

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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## From the Editor's Desk

### Transfer of technology - selling the future for a song

Israel's continued economic expansion (with a growth of 3-4% in GNP a certainty for 1993) and the maintenance of a high standard of living rely only partially on the consumption of its five million citizens. To dominate the local market represents a "small challenge" for industry. It is the nation's exports, which earn foreign currency and provide employment, which are the indicator of true growth. The competitiveness of Israeli exports has been enhanced and profitability is improving as a result of the exchange rate policy of the Bank of Israel. The Israeli currency has been devalued in real terms in 1992 and 1993.

Exports rose last year by a real 9.9%, and in 1993 are expected to achieve a rise of 17%, according to projections published in a recent economic study by Bank Hapoalim.

More than 70% of the growth in exports is into new markets in East Europe and Asia. Israeli ingenuity has resulted in excellence in computer graphics, laser medicine, software, rocketry and telecommunications. Scitex, Laser Industries, ECI Telecom and Tadiran, Elscint, Intel and Motorola -- just to enumerate a few of the high-tech successes -- have billions of dollars in exports each year, and account for more than half of the total export figure. Electronics producers are the country's leaders in increasing export sales, and the industry accounts for 24% of total national exports, with sales set to rise by 20% for the second consecutive year.

Besides Israel's traditional European and North American customers, the major exporting market opportunities today are in the former Russian republics, China and India. These nations represent an enormous potential market, with total population of over three billion.

Tadiran is supplying millions of dollars worth of wireless communication systems to remote rural areas in China. ECI Telecom is already doing business there.

The peace process could further help exports by opening markets which were previously closed. The

newly created autonomous areas are ripe for joint ventures.

But in dealing with other economies, is Israel selling its future for a song? Are we selling too much of our basic know how for a fast buck, rather than taking the longer route of developing and marketing our own ideas? In the 1960-1970s, entrepreneurs and engineers struggled to establish high-tech industries, and to convert good ideas into internationally accepted items. They did well, and still set the pace for newcomers.

But have Israeli manufacturers fallen victim to short-term thinking? If so, they can lose the benefits of long-term export growth by opting for the "quick buck" to be earned by the outright sale of knowledge.

There are no reliable figures, but enough information is available to indicate that the sale of know-how is costing the country billions of dollars in future exports. Corporations such as the Eisenberg Group, with its worldwide contacts, have uncovered a market for basic Israeli technology, and have become adept at lining up technology-transfer opportunities. The prospect of cash up front combined with future royalties is tempting. A kibbutz specializing in the manufacture of plastic pallets from recycled material has reportedly accepted a Chinese order for \$300,000. But the kibbutz has also agreed to help the Chinese manufacture this excellent product on their own. Since there is little natural wood in China, the kibbutz know-how will help China compensate for

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its scarcity of raw materials.

The Chinese are set on maintaining economic growth of 15% per year. Since they are short of hard currency, they seek to acquire manufacturing know-how rather than to spending their capital on importing finished products.

The kibbutz, for its part, may have concluded that it could not supply the vast quantities which the Chinese require, and thus decided on technology transfer. Perfectly logical, but could the kibbutz have held out for a longer-term export contract? After the Chinese build their own plant, they will cease to be customers.

Multiply this example by tens or perhaps several hundreds and watch the damage. Brain drain and loss of job opportunities follow.

Industries seeking to expand their horizons should be encouraged to obtain fresh investment capital and establish international strategic joint ventures or partnerships which provide marketing expertise. Bodies such as the Manufacturers Association, the Export Institute and the Ministry of Trade and Industry should address this problem to see whether some control over the sale of know-how should be put into place.

In Israel, ideas are a renewable natural resource. But even ideas take time to mature and develop. If the sale of technology continues to proliferate at the present rate, the fruits of Israeli innovation may be eaten before a new crop can be grown.

## NEW PRODUCT

### *Gideon - A PC bible for diagnosing infectious disease*

Of the 10,000 visitors to the annual Interscience Congress of Anti-Microbiology and Chemotherapy, (ICAC) held in October, 3,500 were physicians. So there was a sharp interest in things diagnostic, and an innovative software program for the diagnosis and treatment of infectious diseases drew considerable attention and several dozen orders.

