

ISRAEL HIGH-TECH & INVESTMENT REPORT

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Perhaps there is No Bubble to Burst

About four centuries ago Dutch housewives were known to break into their favorite cookie jars and take out as many florins as possible with which to buy contracts for the future delivery of Dutch tulip bulbs.

Historians subsequently termed the period as "The DutchTulip Craze". The process leading up to sky rocketing prices for a tulip bulb of up to several thousands of florins, was called a Bubble. As we know, the tulip prices eventually crashed, to what was judged to be a normal economic price level for tulip bulbs. The period before the spectacular crash was filled with speculators who were drawn magnetically to an opportunity to make a quick buck or florin as the case was.

The events surrounding the gyrating stock market prices of the internet dot.com stock prices, are not totally unrelated to the above mentioned bubble. The sight of little known and unprofitable internet related companies emerging from private to public life and, in the process, achieving valuations of several hundred millions of dollars within hours, contains a kernel of similarity to the past. The perceived ability of a small army of nimble electronic traders to get in synch with the rise and fall of Yahoo!, Amazon, Broadcast.com and tens of other less likely companies, to skim fat gains, is a powerful magnet for others and is further fueled by the media, stumbling over its cameras and laptops to capture the spectacle of skyrocketing valuations. The modern journalists, who have not experienced the great Wall Street Crash of 1929, are drawing on historical comparisons and not on real-life experience. The cover of a recent Economist issue, portrayed the crash of dot.com., the editorial predicting the inevitability of a bursting internet bubble. Never doubting the power of the press nor the self-fulfilling

aspect of media's predictions, in mid-February many of the dots in dot.com received a *smashassaging* which left some wondering about the concept of bursting bubbles.

After some very heavy price falls Wall Street analysts continued to beat their drums: February 18. CSFB analyst Lise Buyer told investors to take "opportunistic" positions in top names like Amazon.com, AOL, and Yahoo! At the time of writing Amazon.com now trades at \$89, versus its very recent high of \$199. Wall Street analysts who touted internet stocks and published reports predicting future major share price gains, continued to promote their favorites. InfoBeat reminded us that "But never fear, that old target-price magic still does the trick". Broadcast.com jumped

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\$10 to \$68 after DLJ upped it from "market perform" to "buy" and raised its price target from \$40 to \$100.

AOL gobbled up Mirabilis for \$287 million when Mirabilis had 16 million users of its friendly communication software, but not a cent of income.

When AOL bought the instant-messaging Israeli product ICQ last year, ICQ had 16 million users, but no revenues whatsoever. What was AOL thinking? Fred Singer, the AOL-appointed CEO of ICQ Inc. explained that his company's new business strategy would be built around one-to-one marketing. "It's the same concept that's propelling Free-PC: Develop a medium in which you know a lot about your consumers individually (as opposed to statistically), then create a system to deliver targeted commerce-based content straight to their desktops." This strategy made excellent sense. As it turned out, a large number of ICQ users posted detailed information about their interests and hobbies in the ICQ "white pages". Whether they want this information shared with retail businesses is unknown, but clearly, AOL is betting that they will. The marketing specialists at AOL are about to turn to the now nearly 50 million strong Mirabilis audience with e-commerce pitches.

The cyber cash registers will tinkle for AOL, YAHOO! Amazon and many others. They are beginning to deliver the promise of tomorrow today while outdistancing the pack which is in the pursuit of the prize --- leadership in its field. The internet companies will compete and they will merge smaller companies into themselves until these dominant forces will be in place to meet the new cyber world of the 21st century, as the *housefraus* of today forsake tulip bulbs for dot.com stocks. Already, a number of internet companies are performing a gravity defying act of earning money from internet activity. The overriding image of "*luftmenschen*" active in "*luftgeschäften*" suffered a blow as the strategy of gaining a massive eyeballing audience even without selling one dollar worth of goods, is beginning to show how a few companies are beginning to emerge as leaders as Ford did at the turn of the century.

If Wall Street gives up some of its seven year old

gains, most long-term market participants will still be well off. When this does come to be it will be because America's economy has finally been infected by the spreading malaise of the economies of emerging countries.

Sight for the Unseeing

For seventy years the blind have benefited from the Braille system, named after its inventor Louis Braille, a French teacher of the blind. Nearly unmodified since its inception, it is a printing or writing system for the blind in which letters and characters are represented by raised dots or points which are identifiable to the touch. Books, newspapers and magazines are available in Braille.

