

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

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Negev Saline Grown Tomatoes are Sweeter

The Negev, the southern part of modern day Israel, according to the Old Testament Book of Genesis, in the years 1800-1600 BCE was a favorite watering place of the Jewish Patriarchs Abraham and Isaac. In the Old Testament Book of Numbers Moses is quoted as saying, "Go up through the Negev and on, into the hill country".

The modern day Negev includes desert and canyon regions; from Beersheva all the way down to Eilat, on the Red Sea. It covers approximately 5,140 square miles; more than half of Israel's total land area. The Negev receives a scant 2-4 inches of rainfall annually. The climate is hot and dry, typical of a desert.

David Ben-Gurion Israel's first Prime-Minister was the man credited as the key leader in the establishment of the modern State of Israel in 1948. The Premier, called for the establishment of pioneering settlements in outlying areas, especially in the Negev. After leaving the government, he returned to Kibbutz Sde Boker. His retirement to this small agricultural community in the Negev was a testimonial of his philosophy of developing the wilderness. During one of my visits to Sde Boker in the 1960s I heard from the "Old Man" as Ben-Gurion was called, his detailed dream of a desert based agriculture, converting the hot desert sun into a useful energy source and setting up a major University in Beersheva. Agriculture in the desert was unlikely but Sdeh Boker's farmers raised impressively sized peaches, and adjacent to the "Old Man's" modest shack roses grew in the sand. "We succeed growing peaches but the lack of rainfall forces us to bring potatoes from Central Israel," he mused. Ben-Gurion's vision finally

appears to be on the track to realization.

Recently, I participated in a tour of High-Tech Industries and agrotechnology projects of the Negev area. The tour was hosted by the Israel Export Institute and included a visit to the Rotem Industrial Park, a subsidiary of the Negev Nuclear Research Center and located near Dimona. Here, technologies originating from the Nuclear Research Center are developed for commercial use. The

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Industrial Park includes 15 companies and plants, as well as a Technology Incubator and a Technological Training Center.

Also on the itinerary was a visit to Ramat Hanegev, an area noted for advanced agro-industry including raising of fish in salt water, the breeding of shrimps for export based on subterranean artesian wells, and the production of olive oil from olive trees grown in the desert.

Another highpoint was a visit to Ben-Gurion University, Beer Sheva with its President Professor Avishai Braverman.

In this July issue we are pleased to publish an in-depth report devoted to some of the highlights gleaned from an unusually exciting visit to a thriving technology center in Israel's Negev desert.

Dispomedic Comes Straight to the Point

Though its initial productive capacity represents only a miniscule fraction of the \$2.0 billion US market for medical safety syringes. Dispomedic is confident that its patented and FDA cleared CoverTip™ passive injection systems, will allow it to carve out a profitable market niche, for its product.

On November 6, 2000, American President Bill Clinton signed into law the Needlestick Safety and Prevention Act. This "Act" could herald a new era of protection for the nation's 8 million healthcare workers. The law requires that healthcare facilities implement the use of "safer medical devices" to minimize accidental needlesticks. For Dispomedic this requirement now presents a "once in a lifetime opportunity". The timeliness for marketing the product for the newly mandated market of safety syringes has created an immense business opportunity.

In an interview held next to one of the production lines of the sparkling new factory located in a modern building in the Rotem Industrial Park, Barry Berler, Dispomedic's President could barely contain his enthusiasm. "The market that we address, is so great that even as we add an additional production facility on the Caspian Sea, we will only be able to supply a small part of the

demand of the US market. He pointed out that healthcare workers themselves will now play an important role in choosing safety devices that offer superior protection and ease of use. "Never has there been a better time to introduce protection at the point of injection into the workplace! Our unique hypodermic safety syringe, CoverTip™, is a wise and affordable investment in protective technology." he stated.

In the case of syringes, for the last few years, the "state of the art" has been to us a no risk retracting needle so that there is no possibility of injury to the needle user. The needle simply retracts back up inside the hard plastic shell where the medicine, for example, was contained. The syringe with the needle inside the housing is then disposed of. This type of needle requires no change in the user's grip and only one hand for use. Beside's Dipsomedic's CoverTip™ there are several products on the market.