An acronym for Global Infectious Disease & Epidemiology Network, GIDEON is a PC-based, friendly software package which responds to the entry of clinical parameters such as where a disease was acquired, and allows for the input of all symptoms. It then names the likely disease, and supplies detailed information on the ailment, including method of transmission, clinical hints, diagnostic tests and therapy.

Gideon has data on more than 300 infectious diseases, and lists over 130 drugs. The software is updated quarterly.

Is the program really so smart? It seems so. At ICAC, the software rejected an incorrect diagnosis supplied by a colonel from Saudi Arabia. The

colonel, we learned, was trying to trip up the program. Ockelbo, the diagnosis it offered on the basis of the symptoms supplied, was identified as a disease found only in Sweden.

The software package, which sells for \$800, was developed in Israel by Prof. Stephen Berger, a former American and infectious disease specialist associated with Tel-Aviv's Sourasky Medical Center, together with Uri Blackman, a medical information specialist.

Messrs. Berger and Blackman are now seeking sales channels for Europe, the United States and the Far East.

### *News from the Negev*

Ben-Gurion University is to cooperate with the State of Gujarat in India in solving some of its ecological problems. A memorandum of understanding to this effect was recently signed in Israel between the Ecology Commission of the government of Gujarat and BGU's Jacob Blaustein Institute for Desert Research, which is located at Sde Boker in the heart of Israel's semi-arid region.

The commission was set up by the Gujarat government to work for the restoration of ecologically degraded areas and ecosystems in the state, which has extensive desert areas. Chairman Hasmukh Shah discovered on a recent visit to Israel that although there are differences in micro-environments between the two countries, the Blaustein Institute's experience in desert ecology, development of arid-zone crops, brackish-water irrigation, controlled-environment hothouse agriculture and desert architecture can be of considerable relevance for Gujarat. The two institutions will exchange technologies, prepare a comprehensive plan for restoring degraded ecosystems -- particularly in the Banni area of Kachch in Gujarat -- and plan a Desert Ecology Center for that area.

### *OPTIBASE's MPEG putting the squeeze on digital data*

Digital video is almost as ubiquitous as plastic, popping up in non-linear video editing, computer-based training and education, video mail, point-of-purchase marketing, document video annotation, games and entertainment, security and surveillance, and public information kiosks. To meet the needs of these diverse applications, several distinct (and incompatible) digital video codecs (compression/decompression standards) have been introduced: RTV, PLV, Indeo, True Motion, Quick Time, Video for Windows, Captain Crunch. Currently, the computer industry views MPEG as just one of many.

Closer inspection, however, reveals that MPEG is more accurately "many within one" or, for that

matter, one that stands alone. The only internationally recognized standard, MPEG was devised through the collective efforts of the Moving Pictures Experts Group (a joint ISO-IEG technical committee) with input from more than 50 computer, consumer electronics, telecommunications and television companies. Almost two years ago, the MPEG team finalized the draft stage of "Coded representation of picture, audio and multimedia/hypermedia information -- ISO/IEG Draft International Standard CD 11172," otherwise known as MPEG 1.

This year, finally, MPEG 1 is due to become an official cast-in-stone standard.

In the broadcast, cable and consumer electronics industries, the choice of a digital video standard was swift and strong: MPEG.

Over 53 million cable subscribers are slated to switch over to digital cable boxes fitted with MPEG decoders before the turn

of the century. In addition, MPEG is the specified video standard for CD-1, 3DO and Commodore's self-contained interactive-television consumer electronics devices. But while users in these industries take a much more passive role by merely decoding video streams, desktop users are more likely to be developing and compressing their own video streams.

Optibase was the first company to offer MPEG encoding boards, and the first to bring decoding boards for the PC platform to market. Optibase, despite competition from the C-Cube JPEG and MPEG chips, remains the leading supplier of MPEG encoding hardware and software systems for the PC. MPEG-developed encoding kits, which include hardware and software tools, start at around \$6,000; you can assemble a complete 486-based system with a 500MB hard drive for under \$20,000.

