

# eurofund quarterly

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## Fast Forward

**Following the March 28 elections, Israel faces further withdrawal from the Territories and socio-economic reforms**

Israel's elections winner was Kadima ("Forward" in Hebrew), a four-month old centrist party established by Ariel Sharon. But it was a modest win: compared with the 40-odd seats predicted by the polls, the party, headed by Acting Prime Minister Ehud Olmert since Sharon took ill, received only 29 seats out of 120 in the Israeli parliament.

The main candidates for manning Olmert's coalition government are the Labor Party, two Orthodox parties, liberal party Meretz and the great surprise of the elections: the Pensioners' Party.

Kadima's campaign focused on the continuation of Sharon's unilateral disengagement policy from the Territories in Dispute, which has already led to a withdrawal from the Gaza Strip. All coalition candidates seem to sanction this policy. However, Olmert, a veteran politician and former mayor of Jerusalem, a lawyer by profession, faces tough negotiation.

Perhaps for the first time in Israel's history, the main issue at hand is not security-related, but socio-economic. The Labor Party and Pensioner's Party are pushing for economic reforms that would improve the condition of Israel's growing poor population. They seek to reverse some of the reforms initiated by former Finance Minister, Benjamin Netanyahu (head of the Likud party).

Olmert has been in support of a "negative income tax", that would guarantee a minimum income level. Thus, the main challenge will be balancing the budget deficit with increased social spending.

Who is Israel's Prime-Minister-elect? Olmert, 60, was one of Sharon's closest allies. Both adopted a more dovish line in the past few years. Olmert was first elected as a member of the Israeli parliament in 1973. Prior to becoming Sharon's Deputy Prime Minister in 2003, he served in the Minorities, Health, Communications and Finance Ministries.

Olmert, who holds B.A. and LL.B. degrees in Psychology, Philosophy and Law from the Hebrew University of Jerusalem, is known as a resolute manager, who pushes for decisions and results.

## PMC-Sierra to Acquire Passavé for \$300 Million

**Eurofund invested \$2 Million in the company and expects to generate proceeds exceeding 20 times its original investment**

PMC-Sierra, Inc. (NASDAQ: PMCS), a leading provider of broadband communications and storage semiconductors, announced on April 4th, that it has entered into a definitive agreement to acquire Passavé Inc., a leading developer of system-on-chip semiconductor solutions for the Fiber To The Home (FTTH) access market.

Based on analyst estimates and service provider announcements, it is estimated that 45-60 million homes worldwide will be connected using Passive Optical Networking (PON) technology by 2010. The acquisition price of approximately \$300 million is expected to be paid through the issuance of PMC-Sierra common stock. The deal is expected to close in April and depends upon the receipt of normal governmental rulings. PMC-Sierra expects the acquisition will be neutral to earnings in the near term and accretive in three quarters based on expected revenue growth.

"Our acquisition of Passavé brings PMC-Sierra an experienced and highly innovative team with clear market share leadership in Passive Optical Networking solutions. This acquisition fits with our strategic intent to address the high-growth Fiber Access market and is aligned with PMC's developments in Customer Premises Equipment," said Bob Bailey, Chairman and CEO. "PON is the ultimate Triple Play access technology and is key to the build-out of the second generation FTTH-based broadband infrastructure."

Passavé's solutions enable Service Providers to offer so-called "Triple Play" services (voice, video and data) at up to 1Gbps over PON-based equipment. The company employs approximately 150 employees in its facilities in Herzliya, Israel; Santa Clara, California; Tokyo, Japan; and regional sales offices in Korea and China.

Eurofund co-lead this investment alongside BRM Capital and Walden Israel Venture Capital. Together with its partners, Eurofund assisted Passavé's management to grow the company from a start-up to a world leader in the FTTH market.

## CAPITAL RAISED BY ISRAELI VCS SURGES TO \$1.2B IN 2005

### Capital available for investment is now \$2.3B

The following are findings from the Annual Survey of Israeli Venture Capital Fund Raising, conducted by the IVC Research Center. Survey data for 2005 were compiled with the cooperation of the Israel Venture Association (IVA) and will be published in detail.

In 2005, the favorable capital raising trend that begun in 2004 intensified. Israeli venture capital funds raised \$1.2B, an increase of 65% from the \$724M raised in 2004. Capital raised by Israeli VC funds in 2005 was primarily the result of six new Israeli venture capital funds that completed their fund raising in the course of 2005.

These funds were Benchmark Israel II, that closed a \$250M fund, Carmel that closed its \$200M second fund and Israel Healthcare Ventures, that closed on a \$140M second fund dedicated to life sciences. Sequoia Israel and Genesis both closed third funds of \$200M and \$160M, respectively, while Giza closed its fourth fund after adding \$30M to the \$120M raised in 2004.

In addition, first closings were carried out by four Israeli venture capital funds, including Vertex Israel III, which closed \$120M and the life science-focused Medica-Poalim, which closed on \$80M in 2005. Several firms, including Concord, Israel Seed and Tamar Ventures suspended their plans to raise new funds in 2005.

