

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

March 2016 Vol. XXXI Issue No.3

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The Eleventh Happiest Nation

In an internationally held study to determine the happiest nation in the world, Israel was found to be the eleventh happiest nation of the 146 countries surveyed. This ranking is surprising in view of the numerous terror attacks that the country undergoes.

There are 88,231 millionaires currently living in Israel, most of whom have a net worth of between \$1-5 million, according to the 2015 Global Wealth Report, published by Swiss investment bank Credit Suisse. Seventeen of these are billionaires.

Israelis who are subject to compulsory military service can look forward to economic security. No wonder Israel is a happy nation.

Outbrain acquires Reevee

The Israeli content recommendation company can now let publishers track revenue value of content in real-time.

In a surprising corporate move, content recommendation company Outbrain has acquired US content analytics company Reevee. No financial details were disclosed but as Los Angeles-based Reevee has only raised \$1 million, the acquisition price is unlikely to have been substantial.

Reevee's system allows publishers to track the revenue value of content in real-time. Using Reevee's technology, Outbrain has launched

Outbrain Automatic Yield - a content recommendation solution that enables publishers to monetize audiences with a real-time understanding of each piece of content. Time Inc. is the first media partner to implement Outbrain Automatic Yield and will initially roll out across Fortune and Entertainment Weekly, two of its core US properties.

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Outbrain CEO Yaron Galai said, "With the rise of social platforms and more prevalent ad blocking, publishers' core business is under fire. Through this acquisition, Outbrain will be providing media companies with the technology and data they need to track the value of all content in real-time, maximize their revenue streams and grow their audience."

Time Inc. SVP advertising Andy Blau added, "We are pleased to be working with a partner like Outbrain, a technology partner who understands our relationship to our consumers through premium content. Outbrain's latest innovations allow us to understand the value of our content. Increasing revenue by determining the value of our content is complex and Outbrain provides simple, effective tools."

The launch of Outbrain's Automatic Yield allows publishers - for the first time - to measure the revenue value of their content in real time. By integrating Revee's patent pending technology into Outbrain's content recommendations, Outbrain solves one of the core problems digital publishers have faced from the beginning: how to connect content programming and revenue delivery with a single piece of technology.

Indian gov't approves \$1.1b IAI Phalcon deal

Israel Aerospace will supply two aircraft equipped with Phalcon early warning systems for intelligence gathering, the Indian media reports.

The Indian security cabinet has approved an agreement with Israel Aerospace Industries Ltd. (IAI) (TASE: ARSP.B1) for the supply of two aircraft equipped with Phalcon early warning systems for intelligence gathering missions, the Indian media reports. The price for procurement of the planes was estimated at \$1.1 billion. Despite approval granted by the Indian security cabinet, the deal, which is significant for IAI,

has not yet been signed. Informed sources did not rule out the possibility that the deal itself would be signed on a visit to Israel by Indian President Narendra Modi scheduled for the coming months. IAI did not comment today on the Indian media report.

Informed Israeli sources nevertheless said that the negotiations between the parties on this matter had begun a number of years ago. IAI signed a different deal 12 years ago involving intelligence aircraft, and supplied three aircraft with Phalcon systems to the Indian air force for more than \$1 billion. Those systems were installed on the Russian Ilyushin IL-76 platform, after it was adjusted and advanced avionics and other systems were installed on it, including innovative radar systems developed and manufactured by IAI subsidiary Elta Systems.

India is considered one of IAI's most important customers. In addition to its procurement of the new intelligence aircraft, India is in prolonged negotiations with the company to buy Barak 8 defensive missiles adapted for deployment on

Israel High-Tech & Investment Report

Published monthly since January 1985

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Annual subscription \$95.- per year, for 12 issues,
Israeli residents add 17% VAT

Web Edition and Archives

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and for several hundred million dollars.

In the past, India already signed a major deal for the purchase of Barak 8 defense systems adapted to warships, and shared in the funding for the development program for these missiles. As part of the joint development program between IAI and the Indian defense research and development agency, tests of the naval version of the Barak 8 were recently conducted in India.

