

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES  
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## The Mournful Sirens are Silenced

The mournful sounds of sirens marking Holocaust and Memorial Days, are silenced.

Israel's Independence Day began the minute Israel's Memorial Day ends. The switch from sorrow to joy is quite sudden and dramatic. There are few Israelis who have not lost a member of their family or a friend. Memorial Day began on Monday, May 1 evening with a minute-long wail of the sirens. The country was paying tribute to 22,123 men and women who have fallen since 1860, when Jews first started building communities outside the walls of Jerusalem's Old City. Thousands of bereaved families, at all the military cemeteries, visited the graves of their loved ones. In the past year, another 138 members of the Israeli security forces have lost their lives.

The loss is irreplaceable. It is nearly a quarter century since the "last war" but peace is no closer. Qasam rockets, thankfully not effective, land on the outskirts of Ashkelon. The nightmare exists that they may improve their ballistics and that a Qassam may fall in the heart of the city.

Suicide bombers still find chinks in Israel's borders and deal out death.

The Palestinians now have a new government that preaches Israel's demise and does not honor previous commitments.

Hope springs eternal in the human breast as we go back our daily chores.

When Independence Day comes, we stop and take note of Israel's many positive achievements. What began as a desire to transform a mostly barren land into a modern state became a key factor in Israel's scientific inquiry and technological development. The country has transformed itself into a technology mini-giant that has produced satellites, blockbuster drugs, drones and an agricultural sector which can take pride at its place among the nations of the world. Israeli wines are garnering prizes in France. Four Israelis have won Nobel Prizes in the last three years.

The future should be bright but it is still somewhat

murky. A new Government has been formed but it is the least experienced Government in the history of the country. The top percentile of the population is wealthy and corporate executives are being paid salaries that could be the envy of their American counterparts. The problem of poverty is unresolved. It is a gnawing issue of which much is said but not enough done.

With Independence Day come and gone with its celebrations. We still yearn for the fulfillment of the

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prophetic “They shall beat their swords into plowshares, and their spears into pruning-hooks; nation shall not lift up sword against nation, neither shall they learn war any more”.

## Warren Buffett invests \$4b. in Iscar



Billionaire investor Warren Buffett is acquiring 80 percent in Iscar Metalworking Companies, a property of the Wertheimer family, for \$4 billion in cash. The move represents Buffett's first major acquisition of a company outside of the United States.

Iscar is a private company which manufactures advanced cutting tools and is internationally renowned for its line of milling and turning products. The company's factories are situated in the Tefen industrial zone in the Galilee which was founded by Stef Wertheimer. Iscar also owns and operates factories in countries around the world.

Buffett, who is chairman and chief executive officer of the investment firm Berkshire Hathaway, believes in the quality of Iscar's management team, all of whose members are expected to remain in their posts, including President and Chief Executive Officer Jacob Harpaz, a press release said.

Eitan Wertheimer, the son of the company's founder Stef Wertheimer and who is credited with leading it to new heights of success, will also remain with Iscar in his capacity as chairman of the board.

“We are delighted to partner with the Wertheimer family and IMC's current management, led by Eitan Wertheimer and Jacob Harpaz,” Buffett said in a press release issued to the media early Saturday. “As a truly international business, IMC is a top performer in its industry, with exposure to European, Asian and Latin American markets, as well as significant opportunities for growth as it continues to penetrate the North American market.”

“My partner, Charlie Munger, and I have been impressed by IMC's simple and profitable business model. With this acquisition, we have the benefit of investing in a stable business with very significant growth prospects.”

“As a member of the Berkshire family we'll have the benefit of a strong platform that's committed to continuing our historical success,” said Eitan Wertheimer. “This transaction is not only significant for our company, our customers and our employees, but also for our industry, and for the State of Israel.”

Steff Wertheimer the founder of Iscar was born in Germany and arrived in Israel while still a youth.



A product of the Tel-Aviv public school system at 14 he became a high school drop out. His multi-lingual abilities as well as his knack for making a technical process simple belie his very modest educational achievements, At 17 he joined the Royal Air Force and subsequently he

became a member of the Palmach, one of the elite units of the Hagana. In 1952 at the very ripe age of 26, Wertheimer had finished his army career and went about the problem of earning a living. That same year he set out to make carbon tipped tools for the local market. Lacking funds he contracted out whatever orders he was able to get. His manufacturing premises

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consisted of a 10 x 12 foot shack. His products found a ready market and after four years he was able to make a tie up with an American firm which supplied him with powders and know-how. Expansion was rapid and the work force expanded, as well.

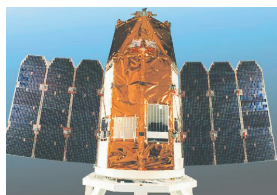
He served four years as a member of the Knesset, Israel's parliament but was disappointed with his inability to get his free market ideas accepted.

