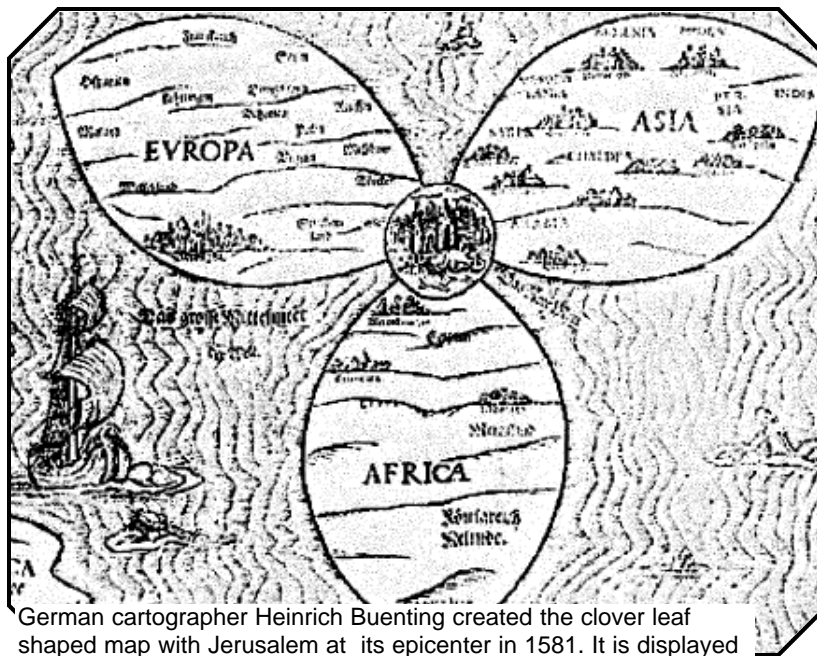# Israeli Biotechnology May be on the Move!

,A German cartographer in the 16th century created a magnificent map of the world, with Jerusalem at its center. To us who live and work here Jerusalem, as is the rest of Israel, is not only the spiritual vortex of the world but the city and the country are the world's most advanced and only partially tapped frontiers and wellsprings of technology. There is in this country a vibrancy which reminds us that Israel, as we move towards the millennium, is an exciting place to live in. It is this excitement that keeps us fascinated and activelt reporting on the scene.

Not too many years ago visiting foreign experts, when addressing local conferences, devoted a scant few hours attending the conferences, delivering a paper and explaining to young companies how they should go about raising initial, second round financing and finally, to turn to Wall Street for an initial public offering. In those years he visiting experts found little business of interest and this allowed them time to tour Jerusalem, enjoy the gourmet cooking of Tel- Aviv restaurants and visit archaeological sites in Tiberias, next to the Sea of

German cartographer Heinrich Buenting created the clover leaf shaped map with Jerusalem at its epicenter in 1581. It is displayed today at the Sterling Library at Yale University, in the USA

Galilee and close to where Jesus reputedly delivered the Sermon on the Mount. We, and other veterans of the local scene, had become inveterate technology conference buffs! But, we began to stop coming because of the prevailing attitude of the presenters, who persisted in prescribing their formula for success.

Well, the situation has changed drastically. Either the Israelis have learned a lot from the presenters or perhaps they had more to offer to the world than was realized. The result is that there are more than 100

Israeli companies publicly listed in the US. Some of these companies have become major successes in developing, producing and marketing great

The Times Have Changed

" I arrived last night at 2am and am returning to to Tokyo immediately after I give my lecture", said Takahiro Sugimoto, President and CEO Asgent Inc, which captured 70% of the Japanese "Firewall" computer security market for Israel's CheckPoint.

products. Some of the founders have amassed substantial personal net worth.

A conference held in Tel-Aviv early in May, and sponsored by Blumberg Capital from San

"Israel venture capital community is great- but mostly very lucky. No downcycles in Israeli VC - yet!," Roni Hefetz, General Partner- Walden Israel

Francisco, the YBF Group and Ha'aretz, Israel's quality Hebrew language daily, wa testament as to how far we have progressed. The Israeli conference attendees were no longer being told that they musts learn how to raise finance, or study how to present themselves to venture capitalists and investment bankers. The presenters switched from one-time polite pointers to participants, on how to "succeed in the world outside of Israel", to reminding us of their role and contribution, enabling the success of CheckPoint , NetXchange, Radguard, Evergreen Canada Israel, just to mention a few companies. We agree with the foreign sponsors of the Conference. They were not exaggerating. David

Blumberg, founder of the San Francisco Blumberg Capital based firm which provides investment and consulting services to the information and technology sector, was correct in reminding us reminding us that he contributing player in the development of Israel's phenomenal success of Israel's Check Point Software. That firm captured investors with its rapid rowth and unique technology and even attracted the attention of small company predators such as Microsoft. Mr. Blumberg is "sold" on Israel and finds time to study Hebrew to better relate to Israeli clients who are seeking major rewards reserved for capable suppliers of technology solutions to the booming technology information market.

