

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES
November 1998 Vol. XIV Issue No.11

JOSEPH MORGENSTERN, PUBLISHER

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Resilience in the Face of an Onslaught

In three days October 6-8, in hectic foreign currency trading on the worlds' foreign exchange markets the dollar plunged against the Japanese yen to JY 111. It was down by a quarter since its peak of above JY 140 in August. It was not altogether quite clear what caused the carnage. A plausible explanation was that massive selling of yen by hedge funds who had borrowed at low interest rates to finance buying higher yielding dollar securities, was a major contributing factor.

In recent years Israel moved away from controls over foreign currency holdings and its capital markets were wide open to be buffeted by selling of securities on the Tel-Aviv Stock Exchange and the subsequent repurchase of dollars, to speculative transactions involving the New Israeli Shekel (NIS), and to the unwinding of cheap foreign loans taken out by its own business community. In the event all of the occurrences took place. However, there was neither a collapse of the exchange market nor was there any intervention. At least for the time being a major test had been passed with some but not major damage. In the first three weeks of October the NIS lost 13.6% of its value against the dollar but 30.6% against the rampaging Japanese Yen. Bank of Israel Governor Yaakov Frenkel and Finance Minister Yaakov Ne'eman did not leave the Washington IMF Conference and the word was "that the Bank of Israel would not interfere" in foreign currency trading should the NIS go into a free fall. The estimate is that the Bank of Israel may act by raising the interest rate or by selling foreign currency to the public if the sharp devaluation increases.

But there are profound worries at the country's leading banks - not of a collapse on the order of what is

happening in Japan, but about the fate of loans they gave for foreign currency purchases, about overexposure to bad loans, about the global crisis, about the drying up of international capital reserves, about growing competition, over the sharp devaluation, and especially over the deepening slowdown in many areas of the economy, including real estate, diamonds, retailing and tourism.

The weaker shekel may have turned into a bonus for Israel high tech industries. Many CEOs of exporting high-tech companies had complained that the shekel was overvalued since its value was not even linked to increments in the rising costs local in salaries and other expenses.

A weaker shekel will help raise the profits of Israel's high technology companies, but a slowing world economy will offset the gains for the electronics industry, according to the Manufacturers Association.

A survey conducted by the trade group showed industry leaders think the economic crisis could lead

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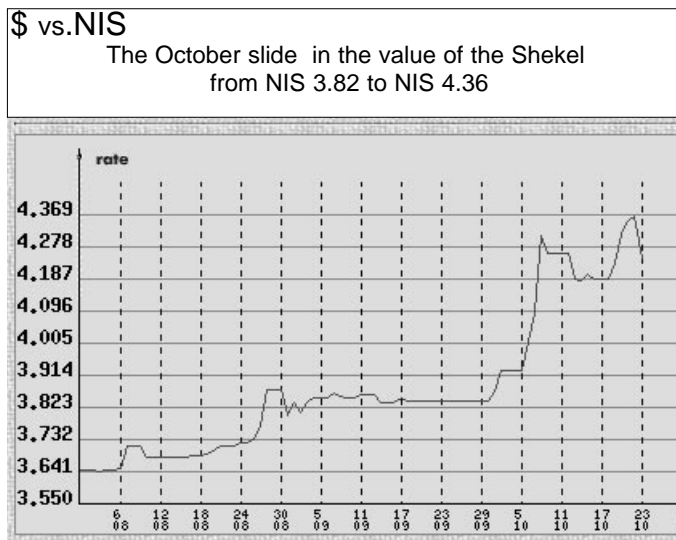
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to a 20-50 percent drop in the sales of electronics products and services.

However, software companies should be able to maintain a 20-25 percent growth rate in export sales, said Amiram Shor, CEO of Malal Computers Ltd. He said a slowing economy would increase demand for software and data processing products. Israel's key technology sector is geared almost entirely to overseas markets. Avner Raz, CEO of Elisra Electronic Systems Ltd., a defense electronics unit of Tadiran Ltd. (NYSE:TAD), said the devaluation would be good for his company on the whole because it was geared to exports.

