

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, EDITOR

September 1993 Vol. IX, Issue No. 9

ISSN 0334-8307

From the Editor's Desk

IAI - A CASUALTY OF PEACE?

With worldwide sales of \$1.6 billion in 1992, Israel Aircraft Industries earned its position as the country's largest industrial firm, employing more than 17,000. So the spectacle of workers rebelling after being paid only part of their salaries due to cashflow problems only proves once again that size is no guarantee of success... or even survival. Not that there is much wrong with the firm per se. IAI sells defense and civilian products to 85 countries, which some cite as a world record. The parent company has four divisions -- Bedek, Electronics, Aircraft and Technologies -- with a total of 17 plants. The divisions are independent, but can share and integrate expertise. The firm prefers to be respected, not so much for its products, but rather for its technological capabilities. The Lavi program saw the development and production of a unique combat plane which, although canceled, left IAI with a recognized capability for world-class design and production.

Aircraft is still the main business of the company, and this includes local assembly, upgrading, the profit of airframes, and parts production. Various unmanned airborne vehicles produced by IAI have accounted for the company's accumulation of more than 35,000 hours of flight operation. It is this vast experience which puts IAI in the forefront of UAV manufacture.

Two major events explain IAI's current precarious position. One is the scrapping of the Lavi project in 1987, with cancellation fees of about \$1 billion and potential losses of several further billions in sales. The other is the disintegration of the USSR, which decimated world markets for defense products.

The company has announced a shortfall of about \$25 million in the first half.

Management is aware that staff must be trimmed by at least 1,500 and that commercial products must be developed. This is the goal, but the giant, unable to sell its swords, is being prevented from beating them into plowshares.

"Why?"

Because opponents are convinced that private ownership, whether achieved by means of private placements or public offerings, will give outsiders access to the nation's defense secrets.

Yet at major aircraft companies such as General Dynamics, management has kept certain project information under wraps so that officials could not be forced to discuss these programs when questioned by the media or shareholders. Elbit Computers -- a successful Israel defense manufacturer -- has been winning tenders away from IAI. It somehow manages to maintain secrecy even though it is a public company with shares in Israel and the US. No, it's not the nature of the work; it's the nature of the owner. IAI was and is fully owned by the government, but the government seems to have no desire to be supportive. Prime Minister Rabin spares no occasion to declare that he would happily have the government divest itself of Israel Aircraft Industries, which he calls a NIS 400 million-a-year headache. "This money could be put to better use," Mr. Rabin says.

How much money does the government owe IAI under existing programs? Are these funds being held back?

No one is saying.

Can subsidiaries be spun off to raise funds? Such proposals are generally met by a chorus of nays.

In this Issue

IAI -- a casualty of peace? Editorial Comment

An Interview with Yitzhak Moda'i

Exclusive: Gallus-- A Brave New World for Chickens

Space Programs

ECI Telecom Update

Israeli Companies on Wall Street..News and Analytical

Comments: 4D -- 4th Dimension, Eshed Robotec, Elron

Electronic, Pharmos, Sapiens, Elbit Computers, InterPharm

Mutual Funds

Subscription: 1 year \$198.-. Bulk copy and reprint information available on request

Israel High-Tech & Investment Report: Copyright 1993 Israel Publications Inc.

Circulation Offices: Israel Publications Inc., 47 Byron Place, Scarsdale, N.Y. 10583, USA.

Attention: Mr. Robert M. Bruckenthal Tel.: 914-723 8321 Fax: 914-723 8340

Editorial Offices: P.O. Box 33633, Tel Aviv 61336, Israel

Tel: 972-3-6938235 Fax: 972-3-5227799

Why aren't profit-making subsidiaries sold? One reason may be that contracts received by IAI are shared by a number of companies; these companies are unwilling to give up their share of the pie, even if it means they will all go hungry tomorrow. So management at IAI is in a squeeze. If the owners do not decide to show greater support, if labor persists with its one-sided demands, and if management continues to alienate customers, we could find that when the government finally seeks to sell IAI, its privatization value may be much less than even the long-suffering taxpayer is prepared to accept.

