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A DECADE OF EFFORT REWARDED

Little Pharmaceutical Mouse Roars

The cheers from investors in Israel and in the US were loud and clear. Their unflagging faith in the abilities of a small, by world standards, Israeli pharmaceuticals company was rewarded. They watched with fascination as institutional and private investors stampeded to buy Teva shares and bid up by nearly 10 per cent, at one point, the value of the American Depository Receipts.

The frenzied trading activity was sparked by the news that the Teva's Pharmaceutical Industries request for approval of its Copaxone drug as a safe and effective treatment for patients with relapsing multiple sclerosis was approved by a special committee convened by the US Food and Drug Administration (FDA). To the investors what seemed to matter was that Teva stood to earn \$70 mil in profits on estimated sales of \$200 mil from Copaxone by 1998.

Of the 185 member countries of the United Nations the vast majority import drugs as part of their health system activities. Less than one in five member countries have the ability and the means to innovate, develop, produce and market a pharmaceutical which will conform to the strict codes of the American Federal Drug Administration (FDA). Copaxone has a molecular chemical structure. The commercial cost to multi-national pharmaceutical companies of bringing a molecule from the laboratory to the market

place averages \$500 mil-\$600 mil. This sum is prohibitive to all except a few major manufacturers. Teva, by contrast, had skimped and managed on a budget of just over \$100 mil.

Teva business progress is an indelible part of the history and rapid technological development of the State of Israel. Back in the 1930s a number of chemists, escapees from Europe reached Palestine. They set up small pharmaceutical work shop plants from which they supplied a part of the needs for chemicals and drugs of the growing population. The role of these small producers became vital when Palestine was nearly cut off from foreign pharmaceutical supplies during World War II.

Under the leadership of Eli Hurwitz, a former member of a kibbutz (agricultural settlement) a strategy for bringing the small plants under one roof developed. Yeast and alcohol were among some of the early products.

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As Israel's population grew in the 1950s Teva discovered that many foreign pharmaceutical companies, for reasons of their own, refrained from granting licenses to produce drugs in the Teva factories. Brazenly Teva began to openly analyze, imitate and produce drugs which were the invention of other companies. When this became apparent to one European manufacturer its efforts to prohibit production failed as Teva successfully hid behind a local law which stipulated that the company, if it offered to pay royalties or other fees for local production rights, could not be denied the right of local production.

The acquired ability of effectively copying drugs, several decades later, proved a major asset to Teva when changes in the American law covering patents opened the door to generics. Teva formed an alliance with the American giant conglomerate WR Grace and the resulting company became a major factor in the American generic market.

The past decade of creative effort, based on the original scientific work carried out at the Weizmann Institute of Science and the tedious research and development, the arduous clinical tests and the gearing up for full scale manufacture and worldwide marketing, was part of a dream to convert Teva from an imitator to an innovator and to emerge from the pharmaceutical backwoods of the Middle East onto the international stage of big time pharmaceutical players like Merck, Bayer, Ciba Geigy and Glaxo.

All of this Teva has achieved and if its management, workforce and investors feel elated, it is more than understandable. They have fulfilled the dream of the British Jewish chemist Chaim Weizmann, who served as Israel's first President, to establish a superb scientific infrastructure and self replenishing pool of scientists and a technical workforce.

There did not exist in Israel any role models for Teva which makes its achievements even more impressive.

Amos Internet Agreement

GDTV and New Media Communications are set to establish a fast Internet service provider, using the Amos satellite and the

CyberCity system, based on a program developed at IBM Israel, and a modem developed by the Israeli firm Combox. The agreement is now being finalized.

In the first stage, the two companies will separately conduct a test of the new service among 50 participants, at a cost of tens of thousands of dollars. They will be provided with satellite dishes, enabling Internet connectivity. At a later stage, service will be expanded to include multimedia services.

The hookup cost to subscribers will be \$300, and monthly fees will be some \$20-30. The Internet service provider, in the first stage, will be IBM Israel.

Cable modem speed is 6 megabytes or 6,000 kbps. per second. By contrast, subscribers to services such as NetVision and Internet Gold, are offered connectivity at maximum speed of 28.8 kilobytes per second. ISDN lines allow speed of 128 kbps., and point-to-point lines, such as those leased by Bezeq, have a speed of 256 kbps.

