

ISRAEL HIGH-TECH & INVESTMENT REPORT

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JOSEPH MORGENSTERN, PUBLISHER

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Franks and Pastrami at the IVA Annual Hi-Tech Conference

The Israel Hi-Tech Conference 2003, initiated by the Israel Venture Association, took place on April 6-8. Despite the political, economic and security situation today in Israel as well as in the USA, the conference, perennially the showcase for both the hi-tech and the venture capital industry, brought together some 400 industry leaders, hi-tech companies and financial institutions. Only a small sprinkling of foreign visitors attended.

The agenda included discussions on the global technology innovation road map, definitions of markets that will spearhead the industry's future growth and examined the active role that the Israeli Hi-Tech industry and its community can take upon itself.

Recalling with fondness the resplendent cocktail parties and lavish luncheons hosted by the IVA in previous years IHTIR accepted the invitation to the "Opening Party" that was held on the 30th Floor of Tel-Aviv's Levinstein Tower. We looked forward to renewing acquaintances. Israel, on April 5, was still in a high state of alert and one did not mind the strict security measures when entering the Tower. We quickly realized that the IVA had chosen to put on a modest face and were offered frankfurters in rolls, American style, and Hungarian pastrami. We saw it as an appropriate downsizing as the War in Iraq was still in progress, and at home a deep recession in the Israeli economy and venture capital industry.

Skeptics spoke of 2006 as a "back to better days", while inveterate optimists pointed to 2004. Of the several hundred guests, most were in their 30s. They came to see, to meet the "moneyed people", but they had essentially chosen to reserve their presence to the working sessions that followed over the following two days.

Once among the "old timers", we did exchange conversations with Yigal Erlich, founder of Yozma, the

government guaranteed VC fund that ushered a period of big investments in the mid 1990s. We also chatted with Eddy Mlavsky, the incredibly successful chief of the BIRD Foundation, turned venture capitalist. The iconoclast Zvi Vromen, founder and senior partner of Millennium, Israel's first and only VC fund dedicated to finance rare materials, had only good words for Glycominds, a startup in the Millennium portfolio. Erlich and Mlavsky were among the recipients of 10th Anniversary Award of the Israel Hi-Tech Industry. Other recipients included Efi Arazi,

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founder of Scitex (Nasdaq:SCIX) and Electronics for Imaging (EFI), Eric Benhamou, Chairman, 3COM and Dr. Dan Maydan, President, Applied Materials. Mr. Ariel Sharon, the Prime Minister of the State of Israel, presented the awards.

In discussing ongoing trends and developments in Israeli venture capital, Zeev Holtzman, founder of Giza (that has raised three funds totaling \$316 million), pointed out: "that through 2001, venture capital funds raised a whopping \$10 billion for investment in Israel. In 2002, however capital raising skidded to a virtual halt as a meager \$63 million was raised., which was more than offset by return of \$191 million in capital commitments to investors of three funds".

Holtzman pointed out that seed stage companies are being hurt severely by the lack of VC funding. The shortage of available funding is due to the fact that most of the VC funds that raised moneys in 2000 or earlier, cannot invest in startups because they will be winding down their activities in the next year or two precluding a timely exit.

Yet a bright spot in 2002 was the continuous high interest by foreign investors from the US and international companies. They supplied about half of the more than \$1.0 billion invested in Israeli high-tech companies last year.

The professional presentations and exhibits were generally interesting and in this issue we are featuring some of the highlights:

Israeli Pharma Giant Backs Local Biotech

Clal Biotechnology Industries, (CBI) a \$140 million Israeli fund created to invest in Israeli biotechnology, perhaps unnoticed by most observers, recently announced that it is "expanding its investment focus to include companies all over the world, and that it has recently invested over \$25 million in French and US-based companies, respectively." That would put CBI's foreign holdings at more than 18% of its portfolio and indicated, perhaps, that it might have erred in its own prior choices.

In a recently published article titled: The Israeli Biotech System: Problems and Vision, authored by Clal Biotechnology, (CBI) The company's CEO proclaimed "it is an industry in which start-ups and emerging companies must try to overcome the many intrinsic prob-

lems and obstacles, with no help or support (technical, financial or other) from the larger Israeli pharma and biotech companies (which are busy with their own agendas and difficulties or are just risk averse).

Actually, it is not necessarily so, we would like to point out that developments in the industry reveal a different picture. At a recently held Israel Venture Association Conference, Israel Makov, CEO of Teva Pharmaceutical Industries announced that Teva will invest \$3 million in Gamida-Cell, which has developed a technology to treat blood diseases such as leukemia and lymphoma. Gamida-Cell's technology increases stem cell reproduction while limiting mutations.

