

ISRAEL HIGH-TECH & INVESTMENT REPORT

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Sophisticated Investors Seek High Returns in Medical Field

At the start of the investment process the forty or more venture capital funds are actively seeking potentially lucrative medical projects. They represent a cross-section of very sophisticated investors who demand a high return. The venture capital funds active in Israel have professional analysts who invite for review startups and early or prototype stage projects. Assisting the search are "investment scouts" which include independent consultants. The venture capital function continues to be indispensable to the growth of technologically oriented industries. These in turn add to the growth of the country's export oriented economy.

The early stage investment process is push-pulled by the impressive demand and flow of capital from American individuals and institutional investors for Israeli high-tech share investments. These continue to be in vogue as they have not lost their appeal after the retrenchment in the past half year, in prices of the NASDAQ small-cap high-tech companies. A record \$432 million was raised by Israeli, mostly high-tech, companies on the American capital markets in the first six months of this year. This process is not slowing as eight Israeli companies have currently on file draft prospectuses with the American Securities & Exchange Commission for approval for the sale \$468.5 million in securities.

If there is a darkening cloud on the investment horizon it is the speculative fever which has gripped Wall Street. Israeli shares have also been affected. Should there be a meaningful drop in Wall Street prices, as a growing number of investment bankers suggest, it could drastically affect the Wall Street financing option.

A Haifa based company has developed a non-invasive system for dissolving a variety of blood clots. Its NASDAQ traded shares have advanced at an rocket speed pace. Medical authorities in Israel and the United States have confirmed the efficacy and uniqueness of the treatment. The company is well managed and is well financed and is one of the eight companies to await new financing approval. It appears to have a great future as it prepares additional products. In 1996 the ESC Medical IPO price of \$10 quadrupled to about \$40, after adjusted for a 3-for-2 split. ESC Medical shares are presently trading at an astronomical 150 price earnings ratio. Investors should really think twice before jumping on the bandwagon of the ESC shares since at these price levels, much of the future business potential of ESC is being discounted.

When it comes to developing unique or just plain useful medical products and systems, Israelis enjoy a unique advantage. A basic relative advantage is excellence of its medical staff and researchers, recently grown in size as a result of the Russian immigration. Some of the new immigrants are just now beginning to contribute to industry. "Israeli geography" namely the sheer smallness of the country itself, is a positive factor as it allows for people in the field to get to know one another. Often valuable time is gained by the interaction of engineers, chemists and managers. of researchers of the universities and hospitals. Six leading hospitals are located within 90 minutes driving distance from Tel Aviv. Besides providing medical services to the public with highly advanced medical infrastructure they carry out research. The hospitals are recognized by the Federal Drug Administration for clinical trials. Companies count on getting clinical trials done and they take advantage of the world class reputation that these hospitals enjoy in the international medical community.

Israeli institutes such as the Israel Heart Association and the Israel Cancer Association, disseminate medical information to the public and provide a forum for viewing new technical professional developments, though they have only minimal budgets for funding R&D. Dr. Martin Lapidot, deputy general manager of the Rabin and Golda Medical Center, (formerly

Beilinson), points out that sponsored medical research and development and pre-certification trials are a specialty. These activities have resulted in a number of outstanding medical developments including a procedure for the relief of prostate cancer and a highly popular treatment for the removal of kidney stones with a non-invasive system which crush the kidney stones so that they can be removed naturally by the human body.

Professor Georges Ouaknine, head of the neurological department of the Sourasky Medical Center in Tel Aviv, who is an internationally respected neurosurgeon has obtained amazing results in achieving better control and reducing the effects of epileptic seizures, with Vagus Nerve Stimulation Therapy. 300 individuals have been operated on by Prof. Ouaknine who implants the Cyberonic electric stimulator and which can be activated at the onset of an epileptic seizure.

Cardiologist Uri Rosenschein, also at Sourasky, has been developing his concepts the use of ultrasound for angioplasty. The American Angiosonics company has backed the development and within the coming year may obtain approval for the marketing of the unique system which virtually explodes plaque into harmless particles within blood arteries.

Probably the simplest way to get in on the ground floor, well ahead of the option of investing in an IPO is to think in terms of a single investment of \$50,000 to \$100,000 either in a venture capital fund or directly into the young company. There are companies with, venture capitalist partners, for the sake of diversification will consider accepting individual investors.

Laser Offering

Laser Industries Ltd., Israel's veteran medical laser producer, (AMEX:LAS) has filed a registration statement offering 2.4 million shares aimed at raising \$35 million at current prices.. Laser will use the proceeds to repay bank debt, develop new products, acquire new businesses and technologies and expand its worldwide marketing activities as well as for working capital and general business purposes. It further intends establishing and operating a laser treatment center.

The lead manager for the offering will be Salomon Brothers Inc., with Furman Selz and Oppenheimer & Co. Inc., as co-managers.

