

**The Kesselman & Kesselman PricewaterhouseCoopers
MoneyTree™ Report:**

**In the first quarter of 2007, approximately \$307 million invested in Israel in
high-tech companies backed by venture capital firms**

\$89 million invested in initial investments, the highest amount in five and a half years

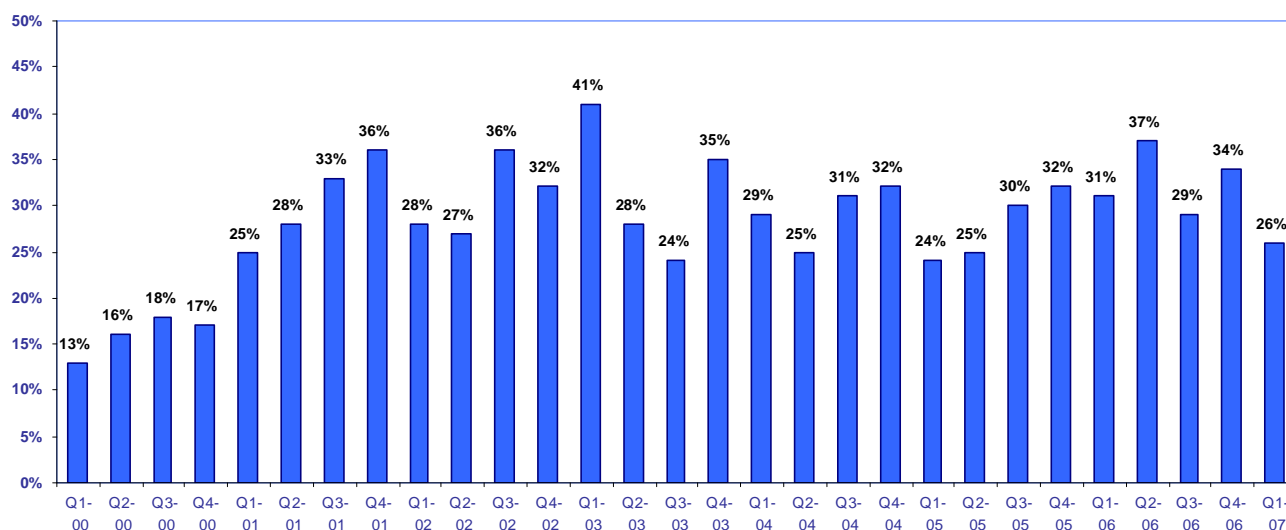
The latest Kesselman & Kesselman PricewaterhouseCoopers MoneyTree™ Report shows that venture capital-backed hi-tech companies (companies in which one of the investors in the financing round is a venture capital fund) raised approximately \$307 million in Israel during the first quarter of 2007, a decrease of approximately 7% in comparison with the previous quarter in which approximately \$330 million were raised, and a decrease of approximately 3% in comparison with the corresponding quarter last year in which approximately \$318 million were raised.

The Report reveals that 81 Israeli hi-tech companies raised capital in the first quarter of the year, as compared to 80 companies raising capital in the previous quarter and 90 companies raising capital in the corresponding quarter last year. The average investment per company was \$3.8 million this quarter, as compared to \$4.1 million in the previous quarter and \$3.5 million in the corresponding quarter last year.

