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**Summary of Israeli Private Equity Deals – Q3 2011
IVC Reports:**

**Israeli PE funds account for 40% of investments in Q3
Private equity deals up 20% in the first three quarters of 2011**

Tel Aviv, Israel, November 2, 2011. The following are the findings of the IVC-GKH Quarterly Private Equity (PE) Survey conducted by **IVC Research Center**, which for more than 15 years has been at the forefront of private equity, high-tech and venture capital research in Israel. This Survey is sponsored by **Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. (GKH)**, a leading Israeli corporate law firm specializing in M&A, joint ventures, venture capital, equity and debt financing. The Survey reviews Israeli private equity deals involving Israeli and foreign PE funds and other investors - both Israeli and foreign. The current Survey is based on the activity of 68 private equity funds of which 29 are Israeli and 39 are foreign private equity funds.

In the third quarter of 2011, 13 Israeli private equity deals attracted \$803 million, 26 percent above \$637 million invested in 17 deals in the previous quarter, and 62 percent up from \$495 million invested in 16 deals in Q3/2010. This amount narrowly topped the strong fourth quarter of 2010 with 15 deals that were valued at \$800 million. Israeli private equity funds accounted for 40 percent of Q3/2011's activity, mostly reflecting Israel Infrastructure Fund's buyout of Derech Eretz Highways for \$208 million. (Figure 1)

The average deal in the third quarter of 2011 was valued at \$62 million, compared to \$37 million in the previous quarter, and \$31 million in third quarter of 2010.

In the first three quarters of 2011, \$1.98 billion was invested in 45 Israeli private equity deals, an increase of 20 percent from \$1.65 billion invested by PE investors in 48 deals in same period of 2010. This amount mostly reflected six buyouts and one straight equity deal, each valued at more than \$100 million, and valued in the aggregate at \$1.43 billion (73 percent of the total capital invested in the period). This compares to three straight equity deals and one mezzanine investment (above \$100 million each), totaling \$742 million (45 percent) in the first three quarters of 2010.

The average deal size in the nine months through Q3/2011 was \$44 million, compared to \$34 million for the corresponding period in 2010.

According to Rick Mann, Managing Partner of GKH: "Survey results for Q3/2011 demonstrate the continued interest of private equity investors in Israel despite the serious economic difficulties in Europe and to a lesser extent the United States. However, a continuing global economic downturn would be expected to reduce the role of financial investors like private equity funds and create more opportunities for strategic investors to invest in or acquire Israeli companies. Once again in Q3 local private equity investors were the most active, but foreign private investors were behind the larger transactions."

In the third quarter of 2011, private equity deals valued at over \$50 million accounted for 23 percent of the total number of deals, compared to 17 percent in Q2/2011 and 25 percent in the same quarter of 2010. Deals valued at \$20-50 million accounted for 8 percent, compared to 18 percent and 6 percent in Q2/2011

and Q3/2010, respectively. Deals valued at under \$20 million accounted for the remaining 69 percent. This compares to 65 percent in Q2/2011 and 69 percent in Q3/2010. (Figure 2)

Marianna Shapira, Research Manager at IVC, observed: "Among the largest deals in Q3, two out of three were done by foreign PE funds, an indication that foreign PE investor interest remains undiminished."

The *Cleantech* sector led investments in Q3/2011, accounting for 46 percent of total capital invested, followed by the *infrastructure* sector with 26 percent and *Internet* with 14 percent. This compares to Q2/2011, when *software* attracted 50 percent, followed by Internet with 20 percent. In Q3/2010, cleantech deals captured 63 percent of total capital investments.

In the first three quarters of 2011, the cleantech sector was the most attractive area for private equity funds, accounting for 29 percent of total deal value. The buyout of water technology company Netafim by Permira Advisers for \$366 million and Morgan Stanley's \$200 million straight equity investment in solar power plant developer BrightSource were the most prominent deals.

The software sector followed with 22 percent mostly reflecting the \$307 million buyout of IT services provider Ness Technologies by Citi Venture Capital International and Riverwood Capital's \$110 million buyout of SintecMedia, an enterprise applications company.