Wertheimer was always a staunch supporter of Israel-Arab relations and championed the establishment of joint industrial center.

At this year's Independence Day ceremonies he was honoured as one of the torch bearers.

The Iscar Metalworking Companies provide a comprehensive range of tools for the full scope of metalworking applications. The group is dedicated to a philosophy of continuous improvement and innovation in all facets of its operations, including manufacturing, product development, distribution, sales, and administrative functions. IMC's products are manufactured in a global network of world-class, technologically advanced manufacturing campuses, the largest located in Tefen, Israel, and including facilities in the United States; Korea; Brazil; China; Germany; India; Italy and Japan; and sold through subsidiary offices and agents located in 61 major industrial countries worldwide.

### Israel launches satellite



The ImageSat company launched the Eros B high-resolution reconnaissance satellite from Siberia. The Eros B satellite was launched from a mobile pad at the Svobodny cosmodrome in the Far East.

About 20 minutes later from its launch, the satellite successfully reached orbit, Russian news agencies reported, citing the space forces' news service.

"The Israeli satellite reached its target orbit and has been transferred to the client's control," a Russian spokesman reported. Photographs were of "excellent" quality, according to the control room of the company, which launched the Eros B satellite.

The ground control station, located in the Israel Aircraft Industries (IAI) complex in Yehud, will be able to control the satellite's navigation and keep it stationed for an extended time over particularly sensitive targets such as the Iranian nuclear reactor, which is too far for Israeli drones to reach. The satellite, which Israeli companies were involved in developing, will also be able to provide images of launch sites for long-range Iranian missiles.

The Eros B satellite will be joining the Eros A, which was launched by ImageSat aboard a Russian Start-1 launch vehicle on December 5, 2000. In contrast to the Eros B, its predecessor can distinguish between images only if they are at least 1.5 meters apart.

The satellite is designed to spot images on the ground as small as 27 1/2 inches, an Israeli defense official said. That level of resolution would allow Israel to gather information on Iran's nuclear program and its long-range missiles, which are capable of striking Israel.

The satellite, which can remain in orbit for six years, can photograph the same spot on the Earth once every four days, according to ITAR-Tass.

"The most important thing in a satellite is its ability to photograph and its resolution," the official said, speaking on condition of anonymity because of the sensitive subject matter. "This satellite has very high resolution, and Israel Aircraft Industries has a great capability to process information that is relayed."

### ImageSat set to lift off to the NASDAQ

Satellite imaging provider ImageSat is planning its NASDAQ debut at a company value of half a billion dollars during the coming year.

The company's planned issue will be based on the results of its new imaging and intelligence satellite, Eros B, which it launched recently.



ImageSat was founded in 1997 and is owned by the Israel Aircraft Industries (42 percent), Elbit Systems (8 percent) and various foreign investors. It owns and operates its satellites and derives its income from the sale of the images for both military and civilian uses. A month ago the company issued \$30 million in bonds.

Its first satellite, Eros A, was launched five years ago on a Russian rocket, and is expected to remain active

in space for another five years. ImageSat chose the Russian option over a U.S. one for two reasons: a lower price and a higher success rate for the Russians in satellite launches.

ImageSat CEO Shimon Eckhaus said the cost of building and launching a satellite is \$100 million: 70 percent is for the satellite, 10 percent for the launch, and the remaining 20 percent is for launch insurance. An international consortium insures the satellite.

ImageSat is registered in the Netherlands Antilles and its headquarters is in Tel Aviv.

### **Diamond industry launches technology wing**

The Israeli diamond industry has inaugurated a new technology wing on the floor of the Israel Diamond Exchange. The wing is equipped with the most advanced technology available today for polished and rough diamond trading, and industry leaders have promised that additional advances will be introduced as they become available.

The Technology Wing includes instruments for examining, mapping, photographing and laser marking of diamonds, produced by leading Israeli companies such as Sarin, Ogi and Diamonds View. It will enable diamantaires access to this expensive equipment, much of which is beyond the reach of many diamond companies, and within the secure confines of the diamond complex. The new wing was the initiative of the Diamond Exchange, while most of the technological equipment was made available by the Israel Diamond Institute (IDI).

“This is the first room of its type at any diamond bourse in the world. Our goal is to better serve our members, especially the younger generation and the smaller diamond companies. We hope this will set a precedent that will be copied by other diamond exchanges,” explains Avi Paz, President of the Israel Diamond Exchange.

Simcha Lustig, Chairman of the Israel Diamond Institute, says that he believes that this new wing will make an important contribution to the entire Israeli Diamond Industry. He promised that IDI will ensure that the wing will continue to be outfitted with the latest technological advances.



