

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES
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It is all about not losing....!

In December, in response to a growing perception that a US war on Iraq might have a negative effect on the American economy, the value of the United States dollar, on international currency markets, weakened noticeably. Suggestions are voiced that we may already be in the shadow of an American war against Iraq, whose consequences may threaten the very underpinnings of global economies. Functioning in that framework, it is little surprise that Israel's economy is only slightly moving forward. Economic statistics clearly indicate that Israelis are consuming less, yet are succeeding in exporting a bit more. Having lived through tense periods before, I am aware that prior to these events, the average Israeli assumes a fatalistic stance. In the past few months, more than a few non-believers have transferred a part of their savings out of the country. They say that they don't believe that they will ever have any cause to use these funds, but then, why not, "it pays to be sure".

35 years ago there was insufficient foreign currency to go around within the country, not to speak of sending it outside to perceived safe-havens. At the time, Treasury permits were needed to cover foreign currency transfers. People thought differently in those days. The fatalism of the day that gripped Israelis in May 1967 led to the digging of graves as Israelis feared that they would be massacred by their enemies.

Nowadays, instead of digging graves, shelters are being refurbished, gas masks, first popular during Desert Storm a decade ago, are back in vogue. No one believes that Israel will escape from becoming a casualty in a war in which, instead of logic, acts of desperation may be the rule of the day.

We try to encourage each other, and promote the idea, that a Middle East war, will rewrite the political map, and that our neighbors will change the way they manage their countries. Dictatorships will be replaced by Democracy and the

benefits of Capitalism will shine on the countenance of the big losers.

We are firmly convinced that our homegrown Arrow Anti-Ballistic missiles will be put to the test. But have no choice but to live with our leaders' commitments to accept the White House demands of a zero offensive response.

On balance we are upset, because we have toiled, over the years, with great effort and considerable success, to build a country where

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Seeing Speech a Solution for Deafness

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Step Scanner Seen Ending Barefoot Airport Checks

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AGIS Our Choice for Investment Profit in 2003

Oridion's BreathID Obtains FDA Approval

NetJet negotiating to buy ELTA's Civil Airliner Defense System

Israel GDP per capita: \$18,000

VERITAS Software to Acquire Precise Software Solutions

X Technologies Files for FDA Approval

Keryx Files for Phase III Kidney

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economic opportunity exists. A country where the younger generation can finish army service and go onto building technological companies, creating products that the world wants to use and is ready to pay for. And in the process making a better life for themselves.

In this issue alone, we can read how a unique software improves the quality of the life for the deaf. How security scanners help in locating suspicious metals in the soles of shoes, and how an anti-missile system with electronic sensors, detects the launching of heat-seeking missiles. We also learn that Gil Shwed, the 35 year old founder and leader of the Israeli data security company Check Point Software Technologies (NASDAQ:CHKP), has been named one of the 100 young leaders selected for the World Economic Forum's Global Leaders for Tomorrow Program 2003.

Notwithstanding, the sometimes justifiable self-criticism about economic inequality, less than pure politics and our inability to come to terms with neighbors who essentially would like to wipe us off the face of the earth, rather than make peace and live side by side, Israelis have a lot to lose and little to gain. That is what really bothers us all. With the exception of the geopolitical turmoil this country in less than six decades, has become a veritable 'Garden of Eden'. That is what we would don't want to jeopardize.

Seeing Speech a Solution for Deafness

For severely partially or totally deaf people, lip-reading may be the only possible means of everyday communication. Learning to lip-read enables one to take part in everyday communication with family, friends and colleagues, enabling participation and conversations which one might previously have avoided. Lip-reading helps to overcome the isolation which can all too easily result from a loss of hearing. The technology which converts the spoken word such as is used in the course of a telephone conversation has found application in a new product offered by a young Israeli firm SpeechView Ltd. It is a start-up founded in August 2000, after being incubated by M-Insight, an Israeli based information technology company.

Three years ago Nachshon Margalit became interested in the field and was startled when he realized that a project manager, whom he had hired for his company, was hard of hearing. Though

Margalit had earned a doctorate in Information Technology, he had previously not been faced with the challenge of aiding a person to overcome deafness. That marked the beginning of an intensive research and development effort, that led to the creation of software, which in combination with a cell phone, allows hard of hearing or totally deaf individuals, to carry on normal conversations.

"General solutions for the hard of hearing focused on improving hearing, either by mechanical or surgical means. Since most hard of hearing individuals rely on lip reading to help them understand the spoken word, it was in this area where we sought a solution," explains Margalit in his company's office in Tel-Aviv.

