

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

December 1996 Vol. XII Issue No.11

ISSN 0334-6307

STANDING IN DIFFERENT QUEUES

Prime Minister Binyamin Netanyahu, on a number of occasions, has stated that 'foreign investors are standing in line outside my office'.

Mr. Benjamin Gaon, who, as head of the Koor Industries conglomerate, has individually attracted substantial American investors to Israel, sharply differs with Mr. Netanyahu's statement. Both Mr. Netanyahu and Mr. Gaon, a Shimon Peres supporter, are speaking in the jargon of politics. The Oslo Accords three years ago were a sign to a number of large international companies, including Siemens, Volkswagen, Wire and Cable, Nestles, Fujitsu and Mitsubishi, that Israel, with its modern infrastructure and aggressive style of business, is a likely springboard for expanding business activity throughout the Middle East. They opened offices in Tel-Aviv but their activities centered mainly on trade and not industry. The investors were welcome, although they created only a handful of new jobs. The good press accorded was clearly out of proportion to their economic value. In that same period heavy investments, such as that by the Intel Corporation, were made on merits unrelated to the Oslo Accords. They were based on the availability of skilled personnel and Israel's Law for the Encouragement of Capital Investment (1959) which provide tax and financial benefits to investment programs qualifying for the Status of Approved Enterprise.

Mr. Gaon's attempts at creating a connection between a slowing in the implementation of the Oslo Accords and a slowing of foreign investment, are way off the mark.

The debate whether foreign investors are or are not standing in line in Jerusalem outside of the prime minister's office, while raising provocative and powerful mental images, disregards changes of government policy related to investment incentives. In the past year under two governments, the 38% cash grant of the total investment in fixed assets, has

been slashed. This change was announced a year ago and immediately reduced the grant incentives by a whopping 20%, and then by another 33%. IHTIR opposes these changes. Israel's economic history indicates that the injection of substantial foreign investment invariably has been followed by periods of economic boom. It follows that by administratively reducing foreign investment, the economy may slow.

The message is clear that the government's policy toward foreign investment remains positive but it is on a different track than before. Government officials, including the Director General of the Ministry of Industry and Trade, in defense of these changes suggest that Israel has become so desirable a venue for investors that they will keep on coming even after incentives are reduced.

Though firmly opposed to the reduction of investment grants we are far from gloomy about prospects since the Gross National Product continues to grow at a respectable pace of 3.5% a year.

While political debates must be endured, there is one queue where indisputably foreign investors are eagerly lining up. It is a line for equity investments. That line begins on Wall Street! Another group of new public financing issues have just reached the market. The market has priced approximately half of the 20 offerings at premium to their issue price

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Standing in Different Queues

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Investment Bankers Assure that Capital Available

Subscription: Bulk copy and reprint information available on request

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(see our study of new issues further on). The over-subscription, another term for standing in line for these issues indicates the high respect accorded to the achievements of this little country.

Prime Minister-- Freedom for Central Bank

Prime Minister Binyamin Netanyahu has reaffirmed his commitment to freedom of action for the Bank of Israel. Speaking at the one day conference marking Israel Export Day, he told an audience of several hundred exporters that while he will communicate their request for a lowering of interest rates and a downward adjustment of the rate of exchange, he leaves such decisions to the Governor of the central bank.

In response to industry's concern about pockets of engineering and software personnel shortages, the Prime Minister promised more retraining programs for new immigrants. Mr. Netanyahu, an economist trained in the USA, predicted rapid movement on the privatization front in 1997 as a new era of competition for the transport industry. "I am not surprised that foreign investors continue to show intense interest in local assets as these are still highly undervalued."

Reduction in Grant Policy is Final

Deputy Minister of Industry and head of the Office of the Chief Scientist, Yehoshua Gleitman, states that he will continue the policy of reducing the 38% grant to foreigners investing in industry in priority areas and who meet export requirements, but the existing budget of approximately \$550 million will not be increased. The issue of reduction in the level of Government grants has come under fire on the part of foreign investors who are planning to expand existing investments in this country.

