

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

MAY 1996 Vol.XII, Issue No. 5

ISSN 0334-6307

FANTASY

What a rush! The Israeli high-tech entrepreneur, with an advanced degree in medical science, had just collected a \$20 million check from an initial public offering for 25% of the shares of his company. Under the circumstances, anyone would feel the same way!

This is a true Horatio Alger story. It all began three years ago in the storage area where he once kept his motorcycle. It was there that, with an engineer friend, he built the first prototype — a small machine that could determine the rate of blood flow in cranial blood vessels.

"It was a helluva idea. No-one else had made it before, and the patent granted was certainly justified," remembers the friend.

Another friend, a hematologist, insisted on being given the opportunity to perform the clinical trials. The results were formidable. The blood-flow counter had passed with flying colors. Then it was back to the drawing board, and three months later, an industrial prototype was completed. Mr. Entrepreneur had attended conferences and carefully dropped information about his invention, so it took only a few articles in respected journals to attract interest, and the first sales.

Inebriated by his success, our entrepreneur hired some friends and sent them to New York, London, Frankfurt and Beijing to open sales offices. Orders flowed in, but six months later half the units manufactured were still on the shelves; the sales divisions, misjudging the market, had passed orders to the home office for more business than had in fact materialized. So the value of the systems on the shelves was written down. Somewhat disillusioned, our entrepreneur refused to tell Wall Street analysts that the company's results were going to be worse than expected. Three weeks later, the losses were announced. Shareholders, when they recovered from the initial shock, dumped their stocks, and the company's shares plummeted by 40%.

Fortunately, the Board of Directors (consisting of

the entrepreneur's friends) did not give him the boot. After two years of restructuring, the company unveiled a brand new product line with distribution agreements signed in New York, London, Frankfurt and Beijing. Our entrepreneur was back at the starting gate.

The object lesson of the above fantasy, which did not have to end in a nightmare, is: technology and marketing know-how are like love and marriage; you can't have one without the other. Some humble suggestions:

- (1) Establish a first-rate marketing university
- (2) Preferably position it next to the Weizmann Institute
- (3) Let no Israeli entrepreneur get a government R&D grant without first having passed an advanced course in marketing.

The above fantasy will then come true.

Minute Air-time on MIRS Less Expensive than Air-time

Motorola Communications Israel has connected the wireless communications system MIRS to the national telephone network with the telephone-bridging system Interconnect, operated by Beeper Communications' switchboard operators. Thanks to the bridging system, MIRS clients may receive and initiate phone calls to and from the national telephone network through their MIRS wireless communications devices. These users are part of a network whose owner has paid for the mobile Interconnect option in addition to the usual payment.

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an early stage investment opportunity

Profit from Innovation is the Point of the Sale

Point of Sale is an emerging Israeli growth company that has climbed the leadership rung in the development and marketing of innovative software which has put the "pleasant ring of the now nearly defunct cash register" back into retailing. The replacement is called the "electronic cash register."

Retailers are among the most conservative of businessmen, according to Yoni Stutzen, globetrotting vice-president of Point of Sale. Yet the company's products have been rapidly adopted and installed by supermarkets, department stores, restaurants and convenience stores. The list of Israeli customers alone is long, and includes

SuperPharm, Office Depot, SuperSol, COOP, Shekem, Hamashbir and Greenberg. Most of its overseas installations are sold by original equipment manufacturers (OEM), who have adapted Point of Sale's communication boards and software to client needs. This mix allows retailers to maintain their hardware investments while using a loosely coupled client-server architecture with applications in the back and front offices. These support store activities and generate reports and analyses for monitoring and store management. The advantage of the design is that it creates a flexible operating system previously not possible with the software and hardware used by the retail industry.

The company's systems are not patented, but with approximately two lifetimes of man hours spent in development, the company feels it has an edge over its competitors.

Until recently, Point of Sale had only three overseas customers, the giant OEMs: ICL, Siemens/Nixdorf and Roultron, but its market penetration in 1995 was over 6,000 stores worldwide. Until two years ago, management did not market independently. The breakthrough occurred in 1995, when Tesco, Britain's largest

supermarket group, chose PoS equipment.

In 1994 the company's sales, including products and installations, set a new record at \$3.7 million, 76% more than 1993. The company's rapid expansion had been fueled by private placement financing from Dovrat-Schrem and the Foraz Fund, leading Israeli investment houses. The company has been public since November 1994, when it sold 25% of its share capital for \$3.6 million and registered its shares on the Tel Aviv Stock Exchange. There are 4.2 million shares outstanding.

