ISRAEL HIGH-TECH
& INVESTMENT REPORT

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The Katyusha War

Since July 12, Hezbollah has bombarded Israel with a variety of crude but deadly effective rockets that were stockpiled for six years ever since the IDF withdrew from Lebanese territory. These rockets, most observers suggest, originated from Syria and Iran. An average of 150 missiles per day have been landing in Israel, mostly fired from areas north of the present location of Israeli forces. As of August 13, more than 150 soldiers have died in the conflict while 41 Israeli civilians have been killed and hundreds wounded. Some 5,500 Israeli buildings have been struck, more than 300,000 Israelis have been displaced from their homes and more than one million are living in bomb shelters. More than two million Israelis live within Hezbollah rocket range. Every Israeli is aware that this situation can not continue. Any government that can not effectively provide practical protection is unlikely to last. The current government headed by Ehud Olmert is broadly seen as having mismanaged the running of the war.

Hezbollah's unguided and relatively unsophisticated missiles have left one of the world's best-equipped armies helpless for defending its citizens.

For Israel it has een a no-win war. Though equipped with state-of-the-art weaponry including night vision, drones and fighter jets Israel was unable to neutralize a Hizbollah force that is said to number not more than 5,000.

Hizbollah's main weapon is a crude rocket. known as "Katyusha" -- named by the Soviet troops who first used the designs -- which are low-cost because they are little more than metal tubes carrying an explosive warhead, in extreme cases several hundreds of kilograms, The range from 302mm rockets, weighing 165 pounds, that can fly up to 68 miles to a Haseb rocket weighing 14 pounds that can travel up to seven miles

Katyusha multiple rocket launchers are a type of rocket artillery built and fielded by the Soviet Union beginning in the Second World War. They are multiple rocket launchers able to deliver a devastating amount of explosives to a target area, in a short period of time, although with low accuracy. Compared to other types of artillery, they are fragile but inexpensive. They can be easily camouflaged and moved many of them were found by Israeli soldiers in orange groves.

Estimates suggest that at the outset of the war

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Hezbollah had 1,000 to 1,500 rocket launchers, many of them hidden or kept underground. After more than four weeks of aerial bombardments and ground skirmishes, the Israeli military estimates that it has destroyed about 300 of the launchers and claims that Hizbollah deployed them in or near civilian locations from which it launched the Katyushas. On some days more than 200 Katyushas rained down on Israeli villages and communities, including Haifa, Israel's third largest city.

Israel's Air Force using drones is able to identify the point from where the katyushas are launched. But it takes only half a minute to move katyushas launchers out of the way, and to a new location.

How to defend against katyushas and other rockets in the hands of highly trained terrorists is proving a dilemma for the Israel Defense Forces and probably for any army in the free world.. For the time being there does not seem to be any practical solution.

Ormat 2nd-quarter profit doubles

Ormat Technologies Inc., (NYSE:ORA) an operator of geothermal power plants, reported that its second-quarter profit more than doubled, helped by higher rates and the opening of a Nevada plant earlier this year.

Ormat posted net income of $8.4 million, or 24 cents per share, up from $4.1 million, or 13 cents per share exceeding analysts' forecast of 19 cents a share. Revenue rose about 12 percent to $64.1 million from $56 million last year.

Analysts polled by Thomson Financial expected the company to report, on average, earnings of 19 cents per share.

Results were helped by the startup of the Burdette Plant near Reno, and the purchase of full ownership of the Zunil Geothermal project in Guatemala.

The quarter's gross margin rose to 36.8 percent from 30 percent for the same period last year.

Ormat also said it expects an additional $18 million from electricity revenue generated by Mammoth and Leyte, and expects 2006 sales from its products business to range from $65 million to $70 million.

The company also said it signed two, 20-year power purchase agreements with Sierra Pacific for up to 30 MW each of geothermal power.

Heartline Telemedical Services launched

Heartline Telemedical Services Pvt Ltd, which will offer tele health check-ups and tele-diagnostics, was launched here today.

Heartline has entered into an agreement with an

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Israeli company, CardGuard, to introduce wireless telemedicine technology in India.

The company has also tied up with Lifeline Multi-Speciality Hospitals, Chennai, to provide wireless medical monitoring for patients.

As part of this, the company introduced 'Lifesave 24/7', a device which will provide 24 hours accessibility to a doctor from anywhere, who would monitor his patients through computers and offer advice through a computer or telephone.

J S Rajkumar, director, Heartline Telemedical Services, said the patients could be diagnosed in a matter of minutes, which could be very useful in critical cases. The entire process would take only about 30 minutes, he added.

While Heartline offers a separate package for corporates, which will cover a range of check-up services, the device for basic heart and blood check-ups is priced at about Rs 25,000 for single users.

It also introduced another product — 'The Tele Health Check' (THC) —with a small portable case containing the devices to check ECG, blood pressure, pulse, glucose, saturation, spirometry, fetal monitor and blood glucose.

Selva Annamalai, managing director, Heartline Telemedical Services, said that THC would give the rural masses access to medical facilities for checking common diseases like diabetes, cardiac and lung disease.

The products was formally launched by Union minister of communications and information technology Dayanidhi Maran.

SanDisk buys M-Systems for $1.55 billion

SanDisk Corp., the world's largest maker of memory cards used in portable devices, is buying Israel-based M-Systems Flash Disk Pioneers Ltd for $1.55 billion in stock.

SanDisk's co-founder and president Sanjay Mehrotra, said the deal valued M-Systems at $1.55 billion based on the company having a total of 43 million shares.

