

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES  
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JOSEPH MORGENSTERN, PUBLISHER  
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## New Standards of Excellence

Alfred Nobel was born in 1833 in Stockholm, Sweden. Nobel invented dynamite in 1866 and later built up companies and laboratories in more than 20 countries all over the world.

On November 27, 1895, Nobel signed his last will providing for the establishment of the Nobel Prize.

"It is my express wish that in awarding the prizes no consideration be given to the nationality of the candidates, but that the most worthy shall receive the prize"

The Nobel Prize is an international award given yearly since 1901 for achievements in physics, chemistry, medicine, literature and for peace. In 1968, the Bank of Sweden instituted the Prize in Economic Sciences.

The Prize Winners are announced in October every year. They receive their awards a prize amount, and a gold medal.

As of August 2005, a total of 770 Nobel Prizes have been awarded. Of that number 169 or 22% of the total, were Jews.

Most people attribute this fact to an extremely high value of education in Jewish tradition and customs.

Elie Weisel, a Nobel Prize winner, once said that he could not live and work in Israel because of the violence in that part of the world. However, Israelis proved Weisel wrong.

Israelis have already garnered eight Nobel prizes.

The laureate list includes:

Shmuel Yosef Agnon, Literature, 1966

Menachem Begin, Peace, 1978

Yitzhak Rabin, Peace, 1994

Shimon Peres, Peace, 1994

Aaron Ciechanover, Chemistry, 2004

Avram Hershko, Chemistry, 2004

Daniel Kahneman, Economics, 2002

Robert Aumann, Economics, 2005

Not many years ago the Israel Defence Forces were the pride of the country. They rated high in bravery and

operational excellence. However, with the passage of time Israelis moved their orientation to excellence in academic fields, science and technology.

That two Israeli chemists who won the chemistry prize in 2004, are ample proof of that.

The change in national values and the esteem tendered to Nobel Prize winner Robert Aumann, are proof that we can expect the list of Israeli Nobel winners to expand in the years to come.



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## Foreign Annual Investment Running at \$4b.

Foreign investment in Israel has risen sharply in 2005.

Investment in Israeli securities (stocks and bonds) exceeded \$3.5 billion in January-September 2005, 85% of the investment in 2004 as a whole, the Bank of Israel reported. Foreign investment is running at over an annualized \$4.7 billion.

Net direct foreign investment exceeded \$3 billion in January-September, 4.3 times the amount invested in 2004 as a whole. Net direct foreign investment is running at an annualized \$4 billion. There was a sell-off of direct foreign investments in September that totalled \$1.25 billion.

The Bank of Israel also reported that foreign investment in the TASE plummeted in September to \$49 million, from \$245 million in August. Foreign investment in TASE-listed shares totalled \$2.06 billion in January-September, 4.3 times the investment in 2004 as a whole.

## Dutch Police Adopt Persay Technology



The Dutch Justice Ministry recently approved the use of Israeli company Persay's biometric voice verification and authentication systems to help

keep out hooligans from soccer matches.

The monitoring system is intended to help the police ensure that people convicted of hooliganism at football games honor the terms of their release, and stay away from games. The Dutch police are known for their use of unconventional means to combat the rising soccer violence.

After a lengthy period of trials the police chose the Persay system

The system is a step-up on an electronic system already in use in the Netherlands. It works by randomly calling convicted hooligans at home during soccer games. The program can identify their voices. It can support an unlimited range of languages and dialects, as well as accents, overcoming background noises and ignoring natural fluctuation in voice.

Persay technology is already used to keep track of people under house arrest in several countries worldwide, including the United States, England, New Zealand, and Spain.

Recently the U.S. Homeland Security system adopted the Persay technology to ease life for immigrants, instead of reporting in person to visa offices, they can phone in and be identified biometrically.

Persay's solution uses the biometrics of the speaker's own voice and speech characteristics to authenticate speaker identity.

## Israeli Professor Awarded Nobel Prize in Economics for 2005



The Royal Swedish Academy of Sciences has decided to award the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel, 2005,

jointly to Robert J. Aumann of the Center for Rationality, Hebrew University of Jerusalem, and to Thomas C. Schelling of the Department of Economics and School of Public Policy, University of Maryland, College Park, MD,

“for having enhanced our understanding of conflict and cooperation through game-theory analysis.” The prize will be awarded in December 2005.

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The work of the two researchers, Robert J. Aumann and Thomas C. Schelling, was essential in developing non-cooperative game theory further and bringing it to bear on major questions in the social sciences. Approaching the subject from different angles - Aumann from mathematics and Schelling from economics - they both perceived that the game-theoretic perspective had the potential to reshape the analysis of human interaction. Schelling showed that many familiar social interactions could be viewed as non-cooperative games that involve both common and conflicting interests, and Aumann demonstrated that long-run social interaction could be comprehensively analyzed using formal non-cooperative game theory.