Moreover, Teva Pharmaceutical Industries Ltd., Giza Venture Capital, Pitango Venture Capital, and Hadasit, a subsidiary of Hadassah Medical Organization, have recently announced that they have jointly invested \$11 million to form Bioline Therapeutics, a biopharmaceutical drug development company.

Bioline will license compounds, primarily from Israeli academia and hospitals. Its strategy will be to develop such compounds through proof of efficacy in patients.

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Publisher and Editor in Chief

Joseph Morgenstern, B.A. Chem,

Technology Review Board

Prof. S.J. Joel-Cohen, MD, FRCS, FRCOG (1996-2002)

Prof. Hylton Miller, M.B. Ch.B.

Dr. Clive L. Cappel, M.B. Ch.B.

Copy Chief

Debbie Mor

Web Master

Marty Bokel

Graphics Consultant

Daniel Morgenstern

Subscription Inquiries

Tel-. +972-3-5235279 Fax. +972 3-5227799

E-mail: htir_1@netvision.net.il

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Israel Ranked 11th on List of Countries Granted US Patents

In 2001, 106 countries appeared as countries of origin for the 85,387 patents granted in the United States. The top 12 countries accounted for 77,404 patent grants or more than 90% of all patents issued to inventors residing in countries outside of the United States.

#1	JAPAN	34891
#2	GERMANY	11894
#3	TAIWAN	6544
#4	FRANCE	4456
#5	UNITED KINGDOM	4355
#6	CANADA	4063
#7	SOUTH KOREA	3763
#8	ITALY	1978
#9	SWEDEN	1935
#10	NETHERLANDS	1494
#11	ISRAEL	1031
#12	AUSTRALIA	1030

TOTAL,	ALL FOREIGN	85387
TOTAL,	ALL U.S. STATES	98594
TOTAL,	ALL COUNTRIES	183981

*The Israel High-Tech & Investment Report's Study was prepared from the Technology Assessment and Forecast (TAF) database, which displays data calendar year for U.S. Patent and Trademark Office (USPTO). The table indicates patent grants by country of origin in 2001.

Teva on Forbes "World's Best Companies" List

Teva (Nasdaq: TEVA), is one of two Israeli companies to be included and it marked the first year that Teva has succeeded in making it onto the list. According to Forbes, the A-List ranks "the finest large corporations in the world." "We are not just measuring stock prices or profits, but, rather, the ability of a company to expand its sales and income, earning good profits that reward shareholders over the long haul,"

Forbes says on its Web site: "To qualify for the list, a company has to be big: It must have annual sales of \$5 billion or a stock market value of \$5 billion. Of the com-

panies that pass those requirements, we look at five-year sales, profit and return on capital data, as well as recent stock market performance and analysts' earning estimates."

After that, Forbes Global editors pick from among the highest-ranked companies, weeding out those that have minuscule stock market floats or whose good performance on the screens is the result of statistical flukes.

AGIS: IHTIR's Choice for Best Performer in 2003

Agis Pharmaceuticals, (<http://www.tase.co.il/build-page.cgi>)

(<http://ishitech.co.il/0103ar6.htm>) is listed on the Tel-Aviv Stock Exchange. It is right after Teva Pharmaceuticals (Nasdaq:TEVA) and it is the country's second largest pharmaceutical firm.. When IHTIR published the analysis on Agis, at the outset of 2003, few expected Agis that would spike up by more than 50%. It brings the valuation into focus. IHTIR feels that the company's long-term future is excellent.

The pharmaceutical company expects profit growth to be continued in the first quarter of this year, in the aftermath of its excellent results for 2002. The company posted a 13% jump to NIS 1.4 billion, in revenue and a 198% leap to NIS 82.5 million in operating profit.

Agis's net profit surged 178% to NIS 63 million, compared with NIS 22.6 million in 2001. The company's fourth quarter net profit was NIS 14.1 million, compared with only NIS 2.5 million in the fourth quarter of 2001.

Agis expects its profit to continue growing in the first quarter of 2003, as compared with the corresponding quarter of 2002, probably at the same rate it did in the third and fourth quarters of 2002, and as compared with Q3 and Q4 in 2001.

The proportion of Agis's revenue from international operations rose from 39.5% in 2001 to 50.4% in 2002. The significant shekel depreciation against the Euro contributed greatly to the surge in company profits.

Agis also predicts it will receive more authorizations, to market new products in 2003, as a result of the

requests submitted before publishing its financial statements.

