

ISRAEL HIGH-TECH & INVESTMENT REPORT

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An Intriguing High-Tech Investment Model!

Editorially we point to the impressive returns from investments in the Israeli high-tech sector. These are documented in depth and clearly support our nearly three decade old thesis that locally developed technology is viable and investible. Early stage investments have turned into millions in the instances of ESC Medical, Gilat Satellite, Comverse, NICE Systems, Biosense and Ornet, just to mention a few. Their shareholders have become wealthy. Hindsight is 20/20 vision but it is an impossible task to identify and predict with any measure of accuracy "future winners" among young startup companies. Evaluating the project and pinpointing its position in a given industry are good starting points. We ourselves have identified, from time to time "future winners". Yet it is a sure thing that no venture capital fund or individual investor is astute enough to consistently pinpoint those startups which will mature into profitable companies, and even more so to pick those companies whose shares will eventually be traded on a recognized exchange. We favor the "basket approach". That is, put a number of eggs into the basket and carefully watch them.

An intriguing high-tech investment model, is one adopted by an American company which recently and without much fanfare entered Israel's high-tech arena. The company first convinced itself that the principle of investing in Israel is correct. Instead of identifying individual projects, the company invested in a technology incubator. In doing so, the company acquired, at a fair evaluation, a basket of companies with diversified technologies.

We are confident that this landmark investment will serve as a future model for astute foreign investors. Local businessmen who made fortunes in real estate

or low tech businesses are already invested in "technology incubators". How did the Americans cut their deal? The details of the American investment: Dow Chemical signed an agreement with the management of the Ashkelon Technology Incubator. Under the agreement, Dow Chemical will become a strategic partner in the incubator, initially with a 5% share, and will also buy 20% of each project developed in it.

Why did Dow Chemicals choose this method of investment? Dow Chemical vice-president Eliezer Manor, who represents the company in Israel, said that Dow's decision to become a partner in the technology incubator was taken with a strategic view to the long term. He said a preliminary review of the sophisticated products being developed in the incubator indicated that they had considerable commercial potential, both for the company itself and for its subsidiaries around the world under the aegis of the incubator. We think that this is a brilliant strategy and suggest that other multinationals consider following suit.

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IP Telephony Basics

The Internet is a worldwide network of computer networks. Computers can send messages to each other via the Internet (e-mail is the most familiar example). However, audio can also be digitized and passed between computers just like any other data type. In fact, many Web sites are now geared for sound.

IP telephony uses the Internet to send audio between two or more computer users in real time, so the users can converse. VocalTec introduced the first IP telephony software product in early 1995. Running a multimedia PC, the VocalTec Internet Phone (and the numerous similar products introduced since) lets users speak into their microphone and listen via their speakers.

Within a year of its birth, IP telephony technology had caught the world's attention. The technology has improved to a point where conversations are easily possible. And it continues to get better. Dozens of companies have introduced products to commercialize the technology, and virtually every major telecommunications company has launched research to better understand this latest threat to their markets.

In March of 1996, VocalTec announced it was working with Dialogic to produce the first IP telephony Gateway. The original Internet telephone products based on multimedia PCs are tremendous — offering the ability to combine voice and data on one network. They also offer low-cost long distance “telephone” service (assuming the user already has a multimedia PC and a fixed-rate Internet service provider [ISP]

account).

Gateways is the key to bringing IP telephony into the mainstream. By bridging the traditional circuit-switched telephony world with the Internet, Gateways offers the advantages of IP telephony to the most common, cheapest, most mobile, and easiest-to-use terminal in the world: the standard telephone. Gateways also overcame another significant IP telephony problem: addressing. To

address a remote user on a multimedia PC, you must know the user's Internet Protocol (IP) address. To address a remote user with a Gateway product, you only need to know the user's phone number.

How Does It Work?

Conceptually, Internet telephone

Gateways work like this.

On one side, the Gateway connects to any telephone world. It can communicate with any phone in the world. A phone line plugs into the Gateway on this end. On the other side, the Gateway connects to the Internet world. It can communicate with any computer in the world. A computer network plugs into the Gateway on this end.

