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Press Release

The Kesselman & Kesselman PricewaterhouseCoopers Money Tree™ Survey reports:

Continuing trend: Israeli high-tech companies raise a record-breaking amount – at least \$ 1.034 billion in the third quarter

Start-up companies raised more capital in the third quarter of 2000 than in the entire year 1999!

The average investment in companies unrelated to the Internet is continuing to rise – in the third quarter, the average investment in such companies was three times as high as the average investment in 1999

Tel Aviv, October 30, 2000 - Kesselman & Kesselman PricewaterhouseCoopers reports in its Money Tree™ Survey that a record level of investment in high-tech companies (investments where at least one of the investors is a venture capital firm) - \$ 1.034 billion - was achieved during Q3 2000, with 166 companies sharing these funds. This is an increase of 41% as compared to the record set in the previous quarter and an increase of 293% as compared to the third quarter of 1999. The investments in the third quarter of 2000 exceeded the total investments for the entire year 1999. Forty-four percent of all investments went to Internet-related companies in the third quarter of 2000, as compared to 54% in the first quarter.

Mr. Joseph Fellus, Partner and High-Tech Practice Leader in Kesselman & Kesselman PricewaterhouseCoopers, pointed out that, although the declines in the Nasdaq market have not reduced the rate of increase in investments in venture capital funds in Israel, they have reduced the relative weight of investments in Internet-related companies in total investments for the second consecutive quarter. This reflects the change in the attitude of investors, which is now somewhat more cautious.

According to the survey, the average investment of a local venture capital fund increased to \$ 1.4 million in the second quarter. This represents an increase of 8% as compared to the previous quarter (\$1.3 million). Moreover, the weight of local funds in total investments for the third quarter

increased to 30%, as compared to 29% in the previous quarter. The total amount invested by the local funds in high-tech companies was \$308 million, an increase of 36%, as compared to the previous quarter (\$226 million). The balance was invested by both foreign venture capital funds and the general public, which does not operate in the framework of venture capital funds.

The local funds invested \$144 million in initial stage investments (which constituted 54% of the total number of transactions) and \$146 million in further investments (which constituted 46% of the total number of transactions).

The average initial investment by a local fund in an Israeli high-tech company has remained steady at approximately \$1.4 million in the third quarter, as in the second quarter of 2000. This average is about 27% higher than the average initial investment in 1999 (\$1.1 million).

Analysis of these findings shows that the average investment of the type, defined as a "follow on" investment by local funds, increased to \$1.5 million in the third quarter, as compared to \$1 million in the previous quarters this year and \$0.6 million, on the average, for all of 1999.

Geographically, companies from Tel-Aviv and the central area remain the focal attraction for venture capital, with regard to both amounts invested and number of transactions. In the third quarter of 2000, about 71% of all investments were in the Tel-Aviv area, 15% in the Jerusalem area and 14% in Haifa and the northern area, with the south attracting only 1% of venture capital investment.

The Money Tree™ Survey has been carried out quarterly by Kesselman & Kesselman in Israel for the past four years, in conjunction with the surveys carried out in the United States and Europe by the largest accounting and consulting firm in the world – PricewaterhouseCoopers. Comprehensive results of the Money Tree™ Survey appear at the following Internet site: www.pwcmoneytree.com on November 15, 2000. Sixty Israeli and 7 American venture capital firms participated in the survey for Q3 2000. The results of the survey are used widely every quarter by Israeli and foreign venture capital funds, commercial banks, investment banks and other financial institutions in Israel and worldwide, Government Ministries, the Office of the Chief Scientist and others.

In the third quarter of the year 2000, there was a slight increase in investment in Internet-related companies (including companies from all industries whose product, service or technology has some bearing on the Internet). Eighty-nine Internet-related companies raised \$451 million (as compared to 73 companies and \$379 million in the previous quarter).