Johnson & Johnson's Ortho Neutrogena will Pay \$15 million,

Agis Industries (TASE:AGIS) announced that a Johnson & Johnson (NYSE: JNJ) subsidiary Ortho Neutrogena, would pay \$15 million plus royalties, for exclusive rights to Agis's proprietary topical drug for the treatment of skin infections.

Under the deal, J & J's Ortho Neutrogena unit will pay Agis royalties based on sales of the drug until 2010. The company said in a statement to the Tel Aviv Stock Exchange that the deal guaranteed a minimum level of royalties, and expected payments to reach \$3-\$5 million per year. Royalties may be higher if sales beat expectations, Agis added.

The drug will be manufactured for Ortho Neutrogena at Agis's Clay Park Labs subsidiary, in the US.

Agis stated that in December 2002 it had received FDA approval for its new drug application (NDA) for skin treatment, adding that the drug would compete against a branded drug with \$70 million in annual sales. Agis also said in December that the patent for the branded drug was set to expire this year.

PROF. SHAMIR AWARDED PRESTIGIOUS PRIZE

Prof. Adi Shamir, a computer scientist at the Weizmann Institute of Science, has been named a 2002 winner of the A.M. Turing Award, regarded in academic circles as the "Nobel Prize" of computer science.

Shamir shares the award with Ronald L. Rivest of the Massachusetts Institute of Technology and Leonard M. Adleman of the University of Southern California. The Association for Computing Machinery (ACM) will present the award to all three of them in June.

While working at M.I.T. in 1977, the three scientists developed an algorithm that was later called RSA (the acronym for their last names). Used worldwide to secure Internet, banking and credit card transactions, the RSA algorithm allows for the delivery of encrypted codes, and their decryption between parties that have

never previously been in contact. The time needed to crack some versions of the method, which is based on the multiplication of two very large prime numbers and the difficulty in deducing those prime numbers from their product, is estimated at millions of years.

Among the numerous applications of this research are smart cards, regularly installed in household television sets to ensure that only subscribers receive TV satellite broadcasts. The smart card also allows the company activating the satellite and thus charge its customers only for programs viewed. Shamir began his acquaintance with the Weizmann Institute as a teenager, participating in its youth activities. He later earned his M.Sc. and Ph.D. degrees at the Institute and went on to M.I.T., where he spent three years, from 1977 to 1980. He then returned to the Weizmann Institute, publishing numerous articles and receiving several prestigious awards, including ACM's Kannelakis Award, the Erdős Prize of the Israel Mathematical Society, the IEEE's W.R.G. Baker Prize, the UAP Scientific Prize, The Vatican's PIUS XI Gold Medal and the IEEE Koji Kobayashi Computers and Communications Award.

The English mathematician Alan Turing, for whom the prize is named, is famous, among other accomplishments, for the system he developed (called "Bomba"), which succeeded in cracking the German coding system "Engima" during World War II. Many historians believe that this work actually decided the Battle of the Atlantic in favor of the Allies.

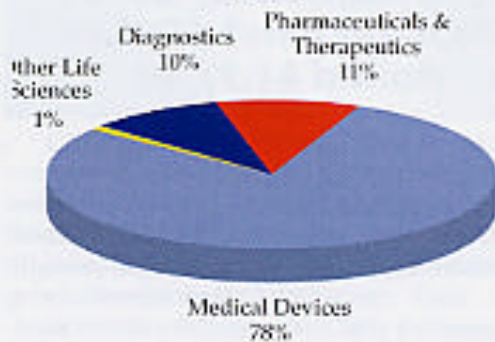
The professor is the second winner at Weizmann and the third in Israel.

In 1996 The A.M. Turing Award was conferred on Prof. Amir Pnueli, also a Weizmann Institute computer scientist, for his contributions to program and systems verification. Prof. Michael Rabin from the Hebrew University of Jerusalem and Harvard University received the award in 1976 for his research on nondeterministic machines.

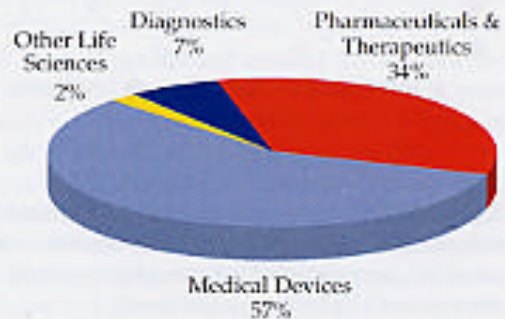
The award has been presented annually since 1966 to individuals who have made contributions of "lasting and major technical importance" in the field of computer science.

cont'd on p.6

**Capital Raised in the Life Sciences
by Sector
- 2002 -**



**Capital Raised in the Life Sciences
by Sector
- 2001 -**



in the previous year. The average financing round was \$3.2 million, versus \$3.9 million in Q3.