In 1994, Point of Sale earned \$1.55 mil., a 189% gain over the preceding year.

In 1995, sales rose by 4% but profits slipped by 63% to just over \$500,000. Salaries rose as technical and administrative personnel were hired. Marketing costs were higher and research and development was increased.

Barry Shaked, 39, and Brian Cooper, 37, are the co-founders, and each owns 25% of the share capital. "The idea of applying myself to computer solutions for retailing was accidental, and occurred to me while I was a university student learning computer sciences," recalls Mr. Shaked. PoS was formed in 1982 by a core group of seven, all still with the

company today. However, Shaked is seen as the key management figure, and is described by colleagues as the "guru of the industry."

A strategic alliance with Microsoft (which has included the company's product in the top ten solutions for retailing), adaptability to Windows NT; implementation of the Tesco program for inclusion in 750 supermarkets and 450 gas stations, and the expansion of overseas presence are among the main targets for the rest of this year. Barring the possibility of a major breakthrough by a new technology such as a self-checkout system or televised home shopping, the company's prospects are rosy indeed.



PoS at fuel Pump: sending data by Gilat Satellite

Audiocodes Encoding Wireless Telephone Communications for Motorola

Audiocodes has developed a component that lets digital telecommunications properties be added to analog telephone systems operating on a wireless network. The component allows calls to be encoded to prevent audio surveillance. It also improves voice quality and streamlines wireless telecommunications traffic. Motorola will install this Israeli component in its systems in Hungary.

Laser Industries to Open Aesthetic Centers.

Laser Industries is planning to open several Aesthetic laser centers. The first three are to be opened in 1996 in New York, Barcelona and Tel Aviv. Patients will be offered a variety of surgical services, including laser skin resurfacing, hair transplantation, removal of tattoos and hair removal.

Pharmos Reduces Loss

Pharmos Corporation, the bio-technology company awaiting approval of its first commercial drug, has reported that it has reduced its 1995 loss, to \$8.1 million from \$12.9 million in 1994. The company's cash reserve of \$5.6 million is sufficient to carry its R & D to the beginning of 1997.

Genentech Wins Round Against BTGC

The American Genentech biotechnology giant has succeeded in obtaining a court order which effectively prevents the American BioTechnology General Corp., which has extensive facilities in Israel, from marketing its human growth hormone in the USA. BTGC has received approvals from several European countries where it is already marketing this product.

More on Tower Semiconductors

Tower Semiconductors (NASDAQ: TSEMF) has encountered difficulties in implementing a new manufacturing process developed for one of the company's key customers. Tower presently serves two key customer – National Semiconductors, which accounts for 45% of its production, and

the Hewlett Packard company.

Tower says the volume of the 0.8 micron manufacturing process developed especially for the former customer has not reached the level projected by the company, whose revenues therefore will probably diminish. It was hoped that this product line, based on the new process, would have accounted for 25.0% of all sales. Following its announcement, Tower lowered its 1996 estimate of annual production from 22,000 to 20,000 processed silicon slices. Next year, Tower anticipates a production volume of 23,000 slices instead of the planned 27,000.

It is not clear as to the future of the process. Work on other processes, including standard 1 micron, 0.8 and 0.6 microns technology, is continuing as planned.

Gilo's Bid Rejected

The four largest shareholders of Scitex (NASDAQ: SCIXF) – International Paper, PEC Israel Economic Corp., Discount Investment and Clal Electronics, together owning 36% of the issued and outstanding shares – have rejected entrepreneur Davidi Gilo's proposal to gain control: "Davidi Gilo's proposal to negotiate an acquisition of Scitex at a purported offer price of \$20 per share represents the wrong direction for Scitex. We are not interested in pursuing a sale of our Scitex shares, and certainly not on the terms that Mr. Gilo implied (\$20 as

compared to \$14 market price). The existing shareholders purchased an additional 4% of Scitex shares. We believe that the best interests of all share-holders are served by permitting the company to realize its full potential." Gilo's hostile takeover bid was to purchase Scitex for \$856 million, approximately 44% above its market value. Analysts expressed surprise at the main shareholders' refusal, and predicted that if Scitex continues to register losses, the shareholders are likely to replace Scitex chairman Dov Tadmor and other board members on the basis of incompetence. The analysts said they expect the shareholders to agree to the offer on condition that the price is raised, as is customary in proposals of this kind.

Indicators from the Bank of Israel

Since the end of 1994, the Bank of Israel has been maintaining a rate of interest which peaked at 18%. The price of governmental money indirectly affects all other capital market yields.