Relieving Eye Allergies Symptoms

Pharmos Corporation (NASDAQ:PARS) has announced the completion of two Phase III clinical trials for the first of two line extension products with its proprietary compound loteprednol etabonate used in the treatment of ocular allergies, and to prepare a New Drug Application (NDA) for this drug. Pharmos fortunes have seesawed and only its ability to raise \$46 million dollars in the past four years has allowed it to pursue its goal of bringing to the market its first own-developed drug. Pharmos founder, Prof. Haim Aviv anticipates that the NDA will be granted by the end of the year.

New Tracks for Israel Aircraft Industries

An experienced defense products manufacturer, including subassemblies for aircraft and helicopters, Israel Aircraft Industries' Ramta Division's has turned to producing peacetime quality railway passenger carriages. These are produced under license of ADtranz Denmark A/S and two "sets" have been sent to the American Amtrak train company for demonstration. The company has also signed a joint venture agreement with GEC Alsthom to produce new locomotives and to upgrade others to comply with environmental standards and noise levels. Ramta is staffed by 80 employees at its new and modern plant in Beer-Sheva. Ramta recently delivered seven "new generation" passenger cars (valued at US\$10 M) to the Government of Israel's Ports & Railway Authority, and is negotiating to maintain and overhaul their rolling stock. RAMTA is also seeking contracts for providing solutions for inter-city transport from Israel's neighboring countries.

Diamond Industry Depends on Technology for Growth

Tel Aviv was the venue for the 27th World Diamond Congress held this year at the end of May. The Congress brought together more than 200 diamantaires from fifteen countries. Since

Israel has no mineral diamond deposits its diamond manufacturers are dependent on outside supply of the "roughs", which they process and polish into gem-stone quality. The Israeli diamond industry, formed after the Second World War, was based on the skills of the surviving Jewish craftsmen who escaped from war torn Belgium and Holland to Palestine. The industry grew and prospered to its current size and with an annual volume of sales in excess of \$4 billion.

Israel's dominant position as a major diamond center and largest supplier to Antwerp and New York did not go unchallenged by emerging diamond centers. India, increased its world standing as a diamond producer where today it accounts for 30% of world production of polished diamonds.

The local industry, in spite of its large turnover has not been operating profitably for nearly four years. Israel's standard of living, on a level with that of England, allows diamond manufacturing workers to command considerably higher wages than those prevalent in emerging diamond centers. Several years ago the industry concluded that to maintain a competitive position in polished stones, despite rising costs, it would have to apply technology to compete with low labor costs in emerging diamond centers.

Staying Ahead with Technology

Congress participants viewed Israel's latest innovations in diamond cutting machinery, systems, tools, lasers and computer software at the International Exhibition of Diamond Cutting and Polishing Equipment. Foreign exhibitors were represented by machine producers from Belgium, the Netherlands, Russia and the U.K. Innovative developments resulting in new equipment so as to be affordable to the relatively limited number of manufacturers in the diamond industry, must be low priced and streamline the production process and indisputably lower the cost of production.

Noam Gleicher, proprietor of New Developments for the Diamond Industry Ltd. has found a niche with an innovative processing machinery. In the past five years, he has developed, manufactured and marketed machines automating the polishing on girdle facets, a

formally totally manual process. The machine polishes from one to 99 facets at working speeds in excess of 10,000 rpm. It is simple to operate and easily integrated into the diamond manufacturing process. Mr. Gleicher points out that, aside from the cost-saving aspect, the quality and attractiveness of the end-product is enhanced.

To keep costs down Gleicher and his brother market the machines directly to the Israeli manufacturers at \$4,000 for processing rounds and \$7,000 for fancy stones.

Using the current cost of \$3-\$4 per carat for manual polishing, he calculates that the manufacturer can realize a full return on investment in three months. L.I.D. Israel Ltd. and Daniel Lagziel Ltd. two leading firms, have incorporated scores of this Noam machine in their manufacturing plants.

The Russian Smolensk Production Corporation Kristall, the largest diamond machinery producer in Russia is also a major diamond producer. Anatoly Bykov, the company's technical director stated that and has that Kristall can supply, not only individual machines but turnkey projects.

A number of exhibitors presented software programs for the management of all aspects of production and marketing for modern diamond factories.

Maestros of the Single Channel Marketing System

Key executives of De Beers and the Central Selling Organization participated in the Congress and hosted a festive evening attended by then Prime Minister Shimon Peres on May 28, the eve of the Israel's election day. De Beers Centenary AG holds De Beers Consolidated Mines former foreign business. Other interests include companies forming part of the Central Selling Organization, companies manufacturing synthetic diamonds and investments in foreign companies, including Minorco.

Today De Beers is the largest diamond mining company in the world, producing about half of the world's gem diamonds by value from its

mines in South Africa and in partnership with the governments in Botswana and Namibia. Through agreements with the major diamond producing countries, the De Beers' CSO sorts, values and sells about 80% of the world's annual production of rough diamonds. The CSO attempts to create a reliable and enduring system to balance supply and demand and prevent wild fluctuations in the market for diamonds. The single channel marketing system, unique for its size and scope is viewed as a key element to the stability of the whole diamond industry.