New Media Communications is presently negotiating to establish a joint venture with an unnamed prospective partner, which will operate the IBM Israel multimedia/Internet service license via the cable TV network. Negotiations for a pilot program are being conducted with Golden Channels and Matav.

New Media Communications has signed a three year contract with the German company KMS to provide CyberCity systems, which allow fast Internet and multimedia services over cable networks. The deal is expected to reach \$4.5 million. The new vice will be officially announced on October 14th at the Munich Media Target Exhibition.

New Media has also announced that last week its was awarded a contract by the Dutch cable company Casamma to provide fast Internet service via CyberCity and transmitted over the cable network. At the same time, New Media has begun commercial operation of fast Internet via cable in Belgium.

The CyberCity system can be operated via cable, satellite or microwave broadcast. At present, an American company Cellular Vision is operating commercial fast Internet service via microwave broadcast, while in Israel fast Internet is now being tested using the Amos communications satellite. Combox is currently developing a more advanced cable modem, to operate at 30-40 megabytes.

The prototype is planned for December.

Gilat Starts Experimental Internet Service Via Amos Satellite

Gilat Satellite Engineering and Communications [NASDAQ:GILTF] has begun operation of a nationwide experimental subscription-based Internet service, using the Amos satellite. The service offers fast Internet service at 192-256 kilobytes per second, using small satellite dishes (50-60 cm diameter). Connectivity is provided by NetVision. Gilat says its new service, intended mainly for businesses, will be significantly cheaper than point to point connections.

"Arrow 2" Missile Explodes Target

The anti-missile missile "Arrow 2" was launched on its third test flight, and a trial interception was conducted for the first time. Preliminary data supplied by the Israel Aircraft Industries indicate that the missile's sensors locked onto the target, the warhead was activated and the target was squarely hit. American observers expressed the opinion that the results exceeded the most optimistic expectations.

IMI Wins Tender in Eastern Europe

Israel Military Industries (IMI) won a \$20 mil tender from the Ministry of Defense of an Eastern European country, for the supply of artillery rocket systems. The tender negotiations lasted more than two years.

The Eastern European country will equip itself with hundreds of rockets through the transaction. The country did not actually publish the tender on the matter, only declaring its intention to carry out re-equipment in the field, which led IMI to submit a bid. To date, the system has been sold to two armies in Latin America. Supply of the system to the Eastern European country will take two to three years, and include joint development between the manufacturer and the military purchaser. Defense industry sources stated the deal should yield further deals in that country and aid Israel Military Industries penetration of the Eastern European market.

Distributing Educational Software via Internet

Logal Software Inc [NASDAQ:LOGLF] announced the completion of a first interac-

tive educational product, of a series of 27 titles, which will operate via the Internet. According to CEO Yoel Givol, the company plans to put all its products on the World Wide Web by the end of the year.

The technology the company utilized to put its products on the Internet platform provides the user with the same comfortable work environment the CD-ROM user receives.

The first title retooled for Internet is an algebra and pre-calculus product called Function Investigator, including forty interactive lessons. With it, teachers can choose which of these lessons is best suited for classroom use, or they can use the built-in development tools to custom-build an interactive curriculum for a particular class.

- **From the Test Tube to the Market Place**
- **A 30 year Odyssey: Teva's Copaxone Wins Committee's Approval**
- **Projected Sales of \$200 mil and earnings of \$70 mil by 1998**

On September 19 the Washington based Peripheral and Central Nervous System Drugs Multiple Advisory Committee held open hearings to discuss the safety and effectiveness of Copaxone, also known as copolymer 1 a synthetic compound which resembles chemically a component of myelin, the insulating material around nerve fibers which is damaged in multiple sclerosis. Copaxone is manufactured by Israel's Teva Pharmaceuticals and it is both Teva's and this country's first original home developed drug. The committee unanimously found Copaxone to be safe and effective and recommended its approval to the FDA. Reacting to positive investor sentiment, Teva's ADRs [TEVYI:NASDAQ] rose by \$3.50 to \$47, one dollar below their all-time high, and by the end of the trading day was among the most active issues traded on the US NASDAQ. In the excitement the anomaly of the activity in Teva's shares was a 4.5% drop in their price on the Tel Aviv Stock Exchange [TASE]. Trading on the TASE due to time differences

between Israel and the US concluded at least an hour before NY trading opened. "Israeli investors were taking profits," suggested Zohar Goodes, an investment specialist with the Union Bank of Israel. The Teva shares had soared by 30% in the period of more than a month on anticipation of the approval.

