

ISRAEL HIGH - TECH & INVESTMENT REPORT

Israeli economists are a breed on their own. Smart in theory their forecasts and analysis inevitably are tinged by excessive political considerations which are more difficult to fathom than economic data.

As a result the economists' conclusions often are muddled by non-economic conjecture. The economists are now using such terms as "static economy with growing unemployment".

What are the facts? Tourism, earlier in 1997 was on a straight up course, and reached record levels.

Currently, incoming is the only area of the economy which is affected by the several terrorist incidents within the borders of the country. Yet, this is temporary since historically after each setback in tourist growth the industry goes to set new records, according to a leading Israeli hotelier. Construction also has been on a record setting pace over the past five years. As in previous periods of high growth and demand for residential housing the industry is currently overbuilt but without threats of bankruptcies. New communities are expanding as the population grows and tends to move to the periphery of major cities where the building industry is concentrating its efforts. Unemployment

Johnson & Johnson Buys Biosense for \$400 million

Another huge deal has been added to the series of investments by US companies in Israel. In one of the largest deals of its kind to date, Cordis Corporation, a wholly-owned subsidiary of Johnson & Johnson, announced the signing of a definitive merger agreement with Biosense, Inc. based in Haifa, Israel with corporate headquarters in Orangeburg, N.Y. The company develops catheter-based interbody navigation and location systems used in cardiology and neurosurgery.

Biosense's shareholders will receive a sum estimated at \$400 million in Johnson & Johnson shares. Biosense, was set up in 1993 by Professor Shlomo Ben-Haim, a tenured lecturer at Israel's Technion School of Medicine, and a visiting professor at Harvard University. Ben-Haim, whose 19% shareholding will be paid in J & J shares worth some \$75 million. His brother, Amit Ben-Haim, who was the first investor in the company, holds 22% of the shares, and will receive J & J shares valued \$88 million.

Another shareholder in the company is the Yozma Fund, formerly a government entity, and now controlled by the Ofer brothers. It holds 1.7% of the shares, worth \$7 million. Johnson & Johnson itself holds 14% of the shares in Biosense from previous investments in the company, worth \$30 million.

At Biosense, Professor Ben -Haim developed innovative technology that facilitates accurate mapping and diagnosis of internal organs in the human body. The products consist of simple catheters introduced into a body, which serve as sophisticated catheters that facilitate precise mapping of organs in real time. The products replace existing mapping and diagnostic technologies, such as X-rays and various scanners. The company's cardiology products are suited for Cordis, one of the largest companies in the world in the area of cardiology specializing in balloon and catheterization systems. The generous evaluation for Biosense is reflected by the recognition that Biosense's products address a market estimated by Johnson & Johnson's at \$2

billion. Biosense is registered as a US company, but its main activity is in Israel. The company has 85 employees, 60 of them in Israel, and 25 in the US and in Europe.

Adding luster to the deal is the fact that Biosense is still in the early stages of development with annual sales of only \$1.0 million and with most of its products still at the development or clinical trials stage. Last year, when seeking financing in the US, the company's shareholders' equity amounted to a near \$40 million deficit.

Laser Industries and Biosense in Joint Development Program

Laser Industries (Nasdaq:LASRF) is jointly developing with Biosense, Inc., a laser system for use in Direct Myocardial Revascularization. DMR(TM) is a minimally-invasive heart procedure intended to relieve angina pain and to improve the quality of life for sufferers of coronary artery disease.

The novel technology for revascularization is based on the Biosense guidance system, catheters with optical fibers, and Laser Industries' Sharplan Holmium laser system, specifically adapted for the application. The system allows for the delivery of energy to selected sites on the inner side of the heart wall.

An Investigational Device Exemption (IDE) application for the treatment of patients using the DMR(TM) system, which utilizes the Sharplan Holmium laser system, has been submitted to the U.S. Food and Drug Administration (FDA) and is now pending clearance. The DMR(TM) system was demonstrated at the Transcatheter Cardiovascular Therapeutics Conference in Washington, D.C. last month by Dr. Martin Leon, a leading American interventional cardiologist. According to the agreement, Laser Industries will serve as the preferred laser system vendor for the DMR(TM) systems sold by Biosense.

