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-FOR IMMEDIATE RELEASE-

Summary of Israeli High-Tech Company Capital Raising - Q1 2006

IVC REPORTS - CAPITAL RAISED BY ISRAELI HIGH-TECH COMPANIES LEVELS OFF AT \$360 MILLION IN Q1 2006

14% of capital invested is directed to Seed companies

Tel Aviv, Israel, April 6, 2006. The following are the findings of the Quarterly Survey conducted by the **IVC Research Center**, which for more than eight years has been at the forefront of venture capital and private equity research in Israel. This Survey, conducted with the cooperation of the 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 87 venture investors of which 45 are Israeli management companies and 42 are other – mostly foreign – investment entities.

In the first quarter of 2006, 101 Israeli high-tech companies raised \$360 million from venture investors – both local and foreign (Chart 1). The amount was up 36 percent from the \$264 million raised by 88 companies in the previous quarter, and three percent ahead of the \$350 million raised in the first quarter of 2005 by 102 companies.

Efrat Zakai, Director of Research at IVC explains: "In the nine quarters since the beginning of 2004, Israeli companies raised about \$350 million per quarter, on average. The last quarter of 2005 was the lowest in two years; investments in the first quarter of 2006 simply rose back to average levels, as we had forecast." Zakai added: "We expect no real surprises in 2006", saying IVC projections are for continued stability and an annual investment level of \$1.4 billion, as in 2005.

The average high-tech financing round was \$3.56 million, up 17 percent from the previous quarter and 4 percent from the first quarter of 2005. Seventy companies attracted more than \$1 million. Of these, 23 companies raised \$5 to \$10 million each, and four companies raised more than \$10 million each.

Israeli VC Investment Activity

In the first quarter of 2006, Israeli VCs invested \$177 million in Israeli companies, an increase of 35 percent from the previous quarter and very close to Q1 2005 levels of \$173 million. The Israeli VC share of the total amount invested in Israeli high-tech was 49 percent, with the remainder of capital coming from foreign investors as well as non-VC Israeli investors.

First investments accounted for 37 percent of total dollar investments by Israeli VCs in Q1, compared with 40 percent in the previous quarter and 50 percent in the first quarter of 2005. The average First investment by Israeli VCs was \$2.1 million, while the average Follow-on investment was \$0.9 million.

In Q1, Israeli VCs invested \$24 million in 10 foreign companies in addition to their investments in Israeli high-tech companies. This compares to \$14 million invested in foreign companies in the previous quarter and \$31 million invested in the first quarter of 2005. All Q1 2006 foreign investments were Follow-ons.

Capital Raised by Stage

In the first quarter of 2006, 22 **Seed** companies attracted a hefty \$50 million, 14 percent of the total capital raised – the most by Seed companies in five years (chart 2). The amount invested is up 127 percent from the previous quarter and an increase of 56 percent from Q1 2005.

"The increase in Seed investments indicates a positive sign for the future of the Israeli high-tech sector," said Zeev Holtzman, Chairman of IVC Research Center and Giza Venture Capital. "We can expect this trend to continue throughout 2006, which promises to be a peak year for Seed investments in Israel," he added.

Software companies attracted the largest share of capital from among the Seed investments – 44 percent – followed by Communications companies with 32 percent. **Early Stage** (R&D) companies and **Mid-Stage** companies (up to \$10 million in revenues) each captured 41 percent of the total capital raised, while late stage companies attracted only 4 percent of investments in Q1 2006.

Capital Raised by Sector

In the first quarter of 2006, 28 **Communications** companies attracted \$86 million, 24 percent of the total capital raised. This amount reflects a decrease of 15 percent from the \$101 million raised in the previous quarter and a 28 percent decline from the \$120 million raised by communications companies in the first quarter of 2005. The **Software** sector followed closely with \$82 million raised by 25 companies - 23 percent of the capital raised. **Life Sciences** companies captured 19 percent, raising \$69 million.

Chart 1: Capital Raised by Israeli High-Tech Companies by Quarter (\$m)

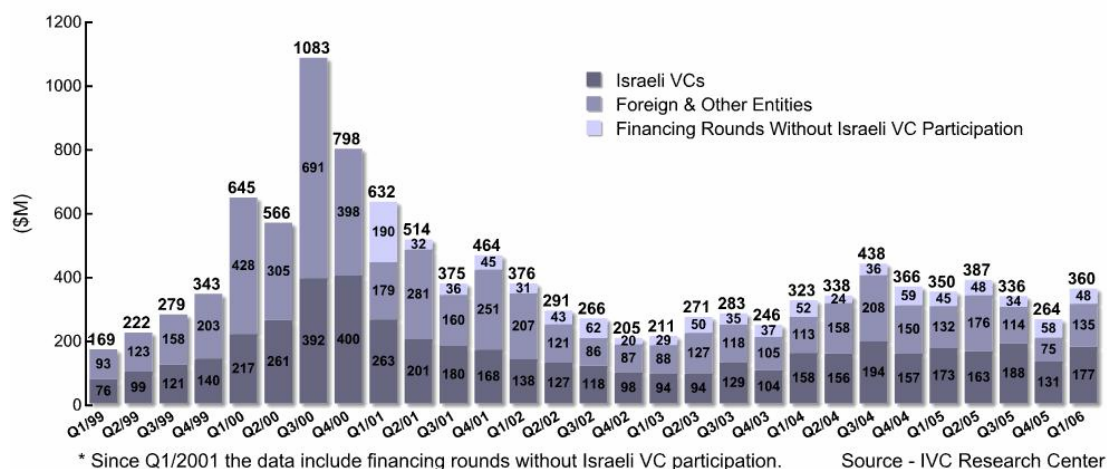
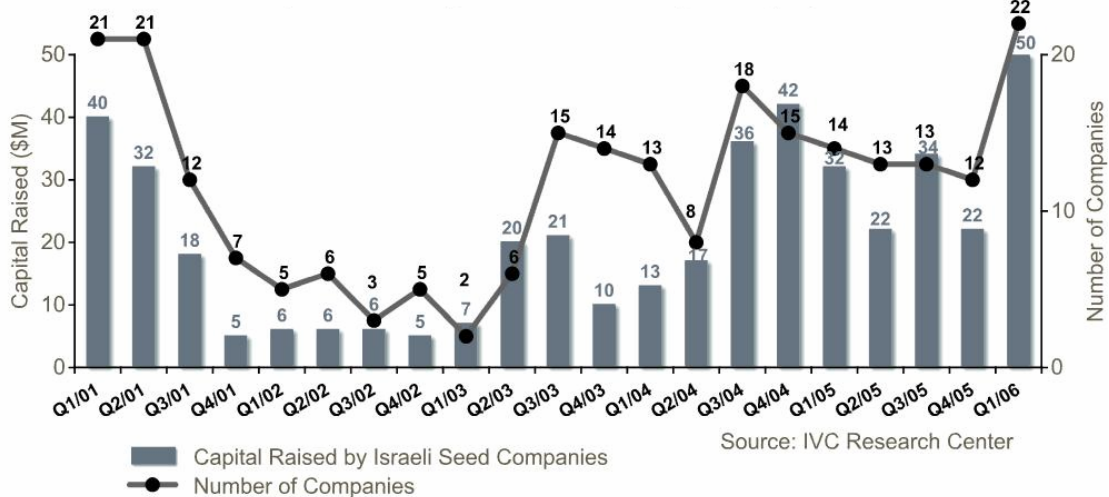


Chart 2: Capital Raised by Israeli Seed Companies (\$m)



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