The battle for aerial refueling

At the same time, the air force is pressuring the Ministry of Defense in an attempt to persuade it to carry out the planned procurement of airplanes adapted for aerial refueling of fighters. The defense establishment is considering the procurement of Boeing's KC-46 refueling planes using US military aid money.

The KC-46 is a new plane, development of which is slated for completion only in 2-3 years. Sources inform "Globes" that senior IAI officials and some members of the IAI workers organization have been exerting pressure on the defense establishment to give preference to IAI's refueling planes. The planes offered by IAI were also made by Boeing, but are an older model, the 767-300, which under the IAI proposal will undergo a comprehensive upgrading and adaptation to aerial refueling missions suitable for the air force's needs.

Informed sources told "Globes" that two planes can be bought from IAI for the same cost as one of the planes Israel is considering buying from Boeing, and many jobs would be saved by boosting the business of the IAI Bedek Aviation Group, which has run into financial difficulties in recent years.

"It is rather strange for the defense establishment to prefer buying US refueling planes for the air force, while many countries around the world are buying refueling planes

from IAI. At this time, when IAI faces a crisis, it is right to consider the decision in depth, because if the Israeli air force does not buy the refueling planes from Israeli company IAI, what message does that give to the company's foreign customers?", an informed source told "Globes." It is believed that the deal for buying the future refueling planes will amount to several hundred million dollars.

Clinic on critical care

The study will focus on the feasibility of using the Israeli startup's analytics platform to predict patient deterioration from infection.

Israeli big data and intensive care analytics startup Intensix has signed an agreement with Mayo Clinic in the US to commence a study of early predictions of life-threatening complications in a critical care setting. The study will focus on the feasibility of using the Intensix platform to predict patient deterioration associated with infection in the ICU.

The pioneering Intensix platform applies machine learning on big data to produce accurate predictive clinical analytics which provide clinical, operational and financial benefits to ICU staff and management. The Intensix solution is intended to significantly improve clinical outcomes and reduce the average length of stay (ALOS) - benefits that lower the hospital's treatment costs and free up revenue-producing ICU beds.

Intensix CEO Gal Salomon said, "Our dynamic analytical engine and cutting-edge real-time predictive analytics have yielded a platform that is relevant for all stages of an ICU stay. We are pleased to cooperate with the prestigious Mayo Clinic to explore how harnessing the power of the Intensix platform affect clinical outcomes, increase quality care and reduce costs."

The Intensix mission is to provide healthcare

providers and administrators with high-accuracy predictive clinical analytics that improve clinical outcomes and reduce hospital costs. Their innovative analytics engine detects deterioration in real-time and delivers predictive warnings during all phases of a patient's ICU stay. Driven by innovative prediction models derived from Big Data analysis and an advanced high-dimensional analytics technique, the Intensix predictive platform has the flexibility to manage large patient populations without losing individualized treatment needs. The Intensix team represents decades of success in assisting healthcare institutions and other enterprises achieve their goals by exploiting breakthrough research and technologies.

Cisco to pay \$320 million for its 12th acquisition in Israel

Cisco Systems Inc. (Nasdaq: CSCO) has confirmed that it will acquire Israeli startup Leaba Semiconductor. Cisco head of M&A Rob Salvagno said, "Under the terms of the agreement, Cisco will pay \$320 million in cash and assumed equity awards, plus additional retention based incentives."

He said, "I am pleased to announce Cisco's intent to acquire Leaba Semiconductor, a venture-backed fabless semiconductor company based in Israel. Leaba is a team with a strong and successful track record of designing leading edge networking semiconductors that provide innovative solutions to address significant infrastructure challenges

Very few details are known about the Caesarea-based company, which was established in 2014, and operates in stealth mode. Its website says that "Leaba is a fabless semiconductor company providing innovative solutions for significant infrastructure challenges. Leaba is backed by blue-chip investors and led by seasoned entrepreneurs

and prominent technology experts. Leaba is assembling one of the best teams of engineering."

The company was founded as Arena Semiconductor by CEO Eyal Dagan and CTO Ofer Eini who set up and sold Dune Networks to Broadcom in 2009 for \$200 million. The pair received \$50 million from that deal.

