

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

February 1996 Vol.XII, Issue No. 2

ISSN 0334-6307

The Peace Budget

After the usual several days of filibustering, the Knesset finally passed the 1996 budget early in the new year. The budget totals NIS 172.7 billion (\$55.2 billion), a real increase of 8.6% over 1995. This makes it the largest in the Middle East -- 2.5 times greater than that of Saudi Arabia, for example.

The government's main goals are stable economic growth, a further decrease in unemployment, the absorption of an estimated 70,000 new immigrants, and stabilization of the country's balance of payments deficit (which reached NIS 13.5 billion [\$4.5 billion] in 1995).

With national elections scheduled for the fall of 1996, it's perhaps to be expected that the budget is a populist one, with massive investment in economic infrastructure expected to maintain the economy's forward momentum for the sixth consecutive year. Spending on education is being raised in response to public demand for longer school hours and diversification of curricula.

The government would also like to cut taxes, but its lackluster performance in privatizing corporations -- especially the country's two largest banks, Bank Hapoalim and Bank Leumi -- may make new taxes unavoidable as the year progresses. While announcing an NIS 1.3 billion (\$430 million) budget cut, the government increased taxes by increasing the cost of gasoline by 15%.

The 1996 budget will be divided as follows: defense spending, 16.4%; debt repayment, 32.2%; transfer payments and supports, 28.4%; civilian spending, 16.4%; investment and credit,

6.6%. Ten years ago the breakdown was 24% for defense, 40% for debt repayment, 21% for transfer payments and supports, 10.2% for civilian spending, and 4.8% for investment and credit. Notable in the current budget is the almost 33% reduction in defense spending and a 25% improvement in the foreign debt.

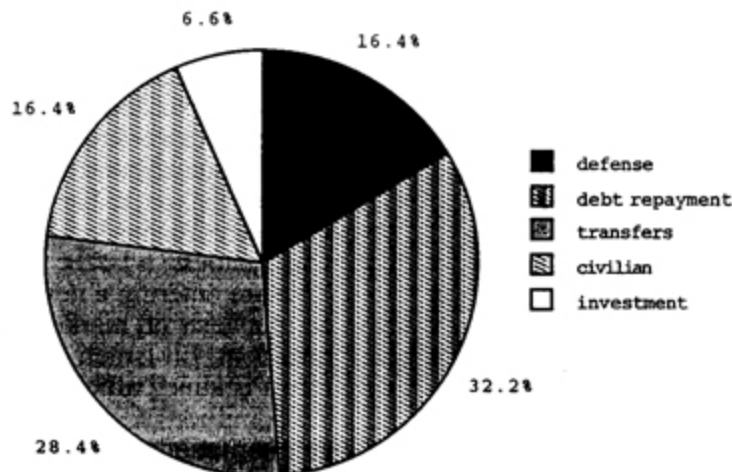
Revenues are forecast as follows: direct taxes, 45.6%; indirect taxes, 37.9%; grants from abroad, 8.1%; other revenues, 8.4%.

If budget deficits continue, the government will need to seek foreign loans such as the NIS 900 million (\$300 million) recently raised on

international financial markets, as well as capital market loans in Israel.

Spending on social services will reach NIS 67.4 billion (\$22.4 billion) in 1996. This is broken down as follows: national insurance, 33.8%; education and culture, 25%; support to health funds, 17.6%; higher education, 5.3%; health ministry, 4.7%; labor and welfare, 3.7%; absorption, 2%; others, 7.9%.

1996 BUDGET



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Company Report: IOTA Industries

As a newsletter publisher, I have looked in vain for reliable and accurate indexing and archiving software. The solutions offered are based on scanning or optical character-reading technologies, with no substantial or cost-effective advantage over our in-house-developed archiving system. We perform manual searches to find the specific monthly issue, and then we do a computer search and find our electronic copy of the DTP-formatted version. A quick search then gets us into the desired subject area.

The Newswire Software created by IOTA Industries, displayed to me in the company's Tel Aviv headquarters, offers a time-saving solution. With it, we can search, locate and display information directly on the newsletter page. We can archive all our monthly reports, and reproduce them in their entirety, identical to the original for new or existing subscribers who request back copies. Simple-to-perform subject or word searches provide useful reference points when writing articles.

IOTA is finally ushering in the paperless era about which we have heard so much.

A 1995 issue of the Seybold Report & Publishing Systems journal said in its review of IOTA:

"Every once in a while, we come across a

technology that is so remarkable in what it does, or in the effect that it is likely to have on the market, that we take serious note of it. That product, of course, is the Newswire Software from IOTA Industries of Israel. We wouldn't be surprised to see IOTA take its place in industry annals for its Newswire development."

