarter and 74 companies that raised capital in the corresponding quarter of last year. The average investment per company in the present quarter was \$5 million, as compared to \$4.2 million in the previous quarter and \$4.7 million in the corresponding quarter of last year.

The report reveals an increase in the number of large transactions (investment in excess of \$10 million per company) took place during the quarter under review. During the course of the quarter, there were ten large transactions totaling approximately \$217 million (55% of total investment for the quarter), as compared to ten large transactions totaling approximately \$144 million in the previous quarter (50% of total investment for that quarter) and to thirteen large transactions totaling approximately \$183 million in the corresponding quarter of last year (52% of total investment for that quarter).

Joseph Fellus, Partner and Advisory & High-Tech Practice Leader at PwC Israel says: "The high level of investments is due to two transactions together exceeding \$40 million and four transactions together exceeding \$20 million. In our view, this level of investment cannot be sustained in the coming quarters and we accordingly expect to see a decline in the level of investment in the foreseeable future." Fellus added that "the absence of availability of capital in the financial markets and the difficulties faced by the funds and the portfolio companies in their efforts to raise capital, together lead to a situation in which, instinctively, the funds invest in, and protect, their existing portfolios."

Rubi Suliman, High-Tech Practice Partner at PwC Israel noted that "the high level of investment in the third quarter of 2008 is consistent with the solidity of the simultaneous \$7 billion venture capital investment in the United States. Nevertheless, when in the United States for the same quarter, one can see that each country's approach to investment in companies operating in the cleantech sector is quite different, insofar as in the United States, a total of \$1.2 billion was invested in the cleantech sector, in Israel, despite the existing appetite amongst venture capital funds for investment in sector, investment levels are still minimal. There is no doubt that this situation will change and that the cleantech sector will become one of the leading sectors for venture capital investment."

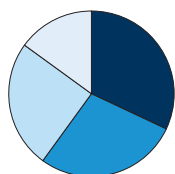
Israel VC's Investment Levels



Companies receiving grants from the chief scientist

21 companies, representing 27% of all companies raising capital in the third quarter of 2008, have received grants from the office of the Chief Scientist. Approximately \$133 million of total investment funds has flowed into these companies

Companies receiving grants from the Chief Scientist by sector



Other	33%
Software	29%
Communications & Networking	24%
Life Sciences	14%

Analysis by leading technological sectors

The **Software** sector took first place in the third quarter of 2008, with 28 companies raising approximately \$123 million, this representing 31% of total investment for the quarter. This situation compares with approximately \$59 million invested in 17 companies in the previous quarter and with approximately \$83 million invested in 20 companies in the corresponding quarter of last year. In monetary terms, this performance is equivalent to a sharp increase of approximately 107% in comparison with the previous quarter and an increase of approximately 48% in comparison with the corresponding quarter of last year.