### **Ormat Completes its First US Solar Power Plant**

Ormat Technologies, Inc. (NYSE:ORA) announced that its wholly-

owned subsidiary, Ormat Nevada, Inc., completed the Engineering, Procurement and Construction of a 1 MW rated Ormat® Energy Converter for the APS Saguaro Solar Facility. Arizona Public Service Company is Arizona's largest and longest-serving electric utility, supplying electricity to more than one million customers in 11 of the state's 15 counties.

This project, the first solar trough power plant in Arizona, was implemented by APS in collaboration with Solargenix Energy, Ormat, and others, and it is the first project to combine solar trough technology with a specially designed Organic Rankine Cycle based OEC power block, similar to the type used by Ormat in geothermal and recovered energy power generation applications.

The Ormat shares (NYSE:ORA) continue to be among our favorite choices among Israeli equities.

### **Israel promotes water technology in China**

Nine Israeli high-tech water companies headed by Israel National Water Co. voiced their interests in China's fast-growing water-treatment market at a Water Expo in Beijing on Wednesday.

Israel is willing to share with China its wealth of experience in water management and production accumulated over the past seven decades, said Dr. Yehoyada Haim, Ambassador of Israel to China.

In response to dry weather and water shortages, Israel has developed a variety of high-tech technologies including methods of desalination and irrigation.

Booky Oren, board chairman of the Israel National Water Co., said technology is the only way to solve water problems. Currently there are more than 100 water companies in Israel, which produce 25 percent of the water consumed in the country.

The proportion is expected to increase to 40 percent in five years, said Oren.

Israel leads the world in desalination. Oren said. IDE Technology Co., and the Veolia Water in France fund about 31 desalinators in Israel, including the world's largest jointly.

Oren hopes more Israeli companies will cooperate with Chinese companies in desalination in the future.

"Maybe one day the world's largest desalination facility will move to China," he added.

Oren said China's potential water treatment market would offer great business opportunities for Israeli companies.

Israeli cooperation with the Chinese Ministry of Water Resources, the Beijing Water Supplies Bureau and some Chinese water companies is expected to start soon.

### Novagali Pharma raises €26 million

Start-up Novagali Pharma SA, a privately-held biopharmaceutical company that develops novel ophthalmic products announced last week it had secured €26 million in a new financing round involving participation of new and existing investors.

With this new funding, the total capital raised by Novagali since its inception equals €44 million.



Novagali Pharma has a patented technology platform called Novasorb. The company was founded in 2000 by Professor Simon Benita of the Hebrew University of Jerusalem, where the initial technology was invented.

Novasorb's drug delivery technology consists of a patented cationic sub micron emulsion technology that improves the bioavailability and absorption of drugs while increasing safety and clinical efficacy.

For the treatment of dry eye, Novagali Pharma is preparing the registration in Europe and USA of Cationorm (Nova23006/33). In parallel, Nova22007, a cyclosporine A cationic emulsion, is in phase III clinical study. Nova21027 will enter into a phase II clinical trial for treatment of glaucoma.

This new capital raising allows Novagali Pharma to finance clinical trials, speed up other development projects such as Eyeject, a novel technology for intra and peri-ocular delivery of drugs, as well as research programs which include the treatment of retinopathies.

The company stated that the proceeds provided it with the flexibility to adapt its structure in anticipation of eventual product commercialization by itself or with a partner.

### A potato for the weight conscious



A low-carb 'diet' potato grown in Israel has quickly become a staple on dinner plates in Great Britain. With American consumers increasingly weight conscious, it is clearly only a matter of time before the 'Vivaldi' potato crosses the ocean to the other side.

In an age where the glycemic index (GI), which measures the amount of carbohydrates food contains, is the new diet phenomenon, the Vivaldi potato, which contains up to 38% less carbohydrates and half the calories of the average potato, has tremendous potential. Potatoes are known to be an excellent source of vitamin C and also contain vitamin E, B vitamins, and minerals calcium and magnesium. Tests are ongoing to ascertain the precise levels of these nutrients in Vivaldi, but these are not expected to be significantly less than in other varieties.

The potato is being grown in Israel by 13 kibbutzim that make up the Hevel Maon cooperative in the Western Negev desert. Due to its mild climate, Israel is a very attractive place for growing all kinds of spuds, according to Shimon Warshavsky, potato quality specialist at Hevel Maon's research and development department. Because there are two Israeli potato 'seasons', consumers can have Israeli potatoes on their plates all year round.