LIFE SCIENCES

In 2002, 81 Life Science companies raised \$176 million (15% of total capital raised) compared to 103 firms that raised \$210 million (15%) in 2001.



The average financing round declined to \$2.2 million from \$3.0 million.

In Q4, Life Science firms more than doubled their capital raising to \$64 million from \$31 million in Q3, but capital raised remained 67% below the \$95 million of Q4 2001.

The average financing round increased to \$2.6 million from Q3 \$ 1.7 million

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Within the life sciences...

Medical Device companies attracted \$138 million, 78 percent of the amount raised within the sector, compared with \$176 million and 57 percent in 2001. Medical Devices were 12 percent of total capital raised, versus 9 percent in 2001.

In 2002, those companies engaged in Pharmaceuticals and Therapeutics accounted for only 11 percent of capital raised, with 13 companies attracting \$19 million, compared to 28 companies that attracted \$107 million (accounting for 34 percent of capital raised in the life sciences) in 2001.

Firms involved in Diagnostics raised \$18 million and \$20 million in 2002 and 2001, respectively.

Seven Seed companies raised \$6 million, three percent of the amount raised, compared to 15 companies that raised \$21 million or seven percent in 2001. Early Stage/R&D companies attracted \$98 million in 2002, 55 percent of the capital raised in the sector, compared to \$136 million or 44 percent in 2001. Mid Stage/Initial Revenue firms raised \$57 million in 2002, (32 percent), compared with \$115 million, (37 percent) in 2001. Late Stage/Revenue Growth companies raised \$15 million (9 percent) in 2002, versus \$37 million (12 percent) in the prior year.

**"Israeli Tech Stocks": Matt Ragas
FindProfit 4/9/03**

FindProfit, is one of America's most popular internet based real-time investment advisory services for US investors

<http://www.findprofit.com>.

IHTIR was asked by editor Matt Ragas, formerly director of content development and the founding editor for Raging Bull, a leading financial internet community to comment on Israeli companies whose shares are traded on the American stock markets.

"The rationale for investing in Israel is simple. One of the highest rates of patents of any Western country, and among the highest level of scientific papers published, it reflects a vibrant and deep human resource pool. Our most capable young people when doing compulsory army service are included in the Taalpiyot Unit, which deals with highly advanced electronics technology. Many of them later become successful entrepreneurs for whom algorithms and leadership qualities are a natural.

We also have a supportive government policy and a second generation of entrepreneurs. I should also mention the arrival of one million Russian immigrants some 13 years ago. Many of them brought excellent basic scientific skills. With comparatively little knowledge of modern technology, they formed perfect partners for Israeli technologically oriented entrepreneurs who often took routes that defied conventional wisdom. It was a marriage of skills made in heaven."

While I haven't done any homework on these names yet, Morgenstern suggested that some former Israeli tech high-flyers are starting to look attractive. He offered up retail food industry software company Retalix (RTLX) and Audiocodes (AUDC), a provider of voice over IP technology and systems, as two stocks that fit this bill. Morgenstern called RTLX's CEO "extremely capable" and said he believes the stock was unreasonably slammed by the bursting of the tech bubble. He likes AUDC for its "excellent technology and management."

On April 9, RTLX is up 31 cents to \$12.88 and AUDC was off a penny to \$3.04. The 52-week range on RTLX and AUDC is \$8.55-\$14.25 and \$1.61-\$3.88, respectively.



**Direct Investment in
Israel Resumes**

Bank of Israel figures indicate that foreign residents' direct investment in Israel has resumed. Direct foreign investment in Israel in January-February 2003 totaled \$321 million reflecting an annualized \$1.93 billion, compared with \$1.5 billion in 2002. Direct foreign

investment however, is still very low compared with 2000-01.

Foreign residents' financial investments in Israeli stocks and bonds have stayed at a very low \$35-40 million a month. These totaled \$70 million in the first two months of 2003, reflecting an annualized rate of \$420 million as compared with \$773 million in 2002 - a drop of 46%.

**Carmel Ventures Invests in MFormation
Technologies**

Israeli fund, Carmel Ventures led a \$9 million financing round for US company MFormation Technologies. The company's previous investors, Battery Ventures and North Bridge Venture Partners, also participated. MFormation Technologies develops Quality of Service solutions for cellular networks. Founded in 1999, the company has raised \$24.5 million to date, and has offices in New Jersey and Britain. Carmel Ventures, which manages capital of \$170 million for software investments, has already invested in other foreign companies: iKnowledge of the US, sold last October to Avid for a few million dollars, and German company Impress Software.

