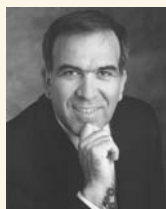


MONEYTREE™ Survey

Volume of venture capital investments in Israel - at least \$190 million, Israeli venture capital funds' slice represents 57% of total investments (\$) – the highest ever

Q3
2003
RESULTS ISRAEL REPORT



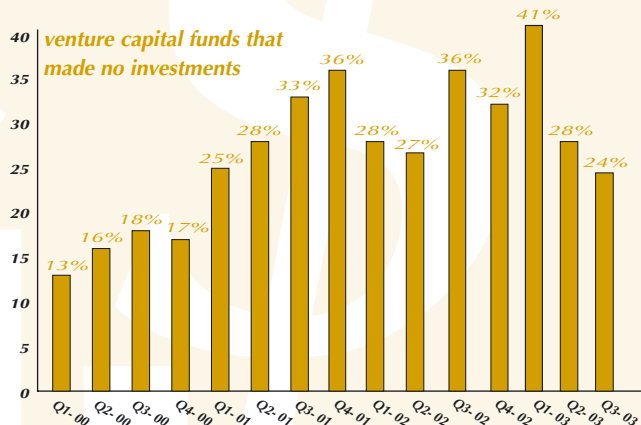
Mr. Joseph Fellus,
Partner & High-Tech
Practice Leader

The level of investment in high-tech companies backed by venture capital funds (where one of the investors in the financing round is a venture capital fund) declined slightly (in monetary terms) during the third quarter of 2003. According to the survey, high-tech companies raised at least \$190 million during the quarter, 22% down on the previous quarter (\$243 million) and 14% down on the same quarter last year (\$221 million). Nevertheless, there was a slight increase in the number of companies that raised capital this quarter as compared to the previous quarter (76 companies and 70 companies, respectively). Fellus notes that the survey's results for the third quarter do not indicate any clear trend, although the level of investment in the forthcoming periods will be impacted by - among other factors - the expectation of a resurgence in the IPO market in the USA, which creates a more favorable atmosphere and conditions for the funds to make real investments.

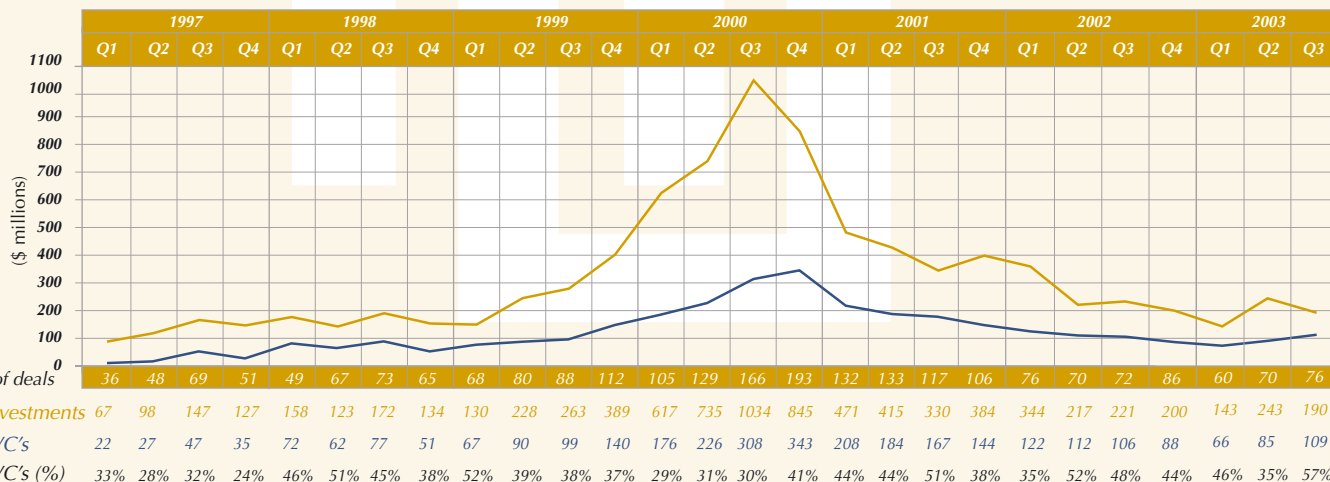


Ms. Adi Bengal,
Israeli MoneyTree
Project Manager

The survey reveals a continuation of the improvement in the number of venture capital funds that made no investments during the quarter (neither in new companies nor in their portfolio companies).