Investors in Leaba reportedly include Pitango Venture Capital and Bessemer Venture Partners, which hold 13% and 15% respectively, while Dagan and Eini hold only a 2% stake each. 53% of the company is held in trust and it is not clear who holds these shares.

This is Cisco's 12th acquisition in Israel, the most recent one being that of Ra'anana-based self optimization network software company Intucell for \$475 million in 2013.

Cisco said, "Cisco is continually examining the best options that will allow it to provide future needs for the market, including, companies related to semiconductors. We check various strategic options including: acquisitions, partnerships and integrations. When there is any news, we will report it in the acceptable fashion.

ReWalk shares soar after win with US military

ReWalk, which has developed a robot device for those with spinal cord injuries as a replacement for a wheelchair, is traded at a \$127 million market cap. The company held its IPO in September 2014 at \$12 a share, and its shares have had a negative 12.7% return since then. The company share price soared to a peak of over \$37 following the offering.

At its low point, the share was traded at \$5.80, but the share again surged after the US

Department of Veterans Affairs (VA) issued a national policy for the evaluation, training and procurement of ReWalk personal exoskeleton systems for all qualifying veterans. ReWalk finished 2015 with \$3.7 in revenue and a \$23.1 million non-GAAP net loss. The company's CEO is Larry Jasinski.

ReWalk readies for \$147m Nasdaq secondary offering

The robot medical device wheelchair replacement developer's planned offering includes a \$47 million sale by shareholders.

Ra'anana-based medical devices company ReWalk Robotics Ltd. (Nasdaq:RWLK) is revising its shelf prospectus for a debt offering of up to \$100 million. That prospectus was issued in October, but the company has since begun reporting as a US company, and is therefore revising its shelf prospectus to comply with the rules applying to its new status.

Under the revised version, in addition to a possible \$100 million debt issue, company shareholders can sell 4.4 million shares at their current value of \$47 million. ReWalk says that it plans to use the money from the issue (if it takes place) for general business needs. ReWalk recently ensured itself a \$20 million line of credit from the Kreos Capital fund, of which it has already used \$12 million. At the end of 2015, before the line of credit was obtained.

Melodea develops nano-crystalline cellulose based products

Rehovot-based Melodea Ltd., which develops nano-crystalline cellulose based products, has won the Nanotechnology Innovation of the Year Award at the Nanolsrael 2016 conference.

Melodea has developed a proprietary technology

for the economically viable industrial-scale extraction of nano crystalline cellulose (NCC) from side streams of the paper industry and wood pulp. In addition, the company develops unique technologies for producing NCC based materials such as high oxygen barrier films for packaging, additives for packaging materials, water-based adhesives, paints and ecologically-friendly foams for composites, transportation and construction.

NCC generates much excitement due to its unique properties, and is considered the new high-tech material of the forest industry. It bears a huge promise as a green and safe alternative to fossil oil based materials. NCC is abundant, renewable and produced from waste of the paper industry. In Europe alone, eleven million tons of paper production waste is produced annually.

Future uses of NCC are expected to include production of high-performance reinforcing materials, biodegradable plastic bags and textiles; electrically conductive paper; new drug-delivery technologies; transparent flexible displays and even as part of the food industry.

Melodea was founded by Professor Oded Shoseyov and Dr. Shaul Lapidot (CEO) both from the Robert H. Smith Faculty of Agriculture, Food and Environment, the Hebrew University of Jerusalem, together with Tord Gustafsson, a Swedish industrialist and expert in the composites industry, as a spin-off of Yissum, the technology transfer company of Hebrew University of Jerusalem. The company has a strategic collaboration with Holmen, a leading Swedish manufacturer in the forest based sector, which is also one of its major shareholders. The launch of Europe's first NCC pilot facility, located in Sweden and based on the Melodea's technology, is expected by the end of 2016.

Dr. Lapidot said, "We are honored to be chosen by a panel of experts as the best

nanotechnology innovation of the year. In the past year, we have made significant advancements in collaboration with our strategic partner, towards commercialization of our NCC based technology for production of novel eco-friendly materials."

