

ISRAEL HIGH-TECH & INVESTMENT REPORT

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First there was Dolly! Is Seira* Next?

On Sunday, February 23rd, Dr. Ian Wilmut of the Roslin Institute in Scotland announced that his team had cloned an adult farm animal, a female sheep named Dolly which had been born seven months before. A year earlier the same team made history when it cloned sheep embryos. Two of the clones are now in their adulthood and one of them is pregnant.

With the cloning of Dolly the British scientists took a step closer towards mass production of animal herds which can be farmed for milk, blood and organs. The researchers stressed that the procedure opened the possibility of a more efficient production (cloning) of animals to grow health products.

Other scientific teams had cloned mice, frogs and cattle but Dolly was the first animal to be grown from the cell of an adult farm animal. The Wilmut team's work differed in that it took a normal embryo cell from an adult sheep and removed its nucleus, which bears the genetic material. They then took a cell from another sheep's mammary gland inside its udder and fused it to the emptied cell. "The nucleus goes into the empty egg," explains an executive of PPL Therapeutics, the company which is commercializing the work of the Wilmut scientific team. The fusion process makes the emptied cell with the new nucleus act like an embryo and it starts to grow an animal from the beginning. Dr. Ron James, managing director of PPL, scoffs at any thoughts of moving on to human cloning, the fear raised by the success of this work. Previous technology developed at Roslin is used to genetically engineer animals that produce human proteins in their milk. Their main product is AAT, sheep's milk, now in clinical trials for use in treating cystic fibrosis.



The international furor caused by the cloning discovery raised many ethical questions. "This discovery unleashes the potential of producing replicas of

any living human being and also the recovery of the dead by using frozen material," says Patrick Dixon author of a treatise on modern genetic techniques. Indeed several governments, led by the United States, announced funding cutbacks for similar programs.

In Israel the least surprised individual about the Wilmut cloning of Dolly is Professor Moshe Shani, a world class researcher in animal cell biology and animal skeletal muscle development, and the developer of a technology which rests on gene manipulation in goats to

create the presence of human serum albumin (hsa) in their milk. The innovative technology allows for the introduction of foreign genes and targeting them into goats' mammary glands. Commercial viability starts with the resulting milk containing more than one gram of "hsa" per liter of milk. In a recent dis-

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* Seira is the Hebrew name for a female goat

cussion with Professor Shani, he said that the project using his technology has now 11 transgenic goats, all second generation females, whose milk is expected towards the end of 1997. What makes the milk so precious? It contains human serum albumin for which there is an annual global market demand of \$500 million. The separation and purification process under development and the advanced state of the transgenic goats could result in commercialization as early as 1998. Has Professor Shani the knowledge and the means of cloning the precious transgenic goats, carriers of human serum albumin? "It is a doable procedure for our group and I intend to work in that direction," says Shani.

Weizmann Institute at the Hub of Bioinformatics Network for Eastern Europe and Asia.

Scientists throughout Asia and Eastern Europe will soon be able to plug into the vast molecular biology resources available on-line, thanks to an international UNESCO-sponsored computer network inaugurated recently at the Weizmann Institute of Science.

The inauguration was attended by heads of delegations from China, India, Israel, Poland and Turkey, as well as by Prof. Adnan Badran, deputy director-general of UNESCO, and Prof. Paolo Zanella, director of the European Bioinformatics Institute. Computerized resources in molecular biology, which include the rapidly accumulating data on genes and proteins, are now crucial for the progress of medicine, biotechnology, agriculture and other fields. However, while scientists in the United States, Western Europe and Japan are generally well equipped to make use of bioinformatics data banks containing this information, their colleagues in most other regions of the world lag far behind, lacking the equipment and training to exploit these vital new tools.

The new International Bioinformatics Network, to be coordinated by the Weizmann Institute, is aimed at correcting this situation for Asia and Eastern Europe and in the future for other regions, including Israel's neighboring countries.

Scientists in Western Europe and Israel are connected to the U.K. data bank through the European Molecular Biology Network, or EMBnet. Each Western European country has its own national EMBnet node, or mirror site, a local electronic "copy" of the central U.K. data bank to which that

country's scientists connect. Israel's national node, sponsored by the Ministry of Science, has its headquarters at the Weizmann Institute.

The newly inaugurated International Bioinformatics Network will be the equivalent of EMBnet for the developing world. ICCB (International Center for Cooperation in Bioinformatics) will serve as the central node that will be linked to regional nodes currently located in China, India, Poland and Turkey which in turn will be linked to other countries in their region.