DMR(TM) is a minimally-invasive catheterization procedure performed in a catheterization laboratory that may postpone or eliminate the need for coronary artery bypass. Over 300,000 bypass procedures are performed in the U.S. each year.

Elscent Introduces Coronary Artery Calcification (CAC) Assessment System

Elscent Ltd. (NySE:ELT), Israel's leading medical imaging company, announced the availability of its Cardiac Scoring™ for use in its CT-Twin scanner. Cardiac Scoring provides a quantitative assessment, or score, of calcified lesions in the coronary arteries, which assists physicians in determining the patient risk factor in cases of obstructive coronary artery disease. Cardiac Scoring is a non-invasive procedure and can therefore be used as a follow-up procedure. Elscent recently received the FDA's 510k market clearance for this option, and is the only manufacturer which includes this clinical option on its general purpose CT scanners. Heart disease is the number one cause of death in developed countries. For example, in the U.S.A., over 500,000 people suffer a fatal heart attacks yearly. Approximately half of these deaths occur suddenly, without prior symptoms. On the other hand, the majority of heart attacks do not lead to death when the conditions that cause them are diagnosed on time. The Cardiac Scoring test enables detection and quantification of calcified lesions in the coronary arteries within ten minutes. The presence of these lesions indicates atherosclerotic coronary artery disease, which increases the risk of heart attack.

NYPA and Electric Fuel to Test Zinc-Air Battery System

The New York Power Authority and Electric Fuel Corporation (Nasdaq:EFCX) have signed a memorandum of understanding for a joint program to introduce the electric zinc-air fleet battery system in the New York City area. Under the program, the parties have stated their intent to work together to secure local partners, including local business fleet operators, transit operators, environmental and government organizations. As a first step, a Mercedes Benz MB410E van powered by the Electric Fuel system was test driven by prospective partners. As part of the program, Electric Fuel and the Power Authority

have also stated their intention to jointly undertake feasibility studies to determine the technical and financial viability of moving forward with a full-scale commercial operation to include construction of a zinc regeneration facility in New York City.

"We see the 'Electric Business Vehicle Project' with Electric Fuel as fitting perfectly with our existing, nationally recognized electric vehicle program. stated a spokesman for the NYPA" An Electric Fuel executive added, "As one of the world's largest transportation hubs, New York City is the ideal locale to harness EV technology for its business fleets. We are hopeful our work with the New York Power Authority will set the stage for adoption of the zinc-air system in America."

The Electric Fuel system consists of an in-vehicle, zinc-air battery built from cells with replaceable zinc anode cassettes, referred to as "Electric Fuel®"; an automated battery refuelling method for replacing discharged cassettes; and a regeneration process for recycling the cassettes. This unique "refuelable" battery system overcomes the "Achilles Heel" of electric vehicles - range - and regularly travels more than 250 miles (400 km) in city and highway driving. Electric Fuel Corporation, with corporate offices in New York City and manufacturing and research and development facilities in Jerusalem has positioned its zinc-air energy system to meet the emerging demand for zero-emission electric-powered transportation. The New York Power Authority is the nation's largest state-owned utility and meets about one-quarter of New York State's electricity needs. Its electric vehicle program includes deployment of the Northeast's first electric powered school bus and of more than 65 electric-powered sedans and utility vehicles for use by its customers. In a related development Electric Fuel Corporation announced that it has received a new order from Deutsche Post AG for batteries and services to power the first of the new series of Mercedes-Benz 2.5-ton Vito vans to be operated by Deutsche Telekom and Deutsche Post. This initial order is worth \$1.0 milion.

Lucent Technologies Signs Agreement With NICE Systems

NICE Systems Ltd. (Nasdaq:NICEY) a leading global provider of Computer Telephony Integration (CTI) logging, monitoring and management solutions for voice, fax and data and Lucent Technologies (NYSE:LU) announced that they have entered into a world wide distribution agreement to take effect immediately, under which Lucent will market and distribute NICE's voice logging solutions. NICE is headquartered in Tel Aviv

The agreement, targeted to distribution to the call center market plus other corporate logging opportunities, includes distribution of NICE's leading Computer Telephony Integrated (CTI) products.