Silicon Valley Bank's Larry Lopez, Senior Vice President International Strategic Partnerships preached the gospel that "you don't need to sell shares of your company to raise capital, since equity capital is the most expensive capital you will ever raise."

The Israeli Ami Segal the soft-spoken president of the YBF Group based in Ramat Gan was more reserved. He emphasized Israel's growing technology and global expansion.

Early in life we learned that using a crystal ball for guessing the future, is as hazardous occupation. No less so than picking which will be the future dominant Internet company from among the many young companies of today.

Our interest heightened when we heard a bold prediction: "The next big moving sector in your country will be biotechnology," stated Daniel J. Schultz, Senior Vice President of Lehman Brothers, prestigious investment bankers whose name has appeared more and more frequently on Israeli public financing offerings.

We had paid so much attention to the development of Internet related firms, (nearly to the exclusion of other technology sectors), that we realized that it was as far back as November 1994, when the Israel High-Tech & Investment Report acted as a sponsor of the International Cooperation for Development of Biotechnology Conference in Jerusalem, that we had published our last in-depth

overview of the Israel biotechnology industry. At the time we prematurely believed that the young group of Israeli biotechnology firms were on the threshold of producing a new Chiron or Genetech. For the past three-and-a-half years venture capital funds have been the main source of financing the biotechnology sector.

Mr Schultz have certainly opened our eyes. More than 30 Israeli biotech companies and research institutions are participating in thecurrent 4th annual Alliance Program in New York. Sponsored by the US-Israel Science & Technology Commission (USISTC), Alliance '98 is an integral part of the Biotechnology Industry Organization (BIO) International Meeting, which is expected to attract over 3,200 leaders from the biotech and pharmaceutical industries. The goal of the

entire Israeli biotech industry to the U.S., providing Israeli firms a four day opportunity to showcase their technologies and meet with prospective partners in an efficient and effective setting" says Dr. Haim Hardt, President of the U.S.-Israel Biotech Council, organizers of Alliance '98.

If Wall Street is turning more positive on biotech, the window of opportunity may be about to open for Israeli companies. Israeli companies that have attracted significant venture capital include: Peptor, backed with more than $25 million from major investors, including the Walden Group, Rothschild Asset Management, the Biotechnology Investment Group and executives at the country's two largest pharmaceutical companies. Peptor uses combinatorial chemistry, on of the hottest

---

Tips from Wall Street on How to Invest in BioTechnology Companies

While Nasdaq has charged ahead by 75% since the start of 1996, biotech stocks have lagged, gaining only 11% during the same time. But it might pay to start looking over the sector now, because things may start to change soon, says Hambrecht & Quist biotech analyst Richard van den Broek in a recent report.

However, remember there can be big risks. Only about 10% or 15% of the public companies with products in the development stage will eventually be successful commercially, says van den Broek. To find them is tricky, but he recommends the following basics as a start.

* Look for companies with "platform technology," or technology capable of launching several products. "You need more than one chance to win," says van den Broek. "The failure rate is too risky for any one product."

* Find financial strength. Look for companies with enough cash to support at least two years worth of expenses.

* Identify companies that have a sales and marketing franchise, and not just the technology to come up with products. "The two are distinct assets, and a third- party buyer will find a company more attractive if it already has a presence in the marketplace," says van den Broek.

* Don't gamble on product approval. Studies by Hambrecht & Quist have shown it pays to wait till after a product passes through one of the pivotal approval points — rather than bet on the approval beforehand. Van den Broek says such pivotal points are things like the release of Phase III clinical trail data, approval by a Food and Drug Administration (FDA) advisory panel, or approval by the FDA itself. "You can still catch a good part of the upside, but you avoid the potential downside of a product

---

Alliance program is to catalyze the formation of strategic alliances between the growing biotechnology industries of both U.S. and Israel. "With Alliance '98 we are virtually delivering the

scientific areas in the US, as well as computer design technologies to generate libraries of SCAPLs (Small Cyclic Analogs of Peptide Loops) for targeted diseases. It has already formed

3

alliances with Ares-Serono, Teva , Xoma, Neoprobe, and Mallinckrodt.

Compugen, has raised more than $8.5 million from investors that include Apax-Leumi Partners, Oppenheimer & Co., U.S. Venture Partners and Israel Seed Partners. The company has developed a bioinformatics platform which includes a powerful search engine aimed at isolating drug leads from the massive gnomic data banks. Compugen products have been installed at companies and institutions that include Merck, SmithKline Beecham, Eli Lilly, Bayer and the Sanger Center.