An Interview with Yitzhak Moda'i

Yitzhak Moda'i, who served twice as Israel's Minister of Finance, most recently during the Gulf War, is now active as an economic consultant. His pro-business attitudes reflect his own background as a business manager in the private sector. Here are some samples:

On Inflation

In the early 1980s, inflation was rampant in Israel. At one point it reached 445%. Since 1986 it has been carefully controlled. For 1992 it finally dipped under 10%. "The direction is a correct one. It is also correct to make the Israeli shekel an international hard currency," says Mr. Moda'i. His thinking is in line with that of Yaacov Frenkel, governor of the Bank of Israel.

On strikes by government employees

"The aim should be to increase production per capita. Yet fewer hours are being worked and wages are being increased," says Mr. Moda'i.

On the future

Is Israel in the 1990s capable of competing internationally?
 "Absolutely, Israel will continue to compete successfully on the international markets. The Gross Disposable Product of \$12,000 per capita has reached a good level. Its people have the brains, and its research and development is outstanding," asserts Mr. Moda'i.
 Yet why is it that not much more than half of Israeli research and development results in increased exports?
 "There is a need for international marketing. Large foreign companies adjust the scope of their market research to the size of the market, and not to the size of the potential export. The benefits of research and development would increase with the involvement of large foreign companies who would serve as marketing partners," states Moda'i.

Economic Declines in Markets

Elscont Ltd., manufacturer of major-ticket items such as scanners and Magnetic Resonance Imagers, increased its six-month sales by 13% to \$117.2 million.

Laser Industries, manufacturer of surgical lasers, increased its six-month sales by only 1.8%, to \$14.8 million.

Both of them are public companies -- Elscont on the NYSE and Laser Industries on the AMEX. Both have been working in the North American market for more than two decades.

Laser Industries management continues to explain that its results have been achieved "in spite of difficult market conditions." Not a word about new products such as flexible tubes for endoscopic applications, or other developments which could boost market share.

Elscont, on the other hand, is showing increasingly good sales and earnings results. The company is continuously improving its product line to suit the market.

The conclusion is that Elscont is "imaging" better and Laser is still off the beam. Right?

Maybe!

The Laser shares at about \$6 are unchanged since the beginning of 1993. But Elscont shares are down 35%!

Go figure.

EXCLUSIVE

GALLUS - A Brave New World for Chickens

In agriculture, obtaining improved yields is the name of the game. Gallus Ltd., a three-year-old startup company, is pioneering a technology that reduces mortality rates and increases yield by applying basic research in animal behavior. Its simple but ingenious approach has resulted in a "toy" for Israeli chickens and turkeys. Egg-laying chickens, when exposed to the Gallus "toy," increase their output. Extensive testing and field trials have proven that farmers can increase their income by \$1 per chicken per year. Turkey chicks when exposed to the device experience a decrease in mortality.

The toy is the result of years of development in a new field known as "environmental enrichment," itself part of the ten-year-old discipline of applied animal behavior.

Until recently, the care of farm animals was limited to their physiological needs. Then researchers Konrad Lorenz and Niko Tinbergen received the Nobel Prize in 1973 for showing that chicks tend to follow the first moving object they notice after hatching. They called this phenomenon "imprinting."

The Imprinting Phenomenon

While earning his doctorate at the Hebrew University's Faculty of Agriculture, Israeli researcher Gadi Gvanyahu studied the effect of imprinting on turkeys. His basic assumption was that turkey chicks in commercial settings could be "imprinted" to inanimate objects. Dr. Gvanyahu developed an artificial imprinting object that, when placed in turkey farms, helped distribute the flock inside the house. He then found that turkey chicks imprinted to the device suffered less anxiety and had lower mortality rates.

Dr. Gvanyahu also chose to study another well-known phenomenon. Chickens highest in the "pecking order" lay the most eggs. The lower productivity among sub-dominant chickens is due to the aggressive behavior of their dominant coop mates. The sub-dominant individuals suffer from long-term stress, causing them to lay fewer eggs than the other hens in their coop.