The recent stormy events may return in one form or another and the Israeli Shekel, which we have felt was overvalued in any case, may be forced to retreat even further. The cost to the local economy may be a few ticks up on the inflationary ladder but all those who have a stake in Israel should be heartened by the economy's resilience and further encouraged by the resumption of the Peace Process.

Nobel Prize Research Applied in Israel for Treating Angina Pectoris Patients

Last month the Nobel Prize Committee announced that this year's prize, for physiology or medicine, went to Dr. Robert Furchgott, 82, of the State University of New York in Brooklyn; Dr. Louis Ignarro, 57, of the University of California at Los Angeles, and Dr. Ferid Murad, 62, of the Universi-

ty of Texas Medical School in Houston. The three American researchers shared a prize of nearly \$1.0 million for their unusual discoveries as to how the natural production of a gas, nitric oxide, can mediate a wide variety of bodily actions. These include widening blood vessels, helping to regulate blood pressure, initiating erections, battling infections, preventing formation of blood clots and acting as a signal molecule in the nervous system. The findings of the research were first announced in 1986 and the prize citation states that the research had led to new treatments for treating heart and lung diseases, shock and impotence. Dr. Ignarro's principles led to the development of Viagra, as an anti-impotency drug. Professor Hylton Miller, Director of Catheretization Laboratory, Tel-Aviv Medical Center points out that nitric oxide, when used in treating angina pectoris patients, dilates their arteries, decreases platelet function, reduces smooth muscle proliferation and exhibits anti-inflammatory effects. Doctors have learned from the prize-winning research that in heart disease, the endothelium, or inner lining of arteries, makes less nitric oxide. Drugs like nitroglycerin, however, can help replenish stores of nitric oxide. As a result, drug companies are trying to develop more powerful cardiac drugs based on newer knowledge of nitric oxide's role as a signal molecule.

Researchers have also learned that nitric oxide produced in the endothelium rapidly spreads through cell membranes to the underlying muscle cells in arteries. Then it can reduce muscle contraction in the arteries, thus dilating them and reducing blood pressure. "We have treated severe cases of angina pectoris with L' Arginine which is a substance that increases the production of nitric oxide. This in turn has relieved pain suffered by the patient and has reduced inflammation," points out Professor Miller. Nitric oxide, a chemical relative of the anesthetic gas nitrous oxide, is better known as a common air pollutant formed when nitrogen burns: a pollutant in automobile exhaust fumes! But scientists now know it is distributed widely in the body. The Nobel Prizes were created as a legacy of Alfred Nobel, whose invention of dynamite involved the use of nitroglycerin. The

award committee noted an odd twist to this year's award. When Nobel developed chest pain from heart disease, it said, he refused to take the nitroglycerin his doctor prescribed because he knew it caused headache. Nobel dismissed nitroglycerin's benefit in the relief of chest pain.

Point of Sale Licenses Software to 300 White Hen Pantry Stores

Point of Sale Limited (NASDAQ:POSIF) has announced that White Hen Pantry, Inc., a leading Chicago-based chain of convenience stores, has signed a chain-wide license agreement for using C-Point software in its 300-plus stores. It also licensed HostPoint from Point of Sale for central management of their price book database for price consistency and for consolidation of store-related information. White Hen Pantry is the franchisor of over 300 stores in the greater Chicago and Boston areas. In addition, White Hen Pantry recently retrofitted two major-brand gasoline facilities to a new "White Hen Pantry Express" format. Robert G. Robertson, President and CEO of White Hen Pantry, stated, "We have determined the C-Point system to be the most powerful and effective software technology designed specifically for automating convenience store operations and management. We look forward to providing our franchisees with the opportunity to reap operational business advantages through the implementation of C-Point throughout the White Hen Pantry chain while enjoying the strategic advantage of chain-wide synchronization of our price book through HostPoint."

Background on White Hen Pantry:

White Hen Pantry is a privately held company founded in 1965. It franchises convenience store locations throughout Chicago, its suburbs, Northern Indiana, and in New England.

Background on Point of Sale Limited:

Point of Sale Limited provides enterprise-wide retailing solutions to the supermarket, convenience store and restaurant industries worldwide, as installed in over 9000 stores across more than 30 countries. its installed base handles more than one million retail customers per day.