D-Pharm, which we featured in our Report three years ago, started from a small grant of seed money provided by the Israeli government in 1993. Since then the company has attracted more than $8 million in private funding. The company is developing anti-epileptic, neuro-protective and other drugs using its Selective Molecular Activation and Routing technologies (SMARt). The SMARt technologies activate and route drugs to therapeutic targets by utilizing the body's natural biological systems. Earlier this month D-Pharm obtained a Notice of Allowability from the U.S. Patent and Trademark Office for novel prodrugs of valproic acid with enhanced penetration into cells. Animal studies suggest that these drugs will offer improved treatment for epilepsy and other neurological conditions.

XTL Biopharmaceuticals, meanwhile, has attracted more than $3 million worth of investment from the Rothschild Asset Management Group and a group of Israeli investment funds including Medica, Inventech and Nitzanim. The company develops biopharmaceuticals utilizing its proprietary "Trimera" system—a mouse containing human tissue that enables the development of fully human therapeutic monoclonal antibodies and also enables drug candidates to be screened for efficacy against viral, oncological and autoimmune diseases. A hepatitis B drug based on this technology will enter Phase I and II trials in 1998. XTL has strategic alliances with Canada's Biochem Pharma Inc. and Neoprobe. Many of

Israel's emerging biotech companies expect 1998 to be the year when they achieve major strategic alliances.

Some major milestones in recent years were Copaxone a "blockbuster" drug by Teva, and a couple of encouraging approvals by the FDA obtained by Pharmos after six years of work. Today there are some 100 biotechnology companies operating in Israel as compared to 63 in 1994. Many of these, as we have stated, are relatively well financed to carry out their missions. It would take only the announcement of several FDA approvals to bring global attention to Israel's biotechnology efforts.

SCIENCE CORNER

Clusters, Computers And The Human Brain

How does our brain cope with the enormous flux of information that bombards our senses? One important neural strategy is the ability to "cluster," or categorize, data and thus make sense of the world around us. Prof. Eytan Domany, head of the Weizmann Institute's Physics of Complex Systems Department, has developed a new method, or algorithm, for performing "clustering" on computer. A patent application for the algorithm, whose physical aspects are described in the April issue of Physical Review E, has been filed through Yeda Research and Development Co., the Institute's technology transfer arm. The approach has great potential for use in data-heavy scientific and industrial applications. For example, the algorithm may be used to analyze the vast stream of information collected by satellites orbiting the earth. It may also be of great help in "data mining," the process by which specific information, such as details on a particular product, are culled from the world's huge and constantly growing commercial data banks. One of the most interesting aspects of the new algorithm is the fact that it mimics unassisted learning. Unlike most automated "sorting" processes, in which a computer must be informed of the relevant categories in advance, Domany's algorithm is analogous to human intuition: it

doesn't need to be told how the data is structured or how it should be broken down into groups. When confronted with each new clustering task, the algorithm analyzes the data, computes the degree of similarity between its components and picks its own criteria for breaking the data into clusters. This is similar to the way in which a young child categorizes unfamiliar objects. For example, a child who has never seen a kangaroo or a bicycle, and is exposed to hundreds of different pictures of each, will eventually figure out that the pictures represent two types of objects — in other words, that the pictures form two "clusters," one of kangaroos and the other of bicycles. As in Domany's algorithm, this process takes place independently of any instruction about the nature of the categories involved. Adults, too, intuitively group together things that are alike, even when not explicitly taught to do this. The algorithm has already proved itself in solving a variety of clustering problems. In a recent study conducted in collaboration with Yoram Gdalyahu and Dr. Daphna Weinshall of the Hebrew University of Jerusalem, it successfully sorted out 90 images of six different toy objects: three animals, two cars and a boy. Analyzing the lines making up the images, the algorithm correctly determined that the models fall into three different groups. It then further separated the three different animals and the two different cars. In another task, the algorithm was asked to analyze the sounds of the alphabet as pronounced by 300 people, with the sound of every person's voice represented as a combination of more than 600 acoustic parameters. Without being given any instructions other than the command to look for clusters, the algorithm correctly organized this huge mass of data into clusters corresponding to letters of the English alphabet. Domany got the idea for his algorithm from a well-known physical phenomenon that serves as a basis of magnetic recording: when a granular magnet, such as a magnetic tape, is warm, its grains form a disorganized mess. But when the magnet is cooled down, the grains progressively organize themselves into well-ordered clusters. Using

statistical mechanics of granular magnets, Domany was able to create an algorithm that can look for clusters in any type of data.
Currently, Domany's algorithm is being applied to analyzing the complex neural activity of the brain itself. The goal is to develop an automated process for sorting out brain images produced in response to different stimuli.