Raising the level of lip reading is achieved by creating cued speech which can be thought of as enhanced lip-reading -- signs are made around the face that appear on the computer screen to provide vital additional information about some of the phonemes being uttered. Margalit points out that lip-reading is usually a practical means of communication, but is not perfect-- typically, a person who is lip-reading only recognizes 30 per cent of the words being uttered. For example, b and p cannot be told apart -- and thus "cued speech" indicates which phoneme is being uttered. The enhancement of the moving lips is achieved with algorithms, and in the

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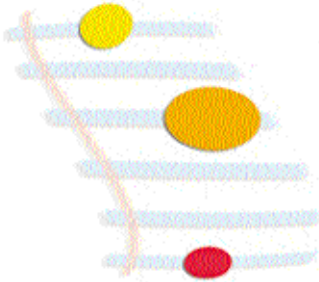


final software, allows for the deaf person to maintain, nearly seamlessly, a conversation which begins with the speech of the caller and its understanding by the handicapped person, as he visually reads the conversation that has been converted into a lip readable format.

The software product tradenamed LipCell, is installed in the user's computer and connected with a cable to a cellphone. When the deaf person receives a call, the software translates the voice on the other side of the line into a three-dimensional animated face on the computer, whose lips move in real time synch with the voice allowing the receiver of the call to lip read.

Cellcom, Israel's largest mobile phone operator sensed a major business opportunity and assumed sole distributorship for Israel. On a global scale, there are 24 million hard of hearing individuals who could be helped with LipCell. At \$125 a set, the price would not seem to be an obstacle.

\$900 Million Biotech Fund is Launched in the US as Israeli Biotechs Struggle for New Funds



Recently, MPM Capital, a US-based venture firm, announced it has raised a \$900 million biotech fund, the largest life-sciences portfolio in the industry.

The new fund, MPM

Capital's third, aims to invest in biotechnology companies, drug developers, and medical technology. The firm said it's looking to make investments of \$5 million to \$60 million in deals ranging from start-ups to mature companies spinning out of larger corporations in the United States, Europe, and Asia. MPM is launching a giant fund, even as VC deal sizes have dropped in the industry.

Professor Haim Aviv, who founded BioTechnology General, Pharmos and most recently a biogenetic company, points out that MPM is active in Israel and has invested previously in local deals. However, at the present time, biotech in Europe is not seeing investment funds either from American or European investors. The difficulties being experienced by Israeli companies in raising finance are related to the broader international issues rather than any that are Israel related, said Prof. Aviv.

A week earlier Pharmos (Nasdaq:PARS) , announced that it, has renewed the prospectus filed in February 2002 to raise \$25 million.

Under the prospectus, the Israeli drug discovery and development company could gradually sell shares, convertible debentures and warrants. It would use the proceeds to finance R&D and carry out experiments and clinical trials.

Israeli biopharmaceutical company Peptor reportedly is about to pass another milestone in its Aventis agreement, worth slightly less than its previous payment. The payment will be made if and when the US Food and Drug Administration (FDA) approves Peptor's development concept. Peptor measures levels in the blood of LC Peptide, found in insulin manufactured naturally by the body. The measurement can determine the amount of insulin in the body is in the process of manufacturing. Measurements are taken of the blood glucose linked to hemoglobin, which level affects the metabolism of sugars.

In July, Peptor announced it had signed an exclusive licensing agreement for a diabetes drug with Aventis. This was the first agreement of this kind for an Israeli company. Aventis will bear the costs of clinical development and subsequent marketing of DiaPep277, while Peptor will be the sole manufacturer of the drug, receiving part of the revenue. Peptor has already been paid \$15 million after passing the first milestone.

Karmon says another financing round could help exploit business opportunities in the market, including the acquisition of troubled technology companies.

Japan's Kirin Brewery to Invest \$5m in Biopharm Joint- Venture

Japanese Kirin Brewery, together with partner Yissum, the wholly owned Research Development Company of the Hebrew University of Jerusalem, Hadasit, the Research Development Company of Hadassah University Hospital, and Algen Biopharmaceuticals, announced a new joint research venture on the use of Tyrphostin compounds which inhibit certain components of the immune system involved in tissue or graft rejection.

Kirin will invest an initial \$5 million over a five year period to back the research, and will acquire rights to commercialize the technology.

Algen's part of the joint cooperation venture will be provided by Prof. Alex Levitzki, of the Hebrew University of Jerusalem, who will develop a number of Tyrphostin compounds. Algen Biopharmaceuticals is a US-based company, established in 2000 by Yissum, and based on the scientist's drug discovery know-how in the cancer field.

Prof. Shimon Slavin from the Hadassah University Hospital, will test their efficiency in suppressing the immune system.

Kirin will also test some of its own compounds in Prof. Slavin's experiments.