“The addition of NICE Systems' transaction-based recording capabilities to our suite of mixed-media call center solutions offers our customers an additional tool to provide best-in-class service to their customers,” said Lou Marianacci, vice-president of Lucent Technologies Customer Sales and Service Division.

Lucent Technologies (LU) designs, builds, and delivers a wide range of public and private networks, communications systems and software, consumer and business telephone systems and microelectronics components. Bell Laboratories is the research and development arm of the company.

Silicom Signs Deal with Neoware

The US Neoware Systems, manufacturer of network computers, has signed a software licensing agreement with Israeli Silicom Ltd. of the Rad Bynet group, which will enable it to integrate Silicom's PCMCIA-type Fast Ethernet communications cards into its network computers.

These are computers that are supposed to work only when connected to a network, and are designed to provide a cheaper, more convenient and solution than with the use of a single personal computer.

With Silicom's communication card integrated into Neoware's network computers, the user will

be able to hook up to Ethernet networks operating at a rate of 10 Mbps, and to Fast Ethernet networks, operating at 100 Mbps.

Silicom's software has been adapted to the network computers operating system, and automatically identifies the rate of data transfer, supporting both speeds. Silicom engages in the design, manufacture and marketing of modular connective products, combining hardware and software, and intended for linking laptop computers to local and regional communications networks. In the first half of 1997, its sales totalled \$5.7 million The company's shares are traded on the Nasdaq under the symbol SILCF.

Check Point Software Technologies Ltd. Reports Third Quarter 1997 Results

Check Point Software Technologies Ltd.

(Nasdaq:CHKPF) announced results for the third quarter ended September 30, 1997. Revenues for the quarter were \$22,405,000 compared with \$8,030,000 for the same period in 1996, an increase of 179%. Net income was \$11,956,000, or \$0.32 per share, compared with \$3,748,000 or \$0.10 per share in the same quarter in 1996.

Operating margins were particularly high as a result of the higher than anticipated revenues.

Check Point Software Technologies Ltd. is a leading provider of policy-based enterprise security and traffic management solutions.

Through its patented Stateful Inspection technology, the company is uniquely positioned to deliver Secure Enterprise Connectivity solutions that protect information assets and enhance the performance of enterprise networks. Check Point offerings include the world's leading enterprise security suite, Check Point(TM) FireWall-1(R), and the industry's premier policy-based bandwidth management solution, Check Point FloodGate-1(TM). The company has U.S. headquarters in California and international headquarters in Ramat-Gan, Israel. Worldwide distribution and market penetration continued to be an important factor for CheckPoint, with approximately one-half of all revenues coming from outside North America.

Significantly Check Point recently announced that SOFTBANK Corporation has selected the FireWall-1 product suite as an integral part of its Security Bank service, offering security products and training to the Japanese market. The company held a 74% share of the firewall market in Japan in 1996, according to Gartner Group, internationally respected Information Technology consultants.

The third quarter marked a milestone for Check Point, as the company advanced its long-term business strategy of secure enterprise connectivity.

New Web Site Opens a Window on Israel's High Tech Universe

A new Internet based service *NETO:High-Tech* offers Israeli high-tech companies, especially those who have not reached the stage of affording high-priced public relations services a novel way for displaying themselves and their products to Internet users worldwide.

The concept and the system was developed by Agent Interactive Network whose founder Zvi Gershuni saw an opportunity create a unique service by organizing a one-stop site carrying up-to-date, reliable, and comprehensive information about the universe of Israeli high-tech companies. The site is an efficient work tool/search engine with users spared the need to browse through heavy (corporate image) graphics.

The site is a superior infosystem dedicated to the dynamic Israeli high-tech market for users in Israel and abroad. Under its methodology high-tech companies can add themselves to the existing Database of Israeli companies, already numbering nearly 1000 companies and they can modify the information as and when required. A link is provided allowing inquiries directly to the companies. In addition the companies may create for themselves using a unique but simple technique to create a dynamic catalogue listing with company news and product descriptions and technologies which they wish to promote.