Challenging De Beers

Last year De Beers earned more than \$500 million. However, it has had a rocky relationship with Russia which has refrained from signing an exclusive diamond supply agreement with De Beers. De Beers expects Russia will honor a draft agreement with itself to distribute all of Russia's diamond roughs through the CSO. De Beers has reduced the prices which it pays for rough diamonds to its suppliers. As a result, the Australian Argyle Mines, possibly the world's largest diamond producers, has expressed unhappiness at this price reduction, and could retain more of its own production and distribution in the coming years.

SGB Aims to Finance Joint Israeli-Jordanian Projects

The French Societe General Bank, ranked 19th among the world's largest banks, is considering financing projects tied to the peace between Jordan and Israel. In addition to Jordanian projects emphasizing hotels and the use of waste water, projects proposed at the business convention in Ouman at the beginning of 1996, are also being reviewed.

Israel and Jordanian Cooperation

As agreed recently between Noah Shani, director of business promotion and his Jordanian counterpart, Israel and Jordan are collaborating in the encouragement of foreign investment in complementary projects and joint ventures in the two countries, by jointly hosting foreign investors and journalists, publicizing the

advantages of the two economies for foreign investors, and targeting also the Middle East Business Conference to be held at the end of the year in Cairo.

Israeli-Jordanian-Egyptian Textiles Firms Cooperate

As labor costs in Israel are higher than in the Arab states, Israeli textile companies such as Delta and Macpell, are steadily transferring parts of their operations to various Arab states. Lodzia and Gibor-Sabrina textile plants have transferred sewing operations to Jordan, and may partner with Jordanian textiles enterprises.

How the Israeli Elections were Put on the Net

Binat Computer Communications, won the Malam tender for the entire prime ministerial and Knesset elections communications network. 600 terminals, placed at various points throughout Israel, were connected via telephone lines to Malam's central computer in Jerusalem. The system included communications channels, modems dialing at different speeds of up to 28,000 bits per second and, for back-up, each regional committee which recorded protocols from the polls (over 13,000 protocols) had an additional analog line and an additional dial-up line to the central computer. Binat also connected Malam's computer to the "Yediot Aharonot" and "Ma'ariv" newspapers, to the Internet, to Channels 1 and 2, and to Channel 1's data entry station for the exit polls. Despite the complexity of the system, the communications ran smoothly, without a single failure.

Israeli CD-ROM for Aircraft Enthusiasts

Bitan United Multimedia is publishing a new, multi-media, Israeli CD-ROM for distribution worldwide by IBM International. Available in English, French, Italian, German and Spanish, it offers one of the most comprehensive professional aviation data bases in existence, providing updated information on all aircraft since the beginning of aviation

Diaper Flood

Israel has registered a complaint against the American Procter & Gamble Co. for flooding the Israeli market with German-made Pampers diapers at up to 41% below market prices.

A request has been filed to impose a duty of up to \$2.59 for each Pampers package sold by P&G in the market, representing the value of the dumping margin, for a period of at least three years.

A final ruling is expected after P&G and its importers, Diplomat Cosmetics Ltd. and Multi-Marketing Services Ltd., respond to the preliminary decision at the end of June.

Meanwhile, P&G's main diaper rival, Dallas-based Kimberly-Clark Corp., makers of Huggies diapers, has concluded a 49% investment in Hogle, an American Israeli Paper Mills Ltd., subsidiary. Kimberly and P&G currently sell many of their brands in Israel by importing products from Europe and elsewhere, but the recent investment will help Kimberly establish a manufacturing base inside Israel, giving it an edge over P&G.

An \$18 Million SmartCard Program for Egged

Every one of Israel's Egged's interurban buses will soon have SmartCard readers and electronic payment systems. IBM and Rapac will provide the SmartCards, while readers and operational software packages will be provided by Formula, a subcontractor. Egged will issue its own SmartCards for bus travel, or accept the common electronic cash available in the standard card.

Further, in order to improve real-time management and better control of its fleet of thousands, Egged intends connecting every bus to its control center, and include on location reporting.

Sde Boker Nursery Hatches New AC/DC Motor Controller

The Sde-Boker technological nursery has hatched Servologic's low-cost, digital servo control system for AC or DC motors rotating at speeds from very high to extremely slow rates (months for each rotation). Highly accurate control is now

available for phase, position and synchronization with other engines, even if they are in outer space.

The concept, brought from Russia by the immigrant senior scientist, Prof. Roman Trechtenberg, and supported by funding from the Office of the Chief Scientist of the Ministry of Industry & Trade, was perfected and miniaturized into a single, digital programmable component.

Aerospace, automotive, industrial and medical machine manufacturers are showing great interest in the system to improve performance and reduce the cost and size of their systems.

Virtual Prototype Sales in Japan

Emultek's *Raphid virtual prototyping system* was recently introduced in Japan, by Nippon Systemware and sold to NEC, Sony and Fujitsu. Kioteka Kakabashi, product manager at Nippon Systemware, estimates the market potential of the *Raphid* at \$45 million per year.