Tibco - Gilat to Bring Publish/ Subscribe Technology to Private Satellite Networks

Tibco Software Inc., the pioneer and leader in enterprise middleware and application integration, announced that it has initiated a joint sales and marketing program with Gilat Satellite Networks Ltd. of Israel (Nasdaq: GILTF). Tibco will provide its TIB/Rendezvous reliable multicast, message-oriented middleware for use in Gilat's private Very Small Aperture Terminal (VSAT) networks for one-to-many data distribution. This program will enable the companies to jointly market new enterprise applications — such as knowledge management or corporate training — designed to keep network users up-to-date regardless of their location. The announcement was made at Tibco's Strategic Directions 1998 Conference in San Francisco. The two-day event annually hosts more than 300 chief information and technology officers from the world's leading financial, manufacturing and telecommunications organizations.
"Tibco's one-to-many messaging technologies, with its low-bandwidth requirements, are perfectly suited for satellite communications," said Vivek Ranadive, Tibco's Chairman and CEO. "By coupling Gilat's VSAT technology with Tibco's publish/subscribe, subject based reliable multicasting, we expect real time business communications to be enhanced and extended to include many more geographically dispersed sites than traditional hard-wired networks could support."
"With Tibco as a partner, Gilat can offer a broad-band IP-multicast infrastructure as a complete turn-key solution to its corporate customers," said Gilat Chairman and CEO, Yoel Gat. "Besides

supporting real-time video and Internet/Intranet-access, we can now support publish/subscribe technology as well.'' Tibco's software is now a de facto standard for enterprise-wide event-driven computing in finance, manufacturing, construction, electronic commerce and other industries.

Orbotech Announces Q1 1998 Results

Orbotech Ltd. (Nasdaq: ORBKF) has announced consolidated financial results for the first quarter ended March 31, 1998. Revenues for the quarter increased by 31% to $54.2 million from $41.4 million recorded in the first quarter of 1997. Net income was $9.6 million, or $0.69 per share, an

---

JP Morgan: "Anyone who wants to be a central player in the global market, can no longer continue to ignore Israel"

US investment bank JP Morgan Securities, one of the world's leading concerns, has begun activity in the Israeli market, investing in Israeli companies. Anthony Best, general manager of the bank's London office, participating in the Euromoneys analysts' conference recently held in Tel-Aviv, stated that the bank had avoided investment in Israel until now against the backdrop of its massive activity in the Arab world. "Israel is a huge story of economic change including a change to low inflation, promising liberalization, transparency and privatization," he stated.

Gilat Satellite Networks Ltd reported 1Q EPS of $0.35 vs $0.28 on revenues of $31.0 million vs $21.0 million last year. Analysts' estimates were $0.35.

NetXchange Best of CR Expo Award

"Computer Telephony'' magazine recognized Internet Xchange for Fax (IXF) from NetXchange Communications, Inc. (a subsidiary of LanOptics Ltd. Nasdaq: LNOPF) in its "Best of CT Expo" feature published recently.

The leading telecom-munications publication noted that IXF software — one of the "cool products from the show" — enables standalone fax machines to transmit and receive documents over the Internet without requiring users to change the way they normally handle faxes. NetXchange is a leading provider of Internet telephony software and infrastructure.

LanOptics announced results for the first quarter ended March 31, 1998.

Revenues for the first quarter totaled US$ 5.3 million versus US$ 5.8 million in the first quarter of 1997. Net loss for the quarter was US$ 2,784,000 -- a loss of US$ 0.47 per share -- compared to a net loss of US$ 998,000 or US$ 0.16 per share for the same period last year.

increase of 49% compared with net income of $6.5 million, or $0.49 per share last year. Revenues grew in all geographical areas, with continued strong growth in the Pacific Rim. Commenting on the results, Yochai Richter, President and CEO, said, "We are pleased to report continued strong performance this quarter, with solid revenue growth and record gross margins. During the quarter, we recorded significant repeat sales of AOI equipment, especially in Taiwan. Our sales of the in-line post-solder inspection system for the electronics assembly industry continued to increase. Overall, the first quarter was a strong start to 1998, and we look forward to continued progress throughout the year."

Orbotech Ltd. is the world leader in the design, development, manufacture and marketing of AOI systems for use in the manufacture of PCBs, and is a leading manufacturer of computer-aided manufacturing ("CAM") systems and laser plotters ("Plotters") for PCB production.

