

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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Reflections Ahead of 5761

With the coming of the Jewish New Year, 5761, according to tradition, the time is ripe for some reflections. On the political front there are arguably some positive developments.

Israelis and Palestinians have finally bared their souls to each other and tabled a central issue, namely Jerusalem. This could be a positive step because it underlies what really matters in the hearts of every Israeli and Jew throughout the world. It is unlikely that any Israeli politician can strike an acceptable long-term agreement with the Arab world without taking into account the issue of Jerusalem.

The essential preservation of the sanctity of Jerusalem for all who hold it dear, cannot be turned over to outside parties. It is an “insiders” problem, one which is understood with difficulty by “outsiders”.

The issues of Peace for Israel and Peace for the Middle East will be debated, argued and undoubtedly, if required, fought for. Peace is as elementary to Israel's very being as the Bill of Rights is for the Americans and the right of free speech to the British. So with the New Year, we hope for a further move towards Peace for Israel and the Middle East, Region.

In their 52 year old history Israelis have never been more convinced of their ability to create dollar wealth based on technological creativity.

We chronicle frequently multi-million and more recently multi-billion dollar deals.

Electronic engineers and software programmers are in greater demand than ever. The ranks of regular army electronic engineers are being decimated, as the private sector combs the Israeli Defense Forces for qualified, but less highly paid personnel. The yeshivot, the halls of learning for the ultra-religious are becoming the battleground for computer trainees.

<http://ishitech.co.il>

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The Hebrew language has acquired a new jargon which is a transliteration of Initial Public Offerings, options, mergers and strategic partnerships and investments. These are the buzzwords for a population that not long ago concentrated on felafel, drip irrigation and the miracle of exporting \$150 million worth of oranges a year.

The articles in the newspapers and popular journals concentrate on how long it would take to "make it big". Some delve into the long-term psychological effects on children and wives, left at home while the men toil around the clock to move the startup to a new level of achievement and a higher valuation.

So what are the problems as we face 5761? It all comes down to Israel's role in the globalization of countries, economies and the individual. It is not just a question of big payoffs and high salaries but a the forging of a new way of life.

It is the adjustment of a temporary two-track economy which punishes participants in Old Economy pursuits and rewards those that partake in the New Economy which embraces Information Technology. It is also the necessity of dealing with the new mobility for Israeli entrepreneurs. That includes overseas registration of startups, researching and product development. There are worries of loss of tax revenues, personnel or even worse a possible "brain drain".

As we end the old year indeed, the blessings held out by globalization are great and beckon to those who will partake in them in 5761.

To all of our Jewish friends a
Happy New Year

GIVEN IMAGING'S BREAKTHROUGH TECHNOLOGY

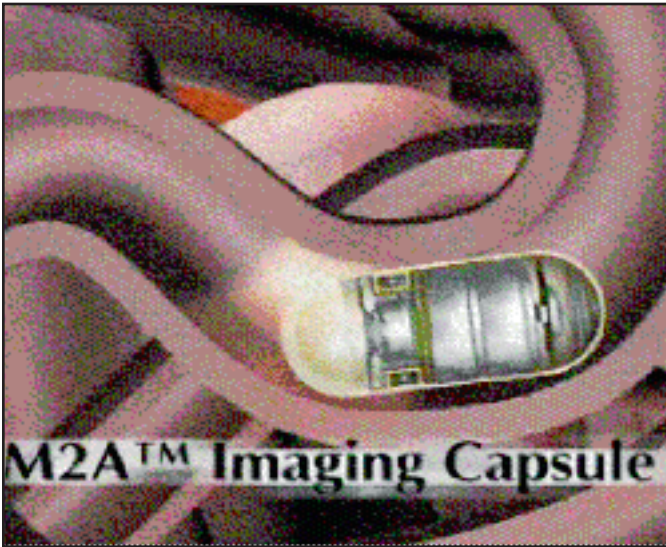
Insight into unseen recesses of the human body only previously partially accessed by endoscopic surgery or radiation has been made possible with Given Imaging's patented technology. The patented M2A Imaging Capsule holds great promise in the diagnosis and healing of gastro intestinal disorders. GIVEN IMAGING (GIVEN is an acronym for GastroIntestinal Video Endoscopy), founded in January 1998 has audaciously pursued and achieved the goal of miniaturizing a video camera and encapsulating it so that it could be swallowed, traverse smoothly through the digestive tract and then be naturally excreted. Currently, the broadly used method for gastrointestinal diagnostic is endoscopy, which uses flexible scopes inserted through the mouth or rectum. Typically the length of

