

ISRAEL HIGH-TECH & INVESTMENT REPORT

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Foreigners Power Local Market

Israeli Foreign Minister Silvan Shalom and his Pakistani counterpart Khursheed Mehmood Kasur, held their first public meeting in the Turkish city of Istanbul, despite a lack of official ties

Pakistan's Dawn newspaper said, that the decisive factor in the decision to engage was the Jewish state's pullout last month from the Gaza Strip.

Most international observers consider the Israeli step as a door opener to the resumption of the political process that will hopefully lead to a new chapter of peace in the Middle East.

One of the barometers of local public opinion is the Tel-Aviv Stock Exchange. It has recently been setting new, all-time highs. However, market analysts have recommended to local investors to reduce their holdings on the local exchange.

By contrast foreigners are pouring moneys into Tel-Aviv, full of optimism as to a better future. One of our favorites Ormat Technologies has advanced by nearly 10% by mid month mostly due to foreign purchases.

We are reminded of the two brokers who meet on the street. What do you think about the market, one asked. "I am optimistic," replied the second broker. "In that case why do you look so worried?" "I am just worried about my optimism," he replied. By nature we are optimists but indeed we are worried about our inherent optimism.

We do not question the withdrawal from Gaza, notwithstanding many reservations as to how it was carried out. However, the post-withdrawal situation is not "pares inter pares", "equals among equals".

The Palestinian Authority is lacking the ability to control terrorist organizations and its position is best described as fragile. Israel minimally insists on an end

to terror. However, there is an element of unreality whereby Israel gives but is unlikely to receive.

Israel has garnered Nobel Prizes and most recently the prestigious Goethe was presented to Amoz Oz yet the most coveted prize that of Peace has eluded it throughout its existence. We hope that the forthcoming Jewish New Year will bring us closer to that goal.

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Foreigners Power Local Market
Zinc will Power your Hydrogen Car
NasVax Raises \$1m. for Intranasal Vaccine
ExLibris to Raise \$50m. on London's Aim
TopSpin Medical Completes IPO
Ormat Technologies to Supply India's UltraTech
Ness Technologies Obtains \$10m. IDF Order
Kamada Obtains Order for Transferrin
Scientists Create Replacement Muscle with Built-in Blood Supply
Negevtech Completes \$26m. Financing
Elbit, IAI with Supply \$150m. UAVs to Turkish MOD
Yozmot HaEmek Incubator to Cooperate with Alsace
NDS buys NT Media
Intel Israel Presents its Latest Processor
Safer Water
Laser Detect System Raises \$2m.
Passave to Raise \$90m. on Nasdaq
IMI to Supply Amo to US Army in \$300m. Deal
India, Israel to Sign Tech Agreement
63% Return for Sarin Since Singapore IPO
HP Buys Scitex for \$230m.
The Top 10
Mazar Spinal Surgery Device Gets FDA Approval
DeepBreeze gets European Clearance

Zinc Will Power your Hydrogen Car

A revolutionary method of using concentrated solar energy for producing hydrogen in a clean, safe and inexpensive way was developed by a cooperation of scientists from Israel, Sweden, Switzerland and France. This new method, based on the production of pure zinc, may enable an easier and quicker move to a hydrogen-based economy thus reducing the need for the depleting petroleum and its polluting side effects.

Hydrogen is in great abundance it does not pollute the air and it burns efficiently. The main drawback its high cost of production.

The most common method of producing hydrogen is electrolysis. Electrolysis breaks down the water molecules to its components (hydrogen and oxygen) by passing a strong electric current through it. This process is considered to be too expensive for large-scale production of hydrogen.

It was discovered that it is possible to use pure zinc to extract the oxygen from water, therefore releasing hydrogen. This process can be done in the much lower temperature of 350°C (662F).

Since zinc is a relatively abundant metal, it is an excellent choice for producing hydrogen. The problem is that the current industrial production of pure zinc (Zn) from zinc oxide (ZnO) by either electrolysis or smelting furnaces is characterized by its high-energy consumption and concomitant pollution, derived mostly from the combustion of fossil fuels for heat and electricity.

To address the issue solar energy can be used as the main energetic source in the production of Zn from ZnO. In 2004 the European Union and the Swiss Federal Office of Science and Education decided to fund a joint research to explore this possibility using a 45 kW solar furnace in Villigen, Switzerland, a 75kW solar simulator in Zurich and the largest solar research facility in the world with 1MW output located at the Weitzman Institute in Israel. The need for such a large amount of power is due to the need for very high temperatures required for the production of Zn from ZnO (normally around 1750°C / 3182F). Adding small amounts of carbon in the form of coal enabled the Weitzman team to reduce the Zn production temperature to a more manageable 1200°C (2192F).

For the future, the team sees the possibility of replacing the coal completely with biomass thus making the entire process completely pollution free.