As a result, and perhaps also due to the business possibilities that have opened up, banks today are prepared to pamper their customers with more attractive terms.

In shekel deposits, the annual rate is between 9.5% for the smallest amount deposited for one day, and 15.4% for the largest amount left in place for one year. Based on generally accepted inflation assessments, these are unquestionably fine inflation-adjusted yields.

Government shekel-denominated bonds in April were being traded at yields to maturity: three-year bonds at more than 17%. These yields, not surprisingly, are negatively affecting the prices of equity investments on the TASE.

SOLAR ENERGY CAN PAY ITS WAY

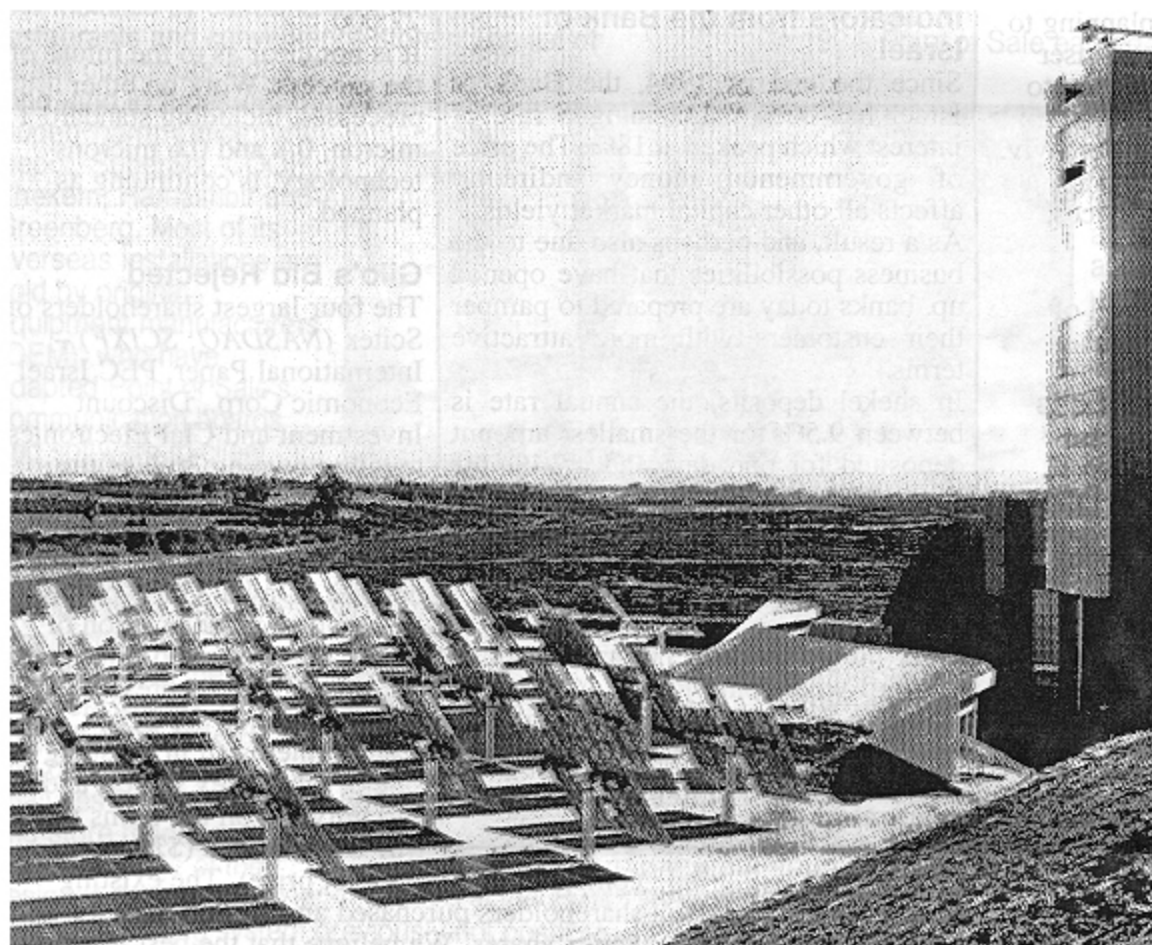
The Weizmann Institute's solar research complex, known as the Canadian Institute for the Energies and Applied Research, is one of the world's most advanced facilities for designing methods to exploit solar energy.

