

# eurofund quarterly

Q2 2006

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## Warren Buffett to Acquire 80% of Iscar at \$4B

**The world's largest investor vowed to look into more investment opportunities in Israel**

In early May, on the eve of Berkshire-Hathaway's annual meeting in Omaha, Nebraska, Warren Buffett announced an agreement to acquire Israel-based Iscar Metalworking Companies. Buffett's Berkshire-Hathaway will pay four



*Partners. Buffett (right) and Wertheimer*

billion dollars for 80% of the Israeli privately-held cutting-tools company. The other 20% of the company's shares will remain in the hands of its founders – the Wertheimer family.

Iscar was founded in 1952 by Stef Wertheimer and began as a metalworking business operating in a wooden shed. It has since grown rapidly, particularly in the last decade.

Eitan Wertheimer, the founder's son, has led Iscar in the last few years. Today the company is a major manufacturer of precision tools for makers of heavy equipment in the aerospace, automotive and die-and-mold industries grown. It is a world-wide, world-class enterprise, employing 6,000 workers in subsidiaries in sixty countries and factories in Asia, Europe and the Americas. Iscar's headquarters are located in Northern Israel, at the Tefen Industrial Park in the Galilee, where a third of its employees are based.

As a private company, Iscar does not disclose its financials. According to *Business Week* Israeli sources estimate the company's revenues and net profit in 2005 totaled approximately \$1.5 billion and \$500 million, respectively.

This is Buffett's first ever acquisition outside the United States. Buffett vowed to look into more investment opportunities in Israel.

## Two More Exits for Eurofund: Hotbar & Eldat M&As

In May, Swedish electronic display and information supplier Pricer AB announced its intention to acquire Israeli based Eldat Communications Ltd for approximately \$40M. This merger brings the joint company to a 60% share of the global Electronic Shelf Label ("ESL") market.

Eldat's solution uses infra-red technology to deliver fast and accurate pricing information to the shelf edge. The merger is expected to form the world's principal provider of ESL systems for retailers. The completion of the transaction is expected in July 2006.

In June, U.S. search marketing solutions provider 180 solutions acquired browser-environment company Hotbar for approximately \$50 million in cash. Hotbar's email and browser toolbars enable users to set backgrounds and skins, send eCards, create digital business cards, play games and insert emoticons (or smileys) in email programs, and more. Hotbar was able to attract a diverse community of over 10 million active users.

Eurofund led the first round of venture capital investment in Hotbar in 1999 and participated in a second round that closed in December 2000.

On July 12 Hezbollah launched an unprovoked attack on Israel. In response, Israel began an offensive against Hezbollah and has come under rocket attack causing disruption of life, casualties and damage in the north of Israel. Most Israeli economists do not currently anticipate this will cause a serious adverse effect on the state of the Israeli economy. We hope the situation will be speedily resolved and continue our business as usual in the meantime.