Optibase also sells the PCMotion Board (\$1,895), which decompresses MPEG streams into an NTSC signal. It is expected to be the first to make real-time MPEG encoding technology available, but prices for the boards -- which will include the newer C-Cube chips running in parallel -- will probably approach \$20,000. OptiVision is vying with Optibase to be the first to release a real-time, desktop MPEG encoder. *culled from industry trade magazines and company interview*

#### **"R" Twin holograms may enhance fiber optic transmission**

Optical fibers are increasingly replacing electrical wires in phone lines, TV cables and a variety of other telecommunication systems. However, with today's technology the number of channels that can be exploited in one fiberoptic cable is limited, primarily because it is difficult to combine them at the

transmitter end and then separate them at the receiving end.

A new Weizmann Institute method for increasing the number of signal channels that can be used within a single fiber may greatly enhance the transmission of information. The method, based on the use of twin holograms, was described earlier this year in the journal *Optics Communications*.

Dr. Yaakov Amitai of the Department of Physics of Complex Systems proposes to overcome this problem by using two arrays of identical hologram pairs, one at each end of a fiberoptic cable. One array would combine the light from different signals, trap it and introduce it into the optical fiber, while the other would pick up the combined light and separate it into distinct output signals. The system takes advantage of the fact that holograms are extremely sensitive to wavelength; each diffracts only light with a specific frequency, but is completely transparent to all other kinds. Thus, each pair of holographic elements at the receiving end will pick up only the signal sent by its twin counterpart.

This method vastly increases the number of independent channels that can share a single optical fiber. Up to 20 signals can be sent down the same fiber without interfering with one another, according to Dr. Amitai. He says the system is very compact, simple, cheap and suitable for mass production. A patent application has been filed by the Yeda Research and Development Co. Ltd., which is responsible for commercial exploitation of Weizmann Institute research.

#### **GEMINI -- \$7.5 million and rising**

"With the closing of three more deals during the last weeks of October, the total amount in which Gemini is involved will exceed \$7.5 million, out of which Gemini's direct contribution was \$4 million," said Dr. Ed Mlavsky, President of the Gemini Israel Fund. Previously reported Gemini-led investments include \$2 million in

Logal Educational Software and Systems and \$1.2 million in Holo-Or. The new investments are in GeneSoft (\$2 million), OrNet Data Communication Technologies (\$2 million) and, in conjunction with Anglo American Venture, Aisys (\$150K out of \$440K).

Genesoft was founded in 1990 by a group of systems analysts and investors specializing in tuning tools for mainframe and client-server software systems. The company's key personnel are considered by their customers to be among the world's leading experts in relational databases and transaction processing. Officers include Yossi Bolless and Yoram Kariav. Early investors in GeneSoft include John Porter, an internationally prominent venture capitalist.

**"R" Genetics of the Hepatitis B virus**

An estimated 200 million people have contracted hepatitis B, which can result in cirrhosis of the liver and liver cancer. Prof. Shaul of the Institute's Department of Molecular Genetics and Virology has succeeded in clarifying the molecular mechanism behind hepatitis B infection, and has discovered several molecular pathways used by the virus to gain control of cells. These advances help throw light on the association between infection by the virus and the subsequent development of inflammatory disease and tumors. Prof. Yosef Shaul is known as the inventor of a potent vaccine against hepatitis B which resembles the live virus more closely than currently available inoculations. Development is being carried out by BioTechnology General Ltd. -- a company operating in the Kiryat Weizmann Industrial Park adjacent to the Institute. Clinical testing of the vaccine is at an advanced stage. Shaul is now attempting to apply his procedures for blocking the replication of hepatitis B virus to stopping the proliferation of HIV. This work is based on the fact that the replicative mechanisms of the two viruses are similar.

**"R" New protein prevents spread of virus**

A natural protein that prevents the spread of viruses has been discovered by researchers at the Weizmann Institute. The material, named antiviral helper factor (AVH), was shown in human tissue-culture experiments to prevent virus budding -- the release of viral particles from living cells by passage through the cells' outer membranes. Because many viruses spread via this process -- including those responsible for influenza, parainfluenza, AIDS, and the animal disease vesicular stomatitis -- AVH may prove useful for controlling some of these conditions. A report on the discovery of AVH appears in the October 8, 1993 issue of the *Journal of the American Association for the Advancement of Science*. It was authored by Prof. Menachem Rubinstein of the Institute's Department of Molecular Genetics and Virology and co-workers Dr. Dina Fisher (of InterPharm Laboratories, Ness Ziona), Nathan Tal, Dr. Daniela Novick, and Sara Barak.

