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Bright Prospects for New Solar Technology

VocalTec & Motorola Co-operate

VocalTec, Ltd. (Nasdaq:VOCLF), the Internet Telephony company, and Motorola Inc.'s (NYSE:MOT) Internet Software Products Division have signed a memorandum of understanding for a licensing and distribution agreement. Motorola will deliver Voice-over-Internet Protocol technologies for mainstream commercial use. Motorola worked with VocalTec for several months to optimize the performance of Internet Protocol (IP) Telephony applications over enterprise Wide Area Networks (WANs). "As a result Intranet manages a solid support system as they add voice and video to their Intranets," stated a company source.

For VocalTec the agreement is a step forward in implementing its new business strategy to move away from the individual user and retail market to partner a world leader in the communication business. VocalTec, which develops and markets software that enables voice and multimedia communications over packetized networks, the Internet and corporate intranets, was featured in our Fall '96 interview with VocalTec management in Herzliya and subsequently complementary VocalTec software was sent to subscribers.

Be an Electronic Engineer, My Son!

The debate in high-tech circles is - can the growing high-tech sector find enough electronic engineers to man the continuously expanding industry? Since each electronic engineer in 1996 produced sales of \$800,000, mostly exports, an additional 1000 engineers could lead to growth in exports of \$800 million, suggests Zohar Zissapel managing director of the RAD Group of Companies. At the beginning of

the current academic year, there were 2,000 aspiring electronic engineering students, but they are still four years away from the market place. Presently Israel's institutes of higher learning are graduating about 1,300 engineers and computer specialists a year. A leader in sales per employee is EFI, Electronics for Imaging. Started by Effie Arazi who founded Scitex in 1968, EFI, only 8 years old, earned a net profit of \$60 million in 1996 on \$360 million annual sales. EFI employs 350 which means \$1 million sales per employee.

MEMCO - a High Flyer! Can it last?

Looking over the tables of the Israeli companies on Wall Street it struck us that of the nearly 90 companies listed, the one with the second highest price/earnings ratio of 83 is an outfit called MEMCO Software Ltd. (Nasdaq:MEMCF) and recently, on the American cable network, NBC's leading capital market program, we heard an interview with Israel Mazin, MEMCO's CEO. The executive attributed the company's success to being in the right market at the right time. The company's market capitalization is about \$280 million, 50% higher than its IPO price late 1994.

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\$50 million New Venture Capital Fund

US Market influences TASE

Spegas reaches big time.

Subscription: Bulk copy and reprint information available on request

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MEMCO is in the business of providing information security solutions and its software deals with corporate security issues. It is at the emerging growth company stage. Its financial and business profile is, indeed, exciting. In 1996 its revenues at \$15.3 million were ten times those of 1995. In 1996 the company's net income was \$3.4 million compared with a loss of \$2.5 million the previous year.

Mr. Mazin points to high visibility customers. GTE, one of the largest telecommunications companies in the world, placed orders for \$1 million and now has purchased \$3 million more of the company's products.

The achievements of this company are laudable and Mr. Mazin correctly assesses that "security will continue to be the central issue of our increasingly networked world". His enthusiasm and self-assurance are undoubtedly due to his company's rapid growth and the broad media explosion provided him in the U.S.A. It is the 83 price/earnings ratio which should cause alarm. In order for investors to warrant a 30 times price/earnings ratio based on estimated 1997 earnings, MEMCO would need to earn \$9.4 million, with sales exceeding \$42 million - all in 1997. Caution in assuming investments in MEMCO in spite of the optimistic forecast of the company's CEO, is suggested.

Teledata

Teledata Communications (Nasdaq:TELD) has filed with the U.S. Securities and Exchange Commission a registration statement relating to a proposed offering of up to 2.76 million shares. Of the shares to be offered, 1.08 million shares will be issued and sold by the company and 1.67 million shares will be sold by existing shareholders. The offering will be managed by Smith Barney Inc., Oppenheimer & Co Inc., Cowen & Company and Robertson Stephens & Company. Teledata specializes in concentrators for the local telecommunications systems.