Government's 1997 Budgetary Target

Balance of Payments Deficit	\$ 3.5 billion	
Export	7%	growth
Gross Domestic Product	4%	growth

Ministry of Finance Director General Calls for Correction in Economy

Ministry of Finance Director General, David Brodet, has called for lowering interest rates by the Bank of Israel which may create a devaluation of Israel's currency.

He blamed the anticipated deficit in the balance of payments, which will reach this year a record \$5.4 billion, due to a slow-down in economic growth and in a real devaluation of Israeli currency. He also warned that any additions to the Defense budget, such as the NIS 1 billion demanded by the Chief of Staff, must be carried out within the planned budget deficit.

Netanyahu Government's First Budget

The Budget, which is to be approved by the Knesset by December 31st, 1996, will undergo numerous debates including discussions on such issues as an increase in the fee for visiting a doctor and cuts in social welfare.

Comverse: 54% Rise in Profits to \$7.23 million

Shortly after Comverse (NASDAQ: CMVT) successfully concluded a \$100 million convertible bond issue, the company reported Q3 1996 results which were above analysts' expectations. Revenues rose by 44% to \$52 million. Net profits amounted to \$7.2 million for Q3 as compared with \$4.7 million in the same quarter a year earlier.



Efrat's headquarters near Tel-Aviv

Efrat Future Technology Ltd, established in 1984, has rapidly become the number one supplier of enhanced services platforms to international telecommunication network operators with over 80 customer installations in 32 countries.

Efrat has now posted 32 consecutive profitable quarters and a virtually uninterrupted record of quarter-to-quarter growth in revenues.

A study by Probe Research found that Efrat's customer base has more than doubled that of its nearest competitor. Examples of Efrat's success in the international market include the world's largest single site installation of voice and fax messaging equipment for the Deutsche Bundespost Telekom in Germany, which currently has a capacity for more than 200,000 subscribers.

Crystal Software Solutions Prepares IPO

Crystal Software Solutions is a software developer the main product of which allows modification of computer systems to dates beyond the year 2,000. Crystal is preparing its initial public offering which is to be underwritten by Hampshire Securities.

ECI Telecom Buys 5% of TTI

TTI, a subsidiary of Telecom Team Computers, is preparing itself to file for an IPO on NASDAQ. ECI Telecom (NASDAQ:ECILF) is to invest \$2.4 million and will receive 5% of TTI's equity.

LanOptics Disappoints.

LanOptics (NASDAQ: LNOPF) reported lower sales for Q3, \$5.3 million as compared with \$6.3 million in the same quarter a year earlier. A \$1.8 million inventory write-off was the greater part of the company's \$2.7 million loss which contrasted with \$1.2 million net profits for Q3 1995. LanOptics management also said it intends buying back 10% of shares.

Star Fund invests \$3 million in RT Set

Star Fund, a major venture capital fund investing in high-technology companies, has announced its investment of \$3 million in a BVR subsidiary RT Set.

RT Set has developed a system which integrates software and hardware in order to create a digi-

tized virtual studio. The Columbia Broadcasting system television network used it in the recent presidential election campaign.

Record Quarter for Tecnomatics

Tecnomatics Technologies Ltd (NASDAQ:- NM:TCNOF) recently reported results for the third quarter ended September 30, 1996. Revenues for the three months increased by 45% to \$11.5 million compared to \$7.9 million for the same period a year earlier. Net income for the period increased by 93% to \$2.2 million compared to \$1.2 million for the three months of the comparable period in 1995. American sales experienced rapid growth and included repeat sales to Chrysler as well as to Pratt & Whitney. Tecnomatics shares have been recommended as a "buy" by Oppenheimer & Co. Inc., international investment bankers. When, on October 23, the shares were priced at \$19, Oppenheimer stated, "the stock is currently selling at 19.2 times 1997 EPS estimates of \$0.99, while we estimate 1997 earnings will grow 25%."

Laser Industries Record Results

Laser Industries Ltd (NASDAQ: LASRF) for Q3 ending September 30, 1996, announced record revenues of \$14.6 million as compared with \$12.6 million in the comparable quarter of 1995. Net income rose by 41% to a new record of \$2.3 million compared with \$1.6 million in the same quarter last year. Company sales continue to expand as a result of growing demands for cosmetic laser treatments for which the company

has provided laser systems. It is also introducing systems for the treatment of wrinkles, an application which has received FDA marketing approval.