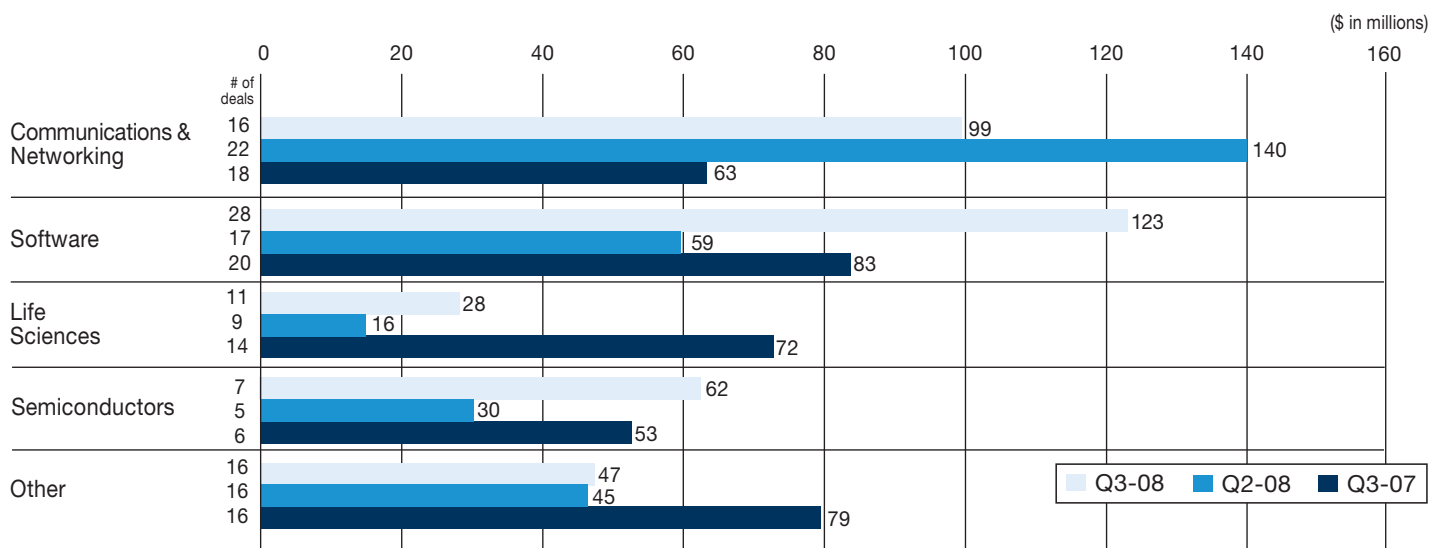
In the **Communications and Networking** sector, 16 companies raised approximately \$99 million in the third quarter of 2008. This situation compares with 22 companies that raised approximately \$140 million in the previous quarter and with 18 companies that raised approximately \$63 million in the corresponding quarter of last year.

In the **Semiconductor** sector, 7 companies raised approximately \$62 million in the present quarter. This situation compares with 5 companies that raised approximately \$30 million in the previous quarter and with 6 companies that raised approximately \$53 million in the corresponding quarter of last year.

The **Life Sciences** sector, which also covers Medical Devices and Biotechnology, displayed an increase in investment in comparison with that of the previous quarter, with 11 companies raising approximately \$28 million. This situation may be compared with 9 companies that raised approximately \$16 million in the previous quarter and with 14 companies that raised approximately \$72 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 cleantech sector and the media sector. 16 companies in this category raised approximately \$80 million in the present quarter, this representing approximately 20% of total investment for the quarter. This situation may be compared with the 16 companies that raised approximately \$50 million in the previous quarter and with the 16 companies that raised approximately \$79 million in the corresponding quarter of last year.

With 5 companies raising approximately \$34 million, the **internet** sector attracted about 42% of the total investment in this category for the present quarter and approximately 9% of the total overall investment for the quarter.