The Product

Dipsomedic's CoverTip™ is said to have all of the above qualities and to possess superior advantages as compared with products currently in the marketplace as well as others about to be introduced. Dispomedic's innovative technology is

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in its automatic sheath mechanism. As the plunger is fully depressed, a protective sheath is activated and slides down the shaft of the needle, blunting and isolating the needle tip before it is withdrawn from the patient. There is no extra user intervention required to activate the safety mechanism and no manual manipulation with protective cover sheathing the used needle. The risk of personal injury and disease transmission is significantly minimized and prevents the reuse of the syringe.

Selling in the American and other Markets

Mr. Berler harbors no illusions about Dispomedic marketing its products in the US. Instead it the company concentrates on research & development and manufacturing. In January 2000 Dispomedic entered into a multi-phase, proprietary agreement with Medisys Technologies Inc. (SCEP:OTC) to manufacture th CoverTip™ for this American company.



Daniel Morgenstern

The Price May be the Limit

Dispomedic longer term goal is to reduce its price closer to standard syringe prices.. A leading hospital in Israel pays NIS 92.22 for a packet of 1000 of 2cc regular syringes, or about \$0.02and \$0..04 for standard 10cc syringes. Dispomedic safety syringes are being tested in 25 hospitals in the US and five hospitals in the Ukraine.The price is 4 to 8 times more then standard syringes. "at present and we hope to reduce the price in the future closer to the price of standard syringes", states Mr. Berler.

The Market

The need for a safety syringe was never in dispute. Authoritative healthcare studies carried out in the US reveal that American health care workers (HCWs) suffer between 600,000 and one million injuries from conventional needles and sharps annually. These exposures can lead

to hepatitis B, hepatitis C and Human Immunodeficiency Virus (HIV), the virus that causes AIDS. More than 20 other infections can be transmitted through needlesticks, including: tuberculosis, syphilis, malaria and herpes.

Conservative estimates suggest that as many as 80% of needlestick injuries could be prevented with the use of safer needle devices.

The cost of needlestick injuries is staggering. According to the American Hospital Association, one case of serious infection by bloodborne pathogens, can soon add up to \$1 million or more in expenditures for testing follow-up, lost time and disability payments. The cost of follow-up for a high-risk exposure is almost \$3,000 per needlestick injury even when no infection occurs.

The annual market size for syringes is generally calculated at 10 times a country's population. For example, in the US, a 1% market share could exceed 100 million syringes.

Becton-Dickinson, America's leading syringe producer, supplies 70% of the syringe market: \$2.0 billion annual figure is generally agreed upon for the total US market. for all types of sharps. Most of its sales are in conventional syringes. Medisys Technologies CEO Kerry Frey is prepared to do battle with the giant Becton-Dickinson as are others who are aiming at the safety syringe market. He has said "that an opportunity exists for large companies to potentially enter into the safety syringe business by acquiring a company like ourselves".

Agro-Tech Research Makes Desert Fruitful

A decade ago, even the most optimistic among the scientific community from Ben Gurion

University, the Faculty of Agriculture of the Hebrew University and the Vulcani Institute, hardly believed in developing technologies, that allow farmers in the desert to produce desirable and exportable qualities of melons and tomatoes. From the altitude of 350 meters above sea level in the desert, where the average annual rainfall is a scanty 97mm/year, during a recent visit at the Ramat Negev Desert Agro-Research Center, I witnessed melons grown in the sand and tomatoes raised in hothouses. Surprisingly, the tomatoes were sweeter than any I have ever tasted.

Rami Galon, one of five researchers at the Center confirmed that "that the most important achievement of the research was the organoleptic improvement of the products using brackish irrigation. The improved taste was evident in tomatoes, olives, pears and wine grapes. The "Desert Sweet" tomatoes are sold in many European countries. Their research has been applied by Negev farmers. The technology has also been transferred to other countries.

How does desert farming work?