“ We are further developing the system to include many more features among them a Hebrew language version, a want add section to satisfy the

needs of the high-tech companies for qualified personnel and collaboration with information sources on the net and other surprises,” promises Gershuni.

URL: <http://www.neto.co.il>

Record Results; Earnings Per Share Reach \$0.39 on 73% Sales Gain

ESC Medical Systems Ltd. (Nasdaq:ESCMF) announced record results for the third quarter and nine month period ended September 30, 1997. For the third quarter of 1997, net sales climbed to \$30.0 million from \$17.4 million for the same quarter last year. Net income increased to \$8.1 million, or \$0.39 per share, compared to \$5.3 million, or \$0.26 per share for the third quarter of 1996. For the nine month period ended September 30, 1997 net sales nearly doubled to \$78.5 million from \$40.5 million for the comparable period last year. Net income grew to \$15.6 million, or \$0.98 per share, compared to \$7.6 million, or \$0.58 per share for the similar period last year. ESC's CREO commented, “We are pleased with another quarter of strong financial performance. Sales continued to climb as we successfully launched new products in the domestic and international markets. Within the past year, the EpiLight Hair Removal System, the Derma 20 and the Silhouette Therapeutic Massage System became commercially available in the United States and our financial results are just beginning to reflect the high demand for these products.”

He added “In July, we received FDA clearance to market the EpiLight Hair Removal System in the U.S. and we are encouraged by its strong reception among physicians of various medical specialties. Due to the tremendous market opportunity for hair removal, we expect to see continuous growth in sales of the EpiLight over the next few quarters. In September, we introduced the Derma K laser system at the ASPRS (American Society for Plastic and Reconstructive Surgery) annual meeting in San Francisco. The Derma K is an exciting new product for ESC as it uses both Erbium:YAG and carbon dioxide lasers to achieve optimal skin

rejuvenation with an accelerated healing time. Sales of the Derma K have commenced internationally and we hope to begin marketing the system in the U.S. next year.”

In September, ESC raised \$115,000,000 in an convertible subordinated note offering which provided ESC with the capital to pursue appropriate, strategic opportunities.” ESC has become a leader in the cosmetic/medical industry. Its entire 80 person sales force in the U.S. is now trained to market all of ESC’s and Luxar’s products and it is positioned to increase market penetration, both domestically and internationally.

Research Corner

Therapeutic Effects of Garlic Confirmed

Garlic is believed to work wonders, from fighting disease to keeping away vampires. Now two studies conducted at the Weizmann Institute of Science have uncovered a molecular mechanism which may be the basis for some of garlic’s therapeutic effects.

The researchers were able to study how garlic works at the molecular level thanks to their unique biotechnological procedure for producing large quantities of pure allicin, garlic’s main biologically active component.

One study, appearing in the October issue of the American Society for Microbiology’s Antimicrobial Agents and Chemotherapy, explains how allicin fights infection. This research supports the notion that garlic is an excellent, although smelly, natural antimicrobial drug that can disable an unusually wide variety of infectious organisms. The second study, soon to be reported in Biochimica Biophysica Acta, may help clarify the role allicin plays in preventing heart disease and other disorders.

In the studies, the scientists revealed and characterized a molecular mechanism by which allicin blocks certain groups of enzymes. Allicin, created when garlic cloves are crushed, protects the plant from soil parasites and fungi and is also responsible for garlic’s pungent smell.

The studies were led by Professors. David Mirelman and Meir Wilchek of the Institute’s Biological Chemistry Department.

A natural weapon against infection

The reported research revealed that allicin disables dysentery-causing amoebas by blocking two groups of enzymes, cysteine proteinases and alcohol dehydrogenases. Cysteine proteinase enzymes are among the main culprits in infection, providing infectious organisms with the means to damage and invade tissues. Alcohol dehydrogenase enzymes play a major role in these harmful organisms’ metabolism and survival.

Because these groups of enzymes are found in a wide variety of infectious organisms such as bacteria, fungi and viruses, this research provides a scientific basis for the notion that allicin is a broad-spectrum antimicrobial drug, capable of warding off different types of infections.