The Gateway takes the standard telephone signal, digitizes it (if it is not already digital), significantly compresses it, packetizes it for the Internet using Internet Protocol (IP), and routes it to a destination over the Internet. The Gateway reverses the operation for packets coming in from the network and going out from the phone.

Both operations (coming from and going to the phone network) take place at the same time, allowing a full-duplex (two-way) conversation. A number of configurations can be built from this basic operation. Phone-to-PC or PC-to-phone

Two Years Ago

“Quite frankly, the Internet telephony people are on a collision course with the telcos. Over a 14.4 modem, [Internet telephony] is not the greatest quality. But with ADSL and cable modems, that will automatically change. To place a telephone call over that, you can have tremendous quality”. Trade Magazine

Seven Months Ago

Deutsche Telekom acquires a stake in Israel's VocalTec internet telephony provider. Reuters

Today

Tackling rapidly increasing competition in Germany, Deutsche Telekom is to launch an Internet telephony service costing far less than conventional services. Its T-Online Internet access service will also cost less, dropping nearly 40% to DM3 (\$1.64) an hour. Business Wire.

operation can take place with one Gateway. Phone-to-phone PC operation can occur with two Gateways.

To offer international long distance service using gateways, for example, an organization or service provider can host one gateway in each country. By bypassing the international connect charges or even paying in-country long distance rates the configuration costs significantly less than traditional circuit-switched service.

Net Telephony an \$8 billion Market

Microsoft's announcement that it intends to set the standard for supplying the technology for Internet telephony, indicates that the company has identified a massive business possibility.

The market in 2003 will be worth \$8 billion for Internet Service Providers who offer IP telephony services including voice, fax and video, according to some pundits.

Underlying the growth prospects is that businesses are easily motivated by the prospect of reducing their telecommunications expenses by as much as 50%. IP telephony services will not be a 'hard sell' for ISPs as the technology improves over the next few years.

Israel's Major Entry in Internet Telephony

VocalTec (Nasdaq: VOCLF), the IP Communications company, announced the release of VocalTec Telephony Gateway™ Series 120, a DSP-based IP telephony gateway supporting 24 to 120 lines for corporate enterprise networks and independent carriers and service providers. The VocalTec Telephony Gateway Series 120 is the first gateway to be compatible with the new H.323 RAS Version 2 industry standard for optimal performance in an open, scalable, intelligent and centrally managed IP telephony network deployment.

VocalTec also recently announced a carrier-grade solution that is being developed with ECI Telecom, a leading international telecommunications manufacturer and distributor. Available for full-scale carrier deployment early next year, this

solution will serve hundreds of lines per platform enabling operators to build networks that serve millions of users.

Company management has made it clear that it considers VocalTec Telephony Gateway Series 120 together with the VocalTec Ensemble Architecture a significant advance over its competition.

"Access Power is a new and growing Internet telephony service provider that has deployed the VocalTec Telephony Gateway 3.1a in ten North American cities with great success," said Glenn Smith, president and chief executive officer of Access Power, Inc. "With the announcement of the VocalTec Telephony Gateway Series 120, VocalTec has once again leaped ahead of the IP Gateway server competition. Access Power will most certainly be deploying this exciting new product to better serve our fast-growing customer base."

"With the announcement of the first H.323 RAS Version 2 DSP-based gateway, VocalTec continues to develop new capabilities for IP telephony built upon Dialogic's proven computer telephony technology," said Howard Bubb, chief executive officer and president of Dialogic Corporation (Nasdaq:DLGC). "VocalTec clearly understands the need for network oriented solutions that deliver carrier-grade quality and management services that these markets demand."

VocalTec Communications software enables audio, video, data, text and collaborative communications between personal computers and other devices over the Internet.

The company is a leader in developing innovative, open standards products that bridge the Internet and the traditional public switched telephone network (PSTN) and drive the convergence of computing and telephone technologies.