In an attempt to solve that problem, caged laying hens were exposed to an enrichment plastic device which attracted 50% of the aggressive behavior away from the sub-dominant chickens to the device itself. The other hens became less stressed, as the aggressive acts lessened. As a result, these chickens lay more eggs, the mortality rate decreases, and egg size increases.

Between 1991 and 1992, Gallus launched field trials under the auspices of Israel's Ministry of Agriculture, with the cooperation of a number of Israel's leading egg and turkey farmers. At Moshav Givat Chen, 12,000 hens were used in these experiments. Six thousand were given the Gallus Enrichment Device, while an equal number were not. Egg production and mortality rates were carefully monitored. Thirteen gradings were used to describe the quality of 250,000 eggs. The study lasted 269 days, and results were impressive: 50.7% of the eggs produced by hens in the experimental group were graded 1-2. In contrast, only 44.7% of the eggs produced by the control group achieved a similar rating.

Experiments were also conducted with turkeys. Day-old turkey chicks were exposed to the Gallus Imprinting Device, and Gallus devices were installed in the pens. The chicks imprinted themselves to the devices, and it was observed that, during their crucial first ten days of life, mortality rates decreased significantly.

At Moshav Mey Ami, where 2% of Israel's turkey production is concentrated, 30,000 chicks participated in a strictly controlled trial over a period of two weeks. Significantly, the mortality rate dropped from 11% to 5%. Similar studies in various parts of the country reported average mortality rates of 5% to 8%.

Israeli hatcheries guarantee a minimum mortality rate, and compensate their customers for loss. The leading ones, after testing the Gallus Device, have recommended its inclusion in turkey houses. This has resulted in a 30% market penetration by Gallus in Israel.

The Gallus founding team is now readying itself for the next stage -- marketing overseas -- and is dedicated to new product development. For the first time, its founders are ready to open the privately held company to evaluation by investors.

Gallus products are protected by basic patents, and its founding team has all the elements that could make the company a winner. Interested parties should turn to the *Israel High Tech and Investment Report* for further details.

Space Programs

"Many countries see space programs as highly prestigious, and many governments subsidize such efforts. The Amos civilian satellite communications program is not subsidized by the government," stated Dr. Meir Devir, Israel Aircraft Industry's V-P in charge of business development.

Last month the project moved ahead one notch when the Knesset's finance committee approved a \$100 million government loan guarantee to IAI to cover the next development stage.

Amos is a recently signed private venture, and IAI will be the prime contractor. Amos involves a small platform of up to 1,200 kg. The satellite is to be launched in 1995, and will have nine transponders. Its purpose is to enhance TV broadcasting and high-capacity data communications.

The total program will cost an estimated \$190 million, with European communications groups pledged to provide \$77 million.

Amos represents IAI's entry into the field of small satellites. By the year 2000, the company expects to achieve 20% of its total sales through space programs.

The project may be "privatized" in that it may be funded by a stock market offering.

New Treatment for Impotence

Impotence -- the inability to achieve or maintain an erection -- is generally associated with anxiety. However, there is a physical side. VIP, short for vasoactive intestinal peptide, is found in the male reproductive organ and levels increase during arousal. Its level drops significantly in impotent men.

Israeli researchers Prof. Mati Fridkin of the Weizmann Institute, in collaboration with Prof. Ilana Gozes of Tel Aviv University's Medical School, have developed a modified VIP, Stearyl-VIP, in salve form which is moving into clinical trials.