Of the 185 member countries of the United Nations the vast majority import drugs as part of their health system activities. Less than one in five have the ability and the means to innovate, develop, produce and market a pharmaceutical which will conform to the strict codes of the American Federal Drug Administration (FDA). Copaxone has a molecular chemical structure. The commercial cost to multi-national pharmaceutical companies of bringing a molecule from the laboratory to the market place averages \$500 mil-\$600mil. This sum is prohibitive to all except a few major manufacturers. Money alone is not a guarantee of success. A scientific human resource infrastructure is a prerequisite as is the ability and determination to follow through on a development program which typically averages 10-12 years and includes the many stages from development to the manufacturing stage; the clinical trial process and not the least the bringing of the product to the ultimate user.

Multiple sclerosis is a chronic unpredictable disease of the central nervous system. The US National Multiple Sclerosis Society notes that MS affects twice as many women as men and is usually first diagnosed between the ages of 20 and 40. There are an estimated nearly one third of a million Americans with MS. In Israel 3,000 individuals are known to have MS.

Background

Copolymer 1 was first synthesized in 1967 by a team of leading scientists from the Weizmann Institute of Science (WIS) including Professors Michael Sela, Ruth Arnon and Dvora Teitelbaum. Sela subsequently served as President of the Weizmann Institute and Arnon served as Vice-President. To this day the precise nature of the autoimmune process in MS is not known.

At issue was the attempt to uncover an MS drug based on the assumption that any agent which prevents the activation of myelin based protein (MBP) cells which trigger an autoimmune response or alternatively

an agent which stimulates the production of suppresser cells capable of counteracting the MBP cells would be effective in the treatment of MS.

From the laboratories of the WIS early clinical studies were pioneered by Professor Oded Abramsky of the Hebrew University and Professor Murray Bornstein of the Albert Einstein College of Medicine in New York. Initial encouraging results were published in 1987 in the New England Journal of Medicine.

In 1986 Teva acquired the rights for copolymer-1 from the WIS. Phase III trials began in 1991 and ended in 1994. The trials were carried out on 251 patients in 11 American medical centers.

Moreover, in recent years 2,000 MS patients have been treated with copolymer-1 and the results support Teva's position that the drug lowers the rate of relapses and attacks of worsening symptoms in persons with remitting MS. Teva also has claimed that its drug by comparison with Avonex and Betaseron has fewer side-effects.

Several years ago Teva's management made the crucial decision to go ahead with plans for pre-approval production of copolymer-1 and has built two facilities: Plantex, Netanya where the raw material is produced and one at Kefar Saba for the production of the finished material. More than \$30 million was spent on these facilities.

"The total invested by Teva in the Copaxone project over the past 10 years is more than \$100 million. For some major pharmaceutical companies it is not much but for some it is a lot of money. The Copaxone project will transform Teva into a full-fledged pharmaceutical company from one which presently produces mainly generics," says Dr. Aaron Schwartz, Teva vice-president in charge of the Copaxone project.

While the US is the major target market, an application for Copaxone's approval by the UK regulatory authorities has been filed. An approval from the English regulatory body automatically opens the door to the European Union.

The American Market

There are 300,000 Americans suffering from MS. Of these about 40% have relapsing/remitting forms. Prior to the successful review of Teva's application only America's

Biogen's Avonex and Chiron's Betaseron had received approvals and are being marketed. Treatment for MS patients is expensive, approximately \$10,000 a year. While Teva has not indicated what it will charge for its Copaxone, analysts are suggesting that it will not be much less than \$10,000. The American Health Management Services have approved reimbursement for MS treatments

Teva's Marketing Pipeline

Copaxone will be marketed in the US by Teva Marion Partners, a partnership established in the past two years between Teva and Hoechst Marion Roussel.

Wall Street analysts, never short on predictions, are projecting \$100 mil- \$200 sales from Copaxone by 1998. Better still, they are forecasting a stock price of \$60-\$70 in the foreseeable future.