Insight into unseen recesses of the human body only previously partially accessed by endoscopic surgery or radiation has been made possible with Given Imaging's patented technology.

a gastroscope exceeds 2.5 meter. Most patients whose physicians suspect ulcerations, lesions, tumors, Crohn's disease, inflammatory bowel disease (IBD) and irritable bowel syndrome (IBD) undergo endoscopic procedures, which most individuals find stressful due to patient discomfort and the need for sedation. Dr. Paul C. Swain of the London Royal College Hospital, who participated in the development of the M2A Imaging Capsule describes it as an "added and not replacement" technology. "It is non-invasive, not expensive, eliminates anxiety and allows the individual to continue a daily routine while being examined." Most of the diseases affecting the small intestine relate to infarcts, hemorrhages and ulcerations in areas of the

small intestine and are not observable by endoscopy or radiology. "Radiology does not pick up polyps of less than 5 millimeter in size but M2A has no difficulty delivering resolutions at 0.1 millimeters," Dr. Gavriel Meron, the company's chairman and CEO points out.

The advantages of a video camera capturing pictures with small bowel disease are of invaluable assistance to the GI physician.



The response by the medical community has been both positive and enthusiastic. At the annual meeting of GI specialists the capsule was viewed, in closed sessions, by nearly 1,000 specialists.

How does it work?

The procedure is simple. The patient swallows the capsule. A wireless recorder equipped with sensor arrays worn on a belt around the waist receives signals transmitted by the capsule. The use of the belt allows users to continue their daily activities as they undergo the "GI" examination". Any conventional PC equipped with Given's proprietary RAPID (Reporting and Processing of Images and Data) software produces a short video clip of the small intestine. The workstation allows the viewing, editing and archiving of the video and the saving of individual images and short video clips. These in turn may be e-mailed for further diagnostic evaluation. The proprietary software is very sophisticated and provides features such as the ease of intensive viewing of the digital video clip, which has a back-

ward and forward feature. Still pictures can of course be studied. The video clip is downloaded into a conventional computer. The GI specialist who receives the video can review it for easy examination.

IHTIR visited the brand new and enlarged Israeli headquarters of Given Imaging in Yokneam's high-tech center in the Carmel Mountain range and learned the background of the M2A Imaging Capsule. Dr. Arkady Glukhovsky, immigrated to Israel from Moscow in 1970, the same year that Dr. Meron moved to Israel from South Africa. The Russian was employed by Raphael Development Corporation, a company established in partnership with Discount Investment and Elron Electronic. The company was formed to commercialize the highly vaunted technology developed by Rafael, Israel's Armament Development Authority. Dr. Meron reviewed Dr. Glukhovsky's work and decided that it merited further development, applying for patent protection and positioning the project in its commercial direction. All this was done during the past 32 months.

The biggest market for Given Imaging's M2A Imaging Capsule is the US, where between 60 to 70 million people are affected by gastrointestinal diseases. Moreover, more than 10 million endoscopic procedures are performed yearly and according to the National Institutes of Health the annual cost of the gastrointestinal disease is more than \$100 billion. The US Food and Drug Administration's approval last August has led the company to initiate clinical testing.

"Our time to market goal is Q1 2001," estimates CEO Meron.

Should Given Imaging initially market 100,000 diagnostic procedures it could easily reach sales of \$30 million.

