

ISRAEL HIGH-TECH & INVESTMENT REPORT

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The Electronic Fleecing of Internet Investors

Both investors and speculators, rely on news about developments in companies in which they have an interest. Whether correctly or not, news items may have a dramatic effect on near term price movements of a given security. Typically, respected, highly-paid securities analysts issue projections for quarterly earnings results. Subsequently, when a company announces earnings within the range of anticipated projected earnings it is likely that there will be little movement in the price of the company's shares. Should the actual earnings deviate substantially above or below expectations, it is likely to lead to an immediate reaction: attracting a wave of buyers or sellers. When Yahoo! recently reported earnings of three cents above expectations, the Yahoo! shares, which had climbed sharply before the announcement, continued to move even higher. Much of the price rise had been discounted in advance because of optimistic expectations.

A news item which relates to conditions of a wholly unexpected nature has a profound effect on the market. On April 7 an Internet posting of what proved to be a bogus Bloomberg financial news story sent shares of PairGain Technologies Inc. (Nasdaq:PAIR), a small California technology company, soaring 31 percent only to fall back to earth when the story proved false. The abrupt rise and subsequent fall in the price of the shares highlighted the perils that investors face when following tips from Internet bulletin boards and chat shops, where postings go largely unregulated and rumors spread like wildfire.

Shares of the Tustin, Calif.-based PairGain, a maker of high-speed access products used by phone companies, started the day in the Nasdaq stock market at \$8.50 and traded as high as \$11.13 before falling back and closing at \$9.38, an \$0.88 gain overall.

Nearly 13.7 million shares changed hands, a heavy day of trading for the company's stock and among the most actively traded shares on Nasdaq that day. The massive and wildly gyrating trading began when buyers went to a financial Web page sponsored by Internet portal Yahoo Inc. (Nasdaq:YHOO). The page included a link to supposed news on PairGain. As part of its service, Yahoo! maintains message boards featuring all publicly traded companies on the three major exchanges: New York Stock Exchange, Nasdaq and the American Stock Exchange. When investors went to the link, they were transferred to a new page, formatted to look like a Bloomberg news site, featuring a story that was supposedly published by Bloomberg. The quality of that

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news item, that is its dependability, the extent to which one may rely upon it, depends on its source. The readers were taken in by the Bloomberg name. The fictitious story said PairGain was being acquired by Israeli-based ECI Telecom Ltd (Nasdaq:ECILF). for about \$1.35 billion in cash and other compensation. This false news apparently sent investors scurrying to buy up PairGain shares. It is our own suspicion that the perpetrator of the fraudulent announcement may be a crackerjack computer user. Last month a rumor was floated that ECI Telecom was negotiating an acquisition. When ECI Telecom management denied the story its shares plummeted by several dollars. This time someone scored an ill gained profit.

The ways and methods used for investing nowadays, differ for various investors. For some, a shrinking number we are told, it still means a daily telephone conversation with a stock broker who advises them on investments. He is a source of updates on prices and meaningful news developments. He will advise when to sell and even what to buy.

For the new breed it means simply opening up the PC, warming up a 56bps modem and hitting the bookmark sign which, with a click of the mouse, takes him directly to the Yahoo financial portal and an open window to all of the announced financial news.

The reports and interviews with the new breed of investors who buy and sell stock on the Internet, have not gone unnoticed. A growing plethora of companies, including Schwab, Datek, E*Trade and shortly Merrill Lynch, is being added to providers of Internet brokerage services. They even offer a possibility for clients to obtain pieces of the so called "hot issues" --- the Initial Public Offering Internet shares which often soar by hundreds of per cent from their issue (offering) price. Reports abound with stories of profits of tens of thousands of dollars in a single day of trading profits. Rarely reported are losses such as were absorbed by PairGain investors, some of whom were fleeced.

As many as 200 million people around the world may be using the Internet within a year or so,

according to a report from the United Nations Economic and Social Commission.

The growth in number of Internet users is mind boggling and in the global village unregulated environment of the Internet it is caveat emptor-- "Let the buyer beware". Most of the users of the Internet are legitimate but, as in the real world, perpetrators of fraud on the Internet are difficult and sometimes impossible to find, identify and punish.

Yet it is more than likely than in the not too distant future the majority of the share trading will be global and executed electronically, as investors learn to deal with the newly found power to invest on any market at any time in real time.