Exporting VC Management Skill to South Africa

The team of Yadin Kaufman and Gideon Tolkowsky, co-founders of Veritas Venture Capital Management Ltd. since 1990, has managed the \$25 million Anglo-American Ventures fund, (AAV), established by the South African giant Anglo-American and DeBeers (IHTIR 6/96). The fund's portfolio includes a number of substantial "winners", among them Gilat Satellite [NASDAQ:GIFTL], M-Systems Flash Disk Pioneers [NASDAQ:FLSHF] and ESC Medical [NASDAQ:ESCMF]. "Veritas" recently disclosed that the fund sold off a part of its ESC holdings for \$30 million. At the time of the sale and the balance of its holdings, representing 11% of the company's share capital, was valued at \$40 million

Anglo-American and Mitsubishi, who recently jointly established MCA Partners, a \$25 million fund to invest in young South African companies primarily active in technology, have appointed Veritas Venture Capital Management Ltd. to manage the new fund.

Israel-Turkey Signs Defense Agreement

Director General of the Ministry of Defense, David Ivry, recently signed an agreement in Turkey to extend security ties between Israel and Turkey. Among other things the agreement details co-operation

between the two countries' military industries.

The agreement will enable the implementation of a \$600 million Israel Aircraft Industries and Turkish Ministry of Defence project to upgrade Turkish Phantom jet fighters. A previously signed Agreement between Israel and Turkey called for joint military exercises to be carried out in the Mediterranean region.

Sapiens in Year 2000 Update Market

Sapiens (NASDAQ:SPNF) has announced a new management system for adapting computer applications to dates after the year 2000. The system is applicable to Sapiens and other vendor products. Entering the 21st Century certain applications and data may be damaged as many programs use only two digits to identify the year, instead of four. The year 2000, for example, is represented by the digits 00, and this may cause many difficulties in software calculations. Sapiens' new system assists the adaptation process at every stage. The new system was developed in order to provide a solution for one of the critical issues of the Israeli computer market today. Similar

systems are being offered by Formula (Crystal), CA, IBM, and Liraz and others.

Tadiran Telecom Seeking Foreign Markets

There are four major companies in Israel who account for most of the activity in this country's telecommunication industry. Leading the field is E.C.I. Telecommunications [NASDAQ:ECILF: and is followed by Motorola Communications (Israel) Ltd, Tadiran Telecom Ltd [NASDAQ:TTELF] and Telrad Ltd, in that order.

Tadiran became a public company in the first quarter of 1996 with an IPO which added \$75 M to its cash reserves. In contrast to ECI which exports 96% of its production, Tadiran Telecom only exported 30% of its \$256 M sales in the first half of 1996. However, company export sales have grown rapidly since 1991 from \$24 M to \$119 M in 1995. Nevertheless, it is not expected that this growth in exports will continue though management is anxious to move away from its dependence on the local market which for Tadiran Telecom represents Bezeq Israel

Telecommunications, the local telephone services provider. Tadiran, along with Telrad have an exclusive contract to supply Bezeq public telephone switchboards as well as a number of switching and peripheral products. Bezeq, presently in the process of being privatized in response to public criticism, has renegotiated the exclusive contract. Tadiran's offer of a 25% discount on its switchboards, was able to extend its original 1994 contract (due to elapse in 1997) to the year 2000.

Other Tadiran lines are doing well. These include switching and peripheral products, as well as access items which allow for an 8-fold increase in the transmission of conversations over copper wires.

Sales per each one of the 2,500 employees comes to \$180,000, based on expectations of 1996 sales of \$450 M.

Tadiran has shown that it can expand its exports and its profit margins will continue to increase if the sales per employee will increase to \$210,000 - \$215,000.

TASE to Rise: Oppenheimer

Lior Bergman, in charge of the Israel desk at the US investment bank Oppenheimer, a leading underwriter of Israeli IPOs, estimates that Israel's share market is on the threshold of improved conditions. TASE indices could rise 30% within the next 6-12 months, Bergman said. Bergman said he predicts the impetus for the process will be a rise in the volume of investments on the part of foreign investors, in response to positive macro-economic events. These events include a decline in the inflation rate and a drop in interest rate levels. Any advancement in the Middle East peace process will also have a positive effect on the Tel Aviv Stock Exchange.

Bergman said that even without a positive advancement in the economic or political arenas, international investors were likely demonstrate interest in the Israeli market. In his

opinion, Israel offers an attractive mix of companies trading at a low price.

FDA approves Teva's First Generic Clonazepam - \$300 mil Market

Teva Pharmaceutical Industries (NASDAQ:TEVIY) announced it is the first drug company to receive FDA marketing approval for sale of the generic version of the drug Klonopin, developed by Roche Laboratories. Klonopin, known generically as Clonazepam, sells at an annual rate of \$300 million in the US. Clonazepam is used to treat seizure disorders in conditions such as epilepsy.