With positive comments being received from gastrointestinal specialists the miracle of "seeing the unseen" holds out the promise for a major revolution in how we perceive our bodies.



The Nuclear Reactor

In what has been described as an indication of Israel's new openness as to its Dimona based Nuclear Reactor an Israeli mass circulation newspaper published this satellite view of

the reactor. The source of the picture is the Federation of American Scientists web site.

Since it became known, more than 30 years ago, that Israel operates the nuclear reactor the Government has maintained a policy of intentional ambiguity. However, outside of Israel sources have speculated that Israel possesses an arsenal of 200-300 nuclear weapons. If this is accurate it would make Israel the sixth largest nuclear nation.

Furthermore the publication of the pictures has sparked off a discussion as to whether Israel should change its policy and take its nuclear capability from "basement" status to an openly stated policy. The openness to be employed as a deterrent against the launching of missile attacks by those nations that have openly stated that they possess a missile capability of striking any target in Israel.

Federation of American Scientists site:
<http://sun00781.dn.net/index.html>

Scientific Protection from Jellyfish Stings

Mimicking the secretion of Clown fish, an Israeli husband and wife scientists team have developed a substance which offers protection against the sting of the jellyfish. The Clown Fish secretes a substances which prevents it from being stung by the sea anemone jelly fish.

Israelis bathing in the Mediterranean Sea have often passed up on going to the beach during periods of jelly fish infestation. Stings can inflict lacerating welts and burning blotches on its victims. The creatures' greatest concentrations are in Florida, the Caribbean, the Far East and the Mediterranean where millions of the sea creatures can swarm in a normal summer.

A cream developed by marine biologist Amit Lotan and his molecular scientist wife Tamar has qualities similar to the Clown Fish "This is really a breakthrough. They claim that while "most creams give relief after someone is stung, this is the first that actually prevents the effect of a sting in the first place".



Building on their ten years of experimentation Lotan founded a commercial company to produce and market the patented invention.

Nidaria Technology is a biotechnology company, dedicated to making the ocean and marine environment a safer place for beach goers, swimmers, surfers, divers and fishermen. Earlier this year the product was initially marketed under the SafeSea tradename.

The company is now negotiating with sunscreen manufacturers around the world including Coppertone and Hawaiian Tropic in the United States and Boots chemists in England to manufacture their products jointly in a one application beach cream.

ECI Telecom Announces Spinoff Plans

ECI Telecom said it would spin off and eventually take public its five fastest-growing businesses: transport networks (cross-connect), optical networking, access (broadband), next generation telephony (Internet protocol) and InnoWave.

The aim is to at least double its current \$3 billion valuation. Wall Street analysts suggest that higher

expenses will hurt profits and weigh on ECI's share price until the process is complete.

ECI's Deutsche Telekom AG agreement is a massive one and is valued at \$250 million. The agreement is to supply broadband solutions to more than one million subscriber lines through the end of 2002 at some \$250 per line. ECI has received two previous contracts from Deutsche Telekom for similar equipment which is expected to take at least two years to deliver.

The Digital Divide

The per-capita gross domestic product of Egypt, Jordan and Syria is between \$1,100 and \$1,400, according to Economic Models Ltd., a Tel Aviv consulting firm, while Israel's is \$16,100. This divide will widen dramatically if Israeli economic growth accelerates, as is expected, over the next few years.

Moreover, there exist clear inequalities within Israel itself, where the explosion of wealth among entrepreneurs, engineers, technologists and programmers that they employ, has only begun to trickle down into the economy. Israeli businessmen and social commentators are already expressing concern at the widening of Israel's digital divide--the gap between the wealth and opportunity of those plugged into the technology economy and those left behind. Many entrepreneurs have made multimillion-dollar hits from selling their companies to overseas buyers. Even rookie engineers straight out from the universities can command \$80,000 or more per year, nearly five times the country's per-capita gross domestic product. But while Israeli technology companies are struggling to find and retain engineers--even offering to pay the government \$50,000 for each visa for foreign engineers it approves--unemployment in the economy at large is lingering at about 9%.