Over the last 25 years, game theory has become a universally accepted tool and language in economics and in many areas of the other social sciences. Current economic analysis of conflict and cooperation, builds almost uniformly on the foundations laid by Aumann and Schelling. The theory of repeated games is now the common framework for analysis of long-run cooperation in the social sciences. Applications range from the competing firms, which collude to maintain a high price level, farmers who share pastures or irrigation systems, to countries, which enter into environmental agreements or are involved in territorial disputes.

Robert Aumann has played an essential role in shaping game theory. He has promoted a unified view of the very wide domain of strategic interactions, encompassing many apparently disparate disciplines, such as economics, political science, biology, philosophy, computer science and statistics. Instead of using different constructs to deal with various specific issues - such as deterrence, perfect competition, oligopoly, taxation and voting - Aumann has developed general methodologies and investigated where these lead in each specific application. His research is characterized by an unusual combination of breadth and depth. Some contributions contain involved analysis while others are technically simple but conceptually profound. His fundamental works have both clarified the internal logic of game-theoretic reasoning and expanded game theory's domain of applicability. Among Aumann's many contributions, the study of long-term cooperation has arguably had the most profound impact on the social sciences.

Robert (Yisrael) Aumann was born in Frankfurt, Germany in 1930 and received his PhD in mathematics (1955) from the Massachusetts Institute of Technology (MIT). He has taught mathematics at the Hebrew University of Jerusalem since 1956, where he lives.

### High-Tech Companies Raised \$311m. in Q3

The PricewaterhouseCoopers Kesselman & Kesselman MoneyTree report states that venture-backed high-tech companies raised \$311m. in Israel in the third quarter of 2005, a gain of 9% in contrast with the previous quarter, but a drop of 10% as compared with the third quarter of 2004.

The survey found a continuing rising trend in investments by local venture capital funds, which invested \$178 million in the third quarter, the highest figure for four years. The preceding quarter came in at \$153m. \$39 million, or 22% of the total investment at by local venture capital funds, was invested in seed-stage companies, the highest sum since 2001.

The division by sector: communications and networking 42%; software 15%; medical devices 15%; biotechnology 10%; and others 18%.

### Unique, Ordered Nanometer Structures Found



Israeli researchers reported discovering nanometer-scale ordered structures -- a discovery that could change basic scientific understandings.

The structures were found at the boundary between droplets of liquid aluminum and the solid face of sapphire. The detailed view provides direct evidence that the sapphire's crystal structure induces the liquid aluminum atoms to line up in an orderly fashion, something not normally a characteristic of liquids.

"Basically, this means we need to think about liquid-solid interfaces in a totally different way," said Professor Wayne Kaplan of the Technion-Israel Institute of Technology, who co-authored the study with doctoral student Yaron Kauffmann and colleagues from the Max Planck Institute in Germany. The researchers used a special high-resolution transmission electron microscope in making the discovery.

The Technion-Israel Institute of Technology is Israel's leading science and technology university.

The researchers' findings were published by the journal Science.

### **Israel, Kazakhstan Cooperate on Space R&D**

The Israel-Kazakhstan Chamber of Commerce and Industry announced that it would open negotiations between the two countries on R&D in space. It said that it would arrange for the participation of Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT), Israel Aircraft Industries Ltd. (IAI) and Rafael Armament Development Authority Ltd. in a Kazakh space program to launch Israeli-built microsatellites weighing less than 150 kgs from the Baikanur Cosmodrome. The contract could be worth millions of dollars.

A Kazakh science delegation, including the Kazakh Minister of Education and Science Birganim Aytimova, astronauts and space scientists recently visited Israel to discuss details of the program. The Israel-Kazakhstan Chamber of Commerce, which officially opened recently, also mediated state-level cooperation.

Under the program, microsatellites will be equipped with Israeli technology for a wide range of missions, including mapping, reconnaissance, and telecommunications.

Israel-Kazakhstan Chamber of Commerce and Industry president David Luxemburg called on the Israeli government to declare Kazakhstan a strategic economic target, in order to promote joint Israeli-Kazakh projects.

### **Foreigners Spend \$500m. on Israeli Software**

Foreign companies spent more than \$500 million in acquiring 15 Israeli software firms over the past 12 months, Israel's Manufacturers Association said. One of the largest deals took place in April, when manufacturing software maker UGS bought Israel's Tecnomatix Technologies for \$228 million.

### **Merck's Cancer Vaccine Succeeds in Study**

The first major study of an experimental vaccine to prevent cervical cancer found it was 100 percent effective, in the short term, at blocking the disease and lesions likely to turn cancerous, drug maker Merck & Co. said.