“It has long been argued that garlic can fight a wide range of infections, and now we have provided biochemical evidence for this claim,” says Prof. Mirelman.

The role of allicin in warding off infection may be particularly valuable in light of the growing bacterial resistance to antibiotics. It is unlikely that bacteria would develop resistance to allicin because this would require modifying the very enzymes that make their activity possible.

Blocking mechanism explained

In the study slated to appear in Biochimica Biophysica Acta, Institute scientists found that allicin blocks the enzymes by reacting with one of their important components known as sulfhydryl (SH) groups, or thiols.

This finding has important implications because sulfhydryl groups are also crucial components of some enzymes that participate in the synthesis of cholesterol. By reacting with and modifying the sulfhydryl groups in those enzymes, allicin may prevent the production of artery-clogging cholesterol.

“It has been suggested that garlic lowers the levels of harmful cholesterol, and our study provides a possible explanation for how this may occur,” says Prof. Wilchek. “However, more research is

necessary to establish what role allicin might play in preventing the clogging up of arteries.”

The allicin produced at the Weizmann Institute is semi-synthetic; first, its precursor, alliin, is chemically synthesized, then a modified form of the natural enzyme, alliinase, converts it into pure allicin.

The pure semi-synthetic allicin can be stored for months without losing its effectiveness. In contrast, the natural compound loses its beneficial properties within hours because it begins to react with garlic's other components as soon as the clove is crushed.

A patent application for this production of pure allicin has been submitted by Yeda Research and Development Co., the Institute's technology transfer arm, and several companies have already expressed interest in scaling up the process for commercial use and clinical testing.

Locally Developed MS Drug is Effective

A fourth drug designed to reduce the severity and frequency of the most common type of multiple sclerosis has been added to the arsenal of neurologists. The drug is the second for multiple sclerosis to be developed in Israel. The product evolved from research work by Prof. Michel Ravel of the Weizmann Institute in Rehovot. Interpharm's managing director Alex Kotzer said that the molecule that forms the basis of Rebif is the same as that used in Avonex, though the process of purification is different. The locally developed product is said to be purer and works better than Avonex and easier to administer. Phase III clinical trial results on Rebif, produced by Ares-Serono of Switzerland, Interpharm's corporate parent, were presented recently at the 122nd Annual Meeting of the American Neurological Association in San Diego, California.

The placebo-controlled, double-blind study was conducted in 22 centers in nine countries. It was the largest study of its kind ever to investigate a treatment for relapsing-remitting MS, a form of the neurological disease that recurs and causes complications.

More than a million people worldwide suffer from the illness, which tends to develop between the ages of 20 and 40.

Although there is no cure, a number of treatments have been developed in recent years to reduce the severity and frequency of attacks and to allow more normal functioning.

The first to be marketed was Schering's Betaserone, a type of interferon-beta; next was Biogen's Avonex, a recombinant (genetically engineered) form of interferon-beta 1a, which was shown to have fewer side effects.

The third drug, approved this year by the US Food and Drug Administration, is Copaxone. It was developed over two decades by Dr. Dvora Teitelbaum of the Weizmann Institute and colleagues Prof. Ruth Arnon and Prof. Michael Sela.

Rebif, which also originated here, has been presented as reducing the frequency and severity of relapsing-remitting attacks by 30%.

Siemens' Israeli-Palestinian R&D Cooperation

Siemens Data Communication (formerly Ornet) established a Research and Development Center in Ramallah under the rule of the Palestinian Authority, in cooperation with a local high tech company. For the past several months, five Palestinian engineers have been receiving special training at the Siemens facility in Carmiel, Israel. After a period of approximately one year, the Palestinian engineers will return to their Ramallah-based high tech company, serving as the professional core of the joint R&D Center which will focus on developing of telecommunications network projects. By the year 2000, the R&D Center is expected to employ about 100 Palestinian engineers. According to Sam Widerman, President of Siemens Data Communication, “ The establishment of this joint enterprise is based, first and foremost, on business calculations. Siemens Data Communication's expansion and its growing involvement in international development projects call for professional, highly skilled human resources.