William A. Fletcher, president of Lemmon, Teva's US generic company, said the drug has the largest potential market of any previously licensed by Teva.

IMF Critical Analysis: It Would be Unwise and Irresponsible to Lower Interest Rates

The International Monetary Fund (IMF) has warned the government that if it does not take corrective measures in its economic policy, it will have to take harsher measures in the future in order to return Israel's market to more balanced growth. The warning concludes an intermediate report, presented by the IMF delegation leader to Bank of Israel Governor Ya'akov Frenkel.

The report criticizes the government budgetary policy of recent years, particularly the significant deviation from the target deficit for 1995 and 1996. The introduction to the report states that "the government's wide-ranging policy was a mistake, causing over-activity, surplus demand, accelerated inflation and a significant worsening of the balance of payment deficit."

The report determined that the \$4.9 billion cut in the 1997 budget, decided on by the government, is the least that can be done. IMF's econo-

mists feel that additional cuts will be necessary over the next two years, due to the sharp rise in the budget deficit, and the significant deviation from the inflation range determined for 1996, now over 4% of the GNP, instead of 2.5%.

The economists cite economic developments connected with the continued growth in the balance of payment deficit, the decline in the rate of savings, plus continued rapid inflation, which is high compared with other industrialized western nations.

The delegations' report recommends adopting a long-range strategy for lowering inflation to western levels by setting quantitative inflation targets for the years 1997-2001. The delegation said it is convinced the government must take responsibility for setting 1998 target inflation of under 7%.

It should be noted that the Bank of Israel has already recommended that inflation be targeted at 7-10% for 1997 and 3-5% for 2001.

The IMF delegation also recommends adopting a long-term policy for lowering the budget deficit to the zero level by the year 2001.

RAD Group of Companies

If the traffic is not too congested, it is only a 15 minute ride by car from north Tel Aviv, located on the Mediterranean to Ramot Hechayal, a suburban industrial park. The first part of the park with its old buildings does little to prepare one for the sparkling high-tech company structures to be found in the inner park which is also the home of the RAD group of companies.

The group is active in a wide area of research and development, manufacture and marketing of four product lines whose common link is that they provide solutions to the demanding needs of transfer of traffic including voice and fax, video and multimedia for LANS and WANS, local and wide area networks. An area network, whether local or wide, is a high volume data transmission facility connecting a number of communicating devices, among them computers, terminals and printers either within a limited or a wide geographic area. As this is one of the "hottest" and fastest growing area of electronics, the RAD group whose worldwide sales exceed \$100 million and is growing at a

rate of 25%-35% yearly is one of the attractive high-technology organizations in this country.

The RAD Group was founded in 1981 by brothers Yehuda and Zohar Zisapel who founded Lannet Data Communications which became the industry-leading Ethernet switching concern. Lannet became a public company in 1991 and in October 1995 was acquired by Madge Networks a leading, worldwide supplier of switched networking solutions for corporate applications. "The investment by Madge was the single largest investment ever by a British company in Israel. Madge is planning to establish another factory here," states a spokesman of the British Embassy, Tel Aviv.

A unique for Israel business approach has resulted in the group becoming a family of independent companies generally 70%/30 owned by management/employees. Seed money for the companies is made available from the Zisapel brothers or from what the company terms its "internal venture capital fund of more than \$65 million". When a "prototype" is available the company is directed to venture capitalists who are likely investors. At a later stage the company is accompanied to an Initial Public offering. The Lannet-Madge acquisitions positions management to offer experience in Merger and Acquisitions.

"We have internal professional departments staffed by lawyers, financial experts, economists and marketing specialists. They are offered at market costs to the subsidiaries. Our total experience is made available to them. Though the managers nearly always prefer to use these services we tell them that they are free to seek outside help. Besides seed money we make loans to the companies which are repayable from revenues. Our experience in the process of arranging research and development grants from the Office of the Chief Scientist is a useful service for these startups," explains Gideon Marks, RAD Data Communications, chief financial officer. Israel's Ministry of Industry and Trade supports research and development by a grant program in excess of \$300mil a year. The application and determination of suitability by grant applicant is a rigorous process and experience in this field is a time saver.