Vocaltec Results Below Expectations

Vocaltec (NASDAQ: VOCLF) reported revenues of \$2.4 million and though these were 32% above

Surfing the Net for Israeli Companies on Wall Street

Accentsoft Software	kivun.co.il
ECI Telecom	ecitele.com
EFI Ltd	efi.co.il
Efrat Future Technologies	efrat.co.il
Elbit	elbit.co.il
Elbit Ltd	elbitl.co.il
Elbit Vision Systems	evs.co.il

COMPANY	SYMBOL	\$ m RAISED	11/18 PRICE	IPO PRICE	% CHANGE
ESC	ESCMF	140	28.88	10.00	189
TOWER SEMI	TSEMF	129	7.38	14.00	-47
KOOR HOLDINGS	KOR	120	17.63	17.25	2
BLUE SQUARE	BSI	76	15.00	11.00	36
TADIRAN TEL	TTELF	75	22.75	15.00	52
DSPC	DSPC	66	37.25	26.00	43
CHECK POINT	CHKPF	66	24.13	14.00	72
TECNOMATIX	TCNOF	54	21.88	18.25	20
ORCKIT	ORCTF	53	12.94	16.00	-19
MATAV	MATVY	50	16.00	18.50	-14
YOALTEC	YOCLF	48	5.50	19.00	-71
MEMCO	MEMCF	5	19.13	15.00	27
ZORAN	ZRAN	27	20.50	13.50	52
ELECTRIC FUEL	EFCX	24	6.69	6.50	3
NICE	NICEY	21	21.38	10.00	114
EYS	EYSNF	18	6.25	9.00	-31
LOGAL	LOGLF	15	4.00	8.00	-50
CIMATRON	CIMTF	14	3.88	7.50	-48
LASER INDUS	LASRF	13	12.38	12.50	-1
HOME CENTER	HOMEF	11	5.00	7.00	-29
		\$1,024			

Playing and Winning via the Initial Public Offering Market

In strongly rising markets young companies rush to the market place to take advantage of buoyant conditions to obtain financing. Some of the IPOs (Initial Public Offerings) receive substantial publicity in the media because they may belong to a trendy area such as multimedia, Internet or medical systems. Even though we hear from our friends and read in the Press of substantial gains reaped from buying before the issue and selling as soon as the shares reach the market, this type of investing is not for the neophyte. Most new issue players invest by instinct and never really look at the fundamentals of the company, and therein lies the major risk. The above table indicates the performance of the shares of 20 companies, most of which became public in just over a year. The Israeli companies tend to out-perform other issues both on the up and the down side. The spectacular performance of ESC Medical was not foreseen by anyone yet, in retrospect, its brilliant non-invasive technology used in the removal of clotted blood, fired the imagination of investors. As long as Wall Street maintains its buoyant performance the new issue market will be volatile and all experts suggest greater caution in picking new issues.

Q2 1996 they fell short of analysts' expectations. Vocaltec reported a net loss of \$2.0 million, a figure which also exceeded analysts' predictions.

At the recent Voice Europe 1996 Conference in London, Vocaltec introduced its latest product which allows video conference calls via the Internet. Vocaltec's VideoPhone is aimed at competing with VDOnet's VDOPhone product.

DSP and PROXIM to Merge

The Israeli DSP Communications Ltd (NASDAQ:DSP) and the American Proxim have

announced a merger agreement valued at about \$400 million. The new company's estimated value could reach \$1.7 billion.

Proxim designs, manufactures and markets high-performance wireless local area data networking products based on spread spectrum radio frequency technology. DSPC develops and sells chip set and systems for the wireless personal communications market.

ELOP and Comanche

ELOP Electrooptics Industries Ltd, Israel's leading laser and thermal imaging systems producer,

has been chosen to supply a novel laser system for use in the US Army's Comanche Stealth helicopter. ELOP won the coveted contract in competition with America's major defense manufacturers. The system will integrate a range finder and a laser target designator for the launching, homing, and detonation of missiles on the target. The targeting function and range-finding capability will provide the Comanche with the most advanced operational capabilities. Main contractors for the Stealth helicopter are Boeing Sikorsky and Lockheed Martin. The total market for target designation and range finding laser systems in helicopters is estimated to be \$1 billion. ELOP's contract is estimated to be at least \$130 million. Each laser system costs under \$100,000. The development work was done in conjunction with Lockheed Martin. ELOP was chosen as a replacement for McDonnell Douglas.