**TransChip Closes \$5.5m. Financing
Round**

Ramat Gan-based TransChip Inc., a developer of single chip camera solutions for mobile phones and other multimedia-enabled devices, announced that it has closed a \$5.5 million round of financing. The Series C round was led by Mission Ventures, one of Southern California's leading venture capital firms,

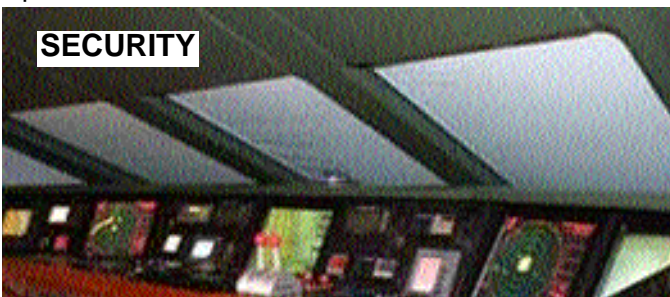
joined by Cadence, a leading developer of EDATools for microchip design. Also participating in this round are previous TransChip investors: Ray Stata, co-founder and chairman of Analog Devices and Dr. Andrew Viterbi, co-founder of Qualcomm.

The new funding will go to support product development, marketing and sales initiatives.

"Today's investment climate is extremely challenging for many companies in the technology sector," said Viktor Ariel, co-founder and CEO of TransChip. "The new round of funding by these top tier investors, coupled with additional financial commitments from our previous investors, validates the strength of TransChip's value proposition and our anticipated impact in the marketplace."

"We have been very impressed with TransChip's technological expertise and management capability," said Leo Spiegel, general partner at Mission Ventures. "We are delighted to be investing in the forefront of CMOS imaging technology. The market for single chip imaging solutions for camera phones is growing at a tremendous pace and we believe that TransChip has the right mix of know-how and experience to successfully penetrate this market."

Recent market reports indicate that by the end of 2003, about 50% of handsets in production will have built-in cameras. TransChip was founded to develop an integrated camera-chip solution that would meet three fundamental requirements: namely, to provide high quality images, be easily integrated into cell phones, and offer a very small system size. Whereas conventional imaging solutions require multiple chips, TransChip set out to implement the entire camera on a single chip. TransChip met its objectives by developing a programmable solution that provides all necessary functionality on a single chip - image capture, color processing and compression.



TransChip's flagship product, the TC5740, is a single chip complete VGA camera including image sensor, programmable image processor and real-time JPEG Codec.

The chip includes complex algorithms to ensure picture perfect images even in difficult lighting settings. Digital effects are possible as well as x2 and x4 zoom capabilities. The camera interface also supports scaling and formatting of the YUV or RGB output to various resolutions. The camera chip is packaged as a miniature module on a flex cable.

US Using Israeli Mine-Clearing Device in Iraq

Reliable local sources revealed that the US Army is using an Israeli mine-clearance system for its tanks in Iraq. The system, developed by Israel Aircraft Industries, is installed on US Army M-1 Abrams tanks.

The IAI Ramta Aerostructures and Systems Division builds the system at its Beer Sheva plant. Called the "Magof" by IAI, it is marketed internationally as the track width mining plough (TWMP). The system is attached to a tank's body to clear mines without the need for human involvement. Ramta figures indicate that it supplied the system for US Army M-60 tanks in the 1991 Gulf War.

Ramta's other de-mining systems include the LIME (Light Instride Mine Extractor), which clears scatterable mines from airfield runways, highways and roads; and AMMAD (Anti-Magnetic Mine Actuating Devices), which clears magnetic mines.

Other Israeli systems being used in the Iraq War include Israel Military Industries' ITALD (Improved Tactical Air-Launched Decoys), deployed by US Navy F-18s; Rafael's Popeye air-to-ground missiles, deployed by B-52s; Tadiran Communications' (TASE:TDCM) communications systems; and a range of electronic warfare systems.

Elbit Systems Wins \$60.1m Order from Boeing

Elbit Systems (Nasdaq: ESLT) announced that its subsidiary, Vision Systems International (VSI), was awarded a \$60.1 million contract from Boeing for the delivery of more than 300 joint helmet-mounted cueing systems (JHMCS). The helmet mounted display systems are due to be supplied within 18 months.

The JHMCS was developed by VSI under previous contracts with Boeing. Under the new contract, VSI will provide JHMCS display systems plus spares for the LRIP 3 (Low Rate Initial Production) acquisition, Elbit Systems says.

This procurement will fill domestic and FMS production commitments and retrofit obligations on the F-15, F-16 and F/A-18 fighter jets. Elbit Systems says VSI expects a full rate production award later this year.

