

ISRAEL HIGH-TECH & INVESTMENT REPORT

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India-Israel An Alliance Built on Shared Experience

The invitation was to attend the wedding of our neighbor's grandson. From the outset it was clear it would differ from any other wedding that we had ever attended. For one thing the venue was Bombay. Our neighbor Kirtilal Mehta had chartered a plane to fly out the guests, mostly diamantaires, from Tel-Aviv to Bombay. At the same time guests were on their way from Belgium, New York, Hong Kong and Tokyo.

Mr. Mehta moved to Tel-Aviv in 1968. "Too rainy in Belgium, too cold in New York," he explained as his rationale for moving to Tel-Aviv. Though he lacked formal education he was a man of great vision and he established a global presence for his diamond companies. . During our stay in India, he introduced me to a number of influential local people. "Israel can make desert blossom. They can help us to do the same," he declared.

But the time was not propitious. It was 1990, two years before India recognized Israel. We returned from the India visit full of impressions, but without expectations that the two countries would develop economic ties in the near future.

When the interests of two nations become aligned their innate differences tend to melt and diminish. India had been the prime target of international terrorism, for over two decades. More than 60,000 of its citizens, including two Prime Ministers have fallen victim to this scourge. During those years Israel had developed modern weaponry to protect itself. India was badly in need of defense systems as well as modernization of its armed forces.

In this issue, basing ourselves on reliable sources, we estimate that India will order from Israel \$3.0-\$3.75 billion worth of specialized defense systems including the Phalcons and the Arrow Anti-Missile Defense System.

The latter sale requires approval by the U.S. However, it is not all about weapons. Israel's agricultural expertise is being offered to India. The single largest delegations to attend last month's Agritech 2003 came from India. The major step for any economy is to free up agricultural workers for production in other fields. Technology can help that process.

An analysis of published figures in the Indian press, Jane's Defense Weekly and Israeli press indicates that

New Delhi hopes



India-Israel
An Alliance Built on Shared Experience
Teva is Buying Savient's Operations in Israel
Pharmos Awarded FDA Fast-track
Status for its Brain drug
Finnish Defense Forces Buy IAI's Ranger UAV System
InSightec wins European 2004 IST Grand Prize
Forbes names Mercury CEO Amnon Landan 2003
'Entrepreneur of The Year'
Invention for Cancer Diagnosis Granted FDA Approval
Agriculture:
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Israel's Venture Capital Moves into China
Concretex Raises \$1m.
udioCodes Ltd. Novel Eye Laser Approved
Communications and Internet Usage on the Upswing in Israel
Given Imaging Announces \$9.7m.
Q3 2003 Revenues
Guidant Invests \$1m in WideMed
IAI Presents its Novel Spy Radar Satellite
Gamida-Cell Pre-Clinical Study Shows that Cord Blood Stem
Cells May Successfully Treat Heart Disease



The Phalcon IAI to complete an agreement to buy three of Israel's advanced PHALCON radar systems. The United States, Israel's most powerful ally, has lifted its objection to the \$1 billion deal, despite warnings from Pakistan that "it could raise tensions in South Asia and destabilize the region". The three Phalcon radar planes would put large parts of Pakistan under Indian surveillance.

Dr. Subhash Kapila, of the South Asia Analysis Group,

Israel's defense exports hit an all-time record last year, as signed contracts for defense industry deals with foreign armies reached \$4.18 billion, a nearly 70 percent rise compared to 2001, when overseas weapons sales totaled \$2.5 billion.

The main customers of Israeli weapons systems and military know-how are the United States, followed by India, whose recent purchases included unmanned aerial vehicles (UAVs), ground radar, missiles, communications equipment and electronic counter-measures.

has identified some of the shared experiences.

"India and Israel emerged as nation states within months of each other. Following India's emergence as an independent nation on 15 Aug. 1947, Israel emerged as state on 14 May 1948, as a result of a decision by the United Nations, the first such nation. Both India and Israel emerging, as "new nation states" are states steeped in over five thousand years of history " says

Dr. Kapila.

He adds that "India and Israel are democracies and have survived in a sea of hostility, surrounded by implacable adversaries and a heavily militarized security environment. Israel has been in almost permanent state of war since its birth in May 1948. It is surrounded by hostile nations and under constant, threat, so the rules of defense and intelligence must differ from those that apply in America or other Western countries. India is in a similar predicament and the Israel experience would be valuable".

India has cast its eyes on the Arrow Anti-Missile System which Israel deployed prior to the War in Iraq. Essentially

India wants Washington to allow Israel to sell its Arrow anti missile system, which was developed with U.S support and could ward off nuclear threats from Pakistan. Washington worries that the sale could set of an arms race on the volatile subcontinent.

India and Pakistan have fought three wars since independence from Britain and nearly clashed last year when India blamed Pakistan for a deadly suicide attack on its Parliament complex.