The new Merck cervical cancer vaccine, may mean an end to smear tests for thousands of women. Dr Eliav Barr, an Israeli, Merck's lead scientists, conducted a study of 12,000 women aged 16 to 26 for about two

years, half of whom were vaccinated. He found that Gardasil prevented dangerous pre-cancerous lesions and cancers in 100 per cent of the women who had the treatment.

"I see this as a phenomenal breakthrough," said Dr. Gloria Bachmann, director of The Women's Health Institute at Robert Wood Johnson Medical School in New Brunswick.

Bachmann said diagnosis of infection leaves women anxious over the heightened risk of cervical cancer and raises questions among couples about infidelity and prior sexual activity.

"You have to get students in grammar school, middle school, high school (vaccinated) before they become sexually active," she said.

Cervical cancer is the second-most common cancer in women and their No. 2 cause of cancer deaths, resulting in about 3,000 deaths in the United States and nearly 300,000 around the world each year. At least half of sexually active men and women become infected with genital HPV at some point.

The immune system clears most such infections in a year or two. However, several types of HPV can persist, cause cervical cancer or trigger other cancers in the genital area. There is no cure for HPV, but the cancers can be treated and an improved Pap test is detecting more cervical cancer before it has spread.

### **Israel's Search and Rescue Unit**

The function of the Home Front Command's Search and Rescue unit is defined as follows: a command rescue force intended for performance of distinct S&R missions in the country as well as abroad, in peacetime, in war and in emergency, anyplace and at any time as needed.

The unit was established at its current strength in 1984, combining all the specialist units that were involved with S&R until that time. The unit has participated in many special S&R operations in Israel and abroad.

The S&R unit is a rapid mobilization force and has an airborne transport and deployment capability for its men and equipment. The human element of the unit is comprised of highly trained professional reserve personnel and a regular formation based at the HFC training facility, which remains in constant readiness

throughout the year. During the operation in Kenya the unit was mobilized and deployed in the field 23 hours since receiving the alert orders.

The S&R unit operates on a work plan determined according to situation evaluations made by experts: commanders, doctors, engineers, rescue technicians and heavy equipment operators. The evaluations are based on up-to-date field reports on relevant topics such as types of structures collapsed, local conditions affecting movement capability of heavy equipment, estimated number of persons trapped under the rubble and so on.

The unit operates state-of-the-art specialized equipment, among the most advanced in the world, including the TPL - a locally developed device for locating persons trapped under rubble by detecting seismic and acoustic emissions given off by the victims.

The S&R unit also uses search and rescue dogs specially trained to locate people buried under debris.

**Retalix Ups 2005 Projections**

Point of sale technology company Retalix (Nasdaq: RTLX ; TASE: RTLX) of Ra'anana has updated its guidance for 2005. The company now expects its revenue for 2005 to exceed \$190 million. Net profit for 2005 is projected at over \$15.5 million.



The company's previous guidance was for a profit of \$15 million on revenues of \$185 million.

The analysts' consensus estimate is earnings per share of \$0.81 on revenue of \$194 million. Retalix is one of the companies, mentioned by IHTIR as having above average growth potential.

**Comverse Buying CSG Systems Unit for \$251m.**



Comverse Technologies (NASDAQ:CMVT), is expanding its presence in the growing global billing industry. The company stated that it has agreed to acquire the GSS division and CSG Systems International Inc. for \$251 million in cash.

Comverse will fold GSS, a maker of software-based billing systems, into its real-time billing division.

The combination is aimed at allowing Comverse to better provide billing services to wireless, wireline, cable, satellite, and Internet-based service providers. GSS makes billing solutions for post-paid services, meaning the customer pays for cellular calls after making them. At present, Comverse offers a billing solution only for pre-paid cellular service.

For the six months ending June 30, GSS and the related assets Comverse is buying generated revenue of about \$83.6 million dollars. Comverse had revenue of \$558.6 million in the six months ended July 31.

Comverse would be adding all the unit's 900 employees to its present 3,500-person workforce. More than 2,000 of these people work at its Ramat Hahayal center in Tel Aviv.

**CheckPoint Buying Sourcefire**



Sourcefire Inc., a Columbia software firm that began as a pet project of computer-coding hobbyists, is being bought by Israeli security giant

Check Point Software Technologies Ltd. for \$225 million, marking a victory for the open-source software movement.

Check Point, which sells firewall software to nearly 80,000 customers worldwide, will pay cash.

Over the years, Sourcefire's online friends and fans added to the code -- which it has kept out in the open on the Internet for all to see in order to create an advanced network security system that has been downloaded by more than 2 million people.

The technology, called Snort, has developed a following of loyalists who watch for new versions and spend hours discussing how to advance the software. Like most intrusion detection systems, Snort patrols computer networks looking for worms, viruses and other potential threats, and alerts security personnel when it finds one.

