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Pirelli -CyOptics Strategic Alliance for Next-Gen Optical Components

The Pirelli Group and CyOptics are launching a strategic alliance aimed at developing a new generation of optical components. The agreement brings together CyOptics' depth of knowledge and product offerings in indium phosphide (InP) based lasers and detectors and the Pirelli Group's photonics company, PGT Photonics' focus on silicon-based photonics. Together, the two companies will focus on providing leading products including wavelength tunable Transmit Optical Sub-Assemblies (TOSAs), Photonic Integrated Circuits, and other components that will improve flexibility and reduce the cost of optoelectronic communications.

CyOptics designs, develops and markets a full line of InP optical chips and components for integration into access, metro and long-haul communications systems. The company is an industry leader in hybrid integration using different elements in a single package and monolithic integration on a single chip. Pirelli & C. SpA, which is listed on the Italian Stock Exchange, is the parent company of a multi-national group with 135 years of industrial experience that is active in more than 160 countries.

As part of the agreement, Pirelli will receive a 30% share in the new business. Marco Tronchetti Provera, Chairman of Pirelli, said "This investment is coherent with Pirelli's strategy to grow in photonics through integration with other companies in similar businesses. We strongly believe in the potential of this transaction, which allows for joining two advanced and complementary technologies and creating a leading-edge company in the optical sector".

Israel Takes Its Place Under the Sun

Israel is leveraging its beneficial geographic location to help the environment. The country, especially its southern Negev region, has among the highest levels of sunlight in the world, making it an ideal place for harnessing the sun's energy. While for many years Israel has led the rest of world by using solar energy to heat water, today there are many more options for taking advantage of technology that utilizes this important source of renewable energy.

The current total available power capacity in Israel is approximately 11,600 megawatts (MW). Power demand has reached as high as 10,200 MW and demand is forecasted to increase to 18,400 MW by 2020. Minister of National Infrastructure Benjamin Ben-Eliezer recently announced an initiative to increase the current 2% of energy provided by renewable energy sources to 5% by 2016 and to 10% by 2020. By the year 2020, 75% of the energy generated via renewable sources will come from solar energy, 10% from wind energy, 10% from biomass and 5% from other sources, including hydro energy.

The country's goals are to ensure an uninterrupted energy supply that will meet the economy's needs; lessen its dependency on crude oil imports and their associated costs; and reduce the emission of greenhouse gases and other toxic pollutants into the atmosphere and the ground.

After much heated debate, two energy power stations based on solar thermal technology are being built in Ashalim, a small town in the Negev. Together, these stations will provide 250 MW of power, which is 2.5% of Israel's energy consumption. The cost of the power generated by the solar power station is estimated to be \$0.12-0.15 per kw/h, compared with \$0.05-0.06 per kw/h for electricity generated by fossil fuels. The Government also plans to develop a 15 MW photovoltaic power pilot plant on the site.

Yours sincerely,

A blue ink signature of Aharon Beth-Halachmi, written in a cursive style.

Aharon Beth-Halachmi

israel investment & economic news

Red Hat Purchases Qumranet for Over \$100M

Israeli startup Qumranet was purchased by Red Hat, the American open-source software giant that is a major Linux distribution vendor, for a reported \$107 million. Qumranet was founded in 2005 by serial entrepreneurs Giora Yaron, Benny Schnaider and Rami Tamir. The sale vindicates the founders' commitment to a strategy that is highly unusual for a venture capital-backed company: Delivering products to the open-source community. Schnaider says that the unusual strategy was instrumental to the company's success. "We realized that if we opened up to the open-source community, we would earn its support. What happened is that two months after we released our software it was integrated into Linux. The community gave our product an excellent reception. We're talking about developers from IBM, Intel, Novell, Google and Cisco. They helped us a lot," says Schnaider.

"Qumranet will be Red Hat's base in Israel," Schnaider explains. "We currently have about 50 employees in Israel and about 60 overall. We will become Red Hat Israel. All of the employees will remain, and no dismissals are expected." Tamir explains that Red Hat is buying Qum-

ranet because the technology developed by the Israeli company will broaden the U.S. firm's product line. "Virtualization - running software instead of hardware in order to cut hardware costs - is part of the Linux operating system," Schnaider says. "Today there are only two technology companies offering a solution that integrates virtualization into the operating system: Red Hat and Microsoft. Microsoft bases its software on a proprietary model. Red Hat does it with open-source code."

Israel Completes First Stage of OECD Membership Process

As part of the initial stage of joining the Organization for Economic Co-operation and Development (OECD), Israel committed to adopt the accepted legal foundations for group members regarding policy, legislation and implementation. Finance Minister Bar-On said that completing the first stage of the process during a period of worldwide economic uncertainty indicates the strength of the Israeli economy.

