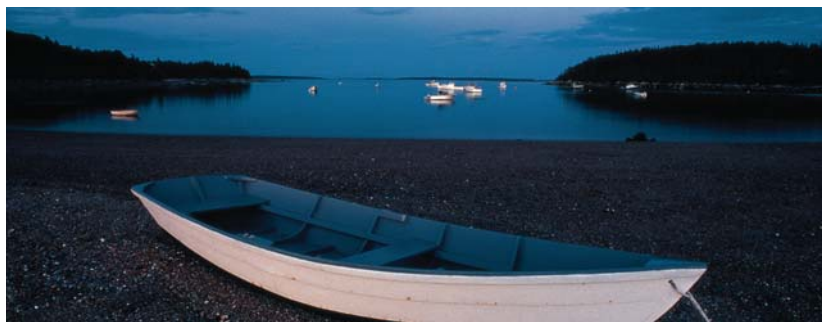


MoneyTree™ survey

Q2
2005
results



The Q2 Israeli MoneyTree™ results are in! This special report provides summary results of Q2 2005. More detailed results, including an expanded version of this report, can be found on our Web site at www.pwc.co.il

Three consecutive quarters of stable investments in companies backed by venture capital funds.

Sharp increase in investments in seed stage companies in the first half of 2005.



Mr. Joseph Fellus,
Senior Partner &
High-Tech
Practice Leader

The results in the second quarter of 2005 show that \$286 million was raised this quarter, as compared to \$292 million in each of the two preceding quarters and 12% lower than in the corresponding quarter last year (\$326 million). The average investment in a company in this quarter was \$3.7 million, as compared to \$3.3 million in the previous quarter.

Analysis of the Survey findings further shows that the investments in the first half of 2005 amounted to \$578 million (\$1.15 billion in annual terms), similar to the first half of 2004 (\$580 million).

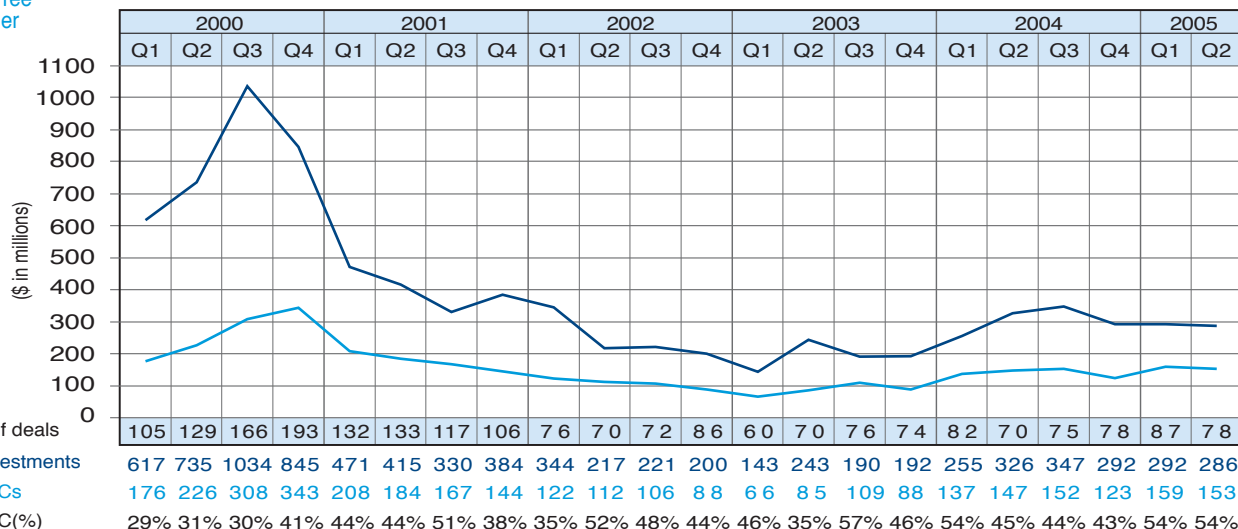
According to **Joseph Fellus**, Senior Partner & High Tech Practice Leader at the accounting firm Kesselman & Kesselman PricewaterhouseCoopers, alongside the stability, as reflected in the findings of the Survey, investors' volumes of activity and preferred areas of investment, we are seeing an increasing number of financing rounds taking place during the life of a company. This tendency coincides with the extreme precaution practiced by the funds with the purpose of being in control over the infusion of monies into companies, which is being conditioned on the achievement of targets and milestones.



