# Mizrahi Bank profits up 25% Court reversal: Sportsman McDonald

#### Departing CEO Medina hails great result in face of slump

Wednesday, March 31, 2004

United Mizrahi Bank's profits increased by 25 percent in the past year, and the bank's outgoing CEO Victor Medina glowingly described the results as a great achievement under a difficult economic situation.

In its financial statements released yesterday, Mizrahi posted net profits of NIS 335 million for 2003, up from NIS 268 million the year before.

The last three years were the toughest since the 1980s banking crisis, Medina said, and Bank Mizrahi achieved the best results of all the banks, with 8.7 percent return on equity, while the other banks reached only 4 percent.

"I believe Mizrahi's results should be viewed as an achievement considering the economy was in a slump in 2003," Medina said. "I think it's an achievement Bank Mizrahi can be proud of, thanks to a balanced commercial policy and successful risk management."

For the fourth quarter, the bank reported netting NIS 80 million, up 168 percent on the parallel. This was despite an irregular expenses item of

NIS 19 million, most of which was attributed to the costs of transferring Mizrahi's new offices to a new site in Ramat

Doubtful debt provisions were set at NIS 299 million for 2003, or 3.2 percent of its debt portfolio, slightly down from NIS 309 million in 2002. Shareholder equity at year end stood at NIS 3.9 billion, representing an annual growth of 12.5 percent and lifting the bank's capital adequacy ratio to 9.8 percent. (The minimum set by the Bank of Israel is 9

Medina, leaving the bank after "nine fascinating years" at the helm, earned NIS 4.6 million last year, of which NIS 4.3 million was wages and

Medina, considered a leading candidate to replace the governor of the Bank of Israel, David Klein, when his contract runs out next year (and assuming it is not renewed) did not waste yesterday's opportunity to address wider general economic is-

After the three-year recession just ending, Medina said. the inflation target should be set at 3 percent [as opposed to

its current target range of 1-3 percent], and that interest rates should continue to be brought down.

This was also a thinlyveiled barb at Klein, whose monetary policy Medina considers too strict.

"We also assume that monetary relaxation will persist in the coming year, as a condition for sustaining the economic recovery," Medina added, hinting at what his policy as central bank might be. He was all but declaring

that unemployment and growth were as key to monetary policy as price stability, which is the primary factor for the present Bank of Israel governor

"There is a danger that unemployment will continue to increase in 2004 if the business product does not increase by more than 3.5 percent," Medina said.

"I believe that a key goal of government policy should be to assure a sustained recovery from recession. Only if economic growth of 5 percent can be achieved each year, can unemployment fall from 11 percent today to 7-8 percent within three years.'

Meanwhile, around 2,400

striking Mizrahi Bank workers closed 80 branches across the country yesterday, but will return to normal work today. The workers' committee will meet today to decide on any further action, but they

are not expected to do any-

thing to inconvenience bank

customers before the Pesach

Committee chairman Sarah Lazarowitz yesterday said the protest was over corporate restructuring, particularly the employment of external consultants without reaching any agreement with the workers.

As the staffers are returning to work today, Mizrahi management has decided to suspend its decision to take the issue to the National Labor Court. The management said the industrial dispute breaks a commitment the workers gave last December to keep the industrial peace.

Mizrahi chairman Jacob Perry said the workers' action yesterday was very disappointing. "There is no excuse for a strike. The committee is trying to blur the edges between its role as protector of workers' rights, and management's authority to carry out corporate changes," he said.

# must pay McDonald's for using its name

By Amir Helmer Haaretz Correspondent

Haarelz

Former Maccabi Tel Aviv basketball star Arriel McDonald was ordered to pay the Mc-Donald's hamburger franchise \$20,000 for violating the company's trademark, after the Supreme Court yesterday reversed a lower court decision.

