

eurofund quarterly

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MOU signed by London and Tel Aviv Stock Exchanges

In February the London Stock Exchange (LSE) and the Tel Aviv Stock Exchange signed a Memorandum of Understanding that formalizes the strong ties between them and facilitates orderly trading of shares of companies listed on both markets.

The LSE is considered the most international equities exchange in the world and is Europe's largest liquidity pool. Over the past two years, more Israeli companies listed on the London Stock Exchange than on any other foreign exchange.

Kiryat Shmona Biotech Valley Planned

A new Biotech Valley project planned for Israel's northern region will initially house 20 biotech start-ups, with half still in the development stage. The companies are expected to employ 200 to 300 people. The joint effort of the Ministry for the Development of the Negev & Galilee, the Ministry of Industry, Trade & Labor, the United Joint Israel Appeal (UJIA), the United Israel Appeals Federations Canada, the Rashi Foundation, the Jewish Colonization Association and the Jewish Agency is expected to cost \$110 million.

DO-COOP Technologies wins Frost & Sullivan Technology Leadership Award

The 2007 Frost & Sullivan Technology Leadership Award in the European polymerase chain reaction (PCR) reagents market has been awarded to Israel-based Do-Coop Technologies for its novel nanotechnology-based reagents, Neowater, and for their role in enhancing the efficacy and accuracy of PCR results. The award recognizes companies which demonstrate excellence in technology leadership in their industry.

Neowater uniquely mimics the intra-cellular properties of water and provides a better physical environment for chemical reactions. Neowater requires only minimal alterations in laboratory procedures, yet delivers excellent results.

Technology is Driving Israeli Economy, Despite Political and Security Uncertainty

Do you remember the Israeli-Lebanese war of 2006? Israel's Northern region was virtually shattered, reservists were called up and people from the North sought shelter in safer places.

The political news from Israel this past year might also reduce citizens' confidence in their government and military leadership.

Remarkably, the Israeli economy seems untouched by all these events. 2006 was a stellar year: GDP grew by 4.9%, inflation was very low, the stock exchange broke the 1,000 mark and the shekel started appreciating in the midst of war and is still appreciating. Typically, when war erupts, a country's financial outlook suffers. Significant businesses losses and dramatic decreases in tourism add to the costs of funding a war. In 2006, however, none of these factors dampened Israel's economic growth.

HSBC noted in its 2006 review of Israel's economy that it was far more resilient to the 34-day Lebanon war than the market had originally thought. "The tourism sector, which fell sharply, rebounded by year's end. Fourth quarter industrial exports expanded by 9.0% quarter-on-quarter, led by high-tech exports. Industrial production rose by 10% quarter-on-quarter while strong growth in imports of raw materials and investment goods points to buoyant GDP growth ahead."

Morgan Stanley, in its recent review of the economy, attributed Israel's strong economic performance to its tight linkage to the global investment cycle. High-tech goods and services comprise close to one-third of the country's GDP and 75% of its industrial exports, so the economy benefits from strong global economic growth. The US, China and India account for more than half of all of Israel's exports, making it less vulnerable to local economic conditions.

Most analysts forecast a positive outlook for the economy, with strong growth in most sectors. Israel still boasts the highest percentage of engineers and PhDs in the world, which helps keep it at the forefront of R&D development and entrepreneurial pursuits. Based on the economy's positive performance despite the adverse conditions of the past year, we are confident that expectations for future growth will be met.

Yours sincerely,

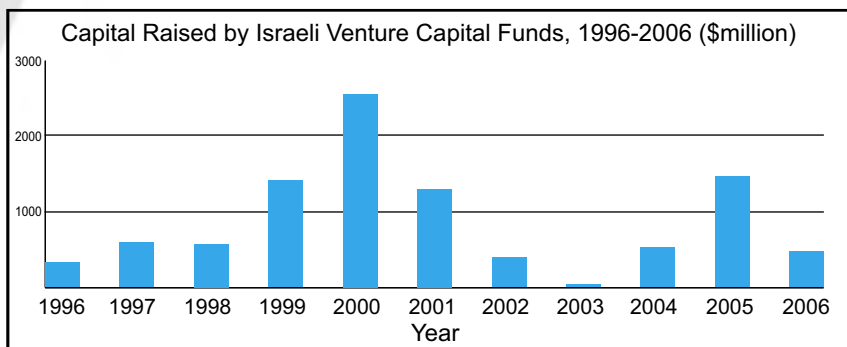


Aharon Beth-Halachmi

Israeli VC's Raise \$473 Million in 2006, A Decrease from Previous Years

Israeli venture capital funds raised a total of \$473 million in 2006, 67% less than the \$1.46 billion raised in 2005. According to IVC estimates, \$1.5 billion in capital is available for investments by Israeli VCs. Close to two-thirds of that sum is intended for first time investments, with the other third earmarked for follow-on rounds of investment in high-tech companies.

Capital fund raising is highly variable. Between 1992 and 1996, Israeli venture capital funds raised over \$11 billion for investment in



Israeli technology companies. Zeev Holtzman, chairman of the IVC Research Center and Giza Venture

Capital, indicated that the next capital raising cycle is anticipated to start in 2007 and be completed in 2008.