The basic version of Snort remains free, but Sourcefire has attracted about 800 paying customers by packaging it into a more user-friendly product that includes reporting capabilities, analysis technology and customer support features. Sourcefire executives compare the

arrangement to giving away an engine, but offering a whole car for sale.

By 2008 the impact of open-source technologies including sales of open-source-based products and money lost by traditional vendors -- will exceed \$5 billion, according to Garner Inc., and analysts say that is just the beginning.

With \$100,000 in angel funding, Sourcefire began selling a more polished version of Snort that came with service guarantees and help with installation. After Sourcefire landed some major clients it was able to raise \$33.65 million in three rounds of venture funding. Its investors include Greylock Partners of San Mateo, Calif.; Sierra Ventures of Menlo Park, Calif.; and New Enterprise Associates of Baltimore.

Licenses for Sourcefire's products, some of which have been developed on a proprietary basis, start around \$4,000 and go as high as \$120,000, depending on the complexity of the product.

Check Point's chief executive, Gil Shwed, said Sourcefire's technology will eventually be embedded in all its products. The Israeli firm's firewall systems work to block the same attacks that Sourcefire's software detects.

The market for computer security systems has boomed in recent years. But analysts caution that the market for firewalls is now largely saturated, forcing Check Point to branch into new lines of business. In 2004, Check Point earned \$248.4 million, up only slightly from the \$243.9 million profit it recorded the previous year. "The firewall market isn't going anywhere," said William R. Becklean, an analyst with Oppenheimer & Co. The Sourcefire purchase is a way for Check Point "to try and maintain the growth of the company," Becklean said.

### **"High-Normal" Blood Glucose Levels Might Predict Future Incidence of Type 2 Diabetes**



How normal are "normal" blood glucose levels?

Researchers affiliated with Ben-Gurion University of the Negev suggest that "high-normal" blood

glucose levels among apparently healthy young men might predict future incidence of type 2 diabetes.

Diabetes is becoming a worldwide epidemic, attributed

to genetic predisposition coupled to increasing rates of obesity, sedentary life-style and nutritional factors. Most alarming are data indicating that Type 2 Diabetes, formerly recognized mostly in people over 50 years old, is now increasingly observed in the third to fifth decades of life. Diabetes is diagnosed on the basis of blood glucose levels. Under fasting conditions, blood glucose of 126 mg/dl (7 mM) or more is sufficient for the diagnosis of diabetes, whereas values of up to 100 (5.56 mM) are considered "normal".

People with "impaired fasting glucose levels" (100-125 mg/dl) are at increased risk of developing Type 2 diabetes, indicating that fasting glucose levels can predict the risk to become diabetic. A group of researchers from Ben-Gurion University and from the Israel Defense Forces Medical Corps Headquarters set to assess if glucose levels even within the normal range can help in identifying young men at risk for Type 2 diabetes.

This, and further analyses suggested to the researchers that "normal" glucose level (a level that is not associated with increased diabetes risk) may have to be defined in a more individualized manner, having different values depending on a person's family history, weight and triglycerides.

The results of this large-scale follow-up study in Israel were published in the New England Journal of Medicine and create a solid basis for continued scientific cooperation between the Israel Defense Force Medical Corps Headquarters and BGU scientists.

### **New Venture Capital Fund Focuses on Job Creation**

Trendlines Group, a marketing and business development consulting firm, is establishing a new investment fund

The new \$25 million venture capital Trendlines Israel Fund, is focused on companies with superior growth potential that can both create capital and jobs within Israel.

### **Israel 3rd Largest Weapons Supplier to US**

"The New York Times" rated Israel as the third largest supplier of weapons and military technology to the US in 2004, ahead of France and Germany. Israeli defense industries signed 113 contracts worth \$124 million with the US Department of Defense last year.

Alcatel Alenia Space to Supply Payload for Amos-3  
 Alcatel Alenia Space announced a contract with Israel Aircraft Industries (IAI), the leader in the Israeli aerospace industry, to supply the Amos-3 communications satellite's payload. IAI is building the satellite for Israeli operator, Space-Communication Ltd (Spacecom). Amos-3 is the first major contract announced by the newly formed French company Alcatel Alenia Space. Amos-3 is slated for launch at the end of 2007.

**IAF to acquire fourth-generation MALE UAV**

The Israel Air Force (IAF) will acquire Israel Aircraft Industries' (IAI's) Mahatz 1 medium-altitude long-endurance (MALE) unmanned aerial vehicle (UAV) to replace the IAI Searcher Mk I and Mk II, as its main UAV.

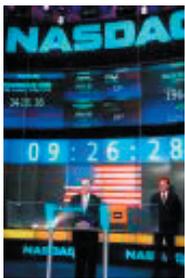
IAI was awarded a contract on 11 September for the supply of several dozen systems in a deal estimated at more than \$50m.