Indigo Announces 1996 Results and Private Placement

Indigo, a leading innovator in the electronic print-

ing field, reported its results for 1996. It also announced that it has concluded a private financing of \$20 million and is in the process of raising up to an additional \$10 million, from new and existing investors.

During 1996, total revenues decreased 37% to \$103.9 million compared to \$165.8 million in 1995. Revenue from product sales, consisting primarily of sales of the Indigo E-PRINT 1000+ press, decreased 31% to \$100.4 million in 1996 compared to \$145.7 million in 1995. As at the end of 1996, the company had sold approximately 700 units worldwide. The company reported a net loss of \$73.8 million in 1996, compared to a net loss of \$40.5 million in 1995. The 1996 loss per share was \$1.33, compared to \$0.78 in 1995.

The reduction in revenues from 1995 is attributable to the continuation of the slower-than-expected development of the short-run color printing market during most of 1996, the weakness of the company's sales activity in North America, as well as the impact of a reduced level of activity with the company's Japanese distributor. Indigo's CFO said, "The private placement, in which a new investor as well as existing shareholders have participated, including an entity affiliated with the Landa Family Trust, of which Indigo's Founder and Chairman, Benny Landa, and members of his family, are beneficiaries, and the Chatterjee Group, an affiliate of Soros Fund Management, improves our financial position. As of December 31, 1996, the Company had cash, cash equivalents and marketable securities, net of outstanding debt, of \$49.5 million."

Indigo N.V., a Netherlands corporation with wholly-owned subsidiaries in Israel and the United States, is engaged in the research, development, production, marketing, distribution and service of electronic color printing products. These products include the E-PRINT 1000+ Digital Offset Color press for short-run commercial printing; the "Omnium" One-Shot Color press for labels, packaging and decorative printing. Indigo's Digital Offset Color technology combines the quality of liquid ink-based offset printing with the performance advantages of electronic imaging.

Will Israeli U.S. Share Offerings Continue to Surge?

The number of Israeli companies making initial public offerings (IPOs) on U.S. equity markets could rise by 40 percent this year compared with 1996, a Bache Prudential Securities executive forecast.

Israel, with 75 firms listed in the United States, is second only to Canada as the foreign country with the most companies traded in the United States. Last year, 18 Israeli firms made IPOs on U.S. markets against six in 1995.

Given that many of the technology companies.... in Israel, have yet to really mature we would expect that the trend to go public in the United States could continue into the foreseeable future," stated the executive

While the Tel Aviv Stock Exchange slumped in 1996, Israeli companies raised \$629 million through IPOs in the United States, a 16% increase over 1995, according to figures by Ernst & Young, an international accounting and consulting firm.

Elbit Medical Imaging Ltd. Announces Year-End Results

Net Income for Fiscal 1996 Increased 50%

Elbit Medical Imaging Ltd. announced results for the year ended December 31, 1996. In November 1996, Elbit Ltd., a holding company, demerged into three separate entities. Elbit Medical Imaging Ltd. emerged as one of the three independent companies and is comprised of three subsidiaries: Elbit Ultrasound Ltd., Elscint Ltd. and Elbit Medical Services Ltd.

Consolidated revenues of Elbit Medical Imaging Ltd. for 1996 were \$525.2 million, compared to \$538.6 million in 1995. Net income for 1996 increased 50% to \$8.1 million, or \$0.38 per share, versus net income of \$5.4 million, or \$0.26 per share, reported in 1995.

Magic Software Enterprises

(Nasdaq: MGICF) lost \$1 1/4 to \$9 1/8 after reporting a decline in Q4 EPS of \$0.19, falling well short of estimates of \$0.35.