In Israel, the problem of recruiting experienced personnel in this field is becoming increasingly more difficult, while, at the same time, there are many highly qualified, yet unemployed, engineers in the Palestinian Authority and in Jordan. In light of this situation, and in spite of the slowdown in the pace of the Peace Process, this joint initiative is a natural step - a business development based on a real partnership, serving the mutual interests of both sides," emphasizes Widerman. Ekkehard R. Koethe, managing director of Siemens LTD. Tel-Aviv, said that the company is very pleased to be in a position to contribute to new modes of cooperation between Jews and Arabs.

"Siemens is a global company, and it is our policy to establish joint ventures and to increase local content and to create true partnerships," Mr. Koethe said. "Despite existing problems, it is our vision that business contacts can help to overcome political differences. The exchange of know-how and people - as is the case with the training of Palestinian and Jordanian engineers in our subsidiary, Siemens Data Communications in Carmiel, is a step in the right direction".

The high tech enterprise is owned by a Palestinian businessman living in Jordan. The manager is a local resident of Ramallah, educated in the United States.

Siemens Data Communication is also planning to finalize shortly a joint venture R&D sub-contracting agreements with Jordanian companies. Siemens Data Communication is the German corporation's Israeli R&D and marketing center for telecommunications networks. The company specializes in the development of switching technologies and LAN (Local Area Network) products, enabling network users to benefit from efficient, maximum utilization of the full volume of network traffic, while preserving previous investments.

Located in Carmiel, the Israeli facility is staffed by approximately 100 employees.

Gilat to Cooperate with VDOnet to Offer High Quality, Cost-Effective Video

Internet Video to Satellite-Based Private Networks

VDOnet Corp. announced today that it intends to cooperate with Gilat Satellite Networks Ltd. (NASDAQ:GILTF) in order to add key video capabilities to Gilat's new SkySurfer™ VSAT product.

Now customers using Gilat's SkySurfer network can take advantage of video applications based on VDOnet's technology. This may be the first time such high-quality video, designed for use specifically on IP (Internet protocol) networks, will be delivered through a satellite-based private network to an individual user's PC.

"With this cooperation agreement, we combine VDOnet's leadership in IP video applications with Gilat's leadership in VSAT products and services," said Gilat Chairman and Chief Executive Officer Yoel Gat. "We are pleased to bring this new video capability to our customer base and look forward to working with VDOnet over the long term."

SkySurfer VSAT is an Internet-access product for private networks, incorporating a PC-based satellite receiver that includes a terrestrial or satellite link for its return path. Using IP multicast and a high-speed channel, SkySurfer can deliver live MPEG, video and audio streams, as well as perform reliable data broadcast. With VDOnet's video solutions, specially optimized for use with SkySurfer over satellite networks, corporate customers can receive high quality full-motion video over the corporate LAN and benefit from applications such as interactive video call centers for sales and customer support, distance training, corporate communications, and more.

"VDOnet's goal is to provide video solutions for any premium network," said Marty Falaro, president and CEO of VDOnet. "We are very pleased to add satellite networks to the list, and look forward to working with Gilat to bring more solutions to its customer base and help build up this very important market."

Gilat Satellite Networks Ltd. designs, develops, manufactures, markets and supports Very Small Aperture Terminal (VSAT) satellite earth stations and related hub equipment and software. Gilat products are incorporated into telecommunications

networks that provide satellite-based communications between a central location and a large number of geographically dispersed sites. Gilat offers a range of products: Skystar Advantage™, which incorporates Gilat's TwoWay™ VSAT into GE Spacenet's Skystar Advantage system, enables interactive, transaction-oriented applications. VDOnet Corporation is the leading provider of video applications for the Internet, intranets, and broadband networks. The company has developed both fundamental technology and compelling applications for video broadcasting and video telephony over computer networks of any bandwidth. Today, VDOLive™ is being used by hundreds of companies, and approximately 10 million Internet users currently have accessed the VDOLive player to view video media. The VDOPhone™ is available both as a stand alone commercial product and bundled with products offered by leading PC and PC peripheral providers.

