INTERVIEW WITH
Mr. Dan Winter

President of Arad Technologies

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“Israel: The World’s Greenhouse of Innovation”
INTERVIEW WITH MR. DAN WINTER, PRESIDENT OF ARAD TECHNOLOGIES

PANORAMA REPORTS: Can you give us a brief overview of the company?

MR. DAN WINTER: Arad Technologies started as a telemetric company. Telemetric is when you get data from water, gas or electric meters, analyze the information and give it to the utility company for the purpose of billing or controlling their network. Today, we have all the technologies to be able to control our networks, but very few have already done it. We have developed a solution to remotely control these networks. Our target clients are the utility companies. Today, more municipalities are building utilities to control their system. It’s much more efficient and works on an economical basis. In the past, it was completely governed by the municipality. Water is very profitable for the municipality. You can bring it and sell it. The difference between how much you bought the water for and how much you charge the people for it is the profit. Now, more and more, the municipalities are operating water services in their localities and whatever money comes from them goes back into the operations. This allows them to improve the pipes, the accounting and the service. They can offer better service. For instance, in India, they are investing $2.5 billion to fix the system in Bombay. We are part of it. We are participating there. The reason is because on good days they have a maximum of four hours. Now, they want to have it 24/7. By simply putting the money from water back to water, it will improve the water services dramatically.

PANORAMA REPORTS: What is your main market?

MR. DAN WINTER: Our main market is the U.S. We have sold more than $80 million to the U.S.

PANORAMA REPORTS: Do you think that market can absorb more? Is it mature?

MR. DAN WINTER: It is a growing market. At the beginning, the water market was one of the neglected markets. Suddenly, somebody woke up and decided to do something about the water—maintaining it and putting a stop to its misuse and pollution. As the population increases, so does the need for water. In Israel, we are exhausting all our natural resources. There’s a huge desalination of water in Israel. A third of the water in Israel will be desalinated in 2011 (30%). Otherwise, we will not have water. Taiwan doesn’t have water. Even some countries in Europe don’t have water. If you go to Turkey this year, there will be a huge problem with water. In the south, they don’t have water. In the U.S., there’s California, Nevada, Arizona, Utah and Texas. Some of the places there don’t have water, and some do. This problem is spreading, even to Pittsburgh. They have two rivers there, one of which is completely destroyed by heavy metals. They cannot use the one river they have left because it is a natural reserve. The world is looking for solutions for water.

PANORAMA REPORTS: What is the size of the market in the U.S.?

MR. DAN WINTER: We are talking about a market of $88 million to $100 million, and it is growing between 12% and 20%. It is a huge market and it is growing fast.

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PANORAMA REPORTS: What benefits does your product offer?

MR. DAN WINTER: First of all, you will be able to monitor your system. It is a huge network. We are also doing the same thing for gas and electric. However, we started with water so we are focused on water.

For instance, if you have a leak in the system of around 10 gallons per day, nobody will know about it. Your system does not tell you anything. If you multiply the number of such leaks, it translates to around 310 gallons a month (365,000 gallons in a year) wasted. You will never know that you have lost it. Our system does a very simple task of monitoring your system and notifying you about such leaks. We get the data from the meters in your network, summarize the consumption derived from that, and compare it against your total volume of water distributed. A 5% discrepancy is acceptable. Beyond that, there might be some concern. With our system, we are able to detect if you are losing more than 5%. This helps you do something about it. If you are not aware of this leak, it will increase slowly because the nature of holes is that they grow. Without our system, you will not know about it because this wasted water goes directly into the ground. Our system gives you a comprehensive picture of your system. For such leaks, we can immediately notify you about them. For those with more precise systems, we can even pinpoint where the leak is. Worldwide, there is water consumption of billions of gallons. In cities, there is a 27% to 42% loss. The investment that they have to make to recover a loss of that degree would take considerable time—around 2.5 years.

Arad Technologies is a very young company. We started in 2000 as a water meter company. Since 2002, we have managed to rank 5th in the world. We are growing very quickly. The requirement of the system, the ability to do things quickly, and the 2.5 million meters that we have sold prove that our growth is positive. A majority of the people are moving to the Automatic Meter Infrastructure (AMI). We have calculated it. It is a fact that in two and a half years, you get your money back. The system planning is for a minimum of 10 years.

PANORAMA REPORTS: Do you build a network to retrieve the information?

MR. DAN WINTER: We build all the networks to retrieve the information. It is part of the purchase. This takes you to the next step. We are using audio satellites to get the data. The data all comes back to Israel and by optical cables, it is brought back to the utility, already processed. All the information is processed online. The digested data goes to the customer, and we send it by any means possible (i.e., GMS, satellite, cables, etc.). We use whatever we find in the area.

PANORAMA REPORTS: What are your expectations for the future? Where would you like to take this company?

MR. DAN WINTER: This company is still a start-up. We need to be more involved in the decision-making process in the area of utilities. We need to move the company from
monitoring the network to controlling the network. Right now, we are working with the utility companies just to look at it, and understand what we are seeing. The next step is clear. We need to control it.

We are developing and aggressively promoting control systems to allow them to direct utility properties. They can cut off the flow of water or reduce the pressure in the pipes. For instance, it is six in the evening. After a day of work, you want to take a shower and at the same time, there’s a break in the system. The utility company would have to consider the fact that people normally want to take showers between 5:30pm to 8pm in the evening. The big consumption is actually between 5:30pm to 8pm in the evening. Even when there is a break in the system, the utility company in charge of water will not want to shut down the system because they want to give good service. One of the things that they can do is to reduce the pressure. Less water will be lost. By opening the pipes all around, they are doubling the pressure and allowing people to access water while reducing the leaks through the pipe. There will be a continuous monitoring. When they find that majority of the people have finished using the water by 9pm to 9:30pm, they can shut down the water and send somebody to fix it. It gives them the ability to have complete control of their system. Mekorot is the National Water Company of Israel and we are doing this sort of thing for them. We give them the ability to control the system, change the pressure or shut the flow of water remotely.