The situation is delicate and is being recognized as a potentially explosive social issue as mirrored in the increased attention paid to the problem in

the country's press.

However, it will require more than some old fashioned early State of Israel socialist thinking to correct the digital divide, as the Government's thinking today, appears to be reflecting a laissez faire capitalist approach. The question is how quickly can Israel's high-tech sector close the gap in Israel's economy. However, as near that may be, the gap between Israel and its neighbors is less likely to decrease in spite of the efforts of Shimon Peres whose Peres Peace Center aims at establishing economic cooperation throughout the Middle East .

The Arrow Hits its Target

Israel successfully tested the Arrow 2 anti-ballistic missile September 14, 2000, with the warhead destroying a live incoming missile fired at the Israeli coast. It was the first time the Arrow 2 had been tested against a live rocket. The missile, named the Black Sparrow, was dropped from an IAF F-15 fighter jet.

According to the Israeli Defense Ministry all components of the weapon system — the radar tracking, the fire control center and the Arrow 2 interceptor — worked as planned. The test was observed by a delegation from the United States Ballistic Missile Defense Organization, which oversees the program. The project dates to 1988, three years before Iraq pounded Israel with 39 Scud missiles during the Gulf War. It is expected to cost more than \$2 billion, with more than half the funding coming from the United States. In the test, a simulator missile similar to a Scud was fired from a plane toward the Israeli coast. "The Arrow was fired toward the target in a stable, exact fashion until it hit and destroyed the target," said Daniel Peretz, head of the Arrow program at Israeli Aircraft Industries. Peretz said the Arrow was operational.

The Arrow contains a static radar station, batteries, and control center. Its radar, developed by Elta, is designed to track incoming missiles from as far as 300 kilometers away. The battle management cen-

ter, built by Tadiran, will guide the launches of the interceptormissile which was developed by Israel Aircraft Industries' MLM Division.

The first battery of Arrow missiles is deployed in the center of the country. Originally, Israel planned to deploy just two batteries, but the United States approved \$81.6 million toward the purchase of a third battery, whose total cost is estimated at \$170 million, but could be less if the system is sold to other countries that have expressed interest.

Upgrades to enable the Arrow to tackle more advanced missiles, such as the Shihab-3 and Shihab-4 being developed by Iran, are being planned. The Arrow is designed to strike and destroy a warhead, be it nuclear or other, well before it is supposed to explode, on or near the target.

Conference

Listening to Danny Fishman ahead of the 4th Annual Growth Conference

Tamir Fishman & Co., (TF) founded slightly more than three and a half years ago, has grown into a full service investment bank. At its Rothschild Boulevard, Tel-Aviv headquarters it employs 80. Its rapid growth parallels the dynamic expansion of Israel's high-tech sector. The Tamir-Fishman group focuses nearly exclusively its investment attention on the technology and emerging growth industries sectors.

A propitious representation agreement, early in 2000, with the American Dain Rauscher Wessels, links the American's services and reputation as a global investment bank with TF's understanding and experience in the turbulent local technology market, where three new startups are thought to be born each day.

Corporate finance activity involvement totals \$3.2 billion, over the past three and a half years. In a wide ranging discussion with Danny Fishman, Co-President and CEO of TF he stressed that the "deal flow is nothing short of fantastic". Over a period of a few months, TF has been the object of 500 approaches by technology firms to provide financing. "They reach us by e-mail, they send in their business plans, they arrange for their names to be brought to our attention by mutual friends and others make contact by way investment banks. I expect the surging deal flow to continue, but perhaps the rate of growth may slow," commented Danny Fishman.

The 40 plus year old executive is most comfortable in describing cross border banking activities. He spent four years in the Government's privatization effort to privatize the 250 companies owned by the Government of Israel. Prior to that he earned his MBA at the Hebrew University of Jerusalem. The University's economics department is famous for turning out many graduates who have climbed to the pinnacle in the business world as well as in academia.