A patent application covering the use of AVH in antiviral therapy has been submitted by Yeda Research and Development Co. This work, including the design of genetically engineered bacteria, is being financed by InterLab under contract to Yeda.

**Hope for impotence**

Men who suffer from impotence as a result of a hormone deficiency may be helped by a new ointment soon to be tested on humans. Prof. Illana Gozes of TAU's Sackler Faculty of Medicine

developed the drug in cooperation with Prof. Mati Fridkin of the Weizmann Institute of Science. According to Prof. Gozes, who chairs the medical faculty's Department of Chemical Pathology, the ointment is designed for men with low levels of a hormone known as vasoactive intestinal peptide (VIP). This substance acts to increase blood flow into the male sex organ, thereby causing erection. Levels of VIP have been observed to be lower in impotent men.

Gozes and Fridkin produced an ointment containing VIP and stearic acid; the latter substance enabled the hormone to penetrate the skin of the penis. They tested the product on dozens of male rats with reduced sexual function, and the result was almost instant erection. The team is hoping to begin clinical trials on humans.

For their work in developing the ointment, Profs. Gozes and Fridkin were awarded the first Founders' Prize for Excellence in Life Sciences Research, established by Teva Pharmaceuticals Ltd.

**Desert melons**

Tel Aviv botanists are helping farmers in Israel's arid Arava region produce bigger and better winter melons in time to meet the rising demand of the European market.

Raising melons year-round in the wilderness is not an easy task, explains Prof. Dan Eisikowitch of TAU's Botany Department, the George S. Wise Faculty of Life Sciences. The fruit does not grow there naturally, winter is not its season, and there are no honeybees for pollination. But melons are a lucrative export crop, so farmers have been importing bees and growing melons in greenhouses for three decades.

Winter is the time when prices and demand are highest. Yields, however, had been low, and the fruit was misshapen, unsuitable for market. So farmers from the Arava Regional Council turned to Prof. Eisikowitch, doctoral student Rivka Nokrian, and master's student Arnon Dag for help. Melons need heat; in the Arava, they are grown in 120 meter tunnel-like greenhouses where temperatures are 5 - 15 degrees higher than outdoors. But these temperatures lead to high humidity, which hampers the work of the honeybees. The overheated bees just won't venture into the sticky interior of a greenhouse. That problem was solved by simply making more openings in the plastic walls of the greenhouse. The bees were able to fly in, take some nectar, and leave quickly before the humidity got to them. But the bees were still not thriving, and Nokrian found that the amount of nectar produced by the melon flowers was too small to satisfy the insects' appetite. So she proposed reducing the number of hives, and that proved to be

the answer. She also observed that the trellis system -- in which plants grow upward on lattices -- produced almost double the number of plants and flowers -- more good news for the bees. As for the farmers, they expect future winters to yield heftier, more attractive and numerous melons -- and significantly increase their income.

### ***Israeli companies on Wall Street***

#### ***The Americans are interested and seek sources of information***

An ongoing phenomenon is the increased percentage of American institutional investment funds being allocated to countries identified as emerging growth markets. Studies indicate that these markets outperform those in London, New York and Tokyo, and money managers are seeking the extra yield. Low interest rates at home are stimulating interest in such alternatives to big-market investment.

Israel and the US share a long history of political and economic involvement. This country's reputation for high-tech innovation in an emerging market receives media attention in the investment community. But though the level of interest is exceedingly high in the New York area, there is a lack of accurate data on the country in general, and on its public companies in particular. Such companies include some of Israel's most formidable concerns -- such well-known names as Elbit, Scitex [SCIXF], Teva [TEVIY], ECI Telecom, and Elron.

These and 50 other public companies with shares traded on Wall Street represent a total capitalization of \$11 billion.