Makhteshim has High Potential

Makhteshim Chemical Works Ltd has the potential to be a top performer, over the longer-term, on the Tel Aviv Stock Exchange. The Makhteshim group manufactures and markets crop protection chemicals such as herbicides, pesticides and fungicides, as well as synthetic aromatic chemicals for the detergent and cosmetic industries.

Makhteshim is two-thirds owned by Koor Industries and holds 74.3% of the controlling ownership of Agam Chemicals and 45% of Prizma.

Makhteshim's R&D programs concentrate on development of safer formulations based on non-

aromatic solvents, including micro-encapsulations. Barucha Investment House, a large portfolio managing group, currently estimates that Makhteshim is trading between 10%-20% below its true value. Barnea-Singer, another local investment house,

Dan Propper, President of the Manufacturers Association of Israel, at the recent Jerusalem Business Conference stated "the ups and downs of the political process need to be kept separate from the process of building joint businesses, already in existence with Egypt, Jordan, Morocco and the Persian Gulf states. Advancing peace and stability in the region requires neutralising the radical fundamentalists and by feeding the hungry". He asked the conference to follow in the footsteps of some of the world's biggest firms, which last year invested \$2 billion in Israel.

recommends Makhteshim as being one of the world's biggest generic manufacturers of agricultural pesticides.

As at November 3rd, Makhteshim's shares were traded at \$5.75 a share. The shares are priced at a P/E ratio of 12.2 times its last 12 months' earnings. The shares were traded in the last 12 months at a low of approximately \$4.45 and a high of \$6.50.

Microsoft and VDOnet Agree to Cooperate

Microsoft has announced a cooperative and investment agreement with VDOnet. The cooperation will involve Internet communications technologies developed by VDOnet. Asaf Mohr, VDOnet's president and CEO stated that the investment was less than 10% of the company's equity. The company has also been the object of an investment, also of less than 10%, by US West Services.

VDOnet offers a line of products for Internet video broadcasting and Internet video telephony. VDOnet's customers include producers of information and entertainment, advertising and promotion, and nearly anyone who wants to communicate with video over the Net. The company's flagship product is used to develop video at nearly 150 sites, including PBS, CBS News and Paramount Digital Entertainment. Other investors in VDOnet include NYMEX, the Battery Ventures Fund and the Star Fund.

Makhteshim has traded on the Tel Aviv Stock Exchange. Makhteshim has traded on the TASE since 1992, when it became a public company. It is part of a group of 25 high-capitalization shares known as the Maof Group of companies. The Maof Index is updated continuously during trading hours and is one of the popular indices used in characterising the development of prices on the Tel Aviv Stock Exchange. In 1995 Makhteshim's revenues were \$450 million on which it earned a net profit of \$4.8 million. Investors received \$3.0 million in dividends. Its revenues have shown above average growth over the last few years. This trend is expected to be maintained.

Sensotech Wins US Tender

Sensotech produces sensors based on a unique processing method which detects obstacles, objects or humans by imitating the way a bat navigates in the dark. The system transmits sound waves, analyses the waves reflected back, and identifies obstacles in the way.

The company has recently won a public tender issued by Vapor, an American door manufacturer for public transport in the US and Canada.

In its first year the company is to deliver \$4 million worth of its sensors.

Algorithmic Research

Algorithmic Research's technology combines RSA, an asymmetric encryption technique considered a leading standard in the field of information security, with DES, a symmetrical encryption system. On the basis of this technology, Algorithmic Research develops unique "development" tools for information security applications and has even adapted them to the Japanese market, both in terms of language and the computer platforms accepted in Japan.

The Japanese Ministry of Industry, Trade & Communications, MITI and MPT have chosen AR's technology to create the security system's infrastructure for commercial applications on the Internet.

Securing business transactions on the Internet is a major target area for high standard security systems.

Presently there is lack of uniform standards and the Japanese want to lead the field in electronic business transactions on the Internet.