Israelis Invest In Australian Technology

Mincom, a leading Enterprise Asset Management (EAM) software developer, announced that it had reached an agreement to sell its Petroleum Technology Mincom (PTM') division to Paradigm Geophysical Limited (Nasdaq: PGEOF). Paradigm is based in Tel Aviv and is listed on the Nasdaq stock exchange in the United States. Mr. David Merson, Managing Director of Mincom, said in Brisbane that the company had decided to offer PTM for sale, so that the division could better exploit its highly specialized software capabilities in the oil industry. "The sale is good news for both Mincom and PTM, as it will allow PTM to grow under a specialized parent company and Mincom to focus on its core business area, Enterprise Asset Management, in which it is already a world leader," Mr. Merson stated. The PTM offices in Brisbane, Houston, Calgary, London and Aberdeen will all continue to operate under the new owners and all current PTM staff will be offered the opportunity to transfer to Paradigm. "From a field including many of the world's major oil and gas software companies, we selected Paradigm as the most dynamic and the one with the best cultural fit for PTM." Mr. Merson further remarked, "Under its ownership, PTM should be able to grow strongly and its employees enjoy job security, as well as continuing to be in the forefront of technical deve-

lopments in this field.” Paradigm Chief Executive Officer, Mr. Eldad Weiss, said he was delighted to welcome PTM and its staff into his company. “We are a strong company with a mission to be the best in our business, and PTM's world-leading software and staff will help us to achieve this,” Mr. Weiss stated. Mr. Weiss also expressed his pleasure at having a new part of his group based in Brisbane. Mr. Weiss further remarked, “The existing operations of PTM in Brisbane, which is the world headquarters for PTM's business, will continue to be the hub of its network. I believe that with PTM in Brisbane, and our existing operations in Perth, Paradigm is well placed for growth in the region.”

Altec Lansing and STMicroelectronics in Strategic Partnership

Altec Lansing Technologies, Inc. and STMicroelectronics announced an innovative strategic partnership establishing the ALST Technical Excellence Center in Kfar Saba, Israel. The center will develop joint technologies and systems solutions for the computer, consumer and communications market. Projects will include the development of architecture, silicon, software and firmware to be incorporated into Altec Lansing and ST products. Initially, the ALST the center will study solutions for a variety of audio related applications in the multimedia environment, including sound capture, processing amplification and networking.

Altec Lansing is proud to partner with STMicroelectronics in this revolutionary center for computer technology research and development, said Edward Anchel, president and CEO of Altec Lansing Technologies, Inc.

This strategic agreement between STMicroelectronics and Altec Lansing may bring significant benefits to consumer multimedia sound systems and productivity enhancing corporate audio applications because the parallel development of system and silicon minimizes the overall time-to-market for advanced solutions.

STMicroelectronics (formerly SGS-THOMSON Microelectronics) is a global independent semiconductor company with strong European roots,

whose shares are listed on the New York Stock Exchange (NYSE:STM), the Bourse de Paris, and on the Milan Stock Exchange. It designs, develops, manufactures, and markets a broad range of semiconductor integrated circuits (ICs) and discrete devices used in a wide variety of microelectronics applications, including telecommunications systems, computer systems, consumer products, automotive products, and industrial automation and control systems.

Altec Lansing Technologies, Inc., based in Milford, PA, USA, is a recognized leading designer, developer and manufacturer of high performance speaker systems that deliver high quality, high fidelity audio output for personal computers. The company employs about 1000 people worldwide.

WizCom Raises \$30 Million in Frankfurt

WizCom shares are trading on Frankfurt's Neue Market stock exchange. The company, manufacturer of the Quicktionary translating pen, completed a successful issue at the end of the week, in which it raised \$30 million. In addition, shareholders sold another \$16 million of merchandise. The issue enjoyed heavy demand of more than 50 million shares, fourteen times the number of shares offered. Accordingly, the share closed at a maximum price of euro 12 per share (original range was 10-12).

A third of the shares was offered by small WizCom shareholders, the over subscription enabling them to sell at a handsome profit. Among the celebrities decorating the issue and pocketing NIS 1 million, were television celebrity Dan Shilon and football coach Avraham Granit. BVM personnel (Nir and Eli Bareket, Yuval Rachby), who previously tasted the sale of Check Point shares, will profit by \$350,000 each. Investment bank Robertson Stephens analyst, Victor Halpert, will also receive \$250,000 for his shares, and the list continues.... WizCom's value following the issue is \$150 million. The public will now hold a third of the company's shares. The company's major shareholders, Lipman and Mivtach Shamir, did not sell their shares, but each posted a handsome capital gain:

Lipman, holding 40% of shares posted a NIS 30 million profit while reducing its stake to 28.6%. Mivtach Shamir posted NIS 14 million, while reducing its stake from 20% to 14.6%. Clal Industries and Investments last year invested \$2 million in WizCom, and is expected to enjoy a NIS 10 million profit.