Several technologies developed at the complex are now ready to be scaled up for industrial applications. Technology transfer is already being implemented within the framework of Consolar

Patents on the technologies described have been registered by Yeda Research and Development Co. Ltd., which handles the commercialization of Weizmann Institute research.

The "Porcupine" Receiver

The process of harnessing concentrated solar energy begins with a receiver — a device that collects concentrated sunlight in order to heat a gas which can then drive a turbine to generate electricity or be converted into energy-rich chemical fuel. However, the efficiency of systems based on standard solar receivers has been low because these receivers are unable to operate at the high temperatures and pressures required by modern power generation equipment. A dramatic increase in efficiency has been attained with a new receiver developed by Weizmann Institute's Dr.



Swiveling 'heliostatic' mirrors focus on targets in the tower

Ltd., a consortium of Israeli companies and academic institutions created for this purpose together with Israel's Ministry of Industry and Trade.

At a symposium entitled "From Basic Research to Industry" held at the Weizmann Institute on April 15, scientists, industrialists and government officials heard reports from four teams working at Weizmann's solar research facilities. Highlights of the symposium are presented below.

Jacob Kami, Dr. Abraham Kribus and Rahamim Rubin, in cooperation with a team headed by Dan Sagie of Rotem Industries Ltd.

Sunlight enters the device — referred to as the directly-irradiated annular pressurized receiver (DIAPR) — through a special cone-shaped window made of quartz that can withstand five times more pressure than steel. The rays are absorbed by hundreds of ceramic pins which line the receiver's inner walls, pointing towards the incoming light.

This light-absorbing matrix – nicknamed "kipod," the Hebrew word for porcupine – is designed to absorb maximum sunlight while preventing the cracks that might result from expansion and contraction caused by extreme changes in temperature. Gas flows across the pins and removes the heat at about ten times the rate achieved in existing receivers.

The unique elements of the new receiver's design, which now make it possible to reach extremely high temperatures and pressures, open the way to major industrial applications.

Solar Lasers

In photochemical reactions, solar energy is converted directly into chemical energy without an intermediate conversion to heat – much like in photosynthesis. However, each such photochemical reaction uses a fraction of the solar spectrum with a precisely defined wavelength, or color.

To adapt the photochemical methods for efficient industrial applications, Weizmann Institute Prof. Amnon Yogev and his team have developed a technology that converts sunlight into laser light, which can then be 'tuned' to various colors.

Their system achieves the maximum feasible sunlight concentration – about half the density of light on the surface of the sun itself! A portion of this concentrated beam is then transformed into laser light.

Such solar-powered lasers may serve as a source of energy for various chemical processes. They may also be used by sensory and communications devices in outer space. For example, small satellites in a polar orbit may use the Weizmann method for converting sunlight to laser light that can then be transmitted to the atmosphere as communications signals.

Sunlit Chemicals For Heat And Energy

A major obstacle to the exploitation of solar energy on the industrial scale is the need to store and transport it over long distances. These goals may be best accomplished by converting the sun's radiation into energy-rich chemicals in a closed-loop, environmentally friendly system developed at the Weizmann Institute.

Known as a chemical heat pipe, the system has three stages:

- 1) sunlight collected in desert areas is concentrated and used to drive chemical processes that run only at high temperatures;
- 2) the gases formed during this process are cooled and then stored or transported to areas where the energy is needed;

- 3) once these gases reach their destination, the chemical processes are reversed, releasing heat that can produce steam to power electricity-generating turbines.

This approach, pioneered by Weizmann Institute Profs. Israel Dostrovsky and Moshe Levy, is currently being implemented by a team headed by

Engineer Michael Epstein. Recently, the concept was advanced with the construction of a chemical heat pipe that has the ability to absorb about 500 kilowatts. The first stage of the system, known as reforming technology, is currently being considered for scaling up to suit various industrial applications.

Epstein's team is also working on the solar-powered conversion of solid organic materials such as coal and wood into liquid or gaseous fuels. Lab experiments have demonstrated the feasibility of this process, and an expanded conversion facility is being designed.

Another application of solar energy explored by Prof. Yogev, Epstein and colleagues uses heat from the sun to extract metals from oxides, such as zinc from zinc oxide. Zinc can be used in batteries that store electrical energy while generating zinc oxide, which can again be processed by the sun's heat. This process has been successful in preliminary lab experiments, and a joint research project by the Weizmann Institute and Israel's Ministry of Energy is to be launched in the coming year.