(Cont'd on page 6)

UPDATE

ECI Telecom



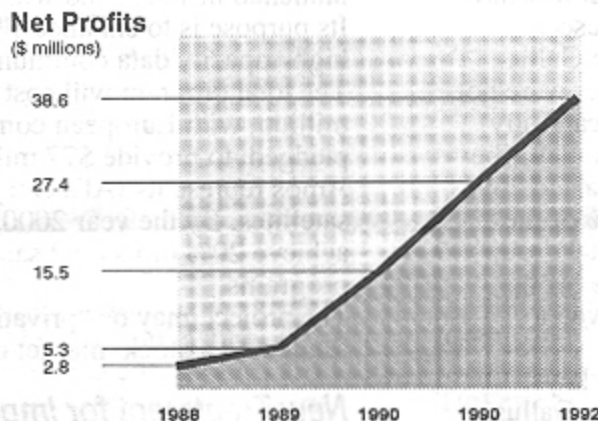
The telecommunications industry is expanding dynamically and globally. Companies are working at an accelerating pace to supply cost-effective solutions for new communication requirements posed by the business world. The demand is multi-faceted:

- ◆ Advances in technology -- including communication of voice, data, facsimile and video transmissions -- have created a necessity for greater carrying capacity. As capacity grows, bottlenecks may develop.
- ◆ Business telephone communications between developed countries outnumber private calls by a ratio of 3:1. The competition for this trade is intense, and the rewards are great.
- ◆ Eastern Europe, China and the former Soviet Union are seen as important emerging markets, with an urgent need for more telephones and capacity. To bring their telephone/population ratio to 1:2 (on a par with Italy but behind England, France and Germany) these areas would need almost 700 million additional telephones.
- ◆ Western European governments are urging their national carriers to adopt new technologies in the face of competition from multinational companies that cross borders to acquire lucrative business.
- ◆ While fiber-optic technology is providing solutions, most telephone lines are still connected to their networks by ordinary copper wires. Technologies allowing for the expansion of the message-carrying capability of these installations are in demand.

ECI Telecom Ltd., aware of these problems for many years, won a market niche by creating circuit-multiplication systems that increase the capacity of existing telephone networks to carry voice, data and facsimile transmissions.

With a customer base covering more than 80 countries on five continents, the company has demonstrated the success of its market posture -- developing close ties with its customers, responding to their needs, and delivering a product ahead of competitors. In 1992, it established a manufacturing facility in Tetow, Germany, and expanded its other overseas plant, at Orlando, Florida.

ECI Telecom is traded in the United



ECI Telecom Rapid Growth in Profits

States on the NASDAQ exchange under the symbol ECI:LF, the company reported worldwide sales of \$160 million in 1992. ECI Telecom's sales have risen since 1988 at an average yearly rate of 46%. Over that period, profits increased even faster. In 1992 net earnings were \$38.6 million.

Recent developments

The company is maintaining its growth in 1993 and has reported record results. Sales for the first half of 1993 were \$99.3 million, up 33% from the 1992 first half. Net income rose by 38% to \$24.6 million, compared with \$17.9 million in the first half of 1992. Per-share earnings advanced to \$0.77 from \$0.57.

In August 1993, the company announced that it had obtained an order from the Deutsche Bundespost Telekom for \$60 million of its access multiplexers for the German telephone network. This is the largest order ever received by the company from a single customer. One multiplexer will support a combination of voice and ISDN circuits. The company is one of three suppliers to the DBT and has been chosen to supply 50% of the Telekom's requirement. The company will begin the supply of this order late in 1993 and will complete it in 1994.

In June 1993, the company announced that it was dividing its operations into two separate business units, each with overall responsibility for sales, marketing, development and engineering in a particular product category.

One unit is responsible for SDH (Synchronous Digital Hierarchy) and Access Products. SDH, known in North America as SONET, is the company's newest product area.

A separate unit is responsible for Digital Circuit Multiplication Equipment (DCME) and related products. DCME is the product line with which the company traditionally has been identified.

David Rubner, ECI Telecom President and Chief Executive Officer, said these strategic changes were aimed

at accommodating the company's rapid rate of growth while preserving its excellent reputation for technological innovation and responsiveness to customers.

Building on technology

ECI Telecom earned its standing by developing and marketing circuit-multiplication products based on its own core digital speech-processing and switching technologies.