Raphid's design process eliminates several critical time and cost consuming phases by embedding them in a computerized, virtual prototype process. The designer, developer and customer can view the future product on their computer screens, test its functionality, and adjust its design and appearance to suit their needs.

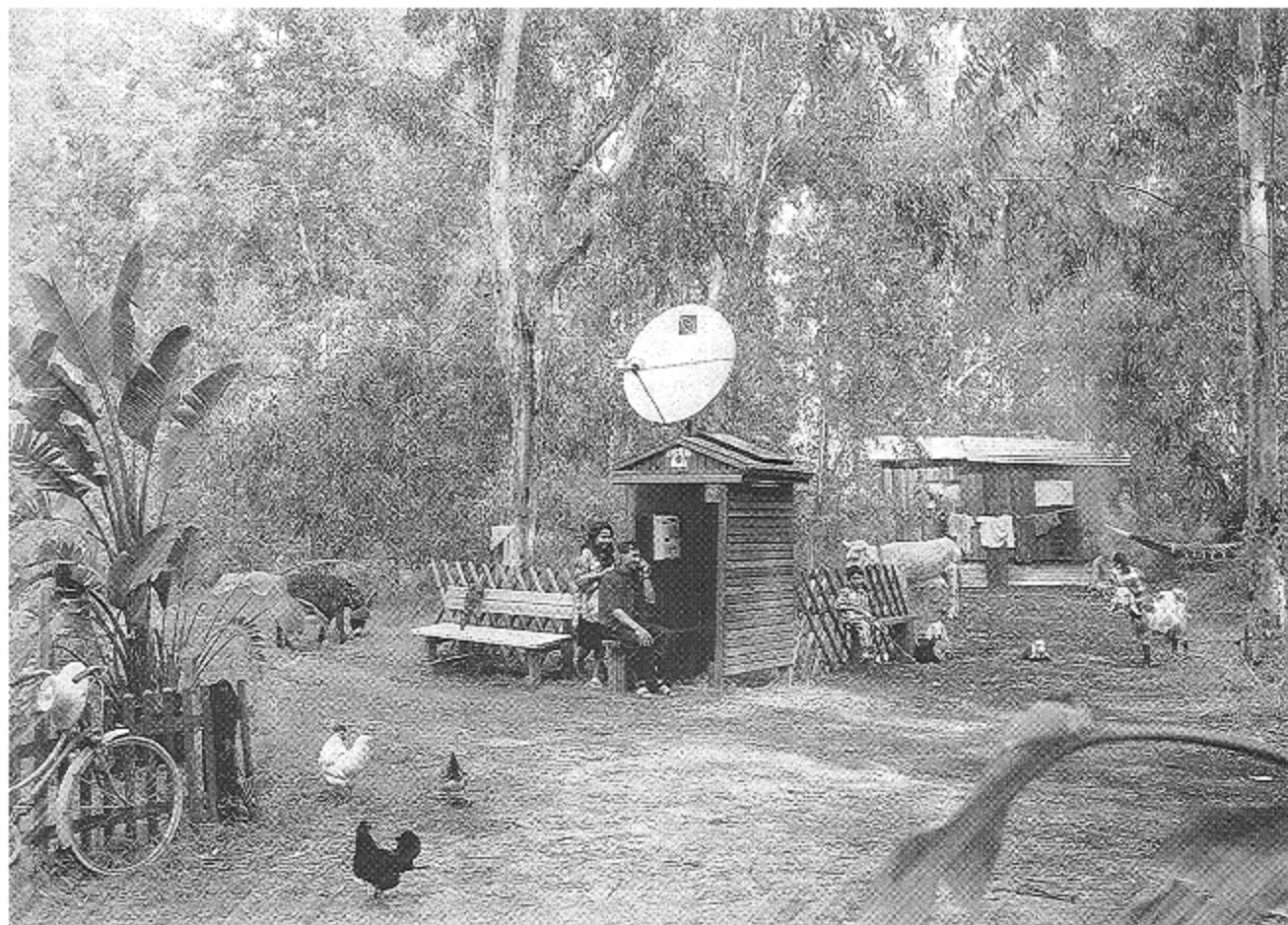
Then the system is ready for the production of the first physical model, which will be closer to the final product than ever before.