Camelot Information Technologies Ltd. to Present a New Enterprise Network, Security Technology

Camelot Information Technologies Ltd. has presented a new enterprise network security technology at the TechVentures conference held in New York on October 14. Camelot attended the conference as a part of its efforts to locate American investors and develop strategic alliances in the U.S. Using Excalibur, its innovative adaptive processing technology, Camelot is developing a solution for detecting and responding to intranet security breaches and network misuse by authorized and unauthorized users. Current security concepts are far from perfect—there is a dangerous gap, waiting to be filled, within the virtual walls of the firewalls, permission, intrusion detection and authentication systems. This gap leaves companies exposed to internal network breaches, and is the driving force behind the explosive growth in the number of internal attacks. A study by Ernst & Young reports that over 80% of major U.S. companies suffered network breaches. Most of these breaches are internal—an FBI study states that over 85% of all computer crime is committed by authorized individuals. Traditional security concepts are useless when trying to identify and block authorized users accessing resources they are allowed to access, doing things that they are "allowed" to do, resulting in severe damage. Excalibur is aimed at filling the gap in the network security scheme. It is a state-of-the-art adaptive system for detecting and responding to illegal and suspicious activity in the enterprise network by employees or external hackers posing as authorized users. The BioNet technology used for developing Excalibur is an innovative technological enabler. BioNet can take a large dynamic parallel system such as a communication network and through a learning process, create a functional representation of the system "behavior." After learning the network's behavior, BioNet can locate deviations from the correct pattern, and quantitatively measure their extent. BioNet gives Excalibur the unique ability to identify and respond in real-time to security breaches and network misuses it has never encountered before,

and constantly change according to network updates.

Among the founders of the company are Yuval Baharav, a former venture capital fund director, Dr. Zvi Meiri, a senior high-tech corporate manager, and Prof. Moshe Gur, both a Technion and Harvard professor. Camelot's development team includes elite IDF research units alumni and top Technion graduates.

Repositioning Israel's Defense Industries

According to a recent publication of the International Institute for Strategic Studies in London Israel's defense budget for 1998 amounts to about \$7 billion of its own resources and another \$3 billion from the US. The IISS report makes mention of advanced development of an unmanned combat airplane which is past the prototype stage.

Primex and IMI Services Form Joint Venture Company

Primex Technologies, Inc. (Nasdaq: PRMX) and Israel Military Industries Services USA, Inc., a wholly owned subsidiary of Israel Military Industries, Ltd. (IMI), announced the formation of a joint venture company, Global Ordnance, L.L.C. This joint venture will enable the broad capabilities of both companies to be focused on global opportunities for certain weapons systems and munitions. Primex and IMI have cooperated closely over the past 15 years on specific projects in both US and international markets. Global Ordnance represents a more formal approach to an already existing excellent business relationship and will enable the companies to respond more effectively and competitively to meet the requirements of customers around the world. "This strategic alliance will clearly strengthen our market position as a worldwide supplier of medium caliber, large caliber, tank and artillery ammunition and related products and components," said James G. Hascall, Chairman and CEO of Primex. "There are synergies between our companies which we both felt should be capitalized on in the interna-

tional market. By combining marketing and manufacturing expertise under the Global Ordnance banner, we are able to offer international customers complete ammunition family solutions." "The IMI-Primex Joint Venture represents our current business approach, which emphasizes strategic alliances with major defense companies worldwide," said Mr. Yaacov Lifshitz, the Chairman of IMI, "I believe that such partnerships are the only way to meet the challenges of a fast changing international defense market." Israel Military Industries, Ltd. is the principal supplier of ammunition and weapon systems for the Israel Defense Forces. The company has 6 divisions with annual sales of \$500 million. IMI develops a wide range of tank, artillery, air-drop and small arms ammunition as well as missiles, rockets and rocket boosters currently in service in a number of countries. Primex Technologies, Inc. is a \$500 million defense and aerospace company with 2,600 employees and 18 operating facilities and offices in the U.S. The company maintains core businesses in munitions, propellants, satellite propulsion systems and electronic products.