With temperatures never dropping below zero degrees centigrade (32 degrees Fahrenheit), there is never a problem of frost. And with rainfall as high as 250 millimeters a year, Hevel Maon grows around 150,000 tons of potatoes annually. Forty percent of the crop is exported, primarily to Western Europe and Russia, through Agrexco, Israel's largest exporter of fresh agricultural produce worldwide, from flowers to plants. The time from the field to a European dinner table is only twelve days, quicker in holiday season.

The Vivaldi potato, which was originally developed by Lincolnshire, UK-based company Naturally Best, has been labelled the "slimming potato" and a "dieter's dream" in the British media. Several years ago, the company's breeders sent the potato

to Hevel Maon, and today, they regularly receive new varieties and decide which strain they want to grow. As the demand increases, the Israeli farmers are growing larger and larger quantities.

That includes 45 varieties of potatoes grown by all 13 kibbutzim on 10,000 of the total 52,000 dunams (around 6000 hectares) of land

### Getting the message across



A team of scientists at the Weizmann Institute of Science has identified some basic principles of communication. How do we succeed in putting our ideas into words, so that another person can understand them? This complex undertaking involves translating an idea into a one-dimensional sequence, a string of words to be read or spoken one after the other.

Of course the person on the receiving end might not get the intended point: The effective expression of one's ideas is considered an art, or at least a desirable and important skill. A team of scientists that included physicists and language researchers at the Weizmann Institute of Science recently investigated this process by applying scientific methods to some of our culture's most successful models for effective transfer of ideas: classic writings that, by common agreement, get their messages across well. They created mathematical tools that allowed them to trace the development of ideas throughout a book. The international team included Prof. Elisha Moses of the Weizmann Institute's Physics of Complex Systems Department and Prof. Jean-Pierre Eckmann, a frequent visitor from the University of Geneva, as well as postdoctoral fellow Enrique Alvarez Lacalle and research student Beate Dorow from the University of Stuttgart.

The paper describing their research was recently published in the Proceedings of the National Academy of Sciences (PNAS). Because strings of words are one-dimensional, they literally lack depth. Our minds and memories aid us in recreating complex ideas from this string. The narration "encodes" a hierarchical structure. (An obvious hierarchical structure in a text is chapter-paragraph-sentence). The implication is that our minds decipher the encoded structure, allowing us to comprehend the abstract concept. To test for

an underlying structure in strings of words that are known for their ability to convey ideas, the scientists applied their mathematical tools to a number of books, including writings of Albert Einstein, Mark Twain's Tom Sawyer, Metamorphosis by Franz Kafka and other classics of different styles and periods. They defined "windows of attention" of around 200 words (about a paragraph) and within these windows, they identified pairs of words that frequently occurred near each other (after eliminating "meaningless" words such as pronouns). From the resulting word lists and the frequencies with which the single words appeared in the text, the scientists' mathematical analysis was used to construct a sort of network of "concept vectors" – linked words that convey the principal ideas of the text.

Mathematically, these concept vectors can go in many directions, and reading the text can be thought of as a tour along paths in the resulting network. The multidimensional concept vectors seem to span a "web of ideas". The scientists' work suggests this network is based on a tree-like hierarchy that may be a basic underpinning of language. The reader or listener can reconstruct the hierarchical structure of a text, and thus the multidimensional space of ideas, in his or her mind to grasp "the author's meaning." Moses: "Philosophers from Wittgenstein to Chomsky have taught us that language plays a central evolutionary role in shaping the human brain, and that revealing the structure of language is an essential step to comprehending brain structure.

Our contribution to research in this basic field is in the creation of mathematical tools that can be used to make the connection between concepts or ideas and the words used to express them, making it possible to trace in a speech or text the path of an idea in an abstract mathematical space.

We can understand theoretically how the structure of the wording serves to transmit concepts and reconstruct them in the mind of the reader. A deep question that remains open is if and how the correlations we uncovered serve the aesthetics of the text."

### US test of Israeli armor protection system successful

The US Naval Surface Warfare Center in Virginia has successfully tested the Israeli Trophy Active Protection System for tanks and armored personnel



carriers (APCs). Rafael Armament Development Authority Ltd., the system's developer, predicts that the Pentagon will equip its Stryker 8x8 combat vehicles serving in Iraq with the armor.

The US has two armored divisions in Iraq, and equipping them with the Trophy armor will cost an estimated \$300-400 million. The Trophy is one option for protecting US platforms under development as part of the US Army's Future Combat Systems (FCS) program, which means that potential sales of the Trophy could reach billions of dollars.

For the purpose of the test, a month ago, the IDF Ground Forces Command sent a Trophy-equipped Stryker (one of three purchased for testing by the IDF) to the US Naval Surface Warfare Center. A US Air Force C-130 Hercules cargo plane made a special trip to collect the Stryker for the test.