The real achievement of the Weitzman team is the scale of production of Zn which reached an average of about 50kg/h during tests using the existing Solzinc solar reactor located at the center of the Institute. On a full scale industrial facility much larger amounts could be extracted using a similar process. The energy cycle developed by the researchers is very efficient and relatively self-sustaining. ZnO is mined and transported to the Solzinc solar facility where it is mixed with small amounts of coal and put inside the solar furnace located on top of a high tower. A large array of heliostats (computer guided highly reflective mirrors) follows the sun around the sky and reflects the light to a hyperbolic mirror located inside the solar tower producing highly concentrated heat inside the solar furnace. At a heat of above 1200°C (2192F) the ZnO breaks down into Zn and oxygen which in turn recombines with the carbon to create CO as a minor by-product. The Zn is then cooled down to create a fine powder which can be safely handled and transported. In order to produce hydrogen from the powder a much simpler process is performed where the Zn is mixed

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with water at a temperature of 350°C (662F). The oxygen inside the water recombines with the Zn to produce ZnO once again and the by-product is pure hydrogen.

This process has many advantages over existing ways of producing hydrogen. First and foremost it uses a renewable form of energy - the sun. Furthermore the main material required for the process is the relatively inexpensive zinc oxide which is almost completely recycled back by the end of the process. Another important advantage is that the hydrogen could be produced where it is needed, i.e., at the local fuel station instead of transporting large amounts of explosive hydrogen across the country. Trucks loaded with safe Zn powder would transport it to the fuel station where it would undergo the relatively simple treatment of extracting the hydrogen using steam. Last but not least, the entire process is relatively clean and when biomass will replace the coal as an additive to the ZnO mix, the process will be completely non-polluting.

And now for the 10 million dollar question: if the process is so simple and efficient why can't you buy zinc-based hydrogen fuel at your local fuel station right now? First of all, there is the lack of infrastructure. Currently, there are almost no hydrogen fuel stations, let alone hydrogen-based cars. This could change within 5-10 years but it will require great investments by industry. It will also require large amounts of inexpensive accessible hydrogen. The Solzinc process developed at the Weitzman Institute is a likely solution..

NasVax Raises \$1m for Intranasal Vaccine



Israeli start-up NasVax has raised \$1 million reflecting at a \$7 million company value. Teva chairman Eli Hurvitz invested \$700,000 in the financing round, and the remaining \$300,000 came from existing investors. The

largest shareholders in NasVax are Kiryat Shmona-based Biomedix Incubator Ltd. (TASE: BMDX.M) 47%, entrepreneurs 22%, Yisum Research Development Company of the Hebrew University, Hadasit Medical Research Services and Development, and private investors.

NasVax was founded in 2004. It develops novel intranasal vaccines, using a proprietary technology

originally developed at the Hebrew university by Prof. Yechezkel Barenholz and Prof. Eli Kedar, in collaboration with Bio-Lab Ltd., Israel. The company's first application will be intranasal administration of influenza vaccine.

NasVax announced recently that it would raise \$10 million on the Tel Aviv Stock Exchange at a company value of \$20 million, after money.

Ex Libris to Raise \$50m on London's AIM



Ex Libris Ltd. is planning an IPO on London's Alternative Investment Market (AIM). The company plans to raise \$50 million, at a company value of \$120 million.

Ex Libris was founded in the mid-1980s. It develops applications for libraries, information centers, and research institutes. It is considered a global leader in its field. Its flagship product, "Aleph", is an automated category system used by both librarians and users. It posted an earnings before interest, taxes, depreciation and amortization (EBITDA) of \$3.1 million on \$29.5 million in revenue in 2004, and is expected to post an EBITDA of \$4.6 million on \$34 million in revenue in 2005.

TopSpin Medical Completes IPO



TopSpin Medical (TASE: TOPMD) has completed its initial public offering on the Tel Aviv stock Exchange raising \$8 million at a \$35m.

company valuation. Early investors, participated in the offering by increasing their previous investment in the company and purchasing \$2.7 million out of the \$8 million raised.

TopSpin Medical has developed a unique technology platform, which for the time being enables MRI to be conducted with no external magnets. The ability to perform local MRI with no external magnets is a breakthrough in medical imaging as it enables the extension of MRI technology to a wide range of applications, in which conventional MRI is simply too bulky and expensive.

The primary application developed by TopSpin is high-resolution imaging of coronary artery walls during cardiac catheterization by a single-use, of an IntraVascular MRI (IVMRI) catheter. "Interventional Cardiology is currently

undergoing a revolution,” said Erez Golan, a physicist and TopSpin’s founder and CEO. “Research has shown that heart attacks - the leading cause of death in the Western world - are caused by Vulnerable Plaques: fatty pools in coronary artery walls, which can undergo rupture without prior warning, leading to occlusion of vital arteries. To date, it has not been possible to detect these plaques. Topspin’s IVMRI catheter may allow these plaques to be detected, leading to drug treatment or intervention, such as placing a coronary stent, in order to prevent future heart attacks.”