Mahatz, which will be called Shoal (Trail) in IAF service, is a fourth-generation MALE UAV system accommodating payloads up to 250 kg and has demonstrated 52 hours of continuous flight. It is capable of carrying multiple sensors, such as synthetic aperture radar (SAR), naval scan radar and electronic or communications intelligence mission payloads.

With an automatic take-off and landing capability, the Mahatz can be mission pre-programmed for autonomous flight.

**Israel in Second Place in Nasdaq Listings**

Israel has second most companies registered for trading on NASDAQ



When Ituran (Nasdaq, TASE: ITRN) joined the Nasdaq it, became the 71st Israeli company on the Index. Israel is now the second most represented country on Nasdaq after the U.S.

For some time, Israel had been third in line, after Canada, but with 68 listings, that country has now slipped to third place.

This comparison only counts companies registered in Israel as Israeli, and therefore if others, Israel-based but registered elsewhere such as Converse Technologies (NASDAQ:CMVT) or Amdocs (NYSE:DOX), were taken into account, the numbers would be even more impressive.

Two more Israeli companies Passave and Predix Pharmaceuticals. plan to list on Nasdaq.

**Israel Ranked 27th Most Competitive Among 117 Nations**

The Global Competitiveness Report is a contribution to enhancing our understanding of the key ingredients of economic growth and prosperity. By highlighting the strengths and weaknesses of an economy, policymakers and business leaders are offered an important tool to assist them in the formulation of improved economic policies and institutional reforms.

Finland won the top spot and was followed by the USA and Sweden. Israel was ranked 27th of the 117 nations surveyed in the study.

**Global Internet Advertising Booming**

U.S. Internet advertising revenue for the first half of the year to a record \$5.8 billion, an increase of 26%.

That compares with \$4.6 billion for the same period last year, according to the Interactive Advertising Bureau (IAB). Search ads made up 40% of the online ad revenue, the same as for the first half of 2004, however, revenue totals for search jumped 27% to \$2.3 billion, from \$1.8 billion.

While we have no figures for Israel, advertising appears to be growing at a fast pace.

**Actimize tops Deloitte Israel Fast 50 list for 2005**

The Deloitte Israel Technology Fast 50, is a ranking of the 50 fastest growing technology companies in Israel. This award is based on an objective ranking and celebration of the fastest-growing Israeli high-technology companies and identifies the trends that are shaping the telecommunications technology, and media sectors worldwide.

To determine the fastest growing companies honored with this recognition, Deloitte reviewed fiscal year revenues over five years (2000-2004), calculated the revenue growth percentage over five years, and compared the growth of technology companies reviewed.

Start-up Actimize has won the top spot in the Deloitte Israel Fast 50 list for 2005. The Fast 50 is compiled by Deloitte Brightman Almagor.

Actimize offers a surveillance platform and solutions



that enable financial institutions and other organizations to identify potential threats, mitigate risks, and maintain regulatory compliance. Actimize's rate of growth in the years 2000-2004 was 8221%. This exceeded number two-ranked StarHome, which posted growth of 7246% for the same period. Number three on the list was Arotech (formerly:

Electric Fuel Corp.) with growth of 3253%.

Last year, Shopping.com (acquired this year by eBay for approximately \$634 million) was number one on the list, with growth of 12669%. Other past Fast 50 winners include Exent, iMDsoft and Whale Communications.

### Governor of the Central Bank is Upbeat

Governor of the Bank of Israel Prof. Stanley Fischer: "The Israeli economy has recorded average annual growth of over 4% over the past eight quarters.



Inflation is close to the target of 2% a year, there is a small surplus in the balance of payments, and the flow of foreign investment into Israel will almost certainly set a new record this year."

Israel's Central Bank has been reputed as moribund with many of the top positions frozen. The relation between the bank's union and the previous governor were acrimonious and at one point the union barricaded the Governor's office. Prof. Fischer, according to insider reports is addressing these issues and is making progress in instituting changes.

### Ituran Completes NASDAQ IPO

Ituran Location and Control (Nasdaq, TASE: ITRN) completed its IPO on Nasdaq. The Israeli vehicle and person location company raised \$62.4 million at a company value of \$300 million. The 4.8m. shares on offer were priced at \$13 a share.



The company utilizes technology developed by Tadiran for the Israeli army, which uses it to locate missing Air Force pilots. Its primary use, however, is to locate stolen cars. It commands 75% of the Israeli market, which

is plagued by car theft,

For the first half of 2005 Ituran reported an 18% increase in year over year revenues to NIS 191.8 million, (\$42m.) on which it netted NIS 28.4 million, (\$6.2m.) a gain of 36% from the previous year.

### Davidi Closes \$300m. for FIMI Opportunity II

The FIMI Opportunity II fund, managed by Ishay Davidi, recently closed a \$300 million fund raising. The venture capitalist confirmed.

