

IVC Survey Q1 2003

The following are the findings of the Quarterly Survey conducted by the IVC Research Center, which for more than seven years has been at the forefront of venture capital research in Israel. This survey, conducted with the cooperation of the

First investments account for only 34 percent of total Israeli VC investments.

Israel Venture Association (IVA), reviews capital raised by private Israeli high-tech companies from Israeli venture capital funds and from other investors. The Survey is based on reports from 125 venture investors, of which 64 are Israeli management companies and 61 are other – mostly foreign – investment entities.

Israeli high-tech companies raise \$211 million in Q1 2003.

In the first quarter of 2003, 86 Israeli high-tech companies raised \$211 million from venture investors - local and foreign – up slightly from \$205 million raised in Q4 2002 and 44 percent below the \$376 million raised in Q1 2002. Thirty-seven companies attracted more than \$1 million. Of these, six companies raised between \$5 million and \$10 million and seven companies raised more than

\$10 million each. The average financing round per company during Q1 was \$2.45 million, six percent above the average round in the previous quarter.

Investment Activity of Israeli VCs, Foreign Investors and Others

In the first quarter of 2003, Israeli VCs invested \$94 million in Israeli high-tech companies, down four percent from \$98 million in Q4 2002 and 34 percent from \$138 million in Q1 2002.

Israeli VCs invested \$18.2 million in foreign companies, an increase of 73 percent from \$10.5 million invested in Q4 2002.

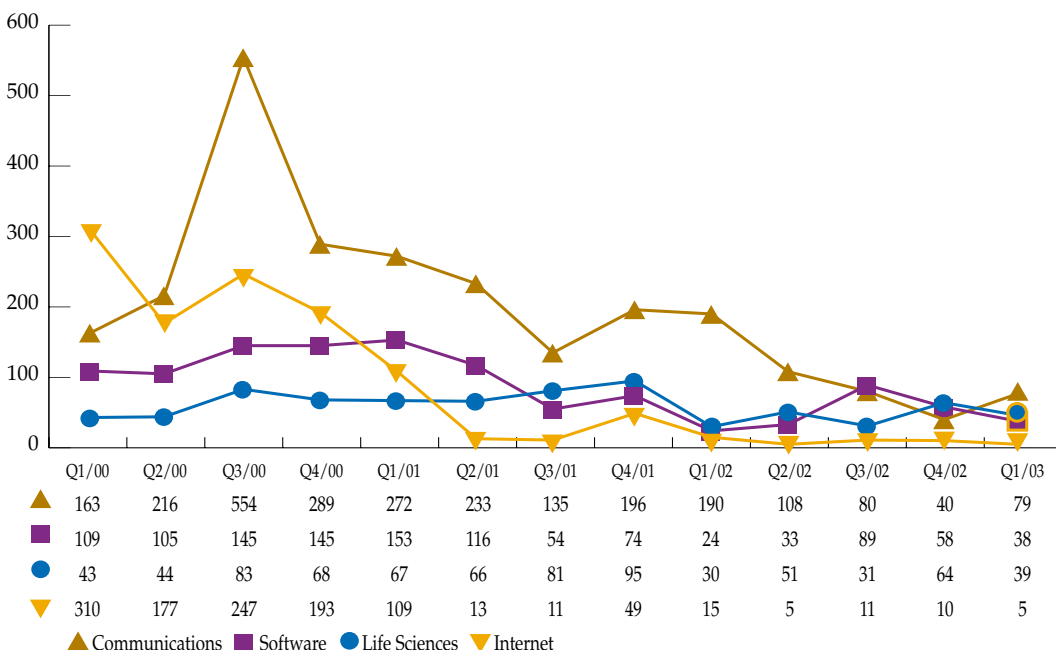
First investments continue to constitute a declining percentage of total investments. In the first quarter of 2003, First investments accounted for 34 percent of total Israeli VC investments, compared with 42 percent in the previous quarter.

The amount invested by foreign investors without participation of Israeli VCs increased by 45 percent to \$29 million.