First Quarter 2007 in Brief

In 1Q 2007, Israeli high-tech companies raised \$406 million, a 13% increase over 1Q 2006. The funds were invested in 121 companies. Israeli VC's were the source of \$171 million, 42% of the capital invested in Israel. Communications companies received 30% of the capital raised and Life Sciences and Internet companies each received 16%.

Internet companies attracted three times the amount of capital as in the same quarter of the previous year (\$64 million in Q1 2007 compared with \$21 million in Q1 2006). The number of Internet sector deals increased, as did the number of companies receiving financing rounds of over \$20 million. First quarter Internet sector investment figures are the highest quarterly numbers since 2001.

Bigband Raises \$139 Million in Nasdaq IPO

Bigband Networks, Inc (NASDAQ: BBND), founded in 1998, issued 10.7 million shares at \$13 per share, above the predicted price range of \$10-12. Following the offering,

the company was valued at \$734 million.

Bigband is a leading provider of broadband multimedia infrastructure for video, voice and data. The company's solutions process, optimize, and deliver services including broadband Internet, VoIP, digital broadcast television, HDTV, high quality video, local advertising, VOD, interactive TV and IPTV across coaxial cable, fiber or copper. The company counts six of the ten largest service providers in the US among its customers.

Environmental Energy Resources to Unveil Radioactive Waste Disposal System

Environmental Energy Resources (EER), an Israel-based company, has developed a government-approved facility in Yblin (near Karmiel) for the disposal of low- and medium-level radioactive waste.

Provigent, Inc Secures \$16 Million in Fourth Round Financing

Fabless chip company Provigent Inc. has developed a single-chip modem that allows broadband wireless data transmission with two data streams on two polarizations of a single channel.

Aeroscout Inc. Secures \$21M in Third Round of Financing led by Menlo Ventures

Aeroscout develops enterprise Wi-Fi network solutions for locating and managing people and assets in a variety of environments. The system includes indoor and outdoor real-time asset location (RTLS) as well as long range Active RFID, choke-point visibility and telemetry.

Mellanox IPO Gives Market Capitalization of \$510 Million

Mellanox Technologies (NASDAQ: MLNX) sold 6 million of its ordinary shares at \$17 per share, exceeding the expected range of \$12-14 per share.

Mellanox is one of two major InfiniBand semiconductor suppliers and also supplies host bus adapters (HBAs). Its semiconductor-based, high-performance interconnect products enable data transmission between servers and storage systems through communications infrastructure equipment. Mellanox products support InfiniBand as well as industry-standard Ethernet interconnect specifications.

portfolio company spotlight



Company name: Radwin, member of The RAD Group

Brief description: Leading provider of advanced point-to-point broadband wireless solutions

Established: 1997

Headquarters: Tel-Aviv, Israel

Additional offices: US and India

Technology area: Wireless infrastructure, point-to-point in the sub 6GHz bands.

Key executive: Sharon Sher, President and CEO

Website: www.radwin.com

Radwin was established in 1997 with a focus on the wireless market. As the global telecommunications market evolved, Radwin fine-tuned its focus to point-to-point. "Radwin has been a pioneer in bringing to market sub-6GHz cellular backhauling solutions that meet carriers' stringent performance requirements," explains President and CEO Sharon Sher. "Backhauling is a major challenge for carriers seeking to expand their networks while maximizing coverage and minimizing costs. Our sub-6GHz systems incorporate the most advanced technologies, allowing carriers to provide cellular backhauling with carrier-class reliability at an extremely competitive price. We are focused on exceeding our customers' expectations and using our products to help propel their service offerings."

Radwin's carrier-class family of products, WinLink, provides a differentiated solution for a variety of applica-

tions. For carriers, WinLink provides a solution for first mile and second mile access, backhauling for mobile operators' sites, and backhauling for the emerging markets of WiMax and metro WiFi. For corporate and federal markets, WinLink provides a secured, high capacity, very reliable and simple solution for creating private networks serving enterprises, municipalities, schools, hospitals, utilities and public safety and military organizations.

WinLink products meet regulations worldwide and are already deployed in more than 80 countries. Radwin's products pack legacy TDM and Ethernet services over licensed and unlicensed bands in sub-6GHz spectrum. They provide high capacity connectivity of up to 48 Mbps, a range of up to 80 km/50 mi, and rapid deployment of E1/T1s and Ethernet links at a fraction of the cost of leased lines or fiber.

Radwin clients are very satisfied. "I have WinkLink installed in difficult NLOS (Non-Line-Of-Sight) conditions at 14KM and it works amazingly!" exclaimed Shant Khatcherian of Alloyant Technologies, India.

Visant Strategies forecasted in 2005 that "overall point-to-point wireless revenues [would] grow from \$4 billion in 2004 to \$7 billion in 2009". Radwin products' ease of integration and ability to improve network performance ensure the company's key position in that market. Michael R. Anderson, Chairman of the US Wireless ISP Organization describes Radwin's offering as "an excellent product at a very competitive price". "WinLink's plug-and-play installation, unrivaled price and advanced security features made it the obvious choice," said Ibrahim Acar, General Manager of DataFon, Turkey.