Prof. Slavin, the chief scientist of the project, stated: "We are pleased about Kirin's promising collaboration, which, after several years, is now at the beginning of a multi-stage scientific interaction with the Japanese team. We hope that the research cooperation will lead to future development of a new family of products".

Hadasit is the research development company of the Hadassah Medical Center. Hadasit, CEO Dr. Raphael Hofstein, together with Prof. Slavin, initiated the connection with Kirin. According to Dr. Hofstein, the success of the venture depends on the final research results, but in the light of the present global biotechnology industry, this strategic cooperation with Kirin is a significant event. "I hope that the project will develop well, and this research - and many others to follow, will thrive as a result of our relationship with Kirin," said Dr. Hofstein.

Kirin is a diversified company that supports business operations having annual sales of more than \$11 billion worldwide in the food and beverage industry. Kirin expanded into the pharmaceutical business in 1982, and has established a strong presence in life sciences, by applying cutting-edge biotechnology to the development of advanced pharmaceutical

products. Its pharmaceutical division is applying its knowledge of biotechnology to the development of leading pharmaceutical products in the fields of nephrology, cancer and blood cell production, immunology, and allergy.

Kirin's proprietary recombinant ESPO (Epoetin alfa), a hormone regulating red blood cell production and GRAN (Filgrastim), an agent stimulating white blood cell production have annual sales about \$ 400 million in Asia. In addition, Kirin sells CliniMACS System for separation and purification of specific cells, critical to blood transplants in China and Korea. Kirin will test some of its own compound as part of its joint Israeli ventures.

Step Scanner Seen Ending Barefoot Airport Checks

An Israeli firm has developed a step-up scanner designed to spare air travelers the bother of removing their shoes for examinations for hidden metals or explosives.

The sole-searching "Safeshoe" also detects metal items which could be used as a hijacking weapon, said Avi Kostalitz of Ido Security. The product is in its final trials and is due to be marketed by early 2003 at approximately \$10,000 a unit, he added.

Footwear became a focus of aviation security worldwide after a suspected Islamic militant, Richard Reid, was arrested last December for allegedly attempting to detonate explosives stuffed in his shoes while on a flight from Paris to Miami.

Kostalitz, a former head of Israel's Airports Authority, said the briefcase-size Safeshoe was portable and designed to be used in conjunction with standard airport X-ray gates.

"This means an end to the humiliation of standing around barefoot while some stranger sniffs around your shoes," Kostalitz was quoted.

Sanmina to Buy Israel's Elscint Facility

Israel's Elscint Ltd. (NYSE:ELT) announced that it has signed an agreement with Sanmina-SCI Corp. for the American firm to acquire its manufacturing, assembly, engineering and integration operations in Israel.

A source close to Elscint said the deal was worth "tens of millions of dollars".

The Elscint plant makes complex medical systems and other high-end industrial products.

Sanmina, an electronics contract manufacturer, said the Israeli operations would become part of its recently formed Medical Systems Division. Elscint's two main businesses are investments in bio-technology firms, and in hotel development and leisure facilities.

EGIS Can Identify Explosives

The EGIS system can detect the presence of dangerous explosives - and identify their presence - all within seconds.

The EGIS system consists of two components. The portable analyzer unit features patented high-speed chromatography developed specifically for explosives detection. This technology ensures accuracy for a full range of explosives, even at extremely low detection levels. The convenient hand-held sampling device can collect vapors from volatile explosives, such as nitroglycerine and TNT, as well as trace particles from non-volatile explosives, such as RDX and PETN. The EGIS system can detect the presence of dangerous explosives - and identify what explosives are present - all within seconds. Locations where EGIS is used include Glasgow, Scotland and Zurich, Switzerland. At Rafiah, the Israel-Gaza crossover point. EGIS' sensitivity to many explosives helps ensure maximum security at that Israeli border crossings.



Technology

The EGIS System utilizes identical separation and detection technologies that are used in advanced forensic laboratories worldwide: gas chromatography combined with chemiluminescent detection. The combination of these technologies in EGIS is facilitated through the use of Thermedics Detection's patented High Speed GC which provides the EGIS with the ultimate in speed, accuracy and sensitivity - without compromise. Gas chromatography is the most widely used scientific

technique for the positive separation and identification of explosive compounds in a complex mixture. The sample material is heated into a gaseous form, added to a carrier gas and introduced into the "separation column" where the mixture is separated into its individual component compounds by precisely controlled temperature cycling. These components are passed to the chemiluminescent detector.

Anti-missile technology Available from Rafael

Israel's Rafael Armament Development Authority has stated that every Israeli civilian aircraft could be equipped with military-type anti-missile radar scrambling technology within months at a cost of \$2 million per aircraft.