The company in 1992 continued to supply Digital Circuit Multiplication Equipment (DCME) to 65% of the world market, which has grown to \$200 million. Another new market for the company's DCME products opened in 1992 with the signing of agreements with three telecommunications authorities in China.

ECI Telecom's DTX line of DCME products increases the transmission capacity of digital satellite links, fiber-optic cables, digital microwave links and coaxial cables. It accomplishes this by transmitting during the silent periods in conversations (about 60% of the time) and by using a data-compression algorithm to compress the signal. With DTX equipment, a telecommunications provider can delay or entirely forego investment in new transmission infrastructure. The products multiply voice-transmission capacity by a ratio of 5:1 and fax capacity by 6:1. In 1992, ECI Telecom introduced an improved version of the DTX-240F; this new version multiplies high-speed (14,400-baud) fax transmissions as well as standard (9600-baud) faxes. In 1993, the company plans to introduce the DTX-360 (Phase 1), which will multiply voice capacity by 10:1.

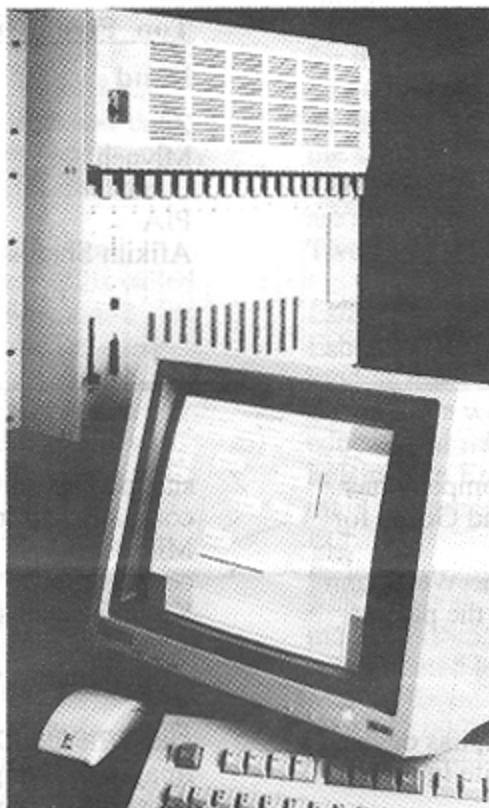
Access Network products

ECI Telecom's Digiloop product line is designed to improve the only portion of the telephone network which has so far not seen any technological upgrading. While central offices and transmission systems have been converted to digital operation, tens of millions of subscriber loops remain as they were decades ago — a twisted

pair of copper wires carrying calls in analog form.

These copper wires represent a massive investment by telephone companies. The Digiloop line of Access Network products converts the copper pair into a digital "pipe" capable of carrying digital information at a rate of up to 2 Mbit per second.

In 1992, the company's sales of Access Network products rose to more than \$40 million, twice the previous year's level. It delivered Digiloop products to significant customers such as GTE and Bell Atlantic in the United States and completed development of its ASLMX (Access Supply Line Multiplexer) system for delivery to Germany's Deutsche Bundespost Telekom.



SDM-1 Network Management System

ECI Telecom and the SDH market

The emerging SDH (Synchronous Digital Hierarchy) market is expected to reach \$7-10 billion before the end of the decade. The European sector of this market is expected to increase

10-fold to \$1 billion between 1992 and 1996. These projections have come in the aftermath of the adoption of the SDH standard for Europe by CCITT, the United Nations committee which sets international telecommunications standards.

The impact of SDH, and its North American counterpart, SONET, has been likened to the digital revolution that occurred in the communications industry in the late 1970s. These new standards enable signals of various bandwidths — voice, data, facsimile and video — to be transmitted simultaneously across fiber-optic networks. This is accomplished with a standard signal format, and a high level of integration between various types of equipment.

Important economies will be thus enjoyed by fiber-optic networks. Not the least is the replacement of three stages of equipment by single-stage equipment and the elimination of various cabling and connecting devices. The new equipment enables the computerized establishment and modification of routes and rapid detection of faults in the network, by using a small number of centralized signals.