SanDisk said the acquisition will help the company to consolidate its position in the flash memory products segment. It will give the company, which is a partner for Toshiba Corp., access to technology that can double the storage capacity on a semiconductor. M-Systems had recently come out with a new technology that can cut production costs of memory devices by as much as 50 per cent by including more storage capacity in each chip.

M-Systems will become a wholly owned subsidiary of SanDisk. Mehrotra said it will continue to be based in Israel.

New Intel chips based on technology developed in Haifa

The battle in the processor market has heated up. Intel Corp. (Nasdaq: INTC) today announced the launch of two new processor product lines for desktop and laptop computers.

The announcement follows last month's launch of Intel's new family of processors for servers the Xeon (codenamed "Woodcrest"). Intel says the processors launched today "are the best in the world".

Basically, Intel today replaced its basic series of processors for desktop computers, such as the Pentium 4 and Celeron with Core 2 Duo series, previously codenamed "Conroe", based on micro-architecture of the Pentium M processor.

Several weeks ago, Intel announced that it would bring forward the launch of its new series of processors for laptop computers (codenamed "Merom"), considered an improved version of Pentium M micro-architecture based on the Centrino family of processors.

The technology on which the new micro-architecture is based gives the same performance as other processors, but uses less power and generates less heat. Core 2 Duo processors has double the computing core and other improvements.

The launch is another step forward in the recognition of Intel's Haifa R&D center as one of the company's leading centers in the world, since the technology was

developed in Israel.

Rafael wins follow-on order to protect US Bradleys in Iraq

Rafael Armament Development Authority Ltd. has won a contract worth $55 million to supply US forces in Iraq with add-on armor systems for M-2 Bradley Armored Fighting Vehicles (AFV). The company has also been given an option on similar follow-on order. Rafael received formal notification of the order from the Pentagon last week. Bradley AFVs have been in service in Iraq since the beginning of the war. Since the beginning of the war three years ago, Rafael has provided more than $100 million worth of armor protection systems to Bradley vehicles in Iraq. It also won an additional contract to supply protective systems for amphibious armored personnel carriers for US Marine Corps also stationed in Iraq.

Rafael supplies an add-on armor suit containing explosives, which was developed by its Ordinance Systems division. The explosive material detonates when struck by advanced weapons such as anti-tank missiles. The US a irlifts the systems directly to Iraq, where they are added onto the basic armor on US armored troop carriers. The product, which Rafael based on a German patent, was first installed on Israeli combat vehicles including advanced models of the Merkava tank. Rafael is considered a leader in this technology.

Hewlett-Packard to buy Mercury Interactive

Hewlett Packard Co. is biting off its biggest acquisition in four years with a $4.5 billion purchase of Mercury Interactive Corp., the business management software maker that has been entangled in a stock options scandal. The deal, announced Tuesday by the Palo Alto, Calif.-based computer and printer maker, isn't cheap.

The all-cash price works out to $52 per share -- a price that Mercury's long-slumping stock hasn't topped for more than two years. HP's offer represents a 33 percent premium above Mercury's closing price of $39 in the over-the-counter market.

The deal, expected to close late this year, represents HP's biggest acquisition since the Silicon Valley icon paid $19 billion for Compaq Computer Corp. in 2002.

That takeover incensed an heir of a company co-founder, who led an unsuccessful shareholder rebellion, and later contributed to a sales funk that culminated in last year's ouster of HP's flamboyant chief executive, Carly Fiorina.

Now, Fiorina's low-key replacement, Mark Hurd, is betting Mercury's product line will justify the hefty price being paid for a company embroiled in legal turmoil. The expansion marks a shift for Hurd, who has made his mark so far by streamlining HP.

Hurd, who has boosted HP's market value by $24 billion since his arrival 16 months ago, assured analysts he didn't buy Mercury Interactive on a whim. "We didn't do this lightly," he said during a Tuesday conference call.

He also predicted Mercury Interactive will enable Hewlett Packard to double its annual software sales to about $2 billion. By buying Mercury, HP will have "one of the most powerful software portfolios in the industry," Hurd said.

Investors seemed skeptical, a frequent response whenever a company is making a large acquisition. HP's shares gained 26 cents to close at $31.33 on the New York Stock Exchange, then shed $1.23, or 3.9 percent, in extended trading.

Mercury has been more closely associated with scandal than software in recent months because it was among the first companies to acknowledge its top executives improperly manipulated the timing of stock option awards to increase their potential windfalls.

In November, Mercury ousted its longtime CEO, Amnon Landon, as well as two other top executives after concluding that they looked back in time for a low point in the company's stock price so the exercise, or "strike," price of their options could be set at that ebb -- a practice known as "backdating."

More than 60 other companies, including many in Silicon Valley, also have disclosed internal or regulatory inquiries into a potential backdating of stock options.

Mercury's shake-up left it in financial limbo as a new management team tried to figure out how much the stock option manipulation had caused the company

to overstate its earnings through the years. While it investigated, Mercury wasn't able to meet regulatory deadlines for reporting its financial results -- a a delay that caused its shares to be de-listed from the Nasdaq Stock Market.

Earlier this month, Mercury erased $525 million in profits dating back to 1992.

The company still faces lawsuits from shareholders alleging management misled them. The Securities and Exchange Commission is conducting an investigation that could culminate in substantial penalties, as well.

"We think we have our arms around" Mercury's potential legal liabilities, Robert Wayman, HP's chief financial officer, told analysts Tuesday.