"Israel's defense industry is viewed by India as having some critically important advantages," states Dr. Subhash Kapila. "Israel offers a valuable autonomous source for purchase of sophisticated weapons and military equipment, indigenously developed; it therefore, precludes external pressures or Israel not to supply. Israel's defense industries have earned a global reputation for upgrading old weapon systems with latest technological capabilities. It applies to India's vast holdings of Russian combat aircraft and tanks". Israel has upgraded these satisfactorily for a number of countries.

"Israel's technological advances in the fields of satellites, satellite imagery, missiles, rockets and nuclear fields are appreciable. Most of them are indigenous developments. They can be a source of advanced technology for India.

Israel's border management and counter - terrorism

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There is a small but flourishing Jewish community that has lived and thrived in India for centuries. Some of the Jews have migrated to Israel but have kept their links with India. An estimated 70,000 Jews from India have settled in Israel. Tourism from Israel to India is flourishing with about 70,000 Israelis visiting India each year. About 25,000 Indians visit Israel every year. There have also been numerous cultural exchanges.

techniques could help India in overcoming its major weaknesses of internal security management".

During the Kargil War, between India and Pakistan, Israel, will be remembered by Indians as having responded magnificently, despite pressures from various quarters, not to supply UAVs for high altitude surveillance, laser - guided systems and many other items which were supplied within 24 hours.

Teva is Buying Savient's Operations in Israel



Teva Pharmaceuticals (Nasdaq:TEVA) has confirmed that intends to acquire the Israeli operations of Savient Pharmaceuticals (Nasdaq:SVNT),

Teva agreed on the terms to acquire the local operations of Savient, formerly known as Biotechnology General, say capital market sources. They say Teva is buying Savient's plant in Kiryat Malachi and its R&D opera-

tions in Israel. Savient has invested \$50 million in its Kiryat Malachi plant.

Teva and Savient entered into a cooperation agreement back in 1999 that covered the development, production and marketing of biotechnological products.

Until now, Savient's management decided as to which products the collaboration would cover. After Teva buys its R&D operations in Israel, it will decide on the future direction of its research.

The acquisition is part of Teva's broader strategy to expand in biotechnology, a \$60 billion a year market.

Until now, Teva has specialized on developing generic versions of existing drugs through chemical processes. It is among the top five in the United States. It also has proprietary medicines, most notably Copaxone, for the treatment of relapsing/remitting multiple sclerosis.

Teva also recently invested \$3 million in Gamida-Cell, which deals with stem cells. The two companies also signed a strategic cooperation agreement for developing a Gamida-Cell product for treatment of various types of early-stage blood cancer.

An earlier and more significant investment by Teva was in Proneuron Biotechnologies, which specializes in the nervous system. Teva invested \$10 million in the company 18 months ago. The two companies also signed a strategic cooperation agreement to develop a compound called copolymer-1 (the active agent in Copaxone), for treatment of diseases affecting the nervous system, including Alzheimer's disease, Parkinson's disease, and stroke.

Pharmos Awarded FDA Fast-track Status for its Brain drug

Pharmos Corp. (Nasdaq: SC:PARS) said U.S. regulators will review its experimental drug for treating severe traumatic brain injury (TBI) on an accelerated basis. Reacting to the news Pharmos shares soared by as much as 35 percent.

The drug, dexanabinol, based on research by Prof. R. Meshulam of the Hebrew University of Jerusalem, is to treat an often life-threatening condition for which no approved treatments exist. Pharmos's dexanabinol drug candidate is being developed to treat TBI, a major cause of death and disability in industrialized societies. Annually in the US alone, there are about 1.5 million head injuries, roughly 300,000 hospital admissions for head trauma, nearly 52,000 deaths and approximately 80,000 cases of severe long-term disability.

The company estimates that the annual cost of acute care and rehabilitation in the US for new cases reaches \$10 billion. The incidence of TBI is highest among young men as victims of automobile accidents, and the elderly who are prone to falls.

TBI occurs in two stages, the first of which is characterized by the initial impact on, or rapid internal shift-

ing of, the brain, resulting in skull fractures and bruising. Without treatment, these primary effects trigger secondary processes in which neurotoxic chemicals are released in the brain and destroy healthy cells. Dangerous inflammatory processes may also develop, ultimately causing the most severe and long-lasting damage suffered by those who survive.

Current therapy is limited to emergency medical and rehabilitative care, leaving TBI victims as a totally unserved market globally.

The U.S. Food and Drug Administration generally grants fast-track status to drugs intended to treat serious or life-threatening conditions. Fast-track status allows companies to submit data in stages as different parts of clinical trials are completed, rather than waiting to submit all of it at the end.

Pharmos also reported that it completed a \$21 million convertible debt financing with six institutional investors. Under the agreement with the investors, \$5 million will be used for working capital purposes, and \$16 million will be available to fund acquisitions approved by the investors. A week after the announcement a US based investment banker Unterberg Towbin published a recommendation which sent the Pharmos stock soaring by another 30%, Analyst David Bouchay, who covers biotechnology and healthcare, started the Israeli pharma on a Buy rating and set a target of \$6 for its shares.