However in 1929 computers did not exist and Russian scientists versed in mathematics were not living in Israel and concerning themselves with the improvement of the quality of life of the blind. A chance discussion by two Russian immigrants, both looking for productive involvement led to the development of an important innovation to assist the blind to see the "previously unseen"

Roman Gouzman, an immigrant from Russia with many years of experience in the fields of visual perception understood that the blind are limited to a "vision" of a flat world, one without spatial dimensions and therefore devoid of spatial awareness. He explained his ideas and the technical obstacles to a fellow immigrant friend, Igor Karasin. The latter countered that if given time and based on his many years of experience in mathematics and system analysis Gouzman's concept could be converted to a working virtual prototype. The result of the collaboration is what its innovators have called the Virtual Touch System VTS which allows for "seeing the previously unseen". The working prototype, for which American and global patents are pending, according to the company will receive patent protection is a system which integrates hardware, software and a specialized methodology for teaching and independent study. The hardware part of VTS is a stand-alone VirTouch Device connectable to the computer via a serial port. VTD is portable, small and weighs less than 850 gms. It serves both as a mouse and as a tactile display. The display

employs three sub-displays for three fingertips. Each display has a set of 8 x 4mm x 1mm diameter plastic pins. The distance between centers of neighboring pins is 1.5mm. This provides a tactile resolution close to the maximum limit of a fingertip's tactile perception. VTS thus allows the display of both fine graphic detail and printed letters in a font style that can be specially created for easy recognition. Each pin can move up and down on any one of sixteen height levels. These levels are used for: presenting four colors in graphic mode, referred to as White, Light Gray, Dark Gray and Black.

In graphic mode the user moves the VTD along a table as a sighted user moves a regular mouse. Exactly in the same way the VTS cursor, which consists of three rectangles, is moved along the computer display. The image from each of these rectangles is transformed into one of four color images and sent to a corresponding tactile sub-display. In this way, the blind user progressively "feels" small parts of the computer display with his/her fingers and integrates a full picture from those small parts of the whole image exactly the way he/she does in real life.

A running line is used for text mode. Three display letters are presented at one time one letter per tactile sub-display. The unique feature of the VTD is the display of text not only in Braille code, but, due to high pin density, also in regular printed letters. The screen reading process can be complemented with highly professional live voice. The user can select one of several audio modes: saying any one of the three displayed letters, all three letters or none.

The software part of VTS is a set of Windows 95/98/NT applications, which provide a normal "user - computer" interface. There are applications for: presenting graphic objects text reading and transformation of a text to Braille code or to printed letter tactile games specially developed for the blind.

Each of these applications is provided with special

tools, adapted for the blind, for adjustment of pre-set values for the specific user. Some of the applications also contain exercises and/or materials for study with sound accompaniment. All these allow the user to work independently or through interaction with a sighted assistant, teacher or friend who uses mouse and display in a regular way.

The strategy of the young company is to promote its technology to a population of the blind or visually impaired, in the Western world. This population is approximately 70 million people of whom half a million in America alone are active computer-users today. Management projects that its products will find a market of up to 5.5 million consumers in the west. Market acceptance should be highest in places where government funding is allocated to support the blind and the visually impaired. The company is now preparing their plans for production, finance and marketing to capitalize on the good response of testing of its technology on a limited sample of blind persons.

Israeli Youth Destroys Iraqi Government Internet Site

A 14-year-old Israeli boy "destroyed" the site set up by the Iraqi Government after he sent it software that wiped it out. Nir Zigdon, who lives in the center of Israel, has been interested in computers since the age of four, and from the age of 11 has been building internet sites. His gained his extensive computer knowledge from his father, the headmaster of a computer school. Zigdon is now a team leader in a subsidiary of the Cellcom mobile phone company. He was recently filmed at the prime minister's business fair. "I read about Iraq's site in PC Media magazine. It annoyed me and I thought that if Israel is afraid of assassinating Saddam, at least I can try to destroy his site. With the help of certain software I checked where the site's server is located, and I reached the conclusion that it is in one of the Gulf states," Zigdon said. Zigdon sent the site an e-mail message in which he identified himself as a Palestinian who has built software capable of harming Israeli sites. "That persuaded them to open the message," he said. The next day, the site was destroyed and Zigdon shortly afterward received an e-mail hate letter. It was signed: "Fayiz," the person responsible for the site. Zigdon's parents hanged a copy of the letter in their bedroom, but Zigdon said that "several days later, I feared that someone could try to kill me."

The site now serves an English-language Arabic newspaper. The Iraqi site has not yet been renewed.