Today, the WizCom share trades on the grey market at euro 18-20, 50% above the issue price. Among the Nouveau Marche markets in Europe, Frankfurt is considered the best and most accurate. Seventy-two companies are traded on this stock exchange, and it has the largest volume of all the new markets.

The average amount raised on this stock exchange is \$44 million, and the daily volume is more than \$60 million.

Foreign Investment in Israel at Record \$75 billion

At the end of 1998 foreign investment reached a record of \$74.5 billion, an increase of \$3.6 billion over 1997, and \$13.7 billion more than at the end of 1996. 40% percent of total foreign investment at the end of 1998, or \$3 billion, was in tradable securities, compared with 36 per cent at the end of 1996 and 30 percent at the end of 1994, the Bank of Israel announced. The central bank

pointed out that the increase indicates the openness of Israel's economy to the world. The distribution of foreign investment has changed over the years. At the end of 1994, securities issued by the private sector comprised 35 percent of total foreign holdings. By 1998 that share had risen to 50 percent. The central bank says the increase demonstrates that Israel's private sector is becoming part of the global economy. The value of tradable foreign-held securities totaled \$15 billion at year-end 1998. Of this \$5.4 billion were traded in Israel, the rest overseas. The central bank added that even during the height of the global crisis,

Aug. - Oct. 1998, while the Westerners were fleeing emerging markets, they sold only \$0.4 billion worth of Israeli securities.

Lucent Buying Libit for \$250 million

Lucent Technologies Inc., the US global leader in the development, production and marketing of communications equipment for telephone companies, is buying Israeli based Libit Signal Processing for \$250 million. Previously Libit reportedly rejected a \$120 million offer from Intel. GE Capital have investment stakes in Libit. Lucent would be enabled, by the acquisition of Libit to more effectively compete in the cable network modem sector.

Libit Signal Processing develops and markets highly integrated silicon solutions for broadband access. Libit's core modem technologies - at both the subscriber-end and head-end - enable efficient silicon implementation with significant cost-performance benefits. Libit targets its products to the cable modem, cable set-top box, and digital television markets, empowering high-speed Internet access, IP telephony and digital TV applications. Marketed worldwide, Libit products are fully compliant with the leading international standards including DOCSIS, DVB/DAVIC, OpenCable, IEEE 802.14, and ATSC A.53 specifications. Libit was founded in 1994 by a group of prominent scientists, including internationally renowned experts in the fields of digital signal processing and digital communications. Libit has built a world-class team of engineers with extensive knowledge and experience in modem design and VLSI implementation. A privately held corporation headquartered in Herzlia, Israel, Libit has sales and marketing offices in Los Altos, California, and Englewood Cliffs, New Jersey.

Libit raised \$6 million in June 1998, on the basis of a \$74 million post-money company valuation. Investors include Giza Investment Fund, Discount Investments, and GE Capital of the General Electric group. Discount Investments and PEC hold 8.2% of the company's shares. Giza hold 7%, GE Capital 2.9% and Intel holds 5.9% of company shares.

Al-Rov Group Finds Start-Up Incubator

Al-Kanit of the Al-Rov group, owned by entrepreneur / businessman Alfred Akirov, is establishing in the intensive industrial park it is setting up in Ashdod, an incubator, for high-tech start-up companies. The company will invest \$20 million in the entire project. El-Kanit will exempt companies from rent for their first year in the industrial park. Any high-tech

company renting 4,000 sq.m. of space in the center will be eligible for the exemption. The Authority for the Promotion of High-Tech Industries in Ashdod decided that the MATI Business Centre branch in Ashdod would provide business consultation to high-tech ventures seeking to join the incubator. In addition to the exemption from rent, the companies would also enjoy full exemption, for two years, from municipal rates, with a 50% discount for another two years. Al-Kanit, which decided to set up the know-how intensive industrial park in Ashdod, will put up special buildings for high-tech industries for a total area of 20,000 sq.m. The project will be located near the Science Center being built by Minrav, another Akirov-owned company, which is already fully leased. The company intends to expand the industrial park at a later stage to 30,000 sq.m. Management reported that the decision to set up the park at this juncture was prompted by the need for space for high-tech companies and sophisticated industries, and the tendency to abandon the expensive industrial zones.