As a result of a development program that began four years ago, ECI Telecom was able to identify itself as a front-runner in the field by demonstrating an operational SDH closed-ring network at CeBIT '92, Germany's main telecommunications trade show. ECI Telecom went on to beat four major telecommunications organizations in Deutsche Bundespost Telekom's VISION field trials, winning a \$43 million order for Add and Drop Multiplexers and network management software. This was one of the first such orders in the world and amounts to 60% of the German national carrier's SDH requirements for 1993-94. ECI has since been selected by other European national carriers for field trials and has positioned itself as the leader in the supply of ADM (Add and Drop Multiplexer) technology for the European SDH market.

The Continuous Case for Mutual Funds

Over the 12 months ending July 31, the leaders among diversified and flexible share funds -- and even more so among general, variable, Maof and specialized funds -- continued to outperform the General Share Index in nominal terms. But when reading yields it is important to remember that these

results have been adjusted to be expressed in US dollar terms. In those 12 months the shekel was devalued by 17.1%.

Still, the results placed side by side with international mutual fund performances are satisfactory.

Share Funds

Category: Diversified and Flexible Share Funds

Investment Objective: Growth

Management Policy: Manager invests in equities with mix of investments adjusted to market conditions.

Funds in Category: 42

Top Five Performers

Fund	Manager	% gain
Sivan	Amban	25.3
Yesodot	Moritz Tuchler	16.8
Ramko	Ramko	16.7
Avoka	Unitrust	15.6
Lapid	Unitrust	15.1

(percentages represent gain in value in U.S. dollar terms for 12 months ending July 31, 1993)

Category: General, Maof and Specialized

Investment Objective: Aggressive Growth

Management Policy: Manager invests in the 70 leading shares making up the TASE Share index or in the 25 leading shares which make up the Maof Index

Funds in Category: 55

Top Five Performers

Fund	Manager	% gain
Zik	Unitrust	35.8
Mivneh	FIBI	30.1
Ilanot	Karam Discount	28.9
PLA	Manof PIA	27.3
Afikim Shares	Afikim	23.9

Database: Meytav Mutual Funds

(Cont'd from page 3)

Teva, Israel's major pharmaceutical company has presented awards to Profs. Fridkin and Gozes for their "breakthrough."

Yeda Research and Development of the Weizmann Institute and Tel Aviv University own the patents connected with the development.

Kivun in 30 languages

Kivun Computers, based in Jerusalem, has devised a word processing program that can write in more than a dozen languages at once.

Based on the Microsoft Window System, the program -- named Accent -- also provides users with typefaces in the various alphabets. The program works easily with menus, on-line help, spell checking, thesaurus, keyboard mapping, hyphenation and even translation between 30 languages.

According to Ricky Ben Or, Kivun's marketing manager, the Hebrew version was highly successful, with more than 5,000 copies being

snapped up on the local market. Prior to that, the company had introduced the Hebrew version of Microsoft Windows to Israel, with over 10,000 copies sold.

Kivun has chosen Europe as its next target, taking advantage of the wealth of multilingual programmers available here.

Bioremediation of oil spills

Images of dying cormorants on Persian Gulf beaches are still fresh in memory, illustrating some of the environmental damage caused by oil spills. On land, oil spills also kill the flora and the indigenous microbial population, preventing ecosystem renewal for long periods; on water, oil slicks deprive marine life of vital atmospheric oxygen and contaminate shorelines.

In the past, cleanup involved either the oil's physical removal or its dispersion by chemical detergents (which themselves may be harmful to the environment).

Recently, bioremediation -- involving the use of micro-organisms to "eat" wastes -- has taken a leading role in combating oil contamination. Bioremediation was first tested in 1989 at the Alaskan beaches contaminated by the Exxon Valdez spill. Since then, it has been used to clean up slicks in the Gulf of Mexico, Galveston Bay and other sites worldwide.