A Ten-Thousand-Fold Increase In Solar Concentration

Most turbines used today to produce electricity run on steam. Seeking to improve efficiency, electrical companies have recently started replacing steam with gas. However, state-of-the-art gas turbines require high-pressure air at temperatures exceeding 1,000 degrees Celsius. Heating air to such temperatures with solar energy – rather than by burning fossil fuels – demands a 10,000-fold increase in the concentration of sunlight reaching the earth. To achieve such concentrations, Weizmann Institute researchers have developed optical "funnels" with a unique geometrical structure. These funnels collect sunlight and concentrate it to levels approaching the feasible maximum. With the transition to industrial development, Dr. Abraham Kribus and colleagues have also begun to test the optical devices involved at all stages of solar collection and concentration with the goal of increasing the overall efficiency of such

systems. Work on optimization of optical and thermal systems is currently funded by Israel's Ministries of Energy and of Science and the Arts.

International Data Comments on High-Tech Share Fallout

The high-tech stock slide of December and January highlights its dependence on – and poor positioning for – the consumer market. In January, numerous technology companies, notably semiconductor companies and PC software firms, reported poorer-than-expected results for the previous quarter. The stock market, fearing that the great ride of the past year was screeching to a halt, bailed out, sending stock prices tumbling.

Good results from Microsoft, IBM, Digital and others at least temporarily stemmed the negativity, but everyone asks: "What is going on? Is the high-tech sector running out of rocket fuel?"

On the surface, there were clear reasons for the poor results, including the following:

- A faster-than-expected ramp for Pentium, leaving companies that bet too much on residual demand for 486s (e.g., Cirrus, AMD) with excessive inventories.
- Rapid deterioration in 4Mb memory pricing (Micron Technology), with fast ramp-up of 16Mb components.
- Slower-than-expected uptake for Windows 95, putting PC software companies such as Symantec in an awkward product-transition squeeze.
- Somewhat lower-than-expected consumer purchases of personal computers, according to a recent report by International Data Corporation.

VocalTec signs with US Robotics

VocalTec (NASDAQ:VOCLF) has announced an agreement with US Robotics whereby its Internet Phone product will be bundled with US Robotics' ConferenceLink CS 1500 personal computer -adaptable conference speaker phone.

TAAS Israel Industries Expects to Break Even

Taas has accumulated \$650 million in back orders. After 10 years of losses including \$85 million in 1994, when sales were down to \$400 million, management now expects that TAAS will break even. TAAS, the state-owned company that once figured prominently among the country's exporters, has a new management, a new mandate and a sharply reduced

workforce. But it's still not out of the financial woods. The company received government funding of \$800 million over the past three years, and is likely to seek further assistance this year. The current approach is to divide the company into a number of components.

Daughter of Radio Pioneer Marconi – Guest of Museum

Gioia Marconi Braga, daughter of radio and telegraph pioneer Guglielmo Marconi, is to be the guest speaker at the Israel National Museum of Science in Haifa. The museum is honoring Israel Academy of Sciences and Humanities' president, Prof. Jacob Ziv. The museum's latest exhibit, *Early Radio Base*, commemorates the Marconi Centenary. Prof. Ziv is one of the world's leading experts on information theory, and is the inventor and developer of the Lempel-Ziv Universal Data Compression Algorithm, which allows massive compression of data and its transmission over simple channels such as telephone wires and wireless telephones.

Bezeq Elects a Foreign IPO

Merrill-Lynch, which organized the analysts' conference in New York last week at which Bezeq appeared, will be the principal underwriter of Bezeq's American IPO.

Bezeq announced that the impressive results from 1995 activity will form an excellent base for an international offering and the time is ripe, before mega-offerings such as the \$15 billion Deutsche Telecom financing.

Federation of Diamond Exchanges in Israel: Technology an Issue

The World Federation of Diamond Exchanges is holding its bi-annual meeting in Israel May 25-29, 1996. Members of the Central Selling Organization, diamond leaders of the major diamond cutting centers, will discuss a variety of subjects. The Israeli diamond industry is seeking to gain a competitive edge by applying innovative technologies to the manufacturing process. The diamond industry in Israel is moving toward mechanization in the processing of small stones in order to compete with the low-cost labor producers," says Mr. Moshe Schnitzer, honorary president of the Israel Diamond Exchange.

Incubator Forms an Alliance

The Ofek La'Oleh Technological Incubator, Migdal Haemek, one of the youngest technological incubators in Israel, is enlisting

American support to transform innovative ideas into marketable products. The incubator, according to Oren Sela, its Marketing Director, has formed a joint venture with the Jewish Federation of Metropolitan Detroit. Named "Partnership 2000" the American group takes an active role in promoting the incubator's projects in North America. The "Partnership 2000" programs are funded by private and foundation donations.