New Solar Technology to be Implemented under an U.S.-Israeli Agreement

McDonnell Douglas and Israel's Ormat Industries Ltd., Rotem Industries Ltd. and the Weizmann Institute of Science, through its commercial arm, Yeda Research and Development Co. Ltd., have been awarded \$5.3 million by the U.S.-Israel Science and Technology Commission (USISTC) to jointly demonstrate the commercial feasibility of an advanced solar-power plant capable of generating from hundreds of kilowatts to tens of megawatts of power.

The novel U.S.-Israeli system uses special optics and an innovative air receiver developed by the Weizmann Institute. These reflect, concentrate, and convert sunlight to provide the high temperatures necessary to directly power gas and steam turbines in a combined cycle and thus generate electricity. The flexibility to operate on either solar, gas, or a combination of solar and gas will provide operational flexibility and guarantee electricity even during inclement weather. The application of combined cycles assures very high efficiency in all modes of operation. Recent market assessments indicate that this new technology has the potential of wide international applications.

A unique combination of technologies

In less than three years, the U.S.-Israeli team will develop an operational 200-300 kilowatt system to be located at the Weizmann Institute's solar research facility, the Canadian Institute for the Energies and Applied Research. This system will be equipped with highly reflective mirrors (heliostats), which track the sun in two axes and reflect sunlight up to another reflector atop a central tower. This reflector will then redirect the sunlight back down to a matrix of optical concentrators, capable of concentrating the light 5,000 to 10,000 times, compared to natural sunlight reaching the earth. The concentrated radiation will then enter a unique group of solar receivers, located on the ground, which will heat up compressed air to be used for driving the turbogenerator that pro-

duces electricity.

The pilot system's advantages stem from a unique combination of technologies. Firstly, the production facilities, including the concentrators, receivers and turbogenerator, are located on the ground rather than at the top of the tower (as they were in previous systems). This innovation will make construction of the tower, whose sole function will be to support the reflecting mirror, significantly simpler and cheaper.

Secondly, the sophisticated design of the concentrators, based on pioneering research at the Weizmann Institute, will make it possible to concentrate sunlight sufficiently in order to heat the air to the temperature needed for driving advanced gas turbines.

A third innovation is the use of the Weizmann Institute-designed solar receiver (nicknamed "Porcupine") that contains hundreds of ceramic pins arranged in a geometric pattern that maximizes the collection and use of sunlight. Compressed air that flows across the pins is heated and channeled to the gas turbines. Sunlight enters the device through a special cone-shaped quartz window that can withstand higher pressure than can a similarly designed steel cone.

From research to industry

Following initial stages of the research, the Institute scientists were joined by researchers from Rotem Industries, who collaborated with the Weizmann Institute on design and construction of the first prototype of the "Porcupine" receiver, as well as on consolidating the design of its optical components.

When the research reached a relatively advanced stage, the Consolar Ltd. consortium of Israeli companies and academic institutions was set up. Its members are Rotem Industries, Ormat Industries, Silver Arrow, the Israel Aircraft Industries, the Weizmann Institute, Tel Aviv University and Ben-Gurion University of the Negev.

In 1994, President Clinton and the late Prime Minister Rabin announced the creation of the USISTC to enhance cooperation and create

technology-based jobs for the 21st Century.

Initially, each nation committed \$15 million over the next three years to fund technologically innovative projects that will produce significant economic benefits.

The collaboration's ultimate goal is to develop an industrial product, that is, to build solar power stations that will produce electricity at competitive prices compared with those of existing power stations.

The pilot power station at the Weizmann Institute, whose construction represents the first stage of that collaboration, will use solar energy to drive a 200-300-kilowatt turbine generating electricity. The resulting solar power stations will be marketed throughout the world. Based on technologies to be tested and developed in this project, larger-scale commercial power stations, capable of generating hundreds of kilowatts to tens of megawatts of power, will be set up in the future. These stations will be sold as "complete products" to various countries and organizations. In the course of the development, McDonnell Douglas is the team leader and is responsible for system engineering and integration.