But many large corporations listed on the Tel Aviv Stock Exchange, including such top names as Bezek Telecommunications and Israel Petrochemicals, are nearly unknown in America. Lawyers, bankers and money managers are ready to promote them, finance them, or invest in their shares, but they are handicapped by the lack of information....and more specifically, information presented in a form readily absorbed by the American mind.

The perception of Israel as a place to invest has improved dramatically as a result of:

- *its upgraded Country Risk Rating*
- *the impressive performance of its economy, currently in its third consecutive year of strong growth*
- *its improved international standing following the September Peace Process.*

Israel has only captured a tiny sliver of the total investment pie. Yet the awakened interest in this part of the world can lead to a greater inflow of

investment capital if potential investors would only know more about Israel and its economy, its capital market and its public companies.

#### ***ECI Telecom earnings exceed expectations***

ECI Telecom [ECILF] is having an excellent year. In the third quarter, sales were up 37% and earnings advanced by 39%. Analysts' most optimistic expectations were for \$59 million in sales and a net profit of \$0.43 per share. Sales exceeded \$57 million, and net profit was \$0.44 a share.

The merger with Telematics -- intended to provide ECI with worldwide marketing services for voice, data and video communications -- has been approved by ECI's board. It is scheduled to come up for approval by Telematics' shareholders later this month. Shareholder George Soros, the internationally known financier and mutual fund operator, has indicated he will oppose the merger on the terms set by management, and may try to hold out for better ones.

Clearly, he appreciates the unique advantages that the merged group will have in the marketplace. Mr. Soros could provide valuable connections to Eastern European business. As an investor he knows the area. As a philanthropist he has given away more than \$100 million to Russia and other East European countries..

#### ***Software firm spins its Magic***

Magic Software [MGCIF] specializes in creating solutions for software developers by allowing them to create applications on one platform and immediately run them on another. Third-quarter sales rose by nearly 50% to \$4.1 million, and profits advanced by an equivalent percentage to \$570,000. The shares are trading at a P:E ratio of 36, which appears justifiable as long as the company continues to blossom at the current rate.

#### ***Elscint announces new products, positive results fail to attract investor interest***

Third-quarter sales of \$60 million were somewhat under expectations, but profits of \$5.9 million were in line with projections. Elscint's [ELT] strategy is to produce newer and lower-priced full-length body scanners, and it has recently introduced three new models.

With a market capitalization of over \$400 million, the company's shares are fairly valued. Analysts have gotten used to the moderate growth in sales and profit. A technological breakthrough or an acquisition would be a key to a higher valuation, but don't look for such announcements in the near future. The company continues to progress slowly as it maintains its market position in a very competitive, international field.

**Elbit Computers reaches \$400 million sales for nine months**

The company, a blue chip firm on the local market with shares traded on NASDAQ [ELBTF], reported a net profit of \$29 million on \$400 million sales in the first nine months of 1993. Investors are justifiably impressed. Elbit's backlog of \$700 million is expected to grow even further as a result of new American business. In the meantime, growth is being generated by the sale of televisions and sensing equipment for the textile industry. Its heads-up display helmet may attract a major order from the US Air Force.

These developments, as well as joint efforts with other companies in the telecommunications field, are expected to result in major business deals with foreign countries.

**Healthcare Technologies' diagnostic kits increase market share**

Health Care Technologies Ltd. (HCTUF) has reported sales of \$1.9 million for the third quarter of 1993. At the current rate of sales the company's sales should surpass \$6 million for 1993 with a profit of \$250,000.

As of July this year, the new subsidiary Immunotech's results are included. An important collaborative Research and license agreement has been signed. The Agreement calls for the development of Test Kits for a specific type of tuberculosis, using genetic engineering technology and together with two leading American University Research scientists, at Becton Dickenson. The latter is a world-wide medical technology company that sells a broad range of medical devices and diagnostic systems.

The company's Diaslide Kits are being marketed in Japan by Nissui Pharmaceutical and expectations are for a minimum of \$600,000 in sales over the next two years. Likewise a multiple-year Agreement was signed with an Australian company for the sale of Uriscreen, of not less than 300,000 kits a year for 5 years.

The company is currently introducing to the market, three new kits using the Elisa system. The size of the company's backlog of sales and agreements in various parts of the world suggest that as its marketing efforts increase sales of 1994 could increase the current rate of growth of more than 70% per year.