An American committee assists in choosing which projects will enter the Incubator; monitors their progress and provides assistance in their development and marketing. Teams of MBA students from the University of Michigan

Business School spend up to two months at the Israeli Incubator. A Michigan industrialist, Bill Davidson, and other businessmen, will select the projects for promotion in the USA.

Ornet in Distribution Agreement with Kanematsu

Ornet, which manufactures switching systems for local communications networks, and the Japanese firm Kanematsu, have signed a distribution agreement according to which Ornet will supply Kanematsu with 300 units of its switching system LANBooster in the first year, a financial volume of \$1.9 million. Kanematsu's sales turnover is over \$50 billion annually.

High-Tech Companies with Venture Capital Investments

Who hasn't said at one time or another, "I wish I had known about the company before it 'went public'. I would have tried to invest at an early stage and not after it became a public company."

We have surveyed the field and have identified 30 companies whose investors include venture capital firms. The companies described have been invested in by at least one venture capital company. Many of these firms seek additional investment capital and provide opportunities for additional investors.

If you would like to obtain information about any of these companies, please contact us.

Scorpio Communications Ltd.

Since the company's establishment in June 1993, it has developed a reputation in the global ATM networking systems and sub — systems based on a Proprietary Application Specific Integrated Circuit (ASIC) chip set.

The company originated as a collaboration between a U.S. — based firm specializing in ATM high speed networking, and an Israeli company, that specializes in computer LANs connectivity.

Fundtech Ltd.

Fundtech Ltd. was founded in 1993 by two individuals who worked together at Logica, a major supplier of large systems for the financial industry. Fundtech Ltd. has developed a software system which automates the wire transfer activity at middle — market banks in the U.S. Existing computer-based money transfer systems require fault-tolerant minicomputers or mainframes which cost approximately \$500K, with an additional \$500K for the software, which is beyond the scope of most banks in the U.S. Fundtech Ltd. is the first company to offer a client/server system on Microsoft Windows NT which runs on standard PC hardware, offering a solution at a fraction of the cost of existing systems.

Paradigm Geophysical Ltd., Herzliya

The company was originally established in 1988 as G.T. Graphic Technology Ltd. It has been operating under its present name since 1993. The company develops, markets and supports systems for use by the oil and gas industry for onshore and offshore exploration. Customers include

the leading worldwide energy sector concerns. It recently introduced a new range of interactive model — based products based on its innovative, propriety 3 — D technology.

The company has wholly owned subsidiaries in the U.S., U.K. and China, which serve as its marketing and customer support divisions.

Armon Networking Ltd., Tel Aviv,

Development and marketing of LAN management systems.

Colordesk Ltd., Tel Aviv/Campbell, California,

Advanced color image software developer for word-processing, digital scanning, photo and video editing.

CREO Products, Inc., Burnaby, B.C., Canada

Advanced digital printing technology for the large-volume printing industry.

CST — Client/Server Technology Ltd., Tel Aviv/London, UK.

Software for the automatic conversion of mainframe legacy computer applications utilizing terminal access to client/server technology.

Aliroo Ltd. Raanana

Software based on unique encoding and encryption technology to prevent intrusion on computer transmitted messages.

Lannair Ltd., Tel Aviv

Spread spectrum wireless communications for LAN.

MobileWare, Inc., Dallas, Texas

Development and marketing of mobile computing and communication software.

NiceCom Ltd., Tel Aviv

Development and marketing of ATM switch products for high-speed LANs.

NUR Advanced Technologies Ltd., Tel Aviv

Large printers for producing outdoor posters and electronic screens/signs using color LEDs.

PC Etcetera, Inc., HQ: New York; Subsidiary: Tel Aviv

Development and marketing of personal computer training programs (live and CBT) and support services.

Logal Educational Software & Systems Ltd.

Educational software in a full multimedia environment, MacOS and Windows, and for science and mathematics courses designed for high school, vocational, and early college students.

Holo-Or Ltd.

Proprietary optical elements, including a unique line of "through-the-lens" multifocal contact lenses and intraocular lenses.

Precise Software Solutions Ltd.

Software products focused on improving performance of applications residing on Relational/SQL databases in the

client/server environment.

Aisys Ltd.

Knowledge-based family of automatic code generators (ACG) for producing the software code needed to enable a micro-controller or micro-processor to control peripheral devices.

Ornet Data Communication Technologies Ltd.

LAN performance-boosting internetworking products, with specialization in high-speed inter-network switches, especially for Ethernet switching.