VSI is jointly owned by Elbit Systems and Rockwell Collins (NYSE: COL). The company was founded in 1996 to pursue fixed wing helmet-mounted display opportunities.

In addition to the JHMCS, VSI is developing an advanced helmet mounted display for the F-35 (Joint Strike Fighter) and is in a final development stage on the DASH (Display and Sight Helmet) Generation IV helmet mounted display under multiple contracts to Lockheed Martin.

"This award is a testament to both the revolutionary capabilities JHMCS provides for fighter planes and to our dedication to the successful program by our industry partners and customers," stated Ken Stansell, president of VSI.

"This latest contract from Boeing further reinforces VSI's leadership in advanced helmet mounted cueing systems," Mr. Stansell added.

FBI Chooses ClearForest Counter-Terrorism Data System

ClearForest announced that the Federal Bureau of Investigation (FBI) has selected ClearTags and ClearResearch from ClearForest to power the bureau's new counter-terrorism data system. ClearResearch will be used to quickly analyze the

FBI's entire document repository, comprising over one billion existing documents plus up to one thousand new documents per day-improving collaboration around the FBI's terrorism-related information, both internally and with the CIA, the Department of Homeland Security, and other Federal agencies. The data management system is intended to enhance the government's ability to thwart terrorist attacks.

To power the new program, called Terrorism and Intelligence Data Information Sharing Data Mart, the FBI will deploy ClearResearch on the desktops of all 300 analysts in the agency. It will enable them to quickly draw valuable, previously unknown insights from counter-terrorism intelligence gathered from disparate sources./ They will be able to respond immediately and efficiently to field events, based on the total information environment. The bureau plans to connect the data mart to state and local databases, telephone records, Pentagon databases, Drug Enforcement Agency and Bureau of Alcohol, Tobacco and Firearm databases, the State Department's visa database and other agencies.

"ClearForest's technology will help the FBI fight terrorism by uncovering mission critical insights that are currently hidden in huge masses of intelligence data" said ClearForest CEO Barak Pridor, "We are very proud to have been chosen by the Bureau to participate in this critical counter-terrorism program and contribute to America's national security."

ClearForest is a provider of next generation unstructured data management (UDM) software products. ClearForest is used at Global 2000 firms for a wide variety of meta-tagging and UDM business intelligence applications. Customers include Dow Chemical, Rohm and Haas, USJF, Thomson Financial, and Ford Motor Company. ClearForest is headquartered in New York with R&D facilities in Israel

Israel Venture Capital Delegation Visits India

A delegation of senior representatives of Israeli Venture Capital Companies including Benchmark, Pitango Venture Capital and Star Ventures, held meetings in India with Mr. Arun Shourie, Minister of

Privatization, Communications & Information Technology. The group also met Mr. N.K. Singh, Member of the Planning Commission, and local business leaders. The members of the delegation expressed their belief that India offers outstanding prospects for investment and joint venture projects. Nachman Shelef, Managing Partner, Benchmark said that he now "feels much more comfortable about Intellectual Property issues" and he added "that the time has come to change perceptions".

Overheard at the American College of Cardiology 52nd Annual Scientific Session

The 12-Month Clinical Follow-up of the TAXUS II Paclitaxel- Eluting Stent study confirms the study's favorable 6-month findings. Interestingly, these results were sustained even after the discontinuation of 6 months of clopidogrel therapy, according to Dr. A. Colombo. He also pointed out that the MACE-free survival of treated patients suggests that taxol-eluting stents prevent rather than delay, restenosis.

The TAXUS program is a series of clinical studies designed to collect data on the TAXUS paclitaxel-eluting stent (Boston Scientific, Natick, Massachusetts) for the reduction of restenosis after angioplasty and stenting. The TAXUS II trial consists of 2 sequential cohorts: (1) a slow-release (SR) formulation, and (2) a moderate-release (MR) formulation. The control stent used in this trial was the NIRx Conformer stent (Medinol, Tel Aviv, Israel), which is a 15-mm stent premounted on a 20-mm balloon delivery system in available diameters of 3.0 mm and 3.5 mm., for the treatment of coronary artery disease.

Nanotechnology

From an address delivered by Mr. Shimon Peres, former Prime-Minister of Israel, at the IVA Conference

We have focused too much on the territories, and not sufficiently on science and technology. The role of science in our lives is not a matter of futurism, nor one of doubt - it is a subject of concrete consequence. Its growing role affects all aspects of our lives. Science, and its technological applications, has turned into the present-day meal-ticket for

mankind. It is replacing land and its riches as the principal resource in the economic growth of today's world.