Proneuron: Macrophages Improve Functioning of Injured Spinal Cord

Proneuron Biotechnologies, Inc. a specialist in the development of medical treatments for spinal cord injuries and other disorders of the central nervous system, announced new pre-clinical experiment results that show that the company's Macrophage therapy (ProCord) may effectively help improve the function and preserve the integrity of a damaged spinal cord. The results of the laboratory work, conducted by Proneuron's scientists, are published in the September issue of the Journal of Neuroimmunology (JNI) in an article entitled "Features of skin-coincubated macrophages that promote recovery from spinal cord injury"

"The pre-clinical results are promising as ProCord appears to markedly improve the degree of neurological recovery. In rats it was shown that several months following treatment, the integrity of the spinal cord was better, with much less cyst formation than in the control group of untreated rats. Cyst formation is a known complication of spinal cord injury that is associated with

increased neurological loss and pain," said Dr. Eti Yoles, Proneuron's VP Product Research & Development, who directed the research.

ProCord consists of autologous activated macrophage therapy for the treatment of patients with acute complete spinal cord injury (SCI) within 14 days of damage. Proneuron has already successfully completed a Phase I clinical study of the treatment and is now enrolling candidates in a Phase II study at sites in Israel and pending approval in the U.S.

Amdocs to Buy XACCT for \$20m.

Israeli-U.S. billing software and services company Amdocs Ltd (NYSE: DOX) is about to buy Israel's XACCT Technologies after a prolonged courtship, that has lasted three years. Amdocs reportedly would pay \$20 million. Neither company would confirm the sale. XACCT provides infrastructure for managing data networks used by telecommunications services providers, including wireless and cable operators, and by management service providers. Market sources are saying that Amdocs is currently conducting due diligence on XACCT. One year ago, Amdocs offered \$20 million for XACCT but the company wanted \$100 million, Three years ago. XACCT had 2002 sales of \$20 million and had raised \$87 million in five financing rounds and at that time refused a \$380m. offer, insisting on a \$500m. price tag.

Elbit to Provide FedEx with Air Vision Systems

Defense contractor Elbit Systems (ESLT.O) (ESLT.TA) reported it would install an advanced vision system on FedEx aircraft. Elbit's All-Weather Enhanced Vision System (EVS) will be standard equipment on FedEx's Boeing MD-10, MD-11, Airbus A300 and A310 aircraft, according to a company statement. The system is slated for certification by the end of 2006, with installation beginning in 2007. Market estimates place the value of the deal, which would be the first commercial contract, at "several tens of millions of dollars", but Elbit declined to comment on the size. "EVS will improve schedule reliability by reducing weather-related delays, improve takeoff and landing minimums, and as a taxi aid in reducing the risk of runway incursions," said Don Barber, senior vice president of air

operations at FedEx Express. "Our flight crews will have increased situational awareness and improved safety in reduced visibility conditions."

Finnish Defense Forces Buy IAI's Ranger UAV System

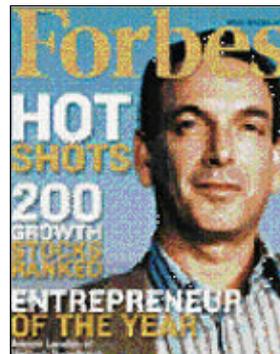
Israel Aircraft Industries' (IAI) Mazlat Division won a tender for the supply of a RANGER UAV system to the Finnish Defense Forces. The Finnish Ministry of Defense signed a contract with an industry consortium consisting of IAI, Oerlikon Contraves (the consortium's lead partner), and RUAG Aerospace Industries. This consortium develops and manufactures the Ranger UAV system. The FDF purchased the first Ranger UAV system, about four years ago for approximately \$20 Million. Following a thorough and successful evaluation phase, and complete satisfaction with the results, the FDF decided to purchase the second system. The Ranger UAV system is one of the most advanced and reliable UAV systems operating today. Some years ago, the Swiss Air Force, purchased four RANGER systems, in a contract valued at over \$100 million. The Ranger UAV system includes derived from the customers' terrain and climatic conditions. This includes operating at ambient temperatures well below zero, catapult assisted automatic point takeoff, snow, grass and concrete or asphalt landing, and low engine noise.