ZAG Raises \$27 million

ZAG Industries (NASDAQ: ZAGIF) shares successfully debuted recently when it sold \$2.7 million shares at \$10 a share. Investors bid up the price of the shares by 30% over the issue price. ZAG is owned by the

Israeli Technoplast, the shares of which are traded on the TASE.

ZAG is a speciality producer of plastic containers, boxes, garden tools and food casing. Last year's sales were nearly totally for export and amounted to \$31.7 million. The company's productivity is very high, around \$1million exports per employee.

The Toast of the Town

Last week, Microsoft announced a number of cooperative ventures and technology acquisitions. An interesting acquisition was the purchase of the multidimensional Online Analytical Processing

Innovation is Booming

High technology, the term generally used for science-based industries, continues to enjoy a boom of major proportions. There are approximately 3,000 high technology companies in one form or another i.e. in the fields of electronics, communications and software. These three areas of activity represent no less than 70% of Israel's total investment in industry. The electronics sector alone accounts for \$6.5 billion of Israel's total annual industrial output. Of this total \$4.9 billion is exported. The country's total industrial exports were \$17 billion in 1995. The electronic industry employs 40,000 and its annual sales per employee is \$160,000. From the national point of view it is worthwhile noting that the industry's products carry 65% added value. Industry academia and the government are all manoeuvring to assist in maintaining the supply of technicians and engineers in the face of the continually growing demand. If the number of graduates remain at the current level, then by the year 2,000 there will be a shortage of 10,000 engineers. According to Hanan Achsaf, President of Motorola Israel and chairman of Israel Electronics Association, in the field of software Israel has the potential to become a major participant in the message encoding industry. Currently, there are seven companies in the field, many of which have established proven software technologies in the field of encryption. The growing sophistication of start-up companies is visible in that after developing a flag-ship product, they are already thinking in terms of a second and third product.

However, all is not rosy. Of the many young companies in the field some already report experiencing difficulty in obtaining very early stage investment capital.

Also it is becoming clear that there is not enough third and fourth stage investment capital available and this is prompting many young companies to seek funding on Wall Street prematurely.

(OLAP) technology from Panorama Software Systems. Panorama's technology fits Microsoft's main efforts and can advance the software giant several steps ahead in the rapidly expanding OLAP data warehousing market.

Panorama's technology is designed to support on-line analytical processing enterprise information systems and decision support applications. The technology gives management a simple and effective retrieval and analysis of business data, identifying and dealing with trends, as they occur. Panorama was established in 1993 in order to develop, install, consult and tailor Windows-based information systems for managers. The graphics based, easy and efficient system won users' hearts and the product was integrated into dozens of major Israeli companies in the business sector. "In addition to developing an information management tool, we identified a need for a technology which would enable unsophisticated users to collect, analyze and process data in order to facilitate decision-making," explains Roni Ross, founder and CEO of Panorama, at a recently held National Export Day Symposium. Panorama bases itself on advanced mathematical systems. The group developed a unique product with the capability to seamlessly integrate data stored in multidimensional databases with existing "relational" databases. The product also allows volumes of stored memory and disk capacity and rapid retrievability. These breakthroughs form the basis of the product which solved a number of

implementational problems suffered to date. "The minute we stepped outside, Microsoft identified and wanted our product. Using it, Microsoft will move its entry into the market forward by a year and change the world order," says Ms. Ross.

NetManage Growth Rate Outstanding

Net Manage has an outstanding growth record and Six years after its establishment it is providing Internet communication products to more than 30,000 organisations and to nearly all the top Fortune 100 Group. In 1995 it earned \$22 million on sales of \$125 million. Though selling primarily in the U.S, Europe and Japan, it recently began marketing in China. It has two Israeli operating centres employing 170. One is a development centre and the other a marketing company selling to Europe and Africa. The company, from its early stages, has concentrated on supplying personal and network client/server solutions.

NetManage was among the pioneers in providing its products free of charge, via the Internet. Some days NetManage received hundreds of thousands of enquiries "from people who didn't know one end of a floppy disc from another. But a year later, millions of copies were in use all over the world".

Air Warning Systems to China.