Yissum CEO Yaacov Michlin said, "Melodea encompasses a winning combination of outstanding technology originating from the Hebrew University with a leading international industry partner. The company, that was founded and operates within the University, reflects the innovation and attractiveness of nanotechnologies originating from the Hebrew University."

Intel buys 360° instant replay startup for \$170m

The Tel Aviv startup is developing technology to let audiences at home or directors in the studio see replays at any angle they want. It's Intel's third big Israeli acquisition in the last few years

Just a week ago, the young sports company Replay Technologies announced it reeled in \$13.5 million for what seems like the ultimate tech for the obsessive sports fan: Matrix-like instant replays from any angle. What no one could have expected was the round would be so successful that they would actually be exiting stage just seven days later as Intel has announced they are acquiring the company for \$170 million.

Replay's service relies on stationing 20 high resolution 5K cameras in a given arena or stadium, from which viewers can do their own analysis of events during the game. It's a referee's worst nightmare, but a fan's 7th heaven. FreeD, the company's flagship product, relies on 20 cameras being strategically placed around a sports venue to capture every instant of a game which then stitches all those

images together to let viewers or producers replay or broadcast events during the game. The company uses special 3D pixels known as "voxels."

"We are very excited about the deal and believe it will contribute to both companies. The strategic pairing between our two companies makes for a powerful combination," Replay CEO Oren Yogev said in a statement. The company had raised \$27 million up until now from the likes of the Dallas Mavericks' owner Mark Cuban, Deutsche Telekom Capital Partners, Samsung Ventures and Guggenheim Partners. They had been valued at \$100 million, making this a win for the company. Intel's been smitten by the company's tech for a few months now. Intel CEO Brian Krzanich chose to feature them in his address to CES in Las Vegas back in January. That gave Intel the chance to brag about Replay's use of Intel's high performance computer (HPC) that was capable of processing the startup's voxel-heavy data.

Accelmed portfolio company

The Accelmed portfolio company has developed a novel system for the treatment of pulmonary arterial hypertension.

Israeli startup SoniVie, which has developed a novel system for the treatment of pulmonary arterial hypertension (PAH), announced that it has successfully completed the first two procedures for its First In Human (FIH) multi-center clinical trial.

Based in Rosh Ha'ayin, SoniVie has developed a dedicated therapeutic catheter (TIVUS - Therapeutic Intra-Vascular Ultrasound) that offers a unique treatment for PAH, a progressive and fatal illness with no cure, to date. Patients with this disease have an average life expectancy of five years. Procedures were performed as part of a clinical study which will include 15 patients in leading centers in

Europe (Belgium, UK, Austria) and Israel with a 1 year follow up period. The first procedures were performed by Dr. Pr. Jean-luc Vachery, at HTMpital Erasme, Brussels Belgium, a large center in Europe for the treatment of pulmonary hypertension.

SoniVie was founded by Israeli medical device investment fund Accelmed,. Following the recommendation of Accelmed cofounder and chairman Mori Arkin, and leading cardiology experts, technology originally developed for renal denervation to control systemic blood pressure for CardioSonic Inc., was identified and spun out into the field of pulmonary hypertension. Dr. Martin Leon from the Center for Interventional Vascular Therapy Columbia University Medical Center/New York-Presbyterian Hospital, a cardiologist who is considered the world's most influential interventional cardiologist, is Sonievie's medical director. To date, Accelmed has invested \$3 million in SoniVie.

Pulmonary hypertension results in stiffening of the lung's small blood vessels. This causes elevated pulmonary-artery pressure leading to deteriorated functioning of the heart, and an average survival rate of five years. In the US alone there are five million patients suffering from PAH while current drug treatments are suited only to a small sub group of several tens of thousands of patients. The market potential is estimated at \$6.5 billion.

SoniVie's TIVUS catheter is inserted into the pulmonary artery, in a catheterization procedure, and selectively damages nerves associated with disease activity without touching the vessel walls or damaging the adjacent tissues. This treatment may significantly slow down the disease progression.

SoniVie CEO Assaf Bernstein said: "We are excited about the completion of the first two therapeutic procedures in patients. The clinical team will monitor the patients in accordance

with the clinical protocol and we hope to report clinical improvement in these patients and others over the coming year."