Telrad Supplies Nepal Cell Network

Israel's Telrad Telecom & Electronic Industries Ltd. said it has supplied all the equipment for Nepal's first cellular phone network in a deal worth over \$8 million. The network, which uses GSM technology, was recently launched. In the first stage it will cover four centers of Nepal, including Kathmandu, and will service 10,000 subscribers. The number of subscribers can be increased to 50,000. Telrad is 80 percent controlled by Israel's Koor Industries (NYSE:KOR) while Canada's Northern

Telecom (NTL.TO) owns the other 20 percent. Telrad won the bidding to provide all equipment to state-owned Nepal Telecommunications Corp in a tender last year. NTC said at the time that Telrad was the lowest of five bidders.

1,000,000 Internet Users in Two Years

The number of Internet users in Israel is expected to reach one million within two years, the international call provider Barak stated in a survey it made public recently. The firm celebrated the start of its program to provide Internet service to private subscribers for the first time. The forecast published in the firm's report was similar to predictions based on studies previously undertaken by firms in the growing Israeli Internet market. According to one forecast, conducted by the consulting firm Monitor for Bezeq International before that firm's acquisition of ISDN NET, the position of the Internet in Israel's private sector would increase two-fold within two years. More specifically, the survey predicted that the number of users in Israel would reach 750,000, involving 26 percent of the households in the country.

NetVision published similar findings as well. Ruth Alon, the firm's managing director, predicted that the number of Internet users in Israel would reach one million within a year and a half. The number of private Israeli Internet users today is estimated at approximately 300,000. Until now, Barak had provided Internet access only to business subscribers via fast, dedicated lines. The firm is the second international telephone service firm to provide Internet services to private firms, following in the steps of Bezeq International. The firm will compete with such

IPO PRICING - Optibase Ltd Prices at \$7

Optibase Ltd. is an Israeli digital video technologies developer.

Priced at \$7

Number of Shares 4.35 mln

Lead Underwriter CE Unterberg Towbin, Needham & Co

OPTIBASE LTD (Nasdaq:OBAS)

Optibase provides high-quality, cost-effective solutions that enable the preparation and delivery of MPEG-based digital video over ATM and IP-based networks.

Optibase markets a suite of products used in applications such as digital video archiving, distance learning, business

veteran Internet providers in Israel as NetVision and Internet Zahav. Approximately 25 other firms provide Internet services in Israel, most of them to a relatively small base of subscribers. Barak, like other firms such as Bezeq International, Golden Lines, and now Pelephone as well, will provide under each of its Internet plans, a discount for Web surfing to clients also using the firm for their international calling needs. The prices Barak announced, particularly under the plan for unlimited Internet usage, are the same as others found in the market, but the plan offered by the firm for four hours a month at no charge is an innovation. The firm plans to make a great effort to turn Internet access into a basic service in each home, said Barak's marketing manager, Gil Sharon. Internet in Israel is a budding market, led by niche companies providing service to a limited number of intelligent users. But like Cellcom, which turned the cellular phone into a mass consumer product in Israel, Barak's entry will have a similar effect on Internet access, he said.

What the Brokers are Recommending

Warburg Dillon Read said in a report, it had raised Elron Electronic Industries (Nasdaq:ELRNF) to a "strong buy" from a "buy", saying its share price had not risen in tandem with net asset value (NAV). "We have increased our estimated NAV for Elron by \$130 mln since our last update (in January). Despite this, the market capitalisation of Elron has increased by only \$48.6 mln this year," Warburg said.

Societe Generale initiated coverage of NICE-Systems (Nasdaq:NICEY) with a buy rating, saying

the company was well placed to lead the rapidly growing call centre market. "Strong product recognition, growth markets, blue chip multinational marketing partners and a cash pile sufficient for both R&D and medium-sized acquisitions leave Nice well placed to lead the rapidly growing call center market," analyst Yuval Raviv wrote in a report.

Merrill Lynch said that Magic Software Enterprises would report a strong first quarter. "The company benefits from its diversion of focus to the services market, rather than the product market. With consensus estimates of a 1998 annual profit of \$4.5 million, Magic trades at 16 times earnings," the report said.

Prudential Securities raised Check Point Software Technologies to

"accumulate" from "hold".

Bio-Technology General Corp.(Nasdaq:BTGC) announced its earnings and financial results for the three months ended March 31, 1999. Net income increased 19% to \$4.0 million, or \$0.08 per share, compared to \$3.4 million, or \$0.07 per share, in the first quarter of 1998.