Robert Fleming Securities recently initiated coverage of Orbotech Ltd. with a "buy" recommendation, saying the Asian crisis has not hurt demand for the company's products. Fleming estimated EPS of $2.75 for 1998 and $3.29 for

1999. It said Orbotech is trading at 12.27 times 1998 estimated earnings and 10.26 times earnings for 1999, compared to 18.21 and 15.21 times for the company's international peers. Fleming warned the company could hit a bump in the 2Q of 1998, if Asian PCB manufacturers cut capital expenditure.

Check Point & Microsoft Cooperate

Check Point Software Technologies and Microsoft expanded their strategic partnership to provide unified policy-based management for global networks running Microsoft Windows NT. Financial terms weren't disclosed. In a press release, Check Point said the companies will accelerate the acceptance of Windows NT as the platform of choice for enterprise security.

Eight Scientists Awarded Wolf Prize

President Ezer Weizman recently presented the 1998 Wolf Prizes to eight leading scientists in a ceremony in the Knesset.

Ilan Chet, professor of agriculture at the Hebrew University of Jerusalem, shared the agriculture prize with Baldur Stefansson, a professor emeritus at the University of Manitoba. Gabor Somorjai, a professor of chemistry at the University of California at Berkeley, shared the award with Gerhard Ertl of the Fritz-Haber Institute in Berlin. The scientists received the prize for their work in catalysis.

Yakir Aharanov, a professor in the School of Physics at Tel Aviv University, shared the physics prize with Sir Michael Berry, of Bristol University in England, for their work in quantum mechanics. Professors Michael Sela and Ruth Arnon of the Weizmann Institute of Science have been jointly awarded the medicine prize for their major discoveries in the field of immunology.

Orckit and Fujitsu Enter Strategic Alliance for Asia and Europe

Orckit Communications Ltd. (Nasdaq: ORCTF) and Fujitsu Limited of Japan have announced that they have entered into a strategic alliance agreement targeting Asian and European telecom

carriers. Fujitsu will begin selling Orckit's DSL products through Fujitsu's marketing channels, and the partners will jointly integrate Orckit's FastInternet( ) system into Fujitsu's end-to-end ATM systems.

"Orckit and Fujitsu's equipment solutions are complementary and synergetic, said Kazuo Murano, a member of the Board of Fujitsu Limited. "We are looking forward to leveraging Orckit's superior DSL products with our existing customer base as well as introducing it to new customers. Orckit and Fujitsu have already won a contract together for the supply of VDSL systems to a major western European operator.

Fujitsu will sell Orckit's current FastInternet( ) system , and in parallel, the two partners will integrate Orckit's Asymmetric Digital Subscriber Line (ADSL) and Very high bit rate Digital Subscriber Line (VDSL) products into Fujitsu's Optical Network Units and Network Termination Units in order to provide a Full Service Access Network (FSAN) for telecom customers. FSAN is expected to enable telecom operators to provide cost-effective fast data access services to their customers, including fast access to the Internet, remote LAN access (telecommunicating), on-line interactive services, electronic commerce and networked multimedia.

Elbit Systems Up for 1998

Elbit Systems Ltd.'s (ESLT.TA) first quarter results surpassed the company's expectations and management said they are optimistic for the coming year.

"The quarterly results were a little better than our expectations," stated a company executive. "We are optimistic we will have a better year than last year.'' The company reported that sales in the quarter ended March 31 grew 12 percent to $103.1 million. Earnings per share rose to $0.25 from $0.22 a year earlier while EPS rose to $0.23 from $0.20 as the number of shares outstanding increased to 26.7 million from 23.3 million. The results were higher than the Wall Street consensus which estimated EPS of $0.24. Elbit recently announced its subsidiary had won an

important contract from Lockheed Martin Corp. for the U.S. Air Force. The contract is for the integration of the Joint Helmet Mounted Cueing System (JHMCS) into the F-22 fighter aircraft. Elbit's subsidiary already has contracts to develop the system for the U.S. Air Force's F-15, F-16 and F-18 aircraft.

Elbit officials said full production could reach 4,000 systems between the various aircraft with a potential of hundreds of millions of dollars. While Elbit shares have gained 14 percent since February, the company offical said its peers in the United States were trading at much higher multiples. Elbit, he said, was looking for merger and acquisition opportunities this year, and noted that the company had $50 million in cash, following a U.S. offering of 3.2 million shares in 1997.

Elbit's backlog at the end of the quarter stood at $655 million, down from $670 million at the end of 1997. Exports account for 80 percent of Elbit's sales with a quarter going to the United States and more than a third to Europe. Latin America and Asia account for 10 to 15 percent of sales but Elbit expects this to increase. According to the company executive, the company was not affected by the economic crisis in Southeast Asia.