InSightec wins European 2004 IST Grand Prize

InSightec has won the European 2004 IST Grand Prize. The company, controlled by Elbit Medical Imaging (54 percent) and General Electric Medical Systems (19.5 percent), won the award, which includes 200,000 euros and the IST prize trophy, for its ExAblate 2000, a noninvasive thermal ablation system. Dr. Kobi Vortman, president and CEO of InSightec, said the prize was in recognition of the commercial potential of its ablation system, its innovativeness, and its ability to help in medical treatment. Vortman added that the Europeans invest a great deal in research-and-development efforts and resources to counterbalance the United States. He pointed to an expenditure of some 1 billion euros this year in R&D programs. A delighted Vortman said that, in addition to the cash prize, InSightec could use the European IST Grand Prize logo, which would have a positive impact on its marketing ability, particularly in Europe, and in the U.S. and Japan. Established in 1999, InSightec has become a market leader in the field of non invasive surgery to remove

tumors through the use of high intensity focused ultrasound. InSightec's award-winning ExAblate 2000 is a focused ultrasound ablation device that can be integrated with a GE 1.5T Magnetic Resonance Imaging System. The role of MR is to help the physician identify the target volume of tissue to be ablated, and then to monitor the delivery of ultrasound energy. The MR system is widely used in hospitals throughout the world, which improves InSightec's opportunities to market its ExAblate system in the treatment of breast cancer and uterine fibroids. GEMS has invested \$13 million in InSightec. The Israeli company has so far sold one ExAblate system in Israel, another in the United States and has signed a \$36 million contract in Japan. Now in its ninth year, the European IST Prize is an award for groundbreaking products that represent the best of European innovation in information technology.

Forbes names Mercury CEO Amnon Landan 2003 'Entrepreneur of The Year'



Mercury Interactive (Nasdaq:MERQ), which focuses on business technology optimization, announced that its chairman and CEO Amnon Landan has been named 2003 "Entrepreneur of the Year" by Forbes. He will be featured on the cover of the October 27th issue of Forbes Magazine.

In the Forbes story, Senior Editor Bruce Upbin, states, "The company he leads - Mercury Interactive is one of the hottest software firms in the world."

Each year, Forbes selects one executive that sets the standard for excellence and innovation in business leadership as "Entrepreneur of the Year."

During his term as CEO, Mercury's revenues grew from \$77 million to more than \$400 million a year, with 24% growth in the past year. The customer base expanded to thousands of companies in more than 30 countries.

SCIENCE CORNER

Invention for Cancer Diagnosis Granted FDA Approval

A diagnostic imaging technique that should soon be finding its way to medical establishments, could spare many patients the pain and risk of biopsies. The technique, called 3TP, has recently received FDA clearance for use in the detection of breast and prostate cancer, and is slated for distribution as early as next year. It will enable doctors to distinguish between malignant tumors and benign lumps through scanning.

3TP (Three Time Point) makes use of existing MRI scanners, and a safe contrast agent that is injected into the patient. The suspected tumor site is scanned by MRI repeatedly over a period of several minutes. The software developed for the method analyzes three of the MRI images, one before and two after the injection (hence the name 3TP), and then creates a colored image of the breast or prostate area based on the resulting data. A preponderance of red in the picture indicates malignancy, while mainly blue and green are signs of a benign growth.

The procedure, developed by Prof. Hadassa Degani and her research group at the Weizmann Institute of Science Biological Regulation Dept., arose from research on the development of cancerous tumors.

Malignancies, need a steady supply of oxygen and nutrients in order to grow. Blood flow in and out of the area of the tumor is usually accelerated. Tumor cells are distributed unevenly, with areas of densely packed cells that have less spaces between the cells than normal.

In order to obtain the 3TP image, the contrast agent, which enhances the MRI images, is injected into the bloodstream, and the flow of the agent into the area being scanned is traced. The agent, which quickly passes through the blood, will enter and clear out of a cancerous tumor faster, and contrast agent escaping vessel walls (new blood vessels tend to leak) will be highlighted, along with the spaces between cells. Through calculations the software can assign a color to each tiny pixel making up the graphic image.

Several hospitals in the U.S. have participated in the "blind" clinical trials, testing hundreds of patients who

were slated to undergo biopsies. The 3TP scans were sent to Degani's lab in Israel for analysis, and her diagnoses were later compared with the results of the biopsies.

Tests were conducted in such a way that Degani knew nothing about the patient's medical history, thus her results were based solely on the 3TP image. The American doctors, did not see the 3TP results until they had reached a diagnosis through biopsy. In impressive trial results, solid growths larger than five millimeters (1/5 inch) were diagnosed correctly using 3TP nearly 100% of the time. For all trials including patients with DCIS (a non-invasive, non-lump-forming cancer in the milk ducts), the accuracy rate was close to 90%.

While others have come up with various methods of diagnosing cancer using MRI technology, Degani emphasizes that the 3TP technique is the only one that provides an accurate, standardized system that any clinician can easily use. The prevention of unnecessary biopsies will make it cost-effective. The procedure is likely to be used in the future to diagnose a variety of cancers moving from the trial stages to clinical use on breast and prostate. Research is starting on the lungs. In addition, more research will be done on using 3TP scanning to track the response of tumors to anti-cancer therapies.

The method will be distributed by a U.S. company called 3TP LLC. In its second year of activity, it was founded to market the 3TP technology, for which it received worldwide rights through Yeda, the commercial arm of the Weizmann Institute. Because 3TP is non-invasive, and is based on existing MRI technology, the FDA clearing process was shorter than expected. The company is presently engaged in beta-testing of its product in six American medical institutions, and is seeking clearance in Canada and Europe.