ECI Telecom

a company report

Overview and Summary

ECI Telecom Ltd. is the only Israeli public high-tech company to stitch together **28 consecutive quarters of net income growth.**

In the past five years growth has been:

1994	+30.0%
1995	+17.3%
1996	+30.4%
1997	+15.1%
1998	+17.9%
1999	+80.2% (Wall Street estimate)
2000	+18.1% (Wall Street estimate)

The worldwide trend towards **deregulation** has resulted in greater competition for the established telecommunication companies. These now seek more cost efficient ways to deliver higher quality services. The single greatest pressure is to handle an ever-growing volume of data-traffic. At the same time, the telecoms are seeking the means **to improve band-width efficiency.** ECI Telecom's products are engineered to meet these needs by providing increased capacity and efficiency of networks. ECI's market leadership in digital multiplexes has led to its controlling 80% of \$350 mil market. ECI should be able to play an important role in new developments cable and internet telephony. The company's markets are expected to grow strongly and ECI, in addition to its dominant position in the DMCE market, is likely to expand through acquisitions or mergers with companies possessing complementary technologies. **The TadTel and ECI deal to merge appears to be on course to work out well.** TadTel is the most successful commercial division of Tadiran Ltd. Through the merger ECI will access technology which allows the transmission of information in small bits spread across a spectrum of frequencies. This technology is called "spread spectrum frequency hopping" as it allows for jumping across the frequency width. The technology is a unique solution allowing Telecom to provide a copper-wire quality of service but using wireless technology. It is said to be one of the least expensive methods of achieving these results, as it enables Telecom operators to buy as they grow.

Projection

In 1998 full year revenues at ECI Telecom reached \$806.2 mil and it is expected that in the full year 1999 TadTel's contribution to revenues will be over \$510 mil. Together with an estimate of more than \$935 mil in sales for ECI Telecom, the merged unit should have total revenues, in 1999, in excess of \$1.454 billion. Due to TadTel's traditionally lower (than ECI's) profit margins, a conservative estimate for earnings in 1999 would be 15.5% on sales, which would leave a net profit of \$227 mil, or \$2.50 earnings per share (EPS). Using a recent market price of \$38 per share for the Nasdaq traded ECI Telecom shares, the shares are now priced at only 15 times anticipated 1999 earnings, and the conclusion is that they form a most attractive investment opportunity among Israel's mature companies, barring any major dislocations next year on the American stock exchanges, the ECI Telecom shares should be able to command a P/E ratio of at least 22 times the \$2.50 anticipated earnings for 1999 and a price of \$55 per share is a distinct possibility over the next 12 months.

Consolidated Results Fourth Quarter and Full Year 1998

	<u>1998</u>	<u>1997</u>	<u>Increase</u>
Q4			
Revenues	\$214.8 mil	\$186.1 mil	15%
Gross Profit	\$120.2 mil (56% of sales)	\$106.0 mil (57% of sales)	13%
Operating income	\$49.5 mil (23.1% of sales)	\$42.8 mil (23% of sales)	
Net income	\$46.7 mil (21.8% of sales)	\$39.4 mil (21.2% of sales)	
Net income per share	\$0.61 per share (\$0.59 fully diluted)	\$0.51 per share (\$0.50 fully diluted)	19%
Full year			
Revenues	\$806.2 mil	\$677.7 mil	19%
Gross Profits	\$457.6 mil	\$359.4 mil	27%
Operating Income	\$166.9 mil	\$138.7 mil	20%
Net income	\$156.2 mil	\$132.4 mil	
Net income per share	\$2.03 per share (\$1.97 fully diluted)	\$1.73 per share (\$1.70 fully diluted)	
Restructuring of European subsidiary		(\$2.1 mil)	
In-process R&D write off	(\$14.3 mil)		

domestic, long haul, inter-city or leased line facilities. The company sold more than \$320 mil. Of DCME products in 1998 and expectations are that these sales will increase by 20% a year in each of the next two years. In September 1998, ECI and

Fourteen Years Ago

January 1985 was the month and year when we published our first issue of the Israel High-Tech & Investment Report. We chose as the subject of our first analytical report the Electronic Corporation of Israel. It was our editorial choice of the Israeli company which in our estimate could grow and develop into a premier telecom business. ECI Telecom, its name was changed in the course of time, was a company which we believed would offer investors a handsome return. A company full of the promise of becoming the flagship of Israel's emerging telecommunications industry. Our expectations were realized. A \$10,000 investment made in 1991 would make its owner a multi-millionaire if held until today.

Nearly 40 years ago the founders of ECI Telecom applied speech scrambling technology used by pilots in the Israel Air Force to create the basis for what became the company's main and most accepted globally product line --- Digital Circuit Multiplication Equipment (DCME).

The products based on this specialized technology provide increased capacity for international,

TadiranTelecom announced an agreement in principle to merge in a stock for stock transaction. Subsequently, a definitive agreement was signed in December, 1998. The transaction is expected to close by the end of the first quarter of 1999.

On paper, there are strong synergies between the two companies' product lines and marketing efforts. Tadiran's wireless local loop and digital cross connects enhance ECI's product portfolio should allow the merged entity to offer service providers an even more comprehensive range of end-to-end solutions.

The management's challenge, in the year ahead, will be to maintain the high profit margins after the merger has been fully implemented.

Tadiran Telecom's strong position with US and Canadian local exchange carriers should further open up important opportunities for marketing ECI's products.

After the merger, the combined marketing forces will serve more than 300 customers in over 145 countries.