Salinity in water causes "stresses" in plants and results in poor quality. Drip irrigation, an Israeli development globally exported, allows cultivation of crops with brackish and saline water. Drip irrigation assures a continuous flow into the soil. A constant dilution of the water is maintained. To obtain the proper level of salinity, fresh water delivered to the Negev, by Israel's National Water Carrier from the Sea of Galilee, is mixed with brackish water, obtained from wells in the desert. The wells' depth may reach up to 1,000 meters. In practice the water is pumped from depths of 300 meters, and when brought to the surface the water gushes out at a temperature of 100 degrees Fahrenheit.

Water at the lower depths is "clean and bacteria free and has a low level of salinity. It mixes at depths of 300 meters, to provide the optimum saline level. One of the keys of successful "desert farming" was the discovery that using fresh water only during the short periods when the plant is sensitive to salinity, and brackish water at other times was the best way. This

mixing of water of different qualities gives superior results.

Throughout the Negev area, which covers more than one fifth of Israel's total size, but has only one percent of the country's 7 million population, the application of the technologies developed, are readily visible to the eye with many of the vegetables being grown in greenhouses.

Of open field vegetables, 25 salinity varieties have been tested, these include export grade melons and tomatoes. Sweet peppers, are next in line. A decade of research has resulted in an improvement in the quality of many fruits and a noticeable higher level of sugar content, resulting in better taste, and a longer shelf life.

What else is ahead?

E-Commerce Online for Perishables

These include new species of flowers and flower bulbs grown with fresh, brackish and hot water, all under plastic cover. Grapes for new wines to be produced from vines already thriving in the Negev vineyards and irrigated with brackish water.

Farmers, whatever they may be growing or raising, are a hardy lot and have a keen scent for profits. Eyal Policar, in his 40's owns and operates a 4-hectare flower farm in Moshav Zofar, in the Arava rift of southern Israel. "Policar Arava Farms" sell several varieties of Trachelium, Limonium and Gypsophilia worldwide. In 2000 Policar was appointed Manager of the Israeli unit of the US World Commerce Online, Inc., a leader in global "business-to-business electronic commerce. "When using our e-commerce software solutions, food or flower producers can streamline their operations. Typically a 15% saving is the gain. Israel's perishable growing industry could save as much as \$150 million a year", asserts the flower grower turned into an e-commerce executive.

Flowers grown in the wilderness by Mr. Policar, are shipped to buyers in the United States.

A newly developed hothouse computer to cellphone system which monitors various

hothouse parameters and developed under Policar's supervision is about to undergo rigorous trials to determine its marketability. Mr. Policar just calls it the "black box". The high-tech system which is intended to alert "farmers" to changing conditions in hothouses, is the result of a year long research and development program, involving a group of telecommunication and software developers.

Israel has attracted attention to its flower growing activities as it is the world's leader in flower exports to Europe, according to statistics provided Haim Hadar, secretary of the Flowers Growers Association. Last year's flower exports grossed about \$1.5 billion, which is about 30% of all flowers imported by Europe.

Israeli flowers have gained a high reputation following many years of investing in improving flower quality, developing new varieties that meet customer demand, rapid response to the changing fashions in the flower world, extending flower shelf life and shortening the packaging and shipping process.

An Unlikely Export

Shrimp for export, are raised in plastic ponds, using artesian water, pumped from 300 meters under the Negev sand. "The shrimps that breed, enjoy a three to four time higher survival rate than in South America and the Far East. Shrimps prefer Negev artesian water with its specific level of salinity, and are less susceptible to diseases caused by the bacteria commonly present in sea water fed into the ponds. The water that we use in our ponds is totally free of bacteria. Recently European customers have visited us. On tasting sessions they have approved the taste of our shrimps," explains Evyatan Nir, one of three entrepreneurs responsible for the shrimp project.

Israel, as part of its aid program to developing and undeveloped countries, transfers its know-how to various nations. It has initiated brackish water projects in development of arid zone agriculture in West Africa (Senegal and Burkina Faso), in India's Rajasthan desert, the Gansu desert in China and in the arid zones of northern Chile.