Agriculture:

The Market Likes New Varieties

Market demands influence seed research and development. A good example is the hybrid onion with the highest level of dry layers in the world, making it particularly suitable for countries with fewer daylight hours. Another example is the introduction of a

melon-sized watermelon, which fits easily into the refrigerator.

Agricultural research has contributed to the development of high added value products. A variety of tomato renowned for its long shelf-life which has been developed as a hybrid of two varieties. One is characterized by late ripening and the other by solidity. The result is a new variety that is large, solid and enjoys a long shelf life. Some 40% of the tomato greenhouses in Europe utilize seeds developed and produced in Israel. In some countries, this figure reaches as high as 98%.

Another new variety is the seedless watermelon. It is cultivated in a wide range of sizes and colors, meeting a variety of customer demands.

Seed scientists have also developed special varieties of squash for greenhouse propagation, allowing the farmer to grow a high quality product, undamaged by wind, sand or pests. Another advantage of greenhouse squash is that high yields can be obtained, even during the off-season.

The black watermelon was developed and aimed at the European and American markets, as a specialty/

Following the trends for transition to organically grown, chemical-free products, Israel has developed naturally colored cotton, so that in addition to white cotton, brown and green cotton can now be grown.

A variety of hybrid cotton has recently been developed. Characterized by longer and stronger fibers, it is typically a high yield-per-area crop, requiring less water. It has been grown with excellent results in India, Southeast Asia and other regions.

Remote Control of Greenhouses

Motorola Israel has a world-class reputation for developing and manufacturing water-saving irrigation systems that are used around the world. Its latest product Radio Piccolo XR is a new remote terminal which can operate at a distance of 3 km. It communicates with the grower via an interface to IRRInet-XL, the company's water and irrigation control system that is used for municipal water control, landscapes, city parks and highway irrigation needs, as well as computerized

water distribution (pumping stations, reservoirs), supply projects in rural areas.

Hi-Tech in Dairy Industry

"Cow cooling" is one way to ensure that milk production is not detrimentally effected by summer heat. Two Israeli scientists discovered that cows, just like people, are affected by the weather. Introduced to California dairy farmers two months ago, Polak Brothers' new CowKool misting system, considerably raised summer milk yields.

Monitoring bovine health and yields is a major task for large dairy farmers with herds in the thousands. A cow is more active when it is in heat observed experts of cows on Kibbutz Afikim. Afimilk uses a pedometer to measure heat and activity which pinpoint the best time for insemination. Its computerized system provides management of production, fertility, and health of herds.

"Using electronic sensors in tags on the collars, or ears of a cow represents a novel way of monitoring cows," said Ori Inbar of SCR. Data from the tag that measures the cow's daily activity - running, playing, or when they are in heat - is picked up by infra-red communication when the cow enters the milking stand and is then relayed to a central computer. The company has one of the most sophisticated high tech dairy cow monitoring systems on the market, claiming a 20 percent increase in milk yield.

Another new sensor that measures rumination time, the time it takes for the cow to chew and digest its cud, was introduced at Agritech. Lack of fiber in the cow's diet can result in a reduced rumination rate - signs of loss of appetite, sickness - and result in decreased milk production. Developed at a cost of \$1 million by Vocal Tag, this important indicator expected within the year, provides vital information for the dairy on feeding quality and quantity, and cow health. SCR is beginning to develop a new generation of products for sheep and goat herds.

Plants also benefit by close observations. Russian scientist Yuri Ton developed sensors that could pick up signs of stress in plants - clear signs

that they need water -before they were visible, and send out an electronic warning. Ton was recently named by Cambridge as one of the top 2000 scientists of the last century. Using different sized sensors for measuring growth and sap flow, moisture in a leaf, stem, and fruit (little ones for cherry tomatoes and grapes) the PhyTalk system has been developed and marketed by PhyTech in Yad Mordechai.

"The PhyTech system is the first system developed to monitor the physiological conditions of plants," said Dr. Oded Sagee, VP of Business Development (formerly Chief of Citrus at Volcani, Israel's Agricultural Research Center.) The data is transmitted to a concentrator unit and then via wireless to a PC for easy access.

"I am now seeing growth I never dreamed of," wrote Rick Hornback of Baseline Trees in Arizona in June. "Baseline Trees is the buzz of the town."

His nurseries' trees (including pears and plums) remained lush despite high temperatures and hot winds. PhyTalk helped the nursery through a near disaster when it was installing a new pond.

"I was told that the trees looked OK. We thought the sensor was faulty when it indicated that the water valves were turned off. After a second inspection, we found that the soil mix was bone dry," said Hornback.

Israel's Venture Capital Moves into China



Vertex Venture Capital Israel announced that it has invested \$5 million in Semiconductor Manufacturing International (SMIC), the largest and most advanced foundry in China. The investment was part of a third financing round for SMIC, in which it raised a total of \$630 million. Existing shareholders include

Shanghai Industrial Holdings Limited, Goldman Sachs, H&Q Asia Pacific Limited, Walden

International, Temasek and a Singapore consortium led by Vertex management. New investors participating in the round included New Enterprise Associates (NEA), Oak Investment Partners, Beida Microelectronics Investment Ltd, (Hong Kong) and other strategic investors.