Ormat is responsible for the power conversion system and the fluid loop integration. Ormat specializes in the design, manufacture and world-wide installation of innovative power systems. Rotem is responsible for the air receiver and its associated optics which transforms the concentrated solar energy into high pressure, high temperature air.

Emblaze Creator Unveils Multimedia Authoring Tool

GEO-Interactive Media Group Ltd. recently announced Emblaze Creator, the first multimedia authoring tool created exclusively for the Internet. The authoring tool offers a 400% improvement in data compression rates as well as a step up in the Internet's ability to deliver continuously streaming video and animation without requiring end-users to have special software or wait for lengthy downloads.

A View from the Top

Evergreen investment fund was founded a number of years ago by Jacob Burak. Mr. Burak had established good contacts, especially in Canada, and he turned to these individuals with a simple message, "You can make money by investing in Israel".

Mr Burak, with his MBA style of financial management honed by experience overseas, has been good to his word. The original investors were rewarded bountifully and had the satisfaction in being involved in some of Israel's most exciting exporting and growth industries.

In 1996 Evergreen earned CAD\$5.2 million and in the four years since it went public, it has reported earnings of CAD\$20 million. Mr. Burak is known in the capital market as an astute judge of a company's potential. Somewhat more than a year ago, he combined forces with Robertson Stephens & Co., one of America's leading investment banking firms and specialists in bringing young companies public.

In the past year, Evergreen raised CAD\$30 million in a fund with moneys coming primarily from Japanese and Taiwanese investors. He is now in the process of closing The Periscope One Fund, at US\$ 50 million.

In Evergreen's annual report, Mr. Burak made some interesting comments regarding the local investment scene. Among his characterisations of the local investment markets for high-tech and growth companies, he said that there is "a feeling of unlimited capital available for investment; that Government of Israel injected funds, local and foreign investors and venture capital funds, now completing their second and third round financing, amount to \$500 million. This can be seen as the capital overhang."

1996 was a year when the American capital market broke every established record, creating a feeling that this would continue indefinitely.

He stressed that the competition for promising investments will continue along the direct link between venture capital investments and, eventually public issues resulting from the presence of investment bankers in Israel.

However, he sounded a note of warning and

pointed to these circumstances as being a sure-fire prescription for "a painful and predictable shake-out, as has been seen in the Israeli capital market in recent years".

Techno-rov Sets Up \$50 m Venture Capital Fund

Techno-rov, controlling shareholder in El-rov Technologies, is setting up a \$50 million venture capital fund for high technology investments. At the same time, Techno-rov's co-investors, El-rov and Leumi & Co., announced the appointment of Mr. Nati Sharoni, former Ministry of Industry & Trade director-general, as chairman of the Techno-rov board.

El-rov Technologies was established in 1993, and is active in start-up, second-stage and high-tech investments. The company's investment portfolio includes holdings in Optibase, Peptor, Organics, the Polaris and Marathon funds and others.

Checkpoint is World's Security Software Leader

Checkpoint Software Technologies (Nasdaq: CHKPF) established in July 1993, is a global leader in providing firewall security software which protects Internet-linked communication systems from external breaks-in. The novel technology provides simple-to-use software solutions that allow system administrators to define and enforce an integrated centrally managed enterprise-wide network security policy. According to Institutional Service, the market for network security products is highly competitive. Checkpoint's competitors include Advanced Network & Services, a subsidiary of America's Online, Border, Harris Corporation, Morning Star and Raptor.

The company's meteoric growth, is to a great extent due to the exponential expansion of internal Internet networks known as the Intranet. Company sales have advanced from less than \$1 million in 1994 to \$9.5 million in 1995 and \$31.8 million in 1996 when the company became public. In the same year Wall Street gave the company a \$1 billion market capitalization.

As inventors of the new generation of firewall

technology called "Stateful Inspection", the software is emerging as the industry's de facto standard. In 1996 the company had a 40% share in the worldwide firewall market, according to IDC, the international consulting group for information technology.