IOTA offers a solution to the problem of storing mountains of documents produced as a result of increased computerization. Gigantic archives are becoming inaccessible to large user groups because they are kept in their original form. IOTA's Smart Image Technology could be the best method of converting these paper archives into digital form. Document images are changed into electronic documents, allowing research and retrieval, hypertext links and multimedia additions directly on the document image. By this technique, digital documents are created that are identical to the original printed page, allowing entry to previously inaccessible document-imaging markets. Neither imaging technology nor optical character recognition have been able to provide these features. The company points out that documents once thought to be too complicated to store by image recognition techniques can now be digitized and made available to large audiences by way of communication networks and compact disk publications. This opens up new distribution possibilities via Internet or CD-ROM.

The extensively tested software has been installed at Handelsblatt in Germany, (US) TV Guide, Dataware Technologies, Technion and Tel Aviv Universities.

"We are entering a new phase of activities with an emphasis on marketing," says IOTA's president, Eli Israeli. "Our current financing effort is aimed at raising \$2.5-\$3 million (NIS 7.5-9 million) for an intensive program to set up an international distribution network."

The main market areas for IOTA are electronic publishing, document imaging, the newspaper industry, and digital microfiche.

IOTA Industries was acquired in 1992 by Eurogroup Investments Israel, which changed the company's focus from hardware to software development. Since then, \$3 million (NIS 9 million) was invested in developing SIT (Smart Image Technology). In 1995, two venture capital funds, Nizanim Venture Capital and Euro Fund, put in an additional \$2 million (NIS 6 million).

The company's management and board of directors include highly experienced people, among them Efraim Arazi, founder of EFI and the Scitex Corporation.

A screenshot of a computer interface for a news service. It features a sidebar on the left with navigation buttons like 'HOME', 'SPORTS', 'ECONOMY', 'POLITICS', 'LIFE', 'LOCALS', 'SEARCH', and 'INDEX'. The main content area displays several news articles with headlines such as 'Prospects 'Bleak,' Democrats Concede', 'Confident Republicans Hope To Sweep Midterm Elections', 'HAITI: U.S. to Replace Some Combat Troops', 'Mexico Links Drug and Labor Fight', and 'CLINTON: A Reversal of Fortune for the Democratic Party as Midterm Elections Approx'. Each article includes a small image and a brief text snippet.

Agrotechnology induces optimum growing conditions

Shade from the sun, along with protection from frost, ultraviolet damage and pests are among the benefits of Aluminet, a new greenhouse and above-ground tunnel covering being introduced by Polysack Plastic Industries of kibbutzim Nir Yitzhak and Sufa. Made from aluminized high-density polyethylene knitted tapes, the patented, lightweight (57 grams per square meter) netting meets the stringent standards imposed by the Dutch government. Coated to prevent oxidation and UV-stabilized (guaranteed for up to four years inside a glass house or three years in a shade house or tunnel), Aluminet is said to prevent overheating in summer and overcooling in winter. High reflectability on both sides protects against heat and harmful radiation from the sun, while leading to energy savings of 20% to 40% in heated glass houses. The material is porous, providing an extra safeguard, since any excess hot air or humidity can escape. This feature reduces day/night temperature differences, and provides a temperate micro-climate in all seasons. Protection is thus offered against frost, hail, wind, birds and butterflies. Working conditions are more pleasant, and there is a labor-saving "plus", since the netting can be left in place without affecting the humidity balance. This in turn means picking can be delayed without fruit losing its firmness. Aluminet is available with shading capacities of from 40% to 70%. It can also be supplied with transparent lines. One final plus: the netting can be recycled!

Crystal Dates the 21st Century

Most computerized systems over 15 years old use two-digit dates, so that the very last records of this century will read 31.12.99 (or 12.31.99).

But the first date of the next century will have to read, 1. 1. 2000 (using four digits), in order to distinguish between 19th- and 20th-Century documents. What to do?

Crystal Formula, a member of the Formula Group, is offering seamless conversion of applications to support four-digit date formats. Eastman Kodak, Union Pacific, the French National Brad Bank and the GAN Insurance Company have already contracted for the conversion. Other large concerns such as Ernst & Young and other auditing companies, are following suit.

On-ramp to the Information Highway

The Israeli systems integration market includes computer hardware, operating systems, data communications and applications integration. Currently, only about 40% of Israeli companies use e-mail, but this percentage should double in a year or two, as many organizations install new computer systems, or expand and decentralize their existing ones, for group work and remote access on the Internet.

According to Ronen Zadok, General Manager of Clal-Ipex, a subsidiary of Clal Computers and the Australian Ipex system integration group, the Israeli systems integration market has already topped the NIS 300-million (\$100-million) per year mark, and will doubtlessly continue to grow as advanced information systems demand ever more upgrading.

