

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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## Exchanges Struggle for 'New' and 'Dual Listings'

The Tel-Aviv Stock Exchange (TASE) as an emerging nation stock market, similar to the smaller European markets, among these Easdaq, launched three years ago, Germany's Neu Market and the French Nouveau Marche appears to be functioning firmly but inevitably in the giant shadow of Nasdaq. The American Nasdaq market whose daily turnovers may exceed two billion shares has made it clear that within the foreseeable future it will set up shop in Europe and provide its services to the European listers. No one doubts that it will be a hard act to beat. The unified European stock exchange network scheduled to be up and running by November 2000 has promised to provide a single access to the eight European markets via the same electronic interface. This flurry of activity has prompted Nasdaq to plan its own trading platform Nasdaq-Europe.

Faced with the reality of more than 100 Israeli companies with Nasdaq listing, the European smaller markets are focusing on Israeli technology driven startups for initial public offerings as well as "double listings". They are aiming to get a piece of the trading cake and currently that means wooing Israeli startups.

However, the Europeans say that though only a few dozen high-tech companies have listed themselves on Europe's markets, nevertheless their Exchanges have much to offer new issuers. They quote Israeli technology analysts who say that Europe has lagged behind in attracting Israeli companies, largely because interest there in high-tech stocks took

longer to gain momentum than in the United States. They insist that European investors are now ready to absorb high-tech and internet stocks.

Unfortunately, it is a fact that when European Exchanges hurry to attract listings, they tend to lower the requirements for listing to a level which may prove to be detrimental to shareholders. Companies which are listed prematurely have a subsequent poorer stock market performance than their more patient brethren. While the number of Israeli issues in Europe is increasing, some Israeli companies say Europe still lacks a well-developed com-

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munity of investors and analysts.

At a recent meeting with top executives of the TASE Managing Director Saul Bronfeld conceded that the Exchange's "dual listing" proposal awaiting approval of the Ministry of Finance may already have missed the boat. Due to the many listings by Israeli companies on Nasdaq the TASE had sought to obtain automatic listing on its exchange of any Israeli company when its NASDAQ listing became effective. This sound idea, which if executed, would provide the benefit of less expensive transactional costs on the TASE and allowed the convenience of trading at hours when NASDAQ had as yet not begun its trading day.

Another consideration is that this could also serve as a tool to enhance peaceful relations with Israel's neighbors when "cross-border" trading with Tel-Aviv will be adopted by Cairo, Amman and Beirut.

In checking what the Government is doing, *IHTIR* learned that the issue of "double listing" is currently in the hands of the Ministry of Finance. The office of the Finance Minister told us that an urgent request has been forwarded to the Ministry of Justice to draft a law for approval by the Knesset, Israel's parliament. Existing restrictions would first have to be removed to pave the way for approval for the simple procedure for "double listing". An optimistic guess would be that such an approval would not become a law before the end of this year. It seems that for the Tel-Aviv Stock Exchange, for all of its willingness and technological ability to handle trading around the clock, it is a case of missed opportunities because it is fair enough to assume that more nimble Israeli high-tech companies will follow the example of Check Point Software Technologies (Nasdaq:CHKP), Mercury Interactive (Nasdaq:MERQ), Orckit Communications (Nasdaq:ORCT) and Galileo Technology (Nasdaq:GALT), will be the first Nasdaq-listed Israeli shares to trade on Easdaq. Delighted Easdaq chief executive Steven Schubert said there are discussion being held to include

additional companies from this country. To date, 15 Nasdaq-listed companies trade on Easdaq, all high-profile technology stocks including Microsoft, Cisco Systems and Intel. Two Israeli companies -- Supercom and IT International Theatres -- went public on Easdaq in 1999. However, the Europeans should not take anything for granted, as Nasdaq chairman Frank Zarb along with key executives has visited Israel last month to meet Prime Minister Ehud Barak and economic officials, who have invited the U.S. exchange to consider cooperation with the Tel Aviv Stock Exchange.