Israel's Rafael in Deals with Lockheed, German Group

The Israel Arms Development Authority, Rafael, signed separate agreements with Lockheed Martin (NYSE:LMT) and a German group led by STN Atlas to jointly manufacture and market Rafael equipment. Israel's Defence Ministry said the agreement with Lockheed involved state-owned Rafael's Python-4 air-to-air missile, which would be fitted to Lockheed aircraft and marketed worldwide by the two companies. Lockheed Martin's global presence is key to the Python-4 missile's worldwide marketing. The integration of Rafael's weapons systems onto Lockheed Martin's platforms will be beneficial for both companies, the Defence Ministry said in a statement.

The agreement was signed at a business conference in Jerusalem marking Israel's Jubilee year. The Python-4 has already been integrated into the F-16 and F-5 fighters and work is under way to integrate the missile on the F/A-18. Israeli defence

officials said they hoped the agreement would earn millions of dollars. Rafael also signed an agreement to establish a EuroSpike consortium for the marketing, production, sale and maintenance of its anti-armour systems. The German companies are STN Atlas, Diehl and Rheinmetall. The new EuroSpike consortium will focus its sales efforts at ground forces and air mobile brigades in Germany and other European companies. Its sales potential is estimated at hundreds of millions of dollars. Israeli Defence Ministry officials added that the agreement was the best way for Rafael to penetrate European defence markets.

Japan Telecom Launches IP Telephony Service Using VocalTec and Fujitsu Business Systems Joint Solution

Fujitsu Business Systems (FJB) and VocalTec Communications Ltd. (Nasdaq: VOCLF), the Israeli based IP communications company, announced that Japan Telecom, a major Japanese domestic and international carrier, chose FJB's Web Telephony Solution based on the its Ensemble Architecture™ (VEA) to launch its commercially available low-cost fax-to-fax IP service and a planned phone-to-phone IP service. Japan Telecom's planned phone-to-phone service will use ITXC's WWeXchange(SM) service to expand their long distance reach. The Ensemble Architecture includes the Telephony Gateway™, Gatekeeper™ and the Network Manager. "We chose the VocalTec Ensemble Architecture because it allows us to offer our customers quality, reliable and secure low-cost fax-to-fax and phone-to-phone service," said Yutaka Nakano, general manager, Data Communications Planning Department at Japan Telecom. "VocalTec offers superior technology and partnerships with companies that can extend the reach and capabilities of our network."

About the VocalTec Ensemble Architecture:

These products represent the first open IP telephony platform to support the most advanced industry standards for widescale, secure and reliable IP telephony services. With support for third-party accounting, billing and security solutions, it provides the framework for quality, intelligent IP

telephony services and centralized management solutions for the routing of traffic between thousands of gateways and gatekeepers, network management agents and millions of end-user devices, including PC clients, standard telephones and other communications devices.

About Fujitsu Business Systems

FBS is one of Japan's leading communications and systems integrators, providing corporate customers with business solutions in system integration, Web, networking, service, and support areas.

BioTechnology General Exceeds Expectations

Bio-Technology General (NASDAQ:BTGC), whose research and development activities are in Rehovot, Israel, announced earnings for the quarter ended September 30, 1998. Net income for the third quarter of 1998 increased 12% to \$5.0 million, or \$0.10 per share, compared to net income of \$4.5 million, or \$0.09 per share, in the comparable quarter of 1997. Revenues for the quarter ended September 30, 1998 were \$19.6 million, compared to \$17.9 million in 1997, representing 9% growth over the comparable 1997 period. "BTG's three month sales and revenues have reached new record levels," stated Sim Fass, President and CEO, "and the ratio of expenses to total revenues has allowed for solid growth in net income and earnings per share. Sales of BTG's human growth hormone are expected to increase significantly as, in addition to continued sales by JCR Pharmaceuticals, Sumitomo begins to market the product in Japan in January 1999."

About BTG

Bio-Technology General Corp., is a leading biopharmaceutical company with a large research and development facility in Rehovot, Israel, develops, manufactures and markets genetically engineered and other products for human health care. BTG's products are marketed in over 30 countries worldwide. In recognition of the Company's consistent revenue and earnings growth, Fortune magazine has ranked BTG among America's top 100 fastest-growing companies. The ranking which appeared in the September 28, 1998 issue, was compiled by looking at earnings-per-share growth

over three years, using a four-quarter sum.