While science is now making its appearance in our economy, technology has already transformed global economy and international policies. Innovations are more important than size.

Science has no borders. Thus, the economy has become global. Technology cannot be defeated or conquered by national armies. Hence, nowadays, also strategy has become global. Wars in the course of history were largely territorial - to defend territories or destroy them. In today's age, the object of wars, as perceived by terrorist organizations, is to prevent science from changing archaic agendas.

Technology cannot be defined as a merely technical matter, nor can it be regarded as simply constituting a collection of instruments and alloys. Technology must be approached in the context of values.

Technology demands transparency. Venture capital will not be invested in regions distinguished by fraudulent accountancy practices. Technology must be an open book to the world, for prosperity is global, and poverty national. It calls for truth, because there is no such thing as deceptive science or scientific deception. It calls for democracy, to safeguard freedom of research.

The political impact of modern science is greater than yesterday's ideological imprint. An East and West divided by ideologies no longer exists. Neither are North and South divided economically. The largest of the highly populated nations - China and India - are currently joining the ranks of the modern world, as are a long list of countries in the five continents of the globe.

Science compensates for Israel's modest geographical scale. Israel's new technology is the source of greater returns than that provided by its agriculture and industry put together.

This is a dramatic change in the history of the Jewish

Israeli Companies on Wall Street

people, that has always been poor in territory. Science and technology opens new horizons for Israel's economy, transcending the limitations of our shortage of land and abundance of borders.

At the end of the road, reactionary terrorism will disappear from the Middle East (as Nazism and Communism vanished from Europe), and our region too will develop and bloom as are China and India, not to speak of Europe and America.

We are already poised on the brink of a revolutionary breakthrough. We are facing a new dimension in the field of science: nanotechnology. That which has been achieved by the atomic bomb in the field of military strategy, will be accomplished in the future by nanotechnology in the sphere of civil potential.

The atomic bomb essentially constitutes the collision between two nuclear masses at a certain speed, unleashing tremendous energy that had been contained in the nuclear structure. Nanotechnology is a realignment of nuclear structures and molecular structures, making it possible to produce new materials, new dimensions, new engines, new energies, unknown to the world beforehand.

Nano is a reference to one millionth part of a millimeter. It derives from the Greek word for "dwarf" - nanos.

Until now, we used voluminous material for building purposes: wood, iron, sand. This can be replaced by nano-material that is invisible to the naked eye. It will be possible to produce computers the size of a pin-head. Engines that will barely be seen. New metals that are thinner, lighter and stronger, requiring very little energy to propel them.

It will be possible to "travel" internally in a person's body and get rid of diseases and malformations; to reach unknown depths and higher peaks than we had ever dared dream about; to desalinate water, conserve fruit and vegetables, manufacture clothes that are heat and cold resistant, and manufacture products digitally.

(the subject of nanotechnology was mentioned by several speakers. it is a nationally designated priority field of science and has been the object of research funding

at the largest of Israeli scientific institutes)

Taro Impresses with Record First Quarter 2003

Taro Pharmaceutical Industries Ltd. (Nasdaq/NMS:TARO) reported record sales and earnings for the first quarter ended March 31, 2003. The results are Taro's 29th consecutive quarter of record sales and 19th consecutive quarter of record net income.

Taro's investments in research, manufacturing and marketing have resulted in a sustained growth record," commented Chairman Barrie Levitt.

First quarter 2003 sales increased 55% to \$69.0 million, compared with sales of \$44.5 million for the first quarter of 2002.

Net income for the quarter increased 42% to \$14.0 million, or \$0.47 per ordinary share, compared with \$9.9 million, or \$0.34 per ordinary share, for the first quarter of 2002.

In January 2003, Taro acquired four proprietary prescription pharmaceutical products from Medicis (NYSE:MRX). Two are used primarily in pediatric settings: Ovide® (malathion) topical lotion, a pediculicide indicated for the treatment of head lice, and Primsol® oral solution, an antibiotic for children with middle ear infections. The other products are indicated for dermatological conditions: Topicort® cream, ointment and gel, topical corticosteroids used for inflammatory skin diseases, and A/T/S® gel and solution, topical antibiotics used in the treatment of acne. The four products are being promoted directly to physicians. Kerasal®, a proprietary over-the-counter product, is being marketed by Taro Consumer Healthcare Products, a division of Taro U.S.A. This unique, exfoliating moisturizer for the feet is being sold by major drug and grocery chains and mass merchandisers across the country.

On March 21, 2003, Taro completed the acquisition of a facility formerly owned by Antigen Pharmaceuticals Ltd., located in Roscrea, County Tipperary, Ireland. This facility, acquired in liquidation proceedings, consists of a 14-acre campus with 124,000 square feet of manufacturing, laboratory, office and warehouse space.