Revenues increased 16% to \$20.2 million in the first quarter of 1999, compared to \$17.4 million in the same quarter of 1998. Expenses for the first quarter of 1999 were \$14.4 million, compared to \$12.6 million in the comparable quarter of 1998. BTG also announced that it has purchased an eight acre site and facility for the establishment of a manufacturing plant in Israel. The new, state-of-the-art GMP production facility will accommodate additional recombinant products as they are commercialized, and greater volumes of the company's currently marketed products that are required to meet growing market demands.

Erogenex, or Ex22 as it is also known, is a non-

Worldwide Net to grow through 2000

As many as 200 million people around the world may be using the Internet within a year or so, according to a report from the United Nations Economic and Social Commission for Asia and the Pacific. The study estimated that 25 to 30 million people in more than 140 countries were on the Net at the end of last year. The Commission study also said businesses using the Web are saving as much as 95 percent on some telephone calls, fax services and banking by phone.

prescription product that improves sexual performance and increases libido.

There are two Erogenex Formulas, one for men, and one formulated specifically for women. Erogen Inc. which has developed the formulas has not begun to market them as yet. Erogen is not the only company trying to tap into this substantial market. Zonagen (Nasdaq:ZON), Icos Corp (Nasdaq: ICOS), Tap Holdings, and BioTechnology General are all working on rival treatments.

Speculation about Cellcom IPO

Israeli cellular phone service provider Cellcom Ltd. is expected to carry out a long-awaited initial public offering (IPO) in the United States in August. No confirmation could be obtained of a report which appeared in an Israeli daily. The paper said that recently Cellcom's shareholders, BellSouth Corp. (NYSE:BLS), the Safra family and Discount Investment Corp., had settled disagreements that had been delaying the IPO.

The offering, which is widely expected to be the largest ever by an Israeli company, is expected to value the company at \$3 billion to \$3.5 billion, the paper added.

Elbit Vision (Nasdaq:EVSNF) Issues Q1 Profit Warning

Israel's Elbit Vision Systems Ltd. said it sees its first quarter revenues and earnings below analyst estimates because it was unable to complete several contracts.

Based on preliminary unaudited results, the company, which makes inspection and quality monitoring systems, said it expects to post about \$3 million in aggregate revenues and a net loss for Q1.

Wall Street expectations were that the company's earnings would be nil, according to First Call Corp. It said it expects to finalize these contracts in the next quarter.

IFIT Signs Letter of Intent to Merge with Virtual Communities

Heuristic Development Group, Inc. ("HDG") (Nasdaq:IFIT) announced that it has entered into a Letter of Intent to merge with Virtual Communities, Inc., a privately held developer and publisher of Internet based communities. Founded by President and CEO Avi Moskowitz, VCI currently produces three sites: Virtual Jerusalem (virtual-jerusalem.com), Virtual HolyLand (virtual-holyland.com) and Virtual Ireland (virtualireland.com). With over 5.6 million page views during January, 1999, Virtual Jerusalem represents the largest aggregated community on the Internet for Jewish and Israel related content. Virtual Jerusalem currently has over 150 agreements with content partners and advertisers and is a portal to over 9,000 Jewish related sites. The Virtual HolyLand site, launched on Christmas Day 1998, is focused on the 70 million members of the Evangelical Christian Community for whom the Land of the Bible is a constant focus. The Virtual Ireland site was launched in March 1999 and is targeted to approximately 50 million persons of Irish descent in the U.S. In late February, the company began to implement its marketing plan which includes a radio, print and television campaign and a keyword agreement with Yahoo!. Under the proposed merger, HDG would acquire VCI in an all stock transaction. VCI's stockholders would receive approximately 11.1 million shares of HDG common stock representing approximately 87% of HDG's common stock after the merger (assuming no exercise of HDG warrants and options). HDG would change its name following the merger to Virtual Communities Inc., and VCI's Board of Directors and management would become the management of the merged company. The transaction is expected to close in the second quarter of 1999, subject to the negotiation of definitive agreements and the satisfaction of certain conditions, including obtaining the approval of HDG's and VCI's stockholders and an opinion from an investment banking firm satisfactory to HDG that

the transaction is fair to HDG's stockholders.

Avi Moskowitz, VCI's CEO said, "While most Net companies are treating the World Wide Web as if it were yet another mass medium, VCI is concentrating on what makes the Internet and the World Wide Web a truly new medium: the ability to provide information, products, services and community gathering and discussion places specifically tailored for people who are widely dispersed geographically but who share common passions, backgrounds and interests. VCI has taken the lead in figuring out how to build a real business based on this concept of serving virtual communities over the Net."