The uniqueness of this method is part of a corporate philosophy aimed at allowing the entrepreneur in a startup the freedom of action within a small business enterprise and the backup and corporate muscle of an experienced and larger business unit.

"Transfer of technology is possible between members of the group and marketing channels are opened as well as preparation for international exhibitions and conferences," adds Mr. Marks.

How to Participate in the Growth of the RAD Group

Below listed are the member companies of the group. They are presently privately held companies with the exception of Silicom [NASDAQ: SILCF]. Lightly traded it is at the lower end of its recent price range \$3.5-5.50. Silicom is in the PC card LAN adapters business. It is a very small company with 1996 semi-annual sales of about \$2.5mil and it is profitable. Yet, is innovative in having brought two new products to the market in 1995 and we believe that after a few false starts Silicom maybe on the verge of sharply increased sales in the US.

RADCom is in the process of preparing its IPO and it should reach the market later this fall. The five year old company specializes in protocol analyzers

RAD Data Communications: access solutions for WAN & LAN

RND: bridges and routers

RIT: connectors adapters and patching equipment

RADLinx: Internet access

RUN: Network acceleration

RADVision: Video conferencing

RADView: Software testing

RADGuard: Data security

RADNet: ATM access

QUO VADIS

"Where is this industry heading?", we asked. Faster, more complicated and many new technologies," says a RAD official. He might have added smaller as well RAD Data sells a range of modems for a broad range of computers, cabling systems, data rates and transmission modes.

One of its modems has entered the Guinness Book of Records as the smallest modem in the world.

Mediasonic to Transmit Video Conferences via Telephone Lines

Video components designed by the Israeli firm Mediasonic will be integrated in the new video conferencing product developed by US firm Smith Micro Devices. Mediasonic Multimedia will integrate Smith's video conferencing software in a video conferencing product it developed, based on a component which operates according to the recently-approved H.324 standard. Mediasonic was established in 1993. It has developed video editing cards and the new video conferencing card. This new product enables regular Pentium computers to transmit high quality video conferences via regular telephone lines. The software chosen for application in the system is capable of transmitting video at the rate of 12-15 images per second between two identical systems. With ideal line connections, it is possible to transmit 20 images per second.

Motorola Gambles on Emultek

Scores of industrialists and entrepreneurs dream of a solution which will enable them rapid, convenient execution of computer imaging of the new products they want to make. A new development, by Emultek, may turn that dream into a new marketing and technological reality.

Motorola International was one of the first companies to uncover the potential hidden in this new technology. Recently, Motorola International senior VP William J. Millon and Emultek CEO Shalom Daskal, signed a joint investment and profit sharing agreement for a project, intended to turn Emultek's "Rapid" prototyping tool into the primary tool for end product software development.

Motorola International, and Emultek have received a R&D grant from the Israel-US Bi-National Industrial Research and Development Fund (Bird-F), and \$2.7 million has been budgeted for the development stage of the project.

Emultek's concept originated from the work on the Lavi fighter jet project when a group of pilots, engineers and avionics experts defined the characteristics of the jet fighter cockpit for Israel Aircraft Industries (IAI). When the Lavi project was dropped the design team went on to found Emultek. The

team developed a prototyping program for the cockpit of the future. This led to the developing a one-of-a-kind simulator, for imaging entire systems including software integration.

The Emultek team spent two years in developing the basic simulator technology, and by using proprietary software, executed projects for a number of clients, including Elbit, Tadiran, and IAI. The first generation product, called "Rapid," was launched in 1994 and is currently in use at 150 sites. "Rapid" was used successfully in the development of the computer-generated prototypes of military hardware for Israeli Navy's Sa'ar-5 ships, and the computer-generated prototype of Tadiran's advanced communications system. Using "Rapid," Motorola International developed its wireless digital MIRS technology adopted by European defense and rescue forces.

In the development pipeline is a code generator allowing the automatic creation of software for the finished product. The automatic code generator is intended to provide not only a computer-generated prototype, but all the programming needed for the finished product.

Automatic software code generation is expected to significantly reduce development time and reduce errors and lower costs. The company says that several large component manufacturers have expressed interest in the project.

Income will be based on the royalties levied on components created using the simulation tool. The product's target customers are producers of communications, industrial systems, electronic appliances, avionics and defense products. According to all Emultek's projections, this market should maintain a growth rate of 35% to 50% per year.

