

Sharon Appoints New Finance Minister

Prime Minister Ariel Sharon appointed Industry and Trade Minister Ehud Olmert as acting Finance Minister to replace outgoing Finance Minister Benjamin Netanyahu, who stepped down in August, protesting the Gaza Strip Disengagement Plan. Olmert will continue to hold the Industry & Trade Minister position.

Following Netanyahu's resignation, Prime Minister Ariel Sharon issued a "business as usual" message to the stock market investors and international rating agencies. Sharon told Bank of Israel governor Stanley Fischer that the government's economic policy would continue unchanged. He said that the upcoming state budget will preserve a deficit target of 3% of GDP, with only a 1% real increase in government expenditure." Fischer and Sharon discussed possible ramifications of Netanyahu's move.

Asked why he didn't resign earlier if he felt so deeply against disengagement, Netanyahu said that as Finance Minister he had a responsibility to implement the far-reaching economic reforms he put into process.

Capital Raised By Israeli Cos Soars 15% In H1/05

VC investments in Q2/05 reach \$387M, up 11% from Q1

In Q2/05, 98 Israeli high-tech companies raised \$387M from venture investors – both local and foreign, according to the quarterly survey conducted by the IVC Research Center, with the cooperation of the Israel Venture Association (IVA).

The amount was up 11% from the \$350M raised by 102 companies in Q1 and was 14% higher than the \$338M raised by 91 companies in Q2/04. Total capital raised in H1/05 was \$737M, up 15% from H1/04. In Q2, the average company financing round was \$3.9M, an increase of 6% from Q1 and 15% from Q2/04.

In Q2/05, Israeli VC funds invested \$163M in Israeli companies, a decrease of 6% from Q1/05, but 5% more than in Q2/04. The share of Israeli VC funds in the total amount invested in Israeli high-tech was 42%. The remainder of capital invested was mainly from foreign sources and non-VC investors.

Zazzle Dazzle

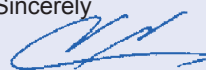
The recent publicity indicating that Zazzle.com has emerged from stealth mode demonstrates that Silicon Valley's most esteemed venture capitalists still harbor the belief that dot.coms represent the greatest financial opportunity for them. Zazzle.com's foremost investor is Kleiner-Perkins' John Doerr, one of the world's most prominent seed investors, who had placed his bets on the likes of Compaq, Sun Microsystems, Netscape, Amazon.com and Google.

Internet companies are worth a great deal on their IPO day, but the next day – the sky is the limit. So taught us the Israeli experience with Shopping.com, as did other hot web IPOs in the past years, with Google as the prime example and Baidu.com as the most recent one. With a decade-long perspective of internet stock issues such as Netscape, Yahoo! and Amazon.com, it is safe to say that quite a few internet companies will register a valuation increase of hundreds and thousands percent following their IPOs. Patient venture capitalists – and surely their LPs - will be able to harvest fantastic multiple returns if they hold on to their shares long term.

The million-dollar question is, of course, how to choose the right internet companies. It is tempting to say the certain US venture capitalists have already demonstrated their ability to foresee the future. Benchmark, Sequoia and Kleiner-Perkins have chummed out eBay, Yahoo! and Google. Nevertheless, they are also responsible for some of the field's more resounding failures, such as Webvan and eToys.

The answer lies apparently in the existing need for the application the company brings into the market, and in the case of Israeli companies – the attractiveness of the application in the eyes of large market players: eBay's need for Shopping.com as AOL's for ICQ produced large exits. The \$620M sale of Shopping.com to eBay will probably not be Israel's last internet success.