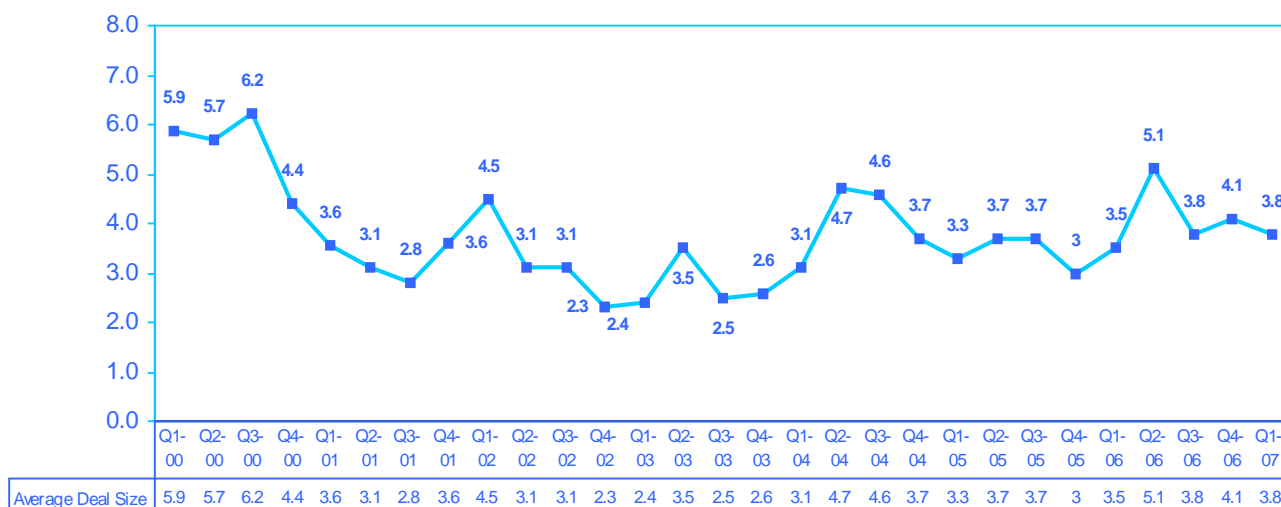
The first quarter of 2007 saw a rise in initial investments, with one particular venture capital fund making its first investment in a particular company. Venture capital funds made initial investments of approximately \$89 million in 31 Israeli hi-tech companies, the highest level of initial investments for five and a half years. 14 of these companies, currently in the intermediary or later stages of their development, were the recipients of approximately 56% of the initial investment funds.

Joseph Fellus, Partner, Advisory & Hi-Tech Practice Leader at Kesselman & Kesselman PricewaterhouseCoopers notes that the results of the first quarter of 2007 point to a stability in investments level in the Israeli market against a background of growth in the investments level in the United States, where investments surpassed \$7 billion. It may be assumed that the venture capital market in Israel, which is marked by a strong affinity with the U.S. market, will continue to demonstrate stability, if not growth, during the course of 2007.

Percentage of Funds That Made No Investments



Average Investment per Company (\$ in millions)

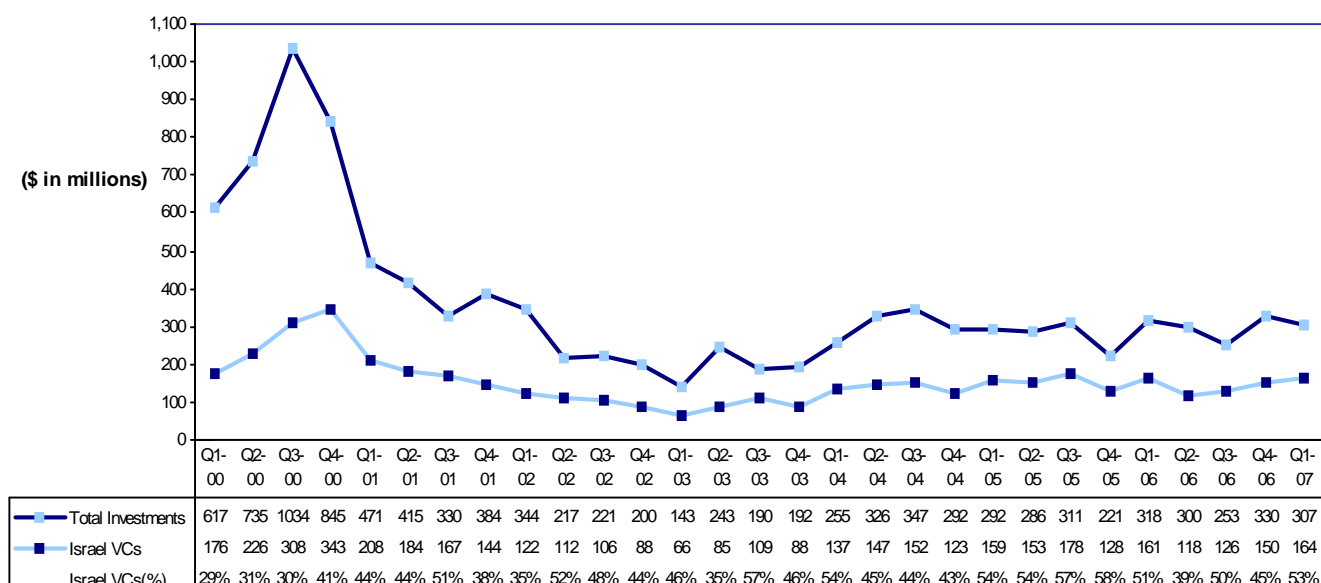


The Israeli Venture Capital Funds' Slice of the Hi-Tech Cake

In the first quarter of 2007, local venture capital funds invested approximately \$164 million, representing approximately 53% of the quarter's total investments. This compares with approximately \$150 million in the previous quarter, representing 45% of total investments for that quarter, and \$161 million in the corresponding quarter last year, representing 51% of total investments for that quarter.