Mercury's legal headaches won't matter to customers, said Ann Livermore, a HP executive vice president who oversees the company's software operations. That division generated revenue of $1.08 billion for HP in its last fiscal year. Mercury posted sales of $843 million last year.

Hurd believes Mercury's products will serve as an ideal complement to HP's software, which primarily helps companies ensure their computers continue to run smoothly.

Mercury's software helps companies manage the hodgepodge of business applications that administer payrolls, sales and supplies.
US Senate grants Israel $25m to develop anti-Katyusha missile

The US Senate Committee on Appropriations has approved a $25 million grant for developing a missile to intercept short-range ballistic missile and long-range Katyusha rockets. The appropriation for the first year of development was jointly made by the Pentagon and Israel. The program is called short-range ballistic missile defense (SRBM), or mini-Arrow. Raytheon Co. (NYSE:RTN) and Rafael Armament Development Authority Ltd. will jointly build the anti-SRBM missiles.

Beep Beep - Missile On The Way

An Israeli company, Cellact - which develops messaging alerts has started offering a service which will send warnings of incoming missile attacks, as well as other emergency alerts. The service is being marketed at kibbutzim (collective communities), towns and factories in northern Israel - close to the Lebanese border.

The communities which have installed the system include, Kibbutz Baram, Kibbutz Dafna, Kibbutz Rosh Hanikra, Kibbutz Lahav, Kibbutz Maale Gilboa, Moshav Mei Ami, residents at Ram-On, Moshav Mevo Horon and the Misgav regional council.
Cellact's VP of sales and marketing Gal Biran said, "After the shelling started, Cellact made a decision to harness its technology for the benefit of residents and companies in the north. SMS use meets two requirements in the event of an emergency; timely warning and distribution, and high reliability even in the event of heavy web traffic or poor reception. The system also provides ongoing communications when people are indoors or in air raid shelters, and can be used to easily relay information such as the opening hours of specific bank branches, or any important announcement that the public will not be able to see on notice boards because they are confined to their homes."
Cellact was established in 1999 and is a subsidiary of Elron Industries, an Israeli investment company.

New waterless foam for Enhanced Skin Delivery

Foamix Ltd announced today the creation of a novel and proprietary waterless foam vehicle for the delivery of water insoluble and water–sensitive dermatological drugs. The main components of this carrier are propylene glycol, glycerin and additional polar solvents, which are known to enhance the delivery of active agents into the skin, while providing a high skin hydration effect. A series of accelerated stability studies, encompassing a broad spectrum of corticosteroids as well as non-steroidal active agents, has revealed excellent stability in all cases.

An abstract detailing the development of this new technological platform entitled "Innovative waterless hydrophilic topical foam" was presented by Foamix CTO Dr. Doron Friedman, as Poster Number 1023 in Poster Session II at the 33rd Annual Meeting of the Controlled Release Society (CRS) in Vienna, Austria, July 22–26, 2006. The abstract will also be published in a CRS Journal.

"Foamix accomplished its objective to be the first to develop a new type of hydrophilic waterless foam vehicle. This formulation produces a stable foam

when released from a pressurized aerosol can, is easily applied with gentle spreading and is instantly absorbed into the skin. Also of importance, it leaves neither a sticky nor a greasy feeling nor any shine, unlike conventional creams and ointments," said Dr. Friedman.

Foamix chose specific, delicate, FDA approved non-ionic surfactants and polymers to create the foaming action.

"We believe the development of the waterless foam formulation is an extraordinary advancement in the areas of dermatological and gynecological drug delivery. We are utilizing this proprietary waterless and alcohol-free foam platform to develop a broad spectrum of topical drugs, including steroids, antibiotics, antifungals, antivirals and a hair growth drug. We believe that the multiple benefits of this foam will help to encourage patients to better comply with physician treatment recommendations," said Foamix CEO and abstract co-author Dr. Dov Tamarkin.

Canadian Unity Wireless buys Israel's Celletra

Canadian wireless systems developer Unity Wireless (OTC BB: UTYW) announced that it would acquire Israeli start-up Celletra Ltd.. The announcement comes only a few months after it acquired two other Israeli start-ups, Celerica and Avantry . The deal is believed to be worth $20 million. The newly merged company aims to become a leading provider of wireless systems and solutions for improving coverage, and expanding capacity on cellular networks.

Israel's Solel Cashes In

With oil prices hovering around $70 a barrel, Solel, an Israeli solar energy company that nearly shut down over a decade ago, is finally seeing an upsurge in demand for its thermal energy technology. In June, Solel announced its biggest contract yet, a $45-million deal with Florida Power and Light to replace the heat collecting elements at seven of the Florida company's nine solar trough power plants in California's Mojave Desert. The solar trough power plants produce some 350 megawatts of electricity.

The revival of solar-trough technology is just the latest example of solar's surging fortunes. Solar trough technology uses sun-tracking collectors, which concentrate sunlight on steel pipes that contain a heat transfer fluid. The fluid is pumped through heat exchangers to generate steam at temperatures of up to 400 degrees celsius, which in turn powers a turbine to produce electricity.

The California power plants were built in the late 1980s by Luz, Solel's predecessor which went bankrupt in 1991. A Belgian-led investor group interested in furthering the Israeli technology acquired its assets. "We've invested tens of millions of dollars since then to improve the efficiency of the technology and have dramatically reduced the price," says Solel CEO Avi Brenmiller.