Sincerely,



Aharon Beth Halachmi
Managing Partner

PRIVATE PLACEMENTS

- **Aternity**, which develops and markets an innovative solution for improving access to enterprise IT infrastructures, raised \$7.5M from Vertex & Genesis, Portview, IDB Holding Corp, Clal Industries & existing investors.
- **BrainsGate**, which creates innovative solutions for treating Central Nervous System (CNS) disorders. raised \$10M from Alice Ventures, Boston Scientific, Infinity, Pitango and Shrem Fudim Kelner Technologies (SFKT) .
- **Cloverleaf**, which provides an Intelligent Storage Networking (iSN) system, raised \$11M from Hyperion, Genesis, Elta & Banc of America.
- **dbMotion**, which develops and markets a secured Virtual Patient Records platform, connecting a group of care providers and organizations without data centralization or replacement of existing information systems - raised \$10.2M from Gemini, Vertex & Pitango.
- **Epos Technologies**, which has developed a 3D positioning technology for consumer and industrial applications, raised \$5M from JVP.
- **EZchip Technologies**, a subsidiary of LanOptics, (NASDAQ:LNOP), a fabless semiconductor company providing high-speed network processors, raised \$10M from existing investors LanOptics (which will remain the majority shareholder with 60.4%), Apax, Plenus, Star, Tamar, BlueRun Ventures (formerly Nokia Venture Partners), Goldman Sachs Asset Management & JK&B Capital.
- **MetaCure**, which is focused on the development of electrical therapies for the treatment of

obesity and diabetes, raised \$20M from Dr. Lewis Pell, Prof. Shlomo Ben Haim and private investors.

- **NovaTrans**, which has developed a quick, highly sensitive and accurate method for detection of various molecules such as small molecules (or ions) gas or metal ions, or larger organic or bioorganic compounds, raised \$10M from private investors.
- **Octavian**, a provider of middle-office software solutions for the Wealth and Investment Management (WIM) area, raised \$5M from Carmel Ventures and Gemini.
- **OptimalTest**, which is developing automation systems for semiconductor production processes in the testing and control stages, raised \$14M from Pitango and Carmel Ventures.
- **Outsmart**, a provider of complete Fixed-Mobile Convergence (FMC) and Intelligent Networks (IN) based solutions, raised \$17M from Accel, Gemini & Magnum.
- **PortAuthority**, a leader in Information Leak Prevention, which develops security software that controls the unauthorized distribution of sensitive information, raised \$13.4M from Greylock, Sequoia & Lexington.
- **Power Paper**, a leading developer of next-generation, printable micro-powered devices and technologies, raised \$30M from Apax, JVP, Infinity, Millennium Materials, IsraTech, Amadeus, Banc of America, BancBoston, EDB, PolyTechnos, Toppan Forms, Ganden, Tadbik, Yasuda, GlenRock.
- **Protalix**, which is developing complex human therapeutic proteins for the biopharmaceutical market, raised \$5.5M from Atara, Poju Zabludowicz, Pontifax, Biocell, Technorov & Marathon.
- **RaySat** (formerly SkyGate),

a leading supplier of in-motion, low profile, phased-array satellite antennas, raised \$27M from Apax, Israel Seed & Benchmark.

- **ShellCase**, a supplier of innovative wafer level chip size packaging solutions for semiconductor devices for digital consumer products, raised \$19M from Infinity-CSVC, PNV & KGIF.
- **Sightline**, which is engaged in developing, manufacturing and marketing advanced endoscopic solutions for gastro-enterological applications, raised \$11M from NGN, Infinity, Boston Scientific, Vitalife, Inventech & Globescom.
- **Starhome**, which develops, integrates and manages value added services for wireless carriers, raised \$4M from Gemini. Starhome integrates its privately-managed IP network, multi-service platform and expertise in mobile networks to create a global service environment that empowers a rich portfolio of advanced roaming services, as well as specialized services developed with Starhome's partners.
- **SuperDimension**, which is developing a technology for minimally-invasive diagnosis and treatment of lung disease via CT-guided bronchoscopy, raised \$27M from Advent International, Boston Scientific, CIBC Capital Partners, Concord, Gemini, Medica, Mi3 Venture Capital, OrbiMed, Pitango, and Strategic Investment Group of Pfizer.
- **Topio** (formerly SANpro), which provides software for data replication and recovery, raised \$8M from Star, Sigma Partners & Sequoia Capital.
- **Voltaire**, which has developed interconnect solutions for high performance grid computing, raised a \$15M internal round from Vertex, Baker Capital, Pitango, Tamir Fishman, Platinum, Challenge-Etgar, Danbar & private investors.