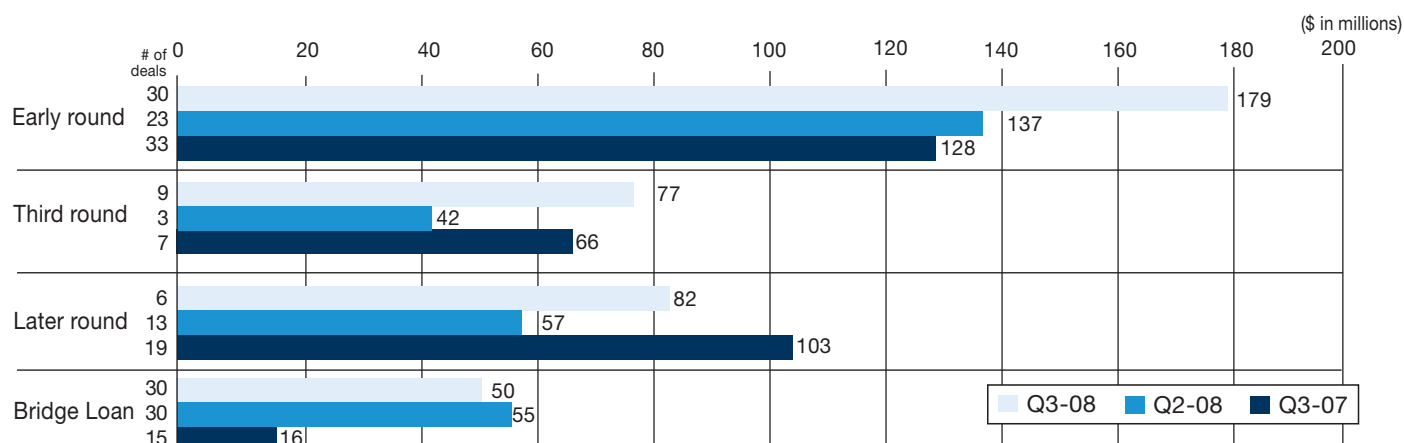
Analysis by investment round

In the present quarter, 30 companies raised approximately \$179 million in the **Early round** (the first and the second rounds combined). This compares to 23 companies that raised early round investment funds of approximately \$137 million in the previous quarter and to 33 companies that raised early round investment funds of approximately \$128 million in the corresponding quarter of last year.

In the present quarter, 9 companies raised **Third round** investment funds of approximately \$77 million. This compares to 3 companies that raised third round investment funds of approximately \$42 million in the previous quarter and to 7 companies that raised third round investment funds of approximately \$66 million in the corresponding quarter of last year.

In the present quarter, 6 companies raised approximately \$82 million in the context of **Later round** investment (investment rounds from the fourth round to the mezzanine round inclusive). This compares to 13 companies that raised later round investment funds of approximately \$57 million in the previous quarter and to 19 companies that raised later round investment funds of approximately \$103 million in the corresponding quarter of last year.

In the present quarter, 30 companies raised approximately \$50 million through the medium of **Bridge loans**. This compares to 30 companies that raised bridge loan finance of approximately \$55 million in the previous quarter and to 15 companies that raised bridge loan finance of approximately \$16 million in the corresponding quarter of last year.



Analysis by company development stage

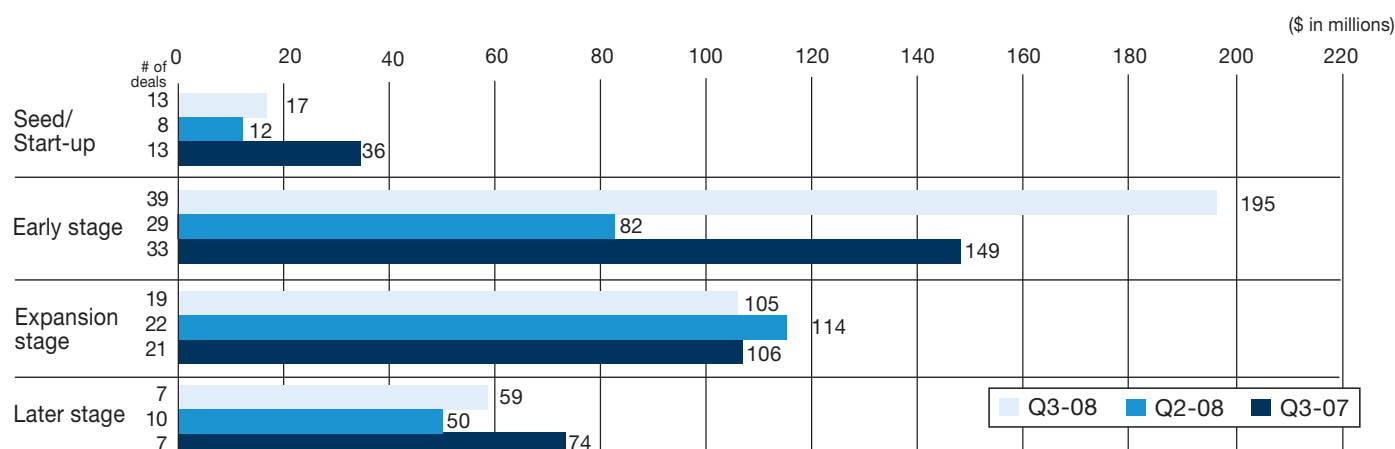
13 companies at the **Start-up stage** raised approximately \$17 million during the third quarter of 2008, this representing just 4% of total investment for the quarter. This may be compared to situations in which 8 companies raised approximately \$12 million in the previous quarter and 13 companies raised approximately \$36 million in the corresponding quarter of last year.