Though Israel Aircraft Industries, Clal Insurance, Clal Israel and SuperPharm all have competitive network projects nearing completion, Clal-Ipex intends to hold a 5% share of the systems integration market.

HaShavshevet Computerizes Rumanian Refinery

Specialists at the Ploesti Refinery have completed their comprehensive training course in Israel and returned to Rumania to operate the newly installed Hashavshevet computerized system there. It includes two servers and 20 user stations connected by wireless links over a four-kilometer radius, according to Zohara Davidai, manager of Hashavshevet Rumania.

Moriah Hotels Looks For Worldwide Reservations

Five major Israeli software houses, IBM Israel, Tadiran Information Systems, ATL, Liraz and Formula, have been invited by Moriah to submit proposals to modernize its information system and link it to the Radisson-SAS worldwide reservation system.

The Radisson network operates on the Fidelio system -- a new addition to the Israeli market. By connecting its Israeli locations to the Radisson-SAS system, Moriah aims to give travel agents around the world access to its reservation system and tour packages in Israel.

Getting a Bang out of the Experiment

Move over, Steven Spielberg! An international team of physicists is recreating a world that existed billions of years before the one portrayed in Jurassic Park!

Using the world's most powerful atom-smasher,

the group -- in which researchers from the Weizmann Institute's Particle Physics Department played a key role -- may have produced a miniature version of the universe as it existed when it was only one microsecond old. Back then, matter consisted of an extraordinarily hot and dense soup of free-floating elementary particles called quarks and gluons. As this exotic concoction -- known as a quark-gluon plasma -- cooled and expanded, the particles bonded together and eventually formed atomic nuclei as we know them today.

In an experiment conducted at the European Laboratory for Particle Physics (CERN) in Geneva -- managed by Weizmann's Professor Itzhak Tserruya and described in a recent issue of *Physics Review* -- the scientists reversed this scenario. They used high-energy collisions to "melt" atomic nuclei back into primordial plasma, consisting of loose quarks and gluons. In addition to the Weizmann Institute's research team, two other large groups played a major role in the experiment: one from Heidelberg University, led by Professor H.J. Specht, and the other from the Max Plank Institut für Kernphysik at Heidelberg, led by Professor J.P. Wurm. This first-ever reconstruction of matter as it is believed to have existed during the Big Bang -- the explosion in which the universe is thought to have been created -- is expected to provide valuable insights into the origins and evolution of matter.

Nothing to Sneeze at

A gene responsible for the production of an allergy-blocking protein has been discovered by the team of Professor Israel Pecht at the Weizmann Institute's Immunology Department.

Allergic reactions occur when substances known as allergens -- pollen, pet dander and mold are common examples -- triggers an abnormal response by the immune system involving a complicated "cascade" of molecular processes. These events cause the mast cells that line the surface of the lungs, nose and other body tissues to release chemicals responsible for the allergic symptoms.

Professor Pecht's team discovered that when molecules of a certain protein present on the membranes of mast cells group together, they can interfere with the biochemical cascade that would otherwise lead to an allergy attack.

The scientists describe the structure of this protein -- referred to as mast-cell-function-associated antigen, or MAFA

-- and the gene responsible for its production in a recent issue of the *Proceedings of the National Academy of Sciences (USA)*.

MAFA has the structure of a receptor for sugar molecules called lectins, and probably plays a role in communication between cells.

It may someday be possible to prevent allergic reactions by designing medications that mimic the action of this protein.

Computer Users: Want to Write Rather than Type?

BarOn, from the Haifa Entrepreneurial Center, has received about NIS 2 million (\$666,000) from EA Industries (formerly Electronic Associates) of the USA, to market one of its newest computer input devices -- an electronic pen that digitizes handwriting in various languages, and on any surface.

The developers are presently beta-testing a model that identifies English handwriting, and are trying to produce a pen for the Chinese and Japanese languages. The possibility of eliminating both the keyboard and the mouse is a breakthrough, and the electronic pen is expected to stimulate strong demand.

Overseas partners for marketing the pen are being sought. The potential in other areas of application (such as telecommunications) are also being considered.

Now You Can Fax Texts, Graphics and Motion Videos

Israeli 3D Fax Fontech, through its California-based marketing company InfoImaging Technologies, is marketing a new fax that can handle text, graphics and even motion video. The software encodes and transmits at up to 32 kilobytes of data a second, compressed by a factor of 60. The fax-receiver (either a standard Twain-compliant or a Hewlett Packard scanner) can decompress and reconstruct this information into a three-dimensional image. 3-D Fax-supported PCs can decode without scanners, and binary files (including executable files) can also be transmitted. If necessary for security, the encoding can be scrambled. A Macintosh version of 3D Fax 2.0 is to be released shortly.