Later this year, in fact, Solel plans to introduce its next generation solar collector, Solel-6, which it claims is 50 percent more efficient than those currently in use in California. "The combination of improved efficiency and the rise in energy prices had reduced the gap between solar and fossil fuel power plants," says Shimon Seroussi, co-managing director of Eco-Energy, an Israeli based energy-consulting firm.

If it works as advertised, expect Solel to build on its momentum. The California project is the third announced by Solel since the beginning of the year. The others are in Nevada and Spain. The Bet Shemesh, Israel company is predicting a tenfold increase in revenues this year to $35 million because of the growing interest in solar power—proving that in tech, not every profitable idea is a new idea.

Greylock sets up $150m Israel fund

Greylock Israel, a $150 million fund for investments in Israel

Greylock will carry out all of its investments in Israeli high-tech companies from the new fund, which will focus on early stage growth companies. The company said in its announcement that the raising and launch of the new fund, "underpins Israel's importance as a world center for entrepreneurship and technology, and the importance that Greylock attaches to providing local support to young companies aspiring to succeed in the global market."

Greylock was founded in 1965. It is one of the prominent venture capital firms in the US and has been active in Israel since 2001. It has invested in eight Israeli companies to date: Siliquent Technologies, acquired in 2005 by Broadcom Corp (Nasdaq: BRCM); Imperva, which was founded by Check Point co-founder Shlomo Kramer; ClearForest, PortAuthority Technologies;

Red Bend Software; Illuminator; HyperRoll; and Unipier.Greylock currently manages assets totaling $2.2 billion.

Summary of Israeli High-Tech Company Capital Raising Q2 / H1 2006

In the second quarter of 2006, 109 Israeli high-tech companies raised $404 million from venture investors – both local and foreign. The amount was up 12 percent from $360 million raised by 101 companies in the previous quarter, and four percent ahead of the $387 million raised by 98 companies in the second quarter of 2005. In the first half of 2006, capital raised was $764 million, up four percent from H1/2005 levels.

Israeli VC Investment Activity

In the second quarter of 2006, Israeli VCs invested $154 million in Israeli companies, a decrease of 13 percent from the previous quarter and six percent below Q2 2005 levels of $163 million.

The Israeli VC share of the total amount invested in Israeli high-tech was 38 percent, 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. “

Capital Raised by Stage

In the second quarter of 2006, 10 Seed companies drew $14 million, only three percent of the capital raised. This compares with 14 percent in the previous quarter and six percent in the second quarter of 2005. Investments.”

A total of $64 million, or eight percent of total capital raised, was raised by seed companies in H1/2006, up from the seven percent of H1/2005.

Capital Raised by Sector

The Internet sector particularly stood out in the second quarter of 2006, raising $36 million, nine percent of the capital raised. This figure was relatively high compared to the quarterly average of $11 million (3.6 percent of total capital raised) over the past four years, though still a long way from the 48 percent peak of Q1/2000. In the first half of 2006, the Internet sector attracted eight percent of capital raised.

Improving the quality of fruit

Experimental work aimed at improving the quality of fruit has led to the discovery by Hebrew University of Jerusalem agricultural researchers of a promising new avenue of drug treatment for halting the growth and spread of cancer cells in animals and humans.

The work on the project was carried out at the Hebrew University Faculty of Agricultural, Food and Environmental Quality Sciences in Rehovot bya group led by Prof. Oded Shoseyov. Their discoveries were published recently in the journal Cancer of the American Cancer Society.

Their approach has been shown to inhibit the malignant cells without affecting normal cells and without the severe side effects of traditional treatments such as radiation and chemotherapy. The strategy involves isolating the malignant tumor from its nutritional and oxygen supplies, thereby halting its growth and stopping metastases (spread of cancer cells to other parts of the body).

The approach of the Hebrew University researchers is based on the actions of actibind, a protein that is produced by the black mold Aspergillus niger and that is a well-known microorganism used in bio and food technology. In plants, actibind binds actin, a major component of the intracellular structure in plants, interfering with the plants’ pollen tubes and halting cell growth.

While the Hebrew University researchers were initially interested in the activity of actibind in connection with a horticultural project aimed at improving the quality of peaches and nectarines, an actibind-like protein, RNaseT2, was also subsequently found to bind actin in human and animal migrating cells, such as the cells that are responsible for new blood vessel formation (angiogenesis) in tumors.

By blocking the blood supply to the tumors, actibind halted the ability of malignant cells to move through the blood stream to form new metastases. A further plus is that actibind is not toxic to normal cells, thereby significantly minimizing the risk of side effects.

In laboratory experiments using cell cultures that originated from human colon cancer, breast cancer and melanoma, increasing the level of actibind was found to reduce the ability of these cells to form tumorogenic colonies. Further experimentation, with a variety of animal models, showed that the

increased actibind inhibited the growth of colon cancer-derived tumors, metastases and blood vessel formation. These promising discoveries were detailed in the Cancer article.

The results shown in working with actibind led to a further development in the researchers' project. During the completion of the human genome project, the gene encoding for RNaseT2, the human actibind-like protein, was found on chromosome 6. The Hebrew University team used genetic engineering procedures to produce a recombinant RNaseT2 protein that showed an impressive anti-cancer potential. These results have raised broad interest in international scientific meetings and in business circles.

The fungal actibind and the human RNaseT2 represent the basis for a new class of drugs that could be used as a front-line therapy in the fight against cancer, say the researchers.