In October 2015 SoniVie won first prize in the innovative companies' competition at the TCT 2015 - most meaningful interventional cardiology conference held in the US.

Israeli Scientists Claim Breakthrough in Development of "Bionic" Heart

Ideally, patients wouldn't need a doctor and the cyborg hearts beating in their chests will operate themselves.

In the foreseeable future, heart patients will walk among us with hearts that have brains. Tel Aviv University researchers recently presented impressive progress in what one might call the "bionic heart."

In research published in Nature Materials on Monday, the team, headed by Dr. Tal Dvir, presented their new development: Smart tissue will be transplanted into patients, which will be able to monitor and regulate tissue function. It will help the heart beat and intervene when it's not functioning properly, and provide an exact and regular report to the patient and cardiologist.

The tissue, which is interwoven with electronic particles, will also know how and when to release anti-inflammatory drugs - all in real time.

Dvir and his team also revealed the first tissue of this bionic heart. At this stage, it is a cardiac patch that's made of heart muscle cells, biomaterial and nano-composite fibers that allow online monitoring of the engineered-tissue function. The tissue itself is part of a larger system that includes algorithms for managing heart failure.

"At this point, we have developed heart muscle

tissue with enhanced capabilities," Dvir told Haaretz. "The idea is to create a complete heart with living tissue that integrates nano-electronics to preserve it in a good functioning state."

In parallel, the team has also started work on an equally ambitious project using a 3-D printer to print a complete bionic heart - including atria, chambers, valves and blood vessels, alongside miniature electronic components.

Heart diseases are the leading cause of death in the West, with heart attacks being most prevalent. "Statistics show that 50 percent of those who suffered serious heart attacks will die within five years," noted Dvir. "What we are trying to do is invent alternative tissues to internal organs in general, and to engineer heart tissue specifically. Today, if somebody suffers a serious heart attack, there is not much to do other than perform a heart transplant. Since there's a shortage of donors, we're trying to engineer new alternatives in our lab - and build new tissues."

The waiting list for heart transplants in Israel at the end of last year was 73. (The list is restricted to those below the age of 65.)

In general, the tissue is made up of cells and an extracellular matrix, which connect the cells chemically, mechanically and electrically.

"In practice, the extracellular matrix turns the collection of cells into functioning tissue," explained Dvir. "We in the lab are trying to synthetically reproduce the extracellular matrix. We learn the various traits of the biological tissue, and then use reverse engineering."

The latest and most ambitious development by Dvir and doctoral student Ron Feiner is integrating electronic components into engineered tissue. "The idea is to monitor heart activity online using nano-electronics, and when necessary regulate the engineered tissue

activity - and even to release drugs at the push of a button with the help of special polymers we developed," said Dvir.

"For example, if the tissue signals that there is an inflammation, we can release an anti-inflammatory drug. If the tissue reports a lack of oxygen, we can release bio-factors that attract stem cells to build additional blood vessels, all in real time. The patient is sitting at home and doesn't feel well. The doctor receives a beeper message, logs on and sees the heart's condition. He decides what to do from afar."

Ideally, the patient doesn't need a doctor and the bionic heart that's beating in his chest operates itself. "You can write him a program, code that shows him how to act," said Dvir. "For example, when the engineered tissue feels less than 60 contractions a minute, it delivers the signal to contract at the desired frequency. You don't need to wait for a doctor."

Dvir believes the research allows scientists to finally start talking about engineering self-regulating tissue, which he calls "cyborg tissue" because it combines living and mechanical elements.

The initial testing was conducted on rats. "The signaling system worked well. We succeeded in receiving information on heart activity via the computer, controlling the heart's rate and carrying out other activities," said Dvir. The next testing stage is on pigs, in the hope that they'll pave the way for clinical trials on humans.

Blood test breakthrough promises a revolution in diagnostic medicine

A blood test developed at the Hebrew University and Hadassah-University Medical Center using patterns of circulating DNA from dying cells can detect diabetes, multiple

sclerosis, pancreatic cancer, pancreatitis and brain damage, opening up vast possibilities for diagnostic medicine.