NICE Reports

NICE Systems Ltd. reported 4Q EPS of \$0.39 vs \$0.25 on revenues of \$22.1 mln vs \$11.5 mln last year. Analysts' mean estimates were \$0.38, according to First Call. For FY 97 the company reported an EPS loss of (\$0.35) vs \$0.71 last year.

NICE stated that its chairman, David Arzi, would retire by the end of the year. Nice Systems also said it had named another member of its founding group, Benny Levin, as chief executive officer and said he would become chairman upon Arzi's retirement.

NICE also announced that it had signed a definitive agreement to acquire the assets of IBS Corporation, a privately held software company based in San Diego, California, as part of its strategy to become the dominant player in the call center logging and quality market. With IBS's base of call center technologies, NICE increases its suite of quality offerings for the call center market. The agreement enables NICE to improve its offering for large corporations with multiple call centers in various locations and to address the IBM Mainframe market, providing high-end, fully integrated voice-and-screen monitoring and coaching together with quality tracking.

NICE intends to pay \$3.9 million in cash and, as additional payment, will issue approximately 35,000 American Depository Shares representing ordinary shares of NICE. The deal is expected to be closed in April 1998.

NICE Systems is a leading global provider of Computer Telephony Integrated (CTI) logging, quality measurement and workflow solutions for voice, fax and data. NICE is headquartered in Tel Aviv, with offices in the US, Canada and Germany.

IBS, a privately held software company, is headquartered in San Diego, Calif. with distributors in the US and Europe. Since 1985, IBS has been developing and distributing software products, including the company's main proprietary technologies: screen and voice management, and screen capturing, for Mainframe, AS400 and various client/server environments.

Funk & Wagnalls Encyclopedia on Internet

Offering America's best selling encyclopedia over the Internet, Funk & Wagnalls Knowledge Center is a ready reference source for anyone with a modem. Community Network Systems (CNS)

launched the Funk & Wagnalls Knowledge Center, a web-based comprehensive multimedia reference site. Knowledge Center at <http://www.funkandwagnalls.com> offers Internet access to the world's first Multimedia Encyclopedia which is also constantly updated and integrated with animation, photographs, speeches, music and sound. The development work on the interactive encyclopedia was carried out in Jerusalem.

The Funk and Wagnalls Encyclopedia on the Internet is also a component of the retail version of the CD-ROM and DVD versions of the Funk and Wagnalls Multimedia Encyclopedia.

Scientific Research Investment Pays Off

Approximately \$600 million worth of products emanating from research at the Weizmann Institute of Science were sold by Israeli and non-Israeli companies in 1997. Israeli companies were responsible for half of these sales, mainly for export. These figures derive from a survey conducted by the Tel Aviv-based accounting firm Kost Levary & Forer, a member of Ernst & Young International.

The survey, whose aim was to examine the effect of Weizmann Institute research on Israel's economy, revealed that 19 Israeli start-up companies, mainly developing products for export, have been established directly as a result of Institute research. Yeda Research and Development Co. Ltd., the Institute's technology transfer arm, was a partner in the establishment of 14 of these companies.

In addition to the above-mentioned 19 start-ups, numerous other Israeli companies received licenses to develop and sell products originating at least partly from Institute research. Taken together, all companies so licensed employed some 5,300 people in 1997, among them approximately 1,000 new immigrants and more than 100 graduates of the Weizmann Institute's Feinberg Graduate School. Approximately 31 years ago, the Institute initiated and participated in the establishment of the first park for advanced industries in Israel, Kiryat Weizmann. Today, some 70 companies

operate in that park. Many of them have links with the Institute and develop products that originated from Weizmann Institute research. In 1997, the total aggregate sales of these companies amounted to approximately \$600 million. The Institute also developed the concept of technological "incubators" and helped establish the first such incubator in Israel. Today, 12 young high-tech companies are active within the Kiryat Weizmann Incubator for Technological Entrepreneurship, which is assisted by the Institute, and nine companies have already left this Incubator and operate independently. Most of these companies work on projects resulting from the ideas of new immigrant scientists and engineers.