NICE Systems 1Q Revenues Up 72 %

NICE Systems Ltd. (Nasdaq: NICEY) reported first quarter 1998 revenues up 72 percent to $22.9 million compared with $13.3 million for the first quarter of 1997. Net income rose 125 percent to $4.8 million from $2.2 million.

EVS Reports Q1 Results

Elbit Vision Systems Ltd. (Nasdaq: EVSNF) announced results for the first quarter ended March 31, 1998. Net sales for the first quarter of 1998 were $4.7 million, versus $6.2 million reported in the same period in 1997.

OptiSystem Licenses IBM

IBM's Global Services division licensed OptiSystems Solutions Energizer for CICS, for its

Northeast Geoplex. Financial terms weren't disclosed. Energizer for CICS is a real-time performance manager for the IBM-developed CICS on-line transaction processing environment. OptiSystems said other IBM sites currently are evaluating the product.

Cisco Systems Buys Israel's Class Data Systems for $50 million

The international communications giant Cisco Systems has announced the acquisition of Class Data Systems of Ra'anana for $50 million. This is Cisco's first acquisition of a company in Israel. Under the agreement a total of $50 million worth of Cisco shares and cash will be exchanged for all outstanding shares and options of Class Data. The transaction is expected to be finalized in June. Early May a team from Cisco came to Israel to complete the transaction, headed by Jeff Kraus, vice president of Cisco's Large Organizations department.

Cisco, a global leader in networking for the Internet, controls about 70 percent of the communications routes to the Internet worldwide. Class Data was founded in 1996 by Arad Naveh, 35,who, until the transaction, held over 10 percent of the company's shares. Naveh also serves as president and CEO of the company. The major shareholders in the company are the Israeli venture capital firm Veritas, with 28 percent, and the American fund Eurolink, which also held a 28 percent stake.

Class Data has 34 employees, provides software solutions and enables band-width management services for Internet and intranet. These businesses are considered to be in very high demand in the world of communications networks.

Yossi Gal, director-general of Cisco's Israeli branch, said that the acquisition of Class Data was a breakthrough for Cisco and that it was the first time the international company decided to purchase a high-tech company outside North America. "One of the goals we undertook is to open [Cisco's] doors to Israeli technology," Gal said. He added that the acquisition reinforced the significance of Internet protocols and would allow

Cisco to offer more complete solutions to telecommunications companies.

Class Data's engineering and development team, headed by Dr. Gilad Zlotkin, will remain in Israel. Arad Naveh and the company's management and marketing team will be moved to Cisco's facilities in the U.S.

Class Data's products enable network managers to allocate network resources according to company priorities. Enhanced control capabilities mean business-critical applications are assured timely, high-quality network transport.

ECI Telecom to Supply Toll Quality Compression Equipment

ECI Telecom Ltd. (Nasdaq: ECILF) announced the receipt of an order via Istelcom, valued at US$9 million, for the supply of QuadCoder300$^{(TM)}$ systems to Embratel-Brazil Terrestrial Transmission Division.

ECI Telecom's QuadCoder300$^{(TM)}$ systems were chosen to back-up Embratel's extensive fiberoptic terrestrial inter-city networks on digital microwave links. The systems will enable the detection of transmission difficulties on the fiberoptic link within a fraction of a second and will then be automatically activated to restore normal transmission via microwave facilities using Toll Quality Compression.

ECI Telecom also announced that it has been chosen to provide DCME solutions for private satellite networks in Russia and countries in the CIS and CEE region by the Scottco Company. The two year framework agreement, valued at US$12 million, was awarded following a series of extensive field trials. ECI Telecom has already received an order for US$1.5 million within the $12 million contract and has commenced shipment of its new generation DTX-360 DCME toll-quality compression equipment to the region. The DTX-360 systems which will be deployed within Scottco's international gateways, will provide voice and data services to the residents of Moscow, Georgia, Tbilisi, Almaty, Kiev, Erevan, Sofia (Bulgaria), and other cities in the region.

The company further announced that its revenues for the first quarter increased by 15% to $184,141,000 compared with $160,059,000 for the comparable period in 1997.

President Clinton: Israel's Economy is One of World's Most Advanced

President Bill Clinton recently warmly praised Israel's economy, describing it as one of the most advanced economic systems in the world. At a White House ceremony marking Israel's jubilee, where he was awarded an honorary doctorate from the Hebrew University, Clinton said: "All the energy and striving that drives Israel's economy has made it one of the world's most advance and diversified. Per capita income is on a par with European countries; last year Israel's exports came to $32 billion, a thousand times more than in 1948".