Financing

Early stage investors include venture capital fund Yozma, and a Canadian and a Swiss group. To further fund development, Emultek management is currently negotiating to raise an additional \$2 million. Emultek is also discussing offers from two US underwriting firms, interested in a future IPO on Wall Street.

Emultek employs 45 people, half of whom work in the company's development center at Har Hotzvim, Jerusalem. The other half work

at the company's new plant in the Western Galilee. The new factory's work-force is expected to triple within the next year, mainly in software engineering.

The company has an installed base is some 700 units, of which 40% are prototype imaging, and the remainder are computerized instruction systems.

Galileo Raises \$5.3 mil in Private Placement

Galileo, which develops semiconductor components for the communications and electronics market, raised \$5.3 million in a private placement, from a group of American and Israeli investors. The group includes seven venture capital and investment funds active in the US and Israel. This concludes the company's third round of financing since its inception in 1993, totaling \$10.3 million.

Galileo's two design groups are based in Carmiel, Israel and in California. The company develops ASIC-designated chips, sub-contracts their production and markets them to communications equipment manufacturers.

The company's efforts currently center on the development of an innovative communications component designed to realize the ultra-fast communications method "Giga-byte Ethernet". This technology will be able to implement digital communications at ten times the currently accepted speed.

Israel's Population: 5.71 mil

Israel's population grew by 141,000 during the Jewish year 5756 and reached 5.7 million persons, a 2.5% rise over last year.

Figures issued today by the Central Bureau of Statistics indicate an increase of 103,000 persons in the Jewish population to 4.62 million or 80.8% of Israel's total population.

Half of growth is as a result of natural population increase. New immigrants numbered 68,000, of which 83% came from the CIS. 835,000 or 14.6% of Israeli citizens are Muslim, 166,000 (2.9%) are Christian and 95,000 (1.7%) are Druse.

Livnat Promotes Privatization

Minister of Communications Limor Livnat is currently in New York City and is presenting the Ministry's plan for privatizing the Israel Broadcast Authority and Bezeq - Israel

Telecommunications.

Japanese Attracted to Israeli Software

Over the past year, Japanese investors and buyers have become increasingly interested in Israel's computer and software industry. The most recent deal announced was a 5-year, \$7 million contract signed with the Israeli firm Capella by Nippon Systemware (NSW). NSW will purchase a minimum \$7 million in software from Capella, although estimates are that the market could reach \$20 million, according Triangle Technologies which initiated the contact between the two companies.

Capella has developed a program for creating sophisticated, multimedia-integrated data bases, enabling advanced retrieval capability, electronic publishing, catalogue production and interactive information kiosks. NSW is Japan's seventh largest software concern. This year NSW raised over \$35 million dollars on the Tokyo stock market, specifically intended for investment in Israeli technology. NSW sales last year reached \$200 million.

Orckit to Raise \$33 mil

Orckit will sell 2.5 million shares in an effort to raise \$33 million. Venture capital funds which invested in Orckit include: Star, Etgar and Mofet. Orckit is active in ADSL a standard which allows phone companies to provide access to the Internet using their copper wire infrastructures.

The American telecom companies are a potential major market. Orckit's sales in the first half of 1996 exceeded \$5 million but the company reported a loss of nearly \$1.5 million. Alex Brown has been chosen as underwriter along with Montgomery Securities and Oppenheimer.

Chip Express is Moving from a Research and Development Unit to a Commercial Company Offering Services to Electronics Manufacturers.

From its headquarters in Santa Clara, CA Chip Express has penetrated the US and Japanese computer, communications, military, and consumer markets.

The company has executed over 400 designs in its Santa Clara service center for major companies, among them Adapter, Compaq, 3DO, Fujitsu, HP and IBM. Chip Express plans to expand and is planning a

Wall Street IPO with Goldman Sachs underwriting the offering.

The company employs 110 persons, of which 40 are in Israel. Chip Express' wholly owned subsidiary, Chip Express (Israel) performs all R&D support and manufactures the QuickTime real-time computer and image processing system for automatic laser cutting of silicon wafers.

The company was founded to develop a machine for the rapid manufacture of made-to-order prototypes, using a laser based system to "personalize" one silicon wafer at a time. Engineering prototypes are made at a rate far faster than the accepted world standard, and customers may be furnished with a prototype within 24 hours.

The company reported \$180 million in sales for 1995, compared and will be shortly reporting its 1996 results which are estimated at \$250 million, an approximate advance of 40% over 1995.