Bioremediation uses naturally occurring bacteria which feed on the carbon-containing compounds in oil. These bacteria, which become active in the presence of water, also require nutrients such as phosphorus and nitrogen to build cell mass while releasing carbon dioxide and water.

The clean-up operation involves spraying the contaminated area with a combination of bacteria and fertilizers. In contaminated land, the ground is plowed and watered frequently to provide the organisms with access to the nutrients. In contaminated water, wave action replaces the plowing and watering.

In order to prevent irreversible modification of microbial life in the contaminated area, only naturally occurring strains of bacteria are used. In the USA, where this method was first implemented, less than two dozen microbial products have been approved by the Environmental Protection Agency for this purpose.

Recently, Israeli R&D efforts have yielded an environmentally friendly approach to oil spills called the Makhteshim/Tel Aviv University Method. It was developed by a team of researchers from Tel-Aviv University and Makhteshim Works, Ltd. -- a manufacturer of fertilizers. The phosphorus and nitrogen source of the oil-eating bacteria is a newly developed low-solubility fertilizer (patent pending) that attaches to oil.

Conventional fertilizers such as ammonia salts, phosphate salts and urea are highly water-soluble, and thus only partially available to the bacteria. The bacteria culture contains specially isolated strains that can digest this special nutrient.

The new technology is expected to allow for the use of considerably smaller quantities of bacteria compared to other methods. Results indicate enhanced biodegradation far more effective than the natural process -- with or without plowing.

The successful results prompted Makhteshim to exploit this technology abroad. Makhteshim is currently negotiating with overseas companies interested in manufacturing the products. To that end, the technology is being evaluated by the University of Pittsburgh's National Environmental Application Corporation, an organization formed to facilitate the commercialization of environmental technologies.

ISRAEL ENERGY NEWS

Israeli Companies on Wall Street

4D -- 4th Dimension Software Ltd.

This company shows record results, but there are possible surprises ahead.

Questions remain about low income levels and a small tax bill

Whether the rate of sustained growth in earnings can be maintained for 1993 will depend on many factors. Losses of \$300,000 from financial operations are a surprise, as the company might be expected to have income from its initial public offering of \$30 million at the end of 1992. Is the low tax figure reported for the first half of 1993 realistic? The \$350,000 is considerably less than what was paid on much lower income in the same period in 1992.

In its second quarter, ended June 30, revenues increased 67% to \$6,698,218 from \$4,005,200 for the comparable 1992 period. Net income increased 67% to \$2,179,123 from \$1,301,954. For the six months ended June 30, 1993, revenues were \$12,338,931 -- up 59% compared to \$ 7,776,701 for the corresponding 1992 period.

The company reported net income of \$4.1million -- an increase of 50% compared to \$ 2.7 million during the same period a year ago.

Key developments: two of every three sales dollars are now coming from the North American market. Two new products have been shipped for testing

Eshed Robotec's Investment in TLF: a heavy load

Eshed (ROBOF:NASDAQ) results may be poor as long as it is weighted down by a bad investment. Eshed has a well developed market position in the educational robot market. It also has an investment in Bin-Nun Engineering -- a holding company whose main investment is in TFL -- Time and Frequency Ltd.

Eshed's original investment was a relatively small NIS 315,000. At the end of fiscal 1992, Eshed made a NIS 550,000 provision for TFL, which had accumulated losses of \$24 million. At the end of March, Eshed made an even greater provision of NIS 692,000. Much more is needed to keep the situation from deteriorating even further.

Elron Electronic Industries

In its second quarter ended June 3, 1993, aggregate revenues of all Elron affiliates rose 8% to \$177 million from \$164 million for the comparable 1992 period. Net income was down 34%, to \$2.0 million from \$3.03 million. ELRNF NASDAQ

However, the company reported net income of \$6.0 million for the six months ending June 30 -- nearly identical to the \$6.0 million earned during the same period a year ago.