Using Israel's Clinical Trials Expertise

CEL-SCI Corporation (Amex: HIV) announced that the Israeli Health Authorities have given permission to start a clinical trial with CEL-SCI's immunotherapy drug, Multikine™.

The study will recruit 10 patients with newly diagnosed head and neck cancer (squamous cell carcinoma). The trial will be conducted at the Rabin Medical Center, by Dr. Raphael Feinmesser, Chairman of the Department of Otolaryngology. The patients will be treated by injection around the tumor with Multikine for a period of 2 weeks prior to first line therapy, mostly surgery and sometimes radiation.

The results of the first 10 patients who received a lower dosage of Multikine, were presented in 1998 at the International Head and Neck Cancer Congress in Hong Kong by Dr. Feinmesser and showed that using only the Multikine regimen, at least 7 of the 10 treated patients had regressions in tumor size, with 1 of the patients showing no visibly evident or measurable tumor at the end of treatment. In addition, some patients had a resolution of tumor ulceration, increased tongue mobility and reduction or elimination of local pain. There were no tumor progressions or adverse local changes, nor evidence of toxicity from Multikine. Recovery after operation and wound healing were normal. Microscopic evaluation of the surgical specimens showed evidence of cellular immune reaction against the tumors and destruction of tumor cells.

Head and neck cancer is the sixth most frequently occurring cancer worldwide, with an incidence of 500,000 cases annually. Recent statistics show no reduction in head and neck cancer mortality, but rather a dramatic increase of the disease in certain segments of the population. Multikine is a natural mixture of human immune system regulators called cytokines. It contains Interleukin-2 and other cytokines, several of which are being investigated individually as potential HIV-1 and cancer treatments.

CEL-SCI Corporation uses the immune system in the treatment and/or prevention of cancer, AIDS and other major diseases.

Reaping Benefits from Agricultural R&D

Agrogene Develops New Fungicide

SafeScience, Inc., (Nasdaq: SAFS) announced it has received a U.S Patent (5,853,727) for SAF-711, formerly known as AGI-04-106, a naturally-derived carbohydrate compound it has developed in collaboration with Agrogene Ltd, an Israeli biotechnology company specializing in products for agriculture. The non-toxic compound, extracted from the Inula plant, is a rapid, convenient and inexpensive treatment for plant fungal disease. "We have completed field testing of SAF-711 and are pleased with the results, which indicate that the naturally-derived compound is effective for a broad range of plant fungal diseases," said Bradley Carver, President, SafeScience, Inc. "SAF-711 complements our lead agricultural compound, Elexa™, and represents one of the broad range of products in our agricultural portfolio that we will commercialize under the SafeScience® world brand." Greenhouse and field trials on SAF-711 demonstrated that it can effectively control fungus on crops including: Oomycetes, Ascomycetes, Basidiomycetes and fungi imperfecti classes including but not limited to: Phytophthora infestans, Pseudoperonospora cubensis, Plasmopara viticola, Sphaerotheca fuligines, Cladosporium cucumerinum, Erysiphe graminis, Uromyces appendiculatus and Botrytis cinerea. Crops tested include grapevines, tomato, wheat, barley, tobacco, potato, onion, cucurbits, bean and crucifer. SafeScience is developing and in-licensing a portfolio of efficacious pharmaceutical, agricultural, and consumer products to be marketed under the SafeScience® world brand, as an alternative to conventional products employing potentially harmful chemicals. In the area of agriculture, SafeScience is introducing PDB (Plant Defense Booster), an innovative approach to stimulating the plant to protect itself against pathogens.

The company's human therapeutic products include GBC-590, a unique compound to treat cancer, which is in human clinical trials, as well as a promising new antifungal compound, CAN-296, for the treatment of human fungal infections, currently in pre-clinical testing.

Promoting Agricultural R&D

Plant biotechnology is the only means to keep feeding the planets' ever growing population (which tripled in the last fifty years and is estimated to double in the next 25 years). This will require massive increases in agricultural production while saving the need to plough millions of square miles of hardly existent biotops.

Being aware of the importance of biotechnology and genetic engineering to agriculture in Israel, Makhteshim-Agan Industries Ltd. and Hazera Quality Seeds Ltd. decided to join forces in order to instigate a national agbiotechnology project - BioTech M.A.H. Israel is the ideal country for such an enterprise. It is traditionally a leader in agricultural developments, world renowned research institutions and availability of skilled labor in life science.

This together with dynamic start up economy, achievement-motivated research and governmental support, BioTech M.A.H. should become a world leader in agbiotechnological research.

Being aware of the importance of biotechnology and genetic engineering to agriculture in Israel, Makhteshim Agan Industries and Hazera Quality Seeds have created a partnership called "Biotech M.A.H."