"This current state of affairs is a testimony to the fact that the investment in scientific research, such as that carried out at the Weizmann Institute of Science, contributes greatly to the growth of economic activity in the fields of investment and high-tech export," says a member of the team, summarizing the survey's results. "Every dollar invested in scientific research helps to create industrial activities. In other words, from the point of view of Israel's economy, long-term investment in scientific research is an engine which drives the entire market."

The Weizmann Institute of Science is a major center of scientific research and graduate study located in Rehovot, Israel. Its 2,400 scientists, students and support staff are engaged in more than 1,000 research projects across the spectrum of contemporary science.

The World's First 56Kbps Windows Modem CardBus PC Card

Israeli based Silicom Ltd. (Nasdaq:SILCF) announced the release of its unique WinModem56 CardBus PC Card product. The Silicom WinModem56 is the first product on the market that offers the industry's fastest modem speeds of up to 56Kbps using the high bandwidth 32-bit CardBus architecture.

The WinModem offers a very low power consumption modem which results in longer PC bat-

tery life It is designed especially for the Windows environment and is fully compatible with Windows 98, Windows 95 and Windows NT

"Making the World Safe for Electronic Commerce"

Check Point Software Technologies, Inc. (Nasdaq:CHKPF), the worldwide leader in Secure Enterprise Connectivity solutions, communicated the opening remarks that its president and CEO, Dr. Deborah Triant, delivered on Internet Security Day at the 1998 Spring Internet World trade show in Los Angeles, California. In her speech entitled, "Making the World Safe for Electronic Commerce," Dr. Triant challenged conventional thinking about network security, focusing on the opportunities it creates for business, instead of the risks of inadequate security.

"The right network security allows companies to focus on competing, not computing," says Dr. Triant. "Electronic commerce is now so broadly defined that it touches every business. Through integrated security, traffic control, and enterprise management, electronic commerce can deliver more revenue, new markets, new customers, and breakaway business advantages. Secure enterprise connectivity allows companies to focus on the opportunities presented by the e-commerce age, instead of the risks."

Check Point Software Technologies Ltd. is a leading provider of policy-based enterprise security and traffic management solutions. Through its patented Stateful Inspection technology, the company is uniquely positioned to deliver Secure Enterprise Connectivity solutions that protect information assets and enhance the performance of enterprise networks. Check Point offerings include the world's leading enterprise security suite, Check Point FireWall-1®, and the industry's premier policy-based bandwidth management solution, Check Point FloodGate-1. The company has US headquarters in Redwood City, California and international headquarters in Israel.

Crystal Announces TACT Agreement

Crystal Systems Solutions (Nasdaq: CRYSF), a

developer of conversion projects for mainframe computer systems, various programming language upgrades and data field conversions, announced that it has signed an agreement with The A Consulting Team, Inc., TACT (Nasdaq: TACX). TACT is a leading provider of enterprise-wide IT consulting, software and training services. Crystal Systems Solutions will supply TACT with its C-MILL conversion tool and expertise so that TACT may service its Fortune 1000 customer list concerning Year 2000 (Y2K) conversion and compliance solutions.

Elbit Systems Wins \$7 Million Contract

Elbit Systems Ltd. (Nasdaq: ESLTF) announced at the Asia Aerospace 98 in Singapore that it was recently awarded a contract for the supply of its "Whizzard" family of autonomous weapon guidance kits. The contract is valued at approximately \$7 million.

The "Whizzard" family comprises two kits with combined capabilities to counter a full spectrum of threats by converting general purpose "dumb" bombs into lethally smart munitions. "Opher", based on an infrared seeker, has sophisticated acquisition, tracking and guidance algorithms, resulting in accuracy needed to destroy motorized platforms such as heavily armored tanks, air defense and ships. "Lizard", based on a laser seeker, incorporates "Opher's" battle-proven tracing and guidance algorithms plus Elbit Systems' unique high precision linear guidance capabilities, resulting in better hit accuracy than existing laser-guided bombs. "Lizard" is capable of striking any designated target.