The Netanyahu Jerusalem Conference

The awards ceremony that Prime Minister Benjamin Netanyahu took part in was at a two-day international business conference organized by the prime minister's office to commemorate Israel's 50th anniversary. There was much bold talk of "privatizing peace" through joint ventures with Arab partners, including a Gaza industrial park, a \$60 million Israeli-Palestinian investment fund backed by the World Bank, and two bi-national projects with Jordan, a tourist airport on the Red Sea and a duty-free industrial zone straddling the Jordan River. "This kind of cross-border cooperation costs a lot less than an F-16, and it offers a much better return on investment," said Omar Salah, a Jordanian investor.

SCIENCE CORNER

Effectiveness of Mismatched Bone Marrow Transplants

For many leukemia sufferers, bone marrow transplantation is their only hope. Unfortunately, in about 40 percent of terminal cases, patients fail to find a perfectly matched donor among relatives or in any of the donor registries.

Now, scientists from Israel's Weizmann Institute of Science and Perugia University in Italy have shown that thanks to a method they developed, transplants using mismatched marrow can be as effective as those in which the donor and recipient are fully matched. The results of their latest study, reported in the October 22 issue of the *New England Journal of Medicine*, have raised hopes that one day a donor will be found for virtually every candidate for a bone marrow transplant.

Normally, a donor and recipient are considered compatible when they are matched for all six immunological markers on their chromosomes - three inherited from the mother and three from the father. In the method developed by a team headed by Prof. Yair Reisner of Weizmann's Immunology

Department and Prof. Massimo Martelli of Perugia's Policlinico Monteluca, the donor and the recipient need to be matched for only three markers.

Such a partial match is always found between parents and children, and there is a 75% chance of finding it between siblings. Even among the extended family, the chances of finding a partially compatible donor are fairly good.

A key element of the Weizmann-Perugia method is the use of extremely large doses of donor marrow that literally overwhelm the recipient's rejection mechanism. The donor is treated with hormone injections that release large numbers of stem cells from the bone marrow into the bloodstream. In a procedure known as leukapheresis, the stem cells are selectively removed from blood withdrawn from the body, and the remaining blood is re-infused into the donor.

In another crucial step, donated stem cells are then "cleansed" to erase the characteristics that contribute to rejection in mismatched transplants.

In the study, the Perugia-Weizmann team traces the results of dozens of such mismatched transplants performed on patients with high-risk acute myeloid leukemia or acute lymphoid leukemia between 1995 and 1997.

Of the 43 patients treated, 12 (28%) were free of disease when the study results were summed up, 8 to 30 months after transplantation (a median follow-up of 18 months). To appreciate this figure, one must keep in mind that all patients had failed to respond to any other treatment, and without a transplant would have certainly died. The rest of the patients were alive but had a relapse of leukemia, or had died of the disease or of transplant-related complications.

These results are similar to the success rate obtained in this category of patients with perfectly matched transplants from unrelated donors.

According to the scientists, the study shows that their method overcomes the main obstacles limiting the use of mismatched transplants—namely,

graft failure and an adverse immunological reaction called graft-versus-host disease.

“Since most patients have a mismatched relative [who can serve as a bone marrow donor], advances in this area will greatly increase the availability of transplants as curative therapy,” the researchers conclude in their report.

Several hospitals in Israel, Germany, Austria and the United States have begun to introduce the Perugia-Weizmann transplantation method.

ZapMe! Netspace Assembles Leading Technology Companies to Bring Free Computer Labs to Schools

ZapMe! Corporation, which recently launched its ZapMe! Netspace to K-12 schools at no cost, has selected leading technology companies such as Compaq Computer Corporation, GE Americom and Microsoft Corporation to supply the supporting hardware and software on the Netspace. Gilat Satellite Networks, Philips and TIBCO Software have also joined ZapMe!'s supporting lineup.

“Today's students deserve access to the best educational content found online,” remarked Frank Vigil, president of ZapMe! Corporation. “With the help of our technology providers, we deliver the ultimate package of technology tools and services -- using advanced PCs with high-speed satellite Web access -- at no cost to schools regardless of their geographic location or economic situation. The ZapMe! Netspace is the great equalizer.”