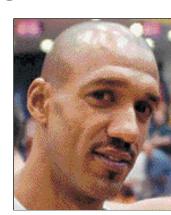
McDonald had been awarded NIS 700,000 after suing Mc-Donald's Israeli franchise owner, the Aloniel company, and Channel 2 for violating his privacy and damaging his reputation; as well as causing the cancellation of his advertising contract with McDonald's competitor, Burger King.

In 2000, McDonald signed a contract with the owner's of the Burger King franchise to advertise and promote its burgers. In the campaign McDonald tries to enter one of the chain's branches while wearing his team jersey with his name on it. One of the workers refuses to let him enter the store until he changes his shirt to one that says Burger King.

The day after the ad appeared, McDonald's retaliated with its own ad which quoted McDonald telling a local paper that he prefered eating McDonald's hamburgers. McDonald then sued for NIS 1.54 million in damages. McDonald's countersued him.

Tel Aviv District Court had ruled in favor of the basketball star, but yesterday the High Court ruled that it was McDonald who violated McDonald's trademark by using it in an advertisement for its competitor Judge Eliezer Rivlin reached the conclusion that McDonald was hired because of the similarity between his name and McDonald's trademark, and therefore, the use of his name to profit at the firm's expense was not made in good faith. He ordered the sportsman to pay McDonald's \$20,000, the sum he made from the commercial

The judge also ruled that McDonald's had not violated hisprivacybyadvertisingwhat



**Arriel McDonald** 

had already appeared in the media: his preference for their hamburgers.

### Meitavit fund posts surplus of NIS 157m

By Haim Bior and Shlomi Sheffer Haaretz Correspondents

While the Histadrut labor federation and the Finance Ministry have begun talks to address the comprehensive reforms introduced last year in the pensions sector - which included raising the retirement

age and reducing pension

rights - the Meitavit pension fund ended 2003 with an actuarial surplus of NIS 157 million.

This surplus is equivalent of 10.3 percent of Meitavit's liabilities. The fund's actuarial surplus, excluding reserves, reached NIS 115 million, up 186 percent on 2002. This was attributed to returns of 19 percent on its non-restricted investment, and yields of 9.2 capital.

Meanwhile, in talks between the Histadrut and the Finance Ministry, the latter agreed to certain adjustments on the new arrangements regarding the veteran pension funds. The treasury agreed that pension payments will be adjusted when inflation passes 4.25 percent (instead of 5 percent) and

percent on its accumulated that second salaries will be taken into account. It also drew up a new definition of pensioner's widow to avoid paying out to an increasing number of young care-givers who marry their aged wards. According to the new rules, "pensioner's widows" must have been married to the pensioner for at least two years, and be at least 60 years old when widowed.

#### Magal share soars 25 percent

Security company rides high as it announces new product

By Ido Alon Haaretz Correspondent

Every day there seems to be a new reason for Magal Security Systems (TASE, Nasdaq: MAGS) shares to rise another few percent on their way to the \$20 target. Yesterday the stock soared over 23 percent on the local exchange, while on the Nasdaq, it was trading up 11 percent on a large turnover to reach an amazing price of \$19 a share, having sat at the \$8 level just two months ago.

Magal announced a new product yesterday, but the rising stock seems to reflect the interest in the company as the result of General Electric's March announcement of its intentions to buy a rival security company, InVision Technologies, for \$900 million in cash, a 21 percent premium over the

InVision develops technology to detect explosive materials, much in demand by airlines. The company, based in Newark, California, claims to have pioneered the use of computerized tomography to inspect luggage. GE also has a technology, called Ion Track, to ferret out explosives and drugs, hence its interest.

While Magal does not compete directly with InVision in its highly specialized field, the transaction senta lot of defense and security companies climbing on Wall Street, including Magal, as U.S. investors discovered the sector

The rise in Magal's stock price, and that of other security companies, reflects a much greater premium than that paid by General Electric, as a result of the huge hype in the internal security area.