Internet's Knowledge for Ort Technical Schools

More than 100 locations of Israel's Ort Technical Schools will soon receive free access gateways via local schools. New technological developments by Ortnet will be published, and

linkage to the Internet provided. The aim, according to Ort's General Manager Israel Goralnik, is to advance both students' and teachers' knowledge and use of new technologies, by integrating as much technological innovation as possible into the learning process.

Over NIS 1 million (\$333,000) will be invested in this project.

Standard of Living Going Up

Liquidity is pouring into the Israeli economy from large-scale projects such as highway construction and tourism. In 1995, 132,000 cars were imported -- a 9.4% increase from the year before. Also imported were 51,000 new refrigerators, 105,000 videos, 38,000 dishwashers and 141,000 washing machines, indicating a significant increase in personal disposable income.

Etcetera Offers Help in Hebrew

PC Etcetera of Elron has developed a user-friendly interface system which gives on-line instruction, alongside Windows applications -- all in Hebrew.

The system's vast knowledge base is accessed through smart agents, when and where required by the user. This Hebrew-language version for professional training products can be found in the new Help+ self-training series. Help+ arrows direct the user to specific locations on the window, teaching in the process of routine work. According to General Manager Avshalom Aderet, participants at refresher courses, condensed seminars or tutorials can, through Help+, retain an overview of all the topics learned, and refer to the information to on the job.

Hebrew titles include Word 6.0, Windows 3.11, Windows 95 and the Internet. English titles also include all Microsoft Office applications and some Lotus SmartSuite components.

Obtain Cash Electronically

Algorithms Research (A.R.), an Israeli security specialist, will implement its secured smart-card transaction system in an electronic cash program planned for the Far East. The program, involving A.R. technology, is valued at NIS 2.4 million (\$800,000). The system will integrate a smart-card reader, security system and telecommunication facilities into a "smart-phone" unit. By inserting a smart card into the system, and identifying himself to the cash provider, the user will be able to download

electronic cash from his bank account, or pay bills to any services which will also use electronic cash systems.

Portfolio Strategist Picks Gilat

The Smith Barney Investment Bankers asked their 71 securities analysts to choose stocks that they believe will outperform their peers. The analysts selected 92 from more than 1,500 companies which they keep under review. Gilat Satellite Networks (NASDAQ: GILTF), an Israeli firm, was included in this prestigious group.

Gilat numbers among its distributors GE Spacenet, ATNT Tridom and ComSat, as well as IBM Europe.

Smith Barney analyst Elliot Prince estimates that Gilat will earn NIS 3.60 (\$1.20) per share in 1996 on revenue growth of 36%. Gilat has shown an ability to maintain double-digit gains from year to year in sales and profits.

The Economist's Emerging Market Indicators

In its January 6 issue, The Economist published its risk ratings for emerging market countries. The magazine's ratings were based on a quarterly summary, as well as on economic and political factors.

In the list of 25 countries rated, Russia was deemed the riskiest with a rating of 90 out of a maximum 100. Singapore was rated the least risky with a score of five.

Israel's rating was 38 points out of 100. The Economist's rating of the emerging market countries on the basis of their economies placed China first with a gain of 10.9% in its GDP in the fourth quarter. With a gain of 8.8% in its GDP, Israel came in fifth on the list of 25 countries ranked.

Poll of Computer Use Reveals Surprises

A poll carried out by International Data Corp., focusing on the extent of computer use in Israel, sought to determine the market potential for computers, and which hardware and software will predominate.

Perhaps the most surprising finding was that, out of a total of 1.2 million households in Israel, no less than 410,000 have at least one computer.

This indicated a 34% penetration of the household market. The total number of computers in use came to 440,000.

As well, 5.6% of the households had two computers and 1.4% had three. Furthermore,

25% of the respondents reported that they had bought a computer in 1994-95: Ninety-six percent are using an IBM or IBM-compatible PC, 2.4% use an Apple Macintosh, and 1.6% use other models. Household PC buyers were responsible for major sales gains, but commercial users did not represent any significant growth, focusing mainly on upgrading and PC purchases in a local area network environment.

The most popular word processor in the Hebrew language is Q-Text, while Microsoft Word is the most popular among users of word processors for international communications. More than half the respondents have computers with an Intel 486 processor.

The poll, carried out over a three-month period in the summer of 1995, allows for a 3.9% possibility of error.

Now hear this! VocalTec Announces IPO

VocalTec's Initial Public Offering will involve 2.5 million shares, or 20% of its share capital. Of the total, 1,750,000 shares will be offered by the company and 750,000 by selling shareholders. The company would like a minimum of NIS 36 a share (\$12) to raise NIS 90 million (\$30 million) for general corporate purposes.