Growing Demand for ISDN Lines

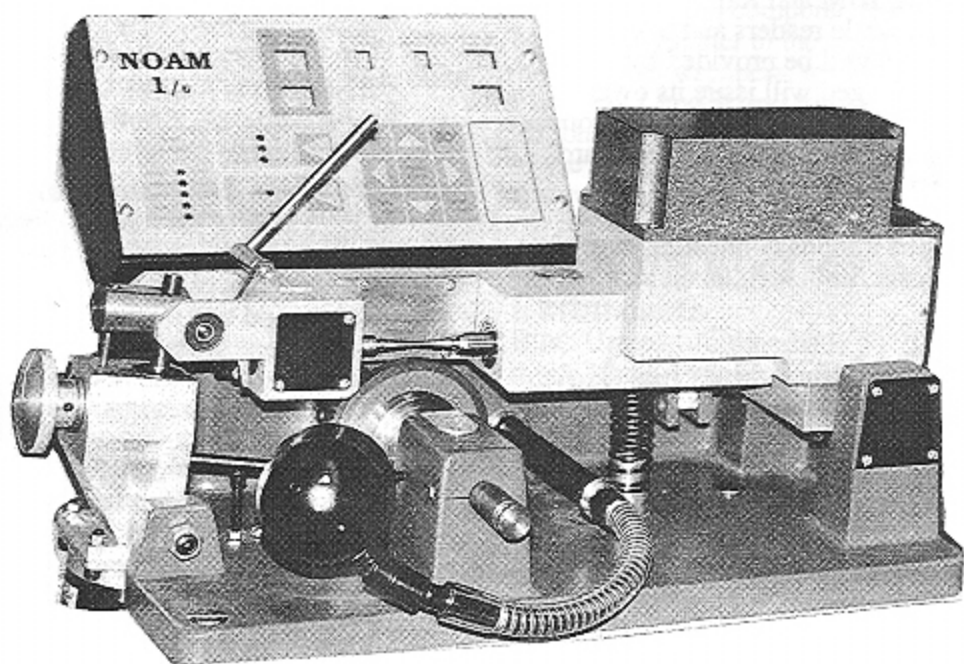
In 1995 Bezeq, the Israel Telecommunications Corporation, experimented with over 400 ISDN lines - a protocol for transferring digitized graphics and text over telephone lines to be reconstituted at the receiving end.

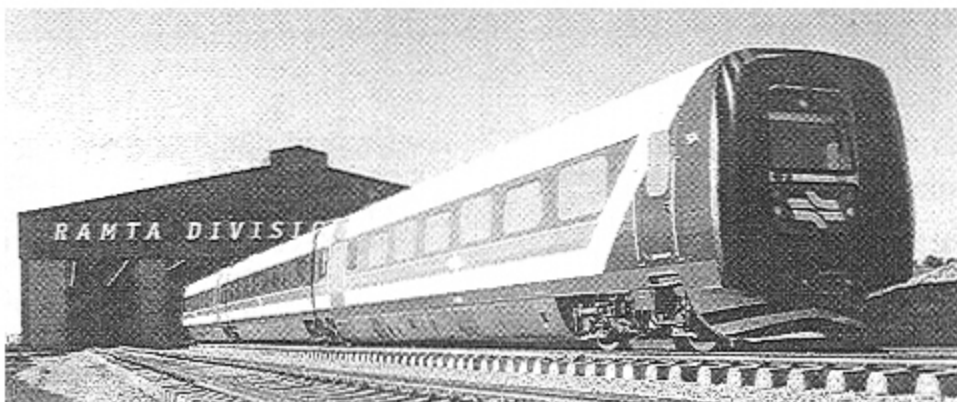
Bezeq has more than 800 of these lines, mostly in the Tel Aviv area, and the demand for ISDN lines continues to grow. One application is the transfer of photographs, and these lines are greatly appreciated in Israel by foreign press photographers, who use them instead of the postal system.

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Gilat Satellite Networks' *DialAway* brings telephone services to remote regions
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Noam's automatic diamond girdle facets machine
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RAMTA's IC-3 train "set"

VocalTec's internet phone software available at <http://www.vocaltec.com>



Pharmos and shareholders await Lotemax FDA drug approval

New Frequencies For Wireless LAN

The American Federal Communications Commission (FCC) has allocated an additional radio frequency spectrum, the 350 MHz band, for unlicensed short range, high-speed data applications.

Wireless LAN technology is used in data collection, point of sale and inventory applications as well as for obtaining clinical data in hospitals and stock exchange trading. Several Israeli manufacturers supply wireless LAN systems. The market in 1996 is estimated at over \$200 million and has nearly tripled in volume in the last two years, and is expected to reach \$1 billion by the year 2000.

WI Incubator Project Attracts Japanese Investment

Kito Engineering is a start-up company located in the Weizmann Institute high-tech incubator. Founded in 1992 by Igor Plotnitsky and new immigrant Russian scientists has developed an innovative system, recently demonstrated at Agritech '96 - the Israel international agricultural exposition., to weigh dry mass, prior to packing, at a speed and accuracy four times that of competing systems.

Aster Manufacturing, a major industrial company in Japan, has acquired 57% of Koto's shares for \$500,000. Kito intends expanding its present one-product line, to other weighing systems.

Theoretical Research

The Gentle Separation of a Super-strong Relationship

In the 1970s, Weizmann Institute's Prof. Meir Wilchek and Dr. Edward A. Bayer, developed the avidin-biotin complex, the strongest biological interaction known in nature - the vitamin biotin to the egg-derived protein avidin. It has become the basis of a multi-million dollar market as the standard method of "gluing" biological molecules together, in areas ranging from pollution control to the diagnosis of various diseases.