Mr. Yariv Azar,
Israeli MoneyTree
Project Manager

The analysis of investments in seed stage companies in the first half of 2005, as compared to the corresponding period in the previous year, shows an increase of 50% in the number of companies that raised capital: 30 companies and 33 deals, as compared to 20 companies and 24 deals, respectively, and an 81% increase in the volume of investments in monetary terms: \$78 million as compared to \$43 million, respectively.

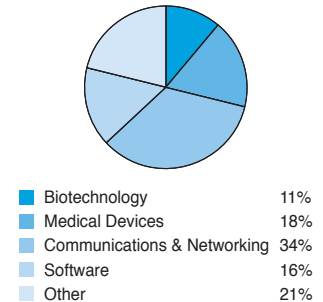
Israeli VC's investment level



Companies receiving grants from the Chief Scientist

The findings of the Survey show that 38 companies, representing 49% of all the companies that raised capital in the quarter, received grants from the Chief Scientist, of which 30 are registered in Israel. Out of the total amount invested, \$192 million was raised by companies that received grants from the Chief Scientist, as compared to \$109 million in the previous quarter.

Companies receiving grants from the Chief Scientist (% of total investments)



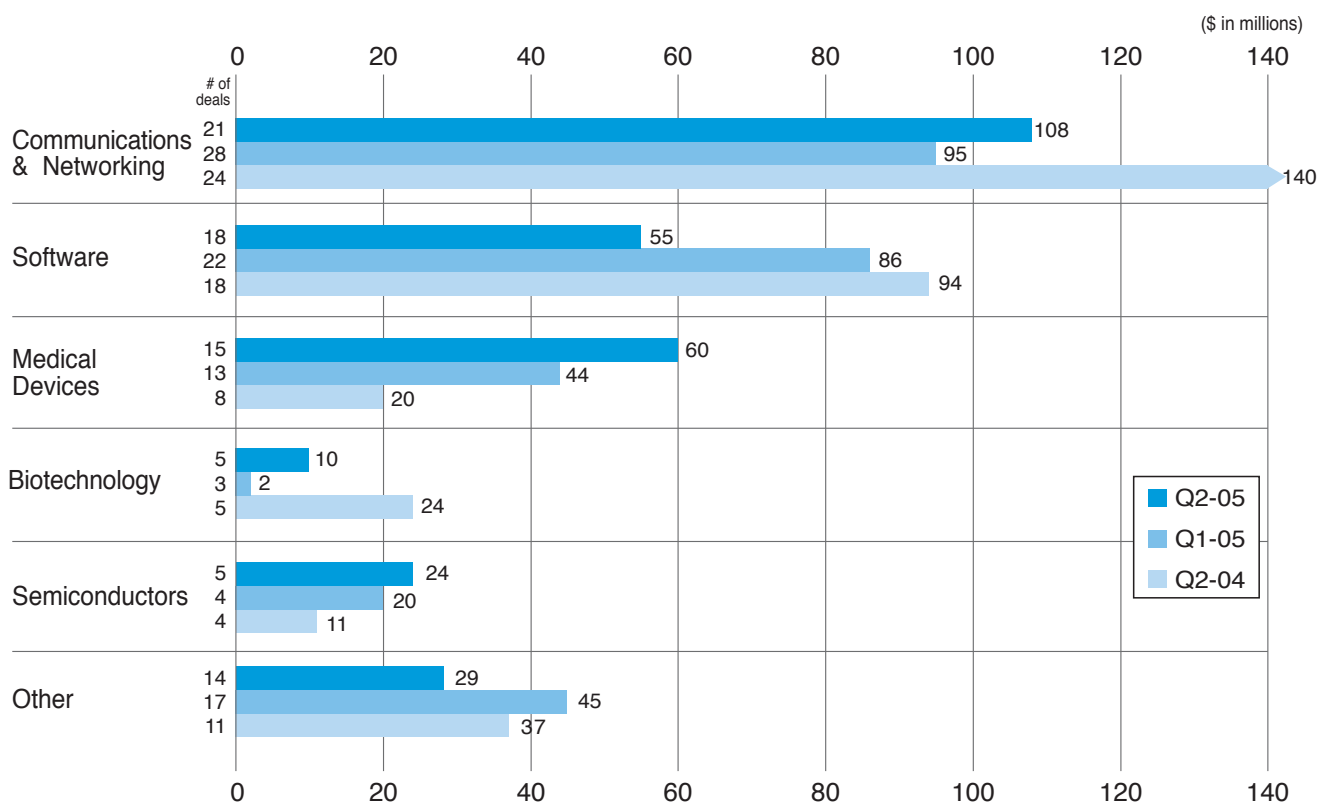
Analysis by leading technological sectors