Tech IPO Solid Long-term Performers

Initial public offerings of technology firms have proved to be strong performers in the long term, according to a recent study. Investment Bankers Morgan Stanley analyzed data on all of the sector's IPOs from 1980 through January 1997. Of the 987 firms reviewed, 621 or 63% have gained in price since their IPO.

However, the report noted that Internet IPO's lagged the rest of the technology sector. Of the Internet IPO's filed after Netscape Communications Corp.'s IPO in August 1995, 79% failed to rise above their offering price.

Market capitalization of the 987 firms has risen to \$784 billion from \$176 billion over the period, with nearly \$354 billion in growth occurring in the past 2-1/2 years.

Top sectors for technology IPO's were software, networking and semiconductors, Morgan Stanley's study said. The 50 best technology IPO's during the period have created \$469 billion in shareholder value over the period, the report said. The top five performers were Microsoft Corp., Computer Associates International Inc., Cisco Systems Inc., Oracle Corp. and Novell Inc. Conversely, the 50 worst technology IPO's in the period produced declines of only \$13 billion in market value.

In the year-and-a-half period ending November 30, 1996, Israel High-Tech Investment Report identified 18 Israeli IPO's which raised \$987 million. Of these, 15 were technology companies whose activities included medical systems, computer chips, computer aided engineering design programs, computer security systems and internet telephony.

In spite of the severe losses suffered by all technology shares since the beginning of 1997, seven of the tech IPOs, as of April 11, were above their IPO price. The two best performers were ESC

Medical Systems, up 170%, and Nice Systems, a computer theft protection house, up 122%

Israel's Laser Industries Ltd Buys Spectron Laser Systems Ltd.

The acquisition of Spectron, a producer of the ruby laser technology, was to improve Laser's position as an industry leader in the hair removal market which industry analysts estimate to be in excess of \$1 billion.

The purchase is a \$16 million cash transaction. Spectron, was founded in 1983 and in the fiscal year ending March 31, Spectron expects to report sales of \$12 million, and net income of \$1.6 million.

For the year ended December 31, 1996, Laser Industries reported revenues of \$58.7 million, and net income of \$8.8 million.

Ford Selects Tecnomatix for Largest Ever CAPE Program

Tecnomatix Technologies Ltd. (Nasdaq: TCNOF) announced that it has signed an agreement with Structural Dynamics Research Corp. ("SDRC") through which Tecnomatix will provide software products and maintenance services to the Ford Motor Company and its suppliers worldwide. Tecnomatix products included in this agreement are ROBCAD for manufacturing process design, Dynamo for dynamic mock-ups, and PART for NC process planning.

Tecnomatix believes the agreement may generate revenues of up to \$22 million from software products and maintenance services through 1999.

Altogether total revenues from this program may reach up to \$30 million through 1999.

The agreement represents the largest ever program of computer-aided production engineering (CAPE) implementation, said a TCNOF executive.

In the two trading sessions after the announcement, the TCNOF shares gained more than \$5 to \$26.

Dreams Unlikely to Materialize

The language of the scientist turned businessman or the pitch of the financial promoters do not change. The proposition to the investor invariably is that scientific research offers the promise of a new drug which is intended to improve the quality of life of the individual. The development time for the drug, it is implied, will be less than ten years,

which pharmaceutical corporate experience has proved is required for such an effort. The promise suggested is that profits may be ahead for those who back innovative drug development. Since the 1970s when modern biotechnology was born, hundreds of biotechnology companies were created, yet less than a handful have realized their business plans. Genentech and Chiron are prominent success stories followed by a shortlist of names hard to recall. The day of the inventor who mortgages his home, foregoes other material benefits in the pursuit of his own dream, is past. The six-figure salaries and fees are rarely mentioned. The salaries do not originate from sales but from OPM