"In light of what happened in Kenya, we have begun operating an emergency program," said Patrick Bar-Avi, Director of Sensing and Active Protection Systems at Rafael. It takes about three months to fit an airplane with the system, he said. "We have had the technology at Rafael for about a decade," he added

Once it receives the final approval of aviation authorities, Rafael is ready to begin installing its technology, called Britening, on civilian airliners, according to Israeli press reports. The anti-missile system includes electronic sensors that detect the launching of heat-seeking missiles. The system then sends out a hot beam of light that distracts the missile away from the plane.

The system is activated automatically when it senses the incoming missiles, since manual activation can take too long to be effective, Bar-Avi told Israeli media.





Rafael officials unveiled the defense system in June at Secured Skies, the International Conference and Exhibition on Aviation Safety held in Washington, D.C. Rafael officials said that Britening was based on the Aero-Gem, a Rafael system to protect military helicopters from surface-to-air missiles.

Israel Aircraft Industries Reports New Orders of \$2.1 Billion

Israel Aircraft Industries Ltd. (IAI) has reported new orders received in the first nine months of 2002 stood at \$2.1 billion. The backlog has reached a record high of \$4.4 billion, compared to last year's third quarter at \$3.7 billion, according to Moshe Keret, IAI President and CEO.

IAI's sales for the first nine months of 2002 totaled \$1.5 billion, nearly identical, as compared to the same period last year. Maintaining a sales level similar to last year is considered an accomplishment, considering the global slowdown in some of the IAI's principal markets.

Israel Aircraft Industries net profit for the first nine months of 2002 totaled \$29.5 million, as compared to a profit before capital gain in the sum of \$59 million, achieved in the same period last year, a decrease of 50 percent.

IAI's wholly-owned subsidiary ELTA Systems Ltd., reported total sales during the first 9 months of 2002 reaching \$286.2 million, compared to \$286.5 million during the same period in 2001.

ELTA Systems completed the first 9 months of 2002 with a net profit before tax of \$12.8 million, compared to \$10.4 million for the same period last year, an increase of 23 percent.

World Economic Forum names Gil Shwed one of 100 Global Leaders for Tomorrow



Gil Shwed, the founder and leader of Israeli data security company Check Point Software Technologies (NASDAQ:CHKP), has been named one of the 100 young leaders selected for the World Economic Forum's Global Leaders for Tomorrow Program 2003. Each year members, constituents and collaborators of the World Economic Forum nominate 100 new GLTs. The list for 2003 contains people from 49 nations. Of the 100 names, 46 are in business.

Shwed, 35, is chairman and chief executive of Check Point, which achieved the highest market valuation ever reached by an Israeli company - \$30 billion, before sliding to its current level because of the hi-tech crash and the resulting IT spending crunch. Shwed holds about 10% of the company's equity. His holding is worth about \$480 million today.

The World Economic Forum, which is an independent international organization that defines its goal as improving the state of the world, started the Global Leaders for Tomorrow Program in 1993. The program's aim is "to provide an informal, efficient framework for an ongoing exchange of opinions on strategic issues of concern to this younger generation of decision-makers," the forum describes.

"The GLT Community represents the new generation of global leaders, nearly 500 individuals from business, politics, public interest groups, the media, the arts and the sciences, who have demonstrated responsible leadership vis-a-vis society, business developments, the environment and socially responsible initiatives," the Geneva-based forum said.

The criteria for making the list include being under 37 years old, proving a commitment to public affairs, and demonstrating leadership in addressing issues beyond their immediate professional interest.

SupplyScience, Closes its Financing Round

SupplyScience, Inc., a provider of store-based demand forecasting and replenishment software, has closed on its Series C Round of financing. Investors in

the round include; Israel Seed Partners, Israel Infinity Venture Capital, and Millennium 3 Opportunity Fund, as well as private investors. All were returning investors from earlier rounds.

"We are pleased with this vote of confidence from the company's investors and we intend to use the capital to expand our sales and marketing efforts in the US, and our off-shore product development activities", said Mr. Bruce E. Welty, CEO of Supply Science, Inc. "We believe that SupplyScience is addressing an area of growing importance to retailers and distributors with a very strong value proposition based on best of breed technology. We are confident that Bruce and his team have the skills required to build a leading company," said Neil Cohen of Israel Seed Partners

About SupplyScience, Inc.