FDA approves NESS device for paralyzed legs

Medical device company NESS Neuromuscular Electrical Stimulation Systems Ltd. (see http://ishitech.co.il/0504ar2.htm) announced that it received US Food and Drug Administration (FDA) approval to market its NESS L300 device for moving paralyzed legs in the US. The company's announcement follows a previous one two weeks ago in which it reported it received European CE Mark certification for its product.

The company estimates the market for its product in the US to be worth in excess of $2 billion, and said it expects a substantial increase in sales following the FDA approval and the launch of marketing in the US. NESS CEO Shmuel Shany said the company now had a unique solution with this kind of product and that it would probably have sales totalling a few million dollars in coming years.

Shany added that the product was designed for use by rehabilitation centers and private patients. "In the US, there 2,000-3,000 rehabilitation centers for head injuries and these centers can buy the devices and supply them to patients. The equipment can also be used by private patients in their own homes." The company intends to sell the L300 at $6,000 per unit, and is in talks with medical insurance providers to finance the purchase for private users who can't afford to buy it themselves.

NESS's main investor is Teuza - A Fairchild Technology Venture Ltd. (TASE:TUZA) with a 34% stake. Other investors are businessman Alfred Mann, BG Technologies and Applications (the technology transfer company of Ben Gurion University of the Negev), Johnson and Johnson Development Corporation, ABN Amro Capital, Dow Corporate Venture Capital, Life Sciences Partner, and Israel-United States Binational Industrial Research and Development Foundation (BIRD-F). The company will distribute the product in the US through a joint NESS-Alfred Mann subsidiary.

Homeland security incubator secures new sponsor

The Chesapeake Innovation Center said a private equity firm that invests I n Israeli technology companies had signed on to be one of the homeland security incubator's sponsors.

With the deal, Athlone Global Security Inc. gets a "landing pad" for the Israeli technology startups it backs that hope to penetrate the homeland security market in the United States.

Terms of the deal were not disclosed. The Chesapeake Innovation Center (CIC) typically signs on sponsors for $5,000 to $25,000 or more, according to its Web site. In turn, those sponsors help underwrite CIC operations and get an inside look at what the tenants are developing.

Athlone Global Security, based in Toronto, Canada and a subsidiary of Athlone Bancorp Inc., says it works closely with systems integrators and other service providers to keep close tabs on market opportunities for its portfolio companies. Becoming a sponsor for the CIC, company President Gordon Hawke said in a statement, "is a perfect vehicle for this channel strategy, and provides an excellent launching point for the Israeli technologies we can introduce into the U.S. market."

OrthoNeutrogena Acquires Israeli Biotechnology Firm Colbar LifeScience

OrthoNeutrogena, Ortho-McNeil Pharmaceutical Inc., a division of Johnson & Johnson, announced that it has acquired Israeli biotechnology company Colbar LifeScience Ltd. for an undisclosed sum.

Colbar LifeScience currently markets two products that use its proprietary Glymatrix technology, Evolence for facial wrinkles and Ossix for bone regeneration.

CA acquires XOSOFT

Computer Associates (NYSE: CA) is acquiring privately held XOsoft, Inc., a leading provider of continuous application availability solutions that minimize application downtime and accelerate time to recovery. The acquisition enables CA to offer a complete recovery management solution that allows customers to minimize the risk of data loss, reduce the time spent on backups and expedite recovery of critical business services.

XOsoft's products provide uninterrupted access to all types of file and application servers—including Windows Servers, Microsoft Exchange, Microsoft SQL, Microsoft IIS and Oracle—and allow instantaneous recovery from any type of disaster.
CA did not disclose terms of the transaction but unofficial estimates put the value of the deal at $100m.
XOsoft serves more than 1,600 customers in 42 countries. The company was founded in 1999 and is headquartered in Waltham, MA with offices in New York, California and Israel.
This would be CA's seventh acquisition in Israel.

Investors in XOsoft, which was founded in 1999, include Goldman Sachs Private Equity.

Noise Elimination

Silentium noise-canceling technology from an Israeli high-tech company is an innovative solution for noise reduction.
The company has invented what it calls "Active Noise Reduction", which it sees as aiding in reducing sound pressure, and creating a more balanced audio spectrum within work environments. The solution is based on proprietary real time digital signal processing, using special components for the acoustic transducers and advanced mathematical noise control algorithms. The solution achieves excellent results in terms of noise reduction and control, at a lower cost, and at the same time guarantees adaptability, long-term stability and reliability.

Silentium's technology excels in canceling low frequency noise, which is the most common type emitted by electrical devices. Using an input acoustic sensor and an output actuator near the noise source, Silentium's core device cancels the noise by emitting a counter-noise signal. Digital signal processing algorithms and high performance analog circuits analyze the noise and generate real time counter-noise, which neutralizes the noise emitted by the noisy equipment. Silentium's proprietary adaptive algorithms are used to ensure consistent module operation. The company claims that the self-venting cabinets can reduce noise by up to 90 percent, thereby improving efficiency and productivity of workers who have been bombarded by noise in these environments.