TopSpin successfully completed its First In Man (FIM) clinical trial recently in four clinical sites in Europe, with Drs. Wijns, Serruys, Grube and Hennen as investigators. Following the completion of FIM, a second clinical study with a more advanced protocol has been initiated, adding Dr. Halon in Israel and bringing the number of patients enrolled to date to over 50. The study is planned to expand into sites in the US. The company expects to launch the device in Europe by the end of 2006 and in the US by mid 2007.

Ormat Technologies to Supply India’s UltraTech



Ormat Technologies, Inc. (NYSE:ORA) announced that one of its subsidiaries has entered into a US\$4.35 million agreement with UltraTech Cement Ltd. of Mumbai, India, for the supply of one ORMAT® Energy Converter (OEC) for a new Recovered Energy Generation (REG) Plant. The equipment is to be supplied within 14 months from the contract date.

UltraTech is one of India’s largest cement groups, with approximately 17 million tons per annum of cement production capacity.

Construction of the recovered energy power plant utilizing the readily installed and largely pre-assembled OEC at UltraTech’s AP Cement Works in Tadpatri, in the Andhra Pradesh State, is being undertaken by UltraTech itself, supported by ORMAT’s engineers. When completed, the OEC power plant will convert unused exhaust air from the cement plant’s clinker cooler into electric power.

The relatively low temperatures of the clinker cooler exhaust air make conventional power solutions impractical, which is why UltraTech turned to ORMAT’s organic Rankine cycle based OEC. This product is an environmentally friendly power recovery system that is

well suited to work with lower temperatures, to generate electricity on a continuous basis without interfering with the clinker production process. In consideration of the scarcity of water in the Tadpatri area, the OEC plant will employ air-cooled condensers.

Mr. David Citrin, Vice President of Ormat International, Inc., said, “This will be the first project in India utilizing exclusively clinker cooler exhaust air for power generation. The power plant shall serve AP Cement Works’ own in-house power consumption, substituting fossil-fuel power and avoiding approximately 22,000 tons of CO2 emissions per year, into the atmosphere.”

Lucien Y. Bronicki, Chairman of the Board and Chief Technology Officer of Ormat Technologies, said, “This contract marks our second Recovered Energy Generation plant in the cement industry, adding to our Recovered Energy Generation Systems in gas compressor stations, gas processing plants, refineries and others. We look forward to further applications of this type, which are well suited to ORMAT’s technology.”

Mr. Bronicki continued, “The Indian cement industry is one of the largest in the world with over 100 million tons per year of capacity, and with modern dry process plants. Given the current strength of the Indian economy and the cement industry, as well as the ongoing power supply difficulties, we believe recovered energy applications in India will provide ORMAT with additional growth opportunities.”

Over 750 MW of ORMAT Geothermal and Recovered Energy Generation (REG) Power Plants have been constructed around the world in 23 countries, from California in the USA to Thailand and from Iceland to New Zealand.

Ness Technologies Obtains \$10m. IDF Contract



Ness Technologies, Inc. (NASDAQ: NSTC), a global provider of IT solutions and services, announced that it has won a contract valued at over \$10m. to develop and implement Israel Defense Forces’ (IDF) next generation central command and control system. Ness will develop the system in cooperation with the IDF.

The unique system will provide a unified, integrated situation picture. “This central and large-scale project of Israel Defense Forces is one of the most prestigious projects in this field,” said Raviv Zoller, President and CEO of Ness Technologies.

The IDF contract win follows many other command and control, intelligence and communications projects developed and implemented by Ness for military and homeland security clients in Israel and worldwide.

In July 2005, Ness Technologies received the 2005 Israel Defense Prize for developing a leading edge visual intelligence system. The prize was awarded by the President of Israel to a team from Ness Technologies, together with ELOP, a subsidiary of Elbit Systems, the Israel Air Force and the Israel Ministry of Defense. The system was developed over the past several years, and is currently being used by the Israeli defense establishment. The visual intelligence system is highly advanced, and possesses unique capabilities in fighting the war on terror. It is operated by the air force, and serves additional defense forces.

Ness serves a client base of over 500 public- and private-sector customers. With over 5,000 employees, Ness maintains operations in 15 countries across North America, Europe and Asia Pacific, and more than 100 alliances and partnerships around the world.

Kamada Obtains Order for Transferrin

Rehovot-based Kamada (TASE:KMDA) announced its first order, for about \$225,000, for its Transferrin protein. The customer will be using the transferrin in advanced clinical trials of a cancer drug. Transferrin is a protein naturally found in the plasma, that transfers iron through the bloodstream to the organs, such as the liver and bone marrow. Cancer is one condition that can depress transferrin levels in the blood, leading to anemia.

The company has pointed to studies indicating that transferrin might be useful in transporting drugs as well, especially to cancer cells. The tighter the focus on drug transport, the more efficient and the less destructive therapy can be.

Kamada manager David Tzur commented that the company is in preliminary stages of adapting the process of transferrin production for use in humans and in drugs.

Kamada recently floated on the Tel Aviv Stock Exchange, raising \$7.0m. at a company value of \$19m. and has recently completed a \$3.4 million private placement led by Leon Recanati's GlenRock Fund.