Hambrecht & Quist will lead-manage the underwriting group, with Lehman Brothers Inc. and Robertson, Stephens & Company acting as co-managers.

Based on these factors, VocalTec is being priced at NIS 450 million (\$150 million). The company has also announced a product in the Internet Phone family -- its new version 3.1 software for Internet voice communications allows, instant point-and-click conversations on World Wide Web pages and from within other popular Internet-ready applications.

A new feature of this program is the direct call capability. Users can click on a "Call Me" address, just like they do on an e-mail address to communicate with another Web surfer.

VocalTec also announced that starting with the current version, it is offering no-cost application programming interface (API) licenses to software developers to include automatic links to Internet Phone from within other products.

"There continues to be an overwhelming response from customers worldwide," said Elon A. Ganor, Chairman and CEO of VocalTec. "It is our objective to make Internet Phone the de facto standard for Internet voice communication by making it possible for other software developers

to include links to Internet Phone in their products at no cost. Using the API, software, companies will have products that are Internet Phone-enabled, users can greatly enhance their communications capabilities, and the industry benefits through adoption of a standard technology. It's clearly a win-win situation for everyone."

The company also announced the availability of Internet Phone for Macintosh, in the first quarter of 1996. This will further strengthen its position as a market leader and de facto standard setter. The new API would let makers of gaming or virtually any Internet-ready PC software package build voice-based interactivity and collaborative tools into their products. For users, this would make Internet phoning as simple as electronic mail or traditional telephones.

The upgrade is free to current Internet Phone users, and has a suggested list price of NIS 297 (\$99), with street prices at about NIS 180 (\$60).

American Investors Buy 20% Of CheckPoint

Venrock Associates and US Venture Partners have bought 20% of the share capital of Checkpoint, a developer of Internet Firewalls -- security systems protecting local area organizational networks from unauthorized access through the Internet, and regulating the exit of subscribers to certain Internet sites. Though the present market segment is NIS 360 million (\$120 million), it is expected to show rapid growth in the coming years. The American capital investment funds bought the shares from BRM, one of CheckPoint's major shareholders.

Information Technology Market in Israel Approaching \$2 Billion

The value of the information technology market in Israel is estimated at NIS 5.82 billion (\$1.94 billion), according to the Meta consultants group. Israeli computer market sales for 1996 are expected to reach NIS 2.2 billion (\$722 million), with software sales coming in at about NIS 1.1 billion (\$371 million). Software imports in 1996 will reach about NIS 600 million (\$200 million), and software exports, NIS 696 million (\$232 million). At the end of 1995, about one million personal computers were in use in Israel, with 400,000 in offices and 600,000 in private homes. The company anticipates that the total number of computers will rise to 1.2 million by the end of 1996. The number of Internet users now in Israel is estimated at 80,000 but could be as high as 100,000, according to market sources.

Aliroo Scrambles its Clients' Secrets

Assured Privacy and Security on Internet from Prying Eyes

On June 20, 1815, faxes and electronic mail were still more than 160 years in the future, so the fabled Rothschilds sent messengers (their private news service) by land and sea to deliver the news that Napoleon had been defeated at Waterloo. Nathan Rothschild notified the British government well before Wellington's messenger arrived, and then coolly went to the London Stock Exchange, where he executed a brilliant coup worth millions of pounds.

Now, the Rothschild banks use coded messages when transmitting secret information. But the ability to shield information from prying eyes is now available to any computer, fax or e-mail user.

When you use the right software, others can't read messages left in fax machines, competitors can't benefit by tapping your fax lines, misdialing does not result in strangers reading your private messages, and faxes can be sent securely even in a hostile business environment.

Cyberspace Internet sites routinely sell a variety of goods and services for which the supplier asks to be paid by credit card. We are warned that it is not a secure way to send credit card numbers, since these could be intercepted by unauthorized individuals or hackers -- the unscrupulous scavengers on Internet.