Last year Elbit Systems announced the first purchase of its weapon guidance system by a NATO country when the Italian Air Force awarded Elbit Systems with a contract valued at \$25 million for OPHER. Several other countries have expressed interest in Elbit Systems' "Whizzard" guidance kits. Elbit Systems Ltd. is engaged in a wide range of airborne, ground and command, control and communications programs, with a focus on upgrading existing military platforms and developing new technologies for defense applications.

Electric Fuel Awarded Defense Contract

Electric Fuel Corporation (Nasdaq: EFCX) announced that it has been awarded a contract from Israel's Ministry of Defense to develop an advanced zinc-air battery for a propulsion system. The first phase of the contract runs through the end of 1998. The feasibility demonstration, pre-development contract will be overseen by the company's new Defense and Safety Division and will include creating a prototype and demonstration project. The agreement marks the company's third zinc-air defense contract since it began development of high-energy, high-power zinc-air products for defense applications.

Other projects underway within the Defense and Safety Products Division include a development contract with the US Army's Communication-Electronics Command (CECOM) to develop an advanced portable zinc-air battery. The company is also involved in a development program with STN Atlas Elektronik GmbH, a major German defense and marine industry contractor, for the development of a primary, high-power, zinc-oxygen battery for torpedoes.

S&P Revises Outlook on ESC Medical

Standard & Poor's revised its outlook on ESC Medical Systems, Ltd. to positive from stable, following the company's acquisition of Laser Industries Ltd. (Nasdaq:LASRF).

Importantly, the acquisition increases ESC's leading global positions in its niche areas. However, ESC will be greatly challenged to control and further grow operations that were only one-fourth its current size just one year ago. Competition is strong, as several other companies have developed similar devices to treat the same conditions as ESC's products.

Moreover, ESC's narrow product portfolio and dependence on a few products make the company vulnerable to technological and market changes. Continued new product development, successful integration of acquisitions, and maintenance of moderate financial policies could lead to a ratings upgrade.

Comverse Network Systems to Develop Mobile Unified Messaging Applications

Comverse Network Systems Inc., a wholly-owned subsidiary of Comverse Technology Inc. (Nasdaq: CMVT), and the world's leading supplier of enhanced services platforms to Global System for Mobile communications (GSM) network operators with systems in more than 90 GSM networks, announced it is developing a new set of powerful and easy-to-use Mobile Unified Messaging applications for the emerging GSM smartphone market.

Comverse's network-based enhanced services platforms support a wide range of generating services including voice and fax messaging, text-based short message service center (SMSC), pre-paid services, one-touch call return, single number service and other personal assistant and personal communications services.

The GSM smartphone-based Unified Messaging applications will give subscribers visual access via the Internet to a network-based Unified Mailbox to allow retrieval of voice, fax and e-mail messages. This interface also streamlines subscribers' access to specific messages by allowing them to "jump" to a desired message for immediate voice playback over the phone, to return messages with a single press of a button and to receive notifications of urgent new messages. Additionally, faxes received can be directed to print at any fax machine, and e-mail can be displayed on the screen of the phone, or can be "spoken" over the phone line using Comverse Network Systems' text-to-speech technology. Comverse is developing its smartphone-based Unified Messaging applications for its successful Access NP® and TRILOGUE® Infinity™ enhanced services platforms, and intends to begin trial deployments this year.

"Early prototyping for the Wireless Unified Messaging application has used Handheld Device Markup Language (HDML) technology from Unwired Planet," said Stewart Hampton, senior business development manager at Comverse Network Systems. "The market for smartphones and for providing wireless data access is likely to

develop around open international standards such as WAP, and will be impacted by how quickly these standards are adopted by leading handset manufacturers. The ultimate size of the market will be driven by consumer demand for applications such as Unified Messaging that are best suited to fully leverage smartphones and the increasingly data-capable digital mobile networks."

The market for smartphones is forecasted to grow to 8.8 million by 2001. Key smartphone features are expected to include large Graphical User Interface (GUI), Internet connectivity, combined voice/data capability, and micro-browser capability. As the number of smartphones used in wireless networks increases over time, key application areas identified to leverage these devices are:

Unified Messaging, Control of Intelligent Network/ Advanced Intelligent Network (IN/AIN) Features, Information Services, and Personal Information Management (PIM) services.