As for the Tel-Aviv Stock Exchange --- it has experienced a recent best year in 1999 with equity prices up sharply by 65% in dollar terms. We shall not shed too many tears for the TASE. At the beginning of the millennium there were ten high-tech issues in the initial public offering pipeline awaiting approval for listing. TASE Chairman Prof. Yair Orgeler and Managing Director Saul Bronfeld are hopeful that these will include a few big time future winners such as CheckPoint Software and Comverse Technologies whose combined market capitalization on NASDAQ currently exceeds \$15 billion. The shares of these two companies experience daily turnovers on Nasdaq which are greater the total weekly turnover on the TASE or 2.5 times the average one day's turnover of all shares on the local exchange. "With a little bit of luck one of the new issuers will become the star of tomorrow.

### ***Versaware Concludes \$25 million Financing Round***

Versaware Inc., a major factor in Internet and electronic publishing, with its research and development carried out mostly in Jerusalem, announced the successful completion of a private financing deal totaling \$25 million from leading European and U.S. Investment firms.

Versaware closed an \$18.5 million investment with U.S. based BG Media and Capital Communications CDPQ. The European financing of \$6.5

million was led by Nomura International, plc and included the ETF Group. It was Nomura's second investment in Versaware, and comes just one year after the United Kingdom-based subsidiary of Nomura Securities Co. Ltd. acquired an 11% stake in the e-commerce company.

Versaware offers total e-Publishing solutions with its proprietary, patent pending technology, "intelligent," feature-rich content and platform-neutral distribution channels for all delivery methods.

"These investments not only represent a strong vote of confidence in our market approach but more importantly, will help us to accelerate our continued acquisition of book titles while simultaneously increasing our technology lead by

advancing our research and development capabilities," commented CEO Harry Fox.

### ***Venture Capital of Deal Money Flows in US and Israel***

Venture capital investment in the U.S. reached a new high of \$35.6 billion in 1999, topping the previous record by 150 percent, according to the PriceWaterhouseCoopers Money Tree survey. During the fourth quarter of 1999, a record \$14.69 billion was invested in entrepreneurial ventures, topping the \$14.2 billion invested in all of 1998. In 1999, the number of companies receiving funding rose 41 percent to 4,006, compared to 2,849 companies a year earlier. Average funding per company increased 71 percent to \$8.9 million versus \$5.2 million a year ago. "A solid U.S. economy, a sensitive, but not wildly volatile stock market, and a receptive, though selective, IPO market -- combined with the ever-expanding opportunities for technology -- creating an ideal environment for venture capitalists and entrepreneurs alike," Paul Weaver, chairman of the Global Technology Industry Group, said in a statement. "This is clear evidence that venture capital is moving into the mainstream. We may have reached a new investment plateau." Technology-based companies, including Internet-related businesses, accounted for more than 90 percent of all investments in 1999. For the first time in the survey's five-year history, annual investments in non-technology companies fell in dollar terms. Internet-related investments, which cut across all standard industry categories, increased nearly six-fold from \$3.4 billion in 1998 to \$19.9 billion in 1999, accounting for 56 percent of total investments.

In Israel, Internet-related investments accounted for 55% of total 1999 investments, but the Internet phenomenon intensified in the fourth quarter with 72% of all investments going to those companies. The U.S. results indicate that the E-commerce is driving the Internet. Business-to-Con-

### ***NASDAQ Leaders Visit Israel***

NASDAQ chairman Frank Zarb, NASDAQ president John Wall, and NASDAQ Europe president Charles Balfour (grandson of Lord Balfour) spent four days in Israel where they met with Prime Minister Ehud Barak, Minister of Industry and Trade Ran Cohen, Ministry of Industry and Trade director general Reuven Horesh, and Minister of Finance Avraham Shochat. The visitors will also met with Tel Aviv Stock Exchange leaders, Securities Authority officials, representatives of Israeli companies traded on Nasdaq and Israeli companies applying for Nasdaq listing. The delegation returned a recent visit Nasdaq by PM Barak and Minister Ran Cohen. The 100 Israeli companies traded on Nasdaq make Israel the second most heavily traded foreign country on the Nasdaq - second only to Canada. The visiting Nasdaq officials defined the visit as fact-finding tour on the Israeli economy and Israeli companies, which are keyplayers on the global technological market. Nasdaq leaders may discuss the possibilities of incorporating NASDAQ in Israel-based trading, including the establishment of a NASDAQ Israel stock exchange.