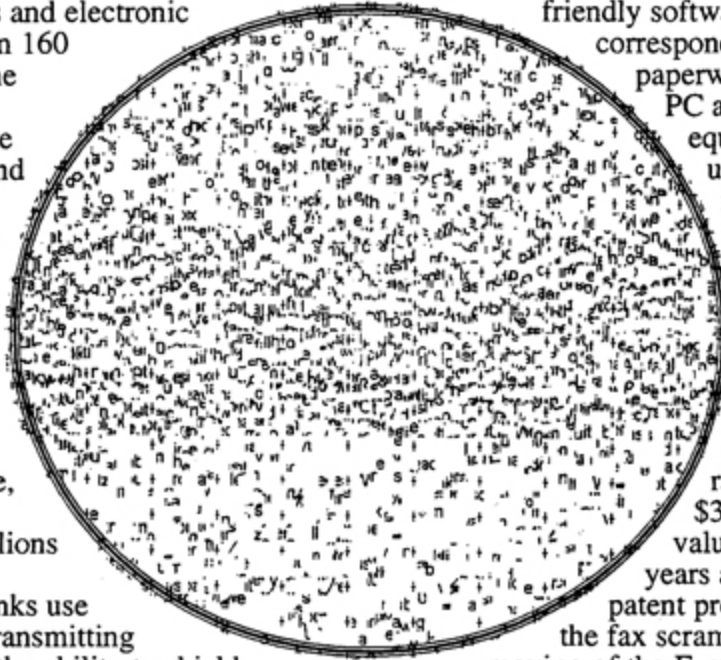
The risk of interception opens the door to commercial opportunities, and rewards those sufficiently inventive when it comes to finding a way to protect sensitive information.

Definitions:

Encryption: the conversion of information by means of a code so the data become incomprehensible to those without a key by which it can be reconverted to its original form.

Encoder: a system that will accept an input and a key and produce an output in coded form.

Decryption: the recovery of a plain message from an encrypted one when given a key.



Aliroo's expertise and products offer protection from intrusion in computer-transmitted information. The company was formed two years ago with the aim of developing simple and friendly software to secure fax

correspondence and confidential paperwork, and was to run on any PC and normal office

equipment. Five investors put up \$600,000 (NIS 1.8

million) seed money. The

initial investor was the

American venture capital

fund US Investors of

Minnesota. The fund,

headed by Harlan Jacobs,

invests in high-tech

startups in the US and

Israel. Aliroo is now

raising more funds -- some

\$300,000 (NIS 900,000). The

valuation is higher than two

years ago due to the receiving of

patent protection, the introduction of

the fax scrambler into the market the moving of the E-mail package into beta site testing and and the signing of an OEM agreement with a major Japanese fax manufacturer.

"When one is faxing or sending information by e-mail, it should be like sending a sealed letter," says Itzhak Pomerantz, developer of the unique software package for communications security.

"Anyone to whom we give this personal encryption tool can use it by simply clicking one button to secure any part of a document in one's own application. The person sending the encrypted message attaches a decoder -- a can opener. For the recipient who knows the key, it is like getting a can of sardines complete with an opener."

Aliroo's activities are conducted in a converted apartment in Kfar Saba, a suburb of Tel Aviv. At the earliest stage, Pomerantz contracted out the work needed to realize his concepts to some of Israel's leading software developers. Working with him is Rami Cohen, a multidisciplinary computer program developer. Pomerantz's wife, who is an immunologist, acts as chief financial officer.

With the basic elements in place, the software meets the standard of image, text and file encryption. "It is the most friendly text encryption program on Earth," declares Pomerantz. "It secures e-mail, groupware applications and electronic archiving for the busy user."

Encrypting and decoding is simple and convenient. Pomerantz had me encoding and decoding parts of messages within minutes. "The codes can be broken by an expert rather quickly," I suggested. To which Pomerantz replied: "Any code can be broken, but this is the strongest product which can be licensed by a government." A distribution agreement is being negotiated with Americans who feel that the programs might find applications in various departments of the United States government.

High Tech Employment Opportunities in Israel -- March 17-28, 1996

Hundreds of employment opportunities are waiting for you! Come and meet representatives of Israel's leading high-tech companies, who will interview suitable candidates for available positions. If you are an electronic or computer engineer (hardware or software), communications engineer, systems analyst, programmer, project manager or specialist in micro-electronics or electro-optics, you are invited to join us at meetings on the East and West coasts of the USA.

Participating companies:

Intel, IBM, Magic, Bezeq, Elbit, Rafael, Tadiran, Motorola Semiconductors, IAI, Efrat Technologies, Elta, RAD, Tower Semiconductor, and others.

If you would like to participate, please send your resume to: The Immigrant Absorption Ministry. Fax mailbox service in New York -- (212) 508 4114

Interviews will take place March 17-28. For more information, contact the nearest Israeli Consulate or Aliya Center, or call Sara Harel at the Ministry of Absorption -- 972-2-752746.

Large US Firm Gains Control of Maxima for \$12.9 Million

Praxair, the world's third-largest manufacturer of industrial gases, has acquired control of Maxima Air Separation. The seller of the shares was Regilan Corp., the Swiss company that founded Maxima in 1974.