Added Jonathan Seybold, HDG's Chairman of the Board: "We believe that VCI provides an outstanding opportunity for HDG's shareholders. By developing a group of web-based communities that act as portals for a targeted affinity group, VCI has established a very compelling business model that can be replicated across various demographic groups. With the infrastructure now in place, VCI is positioned to leverage the obvious power of the Internet."

Check Point Leads Virtual Private Networking Market

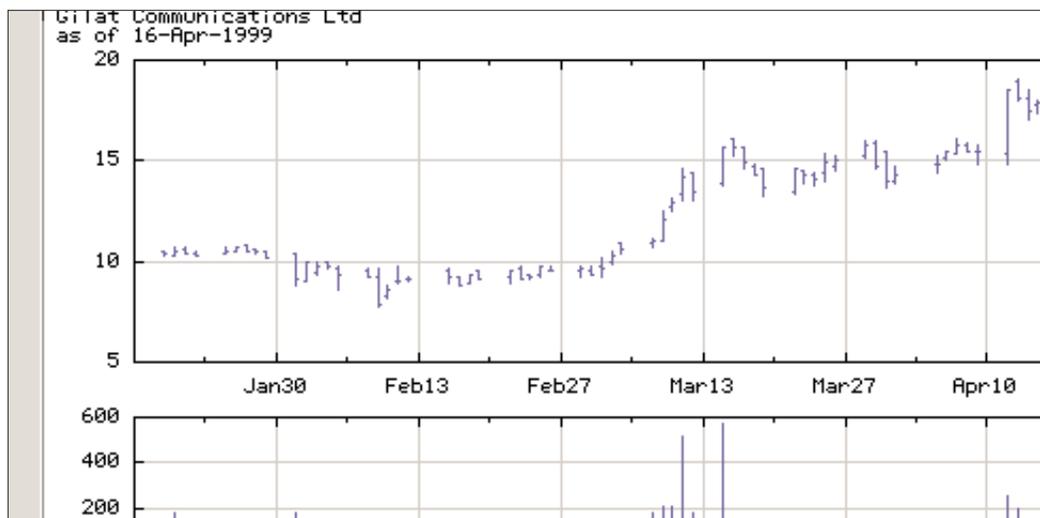
Check Point Software Technologies Ltd. (Nasdaq:CHKP) announced that it has surpassed its 17,000 VPN-1 Gateway installation milestone. The VPN-1

Gateway™ software technology is a key driver in implementing secure intranet, Internet, and extranet connectivity. The company, according to leading industry consultants, is in the forefront of VPN. Recent reports and client studies from leading market research firms further support Check Point's VPN leadership with its VPN-1 family of products. "Client-to-site remote access for mobile and remote users as well as total integration with overall network security and centralized management are the key drivers behind the rapid growth in today's VPN market," said Asheem Chandna, vice president of marketing and business development for Check Point. "We are seeing an accelerated deployment of our market-leading VPN-1 SecuRemote client, with over 1.5 million licensed clients distributed in the last two quarters alone." The Meta Group research also shows that an integrated VPN solution helps ensure the security, scalability and reliability that customers require. The most recent firewall market research report prepared by International Data Corporation (IDC), stated that Check Point "maintained its position as clear marketleader... capturing a 34 percent market share [worldwide] among software firewall vendors." Check Point Software has more than 73,000 installations, representing its complete product line, and more than 30,000 customers. Check Point Software has established relationships with more than 1,000 channel partners worldwide, including distributors,

integrators and value added resellers, that effectively deliver its VPN and enterprise security solutions to customers of all sizes.

Gilat Communications Awarded \$2.5 mil. Contract

Gilat Communications Ltd. (Nasdaq:GICOF) announced that its wholly owned subsidiary, Israsat International Communications Ltd., has been award-



ed a \$2.5 million contract by Inter Universities Computation Center (IUCC) to provide it with a satellite link to connect IUCC to the Internet backbone. The service is to start on June 1, 1999, after completion of final tests to be performed by Intel-sat and Gilat. IUCC plans to provide Internet II connectivity to universities and research institutions in Israel, using Israsat's enhanced satellite link solution to support the effective high-speed data rate required by Internet II applications. Shlomo Tirosh, Gilat's Chairman and CEO, said, "We are proud of being chosen by IUCC to provide the broadest bandwidth two-directional Internet link to be available between Israel and the backbone."