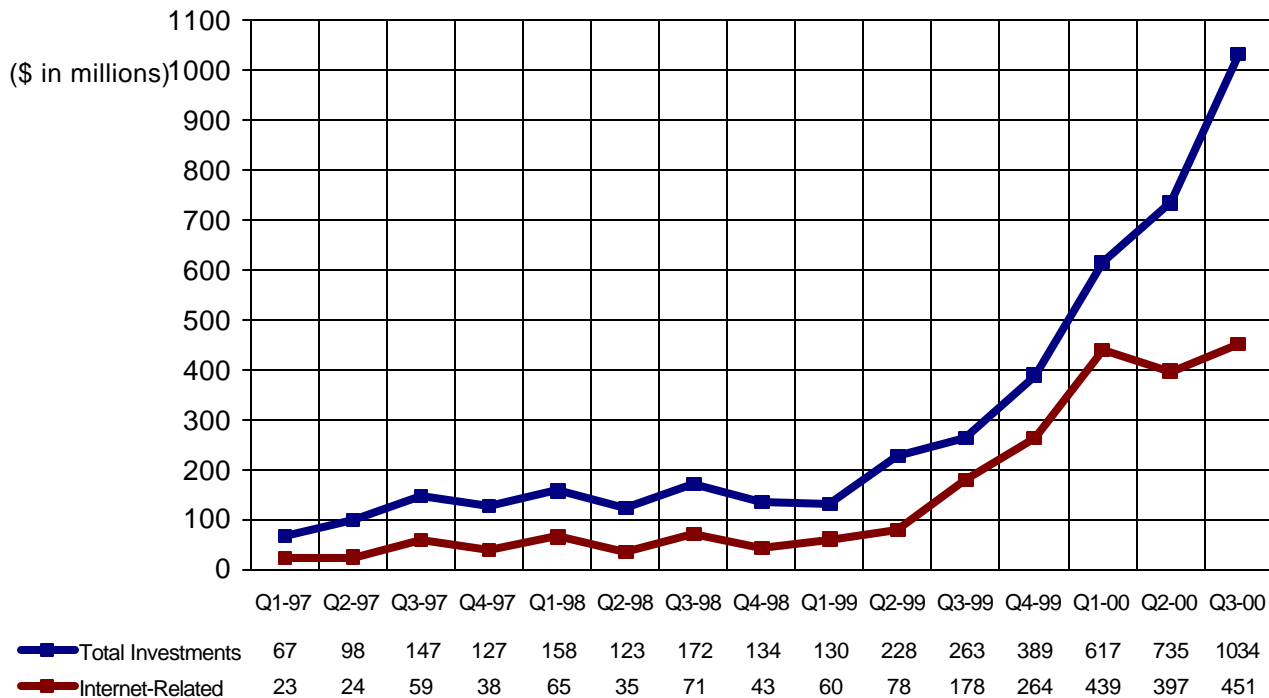
Nevertheless, it is important to point out that investments in Internet-related companies decreased to 44% of the total investments for the quarter, from 54% in the previous quarter.

There was a significant increase in the size and number of investments in companies that are not Internet related. In the third quarter, 77 such companies raised \$583 million (an increase of 72% in the amount invested and 38% in the number of companies, as compared to the previous quarter).

The average investment in Internet-related companies was \$5.07 million (as compared to \$5.43 million in the previous quarter, while the average investment in non-Internet-related companies was \$7.58 million (as compared to \$6.05 million in the previous quarter).

Investments in Internet-related companies constituted 44% of total investment for the quarter and were composed as follows: access/infrastructures segment – 38%, tools/applications segment – 37%, services segment – 18%, and the balance – to other segments.

Venture Capital Investment Level



Overview of Results

The communications industry leads investments in the third quarter

The fields of communication and software attracted about 50% of all investments in the third quarter of 2000 (33% and 17%, respectively). The communications industry attracted investments amounting to \$ 340 million, an increase of 133% as compared to the preceding quarter and an increase of 20% as compared to the entire year 1999. The number of communications companies that raised capital in the third quarter also rose sharply (40 companies, as compared to 22 in the previous quarter).

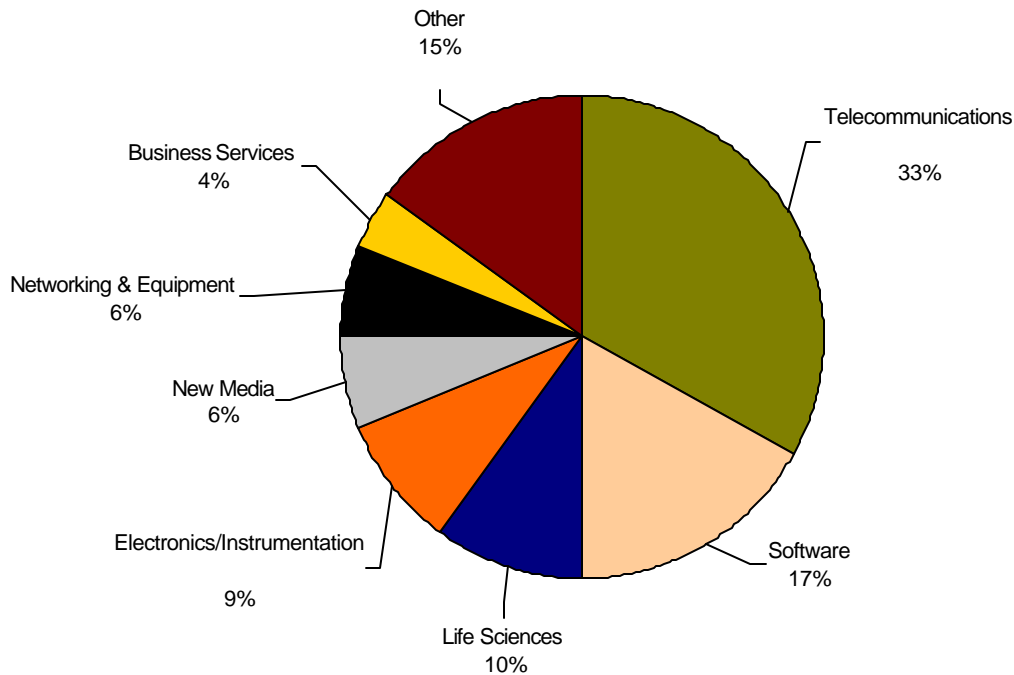
The investments in communications constituted 33% of total investments, which were composed as follows: about 57% in non-Internet-related companies (\$194 million), about 33% (\$114 million) in Internet-related companies specializing in access/infrastructure and about 7% in Internet services.