The infrastructure sector attracted 14 percent, reflecting Israel Infrastructure Fund's buyout of Derech Eretz Highways, referred to above.

In the first three quarters of 2010, the cleantech sector led investments with 51 percent, followed by *real estate* with 10 percent and the *industrial* sector with 8 percent.

Israeli private equity deals by type

This survey reviewed the following types of financing deals in the Israeli private equity arena: straight equity, buyouts, mezzanine, distressed debt and turnaround/distressed equity.

In Q3/2011, four *buyout* deals led private equity investment with \$703 million or 88 percent of total deal value, compared to six buyout deals valued at \$547 million (87 percent) that led investments in Q2/2011 and two buyouts valued at \$87 million or 18 percent in Q3/2010.

Five *distressed debt* deals followed in Q3/2011 with only \$51 million or 6 percent, compared to \$67 million or 11 percent in the previous quarter and \$31 million or 6 percent in Q3/2010.

In the first three quarters of 2011, 14 buyout deals attracted \$1.45 billion or 73 percent of aggregate deal value. This compares with \$235 million or 14 percent in nine deals in the same period of 2010.

Straight equity deals accounted for \$360 million (16 deals) or 18 percent of total deal value in the first three quarters of 2011, compared to \$1.01 million (19 deals) or 62 percent in the year-earlier period.

Israeli private equity funds

The IVC-Online database contains data on 29 Israeli private equity management companies with total managed capital of \$7.4 billion. Of these firms, four were established since the start of 2011.

For additional information, please visit: www.ivc-online.com or contact Marianna Shapira, IVC Research Manager at +972-73-212-2339, marianna@ivc-online.com

Figure 1: Private Equity Deal Value by Quarter (\$m)

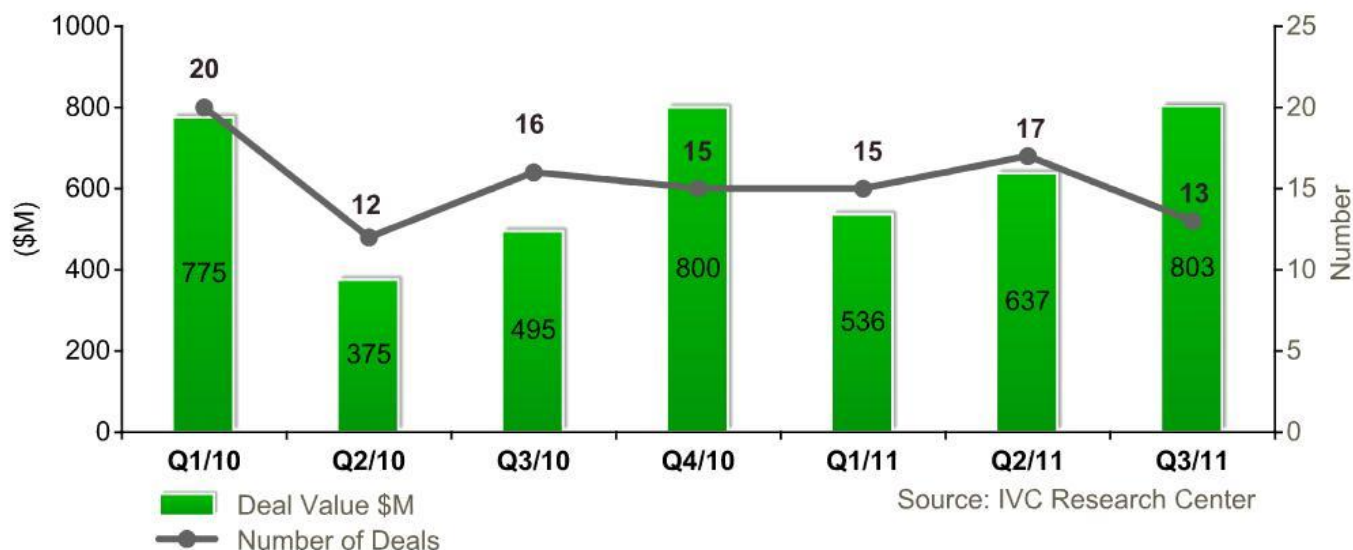
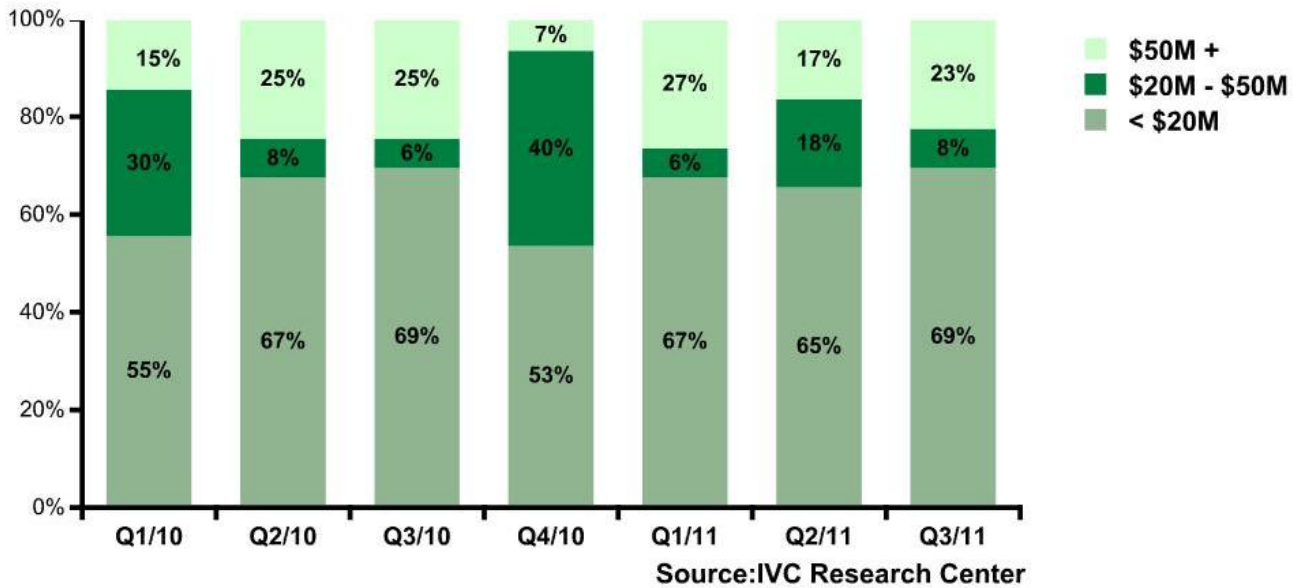