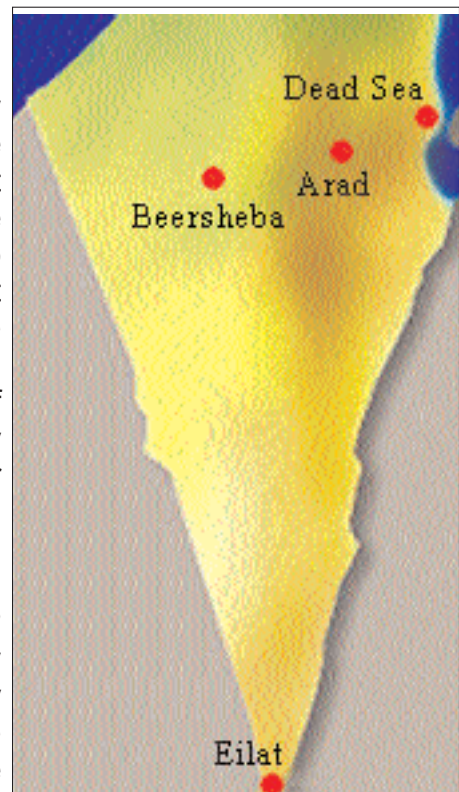
Converting Dreams to Reality

**an article by Ben Gurion University's President
Dr. Avishay Braverman**

David Ben-Gurion, for whom our university is named, launched his visionary campaign to develop the Negev during the War of Independence in 1948. Even during the first critical years of the state - when Israel's population was less than one million inhabitants and the newborn country faced major security problems - Ben-Gurion understood that the key to Israel's development lay in the vast unsettled areas of the Negev. Despite the current political situation, the time has come to once again raise the banner of developing the Negev.

In the past 50 years, many promises have been made and then broken. The Negev remains on the periphery of successive government plans and budgets, still waiting to fulfill its central role in the country's development. Israel's exploding population growth and increasing inequality calls for the Negev Project now as the critical way to correct unbearable congestion in the center of the country and allow for equal opportunities for all.

Why now? The university is already changing the face of the



South. During the last 10 years, the university's population has tripled to more than 15,000 students. The best and the brightest from all socio-economic groups flock to this university where 50 percent originate from the Negev and 50% from the remainder of the country. Ben-Gurion graduates supply approximately 20% of the high-quality manpower of the hi-tech, biotech and medi-tech industry in Israel. The faculties are generating relevant research for the creation of new companies in the Negev.

Why now? The knowledge revolution, despite the current hi-tech recession, is the main force for Israel's future. As it is clear now all over the world, the development of successful cities of the 21st century world will be based on industries generated directly from research taking place at the Universities.

We are gratified that the Israeli government is backing the university and the city of Beersheba in creating a hi-tech park adjacent to the university, which will include a newly established National Institute of Biotechnology. The hi-tech park will bring with it new jobs and opportunities to the region, not only in hi-tech but also for service and lo-tech industries. We are happy to note that there are already 18 trains running between Tel Aviv and Beersheba and that next year there will be 36 a day. We look forward to the future when the tracks will be improved and travel time will be reduced to less than one hour. We hope the government will finally establish the international airport at Nevatim and improve the road system for the development towns surrounding Beersheba.

The motto, 'Negev - The New Israel,' will appear everywhere announcing that a new lobby group has been created, one that crosses all socio-economic lines, one that demands that the current and future Israeli government help realize David Ben-Gurion's dream of a populous and prosperous Negev. Even in these difficult and dangerous times, we still must change our domestic priorities, now.

ISRAEL HIGH-TECH MODEL MILLENNIUM PORTFOLIO UPDATES

AudioCodes' Communications Board Selected by Clarent

AudioCodes (Nasdaq: AUDC), Israel's leading provider of voice over packet (VoP) technologies, and Clarent Corporation (Nasdaq: CLRN), a leading provider of Internet protocol (IP) communications solutions reinforced their long-standing relationship by announcing that Clarent has selected AudioCodes to supply VoIP technology to Clarent's next generation Gateway.