Commenting on the latest investment, Yoram Oron, President of Vertex Venture Capital Israel said: "In addition to its financial potential, this investment would expand Vertex's network of contacts in China as well as provide Vertex's fabless semiconductors portfolio companies access to the manufacturing services of one of the largest chip manufacturing corporations in the world."

SMIC's three 8 inch Fabs in Shanghai have now reached a production capacity of 40,000 wafers per month. The funds raised in the latest round will be mainly used to expand the company's Shanghai facilities and build a new a 12 inch facility in Beijing. Analysts expect SMIC to be the fourth largest chip manufacturer in the world by 2004.

Established in April 2000, SMIC is China's most advanced foundry, providing IC manufacturing at 0.35-micron, 0.25-micron, 0.18-micron technologies, as well as 0.13-micron copper backend services.

Vertex Venture Capital Israel manages \$650 million in venture capital in Israel and Europe and is part of the International Vertex Venture Holdings (VVH). VVH manages over \$1 billion in venture capital and has offices in the USA, UK, Israel, Denmark, Singapore, Taiwan, Hong Kong and China. Vertex Venture Capital Israel invests in seed and early stage Israeli technology-intensive companies with real market growth potential and promising entrepreneurs.

Concretec Raises \$1m.

Concretec's technology utilizes nuclear magnetic resonance (NMR) to test the strength of fresh or hardened (dry) concrete within six hours. Concretec, a developer of tools to quickly test concrete strength, has raised \$1 million from NewBold Intertrade. NewBold Intertrade, owned by a Moscow-based Israeli businessman maintains a

representative office in Israel.

Concretec's technology utilizes nuclear magnetic resonance (NMR) to test the water/cement ratio, consistency, and strength of fresh or hardened (dry) concrete within six hours, compared with the 28 days required by current methods.

Concretec states that its technology has undergone a series of controlled tests, and the first device was supplied to Neshet Israel Cement Enterprises three months ago for NIS 250,000. A team of scientists headed by Dr. Shimon Boiko founded Concretec in 1996. Its managing director is Yaacov Bing. To date, the company has been backed by the Office of the Chief Scientist, through the incubator program (Hitec - Har Hotzvim Technology Entrepreneurship Center owns 16% of the company); an owners' loan; and through an investment by Mivdak Hatzafon, which owns 1% of the company.

Novel Eye Laser Approved

Lumenis Ltd. (LUME) Receives FDA Clearance For 810 Nanometer Infrared Diode Photocoagulator
Lumenis Ltd. today announced that it has received marketing clearance from the US Food and Drug Administration ("FDA") for its Novus TTx, 810 Nanometer Infrared Diode Photocoagulator.

The Novus is an advanced device that allows ophthalmologists to treat complicated retinal conditions, such as age-related macular degeneration and intraocular tumors, Lumenis explained.

The FDA nod apparently fired up investors' imaginations on Wall Street: they sent its stock up from \$1.3 at closing to more than \$2.5 yesterday, a price last seen in November 2002.

Communications and Internet Usage on the Upswing in Israel

Internet penetration is growing rapidly. Four major, and about 60 smaller, Internet service providers serve more than two million users, including 40% of households and 60% of businesses. Cellular phone companies introduced wireless Internet during 2001. Bezeq began to offer ADSL services in 2000, and cable companies have begun providing broadband cable modem access. Broadband penetration rates

are quite promising: 100,000 ADSL subscribers, and 15,000 cable modem subscribers, translate to a penetration rate of 6%.

Factors encouraging this growth include widespread use of computers in business and at home, advanced telecommunications infrastructure and a regulatory policy of minimal intervention. Internet dial-up promotion tariffs were introduced during 2000. Several sophisticated Hebrew-language portals and the on-line availability of all major local print media also contribute to ubiquitous Internet use in Israel.

Israel is a world leader in developing Internet technologies and applications, and Israeli companies operating in the field have marked several international successes. This international reputation is also recognized on the home market, and influences local interest and use.

The country's strong tradition of academic inquiry and research has placed Israel on the global research network for the NGI (Next Generation Internet), linking Israel to the world's seekers of scientific and industrial knowledge through StarTap (Chicago) to the U.S.-Internet 2 Network, through the Point of Presence (London) to the EU GEANT Network and also to Q-Med (Mediterranean consortium Quantum extension).

The technological and wireless revolution in Israel is continuing, with higher household rates of computer ownership, Internet subscription, and mobile telephone use.

Central Bureau of Statistics figures show that 54% of Israeli households have a computer, 80% have at least one mobile telephone, and a quarter have an Internet hookup. Spending on wireless telephone use rose 21% in real terms last year, and spending on home computer use also increased.