“Microsoft believes that the single most important use of information technology is to improve education, and participating in the ZapMe! Netspace enables us to help bridge the gap between what schools can afford and what is needed to prepare students for the future,” said Kathryn Yates, acting general manager of Microsoft's education customer unit. “Giving students access to Microsoft Office through the ZapMe! Netspace gives them an opportunity to work with applications they will use well after graduation.”

Schools receive ultra-fast and safer Internet access, fully-equipped computer labs, and quality educational content based on the strategic relationships.”

The ZapMe! Netspace technology providers include:

Compaq Computer Corporation (NYSE: CPQ) -- equipping ZapMe! Corporation with high-performance Pentium II processor-based PCs and servers, an integral part of the ZapMe! program. Compaq is also installing and maintaining all of the ZapMe! school networks throughout the U.S. with a team of thousands of installation and maintenance personnel. Compaq is the largest global supplier of personal computers and the second largest computer company in the world.

GE Americom -- bringing the IP broadband multi-cast service with satellite uplink facilities and space segment necessary for the ultra-fast deployment of the ZapMe! Netspace. GE Americom is a leading provider of global satellite communications solutions, and one of the world's largest satellite operators.

Gilat Satellite Networks Ltd. (NASDAQ: GILTF) -- supplying the transmission hub and receiver equipment ideally suited for the network of ZapMe! schools. Gilat designs, develops, manufactures, markets and supports Very Small Aperture Terminal (VSAT) satellite earth stations and related hub equipment and software.

Microsoft Corporation (NASDAQ: MSFT) -- supplying an expansive set of products, including Windows NT Server, Proxy Server, SQL Server and Microsoft Office, including Word, Excel and PowerPoint. Since 1975, Microsoft's mission has been to create software for the personal computer that empowers and enriches people in the workplace, at school and at home.

Philips Consumer Electronics Corporation (NYSE: PHG) -- is the second-largest consumer electronic company in the world and is a leader in the display industry.

TIBCO Software Inc. (NASDAQ: RTRSY) -- enabling high-speed multicasting distribution of video and datafiles to the Netspace by providing middleware technology. TIBCO is a de facto standard for enterprise data transmission and aggregation in finance, electronic commerce and other industries, and an independent subsidiary of Reuters Group PLC.

About ZapMe!:

ZapMe! Corporation is dedicated to providing all kids with access to the latest tools and information they need for success. The ZapMe! Netspace is a satellite delivery-based computer network that provides high-speed Internet access to high-quality educational content. Students can access the ZapMe! Netspace from anywhere, over the Internet. ZapMe! provides schools with free computer labs, complete with all software and satellite connection equipment and service, through technology providers such as Compaq, GE Americom, Microsoft and Philips, to schools everywhere. The ZapMe! Corporation, founded in 1996, is a privately held company headquartered in San Ramon, California.

Emanuel Gil, CEO of Elbit Medical Imaging Ltd (NASDAQ:EMITF), expressed greater optimism about continued foreign investment, but said it was conditional on the shekel depreciating in real terms. He said that, if domestic inflation fully mirrored the fall in the shekel, Israeli high tech would not reap any competitive advantage from the depreciation. "If we continue to be competitive and the depreciation of the shekel remains real, foreign investment into Israel's high-tech sector will continue," he said.

Silicom Reports Lower Operating Results

Silicom Ltd. (NASDAQ: SILCF) reported that third quarter 1998 revenues were US\$1.45 million compared to US\$1.69 million during the third quarter of 1997. Net income for the third quarter of 1998 was US\$ 6,000 or no cent per share compared to US\$ 321,000 or 8 cents per share for the comparable period last year.

During the third quarter of 1998, the company increased the sales of its two innovative new products - the Fast Ethernet Modem56 (FEM56) and the 56Kbps CardBus Modem PC Cards to the company's distributors. Silicom is the only supplier to offer the 56Kbps Cardbus Modem PC Card product, designed especially for Windows environments, and also is among the first companies to supply the Fast Ethane Modem56 CardBus type of

product. During the third quarter of 1998, the company has developed an embedded module product for a leading Taiwanese manufacturer of portable computers.