In the present quarter, 58 companies at the **Intermediate stage** of development raised approximately \$338 million. This compares to 51 such companies that raised approximately \$228 million in the previous quarter and to 54 such companies that raised approximately \$254 million in the corresponding quarter of last year. The third quarter of 2008 saw nine large transactions in a total amount of

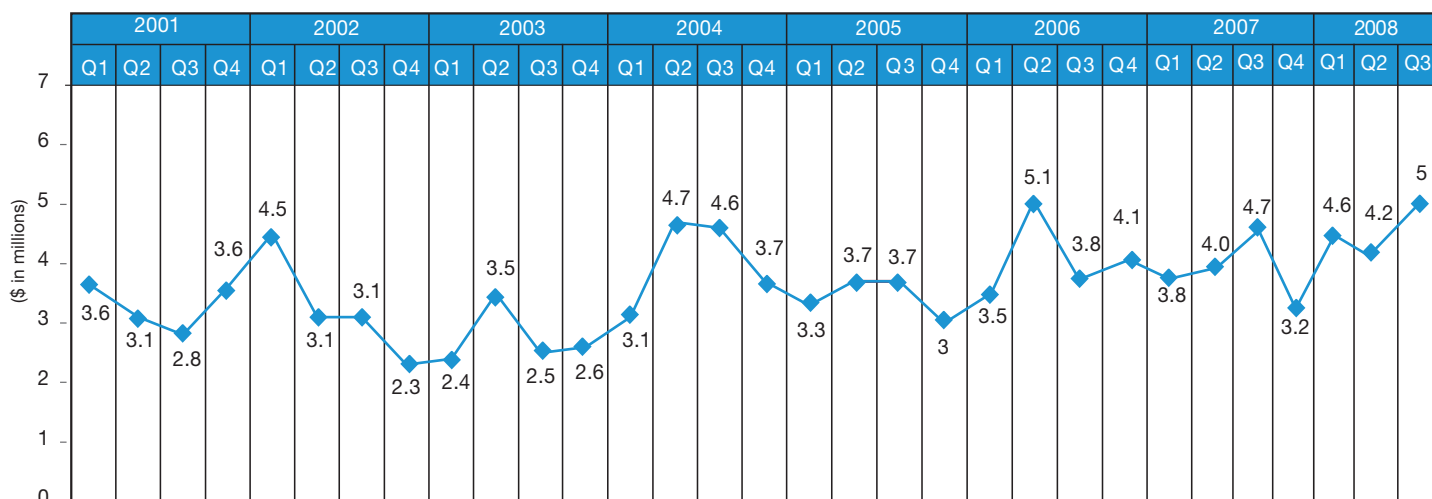
approximately \$196 million, this representing 58% of the total investment in intermediate stage companies.

An internal analysis of transactions involving intermediate stage companies has revealed that 39 companies at the early stage of development raised approximately \$195 million during the course of the present quarter, and that 19 companies at the expansion stage of development raised approximately \$143 million.

In the present quarter, 7 companies at the **Later stage** of development raised approximately \$37 million. This compares to 10 such companies that raised approximately \$51 million in the previous quarter and to 7 such companies that raised approximately \$60 million in the corresponding quarter of last year.



Average deal size



Participating venture capital funds in the Q3-2008 MoneyTree™ Report (listed alphabetically)

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

About the Israeli MoneyTree™ Report

Kesselman & 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 Benny Ginat, at 972-54-5615737, e-mail: benny.ginat@il.pwc.com or visit our web site: www.pwc.co.il

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