Israeli VC's investment level



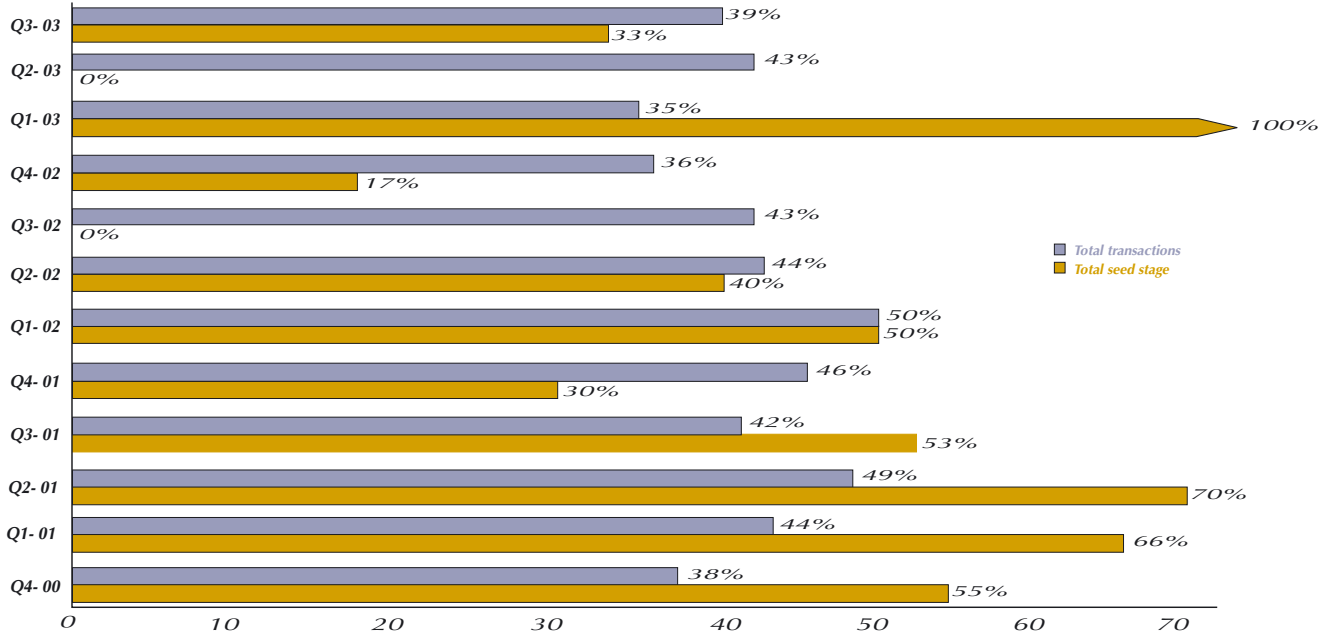
Analysis of the investment chart for the third quarter of this year reveals impressive data regarding the relative size of the local venture capital funds' slice: in the third quarter, local venture capital funds invested \$109 million in high-tech companies, accounting for 57% of total investments in monetary terms made in the quarter (the highest level since the survey was started), as compared to \$85 million in the previous quarter (35%) and \$66 million in the first quarter of the year (46%).

Alongside their investments in companies that have a connection to Israel, as above, local venture capital funds also invested \$17 million in 18 foreign companies that have no activities in Israel, accounting for 14% of total venture capital fund investments for the quarter (as compared to \$21 million invested in 11 companies in the previous quarter, constituting 20% of total investments made by venture capital funds).

ANALYSIS BY PLACE OF REGISTRATION

The survey reveals that, of the 76 companies that raised capital this quarter, 46 are registered in Israel (61%) and the rest are foreign companies (mainly registered in the United States). The average investment in each foreign company was \$3.5 million, as compared to an average investment of \$1.9 million in each Israeli-registered company. Analysis of seed stage investments on their own shows that 4 of the 6 companies that closed seed financing arrangements are registered as Israeli companies.

Percentage of companies registered as foreign
(vast majority in the U.S.)

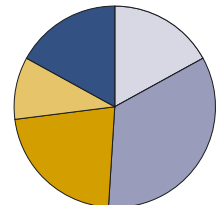


COMPANIES RECEIVING GRANTS FROM THE CHIEF SCIENTIST

41 of the companies that raised capital in the quarter received grants from the Chief Scientist. Analysis of the findings shows that 27 of the companies that received grants from the Chief Scientist during the quarter are registered as Israeli companies and the rest are registered in the United States.

Companies Receiving Grants from the Chief Scientist by Industry - Q3-2003 (% of Total)

Communications & Networking	34%
Medical Devices	22%
Software	17%
Other	17%
Biotechnology	10%



VENTURE CAPITAL INVESTMENTS BY ROUND OF FINANCING

A slight recovery was recorded in the number of companies that attracted **Seed** capital in this quarter. An analysis of the findings shows that 6 companies attracted seed capital aggregating approximately \$27 million (including two large transactions that accounted for \$21 million).