Checkpoint began by offering security software for Unix environments, but during last year issued a product for Windows NT

Elscent Ltd. Announces 1996 Results

Elscent Ltd., a subsidiary of Elbit Medical Imaging Ltd., announced its audited consolidated results for the year ended December 31, 1996.

Net income for 1996 totaled \$8.1 million, or \$0.51 per share, compared with \$14.5 million, or \$0.91 per share, in the previous year. Consolidated revenues for the year rose to a record \$311.4 million, an increase of 10% compared with \$281.9 million for the year ended December 31, 1995.

System sales and service income reached a record level, attributed mainly to 120% increase of MRI sales, and a 25% growth in system sales in the U.S.A. This growth in the U.S.A. is attributed mainly to the success of the introduction at the beginning of the year of the new high-end CT Twin Flash system.

Recent Developments

Elscent introduced two new major products to the market at the Radiological Society of North America conference at the end of 1996. The first, a premium CT Twin(RTS) (Real Time Spiral Scanner), helped solidify Elscent's industry leadership in spiral scanning. The second, a unique 1 Tesla MRI system called the Prima, expanded Elscent's successful family of MRI products.

U.S. Market Influences Quarter of TASE

A quarter of the Tel Aviv Stock Exchange (TASE), as measured by market capitalization, is influenced directly or indirectly by the U.S. Stock Market, according to a study by the TASE.

The authors said the 14 arbitrage stocks, including heavyweights like Teva Pharmaceutical Industries and Koor Industries Ltd, alone accounted for

17.5 % of the TASE's market capitalization.

Of the 14 arbitrage shares, the TASE report found that Teva, Nice Systems Ltd and Matav Cable Systems Media Ltd were principally traded in the U.S. Because of that, the U.S. markets led their price movements, the report concluded. It said Koor, Tadiran and Elron Electronic Industries Ltd were traded equally in both markets and the rest principally in Tel Aviv. Another 7.5 percent comprised 24 companies with either a subsidiary traded on Wall Street or significant holdings in companies there. Among these companies, nine had market valuations considerably under the value of their U.S. trade assets. The biggest was Clal Electronic Industries, which had a market valuation of 1.1 billion shekels, while the market valuations of its holdings in Scitex Corp. Ltd. and ECI Telecom Ltd was 1.6 billion shekels.

Mannesmann MMWG.F seeks position in Koor Industries.

Germany's Mannesmann AG is negotiating with Koor Industries Ltd. to become a strategic partner in the Israeli company's United Steel Mills unit, according to financial sources. They said the German company seeks to acquire an unspecified holding in United Steel Mills a manufacturer of steel reinforcement bars, wire rods and wire mesh for the building industry.

Koor, Israel's largest holding company, controls 70% of United Steel Mills, with the rest publicly traded. United Steel had revenues of \$141 million last year, with net earnings of \$2.3 million. Its market capitalization on the Tel Aviv Stock Exchange is just over \$40 million.

Bringing Mannesmann in, as a strategic partner would be in line with Koor's policy of forging strategic alliances.

Austrian Air Traffic Control Authority Selects NICELog

NICE Systems (Nasdaq:NICEY) announced that Austro Control GmbH, the Austrian Air Traffic Control Authority, has selected its NiceLog Digital Voice Logging System for the Vienna air traffic control center. NICE will deliver the system in the second half of 1997. The NiceLog system is

already in use by the FAA in the US, the DFS in Germany, and the air traffic authorities in Hong Kong, Israel, Hungary, Norway, Holland, Iceland, Romania and Switzerland.

NiceLog is a CTI digital voice logging system, which provides multi-user, multi-operational, scaleable, continuous, unattended high-quality digital recordings of telephone and radio receiver conversations, supporting thousands of channels. The Austro Control system will have a total capacity of over 500 channels.

Orckit and WizCom Win Best Product Awards at CeBIT Exhibition

Two Israeli companies exhibiting at the CeBIT computer and communications exhibition in Hanover won the title of best products in their fields, from the computer magazine "Byte". The Byte awards are highly prized at CeBIT, and the winning companies are considered to be the leaders in their fields.