SupplyScience, Inc., founded in 1996 by the founders of the Technion University Optimization Laboratory. develops and markets store-based demand forecasting and replenishment software for retailers, manufacturers, and distributors. Using sophisticated optimization algorithms, SupplyScience's proven Web-based solutions allow supply chain participants to increase product availability and sales while reducing inventory levels and supply chain costs. SupplyScience's optimizes the ordering process for Whole Foods Markets (NASDAQ:WFMI), PW Markets of California, and Unilever (NYSE:UL)

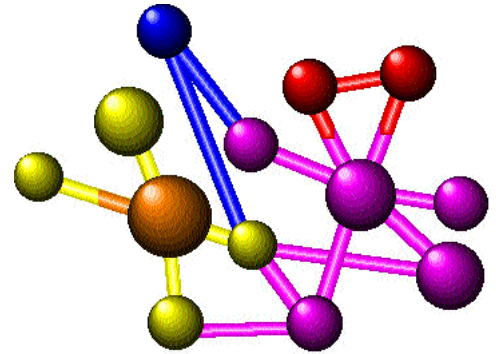
Science Corner

Gene Responsible for Anemia

Discovered

A rare type of the disease found mainly in Bedouins may provide insight into anemia

A combined effort between scientists at Schneider Children's Medical Center of Israel, Tel Aviv University, and the Weizmann Institute of Science has led to the discovery of a gene responsible for a type of anemia primarily found in a number of Bedouin families, called congenital dyserythropoietic anemia-1 (CDA-1). The findings, published the December issue of *The American Journal for Human Genetics*, could lead to effective detection and eventually treatment of the disease. In addition, understanding the role of this gene's protein product in the body, could provide important clues to other types of anemia, as well as to



the general mechanisms of blood cell formation.

CDA-1 is characterized by a medium to high deficiency in blood production, and in critical cases patients must receive blood transfusions throughout their lifetime. It is a rare disease present worldwide, but the largest vulnerable group is among Israel's Negev Desert's Bedouin population, where marriage among relatives is common. The high disease prevalence in this Israeli population was crucial to the identification of the CDA-1 gene.

The study group included 45 Bedouins treated by Dr. Hannah Shalev at the Soroka Medical Center in Beer Sheva. Initially, a team headed by Dr. Hannah Tamary, who works both at Schneider and the Felsenstein Medical Research Center in Tel Aviv University's Faculty of Medicine, narrowed down the search for the gene to a region on a specific chromosome (chromosome15) . To uncover the gene in that region, they then turned to Profs. Doron Lancet and Jacques S. Beckmann of the Crown Human Genome Center at the Weizmann Institute's Molecular Genetics Department. Both teams, after four years of intensive research, discovered and characterized the previously unknown gene, named CDAN1.

Dr. Orly Degani, who works with Tamary, says: "The genomic region within which the gene for CDA-1 was hiding was unusually complex. In some of the patients, a complete DNA segment was missing, but it turned out that this did not cause the disease."

"We thought fifteen genes were good candidates," says Dr. Nili Avidan, who works with Beckmann and Lancet. "We began checking them one after the other, from short, defined genes to long, putative ones. This gene was one before the last."

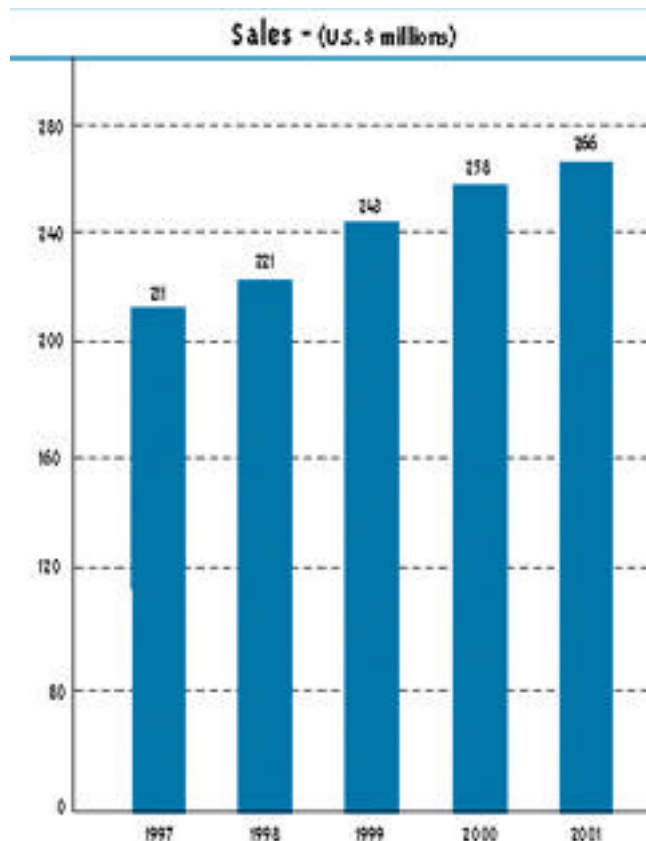
The researchers observed that mutations in this specific gene correlate with the disease. These mutations modify a previously unknown protein, which

they named Codanin-1. The protein, they suspect, is present in the nuclear envelope of bone marrow cells, which divide and give rise to red blood cells. Studies of this protein, which may become an important pharmaceutical target similar to erythropoietin (EPO) may yield a better understanding of blood cell maturation and anemia and eventually lead to an effective remedy for CDA-1.