EXITS

- Injectable drugs component maker **West Pharmaceutical Services** (NYSE: WST) acquired privately-held **Medimop** Medical Projects of Raanana, Israel, for \$41.8M, mostly in cash. Medimop is a developer of disposable medical devices for injectable drugs.

- **Shopping.com** (NASDAQ: SHOP), a comparison shopping service, was acquired by **eBay** (NASDAQ: EBAY), for \$620M.

- **McKesson Corporation** (NYSE: MCK) will acquire **Medcon** (TASE:MDCN) for \$105M in cash. Medcon is a global provider of Web-based cardiac image and information management platform addressing the full spectrum of needs for heart centers, including diagnostic digital image management and archiving, procedure reporting, and workflow management.

- **Cisco Systems** (Nasdaq: CSCO) will acquire privately held **Sheer Networks** of San Jose, California and Petah Tikva, Israel, for \$97M in cash and options. Another \$25M will be paid subject to certain development and product milestones to be met after the closing. Sheer has developed intelligent network and service management products for service providers and large enterprises.

- **Broadcom Corporation** (Nasdaq: BRCM), a global leader in wired and wireless broadband communications semiconductors, will acquire **Siliquent Technologies**, a privately-held developer of 10 Gigabit Ethernet network interface controllers (NICs), for \$84M.

- **Oren Semiconductor** of Yoqneam, Israel, which develops and markets integrated circuits that improve broadband communication and enhance image systems, was

acquired by **Zoran Corporation** (Nasdaq NM: ZRAN), for \$44.6M in cash and stock.

VENTURE CAPITAL

- The Israeli branch of US venture capital fund **Sequoia Capital** has raised a \$200M third fund for investment in Israel. Including the new fund, Sequoia Israel now manages almost \$400M. Sequoia Capital began operations in Israel in 1998, through a joint fund with Cisco Systems (Nasdaq:CSCO). In 2001, Sequoia Capital raised \$150M.

The firm focuses on telecommunications, IT, enterprise software, and the Internet. Its investments in Israel include Riverhead Networks, Actona Technologies and Pentacom (acquired by Cisco), Traiana, Followap Telecommunications, HyperRoll, Olive Software, Personeta, BitBand and PortAuthority.

- **Carmel Ventures** has raised \$200M for its second fund, which will focus on software and communications. Current investors participating in the new fund included three programs managed by Grove Street Advisors LLC, which include Calpers (California Employees' Retirement System), the Oregon Public Employees Retirement Fund and a private family office, The Partners Group, Carmel attracted several new investors, including Horsley Bridge International, JP Morgan Fleming, a leading Asian Government Agency, LGT Capital Partners, NY State / HarbourVest Partners, The Kauffman Foundation, Swiss Re Private Equity Partners III, Wilshire Associates and Goldman Sachs.

Spotlight on



MobileAccess Raises \$6M

MobileAccess Networks, which designs, manufactures, and markets a universal wireless solution for in-building wireless voice and data applications, raised \$6M in funding to fuel the company's accelerating growth. This cash infusion will enable the company to rapidly expand its sales team and build on its market momentum by aggressively marketing the MobileAccess solution within the healthcare, financial services, and government industries.

The proceeds from the latest round of funding will be used to develop advanced new wireless capabilities that extend the value of the MobileAccess universal wireless platform within specific vertical industries, such as healthcare, and to deliver enhanced solutions for organizations which require a single, cost-effective infrastructure that reliably handles multiple wireless frequencies.

"We have discovered that Healthcare represents a very significant market opportunity for us", says Yehuda Holtzman, General Manager of MobileAccess' Israel Operations. "There is a growing demand for communications services in hospitals – cellular, Wi-Fi, WMTS and emergency services. This increases our advantage in the market, since our technology provides multi-layered solutions. We have increased our R&D and sales efforts to accommodate this market."