Yours sincerely,

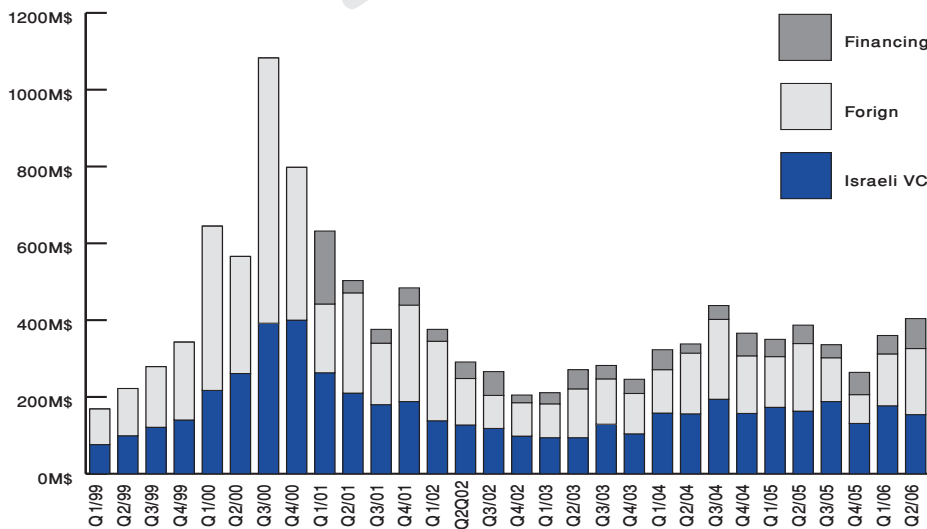
Aharon Beth-Halachmi

# israel VC news

## Israeli High-Tech Companies Raise \$404 Million in Q2/06

In Q2/06, 109 Israeli high-tech companies raised \$404M from venture investors – both local and foreign, according to the IVC Research Center Quarterly Survey, up 12% from the \$360M raised by 101 companies in the previous quarter, and 4% ahead of the \$387M raised by 98 companies in Q2/05. In H2/06, capital raised was \$764M, up 4% from H1/2005 levels.

The average high-tech financing round was \$3.7M, up 4% from the previous quarter and down 6% from Q2/05. Sixty-nine companies raised more than \$1M, including 21 that raised \$5M-\$10M each, and 13 companies that raised more than \$10M each.



\* Since Q1/2001 the data include financing rounds without IsraeliVC participation. Source - IVC Research Center

In Q2/06, Israeli VCs invested \$154M in Israeli companies, a decrease of 13% from the previous quarter and 6% below Q2/05 levels of \$163M. The Israeli VC share of the total amount invested in Israeli high-tech was 38%, with the remainder of capital coming from foreign investors as well as non-VC Israeli investors. “Non-Israeli-VC investors are showing more interest and involvement in Israel,” said Guy Holtzman, general manager of IVC Research Center. “We are experiencing a reawakening in the activity of Israeli investment companies and private investors as well as that of foreign investors.”

### VC ROUNDS

- **Atrica**, which provides Carrier Ethernet transport solutions to service providers delivering Metro Ethernet services, raised \$28.2M from Vesbridge, GunnAllen, AT&T, Innovacom, JK&B, Investor Growth and Challenge.
- **Flash Networks**, a leading provider of Mobile Data Delivery

Platforms to mobile carriers and enterprises, raised \$15M from HarbourVest, Argonaut, Evergreen, Giza, Concord, T-Mobile, Bell Mobility and Challenge.

- **Imperva**, a leader in data security for the data center, raised \$17M from Greylock, USVP, Venrock and Accel.
- **MobileAccess Networks** raised \$11M from Eurofund, Ziegler Meditech, Poalim Ventures,

Pitango, HarbourVest, CDB Web Tech and private investors. MobileAccess Networks is a leading developer of in-building wireless solutions.

- **MobilEye** Vision Technologies raised \$15M from Eldan, Lev Leveiev, Ari Steimatzky, Colmobil Group, Delek Motors, FIBI, Solid Investment Bank, GlenRock and Peter Neustadter. MobilEye develops and markets advanced products in the surging market of automated on-board driver assistant systems.

- **Olista Software** (formerly Cognera) raised \$10M from Evergreen and Gemini. Olista is a pioneer in Service Adoption Management for mobile operators.

- **Printar**, which produces digital printing equipment and the consumable chemicals, raised \$8M from DOR, D-Partners, Apax, Ami Caspi and private investors.

- **Siano Mobile Silicon** raised \$23M from JVP, Bessemer, Walden and Star. Siano develops silicon receivers for the emerging mobile digital TV (MDTV) market.

- **Silverback Systems**, which designs storage network acceleration processors for IP protocol acceleration and converged networking, raised \$16M from Excelsior, Gemini, Intel, Network Appliance, Newbury and Pitango.