In consideration of the shares -- 50.01% of the share capital and 52.2% of voting rights -- Praxair paid \$12.9 million, a price approximating the market value of the portion acquired. Following the sale of the founders' shares, the IDB group remains senior partner to the controlling shareholder through the holdings of its subsidiary companies, Discount Investments and PEC, which hold, in equal shares, 23.3% of the capital, and

about 23% of the voting rights in Maxima. The transaction is expected to be concluded on February 7, and is contingent on approval by the boards of directors of both companies. Maxima's general manager, Michael Rosenberg, said the partnership with Praxair may bring about substantial changes in the company's activity. "The new controlling shareholder will make its know-how available to us, and there will certainly be further investments in the company, so as to expand our market in Israel and the Middle East."

Tower Semiconductor Agrees to 34% Investment Grant

"We will continue to expand the Migdal Haemek plant, even if we only get a 34% grant," Rafi Levin, joint general manager at the Tower Semiconductor plant, announced recently. The company asked for a 38% grant for its expansion, and filed its application before the government resolved to reduce the State grant from 38% to 34%. The company pointed out in its 1995 prospectus that it was expecting a 38% grant. Tower had considered going to court on this matter.

The Tower expansion plan is now proceeding through the final approval stages at the Investment Center, and is due to be tabled for discussion and decision in the next few weeks. As well, talks are ongoing between the Treasury and two other companies seeking a 38% grant. One of these is Vishay Intertechnology, a leading American manufacturer of electronic resistors, with fully-owned subsidiaries in Germany and Israel. The company planned to set up a plant in Beersheba, and is insisting on the 38% grant. This project is valued at \$220 million (NIS 660 million). Vishay has at the same time acceded to a joint request by the Treasury and the Ministry of Industry and Trade to consider setting up a smaller plant in Ofakim, at an investment of about \$30 million (NIS 90 million). Vishay has filed proposals for converting the 4% difference in grant to tax benefits. It is also seeking tax consolidation with its six plants in Israel. Vishay's applications are being studied by the Treasury.

Government to Invest in the Galilee

In recent years, most new enterprises have chosen to establish themselves in the central part of Israel and in Jerusalem. As a result, the northern area has not always had enough jobs for its population. The government has been taking steps to remedy this situation by providing assistance in developing medium-sized industrial

concerns and small businesses in Galilee. The 1996 budget for northern infrastructure investment, established at \$36 million (NIS 108.5 million), will be made available to Karmiel, Tsipori, Tefen, Golani, Bar-Lev, Tzabar, Alon Tabor and Kiryat Shmona, according to a spokesman for the Ministry of Industry and Trade. This compares very favorably with allotments for 1991-1992, when the total sum invested in the north was only \$18 million (NIS 53 million). The sum has remained constant for the past three years. Besides infrastructure investment, the Ministry provides assistance and advice to small businesses in the Galilee area.

An Abridged Statistical Summary of the 1995 Capital Markets

Cost of Living Index: 8.1%

Devaluation of the Israeli shekel against the basket of currencies: 6.3%

Devaluation of the Israeli shekel against the US dollar: 3.9%

Strongest currency: the Swiss franc, up 18.5% in relation to the Israeli shekel

All instruments of investment yielded more than the annual inflation rate:

- shekel-linked investments: 13%-17%
- cost of living index and foreign currency-linked bonds: up by 9%
- the General Share Index: up by 14%

At present and looking somewhat into the future, shekel-denominated government bonds, the equivalent of the English gilts, offer annual yields above 14%. There is an underlying tone of optimism as far as the share market is concerned. Investments in the service sector, the financial field and in export-oriented companies, among them software developers, have the potential to outperform the general market.

Comverse Reports a \$2.0 mil. Order from Europe

Comverse, a subsidiary of Efrat Future Technologies, an Israeli digital voice storage technology leader, has reported a \$2.0 mil. order of Audiodisk equipment from an unidentified new European customer. Part of a major restructuring by the world's law enforcement and intelligence agencies outdated analog recording equipment is being replaced with more sophisticated and effective digital technology. Efrat's (Comverse) Audiodisk systems provide many advantages for such jobs as multiple-channel, multi-media digital recovery systems, capable of monitoring telephone, fax,

and data from both mobile and immobile transmissions. The product, now in its fifth generation, has been sold in more than 20 countries around the world.

Audiodisk systems enable many simultaneous users to monitor and process voice, image (facs) and data communications from multiple channels in a variety of analog and digital formats, provide facilities for archiving volumes of recorded information, and allow the use of computer database processing techniques for management and retrieval operations. The systems have been sold primarily to law enforcement and intelligence agencies which monitor and record communication channels for a variety of purposes, such as surveillance in support of police actions and the collection and processing of information for intelligence analysis. A commercial spinoff named Trilogue was developed from Audiodisk and sold to telecommunications service providers.