"I served in the Israel Defense Force's intelligence 8200 unit. This is the unit from which half the country's high-techies have graduated," states Fishman, with a broad grin on his face.

TF manages two venture capital funds. One is the \$ 120 million Tamir Fishman Ventures 2, and the other is the \$ 55 million Eucalyptus Fund. The latter has experienced three exits including RADWare, a highly well received IPO, Chromatis, a \$4.5 billion buyout by Lucent and the most recently in September, ViryaNet Ltd. The company offered 4 million shares at \$8 each in its IPO, raising \$32 million through the deal.

In addition TF manages NIS 200 million (\$50 million) in mutual funds and its asset management activities account for NIS 1.5 billion or \$375 million. These moneys are entrusted to TF

by high net worth individuals, many of them flush with large sums derived from M&A activities and sale of founders' shares. Options management of \$3.5 billion covers 25% of Israel's high-tech employees. The offering of a service to high-tech option holders has only become popular in the past few years as nearly every high-tech employee receives options as part of the remuneration package.

In an environment of many mergers and IPOs, cashing in on options requires knowledge of tax and stock exchange law and practices as well as a ready access to market brokerage facilities. TF offers this service and the owner of the options "receives Israeli shekels in his account. We even arrange for the payment of taxes due," explains Danny Fishman. Corporate finance activities are in excess of \$3.2 billion and with nine IPOs in the pipeline are likely to exceed \$4.0 billion.

'The M & A Tax Law is a really bad one.'

A Jerusalem based research tank expressed the opinion "that any CEO who insists on registering a local start up in Israel should be canned".

This comment was widely reported in the media. "It is an advantage to register as a US company. But the real and compelling reason is the Merger & Acquisition law in Israel. It is a really bad one. I think it should be a top priority of the Government which is losing billions of dollars in corporate and individual taxes, to make the small changes which will make all the difference. When Israeli sell companies they do not get paid in cash but in stock. The tax is due on the merger (sales price) but the shares received in payment are not saleable immediately and may only be saleable months or a year later. There is no guarantee that counter value of the sale will suffice to pay the tax.

"I was involved in an M&A transaction between and Israeli and American company. The Israeli company was to be sold for \$150 million in stock

and the tax liability would be \$75 million. The deal did not go through. In the US you pay tax when you have a real exit. The tax level should be the same as in the US with the Israelis paying the same tax as all the world is paying," animatedly pointed out Danny Fishman, in an uncharacteristic outburst by an otherwise self-controlled investment banker.

Nearly every recent high-tech event has drawn unprecedented attendance. But the 4th Annual Growth Conference, with a record 125 companies presenting themselves, and an overall attendance of more than 2,000 is likely to be a 'standing room only' event.

IHTIR will be there to cover the Conference

Telemedicine Company is Expanding

Card-Guard, which develops telemedicine systems, announced that it has acquired the American Instromedix for \$30 million in cash. Founded in 1969 Instromedix produces video cardiovascular and pacemaker monitoring systems.

In the past two years, Instromedix has operated as the equipment division of the medical systems producer Alaris, a public company.

Instromedix joins US company Life Watch, which Card-Guard acquired in January 2000 for \$11 million. In the first half of this year, Card-Guard had sales of \$19.7 million and reported a profit of \$3.8 million, compared to sales of \$4.07 million and a \$300,000 loss in the corresponding period in 1999.

Card-Guard shares are traded in Zurich at a company value of \$517 million. Since its shares were registered for trading at the end of 1999 their value has appreciated by more than 300 per cent.

Implementation of the deal and the joining of Instromedix's staff will increase Card-Guard's staff by 20% to 300. Card-Guard is expected to announce shortly a new round of financing aimed at raising \$200 million.