The Trophy system was tested in late March at testing grounds at Dahlgren, Virginia, in the presence of representatives of countries with military units in Iraq, and senior US Army, Navy, Air Force and Marine Corps officers and Pentagon officials. During the live-fire exercise, rocket-propelled grenades (RPG-7) were fired at the Israeli Stryker. The Trophy destroyed one RPG shell in flight, and a second shell was diverted off course, rendering it no threat and it was ignored by the system.

Rafael representative Col. (Res.) Didi Ben-Yoash, who heads the project's business development and attended the live-fire exercise, said the Trophy was "a revolution in armor protection."

The Trophy, unveiled by the IDF a year ago, combines two main systems: a radar built by Israel Aircraft Industries Ltd. (IAI) subsidiary Elta Systems group, detects threats; and a Rafael-designed system destroys incoming threats in flight. Rafael claims that the Trophy can protect armored fighting vehicles against all types of anti-tank rockets and missiles.

The two conceptual innovations incorporated into the Trophy are 360-degree protection of the tank or APC, which eliminates the need for adding armor plating, which can double a tank's weight, restricting its mobility and manoeuvrability; and to provide protection from new threats from the side and top in low-intensity combat, compared with frontal threats of

the past. Frontal protection was the rationale behind development of Israel's Merkava tank, in which the engine is in front. In low-intensity combat in populated and urban areas, threats to armored fighting vehicles can come from every direction and angle.

Rafael believes that the US wants to install the Trophy on all Strykers operating in Iraq: two brigades of 300 Strykers each, at an estimated cost of \$350,000-500,000 per Trophy. Rafael can therefore expect \$300 million in sales, and this is only the first stage in marketing the system.

### 16 Israelis make Red Herring 100 Europe list



The "Red Herring" magazine recently announced its 2006 list of Europe's 100 private technology companies. 16 Israeli companies are included, based on criteria of business model,

technology, quality, management and innovation. 20 Israeli companies made last year's 100 Europe list. Ten European biotechnology companies made the list, including two from Israel: D-Pharm Ltd. and BiolineRX Ltd.

Israel has the third largest number of companies on the list, after the UK and France.

Other Israeli companies on the list this year are Altair Semiconductor, Axerra Networks, cVidya Networks, Discretix Technologies, Double Fusion, Gteko Technologies, Negevtech, Power Paper, Siano Mobile Silicon, SpeedBit, Targetize Innovative Solutions, and Voltaire.

### Oracle makes first investment



Software giant Oracle (NASDAQ: ORCL) has made its first investment in an Israeli company. Through its Israeli branch, Oracle will invest several hundred thousand dollars in start-up Yadata Ltd., which is developing segment relationship management (SRM), a niche of the

enterprise customer relationship management (CRM) market, Oracle's area of business.

Last summer, as Minister of Industry, Trade and Labor Ehud Olmert signed a cooperation agreement with Oracle president and CFO Safra A. Catz, during her visit to Israel. Under the agreement, Oracle undertook to invest several million dollars in a number of Israeli start-ups every year. For its part, Israel's Office of the Chief Scientist undertook to invest up to NIS 250,000 in these companies through its Tnufa - Startup Promotion

Program.

Yadata was founded in 2005. The company's software is designed to discover and management market segments. Based on a search engine, the system is designed to discover consumer behavior patterns and sort them into segments. The engine can analyze companies' quantitative databases on the basis of hundreds of variables, in order to create clusters.

Yadata predicts that the SRM market will account for 10-20% of the total CRM market. Given that IDC predicts that the CRM market will reach \$12 billion in 2008, Yadata CEO Amir Peleg believes that the company can achieve \$250 million in sales within six years, assuming a 20% share of the new SRM market.

In November 2005, Yadata announced that it was installing its system at a large Israeli communications company. The company plans to reach maturity in two or three vertical markets and to enter foreign markets within a few quarters.

**Agritech 2006**



In mid-May Israel held its 16th International Agricultural Exhibition, Agritech 2006.

The tri-annual exhibition, this year brought together some 60 delegations from all over the world. Last year total agricultural exports totalled \$2.7 billion. The sector employs 70,000 people. In the early 1950s, one full-time agricultural employee produced food for 17 people. In 2005 he supplied food for 95. Mainly responsible for this development has been the rapid mechanization of agriculture.

Floriculture is a good example where hothouses have humidity and temperature controlled by computers. Wireless communications transmit the data to the flower farmer who may be carrying out other tasks. Approximately 1.1 billion flower stems were exported in 2005. Acclimatized "summer flowers" are exported in seasons where they are not available in the recipient countries.

One of the most important advances in Israeli agriculture is drip irrigation. Drip irrigation can be a great aid to the efficient use of water. A well designed drip irrigation system or subsurface drip irrigation system will lose practically no water to runoff, deep percolation or evaporation. Irrigation scheduling can be precisely

managed to meet crop demands, holding the promise of increased crop yields and quality.