Estimates of profitability are more difficult to project as they will depend on what decision management will take as to allocations of budget for marketing, research and development.

**BIPSAT a portable satellite modem**

The BIPSAT is a Briefcase Portable Satellite Communications Terminal for global communication in the Inmarsat-C system. It was developed by the

Civil Communications System group of the Electronic Systems Division of RAFAEL in Haifa, Israel.

BIPSAT acts as a "satellite modem", interconnecting a portable Notebook PC located anywhere in the world, to any national or international telex, E-mail, fax or Inmarsat-C address. It has been approved by Inmarsat and easily meets the Inmarsat-C requirements for Land Portable Earth Station. The Inmarsat System is a multinational organization consisting of 65 member nations for mobile satellite communications. This global satellite communications network interconnects with the national and international terrestrial public telecommunication system. It allows communications between mobile terminals and any telephone, fax, telex, or E-mail subscriber in the world.

The total weight of the BIPSAT attaché case, which includes the complete transceiver system including a Notebook PC and a miniature printer, is 8.5 kg. The system's uniqueness lies in the transmission antenna which is situated in the lid of the attach case. The system can operate for 2 hours on a rechargeable battery, from a vehicle, or from the electricity network. The user friendly interactive software provides pointing directions and controls the operation of the complete system.

The project was directed by Dr. Adam Livneh, Head of Project Development of Civil Communications System at Rafael. A patent was applied for in 1992. Completed within a year it was Rafael's first civilian project of that nature. It is marketed by Solan Communication Company of Israel. The unit is creating a great deal of interest within the defense establishment, the foreign office, El Al Airlines, Israeli industrial companies setting up plants in remote areas of the world, the journalists covering battle areas and natural disasters. It is also being marketed worldwide.

*Courtesy of ISRAEL SPACE RESEARCH & TECHNOLOGY INFORMATION BULLETIN Vol. 10 No. 1 & 2.*

**Elron in Demand**

Elron Electronic Industries [ELRNF] is maintaining its lead as the country's most important public investment company in the high-tech field. For the third quarter, its profits dipped to \$2.2 million from the \$4.7 million earned in the same period in 1992. Its products run the gamut of Israel's technology in electronics, semi-conductors, high-speed data communications and software.

The market capitalization has been underpinned by strong demand on the Tel Aviv Stock Exchange, where its shares are listed in addition to its NASDAQ listing. Its market capitalization is about \$355 million -- about 22% below its 1993 high.

# The Capital Market

*Prices of shares consolidate after reaching record levels  
Mutual fund yields high as public is attracted by rising prices*

Moving towards the end of November the share market was consolidating the gains which lifted the market earlier in the month to new all-time highs. The General Shares Index had risen 7.5% in October. In November, by the fourth week the Variables Index, of the 100 most widely traded securities, advanced by 3.4%. Underlying market sentiment is optimism as to the Peace Process, good third quarter company results and speculation about an emerging economic boom in the Middle East.

The public continued to invest in Mutual Funds. At the start of November there were 240 funds with total assets of \$12 billion.

Industry estimates are that investors, mostly the public, directed \$430 million of new money, mostly into share funds in October. Barring unexpected political developments, the late summer and early fall rally could

easily generate further upward momentum in December. Traditionally, as the calendar winds down money and fund managers attempt at improving annual yields. These maneuvers are likely to be supported by announcements of growing strength of the economy. The Bank of Israel is not planning to increase interest rates in spite of a rise in the cost-of-living index of 1.2% for October.

## How trading is done on the Tel Aviv Stock Exchange

Various exchanges practice different methods of trading of securities. On the New York Stock Exchange for example, approximately 150 firms are specialists responsible for the maintenance of an orderly market in the Securities they handle. Most members execute orders for the public although a small number, about 30, who are called floor traders, deal for their own accounts.

The Tel Aviv Stock Exchange, by contrast, utilizes different trading methods and for the convenience of our readers we identify and explain them here.