AudioCodes' TrunkPack products are full-featured, VoIP building blocks that are high-density, low power and available on a single-slot board. This makes the TrunkPack family an ideal solution for significantly higher density gateway products like the BHG8000, which will initially support up to 7680 ports per seven-foot rack in its first release. By incorporating AudioCodes' communications boards, Clarent is ensuring that BHG will exceed market demands for gateway products.

Business Week: Check Point Software No. 10 in 'Information Technology 100'

Check Point Software Technologies Ltd. (Nasdaq:CHKP), the worldwide leader in securing the Internet, announced that it has been named one of the world's top 10 public information technology companies by Business Week magazine. Check Point ranked as the number one software company in the world and was named number 10 out of 100 of the best performing information technology companies in any category. Additionally, the company was recognized as one of the industry's most profitable companies.

In its fourth-annual "Info Tech 100" issue, published June 18, 2001, Business Week recognized companies that demonstrated superior efficiency -- either self-achieved through the utilization of technology or by the selling of products and services that help

customers improve efficiency or save costs. Other selection criteria included shareholder return, return on equity, revenue growth, and total revenues.

Check Point Software provides comprehensive, integrated Internet security through its Secure Virtual Network (SVN) architecture for companies ranging from the largest enterprises to small offices. The company leads the worldwide firewall and VPN markets, according to reports from leading industry analysts, and has developed a complete secure infrastructure for eBusiness.

First Union, a brokerage firm, upgraded CHKP to STRONG BUY from Buy while cutting price target to \$70 from \$90. The firm says that while recent concerns about competition in the VPN market are valid, they have been exaggerated and are now fully discounted in the stock price.

Comverse Solutions Chosen by China's Mobile Com

Comverse Technology, (Nasdaq:CMVT), said it had signed an agreement with China's Sichuan Mobile Communications Corp to provide an advanced wireless messaging solution supporting short message service, voice mail and unified messaging. The Israeli telecommunications software firm did not provide any financial details of the deal. With Comverse's technology, Sichuan Mobile can offer voicemail notification, short message service, stock quotes, weather reports and news updates.

Salomon Smith Barney raised its investment rating on Comverse Technologies (CMVT) to a "Buy" from "Market Perform," citing CMVT's impressive FY02 1Q report. Notably, the brokerage firm lifted its FY02 EPS estimate a penny higher than the current consensus to \$1.79, but lowered its target price to \$100 from \$120 based on comparable companies.

The company cites new orders and its expanding market share, boosting net income for the quarter ended April 30 rose to \$79 million, or 43 cents per share, compared with \$56

million, or 32 cents per share, a year earlier.

Revenues rose 36 percent to \$365.0 million. Twenty-two analysts polled by research firm Thomson Financial/First Call expected the maker of systems that phone companies use to offer call answering, voice mail and other services, to post earnings of 42 cents per share. However, the company's Nasdaq traded shares recently fared badly. Comverse's announcement of an impending bond-to-share conversion and the announcements of poor financial results by companies, like Nortel, weighed heavily on the Comverse shares.

Orbotech sees 10-15% Decline in Q2 Revenues

Israel's Orbotech Ltd. (NasdaqNM:ORBK) said it expects second-quarter revenues to fall 10 percent to 15 percent from year-ago levels, citing excess inventory in the electronics sector.

The company, which makes inspection equipment for circuit boards, said the inventory glut has caused its customers to cut back on capital expenditures. Yavne, Israel-based Orbotech said the weakness in the sector makes full-year projections "particularly difficult."

The stock has ranged from \$24.25 to \$71.58 in the past year.

Retalix Software Provider for Big Y

A chain-wide rollout of Retalix's (Nasdaq:RTLX) StoreLine POS application began at Big Y Foods, was announced by both companies. The solution is believed to be the first supermarket application to run with dual-touch, flat panel displays, significantly enhancing the level of customer service and satisfaction.

At present, 33 stores are installed, with Big Y planning a full chain-wide rollout by July 1, 2001. The new system displays purchases on the customer screen as they are scanned, together with a running total of purchases and savings.