The OECD invited Israel to start the accession process in May, 2007 and Israel intends to meet all of the organization's standards by the end of 2009. Once it has attained compliance, Israel will be reclassified in the

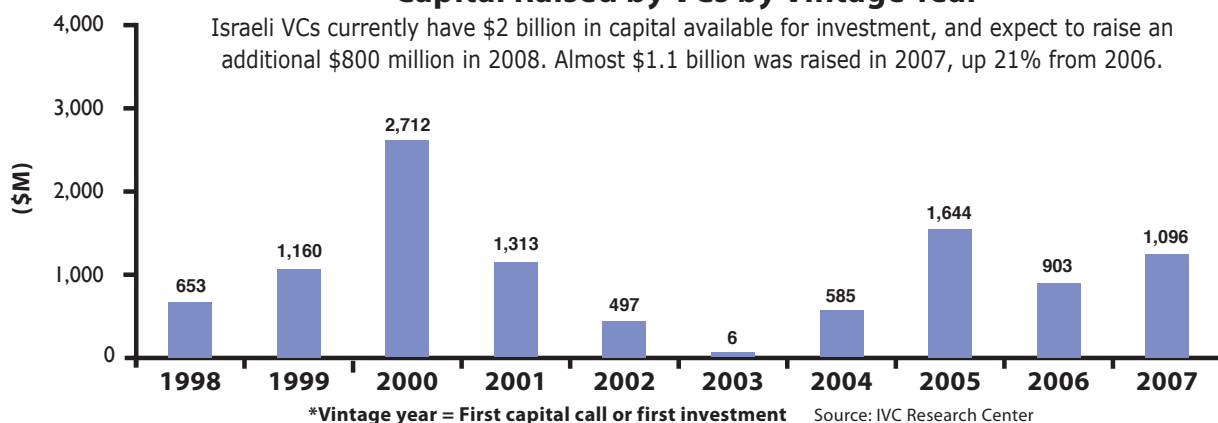
developed market category of global share indices for capital inflow and other economic parameters.

Research indicates that Israel's accession to the OECD and to the list of developed economies will improve its international standing, lower its cost of borrowing and obligate it to meet accepted international standards on all matters related to economic policy. This is expected to lead to further improvement in Israel's economic fundamentals thereby making investment in Israel more attractive to foreigners.

Unemployment in Israel at 20-Year Low

According to data released by the Central Bureau of Statistics, Israel's unemployment rate has continued to fall, reaching a quarterly average of 5.9%, the lowest rate in twenty years. Although this news was greeted with much enthusiasm, there is concern that this level will not be sustainable over the long term, especially given the economic slowdowns being felt around the globe. Typically, financial conditions across the world have a strong impact on the local situation.

Capital Raised by VCs by Vintage Year*





Company name: RADWIN

Brief description:

Global provider of sub-6GHz broadband wireless solutions

Established: 1997

Headquarters: Tel Aviv, Israel

Additional offices:

North America, Latin America, EMEA and APAC.

Technology area:

Wireless infrastructure

Key executives: Sharon Sher

President and CEO

Website: www.radwin.com

RADWIN, a member of the RAD Group, provides wireless solutions for backhaul and broadband access applications in the sub-6GHz space that empower carriers and service providers to connect subscribers everywhere. The company's telco-grade TDM and Ethernet services have made it a market leader in the sub-6GHz domain.

RADWIN enables carriers to reach out to rural subscribers and offer enhanced services for urban areas and private networks. The company's wireless broadband solutions for voice, data, and video streaming provide unrivaled performance, capacity, range, and quality at competitive prices. Established in 1997, RADWIN's innovative carrier-class solutions facilitate communications in over 110 countries around the world.

In many rural regions communications infrastructure is virtually nonexistent. Operational difficulties that stymie efforts to establish the necessary infrastructure include rough terrain, limited power supply and a limited pool of skilled laborers.

RADWIN's Rural Connectivity model was developed specifically to address the communication challenges faced by these regions, which include more than half of

the world's population. In fact, the developing countries, where many of these rural areas are located, are forecast to account for 69% of the world's phone connections by 2010. As Sharon Sher, President and CEO of RADWIN said, "Our solutions empower operators to address the next billion subscribers who live in rural areas more quickly and more cost-effectively than ever before possible."

Since it was established, RADWIN's product offerings have been proven robust and effective in a wide variety of challenging situations around the world. Specific features and capabilities of the company's solutions of particular importance to rural areas include:

- An extensive portfolio of sub-6 GHz wireless broadband solutions with different frequencies and which support different regulations.
- Point-to-point solutions for a variety of capacities and ranges.
- Multiple point-to-point solutions which enable the installation of numerous point-to-point systems in one hub site, providing dedicated bandwidth to each site.
- Base distribution units which enable branching out in different directions over multiple hops, thereby creating networks of primary and secondary points of presence (POPs).
- Low risk RADWIN solutions require a small upfront capital investment with the option to "pay-as-you-grow." In addition, simple installation and maintenance requirements keep operational costs low.

RADWIN's systems are especially suited to meet the harsh conditions in rural environments. The systems have low power consumption, are very lightweight, can handle extreme temperatures highs and lows and can operate in non-line-of-sight conditions.

"RADWIN's systems are extremely simple to install. Many operators are doing it themselves – it's that easy," explains Avi Haviv, Managing Director of Galint in Africa. Alberto Becerra, Product Manager for Dominion Mexico in Mexico, adds, "RADWIN's equipment really works, operating at very long ranges and non-line-of-sight conditions.