### Yields on Major Investments

	October 93	January-October 93
General Share Index	+ 7.5	+33.5
General Bond Index linked to C-O-L	+ 0.8	+ 5.2
Devaluation of NIS against the US \$	+ 2.1	+ 5.7
Bank of Israel notes	+ 1.0	+ 9.7
Variable Share Index	+ 5.0	+23.1
Index of low-capitalization shares	+13.3	+58.8

## 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
Ramco Flexible	Ramco	41.2
Clali Flexible	Clali	40.8
Panther	Central Trade	40.7
Raam 90	Mirit-Silbermann	36.9
Psagot 50	Psagot	33.5

**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
Ahrayut Oil	Ahrayut	78.6
Zik	Unitrust	45.6
Ahrayut R. E.	Ahrayut	45.1
Lahak Agamyia	Lahak	44.8
Ilanot Karam	Ilanot	37.7

(percentages represent gain in value in U.S. dollar terms for 10 months ending Oct. 31, 1993)

**Continuous Trading - ("Mishtanim")**

100 shares and convertibles with the highest average daily turnover, that collectively account for approximately 63% of total turnover and market value of TASE shares, are traded in the Continuous method known as "Mishtanim" (Variable prices). Transactions are carried out in predetermined order during 2-6 trading rounds and are conducted between two TASE members at an agreed upon price. Many transactions all at different prices, can be executed in each round.

**Computerized Call Market - ("Kerem")**

The CCM (Computerized Call Market) enables members to trade via the TASE without requiring a trading floor, auctioneers or dealers. In this system, all transactions are carried out at the price fixed once daily. As of June 1993, all shares and convertibles which are not traded in the continuous trading are traded via the CCM.

**Call Market - (in bonds & treasury bills)**

According to this system all TASE members simultaneously participate, once daily, in balancing the surplus (demand or supply) orders announced in advance for each individual security. The price fixed at the end of trading applies to all transactions carried out on that day (including offsets).

**Trading of shares by categories**

**Main List** - As of June 1993, securities of 305 large and medium sized companies were traded within this category.

**Parallel List** - The companies on this list are companies with relatively small capital. As of June 1993, securities of 166 companies were traded on this list.

**Tadiran [TAD] sales advance but totals lower**

Not including a one-time profit in the third quarter of 1992, Tadiran's most recent three-months profit figures advanced by 23.2% to \$6.6 million on slightly lower quarterly sales of \$174

million. Tadiran's expertise in telecommunications is expected to result in more joint ventures with Israeli companies. For example, Tadiran and ECI Telecom joined and have received an order from Bezek, Israel's telecommunications giant.

Such cooperation could result in some long-term East European business.

**Laser Industries increases profits on steady sales**

Sales at Laser are fairly constant, and the company is heading for another \$28-\$30 million year. However, the news is that in the third quarter Laser reported a profit of \$552,000. The shares have run up sharply since the beginning of the year, apparently in anticipation of the company's return to profitability. Laser's various markets for its medical lasers are sluggish in the face of recession and the rising costs

of medical equipment. The R&D department's ability to bring out new or improved products will ultimately make all the difference.

**Marginalia**

**Fibronics [FBRX]** is still in the red, with nearly \$2.0 million in losses on \$10 million in sales. The technologically clever concern is facing serious competition, and the outlook is far from clear. **Technomatix [TCNOF]** continues to report less-than-anticipated profitability. Third-quarter profits were \$388,000 on sales of \$3.7 million. **BioTechnology General** is increasing its sales of human growth hormone to the Japanese. This one product accounted for most of the \$4.35 million sales in the third quarter. However, profits are still not in sight as management costs rose and extraordinary expenses were registered in connection with the merger with Gynex. The brighter sales picture is expected to continue in the foreseeable future.

New products are coming out of **Lannet [LANTF]**, and the company is making an effort to improve its marketing muscle. Yet profits are still low -- less than \$1.0 million on third-quarter sales of \$13.5 million.

**Teledata [TLDCF]**, one of the smaller companies in the software field, continues to increase sales and profits. Third-quarter figures indicate sales of just under \$10 million, and a net profit of \$2.7 million. The strong margins are responsible for the company's market capitalization of about \$240 million, and a P:E ratio of more than 27.

**ISRAEL HIGH-TECH & INVESTMENT REPORT  
NEWS AND INVESTMENT OPPORTUNITIES**

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