The fund intends to mobilize about \$25.- million for investment in exceptional projects that could lead to products having marketing potential. The fund hereby invites researchers in the various Research Institutes in Israel to become involved in commercially feasible projects.

The areas of primary focus include isolation and use of genes with economic potential, for use in plants; systems to transform genes into plants; environmentally friendly selective markers and genes; production of pharmaceuticals and chemicals in plants; isolation of promoters, transcription factors and other control elements.

Versaware Search Engine Key to Simon & Schuster Encyclopedia

Simon & Schuster Interactive announced that it has shipped the first instantly updatable CD-ROM Encyclopaedia "The Simon & Schuster New Millennium Encyclopedia At Home Reference Library" for under \$30. "Utilising the state-of-the-art search engine developed by Versaware Technologies, an American company all of whose research and development has been carried out in Israel.

The Simon & Schuster product gives consumers a powerful "virtual home-reference library that seamlessly links information from 8 quality reference works within an encyclopedia to create the most versatile PC reference title on the market.

"The New Millenium line of encyclopaediae will provide consumers with high-quality reference works that will never be outdated, at a low cost," stated Gilles Dana, Senior Vice President and publisher of Simon & Schuster New Media.

Consumers are able to search through all 8 reference works using the Versaware Search Engine, a first in CD-ROM encyclopedia. This technology links key-words and topics by hyperlinks which are the same as those found on the World Wide Web, a fast way to go to another page.

The new Simon & Schuster encyclopedia uses these hyperlinks to take consumers to articles on related topics. Consumers can expand and update their Virtual Library, seamlessly, by downloading Virtual Books through the Versabook Library Builder.

Through a connection to the Internet, consumers can purchase additional reference titles digitally, and integrate them into their existing home reference library. Also, consumers are given the opportunity to relive history through full-screen MPEG-1 quality video. Simon & Schuster will be releasing DVD-ROM in Mac formats later this year.

TA Stock Exchange Y2K Compliant

The Tel Aviv Stock Exchange (TASE) announced that the first series of Y2K compliance testing between member firms and TASE is showing fine results. The TASE is using a Y2K-dedicated testing environment, which is shared with participating banks and brokerage firms. Testing which was started towards the end of 1998, simulate full trading days, including the flow of orders to the TACT (Tel Aviv Continuous Trading) system and data dissemination, derivatives trading and clearing and settlement. The TASE will conduct a second and final testing series in mid-year. Since the 1st and 2nd of January, 2000, fall on a weekend, the TASE, where Sunday is a regular trading day, will be the world's first stock exchange to trade in the next millennium.

Gilat Satellite Completes Financing

Gilat Satellite Networks Ltd. (Nasdaq:GILTF) announced that it offered for public sale 4,745,000 ordinary shares at \$57 each. The offering consisted of 4 mil ordinary shares offered by the company and 745,000 ordinary shares offered by certain selling holders. The offering was managed by Merrill Lynch & Co., Goldman, Sachs & Co., CIBC Oppenheimer, Lehman Brothers, and Salomon Smith Barney.

The gross proceeds to the company and the selling shareholders will be about \$270.5 mil. Gilat produces VSAT (small satellite dishes connected to modems) equipment. The company, controlled by its founders, headed by Yoel Gat and GE, needs capital in order to cover the expenditure involved in rapid growth, such as increasing marketing expenses, and the increase in satellite time it leases to provide communications services. Gilat's most prominent competitor, and the leader in VSAT - Hughes Electronics, controlled by General Motors - holds 44% of the world market in this field. Following the merger, Gilat Satellite Networks will hold 40% of the global market. Gilat Satellite Networks had its Wall Street IPO in March 1993, raising \$28 mil. In its second round, in October 1995, the company raised \$50 mil, while in March 1997

the company raised \$75 mil in a convertible bond issue.

Koor Increases Stake in ECI

Koor Industries Ltd. (Koor:NYSE) has exercised an option to buy a 5% stake in ECI Telecom Ltd for \$141.7 mil. "Koor exercised an option for 5% of ECI, bringing its stake in the company to 24.6%," a Koor spokesperson said adding that Koor paid \$37 per ECI share. At the time of the announcement, ECI was at \$43.375 on the Nasdaq. Last February Koor announced that it had given Clal Electronics a put option to sell it 5% of ECI at \$29.75. At the same time Koor received a call option to buy the same 5% of ECI for \$37 per share. The deal was among a number Koor announced at the time involving a reshuffling of assets among Israel's leading holding companies.

Financial Reports

Teva Results Disappointing

The 1998 financial statements published by Teva, Israel's largest pharmaceutical company, have not come up to expectations. The Q4 results show no return to the rapid growth that Teva enjoyed a year ago, and its profit margins were slim. The company's revenues in the Q4 totaled \$296.9 mil - 2% higher than the same quarter of 1997 but 2% lower than in Q3 1998. Usually, Teva's Q4 is better than its Q3. Teva's net profit for the quarter was a miniscule \$1.4 million, due primarily to one-time expenses of \$28.5 million which expenditures stemmed mainly from the company's reorganization or - as Teva calls it - "rationalization." The company is trying to increase its efficiency by spreading production among its various plants worldwide in order to create economies of scale or specialization. In the long term, the company expects that the reorganization will improve results, but for the timebeing, it is likely to increase expenditures in the foreseeable future.