How the Global Individual Investor Can Capitalize on Israel's High-Tech Boom

UPDATE

TASE Publicly Traded Venture Capital Companies

Results for the individual companies

Sadot	+ 8.0%*
Teuza	+ 30.1%*
Marathon	+ 2.5 %*
Mofet	+ 121.0%*
Inventech	+ 54.2 %*
Tamir Cap	+ 17.1 %*

* Yields Year to Date and as of September 21, 2000

A balanced portfolio of the above TASE Publicly Traded Venture Capital Companies since the beginning of 2000 reflects a nominal paper profit of 38.8%. This is nearly three times as great as compared with the General Share Index of TASE traded companies, which since the outset of this year has gained 13.4 per cent.

In an interview with Danny Fishman, Co-President and CEO of Tamir Fishman & Co., the executive pointed out that in the Tamir Fishman Ventures II Fund, four investments have been completed. At current price levels, not far from its launch price, the shares are still reflecting the money value, without taking into account the prospective added value from the vc investments.

Mofet, has one of the more promising mixes of investments in its portfolio. The recent resumption of IPOs along with a continuous trend of Mergers and Acquisitions should favor this sector. Mofet saw an exit for its investment in Precise Software which debuted some time back and is trading comfortably above its issue price.



IHTIR Model Portfolio Developments

Point of Sale Acquires US Company

Point of Sale Limited (Nasdaq: POSI) announced that it is acquiring privately held RCS Technologies, Inc. of Warrendale, Pennsylvania. RCS Technologies ("RCS") designs, develops and installs a wide range of advanced corporate and store-level software solutions for the mid-and small-independent supermarket sectors. The deal is valued at a total of \$8.5 million in cash and stock. RCS, which employs 92 people in Pennsylvania, Ohio, Tennessee and Washington, has been at the forefront in providing affordable, integrated store and host-level software solutions for the past 25 years. The company's flagship RCS ScanMaster Solution Series is a flexible and robust retail checkout software system built on an open, scalable foundation of Windows NT and client server technology. The ScanMaster product has historically been distributed through NCR Corporation. This exclusive arrangement with NCR will continue post-acquisition. RCS will continue with its current operations, including the release of several new product lines. The RCS deal brings on board a total of 2,200 store installations, bringing the total U.S. installed base for Point of Sale to approximately 7,000 grocery stores.

The company expects to strengthen its support of both NCR and ICL's dealer programs that market the ScanMaster and ISS45 products, respectively. The deal is expected to contribute significantly to the market penetration by Point of Sales' innovative ASP offering. "As we have continued to invest and develop our Internet-based products for supermarkets, we have realized the importance of a strong installed base and distribution channels. The combination of the RCS products and market position with our other U.S. operations moves us closer to our goal of creating a large community of users," said Barry Shaked, CEO and Chairman of

Point of Sale Limited. "In addition to its installed base, RCS enjoys a strong relationship with NCR Corporation and a number of dealer/distributors that we will continue to support and enhance in the coming years." Robert Allnock Sr., President of RCS Technologies, commented, "We are excited about our new relationship with Point of Sale Limited. We believe that we are beginning to enter a watershed period of change in the supermarket industry and that the strategic direction that Point of Sale has embarked on is the right one. Our customers, employees and strategic partners will all enjoy the benefits of this new alliance."

BackWeb Provides Push Infrastructure for Siemens ICN's Intranet

Siemens AG recently announced that it has selected BackWeb® Technologies (Nasdaq: BWEB), a leading supplier of push technology for e-business solutions, to provide the Polite(TM) push infrastructure for Siemens' ICN (Information and Communication Networks) division, one of the three information and corporate technology divisions at Siemens AG.

With BackWeb's patented Polite(TM) push technology, the ICN Intranet proactively distributes customized content directly to users' desktops.

Siemens selected BackWeb after a two-year evaluation. Using BackWeb Foundation, Heidelberg firm Expert Center Rodo Media developed VD-Infochannel, an all-inclusive communications application deployed in spring 1999. With the Siemens ICN Intranet growing steadily, 7,500 of Siemens' 60,000 Intranet users already receive proactive deliveries of critical information.