AGIS: IHTIR #1 Choice for 2003

Agis Industries (1983) Ltd. is Israel's second largest pharmaceutical company. It is strategically positioning itself to move from being a local diversified pharmaceutical and consumer products enterprise into a specialized global pharmaceutical company.

The company has focused for several years on an effort to consolidate and expand its activities overseas, through the sale of pharmaceuticals in the US by an American subsidiary, and the sale of APIs to the global generic pharmaceuticals industry, mainly in the US. Agis (AGIS:TASE) since 1992, is a public company, listed on the Tel-Aviv Stock Exchange. The company, while well known to the Israeli public, is nearly unknown to international investors.



Figures have been translated into US dollars using the rate of exchange of the US dollar at December 31, 2001.

Year	Ratios			Equity Capital			Earnings		Dividends	
	Last Price	P/E	P/Bk	Earned Growth %	Profit Rate %	Book Value Begin Yr	Per Share	% Chg	Divs Per Share	Avg Yield
1997	6.18	14.0	1.5	9.7	10.6	4.18	0.442	23	0.04	0.6
1998	4.72	10.5	1.0	9.2	9.2	4.89	0.449	1	0.00	0.0
1999	6.87	12.5	1.2	9.5	9.5	5.79	0.550	22	0.00	0.0
2000	8.26	18.6	1.3	7.1	7.1	6.30	0.444	-19	0.00	0.0
2001	7.20	41.9	1.0	2.5	2.5	6.91	0.172	-61	0.00	0.0
12/12/02	10.22	23.9	1.4	n/a	n/a	7.20	0.427	n/c	0.43	4.2

Company Description

The Agis Group's principal activities are manufacturing, marketing and importing of pharmaceuticals; developing and manufacturing of active pharmaceutical ingredients (API); importing and marketing of medical equipment, paramedical products, and medical diagnostic products; manufacturing and marketing of drugs, cosmetics, toiletries and consumer goods; and manufacturing of bar soap, cleaning products, detergents, powdered laundry detergents, toiletries and baby products. It operates four manufacturing facilities in Israel and one in the USA. It sells its products mainly in Israel and the USA. Drug sales accounted for 66% of 2001 revenues; consumer products 28% and medical applications 6%. Agis employs . 1,900 workers, of which . 600 are in the U.S.

Sales Analysis

During the year ended December of 2001, sales at Agis Industries (1983) Limited were US\$251.8 million, This was the fifth consecutive year of sales increases at Agis since 1996, sales have increased by 71%.

Sales Breakdown in 2001 by Market Segment

- Pharmaceuticals Sold in Israel 30%
- Generic Pharmaceuticals in U.S.A 25%
- Active Pharmaceutical Ingredients (API) 12%
- Diagnostics and Medical Equipment 6%
- Consumer Products 27%

Recent Share Price Development

The share price was up 37.9% to \$10.22 over the past 13 weeks. . In the 12 months ending 9/30/02, earnings totaled \$0.43 per share. The share have recently traded at a Price / Earnings ratio of 24. These 12 month earnings are substantially greater than the earnings per share achieved during the calendar year ending last December, when the company reported earnings of 0.17 per share. Earnings per share fell 61.4% in 2001 from 2000.



Key Ratios

The shares are currently trading at 1.12 times sales and at 1.41 times book value.

Summary

Agis' strategy is clearly aimed at increasing its overseas sales. It has shown its ability to sell the American market and here is where we anticipate major growth in 2003.

Its shares have recently been upgraded to the Tel-Aviv 100 providing greater investor visibility and liquidity.

We believe that Agis shares provide an interesting vehicle for investors to participate, at a reasonable valuation, in Israel's growing generic industry. The shares are yielding 4.2% having recently distributed \$0.43 a share dividend. All of these factors add to Agis' investment attractiveness.

Oridion's BreathID Obtains FDA Approval

Oridion (SWX:ORIDN) announced that it has obtained final FDA marketing clearance for its Breath ID (H. Pylori) test, which tests for Helicobacter pylori bacteria.

The bacterium, which infects over half of the world's population, is a leading cause of peptic ulcers. The bacterium is also a major risk factor in the development of gastric cancer in patients suffering from dyspepsia.

The GI Breath Testing Business Unit develops non-invasive, on-line, office-based breath testing products enabling physicians to more efficiently and conveniently screen, diagnose and manage common gastro-intestinal disorders. Current tests available for the BreathID® GI Breath Test platform include the H. pylori detection and Gastric Emptying Rate tests. is a clinic-based breath test designed to enable physicians to test, obtain results and begin treatment, all in one patient visit.