Orckit won the title of Best Communications Hardware for its Fast Internet modems, which enable multimedia data transfer over ordinary telephone lines at rates of up to 8 Mbps.

Bezeq has begun using the Orckit's Fast Internet access system in a technical and market trial in Holon.

WizCom took the Best Peripheral title with Quicktionary - a scanner the size of a pen which automatically translates texts into various languages.

Geotek Receives \$18 m Order from Hyundai

Geotek Technologies, the equipment arm of Geotek Communications (Nasdaq:GOTKF), recently announced it had received a purchase order from Hyundai Electronics Industries to supply approximately \$18 million of hardware. Hyundai was recently awarded contracts to sell FHMA infrastructure and subscriber equipment to five Korean Regional TRS Operators. FHMA is an innovative, frequency-hopping spread-spectrum radio technology. Beyond tradi-

tional dispatch and telephony, Geotek also offers small and mid-sized businesses sophisticated but easy-to-use tools like automatic vehicle location and two-way messaging to facilitate the exchange of real-time information.

Under the agreement with Hyundai, Geotek will provide an 800 MHz adaptation of the 900 MHz FHMA network currently in operation in the United States. The company will also provide a range of services under a turnkey contract that includes radio frequency design, site planning, network planning and training.

Relief on the Way for the Japanese

Japanese people are especially vulnerable to stomach ailments. The problem is so acute that there are 22,000 gastroenterologists in practice compared to 6,000 in the US, and a similar number in Europe. Not surprisingly, therefore, the three largest manufacturers in the world of endoscopic equipment are Japanese: Olympus, Pentax and Fuji.

However, due to technology developed at Spegas, their status as world leaders will be under assault. Spegas has developed low-cost, mobile equipment that immediately detects the presence of ulcer bacteria in the stomach, supplanting painful and expensive endoscopy procedures or protracted laboratory examinations.

Spegas specializes in gas detection technology. The first application of this technology, carbon dioxide (CO₂) detection, is opening entirely new markets in the field of medical testing, amounting to hundreds of millions of dollars. This is why the two huge medical equipment manufacturers, HP and NPB, last year signed three-year purchasing agreements with Spegas at \$50 million per year. Overnight, the small Jerusalem start-up turned into a major supplier of examination equipment for operating rooms and clinics all over the world. Spegas was founded in 1987 by George Yariv, a physicist at the Hebrew University of Jerusalem. After a series of investments in the company, ownership is shared among the well-known investment funds: Rosebud (30%), the Founders (30%), I.S.A.L (10%), Evergreen (10%), Gmul

Investments (10%) and a group of investors represented by Sigma.

Spegas has applied its proprietary Infra Red (IR) technology to the field of capnography - the measurement of CO₂ exhaled by patients. Changes in the concentration of exhaled CO₂ indicate changes in bodily material and the functioning of the heart and lungs. Unexplained changes in the CO₂ concentration of exhaled air may signal distress even before other symptoms appear. This measurement can also monitor patients hooked up to anesthesia machines.

This field, together with oximetry (patient's percentage oxygen saturation), was considered to be a small segment of the medical equipment market until recently. The market is dominated by HP, Draeger and Siemens, which base their equipment on technology developed in the '70s. For years this field grew by several tens of millions of dollars per year due to the natural growth of the medical infrastructure worldwide.

However, the technology was neither reliable nor mobile. These solutions required a concentration of resources in the operating room, and they could not be used intensively in general wards, ambulances or households. Nor could they be attached to ventilators.

When NPB developed a mobile oximeter, it was a portent of the future. The machine monitored mobile ventilators, intensive care systems, ambulance ventilators and even home (oxygen) ventilators.

Bringing the equipment out of the operating theater triggered a revolution in the market. At one stroke, the market of oximeters jumped from \$100 million to more than \$600 million. Pioneering NPB presently holds 50% of the market.