Editorial Feature

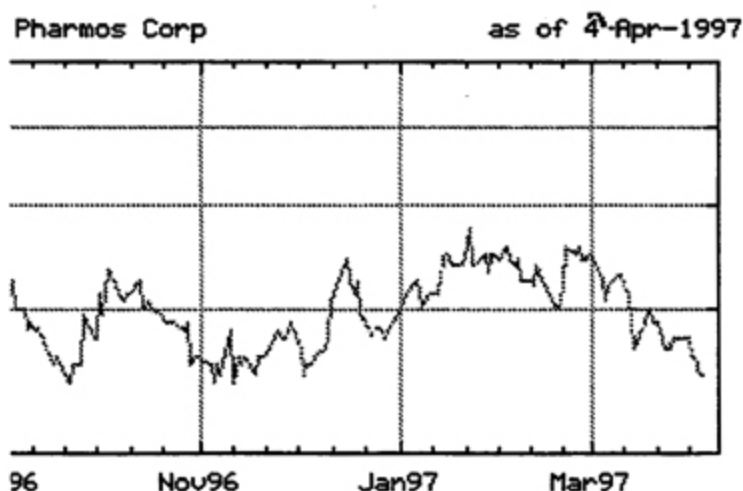
(other people's money). Yet companies continue from year to year to spend billions of dollars in research and development, the running of clinical trials and filing of applications with authorities. In an effort not to be judgmental we ourselves have actively promoted through our own reports, two such projects whose development were aimed at the stars but seem to have become lost in the clouds. It is not our editorial contention to suggest that either Pharmos Inc. or Medis El are absolute failures but rather they offer little chance for initial investors to realize the dream of being part of a "betterment-to-society drug" or enjoying financial gain.

Pharmos Inc.

Since its founding, Pharmos has generated limited revenues from product sales and is dependent upon external financing, interest income, and R & D contracts to pursue its intended business activities. The company has not been profitable since inception and has incurred a cumulative net loss of \$60 million. Losses have resulted principally from costs incurred in research activities aimed at identifying and developing product candidates, clinical research studies, merger and acquisition costs, the write-off of purchased research and development, and general and administrative expenses.

The company had a working capital of \$4 million,

and cash and cash equivalents of approximately \$4.8 million as of September 30, 1996 which would not have been sufficient to support operations into the second quarter of 1997. On April 1st Pharmos Corp announced that it had raised \$6 million in a private placement of stock and warrants to institutional investors. The current cash position rose to nearly \$10 million along with a capital deficiency amounting to \$66 million. Pharmos' lead drug candidate, Lotemax™, is designed to treat ocular inflammation and is one of two NDA's submitted to the FDA. Original investors, who put money into Pharmos back in 1991, have seen their investments diluted and reduced by more than 80%. The shares of the company are floundering at about \$1.30 and the volume of trading, sometimes running into several hundreds of shares on a given day, are indicative that speculators are buying and selling the shares



to make a profit of pennies on each share.

Medis El Seeking Applications for a Technology

Medis El Ltd's financial results for the year ended December 31, 1996, indicated the company's operating loss in 1996, was close to \$2 million compared to a loss of \$2.4 million in 1995. Medis El, founded in 1992, is an Israeli corporation involved in the research, development, manufacturing and marketing of electronic diagnostics products for the medical and scientific communities. Its basic product is the CellScan System, a unique proprietary laser-based cytometer that repeatedly monitors the fluorescent intensity and polarization of individual living

cells. The system is being developed for the diagnosis of prostate cancer, breast cancer and gynecological cancers. However, Medis El's managers are faced with a dilemma, as the company is apparently sitting on an innovative basic technology for which, at present, there are no commercial applications.

For 1996 the company reported a number of positive developments, particularly in the results of diagnostic tests for prostate and breast cancer with the CellScan System. In 1996, Medis El completed a series of financings by selling 675,000 shares in a private placement to foreign investors for total net proceeds of \$3.1 million. The purchasers of these shares include affiliates of company distributors in Asia and Argentina and funds managed by Swiss banks. The prices paid for the shares ranged from \$4.50 to \$6.00 per share. The proceeds from the sale of the shares along with previously existing cash resources give the company a basis on which to continue its activities.

Not content with developing its base technology, it has obtained an exclusive license for the use of a patent for an advanced design of linear compressor. The company states that the technology will be useful for air-conditioning, refrigeration, cryosurgery and dermatology.

A Medical Project Hailed Internationally

A axiom among Jews is "that saving a human life is equivalent to saving the world".

Five years ago we began to intensively follow and report on developments in Israel's cardiac field and, more specifically, in Tel Aviv's Ichilov Hospital. Catheterization, the opening up of blocked cardiac arteries, is a life saving interven-

Israel High Tech & Investment Report February 1992 issue

"A StarTrek or Buck Rogers approach beginning to be adopted by several research labs focuses on the possibilities of ultrasound. Ultrasonic energy applied to a clot may represent a new weapon in the treatment of the world's major killer - heart disease."

tion, practiced in Israel on a par with the best of American practitioners. We introduced a local investment group to a project aimed at developing an ultrasound system which would literally

“explode” clots in blocked arteries. The efficacy of the technology has been published in the Cardiology peer publication “Circulation” and has received mention in Time Magazine and other equally widely circulated magazines. The name of the company which owns the rights to the ultrasound technology developed by an Israeli cardiologist is Angiosonics and it is likely to seek a listing on Nasdaq.