Silicom Ltd. is primarily engaged in the design, manufacture, marketing and support of modular, miniature connectivity products.

Medis El Acquires Innovative Auto Technology

MedisEl Ltd. (NASDAQ:MDSLFL) announced that it had entered into agreements giving it the right to acquire a majority position in companies owning patents and related applications pertaining to the Toroidal Internal Combustion Engine and Toroidal Compressor from the inventor, Victor Adamovsky and others.

The Toroidal Internal Combustion Engine, U.S. patent #5,797,366 issued August 1998, is an extremely efficient and environmentally friendly engine. Its efficiency is expected to be better than that of the diesel engine and its operation is less polluting weighs considerably less than comparable combustion engines.

The inventor, Dr. Victor Adamovsky, worked in Russia in senior positions in the field of heat and mass transfer.

Automobile makers are heavily committed to developing small cars capable of traveling long distances on less fuel and producing fewer environmentally harmful emissions. Our engineering studies have demonstrated that the Toroidal engine can uniquely satisfy all these needs. It weighs less than conventional engines and will enable mid-sized sedans to achieve 40 miles per gallon running at high speeds.

Prototypes of both the Toroidal Engine and Compressor are under development and expected to be available for worldwide demonstration within the next 12 months. Medis El, founded in 1992, is an Israeli corporation involved in building a pipeline of proprietary products based on Israeli and former Soviet Union technology for exploitation by large international corporations.

Healthcare Technologies Gets FDA Approval

Healthcare Technologies, Ltd. (NASDAQ:HCTLF) announced that its subsidiary, Savyon Diagnostics, has received FDA approval for its urinary tract infection product, "Uriscreen™", for over the counter usage. It further announced that Savyon is engaged in advanced negotiations with one of the "Fortune 500" major pharmaceutical corporations regarding distribution of the product across North America. Healthcare's Uriscreen™ is an extremely user friendly and highly accurate home test for urinary tract infections ('UTI'), one of the most common infections affecting women and older men today. In the U.S. market alone, an estimated 10 million women with 18-20 million incidences of UTI are treated annually. Twenty five percent of women of child bearing age have had at least one UTI, with estimates of up to five percent suffering recurrent infections. UTIs account for, or complicate, more than one million hospital admissions in the U.S. annually.

With increased availability of treatments that offer immediate relief from the painful symptoms of UTI, more women are seeking home screening procedures. Current annual sales in this new consumer market are several million dollars, and targeted to grow by 30-50% annually for the next several years.

Healthcare's Uriscreen™ measures Catalase, an indicator of the presence of both bacteria and/or white blood cells, the key indicators of a UTI. It has a 91% level of accuracy when compared to a reference culture, or by a direct actual bacterial measurement method. UTI tests currently on the market that test for nitrate and are far less accurate than Uriscreen™.

Thus Uriscreen™ is least likely to provide a false negative reading, that is a false sense of relief when an infection is actually present and treatment required.

Healthcare Technologies, through its subsidiaries, Savyon Diagnostics, Diatech Diagnostics Inc., Gamidor Israel Ltd. and Gamidor UK Ltd., specializes in the development, manufacture and marketing of medical diagnostic testing kits and systems for certain infectious diseases, sexually trans-

mitted diseases, urinary tract infections, respiratory illnesses and a range of tests for thyroid, steroids and drugs of abuse, as well as products used in clinical chemistry and pathology laboratories. Healthcare's products are marketed worldwide, and particularly in Israel, Europe, Asia and the United States.

ESC Third Quarter Financial Results

ESC Medical Systems Ltd. (NASDAQ: ESCMF) announced results for the third quarter ended September 30, 1998, during which time net sales increased modestly to \$53.8 million from \$51.2 million for the same quarter last year. Net income was \$8.0 million, or \$0.29 per share, compared to \$10.9 million, or \$0.40 per share, for the 1997 third quarter.