The **Communications & Networking** sector continued to establish itself as the leading Israeli high-tech sector, raising \$108 million, infused into 21 companies, as compared to \$95 million and 28 companies in the previous quarter.

The **Life Sciences** sector attracted \$70 million this quarter, as compared to \$46 million in the previous quarter and \$44 million in the corresponding quarter last year. The field of **Biotechnology** continued to show weakness in this quarter, with 5 companies raising only \$10 million. The field of **Medical Devices** registered an increase of 35% this quarter, with 15 companies raising \$60 million, as compared to \$44 million infused into 13 companies in the previous quarter and \$20 million invested in 8 companies in the corresponding quarter last year.

The first half of 2005 was characterized by an increase in the number of seed companies in the **Software** sector that raised capital: 9 software companies raised \$27 million, as compared to 4 companies and only \$3.8 million in the corresponding half last year.

The volume of investments in the **Semiconductors** sector remained stable, with 5 companies raising \$24 million.



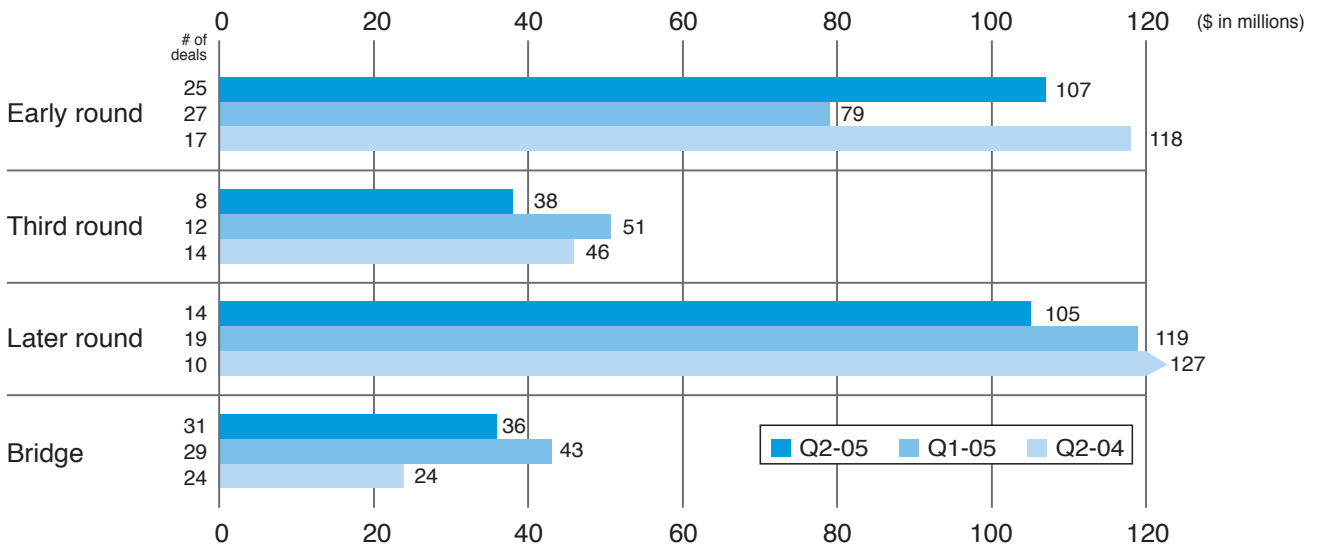
Investment by financing round

The **early round** (the first and second round together) attracted \$107 million this quarter, accounting for 37% of the volume of investments in monetary terms, as compared to \$79 million in the previous quarter.

8 companies in the **third round** raised \$38 (13%) million, as compared to 12 companies and \$51 million in the previous quarter.

Following the significant increase in the number of deals carried out in **later rounds** (fourth to mezzanine) in the previous quarter, the high levels of investment in these rounds continued this quarter, with \$105 million invested (37%), as compared to \$119 million in the previous quarter (41%) and \$127 million in the corresponding quarter last year (39%).