Excluding the one-time expenditures, Teva's Q4 earnings totaled \$29.6 mil, compared to \$25.2 mil in the preceding quarter and \$21.2 mil in the same

period last year (which, however, was a particularly weak quarter). This comes to a per-share profit of \$0.51. Teva's one-time expenses for the quarter included \$11 mil for organizational changes, including the closure of a production facility in the U.S. and the transfer of several production lines. However, its profit for the year, even before one-time expenditures, was down 20% from 1997, at \$97.3 mil. After deducting one-time expenses, its profit plunged to \$68.8 million. There was a decline in sales of Copaxone. This drug, which created revenues of \$130 mil in 1997, produced a mere \$35 mil in 1998 due to competition that forced Teva to cut both prices and profits. FDA approval for one of its most promising new products was delayed, and this hope was never realized. Though the company did receive FDA approval for nine new drugs last year, on five of them the agency ruled that marketing could begin only in 1999 or 2000. According to Hurvitz, Teva has a number of quality drugs in the pipeline that should boost its growth in the next two years. Its portfolio includes 19 drugs for the American market, including 7 made by Biovail. The size of the market these drugs are aimed at is about \$7 billion. An even larger number of drugs are awaiting approval in Europe, but the size of the market these drugs would compete in is smaller, and Teva's market presence is weaker in Europe.

Point of Sale Record Revenues & Earnings

Point of Sale Ltd. (Nasdaq:POSIF) reported financial results for the Q4 and year ended December 31, 1998. This quarter represents the third reporting period for the Company since it completed its initial public offering in the U.S. on July 15, 1998.

Revenues for the Q4 of 1998 increased approximately 58% to \$4.9 million as compared to \$3.1 million reported in the same period in 1997. Net income for the Q4 of 1998 was \$1.3 mil, or \$0.12 per share, compared to \$770,000, or \$0.09 per share, for the corresponding period in 1997.

Revenues for the year ended December 31, 1998 grew 48% to \$16.6 mil as compared to \$11.2 mil reported in the same period in 1997. Net income for

1998 increased 133% to \$4.1 mil, or \$0.42 per share, compared with a net income of \$1.8 mil, or \$0.21 per share for the comparable period in 1997. Barry Shaked, Chairman, President and CEO, commented, "Our strategy to focus on expanding our sales and distribution capabilities during 1998 was on target as we have representation in more countries than in prior years. We also continued to invest heavily in new product development during 1998. We continued our work to assure Windows NT/Sequel Server consistency across our product lines and are also continuing our development of new products that are intended to meet emerging ActiveStore standards for Microsoft. Our retail internet electronic commerce solution, POSware Internet, is also on track."

"During 1998 we made significant inroads into penetrating the North American marketplace," said Larry Allman, President of StorePoint, Inc., Point of Sale's U.S. subsidiary. "Together with its grocery industry partner ICL, Point of Sale launched an effort during 1998 to meet the specific requirements of Albertson's, a 982 store supermarket chain. The first pilot store was launched in January 1999. The company hopes that Albertson's will begin a nationwide deployment of its products later this year. Also, Point of Sale signed a chain-wide contract with Chicago-based White Hen Pantry during 1998."

The company's products have been installed in over 9,000 stores worldwide. The company markets its point-of-sale, Back Office and Head Office solutions to supermarkets, convenience stores and restaurants through direct sales, OEMs, local distributors and through its U.S. subsidiary, StorePoint, Inc.

Overview and Projections

The Point of Sale's shares climbed by more than 25% to \$8.25 over the two trading sessions after the announcement the company announced its results. Hambrecht & Quist, the investment bankers who were involved in the company's initial public offering in July 1998, have projected sales of \$25 mil for POS in 1999. They also projected earnings of \$5.5 mil.

Orckit's Loss Widens

Orckit Communications Ltd. reported 4Q EPS loss of (\$0.35) vs \$0.04 in the prior year period, on revenues of \$14.1 mil vs \$7.44 mil in 1997. Analysts' mean estimates were a loss of (\$0.36) according to First Call. 98FY EPS were a loss of (\$0.99) vs a loss of (\$0.01) in 1997.