Agricultural chemicals can be used more efficiently with drip irrigation. Since only the crop root zone is irrigated, nitrogen already in the soil is less subject to leaching losses.

There are a number of kibbutz industries active in the field. Netafim is the leader with annual exports of more than \$350m.

Another innovation is that of desert aquaculture whereby underground aquifers are used to produce fish.

**Aspectus's imaging tech tried on UK highway**



**ASPECTUS**  
VIDEO INTELLIGENCE

Israeli company Aspectus Video Intelligence, Inc. has announced that its software is

being used in 120 cameras along the M6 Motorway in the UK. The software is designed to detect dangerous drivers and suspicious objects. It will be demonstrated live at the M6 control center to selected visitors at the IFSEC exhibition at the National Exhibition Centre in Birmingham by Aspectus's UK partner, Wavelet Technology.

The M6 is one of the UK's busiest motorways. The trial is testing the ability of Aspectus's system to detect stopped cars, cars traveling in the wrong direction, people and animals on the road, and unattended objects, and to help in protecting equipment at various sites.

The system is based on patented Image Processing over IP technology. According to Aspectus, its video intelligence software, integrated into Wavelet's Wavestore digital recording systems, can alert the M6 central security office of potential problems and security threats, thus reducing human cost and false alarm rates., following,

Aspectus numbers among its customers the US Department of Energy, Israel's Ministry of Justice and National Prison Services, and Israel Railways.

**EMC buys Kashya for \$153M**

For \$153 million in cash, EMC Corp. has added data-replication software firm Kashya Inc. to its sizable



collection of California acquisitions.

Kashya's software takes a snapshot of computer servers and storage archives, allowing companies to replicate information in the event of a disaster or interruption to their data center operations.

Kashya raised more than \$21 million in funding since its 2000 launch in Israel, according to Private Equity Week. It still maintains a facility there, though it is now based in San Jose, Calif. EMC plans to retain Kashya's operations in Ramat Gan, Israel as the core of a new EMC software development center there.

Kashya's backers include Battery Ventures, which has offices in Menlo Park, Calif. and Wellesley, Mass.; Jerusalem Venture Partners of Israel; and TL Ventures, which has an office in San Mateo, California.

### Technion launches ramjet rocket

Students from Israel's leading technical institute have designed and launched an advanced rocket engine.

On Tuesday, Israel's Technion launched and operated the ramjet rocket, a solid-fuel platform meant to travel faster and for longer distances than standard rockets. The five-year student project, touted as a breakthrough in Israeli technology, was undertaken in cooperation with the state-owned Rafael, Israel Armament Development Authority.

"All of the systems worked exceptionally well," Alon Gany, a Technion professor and head of the project, said. "The launch was very smooth."

The two-stage hypersonic rocket, entitled Ramtech, was launched from the Israel Air Force base at Palmahim, south of Tel Aviv. The 3.7-meter-long rocket, which weighs 90 kilograms, underwent separation and the second-stage ramjet engine was operated. The rocket traveled 18 kilometers over the Mediterranean Sea.

### Warren Buffet buys second Israeli company

CTP, a subsidiary of Buffet's Berkshire Hathaway, purchased 60 percent of Israel's Agrologic agricultural manufacturing company. The company produces climate control systems, as well as weighing systems for feed and poultry.

Agrologic, started by Israelis Jan Lichten and Yochanan

Hershtik in 1998, has 20 employees and is based in Netanya.

CTB president and CEO Victor A. Mancinelli said, "Agrologic is recognized for its innovative and cost-efficient designs. We are also impressed with how Agrologic has used cellular technology in some of their systems."

Agrologic CEO Lichten said that the development will "make available all [CTB's] global marketing network and broad economic backing, that will enable us to grow. It's the biggest company in the world in its field."

EMC Software Group president Dave DeWalt said, "Information protection is a chief concern for customers today. By combining Kashya's rich portfolio of heterogeneous replication software with our industry leading virtualization and continuous data protection technologies, EMC is enhancing the market's broadest set of capabilities for virtualizing and safeguarding the world's information."

### Nice Systems profit rises



Israel-based Nice Systems Ltd., a maker of computerized systems to monitor interactions with customers, reported that first-quarter earnings rose 22 percent as revenue increased

by about a third.

Nice said net income rose to \$7.1 million, or 28 cents per American Depositary Receipt, from \$5.8 million, or 29 cents per ADR, last year.

Revenue gained 33 percent to \$87.9 million from \$66.1 million last year.

The company said first-quarter results were helped by a growing number of repeat orders for its NICE perform product and increased revenue for its public safety and security business.