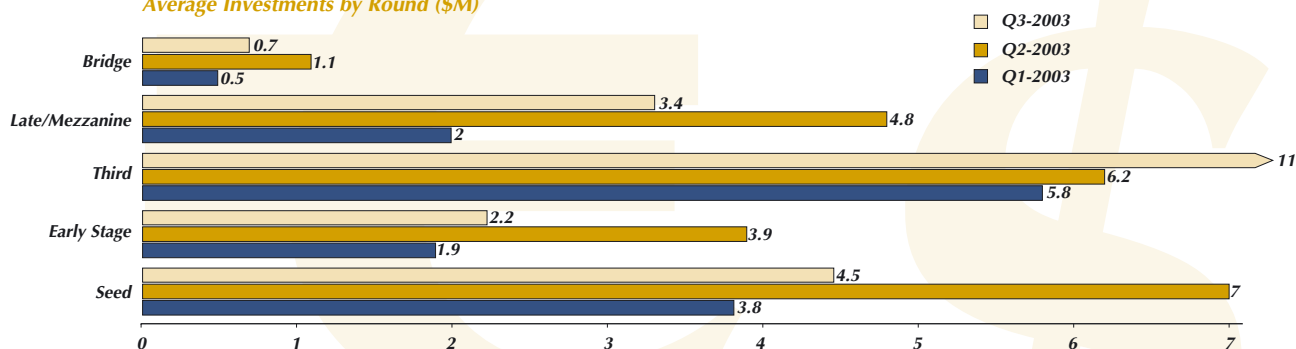
The **Early stage** (the first and second stages together) attracted 34% of the volume of investments and 38% of the number of transactions for the quarter: 29 early stage companies raised \$65 million, compared to 24 companies and \$93 million in the previous quarter. The average investment in these rounds was \$2.2 million, compared to \$3.9 million in the previous quarter.

4 companies raised a total of \$42 million in **Third round** financing during this quarter, compared to \$50 million that was infused into 8 companies in the previous quarter. The average investment in this round was \$11 million.

Transactions carried out in **Later stage** rounds (fourth to mezzanine) totalled \$38 million in the third quarter, which was invested in 11 companies, compared to \$58 million and 12 companies in the previous quarter.

In the third quarter of 2003, 26 companies raised \$18 million by way of **Bridge loans**, as compared to a similar number of companies that raised \$29 million in the preceding quarter.

Average Investments by Round (\$M)



VENTURE CAPITAL INVESTMENTS BY INDUSTRY

The **communications & networking** sector was the clear leader in investments during the third quarter of the year, attracting a total of \$88 million (44%), which was infused into 22 companies in this sector, a similar level to that recorded in the second quarter (18 companies raised \$80 million in that quarter). It should be noted that in this quarter three large financing rounds took place that raised an aggregate of \$41 million.

The average investment in each company specializing in this sector was \$3.8 million, compared to \$4.4 million the previous quarter.

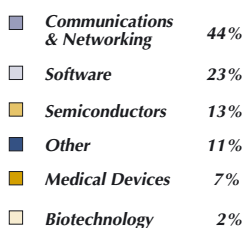
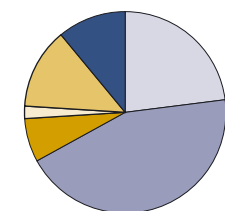
The **software** sector maintained its relative share of the total investments, both in monetary terms (23%) and also in terms of the number of transactions (25%): 19 software companies attracted investments totalling \$43 million. In this quarter, the average investment in each software company was \$2.3 million, similar to the level recorded in the previous quarter (excluding the impact of two large investments that aggregated \$27 million).

The **life sciences** sector experienced a sharp fall in the volume of investments (in monetary terms), compared to the previous quarter : \$16 million was infused into 21 companies, compared to \$62 million invested in 20 companies, respectively.