However, in some cases this "superglue" works

too well and attempts to separate the components by breaking apart the avidin-biotin "superbond", resulted in irreversible damage either to the molecules that had been "glued" together or to the materials processed by them.

As reported in the *Biochemical Journal* of May 15, Prof. Wilchek and Dr. Bayer with Dr. Ely Morag, also of the Weizmann Institute's Membrane Research and Biophysics Department, have now solved this problem by chemically changing the avidin, and consequently the binding features of the complex. The new avidin now releases the biotin in a gentle manner while the superbond remains sufficiently strong for all the usual applications.

This improvement is expected to reduce the cost of many applications of avidin-biotin technology and lead to new uses, such as the separation of cells for bone marrow transplants and the isolation of DNA for genetic engineering.

A patent application for the modified avidin-biotin complex has been filed by Yeda Research and Development Co., which deals with the commercialization of Weizmann Institute research. Funding for the study was provided by the Baxter Healthcare Corporation (Chicago, Illinois) and the U.S.- Israel Binational Science Foundation (BSF), Jerusalem, Israel.

Living in Extremely Abnormal Environments

A bacteria called *Haloarcula marismortui* lives in the world's saltiest body of water -- the Dead Sea.

Their secret of survival is due, in part, to the properties of the bacteria's proteins, which are different in structure from those of organisms living in conditions of "normal" salinity.

According to an article in the May issue of *Nature Structural Biology*, Drs. Felix Frolov and Michal Harel with Prof. Joel Sussman and their colleagues of the Weizmann Institute's Structural Biology Department, have discovered one important structural difference.

The scientists grew crystals of one of the bacteria's most abundant proteins, ferredoxin, and determined their exact molecular structure using X-ray crystal-ography. They discovered that the ferredoxin of *Haloarcula marismortui* has

an extra appendage compared with the ferredoxin of bacteria and plants that are not found in such a salty environment. This appendage, as well as the rest of the protein's surface, has a relatively strong negative electric charge which attracts water molecules and ions with positive electric charges. These, in turn, create an unusually dense "envelope" which appears to shield the protein against the hostile environment. Understanding protective mechanisms which enable organisms to adapt to extremes of salinity, temperature or pressure on earth may aid the manufacture of future human habitats in outer space.

Two Proteins May Predict Nature of Tumors

It may soon be easier to diagnose and treat neuroblastomas, one of the most common solid tumors occurring in young children, due to a study by researchers at the Weizmann Institute and the Children's Hospital of Philadelphia. Although these tumors are often fast-growing and massive, they do occasionally transform themselves spontaneously into a benign lump of cells. To prescribe optimal treatment, doctors need to know precisely whether the tumor is malign or aggressive. However, most neuroblastomas are first diagnosed at a stage when it is difficult to tell precisely how the tumor is likely to develop.

Prof. Emeritus Uriel Littauer of the Institute's Neurobiology Department has discovered two proteins that may help predict the behavior of neuroblastomas. Together with colleagues in Rehovot, Israel, and Philadelphia USA, he showed that one protein, MAP2d, is present in large amounts in cells of malignant neuroblastomas but in far smaller amounts in tumors that have turned benign. Littauer's Rehovot team then found that the second protein, 67-kDa LBP, behaves similarly in tumor tissue cultures.

Researchers believe that by measuring the amount of these proteins it may be possible to predict the course of the disease. The lower the protein levels, the greater the chance of the tumor transforming itself into a benign state. Such measurements, if confirmed by further testing,

will enable doctors to evaluate the patient's condition more accurately and tailor the treatment accordingly.

AOL to use Israeli Internet Technology

America on Line (AOL) will integrate Netscene's PointPlus on-line presentation system for courseware, to be used in a virtual learning environment based on Virtual Places, also designed in Israel by its subsidiary Ubique. The presentation viewer is available free on the Internet while the package will be available from NetScene and will be distributed by AOL, with dedicated conversion tools, among AOL users. According to Ron Soperman, the agreement with AOL promises that PointPlus can soon become a worldwide standard for on-line Powerpoint presentations, despite the fact that new versions already have built-in HTML conversion features. "The immediate viewing and high compression are our strengths and they address the users' needs," says Soperman.

NetScene has developed a method to compress and transmit attractive PowerPoint based presentation slides at a high rate over the Internet. The application, called PointPlus, enables the creators to save their presentations in an Internet format, placed on web sites. Users can download the presentation, and watch the first slides within seconds, as the rest of the file is downloaded. Netscene used several compression techniques to achieve a very high compression ratio, which can squeeze up to 100 slides into a slim 30 kb file. The company is offering the presentation package for \$199, while the plug-in viewer can be downloaded free from Netscene's site.