PANORAMA REPORTS: What challenges do you face in achieving this?

MR. DAN WINTER: It is a question of time and marketing. Marketing is proving to be more difficult than developing. We try to develop products after knowing exactly what the customer wants. We would like to go and work with the customer.

What is nice about our technology is that it allows us to be big and small at the same time. We have a direct sales volume of $100 million per year and another $30 million that goes through our sister companies. Being a $100-million company makes us big enough to continue to be flexible and work with the customer. Also, like I said, we have brains in Israel so we use them. It is the main resource that we have. We sit with the customer to find out what their requirements are. We can address some of their requirements immediately and work on the rest. Arad Technologies will always say, “yes” and deliver (even when we have to lose money). Maybe about 20% of the time, we lose some money. However, 80% of the time, we make money.

PANORAMA REPORTS: You can guarantee that in 2.5 years, you are able to recover your investments. Because of this, financial institutions can give monetary support to your activities.

MR. DAN WINTER: Yes, that is true. For instance, Mumbai is completely financed by the banks. They are pushing for a $2.6-billion project for their pipe network. Our project in Mumbai, on the other hand, is $150 million and fully financed by the banks. They know that they can get their money back. In the U.S., a lot of projects are being
done on a performance basis. You get the difference between the loss you had before we started, and the loss that you have in the end.

Our company is adding three major things to the area of utility. First, there is the reduction of loss (not only in terms of water, but money). Secondly, because we are more precise and we give the information on time, there is increase of income. The time that you deliver the water, and the time that you can charge for the water fall almost on the same day; you don’t have to process anything. You can get the reading and send it off the billing department. Before that, people who went and read the meter also had to resort to guesses or estimates. It's hard work and it’s boring. In the U.S., they call it “reading from the truck”. In Europe, they call it “reading from the coffee shop”. They resort to estimates and will always add a little less than they should in your consumption. This is because the feedback to the utility provider comes from the customer. If they get less, they will never complain. If they get something that is too high, they will complain. The person reading the meter knows this, even before reading the meter.

Now, we have precise readings that come on time and we save money. This increases the income. We reduce the water lost and the amount of complaints from the customers. People know that they are getting a fair deal because we can show them all the data about their consumption. We can show them what they consume every five minutes.

Finally, we allow utility companies to give better service. We allow them to get a comprehensive view of the customer’s consumption. They can also see whether they have been performing well or not.

Let’s say I have a garden. I irrigate it and I do not know how much it is, but I am always paying for it. If I do 10 minutes of irrigation every other day, I wouldn’t know how much that costs me. If the utility provider can provide comprehensive data and graphs showing me my exact water consumption, this will give me the information that I need to allow me to find better options. I can find out if it is cheaper to buy ready flowers than to have to grow them and irrigate them, or if I should only do two minutes of irrigation because ten minutes is too much. As a customer, the data provided by the utility company gives me a clear idea of what I am actually consuming and if it is cost-effective or not. By doing this, the utility company is giving me better service. I can then control my consumption, reduce it and save money.

Another scenario is if the customer needs to move so they have to get the reading of their consumption immediately and pay for it. All they have to do is either make a phone call or go online.

We have given something as simple as water all the advantages of high technology. In short, we brought high technology to the water industry. We can give our clients a blueprint of what they should do to reduce water loss. We also give the customer the ability of monitoring their consumption in real time. They also have the ability to process the billing system immediately on the web, and to offer added value on it like...
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PANORAMA REPORTS: Can you tell us about your services in terms of gas and electricity?

MR. DAN WINTER: We are already a player in gas metering, especially in the U.S. and China. For electricity, we have just started to participate in the U.S. market. Everything that we are doing for water, we can do for gas and electricity. They’ve got typical problems and we are addressing them in the same way.

PANORAMA REPORTS: What kind of partnerships are you looking at?

MR. DAN WINTER: We would like to have partners who are willing to invest in their utility and improve their data systems. Infrastructure-wise, we have it covered. What we need are partners who are willing to invest in processing the data to bring it at a level that offers value for everyone, including the customers.

I can bring the information and process it. The amount of information we can bring is unbelievable. For instance, in Coachella Valley, California, we give them readings of each water meter every 15 minutes. Think about Class B meters like the 12-inch meters. The amount of water that goes through is huge. If there is no water consumption, the water meter should be on zero. However, if you see that it keeps on running, you know that you have a huge problem somewhere and you have to work on it. Coachella Valley did that. It was in the middle of the desert. I drove there. It took me six hours. I went to Nevada to Delta to Salt Lake City. We improved the water in Delta, which is in the middle of the desert. Today, they completely control the water. We are doing it in 6,500 utilities in the U.S., including Oxford, Alabama. In terms of partners, I am less interested in infrastructure partners and more interested in those who want to explore ways of taking advantage of the data.

PANORAMA REPORTS: Do you have any existing partners at present?

MR. DAN WINTER: No, we do not have existing partners at the moment.

PANORAMA REPORTS: What message would you like to convey to the readers of the Wall Street Journal?

MR. DAN WINTER: If you look at Israel, you can apply what we have achieved here to any other place in the world. In this country, we have managed to reduce water loss from 27% to 7%. It shows that it can be done. It’s no longer science fiction. We can
improve on the quality of water services provided and decrease the amount of water lost. We can give you a clear picture of your current systems and what needs to be done.

PANORAMA REPORTS: Thank you very much for your comments.