Orckit Communications Unveils First ADSL Modem Over ISDN Lines

New technology enables concurrent ADSL and ISDN (a standard for digitically transmitting over phone lines, text and graphics data) service on the same line. Orckit Communications Ltd. (Nasdaq: ORCTF) demonstrated the world’s first ADSL modem that can run simultaneously with ISDN service.

The new ADSL modem will allow telephone companies to offer their customers increased speed and flexibility in the delivery of ADSL services with either plain telephone or ISDN service on the same line.

Until now, ADSL has only been demonstrated and tested over regular telephone lines. Orckit’s new ADSL modem provides the same 8 Mbps ADSL downstream transmission over ISDN as it does over regular telephone lines. For example, a giant 10 MB video file that would normally take ten minutes to download using ISDN, can be received in 10 seconds using Orckit’s ADSL over ISDN technology. This significant difference in speed could translate to increased productivity for businesses, as well as new interactive multimedia capabilities including real-time video conferencing.

Business Prospect Bright for DMAtek

DMAtek is listed on London’s Alternative Investment Market (AIM). At the end of 1995 it was the first Israeli company to be floated on London’s Capital Markets with Astaire Partners Ltd. acting as broker for the issue.

DMAtek has two operating subsidiaries, AVT and Elmo-tech. AVT designs and supplies on-line automatic color effect detection systems for the printing industry. In Europe alone, the print inspection market has over 1,000 presses.

Elmo-tech designs and supplies electronic monitoring systems for tagging applications. The initial

market entry has been in law enforcement bodies. The entry into this market was highlighted by the completion of the first nationwide electronic tagging system in Europe which was contracted with the company by the Swedish Prison and Probation Service. It has been fully implemented.

The company’s financial results indicate a seven-fold increase in sales in 1996 to \$5.6 million, as compared with \$800,00 in 1995. The company’s 1995 loss of \$3.5 million was reduced to \$1.9 million in 1996. Of the total loss in 1996, in the second half of that year the loss was reduced to \$150,000.

A Good Reception to the Establishment of Holocaust Fund

The price of the Swiss Central Bank shares rose by more than 60 percent on assessments that the value of the Bank’s gold reserves will yield profits to shareholders. Part of the reassessed value will be contributed to the Holocaust Fund which has been set at \$200 million. The Swiss Central Bank holds reserves of 2,500 tons of gold carried on the books at \$8 billion, at a fixed price of \$3,100.- per kilogram. This represents about a quarter of the current gold price of \$13,000.- per kilogram. 37% of the bank’s shares are traded on the Zurich Stock Exchange. The remainder is held by the governments and banks of the Swiss cantons, and other public institutions. 0.5% of the bank’s shares are held by foreign investors.

On March 5, prior to the announcement of the Holocaust Fund, the bank’s shares stood at SFr 600. Recently the share price was over SFr 1,300., a rise of 120%.

Further Privatization of Bezeq.

The Ministerial Committee on Privatization, headed by Prime Minister Benjamin Netanyahu, decided to reduce the State of Israel’s holdings in Bezeq Israel’s Telecommunications Ltd. to 52%, by selling off a 24% shareholding, in addition to the 24% already owned by the public and Cable & Wireless.

According to a recent decision, privatization will take place via share issues, either in Israel or abroad, and through “off the market” sales.

According to plan, 10% will be issued in July on the Tel Aviv Stock Exchange (TASE). Foreign investors will be offered 14% of the Bezeq share capital, at a later date. The share issue in Israel

will be based on Q1 '97 results.

Netvision to Offer Calls to US at Cost of US Local Call

The local Haifa based Internet communications provider Netvision is planning to inaugurate a new calling service.

Using their computers, subscribers will be able to talk to any telephone in the US, over the Internet, paying only the price of a local call in the US. The new service, called Net to Phone was made possible following an agreement signed by Netvision and US Internet phone company IDT. The service enables low-cost conversations from computers equipped with Internet connectivity, sound card and microphone to any ordinary phone, taking advantage of the global call back method.