Gilat Communications Ltd. is the dominant provider of satellite-based communications services in Israel and has become a leading developer and provider of satellite-based interactive distance learning ("IDL") systems worldwide. It offers a wide range of satellite-based communications services in Israel, including domestic and international private data and voice communications networks, IDL and digital video broadcasting ("DVB"). Its IDL systems allow various academic courses or employee training to and from remote sites.

IHTIR Retains Favorable View of Future Prospects for GICOF

Gilat Communications was singled out as our choice as the outstanding Israeli small-capitalization company for 1999. In spite of a sharp rise, since January, in the company's market capitalization our expectations remain for a high rate of growth in revenues and profits into the foreseeable future

Israel Aims to Sign U.S. Plane Fighter Deal in Early May

Israel must decide between Lockheed's single engine F-16 and Boeing's F-15, which it chose in the previous 1994 tender because of the plane's longer range.

Israeli officials said at the time, that the air force needed the Boeing's longer range planes, which cost about twice as much as the F-16.

EFCX's Batteries Used at NATO Summit

Electric Fuel's (Nasdaq: EFCX) Consumer Battery Division announced that the company supplied its first production Zinc-Air disposable batteries to cellular phones used by delegates attending NATO's 50th Anniversary Summit recently held in Washington DC.

The Zinc-Air batteries come fully charged and are well-suited for truly wireless usage, eliminating the inconvenient "downtime" of recharging by requiring only that the depleted battery be replaced with a fresh unit. In addition, the Zinc-Air battery provides 3 to 4 times more talk and standby time than currently available from comparable rechargeable batteries.

"The Zinc-Air disposable solution offers peace of mind with uninterrupted and reliable communication," says Yehuda Harats, President and CEO of Electric Fuel. "The disposable battery can provide extraordinary freedom of use for such multi-national meetings."

Electric Fuel's batteries were distributed with cellular phones available for rent at the NATOSummit from InTouch USA.

Electric Fuel Corporation with corporate offices in

Large Companies Acquire Israeli Specialty Products Companies

Since August 1998, no fewer than seven publicly traded Israeli companies have been bought for cash or stock. Among them Sun-gard Data bought Oshap Technologies (Nasdaq: OSHSF) for \$210 mil, BMC Software (Nasdaq:BMCS) bought New Dimension Software (Nasdaq:DDDDF) for \$650 mil., Cinar Corp. bought Edusoft (Nasdaq) for \$41 million.

New York City and manufacturing and R&D facilities in Israel and in Alabama, is pioneering the use of zinc-air battery technology for electric vehicles, consumer electronic products, and industrial applications.

ECI Chosen by Danish Broadcasting

ECI Telecom Ltd. (Nasdaq:ECILF) announced that it has signed a contract with the Danish Broadcasting Corporation (DR) to supply Hi-TVTM for a national TV-contribution over ATM network. The network will be used primarily for news and sports contribution. ECI Telecom's Hi-TV systems, located in seven regional studios throughout Denmark and in the main broadcast centre in Copenhagen, will provide MPEG-2 encoding and decoding together with ATM adaptation and network termination. The centrally-managed Hi-TV systems will enable DR to compress and transport studio quality TV over an ATM network in real-time.

DR selected Hi-TV after an exhaustive evaluation of its video, audio, ATM and management capabilities. Claus Loenberg, Head of TV Technology at DR said "the ECI Telecom equipment will enable DR to expand its production capabilities. This will allow DR to produce more up to the minute regional news, and provide a better coverage of local events within the national broadcasts."

Silicom Reports Improvement

Silicom Ltd. (Nasdaq:SILCF) reported that first quarter 1999 revenues increased by 22 percent to \$1.76 million from \$1.44 million during the first quarter of 1998.

Net income for the first quarter of 1999 increased to US\$ 286,000 or \$0.07 per share compared to US\$ 49,000 or \$0.01 per share for the comparable period last year.

"The first quarter of 1999 is the third consecutive quarter in which Silicom has reported increasing sales," said Ilan Erez, VP Finance and CFO of Silicom.

During the first quarter of 1999 Silicom announced a new USB Ethernet adapter. Offering a simple and true "plug and play" Ethernet connec-

tion to any Universal Serial Bus (USB) equipped notebook or desktop PC, this new product is the perfect solution for multi-PC households and small office/home office environments. The company has begun shipping the USB Ethernet product in April 1999.

Silicom Ltd. is primarily engaged in the design, manufacture, marketing and support of modular, miniature connectivity products which combine hardware and software to enable portable and desktop computers to interface with Local Area Networks and Wide Area Networks.