In addition to the investments in companies with Israeli operations, local venture capital funds invested approximately \$16 million in 16 hi-tech companies that do not have Israeli operations, as compared to approximately \$16 million invested in 12 such companies in the previous quarter and \$29 million invested in 19 such companies in the corresponding quarter last year.

Israel VC's Investment Levels



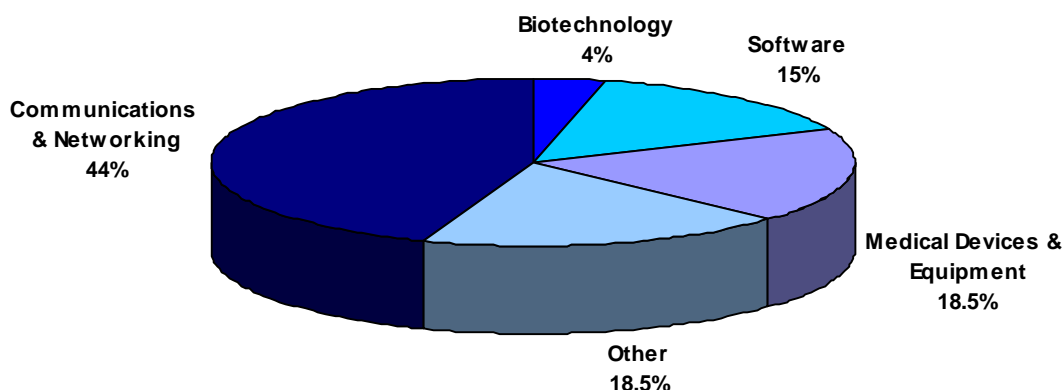
Analysis by Geographic Location of Companies' Registration

47 companies, representing 58% of the total number of companies that raised capital in the first quarter of 2007, are registered as Israeli companies. These companies raised approximately \$144 million, representing approximately 47% of the total amount invested. The remaining companies are registered overseas, primarily in the United States.

Companies Receiving Grants from the Chief Scientist

27 companies, which constitute 33% of the total number of companies that raised capital in the first quarter of 2007, have received grants from the Chief Scientist. Approximately \$134 million of the total amount invested has flowed into these companies.

Number of Companies Receiving Grants
from the Chief Scientist according to Sector



Analysis by Leading Technological Sector

The **Communications & Networking** sector maintained its lead this quarter, with 26 companies raising approximately \$111 million, representing approximately 36% of total investments for the quarter. This compares to 26 companies that attracted approximately \$133 million in the previous quarter and 25 companies that attracted approximately \$70 million in the corresponding quarter last year. Three major transactions took place this quarter that alone raised approximately \$45 million, representing 40% of total investments in this sector.

In this quarter, the average investment per company in this sector was \$4.3 million, as compared to \$5.1 million in the previous quarter and \$2.8 million in the corresponding quarter last year. Ignoring the three major transactions that took place this quarter, the average investment per company was only \$2.9 million.

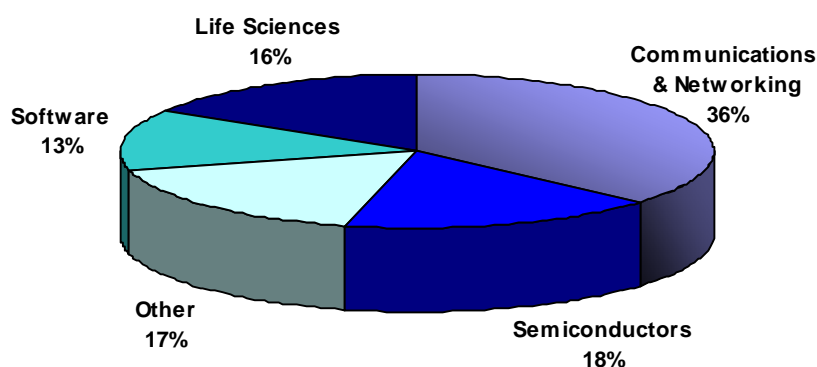
The **Semiconductors** sector has strengthened, insofar as 5 companies raised approximately \$54 million, this representing approximately 18% of total investments for this quarter. This compares to 3 companies that attracted approximately \$19 million in the previous quarter and 7 companies that attracted approximately \$58 million in the corresponding quarter last year. The average investment per company in this sector was \$10.8 million in this quarter, as compared to \$6.4 million in the previous quarter and \$8.2 million in the corresponding quarter last year.