Broadcast quality depends on Internet traffic; it is not uniform and sounds similar to cell-phone conversations. Netvision has acquired conversation time in advance from IDT. Subscribers will use the packets using a system similar to the phone card system. Prices for the service are to be announced shortly. The new service circumvents the need for Ministry of Communications approval, as conversations are executed directly from a microphone connected to a computer and not from a telephone instrument. It should be noted that an Israeli company Delta 3, which has developed a telephone to telephone Internet technology, did not receive Ministry of Communications approval to operate international call service.

IFC Emerging Market Indexes to Cover Israel

The International Finance Corporation (IFC) announced that it will include Israel in its set of benchmark indexes for emerging stock markets. The addition of Israel will bring IFC coverage to 45 emerging markets.

IFC's Israel coverage will focus on the largest and most active stocks listed on the Tel Aviv Stock Exchange (TASE). The IFC Israeli stock coverage will have an estimated total capitalization of approximately \$28 billion at current prices.

IFC will launch Global Israel (IFCG) and Investable Israel (IFCI) indexes, initially on stand-alone basis and not part of a regional index.

Israel's inclusion in the IFC Composite indexes will be considered at IFC's next Index Advisory Panel meeting. The Indexes will have a base of December 31, 1996, and be available on a daily

basis. The IFC Israel indexes are expected to be available daily from Monday, May 19.

IFC provides reliable, comprehensive and the widest available statistics on emerging stock market performance. It aims to meet the needs of global investors and to stimulate the flow of private capital to emerging markets. Industry sources estimate that approximately \$7.5 billion is managed in index funds linked to IFC indexes, and that billions more are additionally linked to them. IFC is a member of the World Bank Group and is the leading multilateral source of equity and loan financing for private sector projects in developing countries. It is also the world's leading publisher of data on stock markets in developing countries.

NetXchange Introduces Netscape Navigator Fax Capability

NetXchange Communications, a provider of Internet messaging software infrastructure and applications, announced that its novel Web fax technology, Internet Xchange for Fax, has been configured to support Netscape Navigator client software and other Internet access programs. Internet users now have a low-cost encrypted Internet fax capability within their Internet browser.

NetXchange Communications, a subsidiary of Lanoptics Ltd. (Nasdaq:LNOPF), provides messaging software solutions and infrastructure that help corporations and service providers to rapidly and inexpensively send fax communications over the Internet intranet. NetXchange's Internet Xchange for Fax allows users to send faxes directly from Netscape Navigator, either from their desktop or a remote location.

NetXchange's flagship product, Internet Xchange for Fax, was the first technology to enable fax communications to be sent over the Internet via either stand-alone fax machines or computer-based fax programs.

Israel-China to Set Up \$5 Million Research Fund

Israel and China have agreed to establish a \$5 million joint research fund. The two countries agreed to invest equal sums, and to use the income to fund research projects in Israel. The agreement was signed by the chief scientists of both countries. The decision was approved recently during a visit to Israel by an official delegation represent-

ing the Chinese Science Ministry. The visitors expressed interest primarily in advanced technologies. Cooperation between the countries in the field of science, was inaugurated in 1993.

HP Developing Software to Identify Hebrew

Hewlett Packard (HP) Israel, jointly with a local programmer, is developing software to identify Hebrew text on the Internet. The program is expected to be released this year. The problem which the program addresses is that Hebrew identification software on the market is either too expensive or not efficient enough, according to HP.

Cisco Systems Opens R&D Center in Netanya

Cisco Systems, the global leader in Internet networking solutions, has opened an R & D center in Netanya to develop the next generation of Internet technology, according to James Richardson, president of Cisco (Europe, Middle East, Africa, Australia, New Zealand).

Richardson, whose San Jose-based company has an annual turnover of more than \$4 billion, explained that the choice of Israel is due to its excellent pool of people that can't be found in Silicon Valley.

The rapid growth of the chip design industry in Israel in the last few years, has proven the commitment of this country to be a leader rather than a follower in the information technologies market, he commented.

The ten engineers hired to start up Cisco's local R&D center will be responsible for developing a high-speed gigabit switch and routing technologies. Such devices form the backbone of the Internet and reflect a potential market of \$5 billion.

Cisco's switches currently conduct 80% of the traffic over the Internet.

Cisco was founded in 1984 by scientists from Stanford University who were looking for a more efficient way of connecting different types of computer systems.