Comverse Network Systems Inc., based in Wakefield, Mass., is a wholly-owned subsidiary of Comverse Technology Inc. (Nasdaq: CMVT), which is headquartered in Woodbury, N.Y. On January 14, 1998, Comverse Technology Inc., which carries out most of its R&D in Israel, merged with Boston Technology Inc. Comverse Network Systems Inc. - supplies innovative systems, software and services to wireless and wire-line telecommunications network operators including cellular, PCS, GSM, cable and other communications service providers. Comverse announced a Dec. '97 fourth quarter earnings of \$0.44 vs. \$0.33 for the same period a year ago and annual earnings of \$1.61 vs. \$1.16 for the prior year.

Tadiran Buys CMI's Microwave Networks

Tadiran Ltd. (NYSE: TAD), Israel's largest electronics company, announced an agreement with California Microwave Inc. (Nasdaq:CMIC-CMI) to acquire CMI's Microwave Networks division (MN) for \$35 million in cash. Microwave Networks is a leading supplier of a wide range of point-to-point microwave radios. Its products are aimed at the growing terrestrial wireless infrastructure market, where MN is a supplier to major

cellular and PCS operating companies worldwide. Sales for the last 12 months exceed \$80 million. An extended network of sales offices and service centers markets MN's products worldwide. The acquisition strengthens Tadiran's strategic goal to focus on and globalize its telecom-munications equipment activities. In particular, MN will enable Tadiran to augment its US market presence, as well as maximize the strong technical and marketing synergies that exist between the two companies' wireless telecommunications businesses. Microwave Networks provides microwave radios and turnkey systems in frequency bands from 2 GHz to 38 GHz. US customers include Motorola, AT&T Wireless, Sprint Telecommunications Venture, Pacific Bell, Winstar, Western PCS, GTE, Lucent and other cellular, PCS, CLECs and private networks operators.

Tadiran Limited's defense communications business, which gave the Israeli company an unexpected boost to 4Q earnings, is not vulnerable to imploding Asian economies, an official said. The company's chief financial officer, said the outlook for defense communications remained good for this year, although he estimated about 20% of sales were to Asia. "We don't sell defense equipment to South Korea like Tadiran Telecommunications," he said.

Tadiran Ltd. reported 4Q EPS of \$0.62 vs \$0.49 on revenues of \$257.4 mln vs \$268.5 mln last year. Analysts' mean estimates were \$0.52, according to First Call. For FY 97 the company reported EPS of \$3.16 vs \$4.73 last year.

NDS Data Broadcast Enhanced by Gilat's Return-Path Technology

Gilat Satellite Networks Ltd. (Nasdaq: GILTF) together with NDS, the pioneering provider of data broadcasting technology, announced a joint collaboration to offer users of the NDS Data Broadcasting Network™ (DBN) a faster and higher bandwidth return path through Gilat's Very Small Aperture Terminal (VSAT) technology. VSATs are readily available, requiring only an easy-to-install card in the receiving PC and a small external satellite dish. DBN uses the exist-

ing infrastructure of satellite broadcasting to deliver information more than 1,000 times faster than the Internet and is the quickest and cheapest way for PC-users to download multimedia information. The VSAT return path offers ubiquity of service, higher bandwidth, higher availability and lower cost to users of the DBN network.

"For home users and some corporate users of DBN, the traditional return path of a dial-up modem connection and the public telephone network is perfectly adequate. However, for corporations distributing multimedia information, business TV or any other electronic content, the VSAT return path combined with DBN provides a cost-effective, faster and higher bandwidth solution," said Dr. Abe Peled, CEO of NDS.