- **Varonis** (formerly Secora), which provides enterprise security protection on intellectual corporate assets, raised \$10M from Accel, Evergreen and Pitango.

### M&As

- Microsoft announced plans to acquire secure sockets layer (SSL) and virtual private networks (VPN) vendor Whale Communications. Estimates are that Microsoft will pay about \$75 million. Whale

marks Microsoft's first acquisition of an Israeli company since 2001.

- Verifone Holdings Inc. (NYSE: PAY) announced its intention to buy Israel-based Lipman Electronics Engineering (NASDAQ: LPMA) for \$793 million. The two companies are the fastest growing and most profitable providers of point of sale electronic payment technologies.

- Data storage systems giant EMC plans to unite its three recent Israeli acquisitions - Kashya (\$153 million), nLayers (\$50 million) and ProActivity (\$30 million) and turn them into a new development center in Israel, with 80 employees.

## ISRAEL ECONOMY

- In a review on the Israeli economy entitled "Israel, Almost Perfect", U.S. investment bank Morgan Stanley predicted the Bank of Israel's key rate will rise to 5.75% in 2006.

- The Bank of Israel reported that total direct foreign investment and investment in Israeli securities totaled \$1.72 billion for the months of March and April. The hi-tech, industry and real estate sectors benefited most from the investment.

- In June, Brazil and Israel signed an agreement on cooperation in the fields of health and medicine and enforcement of customs regulations. Trade between the two countries increased from \$440M in 2002 to \$730M in 2005. Brazil is Israel's largest trading partner in Latin America, with Israel at a trade surplus.

- Eighteen of the 75 Israeli companies on Nasdaq have been listed on the prestigious Global Select Index, including Elbit Systems, Teva, Check Point and ECI Telecom.

- Elbit Systems (Nasdaq: ESLT) won a \$50M follow-on order from the U.S. Marines (the former order amounted to \$70M). The project includes the production, integration and installation of logistics support for systems on Marine Corps vehicles.

- The Sampoerna family from Indonesia, one of the wealthiest in

Southeast Asia, will acquire a 20.2% stake of Israel-based Harel Insurance Investments.

- Demand for workers rose by 25% in 2005 in comparison with 2004, according to a comprehensive survey of employment from 1998-2005 conducted by the Ministry of Industry, Trade and Employment.



## MobileAccess Secures \$11M in Funding

In June MobileAccess Networks announced an \$11 million round of financing. Participants included Ziegler Meditech Equity Partners (ZMEP), HarbourVest Partners, Pitango Venture Capital, Poalim Ventures and Eurofund.

The MobileAccess Universal Wireless Network is a comprehensive wireless infrastructure solution that ensures facility-wide coverage for all wireless services. More than just a broadband transport system, the MobileAccess solution delivers the flexibility to simultaneously support any mix of current and future wireless services and features a "Wire It Once" architecture that enables customers to add new services at any time, in any place, without disturbing the existing system or services.

With this latest investment, MobileAccess is well capitalized for aggressive growth in the rapidly accelerating enterprise wireless industry and poised to respond to evolving requirements across vertical markets. In particular, the Company has undertaken a major initiative to further penetrate the healthcare market for wireless information delivery in hospitals.

The new addition to MobileAccess's roster of investors, ZMEP, will assist the company in this endeavor. ZMEP is a joint venture between Ziegler Medical Devices and Meditech Advisors Management, established to invest private equity in medical devices and related companies.

MobileAccess Networks is an enterprise wireless innovator that provides a universal platform for connecting the people and applications that drive business. The company's intelligent infrastructure is the cornerstone for the rapidly evolving wireless workplace. With unmatched technology and expertise, MobileAccess takes the risk out of going wireless.

The MobileAccess Universal Wireless Network, which has been deployed in more than 1000 hospitals, enterprises, public venues and other large-scale facilities, delivers business-quality performance, scalability, security and reliability. It also enables customers to leverage their wireless devices (cell phones, BlackBerry devices, PDAs, laptops, 2-way radios) and applications wherever necessary to conduct their business more efficiently and cost effectively.