The multinational corporation currently has over \$4 billion in annual revenues, a work force of 10,200 employees, and, based on market capitalization, is the third largest firm to trade on the Nasdaq over-the-counter exchange in New York.

Is a Merger in the Offing?

Rumor has it that Israel's five leading military manufacturers are considering a privatization and merger plan. Directors of the five companies—Israel Aircraft Industries (IAI), Israel Military Industries (IMI), Rafael Israel Armaments Development Authority, Tadiran, and Elbit Systems Ltd—are said to have met recently to discuss the plan drafted by an external consultant. The plan calls for initially privatizing government-owned IAI, IMI and Rafael and then merging them with private sector Elbit and Tadiran into one entity. Elbit would not confirm or deny the possibility of such a merger.

The companies annual turnover is \$2.5 billion. Military manufacturers are expected to be among the last to be privatized because of security considerations and strong workers' unions.

IAI, IMI and Rafael develop and manufacture military parts and systems for Israel and foreign markets. Tadiran, a subsidiary of Koor Industries Ltd (KOOR.TA), and Elbit are publicly traded electronics companies with civilian and military products.

Big Cash Inflows Targetted for Investment in Israel

The generally mentioned consensus figure of \$500 million was echoed by Yigal Erlich, president of Yozma Venture Capital Ltd., who said, at a recent conference, that this was the sum that venture capital funds have currently under management. The more than 30 funds in operation could raise another \$800 million by the end of 1998. The sums would nearly all be targeted for high tech investments.

Until 1997 the buoyant U.S. market for technology issues, enabled Israeli companies to float at high valuations and yield huge returns. In contrast to the abundance of funds for technology companies as recently as 1992, the government set up its own venture capital fund to encourage investors, stated Shuki Gleitman, former director-general of the Industry & Trade Ministry. Since then nearly 30 private sector funds have been formed and Yozma itself was privatized last month.

The sums invested in early stage companies is equivalent to early-stage investing in all of Europe, according Jos Peters who manages

Belgium's Capricorn Ventures.

12 out of 17 Israeli initial public offerings (IPOs) last year were backed by venture capital funds, according to Matty Karp, of Kardan Technology Ventures.

If the American market for IPO's weakens it will have a direct impact on valuations for private capital. In the past two years venture capital fund managers, previously quoted in the Israel High-Tech & Investment Report, spoke of inflated deal prices.

There are no statistics but it is generally assumed that the number of Israeli companies in line for public financing, may be as high as 120. The problem of so many firms looking to Wall Street market, is due to the relative ease of floating in New Market and the accompanying prestige accorded to an American listing". Many, as a result, turn to Nasdaq prematurely.

Shaul Bronfeld, managing director of the Tel Aviv Stock Exchange, which has been largely avoided by Israel's technology companies, agreed that companies should go public where they could get the highest valuations. In the last 20 years, prices on Nasdaq were better than those in Tel Aviv for Israel high tech industries. But he urged Israeli companies to pursue dual listings and said the exchange was working to make listings easier for technology companies. He said it had eased restrictions on selling securities after an IPO and would soon forego its requirement for equity prior to listing.

Atlantic Telecom ATN.L Signs Order with Tadiran

Atlantic Telecom Group Plc. announced that a wholly owned subsidiary, Atlantic Telecommunications Ltd., had placed an order worth 3.13 million sterling with Israel's Tadiran Telecommunications Ltd .

The telecom group said the order was for further infrastructure and customer equipment units to continue the development of its fixed radio access network being built in Glasgow, Scotland.

Never the Last Journey

Never the Last Journey: by Felix Zandman, published by Schocken Books, New York, 428 pp., is the life story of a man driven by an inner spirit to survive the horrors of World War II and to build a new life. His philosophy of life gave birth to the

title of the book. It begins with the teenager Felix escaping the Grodno ghetto in 1943. He was hidden from the Germans by Polish peasants, in a pit under their house. In post-war France he studied engineering and, while working for others, developed a device which led him to found Vishay (named after the shtetl where his grandparents lived), which produced resistors and eventually grew into a highly profitable Fortune 500 company.

Zandman, always faithful to his heritage and Zionist beliefs, in 1968 founded the first of several Vishay fully owned subsidiaries in Israel. Of the 16000 Vishay employees worldwide, 2800 are employed in Israel.

When the Israeli Ministry of Trade & Industry decided to reduce its generous grant policy available to foreign investors it derailed Zandman's plans for an additional \$50 million investment for building a plant in the development community in Ofakim, where unemployment is high.