### FUNDING ROUNDS

- **Business Events Solutions**, which developed a business opportunity discovery solution, raised \$12.7M (Series B) from Carmel Ventures, Gemini Israel Funds and a group of private investors led by Bobby Lent, co-founder of Ariba (NASDAQ: ARBA).

- **Contigo Mobility**, which provides a solution for the management of fragmented public WiFi Networks, allowing the creation of the virtual network, raised \$7.35M (seed round) from Lightspeed Venture Partners, Pitango Venture Capital, Gemini Israel Funds & Dr. Yossi Vardi.

- **Magnolia Broadband**, a developer of semiconductors for the wireless industry, raised \$14M (Series D) from Quantum

Technology Partners, WS Investments, SCP, ECentury, DFJ Gotham, Intel Capital, Uniquist & Selway.

- **Microheat**, which developed fluid heating system products for the automotive industry, raised \$8M (Series D) from GlenRock, Peter Neustadter, Arie Rubin, Joseph Willey & private investors.

- **Olive Software**, a leader in XML automation technologies, raised \$9M (Series C) from Pitango Venture Capital & Sequoia Capital.

- **Safend (formerly G-Sec)**, an information security company which develops solutions that centrally shield all desktops, laptops and mobile devices in the organization, raised \$7.4M (Series A) from Elron, Intel Capital & Walden Israel VC.

- **Siverge Networks**, which is developing silicon solutions for

WLAN QoS, raised \$12M (seed round) from Evergreen Venture Partners, Accel Partners & Cedar Fund.

- **UCLT**, which develops advanced ultra short pulsed laser technology and applications for the semiconductor industry, raised \$8.7M (Series A) from Lightspeed Venture Partners.

- **Wisair**, a provider of Ultra Wideband (UWB) and Wireless USB (WUSB) chipset solutions, raised \$20M (Series C) from Apax Partners, Bynet Communications, Intel Capital, RAD Group's founders, Vertex Venture Capital, Tomen Electronics & other strategic investors.

### NEWS IN BRIEF

- Unemployment rates continue to drop. According to the Central Bureau of Statistics, unemployment in January was at its lowest level in five years, reaching 8.8%. February marked a further drop – to 8.7%.

- The Tel Aviv Stock Exchange (TASE) board approved the membership of the world's largest bank, Citibank (NYSE:C), in March. Other foreign banking members include Deutsche Bank, UBS and HSBC. Citibank has been operating in Israel since 2000, mostly offering business, private and investment banking services.

- The Bank of Israel State of the Economy Index rose 0.3% in February 2006, to complete a 0.6% rise in two months and a 1% rise in three months. The Bank of Israel said the rise reflected continued economic expansion.

- The outbreak of bird flu is likely to cause a further increase in food prices in the next few months, affecting the Consumer Price Index (CPI). According to senior economic sources in Jerusalem,

the epidemic will not harm economic growth, provided it can be contained and does not affect humans.

- Analysts in Israel and at *The Economist* expect the Israeli economy to grow by 4.8% in 2006, lower than the 5.2% in 2005, but higher than the official forecasts of the Ministry of Finance (4.1%) and

the Bank of Israel (4.3%).

- Siemens (NYSE: SI; XETRA: SIE) and the Ministry of Industry, Trade, and Labor are initiating a project for closer ties between the German-based electronics giant and Israeli companies, in order to spot potential business and research cooperation with Israeli high-tech companies.

In the past decade, Siemens has invested €500 million in Israel. Siemens Venture Capital has invested €700 million in 100 start-ups worldwide, including Israel.

- The Ministry of Housing and Construction announced earlier this year it will invest NIS 100 million a year in development in Israeli-Arab communities, over the next four years.



Spotlight on **beinsync**

## BeInSync Releases Version 2.0

BeInSync announced in early April the release of BeInSync Pro version 2.0, a new edition of its popular Peer-to-Peer synchronization software. Since its launch in 2004, BeInSync has provided a secure platform for over two million users worldwide to synchronize, share and keep files and folders backed up across multiple computers.

Key features of the new BeInSync 2.0 include:

- One-click access and sharing — With BeInSync 2.0, users can access and share any size file or folder over the Web. This means users are no longer required to install the BeInSync client first in order to access files on a remote computer. After viewing files or folders via a Web browser, users may choose to install BeInSync on their computers in order to automatically keep these folders up-to-date at all times.
- Cross browser support - Access to remote files is now possible from all major browsers, including Firefox, Safari and Opera.
- Significant performance boost – With a new and improved file synchronization engine, BeInSync 2.0 is more robust than ever, offering a 3x performance boost over older versions.
- Simplified setup and management – A new launch pad screen makes it easy

to start using BeInSync. Additional Web management features make it possible to configure user settings from anywhere.

- Total user privacy – By relying on secure P2P communication technology to create personal, private networks of user PCs and data, BeInSync, as always, eliminates the need for storing customer files on its servers.