Supported by BackWeb's push technology, Siemens managers can supply its distribution staff with the latest information, including distribution releases, product information and price lists. This information is generated in the VD-Infochannel headquarters in Munich and is delivered directly

to users' desktops with the help of BackWeb's Polite Agent(TM) and Flash features. These unique capabilities ensure that Siemens only uses available network bandwidth for deliveries, thus minimizing the impact that content deliveries have on system and network performance. BackWeb's Flash feature also allows Siemens to employ multimedia alerts that instantly inform users about the arrival of important or time-sensitive information.

The push-enabled VD-Infochannel provides easy access to Siemens Intranet's most important sources of information, thus reducing the time it takes to research topics and locate materials. With BackWeb, the Siemens network also automatically updates important files and materials, and distributes information culled from some 25 Web channels, including SAP information or news, share prices and news articles.

With BackWeb's patented Polite push technology, Global 2000 companies can deliver multimedia-rich digital packages of any size or format, including audio, video, graphics and html. BackWeb's Polite Agent avoids disrupting the consumer by using only available bandwidth and politely delivering the information in the background.

We note that the recent Nasdaq decline in the prices of technology shares, BackWeb has fallen to levels of around \$12, a price not seen since its IPO in June 1998.

Precise Software Boosted by Merrill Lynch

Merrill Lynch analyst Mark Fernandes raised his intermediate-term rating on Precise Software Solutions Ltd. (Nasdaq:PRSE) "to buy" from "accumulate". The report predicted a key product release, important customer wins and broader distribution reach.

Gilat to Dominate Satellite High-Speed Internet Market

Gilat Satellite Networks (Nasdaq:GILTF) should continue its march toward dominance of the satellite powered high-speed Internet market despite weak second-quarter earnings, analysts said recently. Gilat has already captured at least 51% of the global VSAT (very small aperture terminal) market and should enjoy its position as the first direct provider of two-way, high-speed Internet access for at least three years, they said. The company's net earnings, as recently reported, of \$9.1 mln. in the second quarter of 2000, represent a 24.5% drop from \$12.1 mln. in Q2 1999.

BioTechnology IPO News

Two companies launched recently, Compugen Ltd and Keryx Biopharmaceuticals, are two good examples of Israel's fledgling biotechnology sector. Compugen hardware accelerates gene sequencing, while its algorithms were developed to analyse genetic information.

Keryx technology is used in protein-based drug discovery. Both were priced at \$10 a share in their respective initial public offerings this year. Compugen has since seen its share nearly double to about \$18, while Keryx advanced to over \$13.

Friendly Robotics

Friendly Robotics, which develops robots for home use, has announced the signing of a five-year contract with Stiga, which is controlled by Swiss investment bank UBS. It is estimated that Friendly Robotics will supply 60,000 units for \$50 million. In May, Friendly Robotics signed an agreement with US company Toro for supplying several hundred lawn-mowing robots for at least \$500,000 each and a total of \$100 million. Under the agreement, Toro will market the lawn mowers in the US under its own brand name.

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ISRAEL HIGH-TECH MODEL PORTFOLIO

Selected Israeli Growth Companies

	Quantity		Commission	Open Amount	Current Value	Gain/Loss
IHTIR Model Portfolio						
BackWeb		BWEB		Price as of 9/21/2000: 12.75		
Total:	1,000		\$0.00	\$43,500.00	\$12,750.00	(\$30,750.00)
<hr/>						
Check Point Software Tech		CHKP		Price as of 9/21/2000: 151.06		
Total:	3,000		\$0.00	\$17,015.62	\$453,180.00	\$436,164.38
<hr/>						
Comverse Technology, Inc.		CMVT		Price as of 9/21/2000: 90.81		
Total:	750		\$0.00	\$34,687.50	\$68,107.50	\$33,420.00
<hr/>						
Gilat Commun.		GICOF		Price as of 9/21/2000: 13.00		
Total:	5,000		\$0.00	\$49,375.00	\$65,000.00	\$15,625.00
<hr/>						
Gilat Satellite Networkss		GILTF		Price as of 9/21/2000: 72.625		
Total:	1,000		\$0.00	\$56,125.00	\$72,625.00	\$16,500.00
<hr/>						
Point of Sale Ltd.		POSI		Price as of 9/21/2000: 26.25		
Total:	7,800		\$0.00	\$49,725.00	\$204,750.00	\$155,025.00
<hr/>						
Precise Software		PRSE		Price as of 9/21/2000: 29.25		
Total:	600		\$0.00	\$12,300.00	\$17,550.00	\$5,250.00