RADWIN recently designed and implemented the world's largest rural wireless deployment in the Mallapuram District in India, called Project Akshaya. This effort connected 500 computer cyber centers into one large wide area network (WAN). The network was designed as a multi-hop, multi-direction backbone connecting roughly 45 POPs. RADWIN created a low CAPEX, low OPEX deployment model for rural and low ARPU areas which includes wireless broadband products deployed in star and daisy formations. N C Gupta, RADWIN India's Regional Director of Business Development, reported, "The new network has transformed the lives of people in the Mallapuram District. This has become India's first fully e-literate district where at least one member of every family is computer savvy."

In another successful rural deployment, Kenya Data Networks Ltd (KDN), a full service data communications carrier, used a RADWIN solution to expand its network coverage to rural parts of Kenya. "We have hundreds of RADWIN systems installed in Nairobi and they meet our stringent performance, quality and stability requirements," said Bhavesh Mistry, Chief Technology Officer, KDN. "When it came to extending network coverage to rural parts of the country, RADWIN was the natural choice for us. RADWIN's solutions withstood the rigors of harsh rural environments better than any other solution we've tested, and they can be up and running in just hours. With RADWIN's solutions we can deliver voice and data services to rural communities that had hitherto been overlooked in the fastest, most economical way."

RADWIN's products are truly altering the quality of life and work in rural areas worldwide. The company continues to scout new opportunities and potential for its solution, in both new geographical areas and new market segments.

portfolio news

• **CyOptics** introduced a 10Gbps Miniature Device (XMD) Transmit Optical Sub-Assembly (TOSA) with a wide operating temperature range of -40°C to +90°C as well as TOSAs with integrated driver Integrated Circuit (IC) for Dense Wavelength Division Multiplexing (DWDM) applications.

Two new XMD Multi-Source Agreement TOSAs, for 40km and up to 80km applications respectively, are available for an extended operating temperature range of -40°C to +90°C, while the 10Gbps TOSAs with integrated driver IC are offered for an operating temperature range of -5°C to +85°C. Both product families deliver very low, industry leading thermo-electric cooler power consumption values over the entire temperature range.

“Our new and improved TOSAs address the need of transceiver manufacturers for higher operating temperatures driven by the increased packing density of pluggable transceivers on optical line cards,” said Stefan Rochus, VP of Marketing and Business Development. “With the addition of these TOSAs and the availability of industrial temperature range performance we have one of the industry’s broadest 10Gbps transmit and receive product offerings.”

www.cyoptics.com

• **Foxcom** technology is being used in two New Zealand housing estates to deliver triple-play services, including Sky and Freeview channels as well as broadband and telephone, over fiber-to-the-home (FTTH). After a two year search, Foxcom technology was identified as

one of only two solutions in the world that can transmit a L-Band signal that can be decoded by a set-top box in the home over fiber. Delivering Sky over fiber eliminates the need for obtrusive satellite dishes on each home. The homes in the developments are being designed to serve as a showcase for high-speed communications.

www.foxcom.com

• **MobileAccess** was awarded over \$15 million in new in-building wireless projects for the hospitality industry in the first half of 2008. Wireless is becoming a key differentiator in this industry, enabling hoteliers to provide leading-edge amenities to their guests while also boosting their own operational efficiencies. In addition to the company’s success with hospitality customers including M Resort in Las Vegas, Bear Creek Mountain Resort & Conference Center in Pennsylvania, Grand Lakes in Orlando, and Peppermill Hotel Casino in Reno, MobileAccess is enjoying strong growth in the healthcare market: More than 30 new facilities have recently committed to deploying MobileAccess’ infrastructure, bringing the total to more than 300 hospitals. All of these new Universal Wireless Network customers are rolling out multiple wireless services and applications including nearly twenty million square feet of Cisco WLAN coverage.

“The wireless infrastructure for any major facility, whether it is a mega resort on the Vegas strip or a cutting-edge teaching hospital, has become a strategic IT decision,” said Cathy Zatloukal, president and CEO of MobileAccess. “Our

record growth in hospitality, continued momentum in healthcare and overall traction is driven by our ability to deliver an enterprise-grade, future-proof platform that supports all of the traditional cellular services as well as public safety, Wi-Fi and even WiMAX networks over a single infrastructure. It is not surprising to see a rapid increase in the scale, scope and volume of deals in a competitive and cutting-edge industry like hospitality.”

The MobileAccess Universal Wireless Network provides seamless and cost-effective coverage for the wireless applications and services expected by wireless-enabled guests. Leveraging proven interoperability with wireless LAN solutions can help deliver a host of Wi-Fi powered applications, including VoWi-Fi (a Wi-Fi based VoIP service), asset tracking, building automation and even gaming applications. MobileAccess’ Wire-It-Once™ technology also provides support for two-way radios for security, first responders and building operations along with pervasive coverage for the wireless voice and data networks of all the major carriers. This architecture equips a resort or hotel with a wireless backbone that will accommodate future generations of technology advancement.

www.mobileaccess.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 works closely with portfolio companies to ensure long-term value creation through innovation and disciplined execution.