Scientists Create Replacement Muscle with Built-In Blood Supply

A multinational team of researchers has grown new muscle complete with its own network of blood vessels in the laboratory, and implanted the new muscle in a living mouse. The accomplishment is a first for tissue engineering, according to a report in the June 19 issue of Nature Biotechnology.

Lead researcher Dr. Shulamit Levenberg of the Technion-Israel Institute of Technology, along with scientists from the Massachusetts Institute of Technology, grew the muscle from scratch by seeding a sponge-like, three-dimensional plastic scaffold with myoblasts and endothelial cells, which are the precursors to mature skeletal muscle and blood vessel cells. The researchers also added connective tissue cells called fibroblasts to the mix as a crucial third ingredient.

"The idea is that this hopefully will be used to repair or replace damaged muscle tissue when needed," Levenberg says.

In the near future, a simple muscle biopsy might provide the "seed" cells for a person's own engineered replacement muscle. For example, the lab-grown muscles could replace tissue lost to severe trauma such as burns, or build up muscle that has weakened or wasted away in diseases like AIDS.

Until now, most scientists have not attempted to provide engineered tissue with its own blood supply. Instead, they have implanted the new tissue into the body and waited for the body itself to infiltrate the tissue with blood vessels.

"Although this approach has been useful in many tissues, it has not been as successful in thick, highly vascularized tissues such as the muscle," Levenberg says.

To create muscle tissue that would be threaded through with blood vessels before being implanted, the researchers mixed different cell types together on the plastic mold for the tissue. The different cells quickly organized themselves on the scaffold, with the myoblast cells transforming into aligned and elongated muscle fiber tubes and the endothelial cells organizing themselves in tubes nestled between the myoblasts. By adding fibroblast cells to the scaffold, the researchers were able to significantly boost the growth of the blood vessel network, forming within the muscle tissue. Thanks in part to the stabilizing influence of the

fibroblasts, the surface area covered by vessel cells and the percentage of vessel-like structures in the tissue, doubled within two weeks.

The endothelial cells and the vessel networks that they provide may also be useful in coaxing the muscle cells to differentiate and organize themselves in a mature, three-dimensional tissue, the researchers suggest.

To test the new muscles' therapeutic potential, the researchers implanted them within three groups of living mice. The new muscle was placed under the skin of the back and within a thigh muscle, and used to completely replace an abdominal muscle segment. The transplanted muscle continued to grow and develop within the mice's bodies.

Endowing the muscle tissue with its own blood supply boosted the new tissue's chance of survival and of connecting seamlessly with the mice's own blood vessel networks, they concluded.

Negevtech Completes \$26m. Financing



Water inspection technology start-up Negevtech has completed a \$26 million financing at a company value of \$54m. Negevtech develops systems that inspect silicon wafers and production processes in the semiconductors industry. Its technology is based on a novel imaging engine.

The Negevtech 302 is a high-resolution inspection system, the first to combine bright field and dark field inspection

methodologies, in order to discover the widest possible range of production flaws in the tiniest of objects, scaled in a few tens of nanometers.

The company was founded in 1999 by Dr Gadi Neumann and David Alumot.

To date the company has raised \$64m.

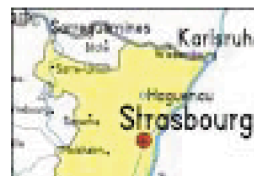
Elbit and IAI will Supply \$150m. UAVs to Turkish MOD



Elbit Systems Ltd. (Nasdaq: ESLT), announced receiving a contract to supply the Turkish Army with Unmanned Air Vehicle ("UAV") systems.

The contract is valued at \$150 million and will be divided equally between Elbit Systems and IAI. The UAV systems will be operated by the Turkish Armed Forces.

Yozmot HaEmek Incubator to Cooperate with Alsace Region



The first cooperation agreement of its kind has been signed between an Israeli technology incubator and the French Alsace office of science. Yozmot HaEmek Ltd., based in the Jezreel Valley, signed the

cooperation agreement with Alsace representatives. Under the agreement, incubator companies participating in the agreement will have access to the European market, and receive opportunities for marketing and scientific growth. Incubator companies will also receive assistance in marketing and business development; cooperation with European scientific entities; joint research programs with French companies; the possibility of grants and aid for creating connections for marketing, raising capital, and strategic partnerships; and so on. The companies will also receive an office in Alsace, to facilitate their entry into European markets.

NDS buys NT Media

The NDS Group (Nasdaq: NNDS) which provides end-to-end digital television solutions, announced that its Orbis Technology subsidiary had acquired NT Media, a British company that designs and plans games. Orbis, a software company for interactive gambling, will pay between £1.6 million (\$2.9 million) and £4 million (\$7.4 million) in cash for NT Media, depending upon the acquired company's performance and achievement of certain milestones.

NT Media provides a user interface for lottery gambling which is operated by online gambling company Ladbrokes.com. NT Media also provides the interface for online gambling company Skybet.com, and for interactive television games. NT Media currently has a game base containing over 50 different games.