Davidi began recruiting capital pledges for the sequel fund in March, intending to raise \$200 million. Investor demand allowed a closing ahead of schedule, with \$100m. more than already planned.

FIMI Opportunity II expects to invest \$200 million during 2006, half in cash and half through bank loans. The fund will target medium-sized companies in difficulty, which it means to rehabilitate and sell on for a profit.

Founded in 1998, the first FIMI fund – First Israel Mezzanine Investors – had returned about 40% a year to investors. It invested \$450 million in 35 Israeli companies. Its portfolio included Tadiran Communications (TASE: TDCM), Tefron (NYSE:TFR), Tami-4, Lipman Electronic Engineering (TASE, Nasdaq: LPMA ), and Tedea Technological Development & Automation (TASE: TEDE ).

### Can-Fite BioPharma to Raise \$10m.

Can-Fite BioPharma, an Israeli science-based biopharmaceutical company developing novel treatments for autoimmune diseases and cancer, raised NIS 45 million (\$10m.) at a company pre-IPO value of US \$25 million, through an initial public offering (IPO) on the Tel-Aviv Stock Exchange.

Can-Fite's leading drug, CF101, for the treatment of rheumatoid arthritis, is an oral small molecule drug with both anti-cancer and autoimmune inflammatory activities; low manufacturing costs and a preferential safety profile. The drug's main advantage is in its ability to specifically affect pathological cells without affecting healthy ones. In addition, the fact that the drug is administered orally in the form of a capsule is a big advantage compared with current treatments, which are administered by intravenous infusion or injection at much higher, associated costs.

Can-Fite recently announced promising results arising from an interim analysis of its early phase II study (Phase IIa) that looked at the safety and preliminary efficacy of CF101 in patients with active rheumatoid

arthritis. After 12 weeks of treatment, patients showed reduced disease activity, including a decrease in the number of tender and swollen joints, without drug related serious side effects.

### **Boston Scientific to pay \$750m. to Medinol**

Boston Scientific Corp. (BSX:NYSE) has agreed to pay \$750 million to settle claims that it broke its contract and stole technology from Israeli company Medinol, in the late 1990s.



The accord ends a rancorous 10-year relationship between America's largest life sciences company and Medinol, a pioneering Israeli firm that was once its chief supplier of stents -- tiny devices that doctors use to prop open arteries after clearing them of blockages, one of the most common surgical procedures in America.

Medinol's lawyers asked for more than \$4.5 billion in damages, claiming that Boston Scientific used its technology to design its current top-selling Taxus Express line of stents.

Boston Scientific says the stent's design is original, and had countersued Medinol for \$400 million, saying the company's delays had cost it business.

The settlement reached in New York ended both suits and formally cancelled the contract between the companies. Boston Scientific also gave up a 21 percent ownership share in Medinol that it had taken as part of the original contract, and the companies agreed that future disputes or royalty demands would be resolved through arbitration.

The two companies signed a deal in 1995 under which Medinol, an Israeli firm founded by husband-and-wife team Judith and Kobi Richter, would develop and manufacture stents for the Natick company. The deal gave Boston Scientific a foothold in the important and fast-growing area of the medical-device market.

In 1997, however, Boston Scientific set up a secret factory, which it called Project Independence, to copy Medinol's technology. Medinol claims the Natick company was trying to produce its own stents and squeeze it out of the contract, but Boston Scientific said later that the scheme was allowed because Medinol had become such an unreliable supplier. The

coronary stent business has changed dramatically in the past two years, since Johnson & Johnson and Boston Scientific each introduced a drug-coated version of the metal device. The drug coating prevents the body's natural healing mechanism from reblocking the arteries while they heal.

The highly profitable drug-coated stents have fueled explosive growth for Boston Scientific, accounting for nearly half of its \$6.3 billion in annual sales.

### **OrganiTECH Lands \$2.7m. Project in Russia**

OrganiTECH Inc. (ORGT.PK) a US-Israeli agrotechnology company specializes in automated, hydroponics growth technologies and greenhouse products. The company was recently awarded a \$2.73m. greenhouse project in Russia.

The contract issued by SadGigant for building a 100,000 sq. foot greenhouse to raise leafy vegetables to be marketed throughout Russia.



"This is the largest single contract for OrganiTECH since we begun selling in the 4th Quarter of 2004, and it contributes significantly for achieving our \$3.5 million revenues target for 2005," said the company's CEO, Lior Hessel.

OrganiTECH expects to record 2005 revenues of at least \$3.5 million and to reach profitability.

### **XTLbio Buys VivoQuest for \$31.4m**

XTL Biopharmaceuticals Ltd. (LSE: XTL; TASE: XTL, Nasdaq:XTLB) has announced the closing of the license and asset purchase agreement signed with US company VivoQuest Inc. and valued at \$31.4m.