Well placed rumours have been speculating that Israel Aircraft Industries is quietly negotiating the sale of Air Warning Systems to China. If successful the transaction will total \$250 million. The deal depends on Russia's willingness to sell to China its Ilushin 76 cargo planes which will house the IAI systems. Complicating negotiations is China's reluctance to buy American Boeing 707s because of its fear that America might freeze the supply of spare parts during any crisis which might occur between the two countries. Trade sources have mentioned the possibility that India might become a buyer, as well.

Copaxone approved for Sale in Israel

Ahead of its expected receipt of America FDA approval with the marketing of Copaxone in the United States, Teva has received the first time ever approval won by an Israeli company, to market an ethical drug. There are 2,000 - 3,000 multiple sclerosis patients in Israel. By comparison, it is estimated that there are 300,000 MS patients in the US and an equal number in Europe.

\$200 million Israeli- Jordanian Project

A jointly owned Israeli-Jordanian project is finalizing preparations to construct a Jordanian-Israeli industrial and commercial park three miles south of the northern border crossing between the two countries, on Jordanian territory.

At a later stage, expansion of the park to Israeli territory is planned.

The entire project is available in project handbooks which Israel, Jordan and the US presented at the Cairo Economic Summit for Middle East & North Africa (MENA CAIRO '96). Jordan's government has allocated the land and agreed to invest in connecting the area to the Jordanian infrastructure network.

The Russian Ministry of Labour Buys Multimedia.

Edusoft (NASDAQ:EDUSF) has completed the installation of its multimedia system which teaches English. The system is being applied to the study of English in the CIS countries, as part of the retraining of workers for high-tech professions and management. Edusoft equips classrooms with 20 computers, a comprehensive library, games, multimedia software, software for the study of business and technical English, a video room, Internet connection and furniture. Edusoft has also signed an Agreement with Packard-Bell to include sample versions of its English+ multimedia software in all Packard-Bell, Zenith and NEC PCs, sold in Europe, Asia and Africa, in 1997.

Microsoft's Internet Explorer in Hebrew

By the end of this year, Microsoft's Internet browser, Internet Explorer 3.0, will be able to fully support Hebrew, including right-to-left writing and reading, correct text flow, alignment and quality fonts. Development was coordinated with the standards committees involved in Hebrew Internet support, and the international Unicode standard.

Microsoft is working in cooperation with the Standards Institution of Israel and the Israel Internet Association, in order to define a Hebrew Internet standard. Hebrew support for integrated NT 4.0 Internet servers will be available soon, in order to provide Hebrew-language search functions on the Web.

Prior to market release, the new product is being tested by adapting 4,000 pages of information belonging to the Tel Aviv University Scientific Community site. In the coming weeks the company will offer this service free of charge, and in the future, the service will be offered via Internet sites. NetVision has already announced it will offer the new solution to customers.

In addition, Microsoft is offering Israeli developers a set of development tools called Hebrew Developer, which includes a collection of software and tools enabling the construction of 32-bit-Hebrew applications with full Hebrew Windows 95 support. These tools are suited to the client / server environment, Oracle data bases, Sol servers and others.

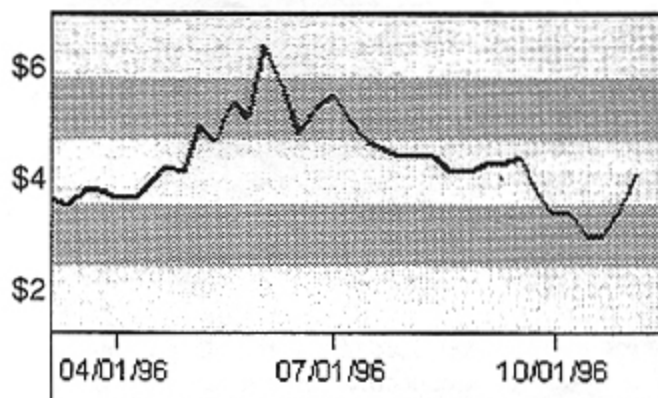
Putting the Squeeze on the Unseen, with Lasers

A novel approach, utilising a Low-Powered Laser and a Patented Optical System is opening new research application possibilities whereby a strongly focused laser light creates mechanical forces which can capture and position the smallest of objects, such as cells and cellular particles. A broad range of biological material is not at all affected by the infra-red light. The technology allows these small particles to interact, to be fused, or to be selected for sorting purposes. A major benefit in this application is the ability of the laser beam to "freeze" microstructures and then manipulate them. The work is being done by Dr. Asher Porath, senior scientist and researcher at Jerusalem's Hadassah Medical Centre. The system introduces into a microscope a laser beam which is focused to form a beamspot of less than a micron in diameter. This system is modular and can be easily attached to any of the world's high-quality microscopes.