During a recent visit to Israel I expressed my personal regrets to Mr. Zandman about the cancellation of the Ofakim project. "Do not worry Mr. Morgenstern. Jobs are the world's, most important issue today. The 50 workers destined to work in the new plant, will be absorbed by our Dimona plant," he promised.

RAD's Sales to China Grew by 62% in 1996

RAD Data Communications has announced the opening of the RAD China regional office in Beijing, Peoples Republic of China. RAD China will be located in the Jianguomenwai district in the city center. This is the 10th regional bureau the company has opened in the past three years, and the second in the Asian Pacific region after Hong Kong.

China has become the second largest market for RAD Data Communications, after the United States, according to a RAD spokesman. RAD, a private company would not disclose the value of the shipments to China.

The prospect for a further rapid growth exists for the company's Virtual Private Networks products. RAD Data Communications designs, manufactures and markets a broad range of high quality product solutions for LAN/WAN applications. RAD is a member of the \$200 million RAD group of companies, a leader in networking and internet-networking product solutions.

PORTFOLIO CORNER

The Mishtanim Share Index, the MAOF Index and the Karam Index of low capitalization shares moved high at the outset in April in response buying into a market which appeared to be undervalued. The Treasury had predicted a 0.7 rise in the cost-of-living index for March. The c-o-l index is a widely watched parameter by the investment community. The actual figure announced on April 15 was 1.0%.

Our view for equity investments continues positive. There are numerous companies who will perform well, notwithstanding periodic market fluctuations which may allow for profit taking and the adding to existing positions. Interest rates, which have been lowered regularly by the Governor of the Bank of Israel, were left unchanged for all of April. Since August 1996 interest rates have been lowered by 3.1%. It would appear that only inflationary pressures could act as a breaking force for the underlying downward interest rate trend. Interest rates will go down by at least 1.5% in 1997.

The shekel bond market prices have risen but yields are still available at 14% for long term bonds.

The positive gains available from bonds, the prospect of a fluctuating but generally rising share market on TASE and opportunities for substantial

managed investment accounts.

PORTFOLIO MANAGEMENT SERVICE

Minimum portfolio sums of \$100,000. 29 years of investment and investment management experience. Periodical reports. Fees: low transactional fees generally 0.3 of 1% per transaction and safe deposit fees of 50% published bank rate. Quarterly management fee @ 0.45 of 1%, not including VAT, of the value of the managed portfolio.

MARKET MOVES TOWARD NEW HIGHS

The share market moved higher on moderate to modest trading turnovers. of \$25-\$30 million. The Discount Bank privatization issue, floated on the TASE was easily absorbed by both institutional and individual investors.

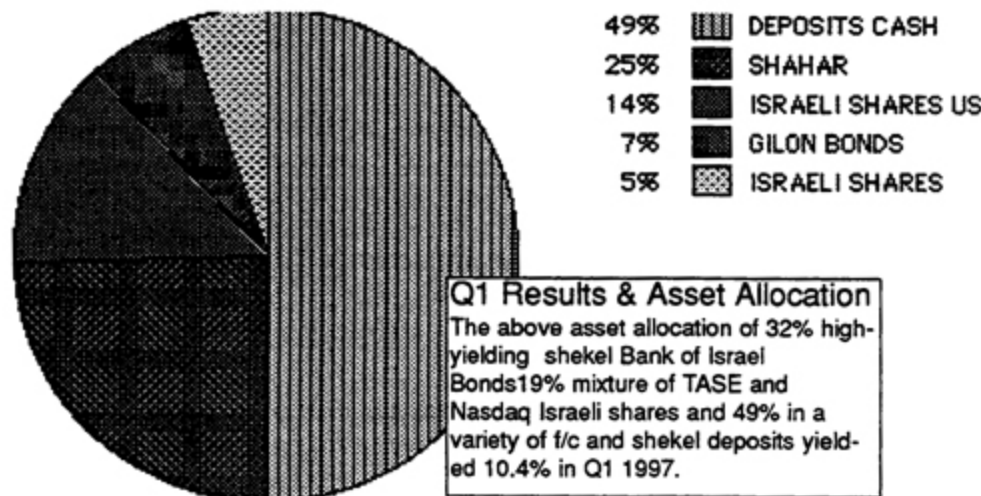
The small cap market (in "Karam") shares were most sensitive to the profit taking. The "Karam" market had been moving upwards since August of last year and reaching record heights in February before profit-taking set in saw issues as Malta International (electronics), among many others move up by 10% or more. Political developments, anticipated budget cuts, the possibility of stable or lower inflation and lower interest rates, and solid corporate earnings, is the background which has attracted institutional investors both Israeli and foreign based. We continue to believe that a carefully selected mix of high cap and low cap shares

representing 15% to 25% of portfolios, depending on aversion to risk, will work out well this year. (see our recommended asset allocation)