Figure 2: Aggregate Deal Value by Number of Deals (%)



About IVC: IVC Research Center is Israel's leading research center providing business leaders with an unmatched wealth of data on Israel's high-tech, venture capital and private equity industries. IVC products and services are used regularly by high-tech companies, venture capital and PE funds, private investors, financial investors and institutions, as well as public entities such as the Office of the Prime Minister, the Central Bureau of Statistics, the Bank of Israel and the Office of the Chief Scientist.

IVC owns and operates the *IVC Online Database* (www.ivc-online.com) containing over 8,000 Israeli high-tech companies, venture capital funds, investment companies, angels and technology incubators, as well as news updates and lots more. Among IVC products and publications are the *IVC Quarterly Survey*, which examines capital raising trends by Israeli high-tech companies, and the most comprehensive guide to Israeli high technology and venture capital – the *IVC 2012 Yearbook* due in April 2012.

About GKH: Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. is one of Israel's leading corporate and securities law firms, providing superior and innovative legal services. GKH is engaged in all aspects of corporate and commercial legal practice, representing a large number of publicly held corporations traded on US, Israeli and European stock exchanges. The firm also represents international investment banks, privately held corporations of all sizes, newly formed businesses, partnerships and joint ventures. Clients comprise a broad range of industrial, commercial, energy, retail, transportation, financial and service enterprises, including the specialized businesses of telecommunications, banking, biotechnology, pharmaceuticals, electronics, software, real estate, research and development, commodities and venture capital. The firm's expertise includes representation before government ministries, regulatory agencies and the Bank of Israel. The firm's professional staff consists of over 100 professionals, including a large group of attorneys with US and UK licenses and work experience. GKH attorneys have served on several governmental advisory committees.