Gilat's VSAT is a technological innovation in the field of satellite communications that allows for reliable transmission of data via satellite using comparatively small antennas (0.6 - 1.8 meter). It simply plugs straight into existing terminal equipment, operating in effect as an aerial modem. A VSAT network consists of a satellite, a central hub with an antenna (between 4.5 and 11 meters) and a network of up to several thousand VSAT terminals with smaller antennas. NDS's Data Broadcasting Network (DBN) using the existing infrastructure of satellite broadcasting, DBN offers numerous benefits for consumers and content providers such as the ability to download multimedia information with video, animation and CD-quality sound to their PCs. With DBN, broadcasters and publishers can deploy new, revenue-generating business models for delivering value-added services and products.

DBN uses a Direct Broadcast Satellite broadcasters' extra satellite transponder space to broadcast content to PCs installed with a low-cost board connected to a DBS 18-inch satellite dish. After the broadcast is received by the satellite dish, the content is then directed to the user's PC via a coaxial cable interfaced with a DVB compliant PC-board. Once decoded, it is saved on the PC's hard disk for later review and use. Because the content appears on the hard disk, the time delays associated with on-line access are

removed, creating a much more enjoyable surfing experience for the user.

NDS is a recognized leader in digital video compression and conditional access, and has proven systems integration and global support capabilities. NDS is providing its advanced technologies, products and services to many of the current and planned satellite and terrestrial broadcasting systems around the world. In addition, over 8 million subscribers worldwide use NDS conditional access systems to receive pay TV satellite and cable services. The company continues to make a major commitment to R&D, with over 700 of its 1,300 plus employees dedicated to its pioneering development work at research centers in Israel, the US and the UK.

NDS is a subsidiary of the News Data Corporation Limited (NYSE/ADR: NWS), a leading global media company .

Gilat Satellite (Nasdaq: GILTF) reported revenues for the year ended December 31, 1997 of \$103.7 million, an increase of 40 percent over sales for 1996 which were \$74.1 million. Net income for 1997 was \$16.9 million (\$1.51 per share), an increase of 25 percent over the \$13.5 million (\$1.22 per share) results for 1996.

Revenues for the fourth quarter ended December 31, 1997, were \$30.0 million, an increase of 40 percent over the \$21.2 million result for the same period in 1996. Net income for the fourth quarter was \$5.7 million (\$0.51 per share), an increase of 50 percent over the \$3.7 million figure (\$0.34 per share) for the final quarter of 1996.

Teva Sells Paca

Israel's Teva Pharmaceutical Industries (Nasdaq: TEVIY) signed an agreement to sell the assets of its Paca Ltd. subsidiary to Belima Ltd., a unit of Shemen Industries Ltd., for \$14.5 million. In an announcement to the Tel Aviv Stock Exchange, Teva said it was selling Paca as a going concern. It said the sale did not include Paca's debt, Teva shares held by Paca or the land on which the plant stand. Teva said it would report a capital gain of about \$10 million before taxes from the sale. Teva said it was selling the business because it was not

a part of the company's pharmaceuticals focus. Teva said the transaction required several approvals, including that of the Israeli authorities.

Double Approvals for Pharmos

Bausch and Lomb Pharmaceuticals and Pharmos Corporation (Nasdaq:PARS) received US government approval to make and sell two new drugs to treat eye swelling. The drugs, Lotemax and Alex, are the first proprietary drugs to emerge from the three-year partnership of the two companies, they said. The companies said they expect to begin marketing the drugs in the next few weeks. The FDA approved Lotemax as a topical treatment for eye swelling after operations, such as cataract surgery, the companies said in a statement.

Alex was approved as a treatment for eye swelling associated with allergies, particularly to pollens, the companies said. Alex also is intended to help relieve itching, redness, and tearing. Lotemax and Alex are the first two of three drugs sought for the Bausch & Lomb/Pharmos line of ophthalmic products containing loteprednol etabonate. Bausch & Lomb Pharmaceuticals is a unit of Bausch & Lomb Inc. Pharmos is a New Jersey-based bio-pharmaceutical company with research and development facilities in Rehovot.