10 companies in the **Life Sciences** sector, which includes the fields of **Medical Devices** and **Biotechnology**, raised approximately \$50 million, this representing approximately 16% of total investments in this sector for this quarter. This compares to 15 companies that attracted approximately \$46 million in the previous quarter and 19 companies that attracted approximately \$57 million in the corresponding quarter last year. Two major transactions, one in the field of medical devices and the other in the field of biotechnology, took place this quarter that together raised approximately \$34 million, representing 68% of the investments in this sector. The average investment per company in this sector was \$5 million in this quarter, as compared to \$3.1 million in the previous quarter and \$3 million in the corresponding quarter last year.

The **Software** sector has weakened, insofar as 19 companies raised approximately \$39 million, this representing 13% of total investments in the current quarter. This compares to 20 companies that attracted approximately \$74.5 million in the previous quarter (23% of total investments for that quarter) and 21 companies that attracted approximately \$83 million in the corresponding quarter last year (26% of total investments for that quarter). The average investment per company in this sector was \$2.1 million in the current, as compared to \$3.7 million in the previous quarter and \$4 million in the corresponding quarter last year.

The decrease in the level of overall investment in this sector during the current quarter may be attributed to the multiplicity of bridge loan transactions or to early investment rounds, which are marked by relatively low levels of investment - 12 transactions, which represented 63% of the number of transactions in this sector, together raised approximately \$20 million only.

Total investment by Sector



Analysis by Investment Round

Early Round

In the current quarter, 32 companies raised approximately \$145 million, in early round investment (the first and the second rounds together), representing 47% of total investments. This compares to 38 companies that raised approximately \$156 million, representing 47% of total investments in the previous quarter, and to 39 companies that raised approximately \$176 million, representing 55% of total investments in the corresponding quarter last year. The average investment per company in this round amounted to \$4.5 million in the current quarter, as compared to \$4.1 million in the previous quarter and \$4.5 million in the corresponding quarter last year.

Third Round

8 companies raised approximately \$30 million in this round, representing 10% of total investments in the current quarter. This compares to 9 companies that raised approximately \$77 million, representing 23% of total investments in the previous quarter, and 4 companies that raised approximately \$22 million, representing 7% of total investments in the corresponding quarter last year. The average investment per company in this round amounted to \$3.7 million in the current quarter, as compared to \$8.5 million in the previous quarter and \$5.4 million in the corresponding quarter last year.

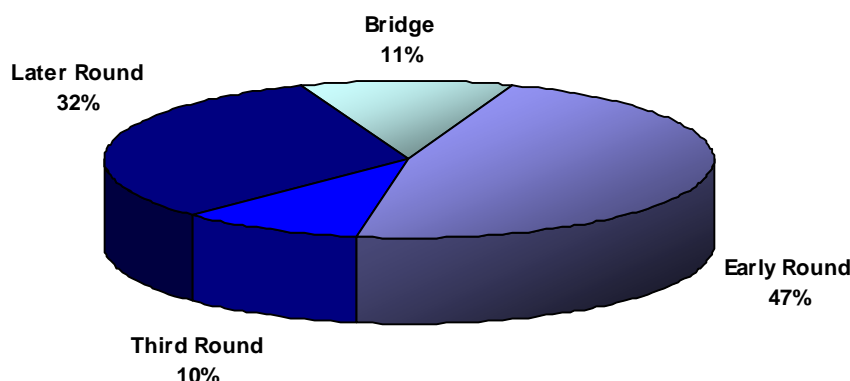
Later Rounds

Transactions executed in later rounds (fourth round to mezzanine) represented approximately 32% of total investments in the current quarter, with 13 companies attracting approximately \$97 million. This compares to 11 companies that raised approximately \$65 million, representing 20% of total investments in the previous quarter, and 17 companies that raised approximately \$79 million, representing 25% of total investments in the corresponding quarter last year. All the current quarter investments in this round were made in companies at intermediary or later stages of their development, a situation characterized by the relatively greater amount of funds required. The average investment per company in these rounds amounted to \$7.5 million in the current quarter, as compared to \$5.9 million in the previous quarter and \$4.6 million in the corresponding quarter last year.