Orisol Original Solutions Ltd.

Vision-based computerized sewing machines to automate stitching of the shoe upper, the most labor-intensive part of the manufacturing process.

Myriad Ultrasound Systems Ltd.

Ultrasound equipment for the diagnosis and monitoring of osteoporosis.

Nanonics Lithography Ltd.

Submicron lithography using spots of light which can be smaller than the wavelength of the light itself. This technology will enable production of circuits with a much smaller line-widths for advanced semiconductor product development.

D-Pharm Ltd.

Pharmaceutical prodrugs designed to be activated only at the actual disease sites.

DSP Solutions Inc.

Audio and multimedia products, based on Digital Signal Processing (DSP), providing external solutions for PCs and portable PCs.

Angiosonics Ltd.

Vascular therapeutic ultrasound systems for the removal of arterial obstructions, particularly

arterial blood clots that cause cardiac infarctions.

Alutech Ltd.

Oxygen Absorbing Aluminum Alloy

ECR Ltd.

Solid State Rechargeable Batteries for the Portable Electronics Marketplace

Elam Ltd.

Electroluminescent Fibers and Electroluminescent Flat Large-Screen Displays for the Decoration and Display Markets

Art Ltd.

Handwriting and Voice Recognition Technologies

Nova Ltd.

Measuring and Control Equipment for Thin-Film Industrial Processes

Peptor Ltd.

Synthetic Peptide-Based Pharmaceuticals

Phone-Or Ltd.

Electro-Optical Sensors for Applications such as: Microphones, Surface Measurement, Pressure Gauges and Accelerometers

Qronus Ltd.

Automated Software Testing Tools for Real-Time Systems

Servotronix Ltd.

Motion Control of Multi-Axis Robotics and Other Systems

ESC

ESC develops, manufactures, and sells electro-optic systems for a variety of therapeutic medical applications, including non-invasive treatment of skin disorders and other cosmetic and medical treatments.

Pictel Technologies Ltd.

Pictel develops Multipoint Multimedia Control Unit (M3C) for video conferences. The M3C will serve as a central hub of multimedia and video

conference telecommunication systems by supporting multi-user sessions. The MCU, located near a public or private exchange, or near a LAN network server, functions both as the switching gear and as a multi-user data flow controller.

Galileo Technology Ltd.

Galileo Technologies Ltd. sells high end chips specifically designed for performance optimization of embedded controllers in complex systems. The company concentrates on embedded controllers in high growth fields like printers copiers, faxes, scanners, X-Terminals, and computer networks and communications.

Super Dimension Ltd.

Super Dimension Ltd. develops a new category of games for the consumer market that combine toys with computer games. The company's line of products is based on a unique innovative

technology that tracks the position of toys above a sensing board located in front of a personal computer. Thus it allows children to play with toys and by doing so to interact with the computer.

Sizary Materials Purification Ltd.

Sizary was established to commercialize a unique wafer purification technology for the semiconductor (IC) fabrication market. Sizary's products are to be integrated into existing IC manufacturing equipment such as furnaces and will clean the surface as well as the bulk of the wafer without using chemicals.

IOTA Industries Ltd.

Iota markets a breakthrough software technology (Smart Image Technology [SIT]) in the field of graphic document storage. SIT (patent pending) is a single, integrated, efficient image-processing solution that

transforms printed documents into intelligent electronic documents, while preserving all text and graphics in their original format. SIT applications include an automatic data management system, enabling efficient data retrieval from information dispersed over multi-storage platforms such as a LAN server, optical disks and CD-ROMs.

Universal Crystal Ltd.

Universal Crystal was established to manufacture crystallized glass for the rhinestone market. The company's expertise in this field is based on a technology brought from Russia and the marketing know-how of American partners.

Air Access

Air Access is active in the evolving market for wireless Local Area Networks (LAN) of computers.

IBM Reinforcing Ties with Israeli Software Firms

IBM World-wide is planning to co-operate with and assist Israeli software firms as part of an international effort to strengthen ties with software developers. According to Kobi Levi of IBM Israel, this will open up new opportunities for Israeli software firms in both the domestic and international markets.

In 1995 IBM established a world-wide organization to heighten co-operation with software developers, initiate new operations and formulate plans for 1996. The aim was to encourage software firms to develop material for IBM platforms, help shorten development time and, when possible, assist in the marketing of software solutions.

Information on the new developments will be supplied through an Internet site to developers with special access permits.