Indigo's Results Exceed Expectations

Indigo NV reported a 4Q EPS loss of (\$0.12) vs (\$0.28) on revenues of \$34.7 mln vs \$23.7 mln last year. Analysts' mean estimates were (\$0.15), according to First Call. For FY 97 the company reported an EPS loss of (\$0.88) vs (\$1.48) last year. Indigo NV said it plans to expand its research and development spending, boost production and increase its sales force, hurting cash flow temporarily.

NetVision Israel's Largest ISP in Black

NetVision, the largest ISP in Israel, moved to \$2 million in net profits in 1997. In 1996 NetVision lost \$2 million. Netvision attributes the profit increase to the sharp increase in the number of subscribers.

Deutsche Telekom Uses Orckit Systems

At multiple sites throughout the CeBIT '98 exhibition (Hannover, Germany), Deutsche Telekom AG (NYSE:DT) demonstrated live interactive on-line access using Orckit Communications' (Nasdaq: ORCTF) FastInternet™ DSLAM system.

At CeBIT, Deutsche Telekom's booth will act a telecom acted as a "Central Office," and was connected via Germany's T-Net-ATM backbone to Deutsche Telekom's Broadband Services field trial currently taking place in North Rhine-Westphalia. Multiple corporate booths throughout the CeBIT exhibition were connected to Deutsche Telekom using Orckit's FastInternet ADSL DSLAM, with each booth acting as a "residence" or "small office" subscribing to Deutsche Telekom's on-line services.

Visitor's to Orckit's and the other participating companies' stands were able to access high speed World Wide Web applications and other interactive content such as JPEG photo libraries using regular personal computers and typical telephone lines at speeds up to 20 times faster than ISDN modems. The FastInternet DSLAM (Digital Subscriber Line Access Multiplexer) system to be shown at CeBIT '98 is an advanced version of the system that won BYTE Magazine's "Best of CeBIT" for Communication Hardware at CeBIT '97. Orckit's FastInternet system, based on Orckit's ADSL (Asymmetric Digital Subscriber Line) line cards, ADSL end-user modems and DSL Concentrator, enables access to the Internet and on-line services at up to 8 Mbps. At the exhibition, Orckit's FastInternet System were demonstrated working over regular telephone lines (POTS) and over ISDN lines.

Orckit Communications is a leading company in the field of Digital Subscriber Line, or "DSL," solutions, which enable telephone companies and Internet Service Providers to optimize the bandwidth utilization of the "last mile" of copper wire in the Local Loop. Orckit possesses both core silicon expertise and a wide range of DSL products, including its FastInternet DSLAM System with ADSL and SDSL, and its CopperTrunk® HDSL and VDSL product lines. Orckit has key strategic

silicon alliances with Harris Semiconductor, Fujitsu Microelectronics and Rockwell Semiconductor Systems, telecom equipment providers Fujitsu Network Communications, SAGEM and Siemens' Public Communication Network Group.

Largest Israeli Issue on Planning Table

The Kahn-SBC group, owners of the Israeli Aurec group, plans on an American financing issue for Amdocs. The group is engaged in development and marketing of billing software. The company is not yet ready with its prospectus but expectations are that the shares will be offered at a company value exceeding \$1.5 billion. Several American financial houses have been asked to handle the offering.

Israeli software companies affiliated with the Kahn-SBC group, Aurec Information Data System and PS Publishing have been consolidated, in preparation for the planned Amdocs issue, and the three will be issued as one company.

Amdocs markets billing software internationally, both for regular and cellular telephony, developed by Aurec Information. Amdocs purchases the software and programmer hours from Aurec Information. Amdocs' customers throughout the world are mostly active in the telecommunications field. Amdocs continues to develop each customer's software, according to individual requirements.

Techmedia Invests \$1 Mln in Pegasus

Techmedia, an American company with \$300 million in annual sales is investing \$1.0 million in Pegasus Technologies. Pegasus has developed a wireless three-dimensional joystick for interactive games.

The plan is for Techmedia to use Pegasus' technology to develop a new system capable of copying documents written on paper directly to a computer. The plan is to develop a three-dimensional pen the position of which the computer can sense. By monitoring the pen's movements, the computer reproduces the document being written alongside it.