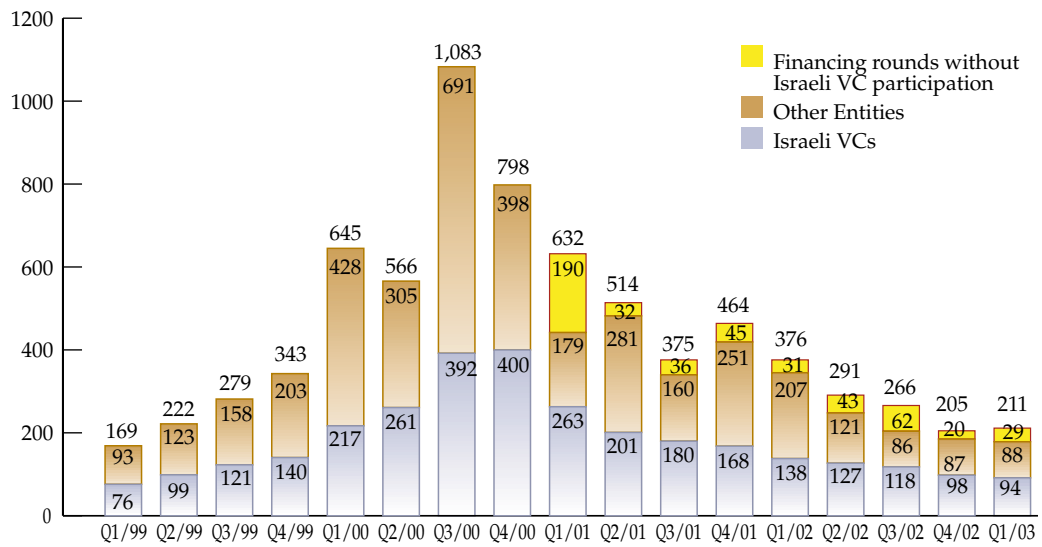
Capital Raised by Sector Communications

In the first quarter of 2003, Communications companies attracted 37 percent of total capital raised in the period. Nineteen companies raised \$79 million, double that raised in the previous quarter, but 58 percent less than in the corresponding period in 2002. The quarter-to-quarter increase partially reflects a single \$30 million deal that took place during the first quarter.

Capital Raised by Major Sector (\$m)



Capital Raised by Israeli High-Tech Companies by Quarter (\$m)



* From Q1/2001 data include financing rounds without Israeli VC participation

Software

Software companies accounted for 18 percent of capital raised in the first quarter, compared to 28 percent in the previous quarter. Twenty-one Software companies raised \$38 million, down 34 percent from that raised in the fourth quarter of 2002 and 58 percent above year-earlier period figures.

Life Sciences

Twenty-six Life Science companies raised \$39 million, 19 percent of total capital raised, compared to \$64 million and 31 percent in the fourth quarter of 2002.

Within the sector, 30 Medical Device firms raised \$24 million, a decrease of 53 percent from that raised in the previous quarter. Medical Device companies accounted for 63 percent of Life Science capital raising, compared to 78 percent in the fourth quarter of 2002.

Internet

The Internet industry reached another low in the first quarter of 2003. Two Internet companies attracted just \$5 million or two percent of total capital raised. Internet firms accounted for five percent and four percent of capital raised in Q1 and Q4 2002, respectively.

Capital Raised by Stage

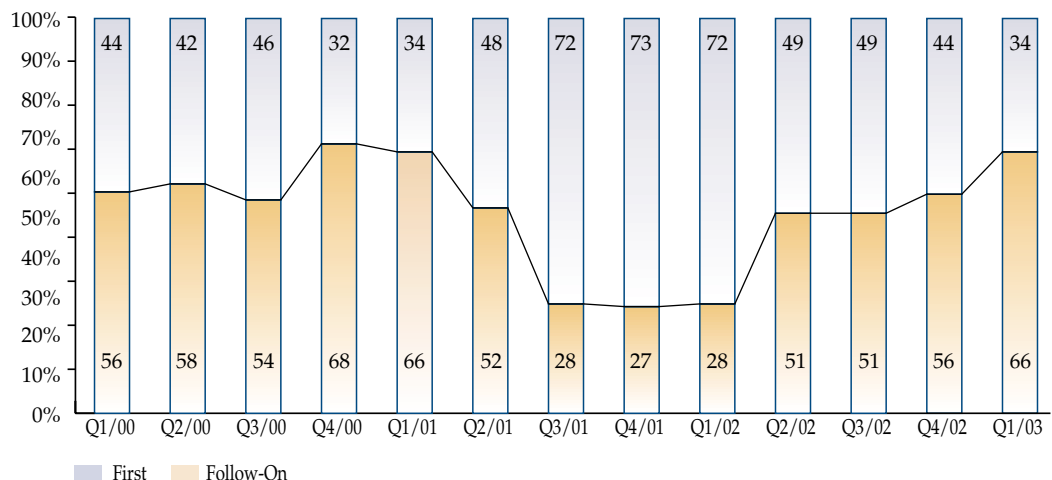
High-tech companies in this Survey were divided into 4 categories:

Seed, Early Stage/R&D, Mid-Stage/Initial Revenue, and Late Stage/Revenue Growth

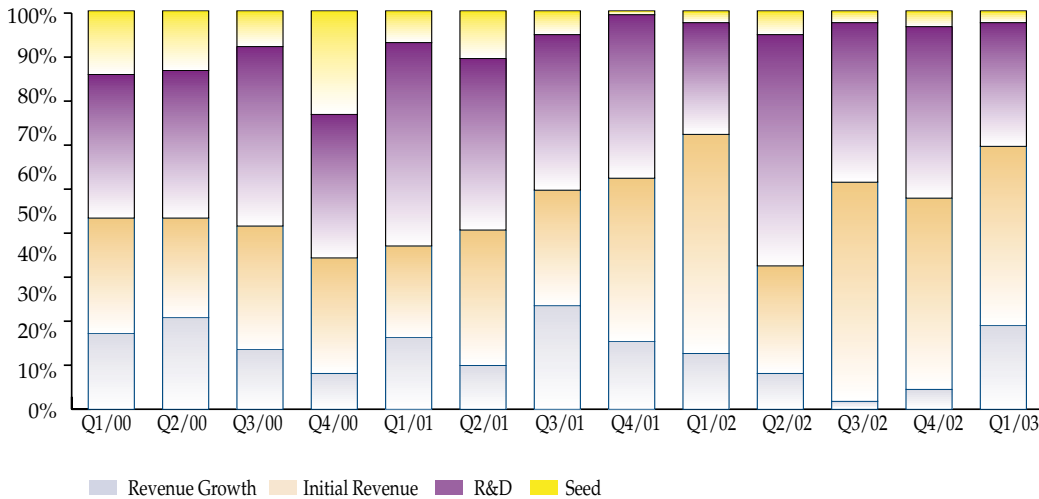
In the first quarter of 2003, two Seed companies raised \$7 million or three percent of total capital raised, compared to \$5 million or two percent in the previous quarter and \$6 million or two percent in the year-earlier period.

Forty-two Early Stage/R&D companies attracted \$66 million or 31 percent of the total raised, which compares with \$89 million or 45 percent in the fourth quarter of 2002 and \$79

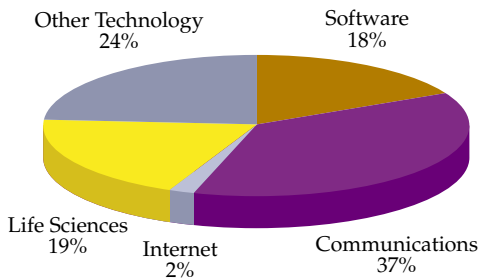
Distribution of First and Follow-on Investments by Israeli VCs



Fund Investment Activity by Stage

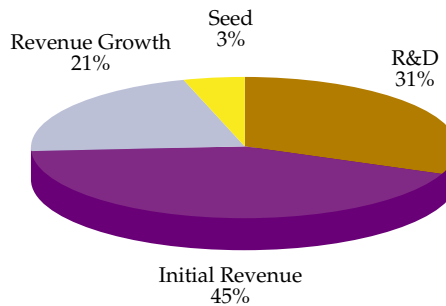


Capital Raised by Israeli High-Tech Companies by Sector Q1 2003



Three Late Stage/Revenue Growth companies raised \$44 million or 21 percent of the total. The amount is 12 percent higher than in the previous quarter, but a decrease of 53 percent from the first quarter of 2002.

Capital Raised by Israeli High-Tech Companies by Stage Q1 2003



million or 21 percent in 2002's first quarter.

Mid Stage/Initial Revenue companies continued to be the most attractive with \$94 million raised from 39 companies, representing 45 percent of total capital raised. This amount is similar to that raised in the fourth quarter, but is 61 percent under that raised by Mid Stage companies in Q1 2002.

Companies Raising Capital

Company	Field	Amount	Purpose	Contact	Tel	Email
Ayeca Inc.	Telecommunications	\$5m	Marketing, sales	Uri Sirkis, VP Sales and Marketing	972-55-246-505	uris@ayeca.com
Code Red Systems Ltd.	Security for wireless networks	-	-	Drew Tick, CEO	972-54-533-798	drew.tick@code-red.biz
Commodio	Software, human/computer interaction, voice control	\$1-2m	Marketing, sales	Ramy Metzger	972-9-764-3764	ramy@commodio.com
El-Mul Technologies	Nanotechnology/semiconductor tools	\$2-4m	R&D, business development	Armin Schon, CEO	972-8-943-4184 ext. 21	armin.schon@el-mul.com
XMPie Inc.	Software provider for cross-media marketing	\$4.2m	Working capital	Michael J. O'Hara, CEO	1-212-479-5197	michael.ohara@us.xmpie.com
mSAFE Inc.	Wireless services	-	Sales	Avraam Fried, CEO	972-8-936-0903	avi-fried@msafe.com
Intelligent Authentication	Security	\$3m	R&D, marketing	Dan Eigeles	972-4-870-7061	dane@actcom.co.il