In its announcement, NDS notes that all NT Media's employees will join Orbis, and continue providing services for NT Media's current customers.

NDS is part of the News Corp. (NYSE: NWS; ASX: NCP) group, controlled by Rupert Murdoch. NDS has a market cap of \$1.97 billion.

Intel Israel Presents its Latest Processor



Intel Corporation recently presented its next generation micro-architecture, a multi-core processor, which was completely developed at its facilities in

Haifa, Israel. It is expected that the device will be used in all Intel-based computers from next year, according to company officials.

Intel President and CEO Paul Otellini introduced the new 65 nano-meter (nm) microprocessor, saying that it was designed to bring increased power per watt and that it was expected to deliver an improvement of three to five times the power of previous products.

"We will deliver 'factor of 10' breakthroughs to a variety of platforms that can reduce energy consumption tenfold or deliver 10 times the performance of today's products," Otellini said.

Production will begin by the end of this year with the first products entering the market in the second half 2006.

"We expect to ship 60 million dual-core processors in 2006," Otellini said. "By the third quarter of 2006, we expect our computer processing unit shipment based on 65nm to surpass 90nm shipments," he added.

The technology will be applied to laptops, for which it is code-named Merom, desktop computers (code-named Conroe) and server platforms (Woodcrest). Merom's architecture, the company said, is based on the same dual-core processor (code-named Yona) used in its Pentium-M laptops, which was also developed in Israel.

While Yona was developed in partnership with one of Intel's California centers, the 65nm microprocessor product is the first to be developed in its entirety, both the architecture and strategy, by Intel engineers at its plants in Haifa and Yakum.

Intel operates four development centers in Israel in Haifa, Yakum, Jerusalem and Petah Tikva, and two production facilities in Jerusalem and Kiryat Gat, employing 5,400 people. In addition to investing \$666m. to refurbish the Kiryat Gat plant, the company plans to establish a new \$4 billion manufacturing facility next to the factory.

the safety of the water while reducing its cost. The new system is also strong enough to kill the variety of biological agents bio-terrorists might use inside water reservoirs.

Pure drinking water is a highly important resource not only in Africa and many developing countries but also in many Western countries where the quality of water often falls short of the accepted standards. This is in addition to the soaring maintenance costs of existing water treatment systems, which use chemicals some now known to be carcinogenic. Add that with the limited capability systems which have to handle some of the most hazardous microbes commonly found in drinking water (not to mention biological agents that could be used by terrorists) and the need for a new generation of water treatment systems becomes abundantly clear.

Israeli company Atlantium has developed over the last two years a new way of using UV light to disinfect large quantities of water to a level not achieved before, using existing methods.

There are three main methods for disinfecting water. The most common method uses various chemicals such as chlorine to kill biological agents. Although this method is wide spread and has been practiced all over the world for many years it has a number of important disadvantages, mainly toxicity (research has shown that some chemicals kill the bacteria in the water only to create carcinogenic by-products), and their inability to kill some forms of dangerous bacteria.

Another important disadvantage is that the chemicals themselves are dangerous to handle and can cause a variety of environmental issues (from transporting these chemicals on busy roads to dumping their contaminating waste products in the ground).

A less common water treatment method is "microfiltration" that actively blocks some of the bacteria. Although this method can be rather effective, its capital and especially running costs are considerable due to high maintenance requirements (the filters have to be cleaned or replaced every so often). Many filter systems need a constant high water pressure to force the water through the filter, and the high-energy costs make these water treatment systems less attractive.

The third and most advanced method of disinfecting water is with UV light. The UV does not kill or remove the bacteria but rather inactivates the DNA so the bacteria can't reproduce. UV systems usually

Safer Water

An Israeli company has developed a new technology for water disinfection. It uses ultra violet (UV) light to disinfect water and is 10,000 more effective than existing techniques. With impending regulatory changes in the U.S. and other countries, the move from chemical disinfectants to green non-toxic advanced disinfection solutions can improve



do not consume large amounts of energy and are considered environmentally friendly. However, a number of difficulties have plagued this technology and restricted its wide spread adoption. Existing UV systems use UV lamps that are immersed in the water. This causes a variety of problems, starting from uneven scattering of the UV rays leading to lower inactivation, increase in local temperature near the immersed UV lamps causing scaling and resulting in high maintenance costs. Existing UV systems clean this fouling with brushes or wipers, which in turn are often a breeding ground for bacteria.

To avoid these problems, Atlantium developed an entirely new UV system that puts an advanced UV source outside the flow of the water. In order to achieve effective inactivation the Atlantium system uses a quartz tube as its reactor and bombards the flowing water with homogeneous dosages of UV radiation. Using the same principle as fiber optic technology, quartz walls of the tube reflect the UV light so it reaches every drop of water effectively. This method actively eliminates all of the drawbacks of existing UV technology.