For eggcell fertilisation, for the entrapment of bacteria, for the isolation of chromosomes - all issues faced by researchers - this system, known as the Optronic Tweezer, is an answer at an affordable price.

The system now supplied to a number of internationally renowned medical centres, fits in a small valise, but "it will be scaled down to pen size, in the foreseeable future", states Dr. Porath.

Silicom Headed for Strong Q4

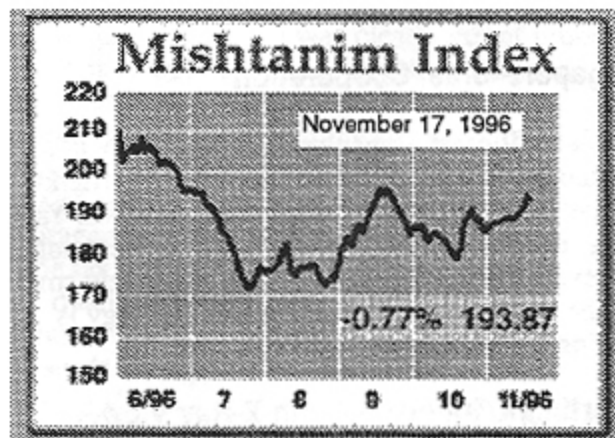


Though sales in Q3 exceeded last year's results by 52% and nine months sales of \$3.8 million were 86% higher than those in the comparable period in 1995 an even stronger last quarter is expected

from Silicom (NASDAQ:SILCF). Computer sales in the United States have been on the rise with leading suppliers Compaq and IBM having announced unexpectedly strong Q3 results. Silicom management remains optimistic and has projected a record year based on OEM demand for its connectivity products which combine software and hardware to allow portable notebook, laptop and handheld computers to interface with Local Area Networks. SILCF prices have picked up strongly and have been up up to \$3.75 from October lows of \$2.50 29%

Foreigners Increase Holdings on TASE

Contrary to rumours to the contrary, according to data published by the Bank of Israel research division, the total value of foreign investors' holdings in stocks on the Tel Aviv Stock Exchange reached more than \$ 3.1 billion (NIS 10 billion) at the beginning of October. Foreign investor equity holdings now account for 11.3% of the value of all the shares registered for trading on the TASE. In less than two years foreigners have increased their holdings by \$1.3 billion. Stock prices continue to move within a narrow range though having difficulty in broaching the 200 level last seen in June.



Technology Conference in High Gear

TEL AVIV IHTIR, - Israel's Evergreen Capital Markets Ltd. and American investment banker Robertson Stephens, sponsored the second annual Growth and Technology Conference. The international flavor of this conference was highlighted by the presence of entrepreneurs, venture capitalists,

who came from near and far to listen to 95 presentations by Israeli high-technology companies. The conference turned the ballroom of the Tel-Aviv Hilton into a mecca of high technology with presentations featuring innovative technologies. A big digital electronic clock indicated when the speakers ran out of their allotted 25 minutes. The presenters included seasoned ones like ECI Telecom, the ailing Scitex, Electronics for Imaging, Gilat Satellite, Elscint and the new up-and-coming stars of tomorrow such as the RAD group, of companies, Enigma Information Systems, ArelNet and Smartlight. It was undoubtedly the best showcase for Israeli high technology appearing under one roof. Venture capitalists were taking a long look at the technologies and talking with management.

Michael McCaffery, Robertson Stephens's president, assured the audience that in spite of record numbers of initial public offerings in 1996, the outlook is good for a continuous flow of capital. "Low interest rates and the low level of inflation and the election results make a good setting for technology companies whose present value, based on future earnings expectations, makes their equities attractive. Moreover in the past five years there has been a \$500 billion reduction in shares leading to a shortage of quality equities," said Mr. McCaffery.