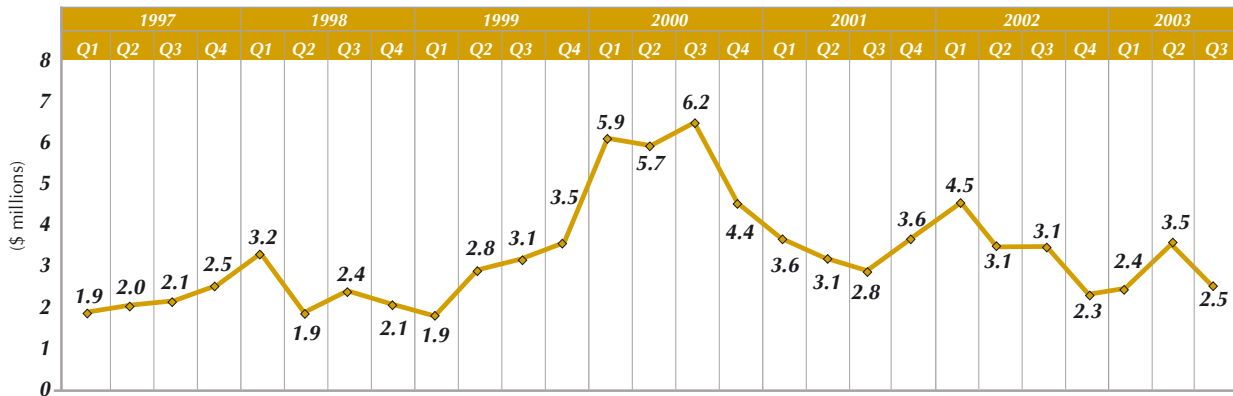
The field of medical devices attracted investments of \$13 million, which was invested in 14 companies. 7 biotechnology companies raised a total of only \$3 million.

The **semiconductor** sector attracted \$24 million in the quarter, which was raised in only 4 transactions (two of which accounted for \$22 million).

VC Investments by Industry - Q3-2003 (% of Total)



Average Deal Size



Participating Israeli Venture Capitalists in the MoneyTree Survey Q3-2003 (listed alphabetically)

Ag-Tech Fund
Aig Orion Fund LP
ALICEVENTURES
Alon Technology Ventures Ltd.
Apax Partners Ventures (Israel) Ltd.
Argoquest, Inc
Ascend Technology Ventures
Astra Technological Investments Ltd.
Atara Technologies Ventures Ltd
Benchmark Israel
Bio-Medical Investments
BRM Capital Management Inc.
Carmel Software Fund
Catalyst Fund L.P
Cedar (Israel) Financial Advisors
Clal Biotechnology Industries Ltd.
Concord Venture Fund
Corex Industries Management Ltd.
D.Z. Israel Associates Ltd.
Delta Ventures Ltd.
Denali Ventures LLC
Edmond De Rothshchild Venture
Capital Management
Eucalyptus Ventures
Eurofund L.P.
Evergreen Partners
First IsraTech Fund L.P.
Formula Ventures Ltd
Gemini Israel Venture Funds Ltd

Genesis Partners L.P.
Genius Technologies
Gilbridge
Giza Venture Capital
Global Catalyst Partners, LP
Inventech Investments Company Ltd.
Inspire Investments Ltd.
(foremely Sadot R&D Fund Ltd.)
Israel Health Care Ventures
Israel Infinity Venture Capital
Management Ltd.
Jerusalem Global Ventures
Jerusalem Venture Partners
Kaptech Holdings Ltd.
Koor Corporate VC
Magnum Communications fund
Marathon Venture Capital Fund Ltd.
Medica Venture Partners
Millenium Materials Fund Management
Mofet Venture Capital Fund
Management (1992) Ltd.
Montifyori Partner
Neurone Venture Capital Fund
Ofer Technologies Ltd.
Orbotech
Pamot Asset Management Add-on Ltd.
Pitango Venture Capital (previously Polaris)
Platinum Venture Capital
Portview Communications Partners

Proseed Venture Capital Fund
Seed Management Associates, Ltd.
Sequoia Capital Seed Fund
Shalom Equity Fund
Shrem, Fudim, Kelner & Co. Ltd.
StageOne Ventures
STI Ventures
SVM Star Ventures Capital Management Ltd.
Tamar Technology Ventures
Tamir Fishman Ventures(II)
Technoplus Ventures
Technorov Holding (1993) Ltd.
Teuza - A Fairchild Technology Venture Ltd.
The Challenge Fund - Etgar L.P.
Vectory Investment Company Ltd.
Veritas Venture Partners
Vertex Management (III) Ltd.
Vita Life Science Ventures
Walden Israel Ltd.
Yozma Management & Investments Ltd.

ABOUT THE ISRAELI MONEYTREE™

Kesselman & Kesselman PricewaterhouseCoopers conducts the Israeli **MONEYTREE™** Survey quarterly to promote investments 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 venture investment data.

For more information on PricewaterhouseCoopers **MONEYTREE™** survey, please call Adi Bengal, Israeli **MONEYTREE™** Project Manager, at 972-3-7954619, e-mail: adi.bengal@il.pwcglobal.com or visit our web site: <http://www.pwcmoneytree.com>.

Your worlds



Our people