VDOnet's was the first and is today one of the few video technologies for the Net which is "dynamically scalable"—allowing it to adapt automatically to the available bandwidth. The company is now actively working with a variety of Premium Service Providers to develop next generation video applications for intent and broadband networks. The company was founded in 1995. Its investors include Microsoft Corporation, US West Media Group, NYNEX, Battery Ventures, and private sources.

Gemini Israel II Taps Institutional Funds

Gemini Capital Fund Management has raised \$110 million for the Gemini Israel II Fund. The fund raising, which commenced during the first quarter, was successfully completed when the Fund achieved its full target of \$75 million, with an additional \$35 million committed to a parallel

including Elbit Systems Ltd. The total contract, of which Elbit System has a substantial part, has been muted to be valued at more than \$800 million. The Polish sources also indicated that the process is continuing for preparation of the commercial contracts between the Polish and the Israeli industries participating in the project.. However, entry into force of such commercial contracts between the industries is conditioned upon receipt of various approvals from governmental entities in Poland. However, the program is enmeshed in Polish political infighting. Poland's outgoing leftist government has signed the agreement in spite of demands by the incoming center-right administration to wait

secret.

But there is one exception. Separated from the reactor grounds by a wire fence and looking like a misplaced suburban office building is the Temed Industrial Park, a high-tech oasis run by government-owned Rotem Industries as a spin-off from the nuclear center. Israel created it a decade ago but ran it almost on the sly. Now, in an about-face, the Israelis are promoting the center. They hope to attract partners to use Dimona's technology for everything from medical to environmental applications. "Rotem is exceedingly innovative," says Joseph Morgenstern, publisher of the Israel High-Tech & Investment Report. "It's

Koor-Siemens Plan Software House in Gaza

Israel's Koor Industries (KOR:NYSE) is planning to establish a software unit in Palestinian-ruled Gaza together with Germany's Siemens, a Koor pexecutive stated. The planned enetrprise would be a groundbreaking first software house under the Palestinian Authority. Koor as part of its 'business for peace' program has already invested \$20 million in Jordan. An additional program is being explored and it is in the final stages examining the possibility of setting up a high-density polyethylene manufacturing unit in Aqaba.

Where we are Quoted.....

Excerpts from an October 13, 1997 article appearing in Business Week

“DESERT, NUKES, SPIES--AND A HIGH-TECH OASIS” by Sharon Moshavi

Oddly enough, it looks like a mosque, with a silver-domed roof and a minaret-like tower. But this strange complex is, in fact, the Israeli Nuclear Research Center in Dimona.

Located in the middle of barren brown hills in the Negev desert, it has been a subject of endless speculation, mystery, and espionage for decades. Nuclear research is conducted at the reactor, but no one knows for sure if Israel makes nuclear weapons there. The Israelis are scrupulous about keeping activity at the Dimona center a

Israel High-Tech & Investment Report

**Joseph Morgenstern, Publisher
P.O.Box 33633 Tel Aviv 61336
Tel.03-5235279 Fax.03-5227799
E-Mail htir_1@netvision**

**SPECIAL GROWTH & TECHNOLOGY CONFERENCE NEW SUBSCRIBER
OFFER!**

You are Invited to Subscribe Now!

Save more than 50% off the international dollar price for a one-year subscription.

Take advantage of this special offer.

**If at any time the report does not meet with your satisfaction the unexpired portion
will be refunded.**

Detach here and mail to Israel High-Tech&Investment Report POBox 33633, Tel Aviv 61336
=====

**A subscription to the Israel High-Tech&Investment Report for one year 11 issues at
only \$95.00 or NIS 390 check payable to J. Morgenstern**

() CHECK FOR \$ 95.00 ENCLOSED () CHECK FOR NIS 390 ENCLOSED

NAME.....

COMPANY.....

POSITION.....

ADDRESS.....

CITY/STATE/ZIP..... COUNTRY.....

TEL:..... FAX:.....E-mail.....