The software industry registered a 14% increase in the scope of investments as compared to the previous quarter (\$172 million, as compared to \$151 million), while the number of investments therein remained practically unchanged (31 versus 33). Two out of every three software companies that raised capital in this quarter specialize in the tools/applications field on the Internet.

The investments in New Media in the third quarter declined dramatically as compared to the previous quarter with regard to all parameters: total investments aggregated \$67 million, as compared to \$144 million in the previous quarter, the number of transactions was 21 as compared to 27, and the average investment was \$3.2 million, as compared to \$5.3 million.

The investments in Life Sciences totaled \$108 million, - 10% of all investments in other fields put together. The scope of investments and number of transactions in this field remained steady, with the exception of two especially large transactions that aggregated \$80 million together.

Venture Capital Investments By Industry – Q3-2000
(\$ in Millions)



Analysis of Rounds of Investment

Analysis of rounds of investment shows that 38% of all investments were in the second round, 8% were in the first round, and 5% in the Seed stage, with the remainder in other rounds. The number of bridge transactions almost doubled in the third quarter as compared two the previous quarter and almost tripled as compared to the first quarter of 2000. The average amount raised in these rounds remained at the level of about \$1 million.

The early stage (first and second rounds together) seems to be holding steady, both as to amount and as to number of transactions. However, if one looks at the components of this stage, one can perceive a slight weakening in investments in the first round in this quarter. If this trend continues, it will affect the entire market.

Mr. Joseph Fellus, Partner and High-Tech Practice Leader in Kesselman & Kesselman PricewaterhouseCoopers, expects bridge transactions to become a useful tool for financing companies, reflecting a certain hesitation to make large investments under conditions of uncertainty on the part of investors and allowing companies not to become diluted at the current price level.

Analysis of Transactions

- Thirty-six percent of the companies in which at least one Israeli venture capital fund invested raised an amount less than or equal to \$0.5 million.
- The total amount raised by 59 companies in this category was \$13 million (1% of the total investments in this quarter).
- In the first three quarters of 2000, most of the investments of less than \$0.5 million were in companies not related to the Internet (57% of the number of transactions in this category, as compared to 64% in 1999).
- Sixty-four companies raised over \$0.5 million and under \$5 million, the total amount raised thereby being \$155 million (15% of total investments for this quarter).
- 28 companies raised 27% of the total investments (\$283 million), each of which raising over \$5 million and under \$20 million.
- 56% of total investments (\$583 million) in the third quarter was raised by 15 companies, each of which raised over \$20 million.

Seed - The company's initial funding which typically comes from family and friends, though may include a few very early stage VCs.