The figures also show that the proportion of households owning a computer rose from 50% in 2001 to 54% in 2002, Internet subscriptions were up from 22.5% in 2001 to 25.4% in 2002, and the proportion of mobile telephone ownership rose from 73.8% of households to 78.8%. The proportion of households with two mobile phones was up from 37.7% to 44%.

AudioCodes Ltd.

Four years ago Israeli AudioCodes (Nasdaq: AUDC) has raised \$49 million on the US stock exchange. The flotation was managed by Oppenheimer, Piper Jaffray, and Warburg Dillon. At the close of the first day's trading, the share had risen 22% to \$17.1, and the company levelled out at a value of \$300 million, compared to \$240 million, at which it was priced. The company's largest shareholder is DSP Group, manufacturer of DSP chips for the conversion of analog signals into digital, with 23.7% of AudioCodes shares.

AudioCodes develops software and hardware designed for overcoming obstacles that arise where there is a need to transmit voice and facsimile messages over data communications and Internet networks, such as delay and loss of data packages. Its products includes software and chips for converting analog into digital signals (DSP), communications cards and communications software. In other words, AudioCodes equipment enables customers to transmit voice on data communications networks, on the basis of Internet protocol. The company's customers are manufacturers of equipment for telecommunications and communications. The company's performances are not less impressive than the success of its IPO.

AudioCodes Ltd. designs, develops and markets enabling technologies and system products for the transmission of voice, data and fax over packet networks. Packet networks are data communications networks that transport information compressed into packets over circuits shared simultaneously by several users.

Equipment based on advanced voice communications standards enable packet networks to carry voice and data more efficiently and at lower cost than the traditional telephone networks, which were designed principally to transmit voice calls.

The company's products enable its customers to build packet networking equipment and provide the building blocks to connect traditional telephone networks with packet networks. AudioCodes' products are sold to original equipment manufacturers (OEMs), system integrators and network equipment providers in the telecommunications and networking industries.

Last Trade:	9.85	Day's Range:	9.36 - 10.00
Trade Time:	Oct 14	52wk Range:	1.68 - 10.00
Change:	↑ 0.10 (1.03%)	Volume:	313,589
Prev Close:	9.75	Avg Vol (3m):	276,863
Open:	9.79	Market Cap:	368.11M
Bid:	N/A	P/E (ttm):	N/A
Ask:	N/A	EPS (ttm):	-0.29
1y Target Est:	9.00	Div & Yield:	N/A (N/A)

FINANCIAL SUMMARY

For the six months ended 6/30/03, revenues increased 53% to \$18.9 million. Net loss fell 38% to \$4.7 million. Revenues reflect increased growth in the technology business and increased system product sales. Net loss was partially offset by increased research and development expenses.

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Given Imaging Announces \$9.7m.**Q3 2003 Revenues**

Given Imaging (Nasdaq: GIVN) announced today that worldwide sales in the third quarter of 2003 of its Given® Diagnostic Imaging System and M2A video capsule reached \$9.7 million. This figure is similar to sales reported in the second quarter 2003, and represents a 30% increase over sales generated in the third quarter of 2002. For the first nine months of 2003, sales were \$28.0 million reflecting a 41% increase over the same period in 2002.

The company also announced that it will launch its M2A(TM) Patency System early November. A simple prep-less, non-invasive procedure, the M2A Patency System is designed to address the need of physicians to definitively diagnose the presence of obstructing strictures and adhesions in the GI tract. Patency System consists of [1] an ingestible, dissolvable capsule that is the same size as the M2A Capsule Endoscope (26 mm long, 11 mm diameter) with a tiny Radio Frequency ID (RFID) tag and [2] a hand-held scanner used to determine a signal from the RFID tag. Additionally, the capsule contains bar-

ium, so that in those instances where the capsule is not excreted after ingestion, the physician may detect the presence of the Patency Capsule within the body with the hand-held scanner, and then, also determine the exact location of the obstruction under fluoroscopy. If obstructed, the Patency Capsule is designed to dissolve after two to three days and pass naturally.

Guidant Invests \$1m in WideMed

The American medical equipment company Guidant has invested \$1m in Israeli medical equipment start-up WideMed. WideMed president and CEO Dr. Amir Geva confirmed the report, and said that the investment had included a licensing agreement, under which Guidant would include WideMed's forecasting algorithm.

Founded in 2000, WideMed Ltd. develops and commercializes highly sophisticated biosignal processing technologies and synergetic software products for reliable, real-time identification and prediction of pathological events in clinical, remote point-of-care, and home settings.

The company's generic technologies are based on Dr. Amir Geva's pioneering research into adaptive signal segmentation and unsupervised temporal clustering. WideMed's proprietary algorithms learn and adapt to patient-specific biosignals to ensure patient-specific outcomes for better diagnosis, monitoring and care.

RAFAEL Contract

Rafael, the government's Arms Research and Development Authority, has won a \$100 million contract to provide armored personnel carriers to the U.S. Army's rapid deployment force, according to a report in the daily Yediot Aharonot.