The agreement gives XTLbio an exclusive license to VivoQuest's intellectual property and technology, including HCV compounds and VivoQuest's proprietary compound library.

Industry sources say this is the first time an Israeli biotechnology company has bought a US company.

According to industry sources, there is only one company apart from VivoQuest that can work with the DOS platform, namely the US company Infinity Pharmaceuticals, which has signed seven substantial deals with giant drug companies over the past twelve months, among them Novartis and Amgen.

Other companies besides XTLbio are developing treatments for Hepatitis C include Vertex Pharmaceuticals, which recently announced the completion of Phase I trials in the development of its drug. Vertex, is traded at a market cap of \$1.8 billion, and Idenix Pharmaceuticals, currently involved in Phase I trials, trades at a \$1.2 billion market cap.



According to an industry source, more than \$30 million has so far been invested in VivoQuest's development activity.

Another source added that there was a high degree of synergy between the two companies, thanks to their complementary capabilities.

### Hydrogen-Power Breakthrough

Israeli company, Engineuity R&D Ltd, states that it has developed a technology for producing hydrogen on-board vehicles. The company claims that its breakthrough will overcome all obstacles presently associated with hydrogen. Using a light metal wire such as aluminium, magnesium, water and a special conversion unit, the system produces a continuous flow of hydrogen and steam under full pressure, temperature and power control, to power a modified internal combustion engine.

The production unit can also be used for producing hydrogen for fuel cells and other applications requiring hydrogen and/or steam.

Engineuity claims the performance of its adapted engine will be identical to that of an existing petrol powered vehicle, and estimates that the cost of this new fuel will be comparable with petroleum fuels at present prices.

### \$1m. "Israeli Nobel" Prize

Eleven Israelis active in the sciences, culture and the arts will share the \$1 million annual EMET Prize, the largest monetary award in Israel.

The EMET Prize, the acronym for Arts, Science and Culture, was established four years ago by a group of Latin American friends of Israel, headed by Alberto M. Nissim. It is the only prize to operate under the aegis of the Prime Minister's office and is considered as Israel's equivalent to the Nobel Prize.

The winners in the science category for 2005 are: Prof. Zehev Tadmor of the Technion-Israel Institute of Technology in Haifa, who will receive the prize for Exact Sciences together with chemistry Prof. Meir Wilchek of the Weizmann Institute.

Prof. Zvi Selinger, a specialist in cell and molecular biology at the Hebrew University of Jerusalem will receive the life sciences award together with Prof. Yosef Shiloh, a cancer researcher at Tel Aviv University.

### Rudolph Giuliani: Israel is a "Brand Name" in Security



Israel is a brand in security, and Israeli security technology and has the opportunity to lead, said former Mayor of New York City Rudolph Giuliani. Giuliani was the guest of honor at the Ness Technologies Ltd. (Nasdaq: NSTC) "Leadership Through Information Technology" conference. He said Israel had marvellous high-tech capability, and an immense amount of talent.

"People in the US know Israel, and when talking about security and intelligence, there are few examples like it," he said. "Israelis understand what security and intelligence mean, because they have learned them the hard way."

### CTC Non-Lethal Projectile

The CounterTerror Creations Ltd. (CTC) claims to have evolved a unique concept for a non-lethal projectile for use in civilian disturbances and peacekeeping missions. The Israeli Ministries of Defense (MOD) and Internal Security submitted letters of intent for the development of this device. MOD has now followed this up with the issuance of a substantial Purchase Order to CTC to begin such development.

CTC is developing and will field-test this technology in partnership with the Israeli defense establishment intending to penetrate a worldwide market of well over \$ 300 million annually for non-lethal devices. CTC is seeking investment capital up to \$500,000 to develop and bring this technology to the market.

### Hebrew University gets \$5.6m US Biodefense Grant

A research grant of \$5.6 million in the field of biodefense has been awarded by the US National Institute of Allergy and Infectious Diseases (NIAID), part of the US National Institutes of Health (NIH), to

a Hebrew University of Jerusalem researcher for the development of a broadly effective drug against a family of toxins called superantigens.

The award is the largest competitive grant ever made to the Hebrew University and to an Israeli researcher from the NIH.

Funds were awarded under the NIAID Biodefense Challenge Grants program, which encourages private industry to work with academic investigators in order to develop countermeasures against potential agents of bioterrorism.

Product development will be done in collaboration with Atox Bio, a company established by Yissum, the Technology Transfer Company of the Hebrew University, in keeping with its strategy of commercializing promising technologies by establishing new companies.

Superantigens are deadly toxins produced by staphylococcal and streptococcal bacteria that even in very low amounts can incapacitate humans, posing a bioterror threat. These toxins are also responsible for a majority of fatal toxic and septic shock cases. Presently no drug or vaccine against them is available. The toxins released by these bacteria are insensitive to antibiotics.