In various tests conducted by the company using different species of microbes, spores and other microscopic life forms, the system was able to inactivate water born organisms four orders of magnitude more effectively than existing UV systems, meaning that on average only one in 10,000,000 organisms escaped inactivation. Measuring such small numbers itself can be difficult, and is generally considered "total kill". This superior performance combined with the system's ability to disinfect about one million gallons of water a day, approximately 150 cubic meter an hour, while consuming only 2.5 kW·h, turns the Atlantium system into a most efficient and cost effective system.

The new system has many potential markets, from the water companies across the world that supply drinking water to the general population to the food and beverage industry which requires large quantities of safe disinfected water in products and in cleaning containers and processing tubes. In the beer industry for example producing each beer bottle requires the equivalent of ten bottles of safe water. In fact, the early adopters of the Atlantium system include Tnuva, the Israeli owner of the largest dairy in the Middle East. They purchased the system to achieve longer shelf life for its products, better product quality as well as compliance with environmental standards. Another

customer, a Turkish company, specializes in breeding fish which are highly sensitive to microbes. Atlantium is currently making its way to markets in Italy, Spain, Germany, England, Canada, China, Singapore and the U.S.

Although the current market for UV purification systems is only 30% of the total market for drinking water treatment technologies, this figure is expected to rise dramatically over the next few years due to several new strict standards the U.S. Environmental Protection Agency will finalize in 2006. These new regulations will require drinking water to be protected against cryptosporidium and other pathogens (which chlorine can't do effectively) and to reduce disinfection by products commonly associated with chlorine and ozone treatments. UV is currently considered the best option for municipalities and water utility operators across the U.S. Developing countries are interested too, so they can use advanced treatment technologies instead of subjecting their ecosystems to the hazards of chlorine. On our visit to Atlantium's laboratories David Waxman, Atlantium CEO, said that out of an annual market of about 5 billion dollars for water disinfection systems around the world, more than 1 billion dollars goes into UV based systems, and that the new US rules and a global consensus to avoid disinfection by-products should increase this number dramatically over the next few years.

Laser Detect Systems Raises \$2 million

Start-up Laser Detect Systems Ltd. (LDS) has closed a \$2 million financing round at a company value of \$15 million, before money.. LDS parent company ITL Optronics Ltd. (TASE:ITL) and a number of British investors participated in the round.

Founded in late 2004, LDS has ten employees. Owned by ITL Optronics, Laser Detect Systems has developed a spectroscopy laser for the homeland security market. The company is developing homeland security products for airports, government and private buildings, sensitive energy installations, and medical diagnostic companies.

LDS's technology can automatically identify and monitor a great many substances, including explosives, chemicals, drugs, minerals, and biological agents. The company's spectroscopy laser is designed for a wide variety of markets.

Passave to Raise \$90m. on Nasdaq



Passave Inc., a developer of fiber-to-the-home (FTTH) access solutions, has submitted a prospectus to raise \$90 million in an IPO, at

an estimated company value of \$300-400 million.

Founded in 2001, Passave uses Ethernet passive optical networks (EPONs) technology it developed for 1 gigabyte per second (Gbps) Internet communications. The rapid growth in demand for FTTH has boosted the company's sales from \$900,000 in 2003 to \$21.1 million in 2004, and \$20.4 million for the first half of 2005.

Passave has reported profit margin of 38%. It posted a profit of \$3.2 million for the first half of 2005, compared with \$8 million in 2004, and a loss of \$2 million in 2003.

IMI to Supply Ammo to U.S. Army in \$300m. Deal

Israel Military Industries won a tender for \$300 million to supply the U.S. army with ammunition. IMI said this is their biggest ammunition deal with the U.S. army to date.

IMI will supply light ammunition for rifles and machine guns, which will be produced in its 'Yitzhak' factory in Upper Nazareth. The deal will double the factory's output. It currently employs 350 workers, and has revenues of over \$60m. a year.

The Yitzhak factory produces light ammunition principally for American forces operating in Iraq, the Israel Defense Forces, the police and the Israeli defense establishment, as well as various western European clients.

IMI's light ammunition division was part of the General Dynamics group's bid for the tender, whose total likely to be about \$1.2 billion IMI's share is expected to be about \$50 million in 2005, with the possibility of arming the U.S. army under the same terms in following years.

In 2004 IMI received emergency orders from the U.S. for light ammunition at \$72 million. Over half of this order has already been supplied.

India, Israel to Sign Tech Agreement

Israel said it would sign a bilateral economic agreement with India by the end of this year to further scientific

and technical relations. The improvement in Israeli-Indian relations have led to a major growth in trade, including military systems.

63% Return for Sarin since Singapore IPO

Sarin Technologies Ltd. (SGX:SGD), a maker of diamond processing systems, has become one of the most successful IPOs by an Israeli company on a foreign exchange. Sarin, currently the only Israeli company traded on the Singapore Stock Exchange (SGX), was floated in early April at S\$0.35 per share. Four months later, it trades at S\$0.57, reflecting a market cap of \$85 million, and giving investors a 63% return since the IPO.

Sarin posted record revenue of \$8.6 million for the second quarter, 78% higher than for the corresponding quarter of 2004, and 49% higher than for the preceding quarter. Most of the increase in revenue came from substantial improvement in the company's activities in India, Sarin's center of business.