Recent Radwin cellular backhauling installations include:

- A pure **3G Carrier in Southsast Asia** wanted to expand service coverage in metro, suburban and rural areas.

High microwave equipment and radio license costs led them to select Radwin's license-exempt WinLink. Its speed and ease of deployment minimized time-to-market and helped the operator gain market share.

- To ensure profitable network expansion to rural areas with low average revenue per user (ARPU) a **Pan-African Operator** opted for the license-free, low-operating-cost Radwin solution.

- A **National Operator in North America** needed to rapidly extend its network to meet customer demand and capture market share, but line leasing costs and bureaucratic hassles were slowing rollout. It implemented Radwin's license-exempt system as an intermediate backhauling solution to quickly expand network coverage.

- To facilitate network migration from 2G to 3G, a **Cellular Carrier in Asia** had to install additional base stations and enhance backhauling capacity to each base station location. The operator bypassed costly leased lines with Radwin's license-exempt cost-saving systems, which operates flawlessly even in crowded urban environments and NLOS conditions.

- The need to extend service coverage in all areas, including low ARPU locations, propelled a **Pan-Latin American Operator** to search for an affordable, carrier-class solution. Radwin solutions were the obvious choice.

Radwin is continuing to grow its share in today's highly competitive, multi-player market, in which rapid innovation is the norm. Radwin's impressive partners, which include the most prestigious tier 1 manufacturers and carriers, and the company's more-than 20,000 installations, confirm the strength of its solution, and proprietary technology protects against encroachment by competitors. The company's outlook for 2007 is extremely positive.

portfolio news

• **BeInSync**, the leading provider of software for secure remote digital content access, sharing and backup, opened a new office in San Jose, California. The Silicon Valley office will strengthen the company's operations and further support customer and partnership initiatives, positioning BeInSync for robust growth.

www.beinsync.com

• **ColorChip** is a cutting edge developer and manufacturer of glass-based Planer Lightwave Circuit (PLC) chips and modules for the Fiber to the Home (FTTH) networks. In February, the company completed a \$7.4 million round of funding led by Vertex Venture Capital, which is joining existing investors Bessemer, Eurofund, Motorola, Polytechnos, and Walden Israel Venture Capital. Proceeds from this round will support the company in moving from product qualification to mass production as well as introducing new products targeting additional applications.

www.color-chip.com

• **CyOptics**, a leader in Indium Phosphide (InP) optical chip and component technologies, signed an agreement in March 2007 to acquire Apogee Photonics, a leading supplier of laser sources for the fast growing 10Gb/s and emerging 40Gb/s markets. The acquisition extends CyOptics' high-speed source laser

capabilities and provides CyOptics with a comprehensive portfolio of InP-based transmit and receive optical chips and components for telecommunications and data communications applications.

Apogee Photonics, a key supplier to major system integrators and sub-system manufacturers, produces high-speed lasers and offers a broad portfolio of short- and long-reach products to the communications industry. Its innovative technology is deployed in tier-one system OEMs and module vendors worldwide and is outstanding among other optical semiconductor technologies in terms of performance, power dissipation, and extended temperature operation.

"The addition of the Apogee Photonics product family further expands our already broad product portfolio, making CyOptics the leading pure-play supplier of InP chips and components," said Ed Coringrato, CEO of CyOptics. "The optoelectronics industry is continuing its consolidation and CyOptics is growing its revenue by offering our customers one-stop-shopping for best-in-class component solutions."

www.cyoptics.com

• **MobileAccess** is an enterprise wireless innovator that provides a universal platform for connecting the people and applications that drive business. The MobileAccess Universal Wireless Network is the key

to widespread wireless connectivity in hospitals, office buildings, public venues and other large-scale facilities. MobileAccess had record-breaking growth and profitability in 2006 and its networks were deployed at well-known locations including the Homer Building in Washington DC; Lincoln Square in Bellevue, Washington; the Peppermill Hotel Casino in Reno, Nevada, Northwestern Memorial Hospital, Chicago; the Children's Hospital in Denver, Colorado and many more.

www.mobileaccess.com

• **Tevet** is a leader in the highly competitive semiconductor metrology market. In January 2007, Tevet set records in the number of integrations, integrated metrology module (IMM) adoptions per tool, IMM adoptions per fab site, and IMM tool-of-record selection. Tevet also had 10 design-in wins with leading integrated circuits (IC) process equipment manufacturers and fab automation systems as well as 3 new tool-of-record selections at multi-site, multinational IC manufacturers in Q4 2006. In 2006, Tevet grew their Tevet chemical vapor deposition (CVD) integrated metrology (IM) installed base by a factor of four compared to the previous year. In addition, Tevet ended 2006 with a record, approximately 30% of 2007 projected revenue already booked.

www.tevet-pct.com

About Eurofund Eurofund is an early-stage venture capital firm focused on investments in Israeli and Israel-related high growth companies operating in the fields of telecommunications, information technology, the Internet and semiconductors. Eurofund focuses on working with portfolio companies to ensure long-term value creation through innovation and disciplined execution.