The \$5.6-million award was made to Dr. Raymond Kaempfer to support research and product development leading up to the clinical trial of a toxin antagonist.

### **Rappel Rescue System to be Marketed in the US**

Sales of the patented Spider Rescue System skyscraper rappel rescue system to Israeli and US companies are expected soon. Ten Spiders have been sold to date to the Ministry of Foreign Affairs for installation at Israeli consulates around the world. The Standards Institution of Israel approved the Israeli invention a few months ago, after putting it through testing, as there is still no Israeli standard in this field.

The Spider Rescue System will be sent to the American Society for Non-destructive Testing (ASTN) in October for approval on the basis of Israeli and European standards, and additional US specifications. ASTN approval will make the Spider eligible for sale in the US.

Moseroth Ltd. subsidiary Moseroth Technologies developed the Spider Rescue System.

### **Digital “fingerprints” for Images**

Some stock photography companies are trying to combat copyright infringement by using a high-tech approach to tracing their images through the Web. This year, an American company enhanced its in-house technology to determine whether a photo is being used without permission and signed up for a service from an Israeli company called PicScout Inc.

PicScout creates digital “fingerprints” for images, allowing it to locate pictures even if a stealthy thief changes a photo by cropping it, resizing it, altering its color or changing its filename. It then sends Web crawlers scurrying through the Internet looking for images, trying to match them to the more than four million copyrighted photos in its database.

PicScout said it charges corporate clients like Getty and Jacksonville, Fla.-based SuperStock Inc. a base fee plus a percentage of the revenue they regain when they bill those who are using the images. PicScout declined to reveal further details of its corporate fees. It also offers a subscription service for individual photographers, starting at \$14.95 a month to monitor 500 images.

### **Orpak Plans £50m Aim IPO**

ORPAK Systems, an Israeli provider of automated fuel systems that counts some of the world’s energy giants among its customers, will launch on the Alternative Investment Market (Aim) before Christmas in a £50m (\$87.5m, E41.5m) flotation. Orpak has joined the queue of many small foreign companies that see Aim as the ideal market to increase its international profile. Its placing is expected to raise about £8m and will be used to accelerate the company’s development and growth.

Orpak’s systems are aimed at saving fuel costs and tackling fraud. Users fill up their vehicles at petrol station forecourts without the need for cashiers at petrol stations. Through sophisticated vehicle identification technology, customers receive a bill later, which is charged to their credit cards.

Having won lucrative contracts to supply its fuel systems to India’s increasingly fuel-hungry population, Orpak’s technology is finding a growing fan-base among oil companies, fleet operators and private motorists. Shell, Total, Repsol and Texaco have begun to install the technology in their petrol stations. It is

also proving attractive to airports with big fuel usage such as JFK, Charles de Gaulle and Singapore, as well as the San Diego Police Department and blue-chip companies IBM and Motorola.

With the market for Orpak's solutions estimated at more than \$1bn a year, Orpak will be hoping investors will be as energised by its flotation as its customers are by its fuel technology.

**Saifun, Predix and Passave Planning Nasdaq IPOs**

Three Israeli companies are planning Nasdaq IPOs before the end of 2005. Its drug candidates target Alzheimer's Disease, cardiovascular disease, obesity, and anxiety and depression.

Passave Technologies, a fabless system-on-chip designer, and chipmaker Saifun Technologies t, have filed prospectuses with the U.S. Securities and Exchange Commission.

Saifun invented and patented a technology it calls nitride-read-only memory, or NROM, which it believes is a step forward in the nonvolatile semiconductor memory market. Nonvolatile semiconductor memory devices retain stored information even without a power source.

**Rupert Murdoch Sells Lunch Date**



Media mogul Rupert Murdoch is selling himself on eBay to raise money for the Jerusalem College of Technology.

According to Britain's The Guardian newspaper, Murdoch has "long established links with the Israeli hi-tech industry," and has Israel offices for one

of his subsidiaries, which develops the company's satellite encryption software.

**Huge Desalination Plant**

An Israeli-led consortium is completing the world's largest, most technologically advanced and economical water desalination plant, a project that backers say could influence prospects for Mideast peace and development of arid regions worldwide.

The \$250 million plant will produce 100 million cubic meters of water a year in two identical, adjacent facilities from water drawn from the Mediterranean Sea, sufficient to provide 5 percent of the water consumed in Israel.

One desalination unit here is complete, and a second unit is expected to be finished by the end of the year.

Lance Johnson, manager of large desalination said that Israeli officials have quietly begun talks with the Palestinian Authority about the possibility of increasing the plant's production to 120 million cubic meters a year, with 20 million cubic meters to be shipped to Gaza, 5 miles away.

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