● **BeInSync** was named one of the “101 Fabulous Freebies” in the May issue of PC World. The article featured the editors’ top 101 picks in various categories, including “Web Mail” and “Lock it Up” and is available at [www.pcworld.com](http://www.pcworld.com).

Downloads or services named on the “101 Fabulous Freebies” list were chosen by PC World editors based on features, design, and performance. Each product had to be a fully-functioning version consumers can obtain at no cost. “Each download or service on the list impressed the editors with its functionality and usability,” said Harry McCracken, VP/editor in chief of PC World. “These are some of the most well-crafted services available – congratulations to BeInSync!”

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

● **ColorChip**. In June ColorChip announced the appointment of Jaime Reloj as the company’s vice president of sales. Reloj will be responsible for directing worldwide sales strategy and activities for ColorChip.

Reloj brings more than 15 years of high technology sales and marketing experience to ColorChip, including the building of direct and indirect sales channels in the North America, Europe and Asia Pacific markets for start-ups and large telecom companies, such as Avanex Corporation (NASDAQ: AVNX), Fujitsu, Intecom and Talking Technology.

In Q1/06 the custom-designed automatic assembly machine manufactured by Ficontec was tested in Germany. After the full assembly process was successfully demonstrated, the machine was sent to ColorChip’s facility in Israel, where the machine was reassembled

on the company’s premises and has been up and running since April. Process optimization has started and is expected to continue until full production capability is achieved by the fourth quarter of the year.

The machine enables ColorChip to provide potential clients mass-manufactured transceiver samples.

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

● **CyOptics**. In January, CyOptics announced the successful demonstration of 80Gbps data transmission for supercomputing and short-range (2 km) datacom and telecom markets.

Through CyOptics’ photonic integration capabilities and automated packaging platform the TOSA (Transmit Optical Subassembly) and ROSA (Receive Optical Subassembly) engines transmit and receive at 80Gbps in each direction with a confirmed error free transmission.

The engines were also successfully tested over a 2km fiber path in loop-back mode.

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

● **RadWin**. On February 13-16, RadWin showcased its industry-leading WinLink™ 1000 broadband wireless portfolio at the 3GSM World Congress in Barcelona, Spain. In March, the company announced it had won a \$2M contract to supply its WinLink™ 1000 broadband wireless solutions to one of the biggest service providers in India, which operates a nationwide network. RadWin’s WinLink™ 1000 solutions will be used to deliver carrier-class TDM and Ethernet services to enterprise and residential customers throughout the country.

Later in March, the company also inaugurated its Regional Repair Facility at Malviya Nagar in New

Delhi. “India is a vital market for us, and the opening of a new repair facility in the region is on par with our commitment to deliver excellent service to valued customers in the area,” said NC Gupta, RadWin India’s Representative Director.

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

● **Tevet**. In May, Tevet Process Control Technologies announced the achievement of sales and installed base milestones that score a clear breakthrough in acceptance by the semiconductor manufacturing industry.

Tevet has now attained broad product penetration and won the key reorder and high volume fab proliferation that validates a new integrated metrology segment.

As of May 15, Tevet obtained sales from more than ten customers in all major worldwide regions. Tevet has established measurement-of-record (MOR) for CVD, PECVD, spin-on materials, and CMP on a wide range of both memory and logic products at top semiconductor manufacturers.

In May, Tevet marks its latest proliferation milestone: 15 Trajectory T3 integrated metrology modules installed at the same fab site.

High proliferation - with 15 or more Tevet integrated metrology systems per fab - has now been established at multiple fabs in the United States and in Asia.

These milestones mark a crossover in acceptance for an emerging process control segment: sensor-based integrated metrology.

[www.tevet-pct.com](http://www.tevet-pct.com)

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