IHTIR Model Portfolio Investment Summary

Original Assumed Investment at the Start of 1999 was	\$ 246,850
Total Current Value	\$ 893,963
Gain	\$ 647,113 +262.4 %

*valued as of September 21, 2000

Note: The Precise Software shares were added to the portfolio on July 5 at \$20.50

After Eight Months Intel Becomes Israel's Biggest Private Sector Exporter

Intel, the world's biggest semiconductor manufacturer, has become Israel's biggest private sector exporter, after increasing exports to \$1.2 bn in the first eight months of this year compared with \$810m in 1999. The announcement by Intel Israel appeared to be strategically timed to remind the Israeli government of the company's growing importance, while it considers a request to provide government grants for a proposed \$3 bln. Intel investment project. Alex Kornhauser, co-chief executive of Intel Israel, said he expected a government decision on the grants "within weeks". The grants are likely to be decisive in Intel's decision on the project. Intel's proposal is theoretically eligible for a 20 per cent government investment grant, valued at \$600m. But trade ministry officials conducting a feasibility study are caught between the economic dividends of such a large investment and the controversial high cost of wooing Intel to continue to expand in Israel.

Managers of Intel Israel, which includes a research and development centre and two Fabs, or semiconductor plants, said rapid growth this year was driven by the launch of Fab 18, its new facility in the southern town of Kiryat Gat. Fab 18 has exported \$796m of chips this year and \$1 bn-worth since it came online a year ago. Intel secured its leading position in Israel's high-tech export market by surpassing ECI Telecom, the telecommunications equipment manufacturer, which exported \$550m-worth in the first six months of 2000. By year's end, it may exceed the export level of Israel Aircraft Industries [IAI], the state-owned aerospace company which had \$1.5 bn in exports last year, as the country's single biggest exporter. Productivity of Intel's 4,100-strong Israeli workforce amounts to about \$400,000 per head, compared to sales of \$140,000 per employee at IAI.

According to the Israel Export Institute, total Israeli exports rose 27 per cent in the first seven months of this year to \$9.67 bn.

Hewlett Packard Invests \$100 million in Indigo

The two companies will jointly develop high-end printing systems aimed at the commercial market. The Palo Alto, Calif., company also will manufacture Indigo's products under the Hewlett-Packard name.

The deal provides a helping hand to Indigo, which has suffered repeated losses, reorganizations and management shakeups in recent years.

In the second quarter the company reported a net loss of \$16.2 million on revenues of \$40.2 million. Indigo, over the years has exhibited substantial research and development abilities but has not managed to convert itself to a major industrial concern.

General Electric Medical Acquires Control of Elgems

American GE Medical Systems Inc., paid \$30 million to buy out its Israeli partner. By virtue of the purchase it gained total control over the nuclear-medicine imaging products distributed under its brand name.

The deal covers research, development, engineering and manufacturing of GE Medical nuclear-imaging products. GE Medical agreed to purchase the 50% stake in Elgems Ltd. owned by Elscint Ltd.

Elgems was established in July 1997 as a joint venture between GE Medical of Milwaukee and Elscint Ltd. of Israel. GE Medical and Elgems jointly developed the Hawkeye, the world's first imaging system to combine nuclear medicine and X-ray tomography. GE Medical purchased Elscint's magnetic resonance imaging and nuclear medicine divisions in 1998 for \$100 million. Elscint will remain the main supplier of medical components to Elgems, according to the agreement.

Elscint will report a \$20 million capital gain from the deal