“Unlike simple remote access or file transfer programs, BeInSync offers a full ,bi-directional, synchronization engine that automatically and seamlessly keeps data in sync across computers,” said Tal Barnoach, CEO of BeInSync. “We have now made it even easier to sync up and back up files by providing an instant, secure Web access to shared folders with no client installation required. BeInSync offers high reliability and security at a low cost, making it truly unique in its industry.”

BeInSync Pro version 2.0 is available now on the BeInSync Web site at [www.beinsync.com](http://www.beinsync.com) for an introductory price of \$6.95 per month or \$59.95 per year. A free basic version of the software is available allowing users to synchronize up to a fixed number of files per day. Existing users will be able to automatically upgrade their existing installation to version 2.0.

### ABOUT BEINSYNC

BeInSync is the leader in next-generation remote access and file synchronization solutions that maximize productivity and data availability for individuals, business users and mobile professionals, with over two million downloads to date. Based on innovative secure, private, peer-to-peer synchronization technology, BeInSync users can free their minds from the problem of accessing their data and instead enjoy always having it when and when they need it – at work, home or on the go. This is accomplished by networking disparate computers and automatically keeping files and folders in sync, backed up and easily shared across these computers, ensuring users can access and share their latest data no matter where and on which device computer is located. For more information, visit

[www.beinsync.com](http://www.beinsync.com).

● **ColorChip.** During Q4/2005, ColorChip continued performing the transition from concept to working xPON transceiver samples. ColorChip continues to enhance its splitter manufacturing capabilities and to eliminate the reliability issues, targeting to initiate Telcordia testing in the near future.

Passing the Telcordia tests, which takes approximately three months' time, will enable ColorChip to approach a much wider client base.

[www.color-chip.com](http://www.color-chip.com)

● **CyOptics.** During Q4, Matthew Riley joined the company as CFO. Before joining CyOptics, Riley served as senior VP and controller for Agere Systems. He was the acting CFO of Agere during its separation and carve-out from Lucent Technologies leading up to its successful \$4.2B IPO.

[www.cyoptics.com](http://www.cyoptics.com)

● **Hotbar** continued enhancing its legacy Internet Explorer toolbar ("Smart Toolbar") and its Outlook Email toolbar while also making significant progress in further developing on the innovative comparative shopping desktop product ("SmartShopper").

[www.hotbar.com](http://www.hotbar.com)

● **MobileAccess Networks.**

In December, GE Healthcare announced an exclusive, worldwide agreement with MobileAccess to create the GE Enterprise Access solution designed to help hospitals roll out all of their critical wireless services on a common infrastructure.

At the core of the GE Enterprise Access solution, the MobileAccess Universal Wireless Network will provide seamless wireless coverage throughout healthcare facilities

and simultaneously deliver a broad range of wireless technologies, including cellular, Wi-Fi, paging, and public safety radio over a common infrastructure.

The two companies will continue to collaborate on enhancements to the GE Enterprise Access solution.

With this new solution, hospitals will no longer need to install parallel, standalone infrastructures to support their clinical workflows. Instead, hospitals can deploy a highly adaptive wireless solution that enables medical teams to deliver increased clinical and IT productivity through improved communication across the entire campus.

[www.mobileaccess.com](http://www.mobileaccess.com)

● In November, **RADWIN** announced that it is strengthening its commitment to the African market through the expansion of its distribution network.

RadWin had also announced during Q4 its Automatic Channel Selection (ACS) feature for the WinLink™ 1000 broadband wireless system, capable of automatically changing channels to one with the least interference when it detects degradation in link quality.

In December the company announced that it is also targeting the video surveillance market. WinLink™ 1000 enables organizations of all kinds – public safety agencies, military, enterprises, private security firms - to deploy surveillance cameras in any location more quickly and cost-effectively than before.

RADWIN's WinLink™ 1000 relays high resolution video from all locations where surveillance equipment is installed back to an organization's security center,

withstanding harsh environmental conditions to deliver a non-stop connection. The solution was recently chosen for remote video surveillance of the Serra de Sao Pedro forest in Portugal.

[www.radwin.com](http://www.radwin.com)

● **Schema** recently announced the release of its GSM Network Dimensioning Manager Version 1.5.

This version, currently installed on a trial basis at a large cellular operator, is an advanced analysis tool that yields significant cost savings to cellular network operators by maximizing the utilization of existing network resources, while giving increased lead time for planning necessary expansion.

[www.schema.com](http://www.schema.com)

● **Eldat Communication** recently announced that its system has been selected by Carrefour, Europe's largest retailer, to be installed in 17 Hypermarkets in Spain and Portugal. The \$4M order is a result of a competitive bid proposed by IBM Spain, Eldat's strategic partner in Europe.

The partners will begin implementation of the Electronic Shelf Labels solution by the end of Q1/06 – with completion expected by Q4/06.

The system will update prices using mega transceivers located on ceilings, providing the widest wireless coverage in the ESL industry and full remote access capability.

[www.eldat.com](http://www.eldat.com)

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