Sarin posted a net profit of \$3 million for the second quarter, compared with \$1m. for the corresponding quarter of last year and \$1.5m. for the preceding quarter. The company posted a net profit of \$4.5 million for the first half of 2005.

HP Buys Scitex Vision for \$230m.



Scitex (Nasdaq: SCIX; TASE: SCIX) announced that Hewlett-Packard (HP) (NYSE: HPQ, Nasdaq: HPQ) would buy the assets and business of its majority-owned subsidiary Scitex

Vision for \$230m. in cash.

Scitex Vision produces wide and super-wide format printers for signs and industrial applications, such as billboards, banners, street advertising and packaging. Scitex currently owns approximately 77.1% of Scitex Vision's share capital

and each of its principal shareholders, Clal Electronics Industries Ltd. and Discount Investment Corporation Ltd., holds 7.2% of Scitex Vision's share capital.

Under the terms of the agreement, HP will pay approximately \$230 million in cash to Scitex Vision, and an additional \$24.5 million will be utilized to repay Scitex Vision's liabilities, mainly to Israeli banks.

Scitex currently estimates that it will recognize a capital gain in its financial statements of approximately \$75-95 million.

The Top 10

The Globes Business daily has conducted a survey to pinpoint the 10 most exciting Israeli young companies.

We present them below:

Mellanox



Founded: 1999

Employees: 130, mostly at the company's Yokne'am development center

Activity: InfiniBand chip development

Capital raised: \$93 million

Investors: Dell, IBM, Sun Microsystems, Gemini, Sequoia Capital, Walden, Jerusalem Global, and others.

CEO: Eyal Waldman

BigBand Networks

Founded: 1999

Employees: 350, about 100 in Israel

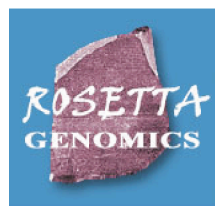
Activity: Solutions for transmitting video and multimedia content over broadband networks

Capital raised: \$100 million

Investors: Cedar Fund, Charles River Ventures, CommVest, Evergreen Investments, Lauder Partners, Meritech Capital Partners, Pilot House Ventures, Redpoint Ventures, STAR Ventures, Time Warner Ventures

CEO: Amir Bassan-Eskanazi

Rosetta Genomics



Founded: 2000

Employees: 30

Activity: Drug discovery based on microRNA genomic technology

Capital raised: About \$10 million

Investors: Teva, Dr. Isaac Bentwich, private investors

CEO: Dr. Isaac Bentwich

Wintegra



Founded: 2000

Employees: 100

Activity: Fabless semiconductor company

Capital raised: \$42 million

Investors: Concord Ventures, Magnum Communications,

Genesis Partners, China Development Industrial

Bank, Marvell/Galileo Technology, Texas Instruments, Plenus, Ron Zuckerman

CEO: Kobi Ben-Zvi

Proneuron Biotechnologies



Founded: 1996

Employees: About 50

Activity: Therapies for neurological disorders, including spinal cord injuries, brain trauma, and neurodegenerative diseases

Capital raised: \$41 million

Investors: Teva, Tamir Fishman Ventures, Pitango Venture Capital, Giza ABS GE Capital Fund, Marcus Foundation, Hudson Investment Group

CEO: Nir Nimrodi

FIS



Founded: 1984

Employees: 360, half of them in the UK

Activity: Software for the insurance industry

Capital raised: \$9 million

Investors: Formula Vision (39%), Clal Insurance (19%), Genesis Partners (15%), Giza Capital Management (9%), founders (19%)

CEO: Shai Alon

2004 revenue: \$42 million

Traiana



Founded: 2000

Employees: 120, 75 of them in Israel

Activity: Software solutions for large financial

enterprises

Capital raised: \$30 million

Investors: Sequoia Capital, Gemini Capital Fund Management, Evergreen Partners, Eastman Chemical Company

CEO: Gil Mandelzis

MobilEye



Founded: 1999

Employees: 100

Activity: Automated on-board driver assistant systems.

Capital raised: \$51 million

Investors: Leon and Lenny

Recanati, Dr. Shmuel Harlap, Lev Leviev, Gil Agmon, Ari Steimatzky, the Colmobil Group, Delek Motors, Eldan Rent-a-Car, Motorola Ventures, Solid Investment of New York, investor group headed by CPA Eli Gilboa
CEO: Ziv Aviram

Cyota



Founded: 1999
Employees: 120, 85 of them in Israel

Activity: Development of anti-fraud solutions for financial institutions

Capital raised: \$30 million

Investors: Giza Venture Capital, RRE Ventures, Israel Seed Partners, JAFCO, Poalim Ventures

CEO: Naftali Bennett

BitBand



Founded: 1999
Employees: 30
Activity: Video content distribution and delivery solutions over IP broadband networks

Capital raised: \$13.5 million

Investors: Sequoia capital, Apax Partners, Aviv Venture Capital (formerly Fantine), The Challenge-Etgar Fund, Ascend Technology Ventures, Portview Communication Partners

CEO: Ervin Leibovici

Mazor Spinal Surgery Device gets FDA Approval



Mazor Surgical Technologies has received FDA approval for its newly developed Hover-T Bridge, a platform for minimally invasive spinal surgery (MIS).