(offer good only until December 31, 1997)

Growth & Technology Conference

A Conference Feature

The House of Evergreen

The new Evergreen headquarters on Tel-Aviv's historic Rothschild Boulevard is an elegant structure Visitors can not miss the eye catching statue depicting three men positioned on a second floor balcony..Further up on the Boulevard is the corporate headquarters of Israel's largest commercial bank and the Rothschild Bank. The House of Evergreen, staffed by 25 financial specialists and internationally experienced managers is an indication of Evergreen's emergence from an investment holding company to a full-service financial house. Its international activities are carried through a global network extending from the Far East to the financial centers of the United States. Evergreen Canada Israel Management Ltd. was founded by Jacob Burak who nearly a decade ago convinced a small group of Canadian investors to accept his challenge that he could earn for them substantial profits from investments in Israel. The 15 Canadians jointly put up an initial capital of C\$4 million. In the years that followed the company moved from strength to strength and at the end of 1996 Evergreen had a net worth of C\$59 million and approximately C\$340 million under management. It had a net profit of C\$5.2 in 1996. Evergreen has never experienced a losing year. Its compounded annual return on its technological investments has averaged 37%.

An Alliance Made in "Heaven"

Two years ago, with a view to satisfy the expanding financial needs of Israel's burgeoning high-tech sector Evergreen formed an affiliation with San Francisco based Robertson Stephens & Company, an investment bank focused on providing a wide range of investment banking services to emerging growth companies and growth-oriented investors. It is a leading underwriter of public offerings of equity and convertible securities for, and a leading strategic provider to, emerging growth companies. Its investment management business accounts for approximately \$4 billion in public mutual funds and private limited partnerships. On October 1, 1997 the company was acquired by Bank of America (BOA) for \$540 million. BOA is an institutional investor in Evergreen's Periscope Fund. Evergreen reasoned that it could focus the American firm to assist Evergreen clients and the American group reasoned that it could establish a firm investment banking position in Israel

Brimming with Optimism

On the eve of the third annual Robertson, Stephens and Evergreen Capital Markets Growth & Technology Conference November 10 & 11 in Tel Aviv, IHTIR spoke to Alan Adler an Evergreen executive.

"The critical mass of Israel's high tech sector has been attained and is sustainable. The capital is there. One billion dollars is invested and another \$500 million is awaiting to be invested. The Government's policy is enlightened and the technology is there. There are entrepreneurs with track records and the international experience ripe for establishing enterprises. The money invested since the 1990s is 'patient money', (funds that are illiquid,invested for 7-10 years)," says Alan Adler. In 1993 as Evergreen began to aggressively expand its venture capital activity Alan Adler accepted Burak's offer and joined the group. The Brooklyn born Adler who earned an MBA at Stanford in mathematics was a partner in McKinsey & Company, the prestigious international consulting firm brought with him experience from international financial arena including Amsterdam and ten years in London where he acquired experience in management buy outs. For the past four years he has been involved in the management of Evergreen venture capital funds. Four of the six Evergreen funds - Yarok Ad, Yarok Az, Atid and Evergreen International have invested C\$ 50 million, with the money supplied by institutional and private investors. Evergreen International is an offshore fund while the other three are Israeli funds. IJT Technologies with C\$24 million under management is yet not fully invested. Its investors include Israeli, Japanese and Taiwanese institutions and private investors. The sixth and chronologically the youngest fund is Periscope with a C\$ 40 million money chest. At the present time it as yet is not totally invested. Periscope general partners include Robertson, Stephens & Company LLC, Weiss, Peck & Greer, an American investment company with more than \$1.0 billion under management and Evergreen.

"The managers of investee companies are welcome at Robertson , Stephens and to Weiss, Peck & Greer and benefit from their input. Two of our investees Galileo and RADcom debuted in 1997 in initial public offerings on Nasdaq. The next IPO, which should come on stream in the next two months is CREO. A fascinating company which in the past two years has changed over from an outsourcing production to in-the-house production. It is a Canadian company, founded by Israelis. CREO produces a line of pre-press printing industry systems. We are looking forward to a successful IPO for Creo, whose sales last year topped the \$100,000,000 mark and has a great potential for rapid growth," states Adler.