Minister of Finance Dan Meridor, who just returned from the Cairo Economic Conference, told the visitors that Mr. Mubarak's comments were "90% economics and only 10% politics". "Investors are turning to us continually with their interest focused on infrastructure and high-technology projects," stated the Minister. Mr. Yaa'cov Burak, founder of the Evergreen group welcomed both local and foreign visitors. Conference organizers estimated that more than 1,000, came from Europe, the USA and Far East. Dr. Felix Zandman, founder and president of Vishay InterTechnology, a Fortune 100 company estimated that in 1997 chip shipments will resume their growth after a year of oversupply. Vishay's,

Lockheed Martin's COO at JBC

"On the road to recovery of the defense industries and the implementation of the privatization plan Israel will need to overcome both institutional and

personnel problems," stated Lockheed Martin President and Chief Operating Officer Vance Coffman, at the Jerusalem Business Conference. Lockheed Martin, the largest defence-aviation concern in the world. It expects to be a major supplier of the American new generation bomber-jet program. The program is to supply a single plane which will then be adopted for the specific requirements of the American military branches. The value of that program is \$100 billion. He mentioned Israeli companies El-Op and Raphael both of whom are world class defense product suppliers, as companies with whom Lockheed Martin looks forward to cooperate after their privatization.

"I believe we will be able to integrate the government's privatisation policy with our expertise and vast experience," stated Mr. Coffman.

Privatization to Resume in 1997

Private and government sources estimate that \$5 billion can be raised in 5 years by privatization. From 1986 through August 1996, more than \$2 billion was raised in proceeds from privatization activities, not including the bank shares under the Arrangement. The government has stated it expects privatization to be a major source of capital and a catalyst for economic growth. Acceleration of the process would be helpful considering the country's needs to offset Government budget deficits.

Privatization is perceived by many to be a major test of the Government's ability, reliability, and determination to carry out its stated policies. How it accomplishes the task is of crucial importance to Israel's international business image.

Growth & Technology: New VC Fund

Robertson Stephens, in cooperation with Evergreen Capital Markets and investment management firm Weiss, Peck and Greer, is establishing a new venture capital fund. The fund named Periscope is expected to reach \$30-50 million after it completes capital raising by the end of the December. Robertson Stephens itself is investing 10% of the total.

The fund will be managed by the three founding companies and will focus on Israeli growth companies.

After establishing this fund, Evergreen will become one of the groups with the largest cash

reserves designated for investment in Israel. Evergreen raised \$25 million three months ago through a venture capital fund in which Japanese and Taiwanese concerns participated. Prior to the establishment of the new fund, Evergreen managed \$75 million designated primarily for high tech companies.

Singapore Fund to Invest in Technology

The government fund Yozma will invest \$8 million in the venture capital fund it is establishing together with Vertex Management of Singapore. The fund will be capitalized at \$20 million and is designated for Israeli start-ups or start-ups having some connection to Israel. These could include non-Israeli companies who have research & development facilities in Israel. Vertex has an option to invest an additional \$15 million.

Vertex is a subsidiary of a corporation associated with the Singaporean government, and already manages three venture capital funds capitalized with \$500 million.

Vertex intends to be an active partner in the companies in which it invests. Its connections with Asian companies will be put at the disposal of the local companies. This is one of the largest investments made to date by a Singapore entity.

Singapore-Israel Cooperation

"The activities of Singapore's National Science & Technology Board are aimed at creating friendly ties between our country and Israel, says Mr. Yap Ning Jee, Manager of Singapore-Israel Research & Development. "The budgets are relatively small but the level of interest in Israeli technology is running at a high level," says Mr. Jee.

SmartLight innovates with X-Ray Viewer

A four year old start-up headed by Israel's most experienced medical imaging team has begun selling its SmartLight unit for hospital emergency rooms. According to Dan Inbar, chairman and VP R&D there are 3 million light boxes in use for viewing film of imaged pictures.

"There has been little done in this field and most of the boxes in use fall short in terms of levels of glare and other parameters.

The company's key product is a computerized digital viewer. It is covered by patents and worldwide distribution is beginning.