Spegas is now applying the model in the complementary field: capnography. Spegas' technology allows CO₂ sensors to leave the operating rooms and function in ambulances, intensive care units, emergency rooms, heart and lung departments and wherever doctors need real time information on the patient's status. This will have many ramifications. For instance, the concentration of CO₂ in exhaled air denotes the success of resuscitation

even before a pulse is detected. This is critical information to any doctor performing CPR outside the operating room. Joint development with Draeger has opened the door to the world market. Lewis E. Platt, CEO and Chairman of Hewlett Packard (HP) served as general manager of HP's medical division and was responsible for their failed attempt to develop a CO₂ monitor. Platt did sell \$100 million of equipment.

When Platt visited Israel last year, he signed the first cooperative agreement with Spegas. As part of the agreement, HP will purchase Spegas' measuring systems and will integrate them into a new generation of measuring and monitoring equipment for operating theaters. The deal ranges from \$25 to \$50 million for three years. The first Spegas systems will be delivered to HP this year. Another large deal was recently signed with competitor NPB of San Francisco. The deal amounts to at least \$26 million, not including accessories (tubes for gas passage).

Starting in the third year, NPB will buy Spegas accessories for at least \$8 million per year. NPB needs Spegas technology in order to supply mobile gas monitors. Till now, their mobile systems could measure only oxygen. The new equipment will be able to measure both oxygen and CO₂.

The two companies believe that Spegas' technology will enlarge the capnography market to \$500-\$600 million per year, thereby repeating NPB's success in oximetry.

At this time, the company is not yet profitable. Yariv believes that the company will become profitable in the coming months, once it starts supplying products to HP and NPB. However, in order to maximize its potential, Spegas needs interim financing. In the past months, Spegas raised \$10 million from several funds: Rosebud, Evergreen, Clal, Gmul and Sigma.

The next application will be detecting gas emitted by ulcer detecting isotopes. Spegas has already developed a mobile unit that immediately detects ulcers, without waiting for laboratory tests. The device is still being developed, but the company estimates that it will be ready by the end of next

year. Which brings us back to the huge potential of the Japanese market. The Japanese spend \$2 billion dollars on stomach ailments, and this product will indeed be good news for them and for the rest of us.

US May Integrate Arrow Technology in Own Anti-Missile Missile

The United States Ballistic Missile Defense Organization (BMDO), may integrate Israeli Arrow missile technology in a US-made anti-missile missile, now under development. The US missile has suffered from repeated and various failures in test launches and flights. BMDO director Lieutenant General Lester L. Lyles described the Arrow project as very important to the US, and revealed that parts of the Arrow missile detection sensor are identical to those BMDO intends to integrate into the US-developed THAAD (Theater High Altitude Area Defense) missile.

Estimates, according to which the US would use Arrow technology in its defense plans, were reinforced with Lyles' statement that if THAAD program failures continued, the BMDO would turn to developers other than Lockheed-Martin which has failed four times to meet objectives during flight tests. Lyles said a team has been set up to investigate the chain of failures, and the US was looking into a number of alternative launching methods.

Intel Buys 5% RadVision Share for \$1 m

Intel recently acquired a 5% share of RadVision in a \$1 million private placement. RadVision is the developer of OnLAN technology, which enables digital exchanges to be set up for desktop video conferencing. Also participating in the \$1.7 million placement, made in return for a total 11.5% share, were Madge, Maritime Bank, Clal and ECI Telecom.

RadVision is now negotiating cooperative agreements with four major communications companies, having signed an agreement with Siemens. Several weeks ago, it was reported RadVision had reached an agreement with Netscape for the integration of OnLAN into the new version of Netscape Navigator, called Communicator.

According to RadVision management, revenues for 1996 were \$1.6 million and could reach \$4.5 million this year. The business strategy is for RadVision to become a profitable public company, sometime in 1998.