The President described Israel as "one of the most vibrant and energetic places on Earth. High-tech companies, and high-tech people, characterized by, among other things, the clicking of computer keyboards and the birth of "Internet ventures". The economy is based on technology and modern science"

Vocaltec's Earnings Lower

Lehman Brothers lowered its earnings estimate for Vocaltec Communications Ltd, citing increased hardware sales in the company's revenue mix. Analyst Ted Kundtz revised his loss per share estimate to $1.00 from $0.66 in 1998 and to $0.13 from $0.04 in 1999. In the 1Q of 1998 VocalTec reported a loss of $0.23 a share against Lehman's projection of an $0.21 loss.

"In order to supply customers with turnkey solutions for pilot projects, there was a higher percentage of hardware sales in the company's revenue mix.

This in turn resulted in lower gross margins," Kundtz wrote in a report. "We expect this trend to continue over the next several quarters." Lehman maintained its "2-Outperform" rating for the share.

Japanese fund puts $1 million in RadGuard

Japan's largest venture capital fund, Jafco, is jumping into Israeli waters for the first time with a $1 million investment in RadGuard. Jafco's investment is part of a $4 million private placing in which the American venture capital fund Unterberg-Taubin and Dovrat-Shrem each invested $1 million. RadGuard provides private organizational network security solutions located on public networks using virtual private networking technology. Jafco's investment in RadGuard came after cooperation agreements the Israeli company signed with Japanese giants, including NTT Data, Sumitomo Metal and Toshiba Engineering.

Israeli-Led Venture in Satellite Imaging Poses Challenge to U.S. Aerospace Firms

An Israeli-led venture is joining the race to sell high-resolution satellite images of the earth, in a challenge to U.S. aerospace companies already entering that emerging commercial market. The new venture, which includes Israel Aircraft Industries and Core Software Technology Inc. confirmed it will soon announce plans to launch a $70 million satellite capable of gathering detailed, digitized pictures of much of the world in the forseeable future.

The U.S. ventures all plan to offer one-meter resolution satellites on a timetable similar to the Israeli venture, although the IAI spokesman said, "We want to launch our satellite before' the biggest U.S. project, the Lockheed Martin-led Space Imaging of Denver."

Orckit Q1 Revenues up 25%

Orckit Communications Ltd. (Nasdaq: ORCTF), a leader in the development, manufacture and marketing of Digital Subscriber Line systems, reported that revenues for the quarter ended March 31, 1998 increased 25 percent to $6.5 million, compared to $5.2 million for the quarter ended March 31, 1997. Net loss for the first quarter of 1998 was $1.9 million, or $0.13 per share, compared to a loss of $552,000, or $0.04 per

share, in the first quarter of 1997.

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(TM) DSLAM System with ADSL and SDSL, and its CopperTrunk(R) HDSL and VDSL product lines. Orckit has key strategic silicon alliances with Harris Semiconductor, Fujitsu Microelectronics and Rockwell Semiconductor Systems, and alliances with telecom equipment providers Fujitsu Network Communications and SAGEM.

Polaris: Making the Connections

With the birth of the $125 million Tel Aviv-based Polaris II fund — Israel's largest venture capital fund — Israeli start-ups need look no further than their own borders for financial fuel.

Polaris II was established this year by two high-technology industry insiders, Rami Kalish and Nehemia Peres on the heels of the highly successful Polaris I fund.

Aladdin Knowledge Systems Q1 Results

Aladdin Knowledge Systems Ltd. (Nasdaq: ALDNF) has reported financial results for the first quarter ended March 31, 1998.

Net sales for his period increased 17.2% to $9.48 million versus $8.09 million, reported in the first quarter of 1997. Net income for the quarter increased by 20.6% to $2.63 million, compared with $2.18 million reported last year. Earnings per share were $0.26, an increase of 18.2% from the $0.22 reported in the 1997 first quarter. Weighted average shares outstanding were 10,255,000 and 10,060,000 for the 1998 and 1997 quarters, respectively.

Aladdin Knowledge Systems is a global leader in the secure licensing and distribution of digital content. Aladdin's product range includes HASP(R) and Hardlock(R), key-based software security systems which monitor software licensing

and prevent unauthorized use of computer programs, Privilege(TM), a suite of software licensing and metering tools for developers and corporate IT managers, and ASE(R) -.

BTG's Proprietary Dosing Regimen

Bio-Technology General Corp. (Nasdaq:BTGC) announced that an oral contraceptive, incorporating BTG's patented dosing regimen licensed to an affiliate of Organon, Inc., has received FDA marketing approval. Under the terms of the license agreement, BTG will receive a milestone payment relating to the approval, and royalties on all future sales of the product. Organon, Inc., a West Orange, New Jersey company, intends to launch the product later this year in the United States, the first country in which this advanced technology will be available.