The advance was published in Proceedings of National Academy of Sciences and performed by an international team led by HU's Dr. Ruth Shemer and Prof. Yuval Dor from HU and the hospital's Prof. Benjamin Glaser.

Testing a total of 320 patients and controls, researchers developed a blood test that can detect multiple pathologies, including diabetes, cancer, traumatic injury and neurodegeneration in a highly sensitive and specific manner.

The novel method identified cell death in specific tissue from methylation patterns of circulating DNA that is released by dying cells.

The DNA of each cell type carries a unique chemical modification called methylation, a process in which methyl groups are added to DNA and change its function.

The methylation patterns of DNA account for the identity of cells (the genes that they express) are similar among different cells of the same type and among individuals and are stable in healthy and disease conditions. For example, the DNA methylation pattern of pancreatic cells differs from the pattern of all other cell types in the body.

The blood test detects cell death in specific tissues by combining two important biological principles. First, dying cells release fragmented DNA to the circulation, where it travels for a short time. This fact has been known for decades, but because the DNA sequence of all cells in the body is identical, it has not been possible to determine the tissue of origin of circulating DNA, and simple measurement of the amount of circulating DNA is of limited use.

The researchers identified multiple DNA sequences that are methylated in a tissue-specific and can serve as biomarkers for the detection of DNA derived from each tissue. They then developed a method to detect these methylated patterns in DNA circulating in blood, and demonstrated its utility for identifying the origins of circulating DNA in different human pathologies, as an indication of cell death in specific tissues. They were able to detect evidence for pancreatic beta-cell death in the blood of patients with new-onset type 1 diabetes, oligodendrocyte death in patients with relapsing-remitting multiple sclerosis, brain-cell death in patients after traumatic or ischemic brain damage, and exocrine pancreas cell death in patients with pancreatic cancer or pancreatitis.

"Our work demonstrates that the tissue origins of circulating DNA can be measured in humans. This represents a new method for sensitive detection of cell death in specific tissues, and an exciting approach for diagnostic medicine," said Shemer, a DNA methylation expert and one of the lead authors of the new study.

"In the long run, we envision a new type of blood test aimed at the sensitive detection of tissue damage, even without a priori [independent of experience] suspicion of disease in a specific organ. We believe that such a tool will have broad utility in diagnostic medicine and in the study of human biology," said Benjamin Glaser, head of the hospital's endocrinology department and another lead author of the study.

Howard Cedar, a study co-author, commented that the paper "presents a completely new approach to diagnosing diseases with enormous potential. It's based on an ingenious idea that one can detect tissue-specific DNA in the bloodstream by taking advantage of the fact that each tissue has a unique methylation pattern. The method can be used to detect cell

death in the body and therefore reveal many different diseases even before the symptoms appear."

FIMI buys 50% Unitronics stake for NIS 110m

FIMI is buying the automation solutions and logistics systems company at a 30% premium on its market price.

FIMI Opportunity Funds today announced the signing of an agreement to acquire 50% of Unitronics Industrial Automation Ltd. (EuroNM: UNITB; TASE: UNIT) for NIS 110 million, NIS 60 million of which will be injected into the company in order to enhance its growth. The investment will be at a share price of NIS 16, reflecting a 30% premium on the market price.

Unitronics CEO Haim Shani will still own 22% of Unitronics' shares, and will continue as its CEO. The parties have signed a joint control agreement.

Upon the report of the deal, FIMI senior partner Gillon Beck said, "Unitronics fits in well with FIMI's investment strategy: it has unique products and solutions, export-oriented sales, proven experience, and growth engines. We are convinced that with the help of management and the employees, we will bring the company to new peaks."

Shani added, "We're confident that Unitronics will benefit from FIMI's vast experience in improving companies and increasing their value. Cooperation between FIMI and the company will provide us with the momentum needed to continue developing our growth engines in automated parking solutions and programmed controllers and consolidate Unitronics' status as a global leader in its field."

Unitronics engages in three main spheres:

designing, producing, and marketing of industrial automation products, especially programmed controllers; designing, building, and maintaining automated logistics systems, especially automated warehouses; and designing, producing, and marketing robot parking solutions.

