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2007 Summary of Israeli High-Tech Company Capital Raising

Israeli High-Tech Capital Raising in 2007 Reached \$1.76 Billion - Highest in Six Years

Q4/07: 21% higher than Q3/07- with \$503 million raised

Tel Aviv, Israel, January 14, 2008. 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 84 venture investors of which 50 are Israeli management companies and 34 are other – mostly foreign – investment entities. The complete survey will be published in the IVC 2008 Yearbook.

In 2007, 462 Israeli high-tech companies raised **\$1.76 billion** from local and foreign venture investors, 8.5 percent above the **\$1.62 billion** raised in 2006 and 31.5 percent above 2005 levels.

In the fourth quarter, 115 Israeli high-tech companies raised **\$503 million**, a 21 percent increase from the \$414 million raised by 108 companies in the third quarter and a 5 percent increase from Q4 2006. Capital raising in the fourth quarter - the highest in five years - included an especially large financing round of over \$100 million for MobilEye. Even after adjustment, the figures indicate a stable level of capital raised relative to 2006.

“Both investments and exits in 2008 will be dependent, to a large extent, on economic activity in the US,” said Zeev Holtzman, Chairman of IVC Research Center and Giza Venture Capital. “A possible crisis on NASDAQ would mean fewer IPOs and lower acquisition values, which would impact the high-tech industry in Israel. Yet, we expect that the \$1.6 billion average investment level of the last few years will be maintained in 2008.”

In Q4 2007, the average company financing round was \$4.37 million, compared with \$3.8 million in the previous quarter and \$4.5 million in the fourth quarter of 2006.

Israeli VC Investment Activity

In 2007, Israeli VCs invested \$678 million in Israeli high-tech companies. The Israeli VC share of the total amount invested in Israeli high-tech companies was 39 percent.

This compared to \$651 million or 40 percent in 2006 and \$655 million or 49 percent in 2005.

In the fourth quarter, Israeli VCs invested \$142 million, which accounted for a low 28 percent share of the total invested in Israeli high-tech companies (35 percent excluding the \$100 million MobilEye round). The remainder came from other investment entities, mostly foreign. The Israeli VC investment share was also substantially below the 42 percent average of the previous nine years.

First investments made by Israeli VCs were 43 percent of the total amount invested by Israeli VCs in 2007, equal to 2006 levels. The average First and Follow-on investments were \$2.48 million and \$0.89 million, respectively.

In the fourth quarter First investments made by Israeli VCs accounted for 33 percent of their investments, compared to 51 percent in the third quarter and 55 percent in the fourth quarter of 2006.

Israeli VC Activity in Foreign Companies

Israeli VCs invested \$50 million in foreign companies during 2007 (in addition to their investments in Israeli high-tech companies), compared to \$60 million in 2006 and \$95 million in 2005. Three of the 39 investments were First investments and the remainders were Follow-ons.

Capital Raised by Sector

In 2007, the **Communications** sector led capital raising with \$371 million or 21 percent of total capital raised, followed by the **Life Sciences** with \$351 million or 20 percent. “Particularly noteworthy were the **Semiconductor** and the **Internet** sectors” said Efrat Zakai, Director of Research at IVC. “Semiconductors garnered 19 percent of total investments in 2007 and 31 percent in the fourth quarter. The figures reflected, in part, MobilEye’s \$100 million round. The Internet sector, with \$257 million raised, has markedly increased its share of investment, which reached 15 percent in 2007. This compares with figures ranging from 2 to 5 percent in the last 5 years.”

Capital Raised by Stage

In 2007, 78 **Seed** companies attracted \$151 million, the highest amount raised since 2001. At 8 percent, the share attracted by Seed companies remained consistent with that of the previous four years.

In the fourth quarter, Seed companies attracted only 4 percent, compared with 7 percent in the previous quarter and 11 percent in the fourth quarter of 2006. **Late Stage** companies captured \$180 million or 36 percent of the total capital raised. This relatively high share was as a result of the \$100 million MobilEye round.

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

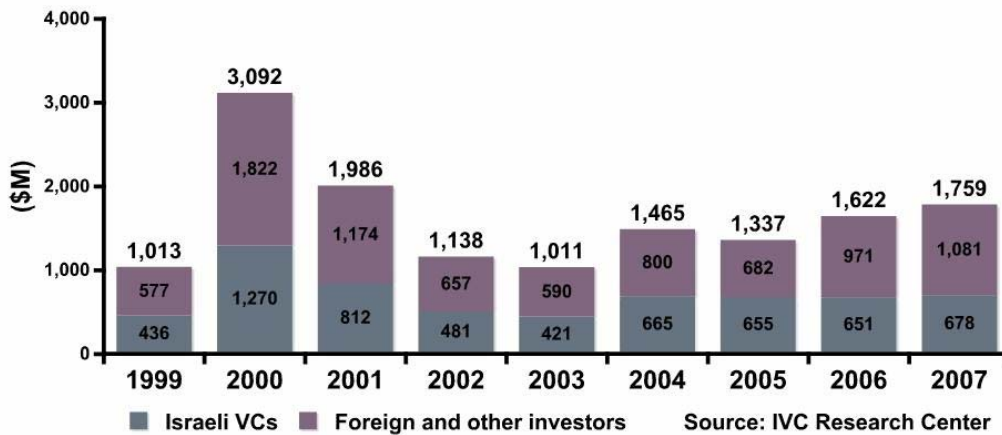
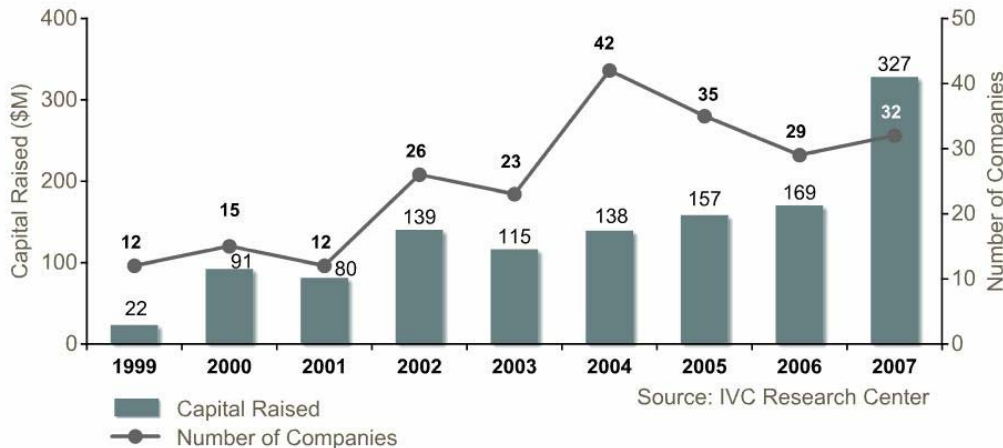


Chart 2: Capital Raised by Semiconductor Companies (\$m)



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