US Medicare and most private medical insurers offer reimbursement for the H. pylori breath test.

Oridion Systems president and CEO George Yariv said, "we believe that the accuracy, convenience, efficiency and economics of this technology will produce a major leap forward in the way peptic ulcer and dyspeptic patients with high risk of cancer are diagnosed and treated".

AI to Develop a Power Loader for Cell Phones

Israel Aircraft Industries (IAI), Israel's leading defense industry firm, is entering the field of cellular communications and portable computers. IAI will operate through Medis Technologies (Nasdaq: MDTL), in which it holds a 25% stake.

IAI and Medis have already launched their product, which they described as a global breakthrough in the mobile devices industry.

The product, called Power Pack, operates on the basis of fuel cells. The Power Pack will supply users with continuous power for cell phones and mobile computers, without relying on loading from an external power source.

The empty battery in a phone will be loaded during use, and can operate for nine hours of conversation. This means that there is no need to load the battery from a regular power source during the night or during the working day.

A team of 25 scientists in Yehud, Israel, mostly from the former Soviet Union, developed the new power loader

NetJet negotiating to buy ELTA's Civil Airliner Defense System

The corporate jet leasing company NetJet, owned by US billionaire Warren Buffet, reportedly is to buy Elta Electronics Industries' electronic countermeasures (ECM) for its fleet.

Advanced negotiations are currently underway, and are close to a conclusion. Each system costs \$1.5 million. NetJet operates a fleet of 485 planes, and has another 820 on order from manufacturers.

The deal, if consummated, would be worth tens of millions of dollars.

Elta's ECM system, called Flight Guard is one of the systems currently being evaluated for installation on El Al, Arkia Airlines and Israil planes in the wake of the attempt to shoot down an Arkia airliner by surface to air missiles in Kenya.

The US Federal Aviation Administration (FAA) must approve NetJet's use of an ECM system, since civil aviation as yet does not know how to operate such systems.

AIG Orion to Return \$35 million to Investors

The venture capital fund AIG Orion will return to investors \$35 million of the \$110 million it has raised, and will reduce management fees, CEO Eyal Levy stated.

Levy said the fund initiated the decision, which has already been received by the investors.

So far, AIG has invested over \$40 million in 12 startups, and the \$35 million that will remain in the fund's management after the pay back will be used for new investments as well as follow-on investments in portfolio companies.

"We felt that the effort required to locate investments does not justify the management fees we charge," said Levy. "The number of attractive investments has fallen significantly, and the fact that the fund has only another three-and-a-half years to operate does not allow it to start investing in new entrepreneurs even if the ideas show economic potential. Processes today are far longer than in the past."

The \$110 million AIG Orion Fund that invests in Israeli information technology and Internet-related technology companies. To take full advantage of the human capital in the region, the Fund has partnered with a number of technology companies - most notably Microsoft, 3Com, Global Crossing, PMC Sierra, and Comcast.

Israel GDP per capita: \$18,000

Israel's GDP per capita is the highest among 43 emerging markets. OECD: Foreign investment in Israel in 1992-2002 was \$18 billion.

Israel's GDP per capita is \$17,900, the highest among the world's 43 emerging markets that have extensive commercial and investment relations with OECD-member countries. The figures are based on the latest OECD figures on the Israeli economy.

Israel's GDP per capita is 88% of the OECD average of \$20,300, and increased by over 50% in the 1990s. 80% of Israel's GDP per capita growth in this period came from foreign trade and the rapid development of Israel's high-tech industries.

The OECD figures take into account the severe contraction in Israel's GDP per capita in the past two

years. Israel's GDP per capita had fallen by 10% since the outbreak of the intifada in October 2000. In addition to the intifada and security situation, other factors contributing to the fall in Israel's GDP per capita are the high-tech crisis and Nasdaq crash, and the US economic slowdown that affected Israeli exports.

The OECD stated that foreign investment in Israel in 1992-2002 was over \$18 billion. Foreign investment in Israel exceeded Greece (\$9.4 billion), Turkey (\$11.8 billion), but was less than in New Zealand (\$21 billion), Hungary (\$22 billion), Portugal (\$24.3 billion), the Czech Republic (\$26.8 billion) and Chile (\$34.9 billion).

49% of foreign investment in Israel came from the US and Canada, 27% from Europe, 6% from Far Eastern countries, and 18% from the rest of the world.

The number of Israeli issues on European capital markets rose from one in 1994 to 32 in 2001, and in the US from 17 in 1993 to 154 in 2001.

Israel, Russia Sign accord to Cooperate on Industrial R&D

Israeli and Russian officials recently signed a memorandum of understanding to cooperate on industrial R&D. The officials also agreed to start negotiations for the establishment of a joint fund to finance cooperative R&D ventures.