Mazor's flagship product, the SpineAssist, based on miniature robotic technology, is a precise positioning tool. By teaming SpineAssist with Hover-T, Mazor can provide a complete MIS

platform for lumbar spine procedures.

The Hover-T is attached percutaneously to the patient allowing the SpineAssist to float above the spine. This allows surgeons to accurately access any point in the spine through a minimal invasive approach with

minimal muscle or tissue disruption. Mazor stated that Hover-T will allow for the first time the ability to navigate along the entire lumbar spine without the need to expose bone, muscle or tissue, and makes it possible to perform spinal procedures with the smallest of incisions.

Although MIS implants represent for the manufacturers a premium product with high income, utilization is still very low. Mazor believes that the SpineAssist MIS platform will change this trend and encourage usage of premium implant products and become a major revenue generator for Mazor as well as for implant companies.

Professor Moshe Shoham founded Mazor within the Technion Incubator in 2001. The company's main offices are located in Israel, with recently opened offices in the US.

To date, Mazor has raised over \$19.5 million in two rounds. VC companies that have invested in Mazor include Alice Ventures, Johnson & Johnson, Israel HealthCare Ventures, Shalom Equity, Dor Ventures, Proseed, and ITP.

The Hover-T will be launched and presented at the North American Spine Society meeting, which will take place in Philadelphia at the end of the month.

The medical device start-up company -- Mazor Surgical Technologies, which develops a miniature robot designed for spinal procedures, installed last year its first two systems in the US and Israel. This system enables the surgeon to increase the level of accuracy during surgery while lowering the level of risk related to spine surgical procedures.

The robot developed by Mazor, SpineAssist, is an advanced solution in the medical field, which offers an innovative approach to the long-time problem of spine surgeons: the need to perform precise surgical procedures in the spine area, without the risk of injuring any nerves. The solution offered by Mazor, is a precise robot, no bigger than a soda can, attached directly to the patient's body. It helps the surgeon to determine the exact positioning of tools and implants.

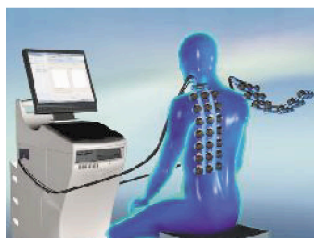
The SpineAssist will shorten surgery time, increase accuracy and minimize the risk of medical failures that result from misplacement of implants and use of other surgical tools during spine fixation procedures. The system was successfully tested on cadavers at the Cleveland Clinic Foundation (CCF) and is in the midst of clinical human trials in several spine centers

in Israel (Sheba Medical center, Rabin Medical Center and Carmel hospital). CCF in Ohio, one of the leading centers in spine surgery and research in the world, and the Israeli centers will be the first to perform surgeries with the SpineAssist. Each year more than 500,000 spine surgeries are performed in the US alone, creating a large potential market for the SpineAssist. Mazor's CEO, Ori Hadomi, predicts that in a few years SpineAssist will become a standard of care in spine surgeries. "I believe that the combination of precision, operation simplicity and performance reliability will play a key role in the success of the product and company."

Professor Moshe Shoham founded Mazor in 2001. The company is located in Israel and it employs 20 employees. Several international VC funds invested in Mazor: J&J DC, Shalom Equity, ITP, Proseed, Dor and Alice.

Deep Breeze gets European Clearance

Deep Breeze announced it has received a CE mark, declaring its first product, VRIXP, a safe and effective system.



With the certification, the company can market its vibration response imaging (VRI) technology to physicians in European

Union countries.

VRI is a non-invasive, radiation-free technology upon which VRIXP, an imaging device that aids clinicians in the diagnosis and treatment of various lung conditions, was developed.

VRIXP receives vibration response energy generated by the lungs, and translates it into a real-time structural and functional image of the lungs.

"The VRIXP system adds a new dimension to interventional pulmonology and evaluation of patients with lung transplants," says Prof. Mordechai Kramer, who is performing clinical trials at the Rabin Medical Center.

The VRIXP system received the CE mark after an audit, which found the device safe and effective to use, and approved it as a lung diagnostic device. "We are introducing a new imaging technology for the human body that is radiation-free and organ oriented," says Igal Kushnir, CEO and founder of Deep Breeze, a privately held medical device company.

"Unlike MRI (magnetic resonance imaging), X-ray or Ultrasound, VRI utilizes passive vibration energy that is naturally created in organs to produce a dynamic image of the organ."

Deep Breeze, founded in 2001, is conducting clinical studies globally, and evaluating VRIXP efficacy in critical care patient management, interventional pulmonology, and the monitoring of asthma, congestive heart failure and lung transplant patients.

VRIXP's first deliveries to Europe are expected in Q4.



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