ISRAELI COMPANIES ON WALL STREET

At the outset of 1997 there were 86 Israeli companies with shares traded overseas. Screening them carefully only several companies appear to be of investment interest. Most of the other companies are either overvalued or are facing a wall

of expectations which they will not scale this year. Yet there are at least three issues which are of



Q1 Results & Asset Allocation
 The above asset allocation of 32% high-yielding shekel Bank of Israel Bonds 19% mixture of TASE and Nasdaq Israeli shares and 49% in a variety of f/c and shekel deposits yielded 10.4% in Q1 1997.

capital gains from several Israeli high-tech computer shares, are expected to be rewarding for

current investment interest. Some of these issues find their way into our monthly reports and are UPDATED regularly.

ISRAEL SHEKEL BONDS

Of the 223 different series of bonds, distinguished by type of linkage and period of maturity, we invest in bonds guaranteed by the Bank of Israel.

For further information regarding investment managing services address your inquiries to:

Israel High-Tech & Investment Report
P.O.Box 33633, Tel Aviv 61336
Israel.
Tel: 972-3-5235279
Fax: 972-3-5117799
E-mail htir_1@netvision.net.il

Elscint Ltd. and GE Medical Systems in Nuclear Medical Imaging Joint Venture

GE Medical Systems(GEMS), Milwaukee, (NYSE: GE) and Elscint Ltd a subsidiary of Elbit Medical Imaging Ltd signed a definitive agreement to form a 50-50 joint venture company, to be located in Israel to engineer and manufacture nuclear medical imaging products for both partners. The partners announced that the new venture would be named ELGEMS. Closing is expected to occur within two months.

Elscint designs, manufactures, sells and services a wide range of sophisticated computer-based medical imaging products including Computerized Tomography (CT), Magnetic Resonance Imaging (MRI), Nuclear Medicine (NM) and Mammography systems. GE Medical Systems, a business of General Electric Company, develops and produces diagnostic imaging equipment in several modalities, including X-ray, Mammography, Magnetic Resonance, Computed Tomography, Ultrasound, Nuclear Medicine Imaging and PET in addition to manufacturing Radiation Therapy equipment. GEMS also provides a variety of services from networking to biomedical equipment maintenance. GE Medical Systems has annual sales of approximately \$4 billion and employs nearly 15,000 people worldwide.

Discount Bank Privatization Effective

The privatization sale to local and foreign investors of the Israel Discount Bank by way of an

offering on the Tel Aviv Stock Exchange was oversubscribed six times the amount of securities on offer. The sale of 17% of the Government's holding of the bank's share capital will realize about NIS 600 million (about \$176 million).

Electric Fuel Corp Scandinavian option exercised

Electric Fuel Corp said Vattenfall AB exercised its right for a license to establish and operate the Electric Fuel infrastructure for the territory of Sweden, Denmark, Norway, Finland and St.Petersburg, Russia. Under the license, Vattenfall has the exclusive right to own and operate regeneration plants, to run and operate refueling and battery exchange stations and to distribute Electric Fuel batteries in the territory. In addition, Vattenfall said that it plans to build and operate an Electric Fuel regeneration plant in Stockholm able to support a fleet of up to 150 vehicles as part of a two year demonstration program.

Electric Fuel has developed a car battery which has made possible the development of cost effective electrically powered cars. The company's has developed its system in Israel but the thrust of its-marketing program is to license out its system. The research and development activity is carried out in Israel and the company's shares are listed on Nasdaq:EFCX

ESC Granted FDA Approval for Laser System

ESC Medical Systems Ltd said it had received clearance from the U.S. Food and Drug Administration (FDA) to market its Derma 20 laser system in the United States. The Derma 20 is used for general dermatological applications, including skin resurfacing. ESC said 50 of the laser systems have been sold outside the United States. The company's flagship products are based on innovative pulsed light technology used in the non-invasive treatment of varicose veins. It also has developed a line of laser based products for dermatological application. The company's shares are listed on Nasdaq.

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