Amir Hayek, director-general of the Ministry of Industry and Trade, signed for Israel, and Andrey Fursenko, the deputy Industry, Science and Technology minister, for Russia.

The subcommittee members agreed that when the panel reconvenes in Russia, they will lay out a map to advance cooperative efforts and an agreement to establish the joint fund.

Motorola to Supply 40,000 PowerPads to FedEx

FedEx has announced that its package-tracking data will start riding the same wireless phone networks that consumers use and that its employees will have a new way to collect and track that data. The company has teamed up with wireless concern Motorola to design a new generation of handheld devices that will give FedEx couriers and other employees a more complete picture of the tracking process. These will replace the handheld wireless gadgets that its employees have been using to

register and track packages for transit.

As a result FedEx will put some 40,000 of the new devices, named FedEx PowerPad, in use. The cost of the conversion to the new units have been estimated at \$150 million. Motorola Israel developed the terminals, and they will be manufactured at Motorola's plant in the Negev town of Arad. Motorola has now strengthened its grip on the terminals market for shipping companies, and is now the exclusive supplier of such terminals to FedEx, UPS, Deutsche Post (XETRA: DPWG), and Airborne Express.

The data-heavy general packet radio system (GPRS), which lets wireless consumers send e-mail and surf the Web from their mobile phones will be used. The PowerPad has been built sufficiently tough to resist falls and moisture, and to keep running for 12 hours at a time. FedEx customers will sign their names directly on the handheld's screen, when receiving a package.

The Motorola computer will allow couriers to immediately enter delivery details into FedEx's database from customer locations and will operate on AT&T Wireless networks, starting in 2003. Currently, couriers send such information from radio systems in their delivery van.

FedEx hopes to eventually deploy similar handheld computers to all of its couriers outside of the U.S.

The FedEx shipping business is growing. At the end of November its FedEx Ground unit handled an average daily volume of 2.6 million packages. The company also announced plans to spend \$1.8 billion over six years to increase FedEx Ground's capacity to handle as many as 4.8 million packages a day.

The Blockbuster Deal of 2002

VERITAS Software to Acquire Precise Software Solutions

VERITAS Software Corporation (Nasdaq:VRTS), a leading storage software provider, and Precise Software Solutions (Nasdaq: PRSE), a leader in application performance management, have announced that they agreed for VERITAS to acquire Precise in a transaction valued at \$537 million.

The acquisition of Precise enables VERITAS to ensure

that mission-critical applications such as SAP, Oracle, BEA and Microsoft Exchange run faster and have less downtime, leading to better end-user productivity and



higher return on investment. VERITAS keeps applications running in the face of hardware and software failure. Precise continuously monitors and analyzes all components of the application infrastructure -- web servers, application servers, databases and storage -- allowing customers to proactively identify and correct problems before they affect application response times. "Precise Software Solutions is a strategic acquisition for our business," said

Gary Bloom, chairman, president and CEO of VERITAS Software. "Together VERITAS and Precise solve an unequalled range of customer problems, from performance issues to hardware or software failures to site outages. It's an end-to-end solution that only VERITAS can provide."

With 20 consecutive quarters of revenue growth, Precise is a leader in application performance management. The acquisition is valued at \$16.50 per share of Precise stock, for a fully-diluted consideration of approximately \$537 million. Taking into account Precise's current cash position, the enterprise value is approximately \$400 million. Precise shareholders will receive \$16.50 in cash, and if they elect, their consideration in up to 25% VERITAS stock, with the remainder being paid in cash.

Biotech on the Move

X Technologies Files for FDA Approval

Medical device company, X Technologies Inc. announced that it has filed its third and final module of its pre-market approval application with the FDA for its coronary catheter, the FX miniRAIL™ RX PCI. The company is developing a unique stent to treat heart arteriostenosis by opening blockages while minimizing

damage to healthy arterial tissue. This final module contains the results from a 263 patient multi-center trial.

Keryx Files for Phase III Kidney Disorder Trial

Keryx has filed a protocol for its Phase III clinical trials to advance KRX-101 otherwise known as sulodexide, a novel treatment for diabetic nephropathy. This is a kidney disorder developing from diabetes complications and is characterized by a progressive reduction in kidney function.

The trials will be predominantly U.S.- based, a requirement stipulated by the FDA. They will approach major research centers for diabetes research such as the Joslin Diabetes Center in Boston. He adds: "We anticipate a few foreign trials in leading centers for research in Israel and Canada."

Today, there are several drugs, primarily from the family of Angiotensin Receptor Blockers (ARB), that are used to treat the disease with variable success. Based on Keryx's 223-patient Phase II study sulodexide may have greater efficacy in combating this life threatening condition.



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