Looking ahead, Nice anticipates second-quarter earnings, excluding charges, of 44 cents to 48 cents per ADR on projected revenue of \$89 million to \$92 million. Analysts expect 46 cents per ADR on revenue of \$90 million.

The company reiterated its full-year guidance for earnings, excluding charges, between \$2 and \$2.12

per ADR on revenue of \$395 million to \$405 million. Wall Street expects earnings of \$2.04 per ADR and revenue of \$388 million.

Nice Systems is on IHTIR's favorite stock list.

### Israel's economy grew at 6.6% in Q1

Israel's economy grew by an annualized 6.6% in the first quarter of 2006, well above forecasts and faster than the 5.2% growth in 2005 as a whole, according to a Central Bureau of Statistics report on the economy.

The Central Bureau of Statistics stated that business product rose by an annualized 10.6% in the first quarter, after rising 6.6% in 2005. Investment in fixed assets grew by an annualized 16.3%, including a 57% increase in investment in land vehicles and a 20% increase in investment in machinery and equipment.

GDP per capita rose 5.1% in the first quarter, higher than forecast, compared with 3.3% growth in 2005 and 2.6% in 2004. Private consumption per capita rose by 8.7%, after rising moderately last year. Private consumption rose by an annualized 10.3% in the first quarter, including an annualized 14.6% increase in purchases of durable goods.

The Central Bureau of Statistics said exports of goods and services rose by an annualized 2.4% in the first quarter, after falling 9.6% in the preceding quarter. Income from tourism rose by annualized 41% in the first quarter, and industrial exports, excluding diamonds, rose by an annualized 9.2%.

Imports of goods and services fell by an annualized 2.5% in the first quarter. Civilian imports fell by an annualized 5.2%. Changes in these items meant that sources available to the economy from GDP and imports rose by an annualized 2.5%.

Since the end of the intifada in mid-2003, Israel's economy has grown by 15%, and GDP per capita has grown by over 9%. In absolute figures, GDP reached an annualized NIS 540 billion in the first quarter, and private consumption totaled NIS 312 billion.

GDP per capita is approaching NIS 77,000, more than \$17,000, and private spending per capita was NIS 44,000.

### Rafael, BAE win follow-on order for Typhoons from U.S. Navy

The Rafael Armament Development Authority and BAE will be supplying the American Navy with 67 more Typhoon naval systems.

Rafael's part in the order is worth \$28 million.

The Typhoon platforms are remotely-controlled, highly accurate lightweight weapons stations to control medium-caliber cannons. Rafael designed them for small and medium sized combat boats, though it says the systems can be used on larger vessels.

The Navy selected the Typhoon systems after deciding that it best met its needs. A Rafael source commented that the systems can be used in the fight against terrorism.

The Typhoon is considered to be one of the most advanced systems of its type in the world. It is in wide use in several countries.

### Israeli, Spanish Investors Eye Guyana

A group of Israeli and Spanish investors are planning to invest some \$100m. to establish a pilot ethanol plant in the Canje River Basin in Region Six, Guyana.

The group, Tanacama Ltd, according to a government statement, began discussions in November last and returned last week to continue the negotiations with the Guyana Office for Investment (GoInvest) and the Guyana Sugar Corporation.

Should the plant become a reality, it is expected to produce 80 million liters of ethanol annually and the investors are hoping to increase that amount 10-fold within a decade. Some 10,000 hectares of land would be cultivated with sugar cane using Israeli Technology "with fertilizers and irrigation systems buried in the soil," the statement said.

"We mean business," the group reportedly indicated, adding that the intention is to have a memorandum of understanding signed between the parties as soon as possible, since "both parties are interested."

Several Caribbean countries have been looking at ethanol production since the EU announced price cuts on sugar that could devastate the region's economies if they do not swiftly diversify.

## Israeli Firm Develops Portable Device to Detect Liquid-Borne Toxins

An Israeli company, BioPen, has developed a unique portable device for instant detection of liquid-borne toxins. The key customers for the product, designed to be as convenient as a conventional pen, are expected to be hospitals and healthcare services, but globetrotters who may need to know quickly if the water they are coming across is drinkable may also find the pen to be a life-saver.

The BioPen product, based on technology developed at Ben-Gurion University, uses ultra-sensitive fiber probes that can detect virtually any foreign element, according to Prof. Robert Marks of the National Institute for Biotechnology in the Negev. Marks adds that BioPen is now in the process of seeking partners to fund the development of the pen.

## AudioCodes is buying US VoIP Nuera for \$85m

Voice over packet technology company AudioCodes (NASDAQ: AUDC; TASE: AUDC) has announced a definitive agreement to buy Nuera Communications, Inc. Nuera, based in San Diego, provides Voice over Internet Protocol (VoIP) infrastructure solutions for broadband and long distance. It has customers in North America, Asia, and Europe. The purchase price is \$85m.