When selecting the

How the Global Individual Investor Can Capitalize on Israel's High-Tech Boom

UPDATE

TASE Publicly Traded Venture Capital Companies

Results for the individual companies

Sadot	- 14.3 %*
Teuza	+ 23.3 %*
Marathon	- 29.1 %*
Mofet	- 33.9 %*
Inventech	- 54.6 %*
Tamir Cap	+ na

* Yields Year to Date and as of June 22 , 2001

All technology sectors declined as total falls to \$10.1 billion, according to PricewaterhouseCoopers and VentureOne MoneyTree™ Survey.

Venture-backed companies raised less money in the first quarter of 2001 than they have since the second quarter of 1999, according to the Survey. The \$10.1 billion of financing equity invested in these companies was 40% less than the previous quarter's \$16.8 billion. Although investment has declined steadily since the peak in the first quarter of 2000, this is the greatest quarter-to-quarter decrease in history in absolute dollar terms. Equity financings include cash investments by professional venture capital firms, corporations, private placement and individuals into companies that have received at least one round of professional venture capital.

Seed and first round financings were hit hardest: both deal flow and the amount raised were at approximately half the level of fourth quarter 2000, and together these rounds now constitute 39% of venture capital financings, as opposed to 49% in the previous quarter. Of the VC dollars invested, just 24% were allocated to seed and first rounds vs. 30% last quarter. According to Tracy T. Lefteroff, global managing partner of the Venture Capital Practice of PricewaterhouseCoopers, "The decline is not unexpected in light of the pessimistic public markets, though the magnitude of the drop is severe. Venture capital typically lags the public markets so a return to last year's level of investment is unrealistic. And, venture capital firms are focusing more on assisting their existing portfolio companies, ... leaving less time for new deals."



Retalix StoreLine solution, Big Y Foods replaced its proprietary fixed-keyboard configuration with Fujitsu's new Web-enabled Team POS 2000 point-of-sale terminals, featuring the dual touch-screen displays. Using StoreLine's HTML programmable format, Big Y's Information Technology staff is able to customize the shopper display frequently, allowing Big Y to take full advantage of a wide range of reward programs.

In addition to earning points for loyalty, Big Y's Education Express program, benefiting local schools, was automated within the Retalix StoreLine software. Other unique promotional activities include a loyalty-shopping program in which customers win multicolored coins redeemable for discounted or free items inside the store.

Big Y, with headquarters in Springfield and supermarkets located in western Massachusetts and Connecticut, is a family owned and family oriented retail food company. The total store count, including Table & Vine, is now 46. Of these locations, 25 are World Class Markets.

Magal Enters Into Security Monitoring Services

Magal Security Systems, Ltd. (NASDAQ NM:MAGS), announced that it has established a new company, Smart Interactive Systems Inc., to participate in the growing need for real time video monitoring security services. Smart Interactive Systems Inc. will integrate sensors and video cameras located in the protected area that will then transmit the visual information of activity in the area to a central monitoring station for analysis and response. The company will offer its services mainly to industrial sites, commercial businesses and VIP residences.

New York is the intended initial market with operations thereafter expanding nationally and later to other countries. The potential market is large and management believes that in a few years most of the security systems used at industrial and commercial sites will adopt video

monitoring systems as the preferred method of surveillance and protection. . Magal's products are used currently in more than 60 countries, protecting national borders and sensitive facilities from terrorism, theft and other threats.

Israel's Prime Minister's sheep ranch and home in the Negev, is geographically located only a relatively short distance from Palestinian territory. The property was recently provided with a security fence at a price of \$1.7 million. Magal would not confirm or deny to IHTIR that it supplied the system

The company has received the approval of the Tel Aviv Stock Exchange ("TASE") for "dual listing" of its ordinary shares and expects trading in them to begin within 30 days..

Concord is Raising \$200 mln for its Fourth VC Fund

Concord Venture Management managing partner, Matty Karp, announced that the company has begun to raise \$200 million. Three previously established funds Nitzanim, and Concord I and II funds have \$260 million under management.