Rocket destroying systems

A super-heating laser beam and radar-activated heavy machinegun are among technologies Israel is considering for shooting down Palestinian rockets launched from the Gaza Strip, Israeli security sources said;

The American company Northrop Grumman Corp. has recently offered the Israeli government a laser-based defense.
Hamas Islamist terrorists have fired crude, short-range "Qassam" rockets into southern Israel, primarily causing property damage. Israel's IDF is seeking new technologies for a so-called active defense against the rocket threat.
Northrop's system, called Skyguard, is based on technology it developed with $400 million of U.S. and Israeli funding. Radar identifies an incoming threat, then a high-energy laser fires at the missile, heating the warhead until it detonates in flight. In U.S. Army field tests between 2000 and 2004, Northrop's laser consistently destroyed rockets, artillery shells and mortars. Funding was discontinued last year when the Defense Department decided to pursue a smaller, more-mobile laser technologies.
The American Raytheon company offers Phalanx, an advanced gun that fires as many as 4,500 rounds of ammunition a minute after radar locks onto an incoming threat. Originally developed for the U.S. Navy, Phalanx has been modified for land use. Six batteries currently are deployed in Iraq, said John Eagles, a spokesman for Raytheon's missile unit.

Since the late 1990s, the Israeli government missile-defense unit Mabat and US arms firm Northrop Grumman have been developing Nautilus, a system that focuses a giant laser on incoming rockets or

artillery shells, blowing them up in mid-air.

Though planners said Nautilus had achieved near-perfect scores in field tests and could provide cover for a 10sq km area, the project was recently shelved. Experts speculated that the system was too cumbersome for civilian use.

Israeli and US choose four Nanotech Projects for Water Purification

Water researchers from leading institutions in Israel and the U.S. have targeted four cutting-edge projects for collaborative research between the two countries.

Target projects focus on nanotech-based solutions that were proposed at a spearhead bi-national workshop in mid-March:

1.Development of self-assembling, porous polymer-based ultra-filtration membranes with special coatings, that exhibit higher flux and higher resistance to contamination, as well as robust molecular sieving abilities.

2.Development of coatings with antimicrobial capabilities that can minimize biological attachment and biofilm formation, to be applied to membranes used to treat drinking water and wastewater.
3.Study of mixed metal oxide nanostructured materials for the destruction of biological toxins in surface waters and groundwater using photocatalysis and oxidation.
4.Development of whole-cell microbial biosensors to detect minute metabolite excretions from newly-forming biofilms, optimizing membrane maintenance and extending lifetimes.
The above were selected from a total of 12 nanotech-based projects. They are expected to result in commercial applications within five to ten years. Total collaborative research is valued at $600,000 and will be funded on a matching basis.

AIM continues to attract Israeli companies

Year
2006 Atlas Estates
2006 Gold Frost
2006 MTI Wireless edge
2006 Playtech
2006 Atelis
2006 Bateman Litwin
2006 Summit Germany
2006 Nanette Real Estate
2006 Axis Mobile

2005 was a banner year for Israeli companies to raise capital on London's AIM market. No fewer than 20 companies were listed.
As of July, nine companies have listed in 2006, not far off the pace of 2005.

The companies have successfully raised capital but an investor investing equal amount of money in the nine shares would have lost money.
In an article that we published on AIM we pointed out, among others, "However, once on the market, investors find, that trading liquidity is low with some shares not trading for days at a time.
Howvever, the liquidity for Israeli shares is satisfactory.

NICE completes $200m acquisition of IEX

NICE Systems (Nasdaq: NICE; TASE: NICE) announced that it completed its acquisition of IEX Corporation for $200 million in cash.

The acquisitions of IEX and Performix are expected to add $28 - $30 million to NICE's top-line in the second half of 2006. Pro forma earnings per diluted share is expected to increase by $0.05 - $0.06.
IEX is a wholly owned subsidiary of Tekelec (Nasdaq: TKLC).

IEX provides workforce management, strategic planning and performance management solutions for the contact center market, and its flagship product, TotalView, enables enterprise-wide data collating, enabling accurate and effective forecasting, planning and scheduling.

AudioCodes buys US Netrake for $10m

AudioCodes (Nasdaq: AUDC; TASE: AUDC) has acquired another US company, two months after it acquired Nuera Communications Inc. for $85 million. The company announced that it entered into a definitive agreement to acquire Netrake Corporation for $10 million in cash.
Netrake provides fixed and mobile service providers with real-time delivery of voice and multimedia solutions across IP networks, as well as gateway solutions.
AudioCodes, develops, manufactures and markets

VoIP-based technologies and products. The company currently has a market cap of $450 million, after its shares fell 24% since mid-April.

Netrake was founded in 2000. The company posted sales of $5 million in 2005 and is expected to increase this to $6 million in 2006, and then by a further 50% in 2007. The company is not currently profitable, however it is expected to reach break-even in 2007.

Gemprint identifies diamonds

A new certification service, that uses a patent-pending process for assurance that a diamond is in compliance with the Kimberley Process and the 2003 Clean Diamond Act. For the first time consumers will be able to purchase diamonds certified by an independent third-party that shows the source of the rough diamond and the original point of distribution. The unprecedented program, named the Source Veritas Passport, combines guaranteed grading of quality by a respected gem lab, along with unbiased assurance of the origin of the diamond.

The process, makes the identification of diamonds-especially of 1 carat and above, absolutely certain and invaluable if the diamond is lost or stolen. The process, called Gemprint, was developed by the Weizmann Institute of Science in Israel and is becoming widely used in the United States.

The current technology has been in use by Gemprint for nine years. During the 12 months ended on October 31, 2005, Gemprint has added digital "fingerprint" images for over 30,000 diamonds to its database of unique digital images of the refractive light patterns of individual diamonds. The aggregate number of diamonds registered in the Gemprint database is now in excess of 500,000.

Investment in incubators to reach $57m.

Investment in privatized technology incubators, or shelters for new high-tech start up ventures, will top $57 million by late 2006, according to Dolev & Abramovich Hi-Tech Information Ltd.