31 companies raised \$36 million by way of **bridge loans**, as compared to 29 companies that raised \$43 million in the previous quarter and 24 companies that raised \$24 million in the corresponding quarter last year.

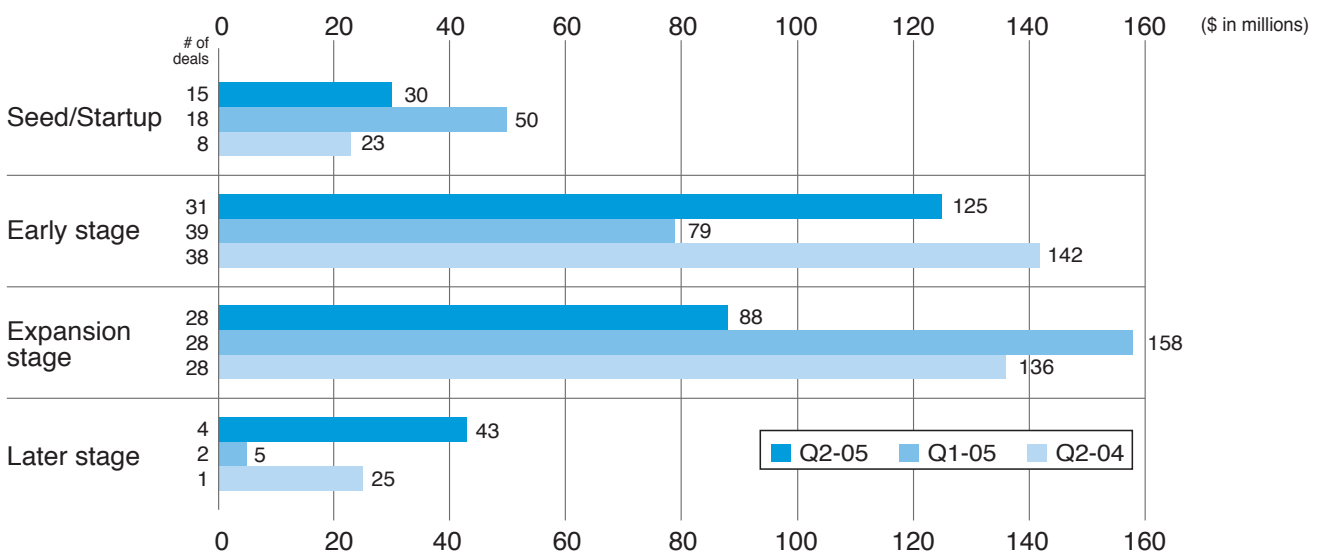


Investment by stages of development

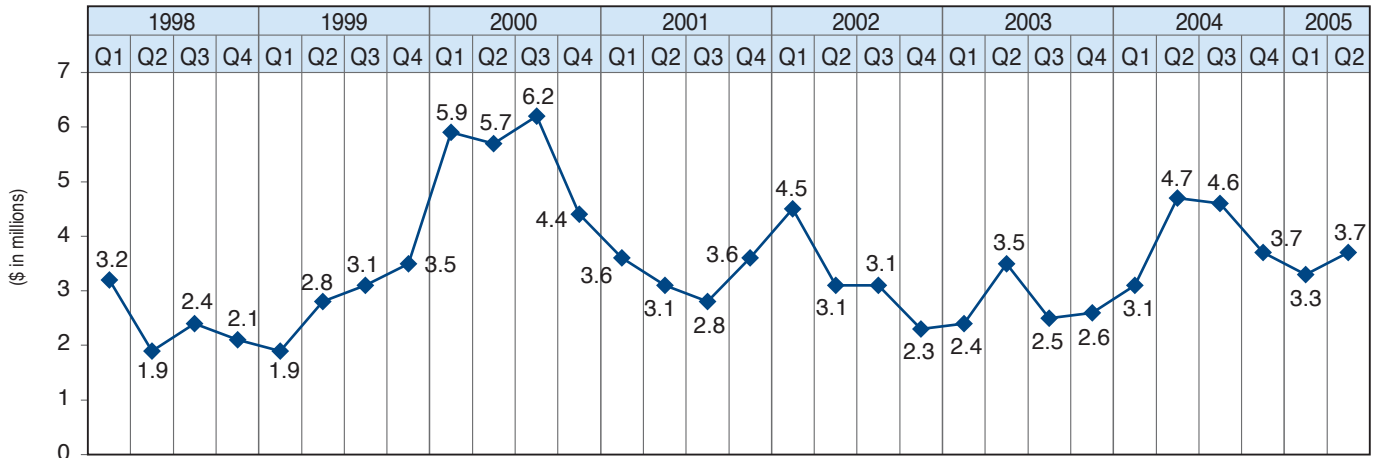
Following the high performance of the companies in the **seed/start-up** stage in the past two quarters (\$50 million in each of the quarters), this stage returned to its customary levels, with 15 companies raising \$30 million. The average investment in this quarter was \$2 million, as compared to \$2.7 million in the previous quarter. Joseph Fellus adds that a comparative analysis against financing rounds in the United States shows that the share of seed stage investments in Israel is growing at much higher rates than in the United States. This phenomenon partly explains the ever increasing participation of U.S. venture capital investors in Israel.