In recent years, the company has developed automated parking technology that includes a system of robot units. The system is managed through special software designed to facilitate effective automated storage of vehicles in a parking lot and their rapid removal at the end of parking.

Elbit Systems reports higher revenue and profit

Revenue rose to \$3.108 billion and non-GAAP EPS to \$5.67 in 2015, while the year-end order backlog was a record \$6.564 billion.

Israeli Defense company Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT) reported its fourth quarter and full year 2015 results this morning. Annual revenue rose to \$3.108 billion from \$2.958 billion in 2014. Elbit said that the leading contributors to revenue were the airborne systems and C4ISR systems areas of operations. The increase in the land systems area of operation was primarily due to increased revenues from tank fire control systems and electro-optic night vision systems sold to Asia-Pacific. Revenue from C4ISR systems decreased slightly due to decline in sales of command and control systems, mainly for homeland security applications in Latin America.

On a geographic basis, there was a rise in revenue in Asia-Pacific, mainly due to increased sales of tank fire control systems and electro-optic night vision systems to this region. A decrease in Latin America was a result of lower sales of command and control

systems, mainly for homeland security applications.

Elbit reported a non-GAAP gross profit of \$927.0 million (29.8% of revenue) for 2015, which compares with \$846.7 million (28.6% of revenue) in 2014. GAAP gross profit in 2015 was \$897.1 million (28.9% of revenues), compared with \$825.1 million (27.9% of revenues) in 2014.

Non-GAAP net profit attributable to the company's shareholders for 2015 was \$242.4 million (7.8% of revenue), which compares with \$201.2 million (6.8% of revenue) in 2014.

On a GAAP basis, net profit attributable to the company's shareholders in 2015 was \$202.5 million (6.5% of revenue), which compares with \$171.0 million (5.8% of revenue) in 2014.

Non-GAAP diluted net earnings per share attributable to the company's shareholders in 2015 were \$5.67, which compares with \$4.71 for 2014. GAAP diluted net earnings per share attributable to the company's shareholders in 2015 were \$4.74, which compares with \$4.01 in 2014.

At the end of 2015, Elbit had a backlog of orders totaling \$6.564 billion, compared with \$6.265 billion at the end of 2014. Approximately 68% of the current backlog is attributable to orders from outside Israel. Approximately 68% of the current backlog is scheduled to be performed during 2016 and 2017.

Operating cash flow in 2015 was \$434.8 million, compared with \$177.8 million in 2014. The company said that the increase in operating cash flow was mainly a result of increased collection and advances received from customers.

In the fourth quarter, revenue totaled \$886.6 million, which compares with \$850.3 million in

the fourth quarter of 2014. Non-GAAP net profit attributable to the company's shareholders in the fourth quarter of 2015 was \$74.2 million (8.4% of revenue), compared with \$52.8 million (6.2% of revenue) in the fourth quarter of 2014. GAAP net profit attributable to the company's shareholders in the fourth quarter of 2015 was \$63.0 million (7.1% of revenue), which compares with \$44.0 million (5.2% of revenue) in the fourth quarter of 2014.

Non GAAP diluted net earnings per share attributable to the company's shareholders were \$1.74 for the fourth quarter of 2015, which compares with \$1.24 for the fourth quarter of 2014. GAAP diluted earnings per share attributable to the company's shareholders in the fourth quarter of 2015 were \$1.47, compared with \$1.03 in the fourth quarter of 2014.

Elbit Systems president and CEO Bez halel (Butzi) Machlis said, "We are pleased with our solid 2015 results. We saw growth in revenues, strong cash generation as well as an increase in net profit, driven by improved margins across the business. Furthermore, we ended the year with a record backlog standing at \$6.6 billion. The solid increase in our backlog over the past few years has led to the current growth trend in revenues, while the efforts we have taken to ensure efficient operations and enhance synergies among our business units have enabled us to steadily improve our profitability. All this indicates a strong and healthy business going forward.

"In 2015, we witnessed a strong renewal of interest in our technologies and defense solutions in Europe, recently winning a number of important contracts in the region, which creates the potential for additional growth in this important market. Our results also reflect strong performance in Asia-Pacific, a region with emerging defense requirements that has been a strategic focus for us in recent years."



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