"This is good news for millions of women and their healthcareproviders who want new options for birth control," said Dr. Sarah Berga, Associate Professor of OB/GYN, Division of Reproductive Endocrinology, the University of Pittsburgh School of Medicine. "An oral contraceptive with a low daily dose of estrogen and a shortened hormone-free interval is a welcome addition to the oral contraceptives available. Clinical studies of this new drug regimen indicate effective and well tolerated contraception for new patients, patients who change therapy, perimenopausal and postpartum women,'' she added.

BTG's other commercial products are: Oxandrin[R], an oral anabolic agent for the treatment of weight loss, Bio-Tropin[TM],

Selected Acquisitions and Mergers of Israeli Technology Companies

Israeli Company	Acquiring Company	Date	Detail
Class	Data Systems Cisco	1998	$50M
Biosense	Johnson & Johnson	1997	$400M
Opal	Applied Materials	1996	$175M
Orbot Instruments	Applied Materials	1996	$110M
Panorama	Microsoft	1996	$13M for technology
Telrad	Nortel	1996	$45M 20% for
Scorpio Com.	U.S. Robotics	1996	$72M
Instent	Medtronic	1996	$ 200M
Edunetics	NEC	1996	$12M
Rosebud	Gamidor	1996	n.a.50%
Orgenics	Selfcare	1996	Merger
Armon Net	Bay Networks	1996	$36M
Softalk	Callware	1996	Merger
Medinol	Boston Scientific	1995	n.a.30%
Lannet	Madge	1995	Merger
Ornet	Siemens	1995	$30M
Ubique	America Online	1995	$14M
Pegasus	Medical HBO	1995	$14M
Shany	Intel	1994	$9M
Nicecom	3Com	1994	$53M

recombinant human growth hormone, BioLon(TM), hyaluronic acid for use in ophthalmic surgical procedures, and Delatestryl(R), an injectable testosterone product. The Company's worldwide 1997 product sales were $53.7 million. The oral contraceptive product will strengthen both the Company's revenues from product sales and the Company's focus in the area of endocrine and metabolic therapeutic agents.

Organon develops and produces pharmaceutical products in fields such as gynecology, psychiatry, atherothrombosis, and auto-immune diseases. Major product groups are oral contraceptives, infertility treatments, and preparations for menopausal complaints, depression, and psychosis. Organon is one of the pharmaceutical business units of Akzo Nobel, which is headquartered in Arnheim, The Netherlands.

Crystal Systems Solutions Announces New Business With Ford Motor

Crystal Systems Solutions (Nasdaq:CRYSF), a leading provider of software conversion tools and services, is pleased to announce two new Year 2000 related services projects with Ford Motor Company [NYSE:F]. Both services verify that source code is, or is not, Y2K compliant. The first Y2K verification service is for unchanged original source code that is claimed to be year 2000 compliant. The second verification service is designed for source code that underwent Y2K remediation of any kind.

Ford Motor Company, a pre-existing client of Crystal Systems Solutions, has chosen Crystal's new verification service to verify Y2K compliancy of Ford Motor Company software. "Based on Ford's past experience with Crystal, the verification process is being used to check the Y2K compliancy of the software," said Ben Levy, Vice President of Marketing for Crystal Systems Solutions.

The exact terms and scope of the new Ford project were not disclosed.

Crystal Systems Reports Record Q1

Crystal Systems Solutions Ltd. (Nasdaq: CRYSF), a leading provider of conversion tools and methodologies for the MVS environment, reported that first quarter 1998 revenues increased to a record US $8.702 million from US $3.564 million in the same quarter last year.

Revenues for the first quarter of 1998 increased by 144% as compared to the same quarter 1997. Net income for the first quarter of 1998 increased to a record US $2.0 million or $0.17 per share as compared to a net income of US $386,000 or $0.04 per share in the same period in 1997. Net income for this quarter increased 407% over net income for same quarter 1997.

Crystal Systems Solutions is a member of the Formula Group (Nasdaq: FORTY) which is the largest public IT group in Israel. Crystal provides software tools and services that perform complex conversion projects for mainframe computer systems. Crystal's tools and conversion methodologies are designed for application changes such as Y2K, Euro currency conversion, field expansion as well as technological changes such as platform migration or language upgrades.

Israel says U.S. to Drop Fee on Israeli Imports

The United States has decided to exempt Israeli imports from its customs users fee, the Israeli Ministry of Industry and Trade said. The fee, which the United States imposes on imports from all countries except Mexico and Canada, amounts to more than five percent of the value of the imports, the ministry said.

Israel reciprocated by lifting a restriction that limits the size of the packages of food imports. The United States opposed the restriction because it said it favored imports of European food products, the statement said. The United States will also begin allowing Israeli companies to bid for rural project tenders.