The incubator program, started in Israel in 1992, as a government plan to encourage technology innovation. At the incubators, the government provides funding, office and lab space and business advice to start-ups in their first two years.

This period is the highest-risk time for a company, according to the incubator program's director, Rina Pridor.

At the end of this two-year period, the companies are expected to find private investors and continue their work without government help.

Since the program's inception, about half of the incubators around the country have been privatized, but the principle is the same.

D&A named several private incubators, including Misgav, Target, Kinorot and Meitav as being especially successful in attracting investors.

"These investments will strengthen the industry and enable the building of a large reserve of technology and biotechnology companies that are just starting out," the D&A statement continued.

Xerox to buy Israeli XMPie for $40-50m

Xerox Inc. (NYSE:XRX) is making its first investment in Israel. Xerox is about to acquire Israeli start-up XMPie Ltd. for $40-50 million. XMPie develops solutions for customizing digital printing and electronic media.
Xerox has a market cap of $13 billion, and posted a net profit of $865 million on $16 billion revenue in 2005. Its main competitors in the digital printer business are Hewlett Packard Co. (NYSE:HPQ) and Canon Inc. (NYSE:CAJ; TSE:7751).

Xerox is acquiring XMPie after a long period of cooperation between the two companies. XMPie was founded as a digital printing spin off of Scitex (now Scailex Corp. ltd. (Nasdaq: SCIX; TASE: SCIX) since its sale to HP) in 2000. In late 2002, the company signed its first distribution agreement with Xerox for the distribution of its products in Japan through Fuji Xerox Co. Ltd. A few months later, the agreement was extended to North America through Xerox USA.
XMPie develops variable data publishing (VPD) products, offering a complete platform for printing, data control, interface, document design, data access and data retrieval, the transfer of data between different electronic media (printing, Internet, e-mail, and cellular messaging), and e-commerce.

XMPie's technology is mostly used for advertising

sheets and customized advertising through the company's PersonalEffect solution. The company's products can collate information about customers from enterprise customer relation management (CRM) systems, and customize advertising material and newsletters sent to them.

XMPie was founded by chairman and CTO Jacob Aizikowitz, chief software architect Israel Roth, and EVP R&D Reuven J. Sherwin, all former Scitex managers.

The company currently has 40 employees at its New York headquarters and at its Netanya development center. The company raised $15 million from JVP, Scitex and, last year, from Carmel Ventures fund Plenus Venture Lending Fund.

As mentioned above, XMPie is Xerox's first acquisition in Israel. Xerox Israel Ltd., under general manager Yoram Levanon, is a sales and services subsidiary. Xerox Israel has 95 employees, and the company has installed 70 XMPie systems in Israel under its partnership with Xerox.

Best Israeli Startup Companies for 2006

IVA and Red Herring named the software company Zend, a provider of tools for PHP application developers; the communications firm Amimon, which develops a revolutionary wireless standard for short-range wireless communications; and the medical equipment company BrainsGate, the developer of an electronic instrument for opening the blood-brain barrier (BBB), as the most promising startups in Israel.

In the first startup competition conducted by Red Herring in Israel, Zend, Itemfield and BeInSync took the joint award in the Software category; Amimon, Axerra and Discretix in the Telecommunications category, and BrainsGate, Mazor and Deep Breeze in the Life Sciences category. For their innovativeness, Zend, Amimon and BrainsGate were selected as the most promising companies in each category.

All nine of these outstanding companies received their awards in the presence of Prime Minister Ehud Olmert at the annual High-Tech Conference of the Israel Venture Association (IVA). The outstanding startups were selected on the basis of vision, technological achievement and market leadership. They will receive international exposure in Red Herring and in the Israeli press, and will also receive access to research by the IDC firm.

The competition was directed by Jennifer Schenker, international editor of the Red Herring. The team of judges featured prominent Israeli entrepreneurs including Yanki Margalit, founder and CEO of Aladdin; Shimon Eckhouse, founder of Syneron and Lumenis; Benny Levin, founder of Nice; Professor Ruth Arnon, a developer of the Copaxone medication; and Yoram Karmon, CEO of Power Paper. Also on the panel of judges were research directors for new technologies at IDC Israel, Danny Yachin and Gilad Nass, former journalists, who specialize in the Israeli startup and venture capital market.

According to Jennifer Schenker, "Each of the three companies, selected as the most promising, has developed technologies with a huge potential global impact. It was difficult to narrow them down, first to nine companies and then to three, because we had so many great entries. This is a great endorsement of the excellent technology companies coming out of Israel."

Ness will assist Pulsic's R&D efforts in India with the necessary infrastructure and know-how, to build a best

in class center of excellence, it said.

Israeli firm gearing up to make 'supergenerics'

Intec Pharma has developed the Accordion Pill, an advanced oral drug delivery system that is claimed to improve the bioavailability of drugs by increasing the amount of time the active pharmaceutical ingredients (APIs) are held in the gastrointestinal system.

By improving bioavailability, the Accordion Pill has the potential to transform drugs that need to be taken as much as five times a day into one-a-day pills that improve patient compliance and reduce unwanted side effects, said the firm.

Intec Pharma plans to launch a series of supergeneric drugs using the Accordion Pill technology and has now signed a deal with film-based drug specialist manufacturer BioEnvelop Agro of Quebec, Canada and Tapemark of Minnesota, USA, a privately-held contract manufacturer, in order to achieve this.