Bridge Loans

In the current quarter, 28 companies raised approximately \$35 million by way of bridge loans, as compared to 22 companies that raised approximately \$32 million in the previous quarter and 30 companies that raised approximately \$41 million dollars in the corresponding quarter last year. The average amount of a bridge loan in the current quarter was approximately \$1.2 million, as compared to \$1.5 million in the previous quarter and \$1.4 million in the corresponding quarter last year.

Total investments by Investment Round



Analysis by Company Development Stage

Seed/Start-up Stage

Israeli start-up companies are recovering, insofar as 20 companies raised approximately \$55 million, a sum representing approximately 18% of total investments for the current quarter. This is the highest sum raised since the peak of the first quarter of 2006, when 25 companies raised approximately \$96 million, a sum that represented approximately 30% of the total investments for that quarter. This compares to 18 companies that raised approximately \$40 million in the previous quarter, representing 12% of total investments for that quarter. The average investment per company in the current quarter was \$2.8 million, as compared to \$2.2 million in the previous quarter and \$3.8 million in the corresponding quarter last year.

Intermediary Stage (Early/Expansion Stage)

55 intermediary stage companies raised approximately \$212 million, representing 69% of total investments in the current quarter, as compared to 57 companies that raised approximately \$254 million, representing 77% of total investments in the previous quarter, and to 60 companies that raised approximately \$209 million, representing 66% of total investments in the corresponding quarter last year. The average investment for the current quarter was \$3.9 million, as compared to \$4.4 million in the previous quarter and \$3.5 million in the corresponding quarter last year.

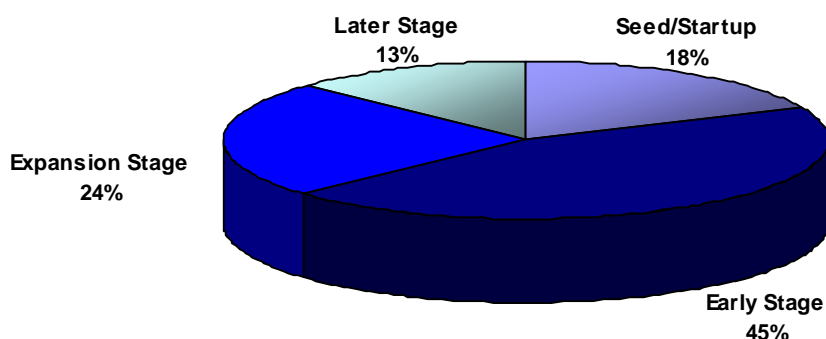
Further analysis of this stage reveals that the early stage is the leading stage in the current quarter, raising \$138 million, representing 65% of total intermediary stage investments.

Later stage

6 later stage companies raised approximately \$40 million, representing 13% of total investments in the current quarter. This compares to 5 companies that raised approximately \$36 million, representing 11% of total investments in the previous quarter, and to 5 companies that raised approximately \$13 million, representing 4% of total investments in the corresponding quarter last year.

The average investment for the current quarter was \$6.6 million, as compared to \$7.3 million in the previous quarter and \$2.6 million in the corresponding quarter last year.

Total investments by Company Development Stage



The MoneyTree™ Report has been issued quarterly by Kesselman & Kesselman in Israel for the past ten years, in conjunction with the reports issued in the United States and Europe by the largest accounting and consulting firm in the world - PricewaterhouseCoopers (PwC). In this quarter, 53 venture capital firms participated in the Report. The results of the Report are used widely every quarter by Israeli and foreign venture capital funds, commercial banks, investment banks and other financial institutions in Israel and throughout the world, hi-tech companies, government ministries, the Office of the Chief Scientist, and others.

For further information, please contact Inbal Spiegel, Kesselman & Kesselman PricewaterhouseCoopers -
Tel: 972-3-7954718, E-mail: inbal.spiegel@il.pwc.com

Legal disclaimer

The information contained in this survey is for general guidance on matters of interest only. The application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations, there may be delays, omissions or inaccuracies in information contained in this survey. Accordingly, the information on this survey is provided with the understanding that the authors and publishers are not herein engaged in rendering legal, accounting, tax, or other professional advice and services. 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.



While we have made every attempt to ensure that the information contained in this survey has been obtained from reliable sources, PricewaterhouseCoopers is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this survey is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability and fitness for a particular purpose. In no event will PricewaterhouseCoopers, its related partnerships or corporations, or the partners, agents or employees thereof be liable to you or anyone else for any decision made or action taken in reliance on the information in this Site or for any consequential, special or similar damages, even if advised of the possibility of such damages.