Inflation Poses Challenge for the New Government

The Consumer Price Index (CPI) for May rose 1.7% according to Central Bureau of Statistics announcement. In April, the CPI also rose 1.7%. May's CPI was influenced primarily by the strengthening of the dollar and the corresponding sharp increase in the cost of housing and the seasonal increase in clothing and footwear prices. It was the fifth consecutive month in which the inflation rate has risen more than 1%. The aggregate inflation rate since the beginning of the

year has been 6.2% compared to 2.2% in the same period last year. In annual terms, the inflation rate is 15%, compared to an inflation goal for 1996 with an upper limit of 10%. For June-July, indices of 0.7-1.0% are expected. The rate of inflation is well ahead of the rate of devaluation of the shekel which has declined by 4.3% in 1996.

Prime Minister Binyamin Netanyahu has appointed Bank of Israel Governor Prof. Ya'acov Frenkel to the post of special economic advisor to the PM. The nomination signaled the PM's agreement to appoint Prof. Frenkel for an additional term of five years to the post of Governor of Israel's central bank.

Matav IPO raises \$50 million

Matav Cable Systems Media, the shares of which are traded on the TASE has completed successfully its IPO (initial public offering) of \$50. The company sold 2.7 million certificates of deposit, 20% of its share capital. The under writing was managed by the US investment firm, Merrill Lynch. The proceeds to the company will be \$45 million.

Matav's major shareholders are Hannaniah Gibstein and the TASE listed companies Poalim Investments and Dankner.

Lehman Brothers Project \$34 a Tadiran Share

The US investment bank Lehman Brothers revised its price for Tadiran's in the coming year to \$33-\$34. Lehman expects that the accelerated growth of Tadiran's communications activities, through the Tadiran Telecommunications subsidiary, and improved military activity, will allow the company to increase profits by 38% to \$2.93 per share this year, or \$57.4 million before the \$33 million capital gain from issuing Tadiran Telecommunications. The investment bank expects the company's revenues to increase to \$1.1 billion this year and reach \$1.2 billion in 1997.

Pressure for Greater Investment in Space Field

"If the government and financial concerns in Israel do not increase their investment in the

space field, Israel will not be able to compete in a market whose volume is estimated at tens of billions of dollars in the next decade," warns Director of the Israel Space Agency, Avi Har-Even.

According to Har-Even, Israel's investment of \$30-40 million in the space field in recent years, in comparison with other countries such as Spain (\$147 million), Switzerland (\$88 million), Italy (\$500 million), Holland (\$130 million) and Canada (\$400 million). Leaders in space investment are Japan and the US. The latter has invested \$13.8 billion while Japan's space outlay totals \$ 1.8 billion.

US House of Representatives Approves \$3 Billion Aid

The US House of Representatives has approved the foreign aid bill for the 1997 financial year. The bill includes \$3 billion as security and economic aid to Israel. The bill passed by a majority of 366 against 57. The Senate sub-committee for foreign operations is expected to approve the bill at the end of June, as a first stage towards approving the Senate's version of the bill. The wording of the bill as formulated by the House of Representatives does not include any reservations or amendments liable to affect the volume of aid to Israel. A communiqué by AIPAC, the pro-Israeli lobby in Washington, states that "following the elections in Israel, the vote constitutes a reconfirmation of the commitment of the House of Representatives to Israel". Altogether, the House of Representatives approved a sum of \$11.9 billion for foreign aid, a decrease of \$485 million compared to the foreign aid budget in the present financial year, and a billion dollars less than the amount requested by President Clinton. Egypt will continue to receive \$2.1 billion per annum in US aid, and the aid received by Israel and Egypt constitute some 40% of total US foreign aid for the 1997 financial year.

Economy not Suffering from Politically Related Problems

American Prof. Robert Lucas on visit to receive an honorary doctorate of sciences from the Haifa

Technion, said that he does not believe the Israeli economy to be suffering from politically-related problems.

In 1995, Lucas was awarded a Nobel prize in economics, primarily as a result of his researches in the field of macro-economic theory and economic growth and development.

D&B Rates Hapoalim Number One

Bank Hapoalim, with assets of more than \$43 billion, heads the list of commercial banks, in the Dun & Bradstreet rating for Israel's financial sector in 1995. Following are Bank Leumi and Discount Bank. Leader of the mortgage banks is Bank Tefahot, with assets totaling \$6.7 billion, followed by Bank Mishkan in second place and Leumi Mortgages in third.

Check Point in Financing Issue

The Internet software security company Check Point made a presentation to Israeli institutional investors as part of its road show before the Wall Street offering. Check Point seeks to raise \$40 million according to a market value of \$425 million, while in addition to the offering, the company's founders will sell shares worth \$15 million. If all goes as planned, and on Wall Street there can always be last minute surprises, the offering is expected to take place shortly. The Check Point issue will be managed by one of the senior and most prestigious investment banks on Wall Street, Goldman Sachs. The issue's underwriters quoted their analysts' sales forecasts during the presentation according to which Check Point is expected to increase sales this year from \$9.5 million in 1995 to \$27.7 million. Check Point's sales forecast for 1997 is \$43.7 million. The analysts estimate that Check Point, which earned \$4.8 million in 1995, expects profits of \$10 million this year. The company concluded Q1 this year with profits of \$2.7 million.