IAI Presents its Novel Spy Radar Satellite

At a 50th anniversary of its founding, Israel Aircraft Industries displayed its advanced technologies, including a new spy radar-satellite capable of taking photographs from very long distances in all weather, sky and light conditions.

The new satellite is a product of Elta, a daughter company of IAI, and it makes use of aperture synthetic technology (SAR) developed over the past two decades, partly with Defense

Ministry funding. It is capable of taking high-resolution photographs through clouds, in darkness, and via camouflage, enhancing the real-time intelligence-gathering capabilities of its user.

The key to the new technology is high processing speed: The new satellite's systems can process data at speeds that are 1,000 times faster than a top-end personal computer.

The system was developed over the years for use on military aircraft, and in recent years it was decided to adopt it for use on satellites. The relatively low weight of the system is a great advantage when compared with the telescopic cameras on military satellites like the Ofek 5, currently in orbit. The Defense Ministry expressed interest in purchasing the new satellites, but no contracts have yet been signed because of budgetary constraints.

The SAR has already proved its value during the naval commando operation that led to the capture of the Karine A, a Palestinian ship carrying missiles and munitions to the Palestinian Authority, which was intercepted in the Red Sea last year.

Also on display was Flight Guard, a system that protects aircraft from the threat of terrorist missiles. Flight Guard deflects heat-seeking missiles by launching flares, and it has been adapted for civilian aircraft from



a system that has been used on military aircraft for over a decade.

The Flight Guard is made up of three, shoe-box sized gray containers, in addition to antennas that are dispersed around the aircraft.

One box, equipped with radar sensors, detects the incoming missiles; the other two, on each side of the aircraft, deploy the decoy flares.

Quigo Boosts HP's ROI with FeedPoint

With Only 70 Shopping Days until Christmas, Quigo Integrates ROI Tracking to Provide Actual Cost-to-Sales Ratios and ROI Optimization for FeedPoint's Search Engine Marketing Customers. Quigo Technologies Inc., a developer of proprietary search solutions for online contextual advertising,

search engine marketing and business intelligence, announces the addition of ROI tracking and analysis to the FeedPoint search engine marketing solution. The integration of ROI analysis provides actual cost-of-sales data, enabling customers to evaluate their search marketing campaigns' performance according to keywords, product pages, search engines or many other sales variables.

Quigo's FeedPoint is a turn-key Search Engine Marketing (SEM) solution that delivers qualified traffic from search engine queries directly to the relevant product page of leading e-commerce sites. First, Quigo's dedicated SEM team identifies key product parameters, such as product, price, description, etc., from a sample of product pages. Utilizing proprietary technology, FeedPoint then remotely and automatically extracts all relevant product information from all other product pages. Next, the FeedPoint system generates relevant keywords for all pages using Quigo's patent-pending semantic algorithms. Quigo's SEM team works with FeedPoint clients to develop the most effective titles and descriptions that appear in the search engine results when a prospective customer searches. Finally, the extracted product information, keywords, product titles and descriptions are submitted via a feed to all the leading search and shopping engines. Once a search engine campaign is live, Quigo's SEM team continuously optimizes keywords, product titles and descriptions to maximize each customer's ROI.

"Quigo promised that they would improve our search engine marketing ROI and they delivered. Through Quigo-powered search, we generate more than \$100 in revenue." said Mark Eddings, Internet Manager in HP's Americas eBusiness Web Merchandising unit responsible for HP's Small and Medium Business market.

Blood Stem Cells May Treat Heart Disease

Gamida-Cell Ltd. a specialist in hematopoietic (blood) stem cell therapeutics in clinical development for cancer and autoimmune diseases, as well as future regenerative cell-based medicines, announced that the company is planning to commence in 2004 a Phase I/II trial of its product for the treatment of cardiac disease based on the success of a recently completed pre-clinical study.

The study, will be presented on December 7, 2003 at the annual conference of the American Society for Hematology (ASH) in California by Professor Arnon Nagler, Head of Hematology Division Stem Cell Transplantation and Cord Blood Bank, Chaim Sheba Medical Center, Tel Hashomer. "The results of this study

indicate that a cord blood stem cell population expanded by Gamida-Cell technology shows promise in treating heart disease. Specifically, ex vivo expanded CD34+ S/P cells derived from human umbilical cord blood engrafted and colonized the infarcted myocardium. In addition, cell therapy with ex-vivo expanded cord blood derived cells resulted in new vessel formation and may thus be used for prevention of heart dilatation, dysfunction and future heart attacks," explained Professor Leor.

Gamida-Cell Ltd., headquartered in Jerusalem, Israel, was founded in 1998, based on technology for stem cell expansion licensed from and jointly developed with Hadassah University Medical Center, Jerusalem, Israel. The company is currently engaged in a Phase I study of its lead product, StemEx(R) (expanded population of cord blood stem cells) at M. D. Anderson in Texas, which, pending regulatory approval, will be followed by a pivotal multi-center study in the US and Europe



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