Internet Initial Public Offerings Soar

There is continued excitement and demand for Internet companies shares as they reach Wall Street as Initial Public Offerings. This excitement pushed Lycos' initial price range of

\$12-\$14 to an offering price of \$16 per share.

On its first day of trading, Lycos (NASDAQ:LCOS) shares peaked at \$29-1/4 for a gain of 83%. Lycos is a developer of on-line guides to the Internet's World Wide Web. Lycos has signed with

Netscape(NASDAQ:NSCP) whereby Lycos' service will be available directly from the Netscape Navigator's home page. But massive profit-taking drove down the price of the shares whereby on April 19 they closed at \$14 3/4. Excite(NASDAQ:XCIT) is an Internet search company and a competitor to Lycos. In its IPO debut two million shares were priced at \$17 per share. Excite rose \$3 1/2 on its first day, closing at \$20 1/2. The Excite shares retreated from their highs and on April 19 closed at \$13.25, close to its IPO price.

Investors have been flooding brokers with orders for the new Internet related issues since the Netscape issue of last year which valued Netscape by more than \$1 billion before he company earned its first dollar.

Internet search companies are operating in an extremely competitive environment. Their software which puts it at or near the top of

Internet browser may be replaced by a newer and faster software. It is very likely that some of the best known names today may not be around three years from now. Since these companies can not offer balance sheets with several years of performance it is, at best, difficult to assess their value.

About Alliance 1996

Israel's emerging biotechnology industry is being recognized as an important source of exciting, proprietary technology with strong commercial potential if developed through international strategic alliances.

To help catalyze these alliances, Alliance '96 (the U.S. Israel Biotechnology Partnering Conference) will bring representatives from over 30 of Israel's leading companies, universities and research institutes to the BIO '96 International Meeting & Exhibition for presentations to, and private meetings with, Israeli companies and management. Presentations will be made on the latest technologies available for licensing. The conference will take place during the first two days of the BIO International Conference in Philadelphia, PA from June 9-13 1996.

Tecnomatix in Secondary Public Offering

Tecnomatix Technologies Ltd. (NASDAQ/NM-TCNOF) has filed a registration statement with the American SEC for a proposed public offering of about 2.5 million shares, half to be offered by the company and half by existing shareholders.

The underwriting is being managed by Lehman Brothers, Smith Barney, Hambrecht and Quist and Robertson and Stephenson.

The company's software allows production engineers to create an on screen virtual manufacturing environment that graphically displays and simulates actual manufacturing operations. The prospectus has been filed but has not become effective.

ECI Telecom Appoints New CFO

Doron Inbar has been appointed Senior Vice President and Chief Financial Officer as of June 1. Inbar has been with ECI for 13 years in various positions in subsidiaries and in Israel. Mannie Olswang, who has served as the company's CFO for 17 years besides his many internal activities has been able responsible for relations with shareholders, the Wall Street investment banking community and the media.

Israel High Tech Asks and Wall Street Provides

As Wall Street prices gyrate at what some say may be the peak of a multi-year bull market Israeli companies continue to sell their shares in record numbers in 1996. In the three year period 1992-1994 the Israeli companies sold shares for a sum total of just under \$700 million. However, in 1995 alone, \$600 million of shares were sold and so far in 1996 \$200 million has been sold.

The continuous emergence of technology based companies has not gone unnoticed by the media. In an April two page Newsweek issue, the weekly states "that Silicon Valley has only one rival outside of the United States - Israel. Wall Street knows it and doesn't pay much attention to terrorists".

And there is more to come

There may not be an unending supply of new technologically oriented projects in the Israeli technology pipeline but there are hundreds of projects in their earliest stages of development. In this issue we have identified and published more than thirty interesting projects, all of which have above-average potential and are moving towards commercialization of their efforts.

An indication of what is in store is the upwardly mobile sector is the expansion of the annual budget of the Office of the chief Scientists. This budget has been increased from \$100 million, a few years ago, to \$400 million. These sums are used to supply cash for research and development on a 50/50% basis. Israel has the highest ratio of engineers per capita ie 135 for each 10,000 population.

The Israeli medical profession continues to take a more active position in researching applied know-how. In the past half year alone, the American Boston Scientific company has acquired Medinol, a startup in cardiac stents. Medtronic, a major medical supply firm and specialist in cardiac systems has bid \$220 million for the shares of the US public company InStent. The latter's innovative stent technology and part of its production are Israeli based.

Some venture capital groups say that the supply of funds for technologically based investments currently exceeds the number of available projects and valuations have risen. Software for niche applications, medical systems are among the leading projects.