Point of Sale Acquires Lab Computerized Mobile Solutions

Point of Sale Ltd. (NASDAQ: POSIF) announced that it has executed an agreement to acquire LAB Computerized Mobile Solutions, LTD., headquartered in Jerusalem, Israel. Proceeds of the transaction paid to LAB were \$250,000 in cash for 50.1% of total shares outstanding and a \$150,000 line of credit to be used for on-going operations. As part of this acquisition, Point of Sale is assuming operating control of LAB. LAB, founded in 1996, specializes in the development of software for handheld, or "palm" portable computers. LAB's products target the distribution process of companies in the manufacturing, marketing and field service sectors. Much of this functionality will be adapted to address the needs of the retail market. LAB is also in the process of porting its products to run on Microsoft's Windows CE operating system which offers favorable characteristics for the portable computing environments. Barry Shaked, Chairman, President and Chief Executive Officer of Point of Sale, commented, "The acquisition of LAB is intended to expand our products and capabilities for the handheld computing market. We believe that retailers are beginning to look beyond their traditional usage of handheld computers and will begin using these devices in many new areas of their businesses. In pursuing this goal, LAB's products are a good strategic fit with our in-store and host level systems." Moti Lipman, CEO of LAB Development, said, "LAB is very interested in

moving its technology into a broader marketplace and Point of Sale has proven itself as a market leader in retailing software around the world. We see this new relationship as a very important step in our evolution.” Mr. Shaked continued, “ Our strategy is to continue our focus on assisting retailers to create higher profits, increase efficiency and satisfy their

PoS Vital Statistics Profile

Three Year Yield on Share Investment

+961.6%

Key Shareholders:

Management: Barry Shaked 17.5%
 Brian Cooper 17.5%

Others:

Mutual Funds 10.3%
 Stanham 6.8%
 Sadot VC 1.4%

Number of Employees: 170

Market Capitalization: \$105 mil.
 Shareholders' Equity \$ 28.8 mil
 Sales 1998 \$17 million
 Profit 1998 \$ 4.25 million
 Nasdaq Symbol: POSIF

customers. The technologies that we offer now and in the future with LAB and others, will aid us in accomplishing our goals.” About Point of Sale Limited Point of Sale Limited provides enterprise-wide retailing solutions to the supermarket, convenience store and restaurant industries worldwide. With over 9,000 stores installed across more than 30 countries, Point of Sale’s installed base handles more than 30 million retail customers per day. Point of Sale, with 190 employees worldwide, is head-

quartered in Herzlia, Israel and has a U.S. subsidiary in Carlsbad, California. Point of Sale is publicly traded on the Nasdaq National Market under the symbol “ POSIF” and on the Tel-Aviv Stock Exchange. About LAB Computerized Mobile Solutions Limited LAB is headquartered in Jerusalem, employs 16 people and markets its products to industrial, marketing and field service companies throughout Israel. With portable computer development as its core competence, LAB develops products that interact with the user in both real time (radio based) and batch environments.

Neuron Venture Capital Fund is Sowing Lots Seeds

Neuron a small venture capital fund, with a founding capital of \$13 million has signed up eight investment deals in less than a year and a half. Led by Amiran Dotan, a former executive from Israel Defense Industries, it appears that some of its holdings are beginning to show promise. Neuron was featured in IHTIR in 1997 at the time of its founding

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Israel's 51st Independence Day

A wellspring of hope and optimism is echoed in the writings of the Prophet Isaiah who said: "They will beat their swords into plowshares and their spears into pruning hooks. Nation will not take up sword against nation, nor will they train for war anymore." However, another Prophet named Joel, foresaw the need for armed strength before an era without arms could be envisioned. Beat your plowshares into swords and your pruning hooks into spears. Let the weakling say, "I am strong!" (Joel 3:10)

On April 13 Jews in Israel and throughout the world commemorated Holocaust Remembrance Day, marking the slaughter of 6,000,000 Jews by Hitler. Just before the start of the joyous celebration of Independence Day, the Central Bureau of Statistics announced that Israel's population had reached a record 6,000,000. A simple statistic but in the context of historical events in Jewish life the figure sends a powerful message. Clearly, numbers positioned within a historical context can take on a meaningful connotation.

The vision of Isaiah remains the Hope. Yet, the reality is that this country can say today "I am strong". Equally strong is the economy which is driven by a working force that is well educated and motivated by the knowledge that success in modern day Israel can be very rewarding.

On this 51st Independence Day I maintain the dream of the vision of Isaiah but rejoice in the fulfillment of Joel .

Joseph Morgenstern

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