Chip Express: a Semiconductor Market Supplier

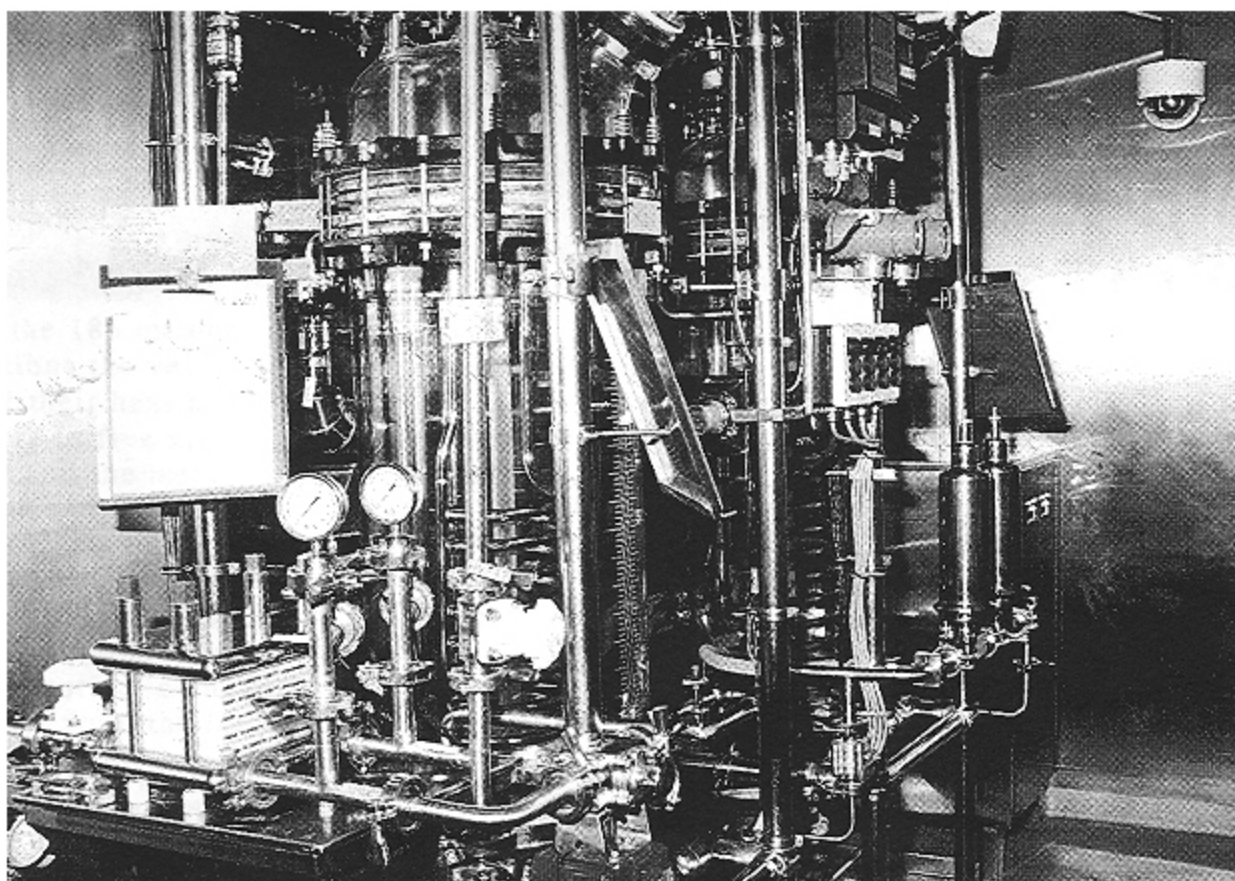
Chip Express Corporation, specializes in the manufacture of specialty semiconductors known as high-performance, high-density ASIC (Application Specific Integrated Circuits) devices, using a 24-hour laser-personalized prototype, a low volume fast-turn production service and cost competitive high-volume production.

QuickTime real-time computer and image processing system for automatic laser cutting of silicon wafers.

The company was founded to develop a machine for the rapid manufacture of made-to-order prototypes, using a laser based system to "personalize" one silicon wafer at a time.

Engineering prototypes are made at a rate far faster than the accepted world standard, and customers may be furnished with a prototype within 24 hours.

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ISRAEL HIGH-TECH & INVESTMENT REPORT