Teva Raises \$70 Million

Teva raised \$70 million in a multi-currency five year loan from a syndicate of European banks headed by the Swiss bank UBS. Teva recently acquired two European companies,

in Italy and Hungary, in transactions financed by short-term loans, which are being repaid by this new loan. In the framework of this loan, Teva is also recycling at improved terms loans raised from a syndicate loan organized by UBS in 1993. At that time, Teva was given a \$25 million credit line, of which it used \$15 million.

Scitex to Supply International Newspapers on Demand at Olympics

Scitex has opened an office in Atlanta for the first commercial operation of a service to provide printouts of distant newspapers on demand. The service will operate during the Olympics, for athletes and visitors to the Olympic village from all over the world. They will be able to receive, in less than one minute, an entire edition of a newspaper, including color photographs, from their home city or country.

Chip Perkins, manager of the Scitex office in Atlanta said that after the Olympics, Scitex will establish an independent company, Press Point, with its own publishing division. The technology will be refined and the service directed mainly at European and Latin American newspapers with a small circulation in the US. These newspapers, through the Press Point network, will be able to penetrate points of sale that were not available to them earlier, such as hotels, cruise ships, international conferences, and others. Private capital will be invested in the new company, and there is currently no intention of making it public.

Number 10 Weapons Exporter

Israel is 10th on the list of conventional weapons exporters in the world, according to the list of the fifteen top arms and defense systems exporters published by the International Institute for Peace Research in Stockholm.

Apparently Israel exported a volume of \$317 million in arms and defense systems in 1995, a 37.2% increase compared to 1994, when Israel sold only \$231 million worth of weapons to foreign countries.

At the top of the list is the US which exported weapons at a volume of \$9.8 billion in 1995. Russia is in second place, with weapons exports

of \$3.9 billion.

Boeing Chooses Mercury

Mercury Interactive's Xrunner software has been chosen to supply automatic checks of the avionics systems of the new passenger aircraft Boeing 777. In experiments conducted by Boeing it was found that with this software, the time for checking the avionics software of an airplane before test flights, was shortened to about one-fifth of the time necessary for regular checks. The new passenger airplane includes an advanced avionics system for automatic management of the flight, take-off and landing. Therefore, checking the entire set of complex programs demanded the development of a special simulation system developed by Honeywell.

Internet Telephony Users Soar

Internet telephony is a specialty market but a research report from International Data Corporation (IDC) implies that recent technological advances and standards activity have provided Internet telephony with the potential to rapidly become mainstream. This study indicates that response by long distance carriers, RBOCs cable, and computer companies and the evolution of telecommunications deregulation are external influences that will affect the Internet telephony market.

At the end of 1995, the estimated number of active Internet telephony users was 500,000, VocalTec having 94 percent of the market. IDC characterizes active as individuals who use the product on a routine basis, rather than those who purchased or downloaded an Internet telephony product, tried it, and are no longer using the product.

This research study forecasts the Internet telephony market will grow to 16 million users of all types by the end of 1999. Internet telephony market revenue at the end of 1995 was estimated at \$3.5 million and will probably be \$560 million by the end of 1999. Growth will be driven primarily by business users who gain greater value from their Internet investments through ease of use and seamless telephone Internet connectivity. "The primary uses of Internet telephony in 1995 were for consumer long distance calls, Internet chat groups, and some

modern business experimentation in internet applications," said Mark Winther, IDC's vice president of Worldwide Telecommunications. "Potential future applications include interactive electronic commerce, intra-enterprise connectivity, and collaborative computing." IDC has identified three factors critical for success before Internet telephony can reach mainstream usage. The first is "ease of connectivity," namely, for anyone connected to the Internet to be able to dial another party direct, whether or not the other party is on the Internet. Second, an open set of standards is required, independent of which Internet telephony software product is used. Third, Internet telephony efforts must include ubiquitous telephony features available today, coupled with value-added features and options that serve as a means for competitive differentiation and market segmentation.

Reader's Letter :

'Let no Israeli entrepreneur get a government R&D grant without having passed an advanced course in marketing.' IHTIR May 1996 editorial.

This sentence capture my attention. From my point of view of more than 40 years of experience as a salesman, sales executive, and marketing executive as well as a business owner and manager, I can tell you that no course on marketing, advanced or otherwise, makes anyone an effective marketer.

For example in a relatively "hard science" like medicine, we require the freshly graduated MD to have years of internship and residency before they practice. Comparatively, marketing is an art, learned through the years of experience in both selling and marketing. The most important and difficult work in marketing must be done before the product is developed. The real marketer goes out to find demand for a non-existent product and what kind of selling and distribution network is required." S Ted Isaacs, AFTI Systems, Cincinnati, Ohio

Editor's note:

You have hit the nail on the head! A more market driven high-tech sector would add billions in exports.