Technomatix Receives Japanese Orders

Technomatix Technologies Ltd (Nasdaq: TCNOF) has received new and repeat orders from Kawasaki Heavy Industries, Toyota and other Japanese companies, totaling about \$1.2 million. These follow the US\$10 million contract signed with Mazda Motor Corporation at the end of last year.

Technomatix is a world leader in computer-aided production engineering (CAPE) software products. These allow engineers to create virtual machines and production equipment models, arrange them interactively into a virtual manufacturing line and manipulate them to perform on-screen manufacturing activities. CAPE products include ROBCAD products for manufacturing processes; VALISYS line of quality engineering products; EXALINE for PCB assembly machines; PART for automated process planning of certain machining activities.

BackWeb's Push/Pull Broadcasting Technology for PC Desktop Users

BackWeb Technologies, founded in 1995 by BRM Technologies Ltd., an Israeli based company whose principals previously launched Checkpoint Software Technologies Ltd, has signed an agreement with Microsoft Corp. to expand broadcast channel and delivery options for Microsoft's Internet Explorer 4.0, to be released later this year. BackWeb's aim is to enable companies using their push/pull broadcasting technology, to have a one-to-one relationship with customers, employees and suppliers. In co-ordination with Microsoft, BackWeb channel owners will be able to access millions of new subscribers through the personalization power of BackWeb's server. Their push/pull broadcasting software for the internet will reverse theWeb so that rich content finds interested users rather than users having to search for it.

PORTFOLIO CORNER

In spite of a 6.5% retreat in the Mishtanim Share Index in March we continue to view positively equity investments with a one-year time frame. The good companies will perform well, notwithstanding periodic market fluctuations which may allow for profit taking and the adding to existing positions.

Interest rates, which have been lowered regularly by the Governor of the Bank of Israel, were left unchanged for all of April. Since August 1996 interest rates have been lowered by 3.1%. It would appear that only inflationary pressures could act as a breaking force for the underlying downward interest rate trend. Interest rates will go down by at least 1.5% in 1997.

The shekel bond market has been stable and yields have stabilized on 14% for long term bonds.

The March weakness in the share market resulted in a downward price correction in many issues. Yet high-flyers such as Gahelit Investments only retraced half of the 26.3% gain in February. The positive gains available from bonds, the prospect of renewed rising share market on TASE and opportunities for substantial capital gains from several Israeli high-tech computer shares, are expected to be rewarding for managed investment accounts.

PORTFOLIO MANAGEMENT

Minimum portfolio sums of \$100,000. 29 years of investment and investment management experience. Periodical reports. Fees: low transactional fees generally 0.3 of 1% per transaction and safe deposit fees of 50% published bank rate. Quarterly management fee @ 0.45 of 1%, not including VAT, of the value of the managed portfolio.

MARKET DRIFTS LOWER

As the share market moved lower, trading turnovers contracted, shrinking to about \$30 million. The small cap market (in "Karam") shares were most sensitive to the profit taking.

The "Karam" market had been moving upwards since August of last year and reaching record heights in February. Political developments, anticipated budget cuts, the possibility of stable or lower inflation and lower interest rates, and solid corporate earnings, is the background which has attracted institutional investors both Israeli and foreign based. An important portion of the public's funds is invested in inflation or devaluation of +4% interest yearly savings schemes. We continue to believe that a carefully selected mix of high cap and low cap shares representing 15% to 25% of portfolios, depending on aversion to risk, will work out well this year. From time to time the companies whose prospects we consider to be above average will be reviewed in these pages.

ISRAELI COMPANIES ON WALL STREET

At the outset of 1997 there were 86 Israeli companies with shares traded overseas. Screening them carefully only several companies appear to be of investment interest. Most of the other companies are either over-valued or are facing a wall of expectations which they will not scale this year. Yet there are at least three issues which are of current investment interest. Some of these issues find their way into our monthly reports and are UPDATED regularly.

GOVERNMENT OF ISRAEL SHEKEL BONDS

Of the 223 different series of bonds, distinguished by type of linkage and period of maturity, we invest in bonds guaranteed by the Bank of Israel.

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