The facility is licensed by the Irish Medicines Board to

manufacture pharmaceutical products in Ireland for distribution in the European Union. The acquisition of the Roscrea campus is part of Taro's strategy for expansion into Europe. The Company plans to upgrade the facility to meet Taro's standards of manufacturing quality and efficiency.

In Haifa, Israel, Taro is completing work on a new chemical manufacturing facility for the production of active pharmaceutical ingredients. Taro has also completed construction of a state-of-the-art warehouse and is continuing work on a new pharmaceutical manufacturing plant.

In Canada, manufacturing lines are being added and a new research center is nearing completion.

In March, Taro's U.S. affiliate received U.S. Food and Drug Administration ("FDA") approval of its Abbreviated New Drug Application ("ANDA") for etodolac extended-release. The products are bioequivalent to Wyeth's Lodine® XL tablets. Etodolac is a prescription product used in managing the signs and symptoms of both osteoarthritis and rheumatoid arthritis. According to industry sources, 2002 U.S. sales of extended-release etodolac tablets totaled approximately \$37 million.

In April, Taro's U.S. affiliate received FDA approval of its ANDA for ammonium lactate cream, 12%. The product is bioequivalent to Bristol-Myers Squibb's Lac-Hydrin® cream. Ammonium lactate cream is a prescription product used for the treatment of dry, scaly skin (xerosis) and ichthyosis vulgaris and for temporary relief of itching associated with these conditions. According to industry sources, U.S. sales of ammonium lactate cream products were approximately \$34.5 million in 2002.

Currently, Taro has 23 filings at the FDA. These consist of 21 ANDAs, including a tentative approval for Loratadine syrup, plus one unique supplemental ANDA and one New Drug Application related to Taro's NonSpil(TM) liquid drug delivery system. The ANDAs address U.S. markets with annual sales in excess of \$1 billion.

The company plans to launch a series of products incorporating its spill-resistant NonSpil(TM) technology in 2003-2004. However, there can be no assurance

of regulatory approval or commercial success of any NonSpil(TM)-related product.

"We plan to continue making capital investments in line with increasing demand for Taro's products and the growth of the company's pipeline," said Dr. Levitt. "To prepare for this growth, we intend to continue to augment Taro's production capacity and other infrastructure requirements."

Check Point Software Results in Line with Estimates

Check Point Software Technologies Inc. (Nasdaq:CHKP) reported lower earnings but in line with estimates. Investors propelled its stock up despite the company's forecast of no growth in the current quarter. Check Point, one of the leading makers of security software, said it met the first-quarter earnings estimate of \$0.24 a share and projected revenues of \$104.8 million.

It forecasted that it expected second quarter to be flat with the first as slow spending and uncertainty surrounding the war in Iraq would negatively impact growth.

Apparently investors were satisfied with results and were unfazed by the forecast.

Check Point which makes firewall and virtual private network (VPN) software that protects businesses from unwanted intrusions on their networks has suffered as many of its leading customers have cut back on technology spending, in response to the weakness in the U.S. economy.

Check Point, based in Redwood City, California, and in Ramat-Gan, Israel, said its profit was \$60.1 million, or 24 cents per share, compared with a profit of \$63.5 million, or 26 cents per share a year earlier.

That was in line with its guidance of 24 to 25 cents a share and matched analysts' consensus estimate of 24 cents, according to earnings tracking firm Thomson First Call.

It said revenue rose slightly to \$104.8 million from \$104.6 million a year earlier. Analysts had expected revenue of \$104.7 million.

Chief Executive Gil Shwed said Check Point expected its second-quarter results to be flat with the first quarter.



Main Indicators

Latest Data

Updated for **15.4.2003**

CPI march 2003 Base 2002=100:	102.1
CPI march 2003 change on previous month:	0.2 %
Population at the end of february 2003:	6,658.3 thousand
Number of israeli employed persons - quarter IV 2002 (seasonally adjusted):	2,309.6 thousand
Percent of unemployed persons - quarter IV 2002: (seasonally adjusted):	10.1%
*Average monthly wages per employee post - Total january 2003:	7,042 NIS
Excluding Workers from Judea & Samaria and The Gaza Area:	7,075 NIS
Private consumption expenditure per capita - quarter IV 2002:	10,562 NIS
Dollar exchange rate (monthly average) - march 2003:	4.7809 NIS
Exports of goods - march 2003:	2,434.5 \$ million
Imports of goods - march 2003:	3,070.4 \$ million
Gross domestic product (GDP) - quarter IV 2002:	124,334 NIS million

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