AudioCodes had \$177.6 million cash at the end of the first quarter.

AudioCodes chairman, president, and CEO Shabtai Adlersberg said, "This agreement with Nuera places AudioCodes in a stronger position in the cable and voice-over-broadband markets, and in particular in North America and Asia.

Most of its revenue (59%) derives from the US. The rest is divided between Europe (20%), Asia (14%), and Israel (7%).

AudioCodes previously said 2006 revenue would grow 25-35%, compared with 2005, to \$145-156 million. The extra revenue from the acquisition of Nuera is expected to be \$10 million in 2006, and to grow by 30% in 2007.

The acquisition of Nuera is the largest ever made by AudioCodes, both in amount, and in the number

of employees of the target company. "This is a jump in magnitude for AudioCodes, but remember that AudioCodes has grown in recent years," said AudioCodes VP finance and CFO Nachum Falek. AudioCodes is one of IHTIR's favorites

## Firm develops way to fight pictorial spam

Israeli e-mail security company Comtouch recently displayed a new technology designed to target spam that consists only of pictures.

"During the past few months, we analyzed a large number of mail messages and identified a worrying rise in the use of spam that includes only pictures, and no text or links," Comtouch President and Chief Technology Officer Amir Lev said via the statement.

"Regular anti-spam solutions found on the market today (are) based on content analysis, identifying Internet addresses and different (types of) virus filters don't address picture spam and leave the user lacking a defense," the company stated.

The picture spam identification technology uses a patented algorithm to find repeating patterns in an e-mail, not necessarily connected to language, the statement said. The company also said the new technology allows it to identify, crack and block picture spam just like it would protect against regular spam.

Comtouch said it analyzes more than 1.5 billion e-mail messages a month to develop its spam-blocking technologies.

## Video headsets enter gadget market

Video sunglasses could soon be joining camera phones and BlackBerrys as the latest must-have portable gadgets. An Israeli technology company has developed a personal video display device that looks like a simple pair of sunglasses but lets users experience cinema-scale effects.

The company also claims the device will overcome the problems of dizziness and headaches traditionally associated with these types of personal displays. Although video screens embedded into eyewear aren't new, the device is up to 12 times lighter than some current models.

The NanoPrism technology that the devices are based on has been developed over the past five years by

## Microsoft buys Israeli Whale for \$75m.

Microsoft (Nasdaq: MSFT) has acquired Israeli security software company Whale Communications for \$75 million. The details of the deal have not been officially disclosed and both companies have maintained absolute secrecy about the deal in recent months.

Whale was co-founded in 1998 by president Daniel Steiner and BRM Capital chairman Eli Barkat who also serves as Whale Communications chairman. It provides secure Virtual Personal Network (VPN) services using SSL encryption. The company has turned its focus to the communications market and is offering enterprises solutions for secure access to knowledge systems and enterprise applications. Whale was one of the first companies to focus on this field back in 1992.

Whale was listed in international accountancy firm Deloitte Touche's "Europe Fast 500" list of top companies in 2005. Its international sales and R&D centers are located at its headquarters in Rosh Ha'ayin, with two additional sales offices in Britain and France. Whale has had annual sales of millions of dollars in recent years.

Whale's investors include venture capital firm exSeed Venture Capital, investment bank Goldman Sachs (NYSE: GS), Plenus Venture Lending Fund, and BRM Capital.

Microsoft's previous acquisitions in Israel include Maximal Innovative Intelligence, which it acquired in 2001 for \$20 million, and Peach Networks, which it acquired in 2000 for \$72 million. Peach was merged with the Microsoft TV division, which closed in 2002. Peach was managed by Moshe Lichtman, who previously managed Microsoft's IPTV division, and recently returned to Israel to head up the company's expanding local R&D center.

Microsoft has also hinted that it would be making an intensive entry to the information security field and the acquisition of company with an R&D capacity like that of Whale secure Internet access may well become Microsoft's first R&D center in a new strategic field, remote from the company's areas of business

## Financial Times Will Publish Special Report on Investing in Israel

The Financial Times, on June 29, 2006, will publish its first-ever special report on "Investing in Israel," which will be distributed globally as a separate supplement to the newspaper.

## NASDAQ will launch Israel index

The American Nasdaq stock market will shortly be launching an index of the Israeli companies listed there, says Charlotte Crosswell, manager of Nasdaq International.

NASDAQ cooperates with the Tel Aviv Stock Exchange, Crosswell said. The two exchanges are currently working on organizing a joint conference in New York for September.

No less than 75 Israeli companies are listed on the tech-heavy exchange. That is the biggest number of companies from a foreign country listed on NASDAQ.



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