One of Efrat's competitors is Nice Systems, also an Israeli concern. Nice Systems is currently in the process of its Initial Public Offering on NASDAQ. However, the company's market segment differs in that it focuses its marketing mainly on the commercial market, with a smaller version digital recorder.

The Top Initial Public Offerings in 1995

Securities Data Company has compiled a list of the 25 top performers among initial public offerings in 1995. Technology and Internet-related issues topped the list. In first place was Premesys Communications; its price rose 540.6% since its offering on April 5, 1995. Number 9 was Israel's own Accent Software International (its software can be used in 34 languages). Accent rose by 253.8% since its offering on July 20, 1995.

Mercury Offers First Web-Based Performance Indicator

Mercury Interactive Corp., an Israeli public company on NASDAQ, announced a new system designed to help balance their Internet services to specific service levels and market demands. According to Amnon Landon, President of Mercury Interactive, the new product is the first step in the company's strategy to deliver necessary tools to support quality Web-based software development.

Believed to be the industry's first testing technology designed specifically for the World Wide Web, Mercury's WebTest will help information systems organization and improve

the quality and reliability of Web-based systems by allowing developers to measure response time to a browser request, determine the maximum number of hits the server can support, and to validate the systems' ability to function correctly under varying conditions.

WebTest will provide developers with test scripts for automatic procedures, allowing users to test their system's performance and capacity in conjunction with Mercury Interactive's LoadRunner load testing product to simulate thousands of HTML hits on the server, a critical aspect of business transactions.

Edusoft too Sell \$2.2 Million of Educational Software to Korea

EduSoft Ltd. announced that it has signed a \$2.2 million distribution agreement with a large Korean industrial company for the exclusive distribution of its products to both the institutional and consumer markets in North and South Korea. The deal concerns Edusoft's English Learning English Discoveries titles, and Early Child products. According to President and CEO Menachem Hasfari, the company has targeted Asia as a primary marketing target for 1996 and the new agreement is the beginning of this effort. "It represents our first major entrance into the emerging Asian consumer market for educational multimedia," said Hasfari.

A Model Information Country

"In this event, we focus our attention on decision makers, in the government and public sectors, as well as business, industry and every other aspect of life" says Avihi Bi chairman of the forthcoming annual convention of Israel's Information Association (IPA). "We are stating a clear message that every aspect of our life must change to meet the future. We focus on paths and bring the best minds to show us the future trends."

Zeev Barzilai, chairman of the program committee, foresees a conversion and synergy between the development of information technology and its effect on Israeli society. "We are a small country, with a lot of brains, hi-tech industry and many open-minded people with entrepreneurial talents and ambition. This is a perfect place to put the future information society model to a test. We can be "street smart" in the global village, but first we must synchronize as many elements of our daily life with advanced technology as possible. Because of the geographical dimensions and the popular and rapid pace of innovation adapted by the people, we are potentially a perfect example of a "model of an information country". World technology leaders

share Barzilai's opinion, and decided to participate in the event. The trend towards an information society and its influence on our traditional society, will be the focus of the convention. The convention, accompanied by a large exhibition of local Information Technology companies, will appeal to the highest levels of technology and industry, but also aim at Israel's opinion leaders and decision makers at the government, business, industry, cultural and ministers.

Among the outstanding speakers who confirmed their participation are Dr. Arni Pen, Vice President of AT&T Labs and a Nobel prize winner, Zvi Alon, president of Netmanage Inc., Dr. Amir Herzberg from IBM labs, Dr. Alan Baraz, President, New Technology Ventures, Mr. Tom Jermoluk, President, Silicon Graphics, Mr. Robert Madge, CEO Madge Networks, Mr. Stuart Reeves, Senior Vice President, EDS.

They will be joining a large number of presidents and CEOs of Israeli companies such as RAD Bynet, Gilat, Intel Israel, Teldor, Bezeq, New Media Investments, Zim, and many more. Leading local personalities on the agenda of the event are Prime Minister Shimon Peres, Micha Harish, Minister of Industry and Commerce, Ehud Barak, Foreign Minister and others.

Hong Kong Based Banks Confirm Interest in Bank Privatization

The Hong Kong and Shanghai Bank, the Bank of China and at least one other Hong Kong based bank have expressed interest in investing in Bank Hapoalim and Bank Leumi. Finance Minister Shohat has uncovered this interest on a recent visit to the Far East and especially Hong Kong. On a recent trip to the Far East Mr. Shohat was personally emphasizing the government's interest to continue with its privatization program.

New Round of Government Financing
Ministry of Finance officials have embarked on a trip to the US to raise \$750 mil. under American "loan guarantees". The officials are trying to take advantage of the low interest rates being paid for dollar loans on the American capital markets. Prior to starting on this round of financing the government had successfully raised \$750 million.

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