Elron's lower net in the second quarter is related to

the lower earnings experienced by Elbit Computers. Elbit is a premier electronic company with a mix of defense and medical technology activities. Uzia Galil, Elron's founder, continues to involve himself in challenging projects. The most recent is a founder's investment of \$1.7 million in a joint venture with Rafael, the Armament Development Authority of Israel, to develop military spinoffs. Other investors in the group are Discount Investments and PEC Israel Economic Corp. The other partner is Galram, which for years has been trying to commercialize Rafael's non-military side, with relatively little success.

Pharmos Corporation Update

Pharmos, the pharmaceutical company with development facilities in Florida and Rehovot, has completed a \$10 million private placement. In 1991, in its first major financing, it raised \$13.5 million. Pharmos has been a public company since October 1992, under the symbol PARS NASDAQ (\$1.88-\$2.00).

Its HU-211 proprietary molecule for the treatment of trauma in the central nervous system is to move into US clinical trials shortly, according to Pharmos' Dr. M. Vered.

The company's two ophthalmic drugs, which are emulsion-based and known as soft drugs, are in clinical Phase II studies, and are ready to move onto the next stage.

These studies are being carried out at the Sheba Medical Center in Israel.

Sapiens looks to UNIX and PC

Sapiens International Corp. (SPNS NASDAQ/NMS) is best known for its work with computer mainframes. Yet CEO Shaul Shani stresses that the growing market for UNIX and PC system-based setups will be getting greater attention.

In its second quarter, ended June 30, revenues increased by 62% to \$12.1 million from \$7.5 million during the comparable 1992 period.

Net income rose 10% to \$1.1 million from nearly \$1.0 million.

Elbit Computers

Elbit Computers Ltd. (ELBTF NASDAQ/NMS) has reported that in its second quarter, ended June 30, revenues increased 16% to \$135 million from \$114 million for the comparable 1992 period.

Net income fell 17% to \$7.5 million from \$9.1 million. The lower profits were due to reduced profit margins on the defense side of its business.

InterPharm Laboratories Ltd.

Israel's premier biotechnology firm (IPLLF NASDAQ) reports a rise in earnings to \$1.3 million

on sales of \$12.5 million in its second quarter, ended June 30. In 1992, sales exceeded \$51 million, with more than \$41 million coming from sales of human fibroblast beta interferon.

Recombinant beta interferon has been sold to Europe in 1992. The product, which has potential for curing certain cancers, is undergoing clinical trials in the United States.

Tomatoes Without Seeds

Gourmet cooks squeeze out the seeds from tomatoes. It won't be too long before seedless tomatoes are available at the local store as well as in other countries. Called the *pathenocarpic obligatory* (seedless), they are being produced here using tissue culture.

Several years ago, the Israeli Bickel family formed a company named Bickel Biotechnology International Ltd. Instead of planting seeds, the grower receives a small plant which he can then transplant into the field. The end result is claimed by the Bickels to be a better-tasting tomato because of a higher level of sugar.

For the grower, the tomatoes will be more uniform in size because of the reproduction process, known as micropropagation. Longer shelf life and the ability to grow in a broader range of temperatures -- 8-40°C instead of the conventional 20-35°C -- are further advantages.

ISRAEL HIGH-TECH & INVESTMENT REPORT NEWS AND INVESTMENT OPPORTUNITIES

Written for venture capitalists, investment bankers, international traders, industrial researchers, business men, underwriters, private and institutional investors, policy makers, offset specialists, technology scouts and individuals whose interests include following scientific and technological developments and for those who specifically wish to maintain insights into Israel's dynamic high technology fields.

Enroll me as a subscriber to the Israel High Tech Report, the monthly report on high technology.

Annual Subscription: \$198.-

TO SUBSCRIBE, FILL OUT THE FORM BELOW AND MAIL WITH CHECK DRAWN ON A US BANK, TO:

ISRAEL PUBLICATIONS, INC.
47 BYRON PLACE, SCARSDALE, NEW YORK 10583 USA

NAME.....

NAME OF COMPANY.....

ADDRESS:.....

CITY/STATE..... CODE..... COUNTRY.....