59 companies in the **intermediary stage (early/expansion stage)** raised \$213 million, a decrease of 10% as compared to the \$237 million raised in the previous quarter. Seven of the ten large deals (of over \$10 million) involved companies in this stage.

The 4 investments in the **later stage** amounted to \$43 million, as compared to \$5 million raised by 2 companies in the previous quarter. This significant increase is due to the 2 large deals (of over \$10 million) recorded in this quarter.



Average deal size (\$ in millions)



Participating Israeli Venture Capital Funds in the MoneyTree™ survey Q2-2005 (listed alphabetically)

Aig Orion Fund L.P.	First IsraTech Fund L.P.	Shrem, Fudim, Kelner & Co. Ltd.
AliceVentures	Formula Ventures Ltd.	StageOne Ventures
Alon Technology Ventures Ltd.	Gemini Israel Venture Funds Ltd.	STI Ventures
Apax Partners Ventures (Israel) Ltd.	Genesis Partners L.P.	SVM Star Ventures Capital Management Ltd.
Apropo IT Venture I L.P.	Genius Technologies	Tamar Technology Ventures
Argoquest, Inc.	Gilbridge Holdings	Tamir Fishman Ventures(ii)
Ascend Technology Ventures	Giza Venture Capital	Technoplus Ventures
Atara Technologies Ventures Ltd.	Israel Healthcare Ventures Ltd.	Teuza - A Fairchild Technology Venture Ltd.
Benchmark Israel	Israel Infinity Venture Capital Management Ltd.	The Challenge Fund - Etgar L.P.
BioMedical Innovations Management	Israel Seed Partners	Vectory Investment Company Ltd.
Bio-Medical Investments (clal)	Jerusalem Global Ventures	Veritas Venture Partners
BRM Capital Management Inc.	Jerusalem Venture Partners	Vertex Management (III) Ltd.
Carmel Ventures	Kaptech Holdings Ltd.	Vitalife Life Science Ventures
Catalyst Fund L.P.	Magnum Communications Fund	Walden Israel Ltd.
Cedar (Israel) Financial Advisors	Medica Venture Partners	Yozma Management & Investments Ltd.
Clal Biotechnology Industries Ltd.	Millenium Materials Fund Management	
Columbine Ventures	Mofet Venture Capital Fund Management (1992) Ltd.	
Concord Venture Fund	Montefyori Partner	
Corex Industries Management Ltd.	Ofer Technologies Ltd.	
Delta Ventures Ltd.	Orbotech Ltd.	
Denali Ventures LLC	Pamot Asset Management Add-on Ltd.	
Edmond De Rothschild Venture Capital Management	Pitango Venture Capital (previously Polaris)	
Eucalyptus Ventures	Platinum Venture Capital	
Eurofund L.P.	Poalim Capital Markets	
Evergreen Partners	Portview Communications Partners	
	Sequoia Capital Seed Fund	

About the Israeli MoneyTree™

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

For more information on PricewaterhouseCoopers' Israeli MoneyTree™ survey, please call Yariv Azar, at 972-3-7954975, e-mail: yariv.azar@il.pwc.com, or visit our website: <http://www.pwc.co.il>

The information contained in this survey is for general guidance on matters of interest only. As such, it should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers. Before making any decision or taking any action, you should consult a PricewaterhouseCoopers professional.