According to Intec, supergeneric drugs combine the advantages of original pharmaceutical products - which have the potential for blockbuster sales as well as patent protection - with the advantages of generic drugs which can get quick regulatory approval.

"This technology offers a new competitive edge in the area of oral drug development and for product life cycle management."

Successful Transplantation from Pig Embryos to Mice

Millioms of diabetics face a lifetime of daily injections to replace the insulin their bodies fail to produce, as well as a host of risks that includes blindness, amputation, kidney failure and heart disease. For many, particularly those inflicted with juvenile diabetes, transplants of the pancreatic tissue in which insulin is produced might alleviate these problems. Unfortunately, there are not nearly enough organ donors available for transplantation.

Insulin-producing pancreas tissues from animals could potentially provide a nearly unlimited supply for transplantation. But until now, attempts to transplant such animal tissues into non-human primates have evoked a fierce immune response. However, embryonic tissues, such as those from pigs (in which the insulin-producing cells are similar to those of humans) might not be rejected as strongly. New research by Prof. Yair Reisner of the Weitzman Institute's Immunology Department has brought the possibility of transplants from pig embryos one step closer. The results of the study appeared in the June issue of PLoS Medicine.

In previous work, Reisner and his team had shown that each embryonic organ has its own "time window" during which the chances for successful transplantation are optimal. Prior to this window, the early tissue's cells, which are still largely undifferentiated, can give rise to tumors. Past the window, however, they may be too well-developed: The host identifies these cells as foreign, causing the body to reject them. By transplanting tissues from pig embryos into mice lacking proper immune systems, they determined that the best time frame for pancreatic tissue was about a third of the way through gestation (from 42 to 56 days).

In the new study, Reisner's team wanted to see if such tissues could function in the body. They first implanted embryonic pancreatic tissue from pigs into mice that lacked an immune system of their own, but had human immune cells injected into them. From this experiment they learned that tissues taken at 42 days (within the time frame they had previously determined) exhibited a markedly reduced immune response.

Next, the team tried the experiment on mice with fully functioning immune systems, but destroyed the insulin-producing cells in their pancreases before proceeding with the transplant. With the aid of relatively mild immune suppression protocols, the implanted tissues were fully functional over time, producing insulin and maintaining the mice's blood sugar at normal levels.

"The results of this study," says Reisner, "warrant further, pre-clinical research on primate models."

NESS' to open development center in India

Israeli IT solution provider 'Ness Technologies' has announced that it will establish an extended development centre in India with UK headquartered electronic design automation company Pulsic Ltd.

The development center, a part of three years contract between the two companies, will be attached to Ness' facilities in Bangalore.

"India has an abundance of outstanding engineers, and Ness EDC provides Pulsic with the right mix of

processes and additional senior management capability to build a productive team quickly and hasten product development," Pulsic's Chief Executive Officer, Ken Roberts, was quoted in a company release.

Pulsic, which delivers integrated physical design solutions for analog, mixed signal and custom digital design, particularly for the high volume Integrated circuit (IC) and memory markets, has committed to the market in India by establishing an R&D team in Bangalore with assistance from Ness Technologies.

Coronary heart disease is the number one killer in the wester5n world., According to the American Heart Association, more than 7 million angioplasty procedures are performed annually worldwide, 4 of them in the United States.The number of angioplasty procedures performed each year is expected to increase at an annual rate of 7%. These 7 million procedures represent an annual market of about $30 billion.

TopSpin Medical

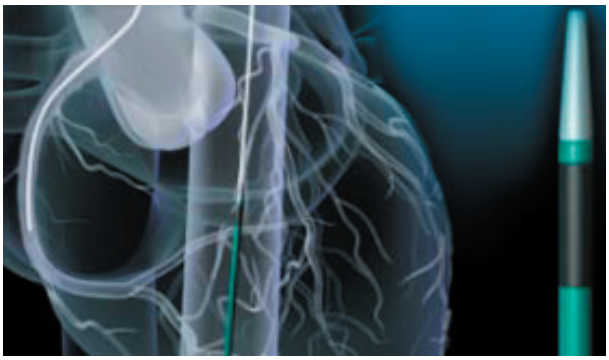
an Emerging Growth Company

Emerging research relating to vulnerable plaque, points to a great need for intravascular evaluation of small arteries in the cardiovascular system. Early evaluation, diagnosis, and treatment of this condition are considered critical to the prevention and treatment of cardiovascular disease.

A seven year old emerging growth company, TopSpin Medical, is currently completing the development of a novel diagnostic tool that will image vulnerable plaque more clearly than any other existing technique. They have engineered the ability of performing local magnetic resonance imaging with a miniature hand-held scanner.

Inventor of the medical breakthrough is Erez Golan, a phsyicist who served as a cardiovascular imaging group leader at Medinol. The TopSpin technology is protected by 15 patents.

Initial clinical trials are proving the efficacy of the system. IHTIR met with Eyal Kolka, the company's chief financial officer at the headquarters located in



Lod, half an hours outside of Tel-Aviv. "We expect to enter the market either at the end of 2006 or at the outset of 2007", Kalka noted.

Financing the company's activities are being financed from previous fund raising. $20m. was raised initially from private investors and several of Israel's venture capital companies. "Johnson & Johnson, has expressed its faith in us by investing in three separate rounds of investment," pointed out Kalka.

The company has an additional product in the pipeline. Its prostate MRI is an office based system with a hand-held MRI probe that provides high imaging resolution of prostate cancer. The market is substatntial with 1.5m. procedures carries out annually in the US.

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