NICE Systems Ltd (Nasdaq:NICEY)

	1998	1997
Q4		
Sales	\$23.4 mil	\$22.2 mil
Earnings	\$2.1 mil	\$4.6 mil
Revenues	\$23.4 mil	\$22.1 mil
EPS	\$0.19	\$0.39
Full year		
Revenues	\$90.9 mil	\$69.3 mil
Net loss/income	\$ 4.5 mil	(\$3.2 mil)
Income (excl. one-time charges)	\$13.5 mil	
Net income per share	\$1.12	
EPS loss/income	\$0.37	(\$0.35)

VocalTec Revenues and Losses Rise

VocalTec Communications Ltd. reported 1998 4Q EPS loss of (\$0.38) vs (\$0.18) in the prior year period, on revenues of \$7.3 mil vs \$4.8 mil. Analysts' mean estimates were for a loss of (\$0.33), according to First Call. FY EPS was a loss of (\$2.08). The Israeli company is generally viewed as one of the international leaders in Internet Telephony.

ESC Reports Loss

ESC Medical Systems Ltd (Nasdaq: ESCMF) announced that in Q4 of 1998, net sales were \$48.2 mil compared with \$58.7 mil for the same period the previous year. The company reported a net loss for 1998 Q4 of (\$1.1 mil) compared with (\$1.8 mil) loss for the same quarter in 1997. For the full year net sales increased to \$225.2 mil from \$194.0 mil in 1997. Company's results are explained as an outcome of the shift in physicians' buying patterns, longer sales cycles and increased demand for lower-priced products. The company furthermore announced that it expects to record a charge in 1999 Q1 of up to \$70 mil related to its stream-lin-

ing programs.

Aladdin Knowledge Systems - Record Sales but Losses

Aladdin, active in the internet and software security systems

	1997	1998
Q4		
Sales	\$9.7 mil	\$9.8 mil
Profit/Loss	\$2.9 mil	(\$6.9 mil)*
Full year		
Sales	\$34.2 mil	\$36.1 mil
Net income	\$9.4	\$0.6 mil

*The loss was attributed to the effect of acquisition related costs of \$9.1 mil. In December 1998 the company acquired e-Safe Technologies.

Elbit Medical Imaging Bids for Elscint

Elbit Medical Imaging Ltd has notified Elscint Ltd of its intention to enter into a business combination with Elscint under which Elbit Medical Imaging would obtain the entire ownership of Elscint. In a letter to the Board of Directors of Elscint, Dr. Jacob Vortman, the President of Elbit Medical Imaging, stated his company's belief, based on information currently available to the company, that the appropriate price for the shares of Elscint held by the public for the purposed of such transaction is US\$14 in cash per share. This price would reflect a premium of 21% over the February 17th closing price of Elscint shares on the NYSE.

Formula Sells Wiztec Holdings

Formula Systems said it had agreed to sell all of its shares in Wiztec Solutions Ltd. to a subsidiary of Convergys Corp. for \$15.25 per share. Convergys, which already owns 20% of Wiztec, will buy Formula's 42% stake as well as an additional 9% from

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Wiztec directors, boosting its holdings to 71%, advised Wiztec Chief Financial Officer Mike Laor.

Indigo Reduces Losses Increases Sales

Indigo N.V. (Nasdaq: INDGF), a leading innovator in digital color printing systems, today reported that fourth quarter 1998 revenues rose 23 percent to \$42.7 million compared with \$34.7 million for the fourth quarter of 1997 and 18 percent, compared to \$36 million in the third quarter of 1998. Revenues for the full year increased 38 percent to \$147.4 million compared with \$106.9 million in 1997. Alon Bar-Shany, the company's Chief Financial Officer, said "In 1998, revenue grew by \$40 million and our total net loss was reduced by \$40 million. Also, for the first time ever, the company saw positive cash from operations. In the fourth quarter, cash generated from operations was \$5.2 million, compared with cash used in operations of \$5.7 million in Q497 and \$1.5 million in Q398. The company had \$42.4 million in cash, cash equivalents and restricted cash, with no outstanding debt, at the end of the quarter." The company also announced the opening of its new IndiChrome ink manufacturing plant to meet increasing industry demand for specialized color printing.

Supercom to Float on EASDAQ

According to company sources, Israeli company Supercom plans to issue 25% of its shares on the EASDAQ (European Association of Securities Dealers Automated Quotation), in order to finance its entry into new markets. Supercom was founded ten years ago. The company produces various types of identity cards, based on its own technology. It also produces population registration software, as well as encryption technology, making documents hard to forge. One device is to stamp a digital photograph of the bearer of an identifying card into the plastic by means of a technology that controls the various shadings of the plastic itself. In order to be modified, the photograph must be completely destroyed. In addition, the company developed a means of stamping a memory chip that carries the information on the card holder into the layers of

plastic, making it inaccessible from the outside.

The company has an orders backlog of more than \$70 mil. It tendered the successful bid in a project for issuing British citizens with passports. The \$5 mil project is being executed in co-operation with

Siemens. Supercom will be the first Israeli company to issue its shares on EASDAQ, the new European stock exchange. The company and its underwriter, KBC bank of Belgium, delayed the issue until the euro came into force, so that investors from various European countries could more easily invest in the company.