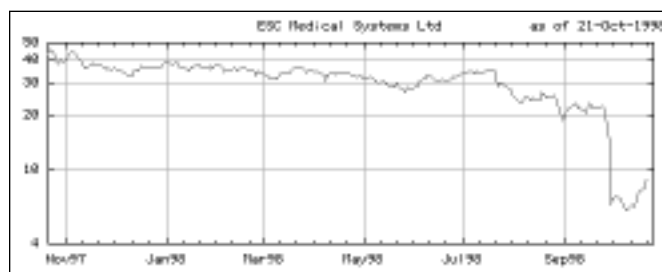
The 1997 first quarter results exclude a one-time charge of \$4.6 million associated with the acquisition of Luxar Corporation and the 1998 first quarter results exclude a one-time charge of \$29.0 million associated with the acquisition of Laser. As reported in ESC's preliminary news release on September 28th, revenues for the third quarter were affected by lower sales volumes in certain international markets. The company stated that its business fundamentals remain sound and ESC continues to gain market share in its four main product lines.

During the first week of October, ESC repurchased 1 million of its outstanding ordinary shares in the open market. These shares were purchased and will be held by the trustee under the company's stock option plans.

"Although sales activity slowed in the third quarter, we remain confident of our strong competitive position and continue to see growing market acceptance of our products in key regions. We were particularly pleased with the demand for our new VascuLight(TM) and MultiLight(TM) products, which strengthened our PhotoDerm(R) business. Additionally, our Otolam(TM) laser for myringotomies, which was officially launched during the month of September, has generated significant interest in the marketplace." Dr. Eckhouse concluded, "ESC ended the first nine

months in strong financial condition and we have ample resources to continue investing in future research and development initiatives, marketing and sales efforts and other growth opportunities. Looking ahead to 1999, we anticipate increased market share of ESC's product lines as well as improvement in our sales and earnings."

ESC Medical Systems Ltd. develops, manufactures and markets medical devices utilizing both state-of-the-art lasers and proprietary intense pulsed light source technology for non-invasive treatment of varicose veins and other benign vascular lesions, as well as for hair removal, skin cancer, skin rejuvenation and other clinical applications. In addition, the company markets surgical laser systems for use in a variety of surgical applications, including ENT, OB/GYN and neurosurgery.



A Buying Opportunity for the Long Term

Check Point Software Technologies Ltd.

Reports Third Quarter Results Check Point Software Technologies Ltd. (NASDAQ: CHKPF) announced financial results for the third quarter ended September 30, 1998. Net revenues for the quarter were \$35.2 million compared with \$23.3 million for the same period in 1997, an increase of 51%. Net income for the quarter was \$16.9 million or \$0.45 per share (diluted), compared with net income of \$11.9 million, or \$0.31 per share for the same period in 1997, an increase of 41% in net income and 45% in net income per share.

"We are pleased with the overall results for the third quarter of 1998," said Gil Shwed, president and CEO of Check Point Software Technologies Ltd. "The company continued to experience strong growth from enterprise-level sales, including virtual private networks such as extranets and intranets.

VPN products now account for 36% of all gateway licenses, and more than 10,000 networks are now implementing VPNs based on Check Point products.

A recent Goldman, Sachs survey of Fortune 1000 CIOs and network managers confirms Check Point's open platform approach to enterprise security, with 61% of those surveyed choosing best-of-breed over single-vendor suites or bundles.

About Check Point Software Technologies Ltd.

Check Point Software Technologies Ltd. is a leading provider of policy-based management solutions for IP networks. The company is dedicated to enabling secure, reliable, and manageable business communications. The company has U.S. headquarters in Redwood City, California and international headquarters in Ramat-Gan, Israel.

Scitex Announces Earnings Warning

Scitex Corp. Ltd., the one time flagship of Israel's high-tech industries was 3-1/4 to 6-3/8 down after it stated that it expects to report a 3Q loss of about \$0.32 to \$0.38 per share, which is well below Wall Street's forecast for a profit of \$0.16 per share. The company also said its 3Q revenue will fall below expectations in the range of \$153 mln to \$158 mln. In the prior 3Q, the company reported a profit of \$2.2 mln, or \$0.05 per share, on \$121.3 mln in revenue. The company blamed the 3Q shortfall on smaller than expected sales and profits at its Scitex Digital Printing division due to delays in closing a number of large purchase orders.



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