Madrid as well as the killing of Sheikh Ahmed Yassin of Hamas also added to the rush to security stocks. Magal specializes in systems that detect unwanted intrusions into airports and the like, surveillance systems, perimeter systems and so forth. It also has a new prod-

uct to protect pipelines. Magal's new product, DreamBox, enables the recording of digital video and audio along with motion detection, security management and 9 other applications in a single closed circuit television solution. Magal will compete in this field with other Israeli companies such as Verint and Nice

In 2003, Magal reported a net profit of \$2.4 million on revenue of \$59.4 million. Magal's market value reached \$150 million yesterday, which reflects a price to earnings ratio of 63

Taking Stock / Guy Rolnik

## Competition in Israel

years the three companies running Channel 2 insisted they compete. With each other, that is. That sounded rather silly, it must be said after all they shared Channel 2 and each had a monopoly over its own time slot. But they insisted that viewers and advertisers could choose what day to watch, or to advertise.

As for their astounding profits, sometimes a 20-40 percent return on capital, the three companies attributed it to their excellent manage-

This week, when Reshet and Telad announced their financial results for 2003, we got another perspective on their phenomenal management capacities.

However feeble, disappointing and rating-devoid Channel 10 was since its inauguration, it managed to almost completely abolish the profits of the talented triumvirate. For years Telad had been netting NIS 11-22 million a year; for 2003 it presented a net of NIS 3 million. As for Reshet, it had to settle for NIS 1.8 mil-

And remember that Channel 10 spent half of 2003 operating under court protection from bankruptcy. Its broadcast schedule was a pale, pared down thing. Hands constantly trembled in readiness to pull its plug.

But Channel 10 posed competition, as piteous as it was. major income from third-gen-Competition over viewers, competition over advertisers, competition over suppliers, competition over content. And competition is another game entirely, a game that Channel 2's franchisees are just starting to learn.

two weeks ago, announcing rates of the carriers because

**Commercial television**: For the acquisition of a controlling interest in Matav Cable Systems, as a stepping-stone to aren't major any more." conquering the entire Israeli

cable industry. Goodness. Just a couple of years ago detractors were braying that Israel had no room for a third cellular company, and loudly wondered whether Partner would ever be able to pay off its liabilities. And here Partner is, taking the cable television industry by storm and investing more than half a billion shekels just as a start.

We figure that when the first quarter 2004 financial

Just a couple of years ago detractors were braying that Israel had no room for a third cellular company.

statements are published, it will become clear, again, why the cellular companies are so confident and why Partner is so eager to embark on new adventures.

Partner, Cellcom and this year, Pelephone Communications too will be raking it in this year. Granted, cellular isn't going to grow much, and eration service lies in the hazy future. The main thing is that the era of tooth-and-nail com-

petition is apparently over. "Competition in cellular is a thing of the past," one of Cellcom's shareholders confided last week. "Now competition Cellular: Partner Commu- is confined to new customers nications CEO Amikam Cohen and advanced services. It is ue charging fat management shocked the market to its core very hard to compare the

they offer so many options, but in general the differences

The banks: Today the big banks will be presenting their 2003 results. Heavy provisioning for the imprudent credit will be the last reminder of the recession that pervaded the marketplace in the last three years. All the rest of their financial statement parameters will show business as usual. Revenue from financing, before provision for doubtful debt, will climb due to wide margins. Operating income will rise, wage costs will surge and bonuses to manage-

ment will too. How can that be? Simple. In the absence of real competition, middle class households are stuck with their banks over decades. In most cases they don't even know what fees they pay, or how much

these fees amount to. Insurance: You read the annual report from your life insurance provider and discovered that its yield is far below that of the competition. You asked experts and learned that the terms of your policy are inferior, because of a large, expensive risk component. What can you do about

Nothing, my friend, chances are you're stuck. It is hard, sometimes impossible, to transfer money between life insurance policies, and forget rerouting the money to an alternative savings vehicle. If your policy is young, you stand to be hit with a heavy fine for exiting. The most you can do is stop depositing money in the policy, but the money you already put in will stay there for many years to come, during which time the company will continfees. Wake up, dear reader! This is competition in Israel.

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