NetGain Installs High Speed Internet Access at TA Hilton

NetGain Ltd, a provider of data over cable solutions, with installations in more than 20 countries, has announced the availability of its NetHotel System for guests staying at the Hilton Hotel, Tel Aviv. The system provides business travelers with high-speed Internet access from the comfort and security of their hotel rooms. NetHotel uses the existing hotel cable and television infrastructure to provide continuous, fast and low-cost connections to the Internet and on-line services at speeds of up to 100 times faster than possible with standard telephone modems. The NetHotel system is the first of its kind in Israel and one of the very few in the world. NetHotel is installed in all of the Hilton's rooms and suites which provides an in-room, high-speed Internet access port, for the increasing number of hotel guests who are traveling with laptop computers. By eliminating the need to burden the hotel's existing PBX (telephone exchange) for their guests' internet access, NetHotel decreases the load on the hotel's telephone system, while allowing their guests to access the Internet at speeds up to 10 Mbps.

Intel Invests in Young Companies

In the past eighteen months, Intel Israel invested \$20 million in start-up companies and \$400 million in developing local suppliers stated Intel Israel president Dov Fruman. Fruman noted that Intel had purchased shares in ten Israeli start-up companies.

Repositioning Elron for Future Growth

Elron Electronic Industries (NASDAQ:ELRNF) a leading multinational high technology holding company, announced an agreement to sell all its holdings in Elbit Medical Imaging Ltd (NASDAQ:EMITF) to Europe Israel (M.M.S.) Ltd. (an Israeli public company traded on the Israeli stock market). . (Europe Israel (M.M.S.) Ltd. operates in three main areas: hotel owners, shopping and entertainment centers (primarily in Europe) and high-tech ventures, (in North America and Israel). Elron will sell 8,575,448 shares (representing 37.3% of EMI stock on a fully diluted basis) for a total consideration of \$145 million (representing approximately \$16.90 per share). The sale of the holding in EMI follows the company's recent strategy to focus Elron's future growth primarily in the Information Technology and Communication fields.

Elron is a multinational high technology holding company based in Israel. Through subsidiaries and affiliates, Elron is engaged with a group of high technology operating companies in the fields of advanced defense electronics, communication, semiconductors, networking, software and information technology.

S&P Assigns B- Rating to Comverse Debt

Standard & Poor's assigned its double-'B'-minus corporate credit rating to COMVERSE TECHNOLOGY and its single-'B' subordinated debt rating to the company's \$300 mln 4.5% convertible subordinated debentures due 2005. The outlook is positive. The ratings reflect the company's leading position supplying software-based voicemail systems to the telecommunications industry, a high degree of recurring revenues, and good profitability. These factors are offset by the challenges of rapid growth and the presence of significantly larger competitors serving its targeted customer base. Comverse Network Systems, 90% of total revenues, provides software-driven voicemail systems to cellular and other network operators.

Another Losing Year for Euphonix

EUPHONIX INC reported 4Q EPS loss of (\$0.25) vs (\$0.06) in the prior year period, on revenues of

\$3.4 mln vs \$4.9 mln. FY EPS were a loss of (\$0.82).

Tecnomatix in New Acquisition

TECNOMATIX TECHNOLOGIES LTD said late Monday it would buy privately held Unicam Software Inc., based in Portsmouth, N.H., for about \$24 mln and take a 1Q charge. The company said in a statement the amount of the charge is still undetermined. The deal is not expected to dilute 1999 earnings and is expected to have a positive effect on future earnings. Tecnomatix, based in Israel

TTI Telecom Completes Public Offering

TTI Telecom International (NASDAQ:TTILF), announced that it had completed its public offering of 1,150,000 shares at a price of \$7.875 per share. The net proceeds from the offering to TTI Telecom will be used to fund activities in connection with recently awarded and potential new customer contracts as well as for working capital and general corporate purposes. The placement agent for the offering was CIBC Oppenheimer Corp. TTI Telecom International Ltd. develops, markets and supports advanced, modular, integrated software products and services for operations support systems and network management systems in the telecommunications industry.

Gene Therapy

Gene therapy, as it is hopefully known, has long been a field of high promise and low fulfillment. The promise is evident: all diseases, even infections, have a genetic component, and the best possible treatment in many cases would be to repair the genetic defect that permits the disease. But inserting genes into human cells in full working order has proved to be exasperatingly difficult. More than 230 clinical trials of genetic engineering techniques are now in progress, but most are at a preliminary stage and none has yet led to an approved therapy. In Israel clinical testing and research in gene therapy centers on cardiac applications at Rambam Hospital, Haifa and at Tel-Aviv's Sourasky Medical Center. However, the application research which began with the discovery of stem cells is moving slowly.