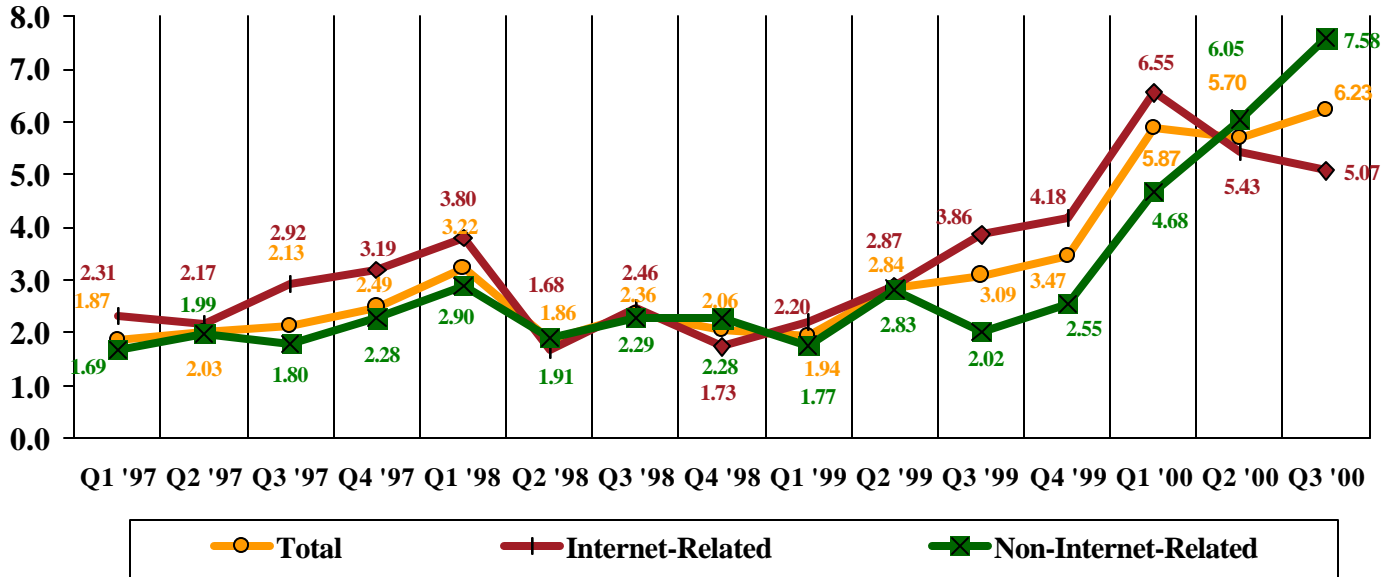
First - Third Round - The number of rounds the company has received, not including a seed round.

Expansion - Expansion capital, also known as growth capital.

Late / Mezzanine - Typically a round prior to a company going public, though not always.

Bridge - A loan, typically with warrants or other debt instruments.

Average Deal Size (\$ in millions)

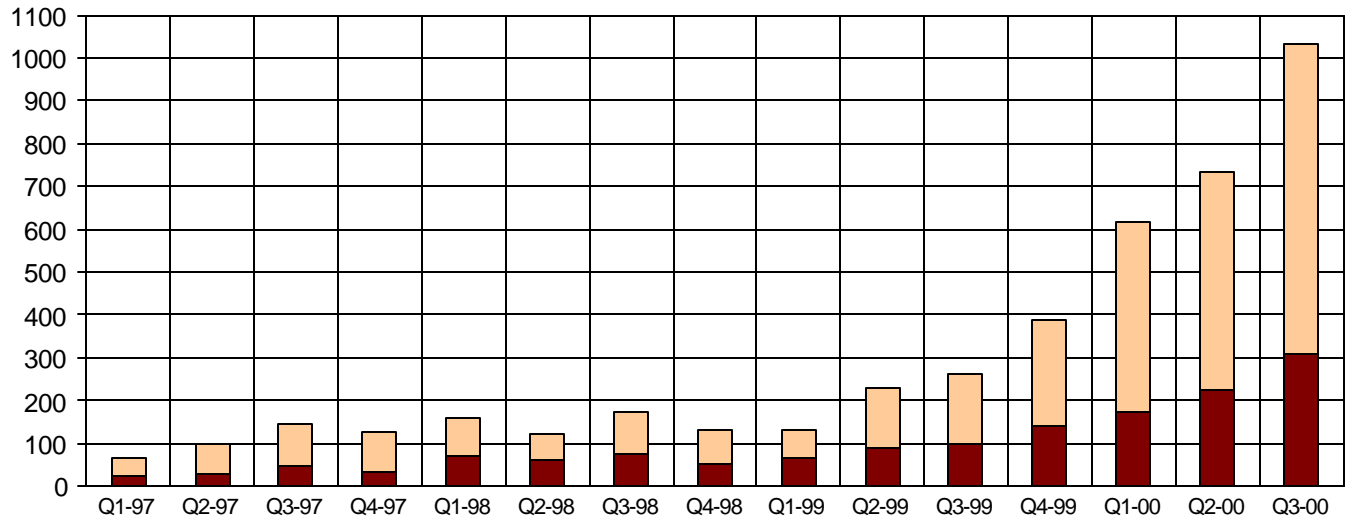


Summary of the results for the third quarter of 2000, by scope of investments, average investment and number of investments:

(\$ In Million)	Q3-00	Q2-00	Q1-00
Total Investments	1034	735	617
Average Deal Size	6.23	5.7	5.87
of Deals #	166	129	105

Total Amount Raised by Israeli Hi-Tech Companies

(\$ in millions)



Other sources	45	71	100	92	86	61	95	83	63	138	164	249	441	509	726
Israel VC's	22	27	47	35	72	62	77	51	67	90	99	140	176	226	308