Prominent holding in Concord's first fund, Nitzanim, included ESC Medical Systems (Nasdaq: ESCM), Galileo Technology (Nasdaq: GALT), and Accord Networks (Nasdaq: ACCD). These all provided exits by way of IPOs.

Concord I's exits include RT-Set (Neuer Markt: RTZ) and Oridion (SWX: ORIDN). Concord II, a \$180 million fund, has not yet registered any exits. Promising companies in its portfolio include Saifon Semiconductors, Flash Networks, and Remon Medical Technologies.

Prominent investors in the Concord funds are Kardan Technologies Ltd., Leumi & Partners, Compaq (NYSE: CPQ), JP Morgan, the China Development Industrial Bank, Goldman Sachs, Harbourvest Partners, and QWest.

Major Drugs Responsible for Biotech Industry 33% Growth

Sales by Israel's biotechnology industries rose by 33 percent in 2000, and totalled \$800 million, according to a recently issued report by the National Biotechnology Committee.

The committee's coordinator, Dr. Talia Ben-Neriah, stated that in 2000 the number of biotechnology companies in Israel reached 160 and employ 4,000 people.

Teva Pharmaceuticals Multiple Sclerosis medication Copaxone and Interpharm's Rebif (recombinant bulk human-interferon-beta-1), both are major drugs for the treatment of multiple sclerosis, and are prominent contributors to the overall revenues of the industry.

Teva reported world sales of \$247 million from Copaxone in 2000, up by 48 percent from 1999. This growth alone would account for about \$120 million of the increase in Israel's biotechnology sales in 2000. A major portion of Interpharm's 2000 revenues of \$58.8 million came from the sale of Rebif.

The biotechnology industry is still not expanding in line with industry analysts' expectations. In 1999, sales in the Israeli biotechnology sector reached \$600 million and included 135 companies with 3,800 employees.

Leading the industry are pharmaceutical, agricultural, and diagnostic systems producers. The greater part of the growth is concentrated among the pharmaceutical concerns.

Sales in the pharmaceutical field accounted for 71.5 percent of the biotechnology sector, compared to 66.9 percent of the sector in 1999. Sales from agricultural products accounted for 18.3 percent of the sector, as compared to 22.8 percent in 1999 and 26.5 percent of the sector in 1997. However, the number of companies in agricultural biotechnology grew to 54 in 2000 from 48 in 1999.

Sales of medical diagnostics accounted for 4.7 percent of revenues, compared to 3.9 percent of biotechnology revenues in 1999. With two new companies in this sub-sector bringing the total number of firms to 35 in 2000.

The number of start-ups in biotechnology rose to 25, as compared to 16 in 1999. All the new start-ups are involved in the medical sector. Most (21) are also involved in developing platforms - patent-protected methods to reduce the development time for a specific medicine. Many of them (15) are also involved in diagnostics.

The data in the report jibe with results of a study on the economic potential of the Israeli biotechnology industry that the Science Ministry commissioned in 1997. At the time, that report predicted that sales in the sector would reach \$790 million in the year 2000 and \$1.8 billion by 2003. The forecast included the predictions of the sale of Copaxone.

In the beginning of 2001, the international consulting firm Monitor published its recommendations on how to advance the biotechnology industry in Israel.

The Trade Ministry's Chief Scientist, Carmel Vernia, plans to convene a gathering of experts from academia, government and industry to discuss ways to advance this promising sector. He also plans to support incubator companies and promote a consortium,

MPM Biotech Fund Poised to Expand

MPM Capital, a major global venture capital fund, which focuses on biotechnology, will expand its activity in Israel. MPM intends to invest in two or three Israel companies within a year according to MPM chairman and general partner Dr. Ansbert Gadick.

MPM is presently carrying out a due diligence process on an unnamed Israeli company.

MPM holds 17% of the equity in Israeli Omrix, a developer of biological glues. Its investment in Omrix amounts to \$11 million.