Participants in this latest round of funding include HarbourVest Partners, Pitango Venture Capital, Poalim Ventures, CDB, Web Tech and Eurofund. To date, MobileAccess has secured over \$40M in venture capital funding.

www.mobileaccess.com

- **BeInSync** has reached 500,000 downloads in July, placing it in CNET's download.com 50 most popular applications list. BeInSync expects to reach one million downloads before the end of the year. BeInSync also announced that its next-generation remote access solution, BeInSync Pro 1.5, will be available on the U3™ smart drive computing platform. BeInSync's secure peer-to-peer technology automatically synchronizes user data across multiple PCs. With BeInSync loaded on U3 powered USB smart drives, consumers will gain flexibility and ease for ensuring remote files are synchronized, available and backed-up on the smart drive.

www.beinsync.com

- **CyOptics**, a leading supplier of high-speed Indium Phosphide (InP) optical engines for broadband solutions, recently announced that it has been awarded a study contract by Cray Inc. to collaborate in demonstrating unprecedented optical data transmission rates for future-generation supercomputers. The demonstration project targets rates of hundreds of gigabits per second over optical fiber lines and is related to Cray's participation in the DARPA High Productivity Computing Systems (HPCS) program, which aims to develop high performance computing systems with sustained performance of one petaflop (million billion calculations per second) on real-world applications by 2010.

www.cyoptycs.com

- **Hotbar** has continued to develop and enrich its core browser and email enhancement products, as well as complete a major version release of SmartShopper, its comparative shopping product. With new strategic partnerships in place both for Hotbar and SmartShopper,

Hotbar is well positioned for continued growth in 2005 with more offers and advertiser partnerships than ever before.

www.hotbar.com

- **Passavé**, the leading provider of semiconductors for Fiber-to-the-Home (FTTH), and Tellion, a leading developer of networking systems for access networks, announced in late Q2 that the EP 3120 OLT (optical line terminal) and EP 3204 residential-gateway ONU (optical networking unit) have successfully passed benchmark testing by Korea Telecom and are qualified for deployment in Korea. The OLT and ONU devices are designed around the gigabit EPON chipset from Passavé. "At Passavé we have a vision of gigabit FTTH transforming communications throughout the world, as is currently happening in Japan," said Ariel Maislos, president of Passavé. "Having shipped more than a million ONU devices to Japan, we are pleased to see our third-generation ONU system-on-chip (SoC) qualify for deployment in Korea. The Korean market has shown rapid adoption of broadband, and is likely to become a role model for acceptance and adoption of FTTH as well."

www.passave.com

- **ColorChip**, which designs and manufactures low-cost, high-performance components and modules for the fiberoptic market, introduced for the first time its Meteor II SOG™ FTTx Transceiver, a revolutionary diplexer, at the OFC show in Anaheim in March. The show is considered the biggest and most significant in the fiber optics industry. The Meteor II attracted much attention from potential customers, press and competitors. The Company's products are based

on its Ion-Exchange on glass and the revolutionary SOG™ (SystemOnGlass™) technologies. ColorChip also announced a new line of smaller footprint PLC optical splitters based on ION Exchange on glass, featuring the best performance in the market.

www.color-chip.com

- **Schema**, a global provider of industry-leading network optimization, simulation and related management software-based solutions, announced in July that it has signed a corporate license agreement with VimpelCom, Russia's leading international provider of telecommunications services, to deploy Schema's GSM Forté. Forté is a highly advanced automatic RF optimization solution that has been successfully utilized by a growing number of major carriers worldwide since its introduction last year. Schema's solutions are deployed and benchmarked by leading wireless operators worldwide, including AT&T Wireless, US Cellular, BellSouth International, Cellcom Greenbay, Hutchison India, Peoples PCS of Hong Kong, Claro Brazil and Cellcom Israel.

www.schema.com

- **RADWIN**, a provider of carrier class broadband wireless connectivity of TDM and Ethernet services, was commended by Her Royal Highness Princess Maha Chakri Sirindhorn of Thailand in a ceremony honoring RADWIN's contribution to the post tsunami relief efforts. RADWIN donated its WinLink 1000 broadband wireless solutions to the royal Chaipattana Foundation for use in the reconstruction of Thailand's communications network.

www.radwin.com

For comments and suggestions:
info@eurofund.co.il