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ISRAEL HIGH-TECH MODEL MILLENNIUM PORTFOLIO

	Quantity		Commission	Open Amount	Current Value	Gain/Loss
Millennium Portfolio						
AudioCodes Ltd.		AUDC		Price as of 6/22/2001 : 6.10		
Total:	9,350		\$0.00	\$100,073.05	\$57,035.00	(\$43,038.05)
BreezeCom						
Total:	8,300	BRZE	\$0.00	\$100,122.07	\$33,623.30	(\$66,498.77)
Check Point Software Tech						
Total:	3,450	CHKP	\$0.00	\$254,150.01	\$168,325.50	(\$85,824.51)
Comverse Technology, Inc.						
Total:	2,700	CMVT	\$0.00	\$245,870.10	\$156,087.00	(\$89,783.10)
Orbotech Ltd.						
Total:	3,000	ORBK	\$0.00	\$104,061.00	\$101,700.00	(\$2,361.00)
Precise Software						
Total:	4,300	PRSE	\$0.00	\$96,212.50	\$112,660.00	\$16,447.50
Retalix Ltd.						
Total:	10,200	RTLX	\$0.00	\$99,450.00	\$138,006.00	\$38,556.00
Millennium Portfolio			\$0.00	\$999,938.73	\$767,436.80	(\$232,501.93)

Since the start of 2001 the Israel High-Tech Millennium Portfolio is down by 23.3%. Most of the portfolio shares moved lower in the mid-June, during the one week 8.0% precipitous drop in the Nasdaq average.

The ISRAEL HIGH-TECH MODEL MILLENNIUM PORTFOLIO is a simulated portfolio. We accept no responsibility for investment results based on the Model Portfolio.

Israeli Pavilion at the 44th Paris Air Show in Le Bourget

Visitors flocked to VIEW the Arrow anti-missile missile, which provides powerful protection against short- to medium-range ballistic missiles.

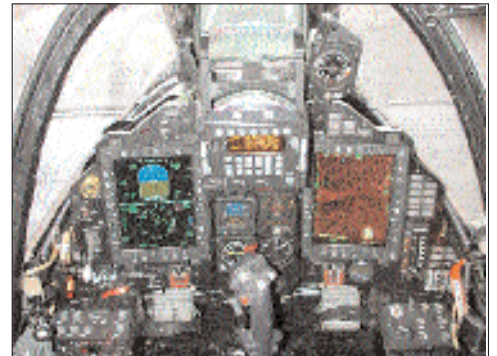
On display at the pavilion were the Arrow launcher and the Arrow interceptor the only one of its kind capable of successfully intercepting another missile, developed by IAI Electronic Group, MLM Division

The Green Pine early warning radar, one of the most advanced radar systems in the world, developed and manufactured by IAI/Elta, was shown here for the first time and used together with the Arrow missile, of which it is an integral part.

Also on display were new missiles such as the Derby, a beyond- the-horizon air-to-air missile developed by Rafael, along with Rafael's NTD, a new lightweight anti-tank missile. In total, the Israeli exhibitors' area covers 2,450 square meters.

Another premiere was SU-25 ``Scorpion" which

was displayed in flight and on the ground at the Paris Air. The upgraded SU-25 MK Scorpion aircraft, is equipped with a totally new avionics suite. The upgrade program is the result of cooperation between the TAM Company of Georgia, US, and Elbit Systems of Israel. TAM is the manufacturer of the SU-25 aircraft, more than 800 of which were delivered to customers worldwide. The Su-25 aircraft is fitted with an advanced avionics system including Weapon Delivery and Navigation System (WDNS). The upgraded Su-25 ``Scorpion" made its official maiden flight on April 18 of this year, at the TAM airfield in



Thilsi, Georgia. A state-of-the art cockpit with two, 6 X 8 inch, multi-colored LCD displays and a Head-Up Display (HUD) had offered enhanced situational awareness and all-weather capabilities. This expands the operational use of the Su-25 and enhances flight safety. The new avionics system provides accurate navigation and precise weapon delivery capabilities.

The "Scorpion" Scores Well at Le Bourget