sumer E-Commerce Sites captured \$4.46 billion of the \$19.9 billion Internet pie, rising 1092% from the prior year. This increase was followed closely by Business-to-Business E-Commerce Sites with a 908% increase from 1998.

In comparison to the states of the United States, the level of 1999 venture-backed investments in Israel ranked 7th (\$1 billion) below the states of California (\$16.9 billion), Massachusetts (\$3.6 billion), New York (\$1.9 billion), Texas (\$1.5 billion), Colorado (\$1.3 billion) and Washington (\$1.2 billion). In terms of number of deals, Israel ranked 3rd (343 deals) below California (1,525) and Massachusetts (443), but far ahead of Texas (228) and New York (211).

## Internet Security Breached in Big Way

For those who remain unconvinced about security issues on the Internet the shutting down of YAHOO and E-Trade, an online Internet stock broker was frightening experience. Conclusions were nearly unanimous: If they can shut down Yahoo, they can shut down anybody. An apparently coordinated attack recently overwhelmed one of the Web's most popular destinations, once again calling into question the vulnerability of Internet companies. "Our engineers had just not seen anything like this before," said Laurie Priddy, executive vice president of systems and applications for GlobalCenter, Yahoo's Web hosting service, which bore the brunt of the attack. "It would take a concerted effort, a group of people or some sophisticated software to generate that level of traffic." Other high-profile Internet companies, such as eBay, have been hit by major outages, but today's attack on Yahoo highlights a simple technique that can cripple a large, relatively well-prepared Internet company. Yahoo executives today said their system was knocked out by a "distributed denial of service attack", a

With top Internet companies shuddering under a wave of hacker attacks, Internet security companies, job-hungry consultants and even insurance companies swooped in to cash in on the scare. "This recent security risk represents a danger to the vast majority of Web servers deployed today," said Simon Perry, of Computer Associates. Servers are computers used to manage Web sites or networks of other machines. There were some clear beneficiaries of the hacker threat: shares of Web security companies such as Verisign, CheckPoint Software Technologies, Watchguard Technologies Inc. and Axent Technologies Inc.

vulnerability well-known to security experts. The National Institute of Standards and Technology, Carnegie Mellon's Computer Emergency Response Team Center and the FBI all have issued alerts on the subject during the past few months. In a warning issued in late December and updated in mid-January, the FBI said it found the tools needed to launch these attacks secretly installed on many computer systems across the Net, without owners' permission or knowledge. This has created "large networks of hosts capable

### **Microsoft Confirms \$50 mln Investment in Gilat's New Consumer Satellite System**

Microsoft and Gilat Satellite Networks Ltd. (GILTF:Nasdaq) (see IHTIR Model Portfolio) said they plan to develop a high-speed, two-way satellite broadband network for U.S. Internet access.

As part of the deal Microsoft said it plans to invest \$50 million in Gilat's new consumer satellite access service, Gilat-To-Home, and will initially hold a 26% stake in the new company.

of launching significant coordinated...attacks," the FBI said. A denial of service outage occurs when attackers bombard a Web site's servers with fake packets of information requests. When the targeted server responds, the attackers' system steps up the barrage by sending more requests. The affected Web site struggles to keep up with the mounting number of requests, slowing performance for users or ultimately crashing the system. Internet executives and industry experts said certain security measures can be implemented to curb mischief and that consumers should not have concerns about the Net's reliability. "This shouldn't lead to wide-scale negativity about the Internet," Priddy said. "Was it a bad day? Sure. It's not the first one, and I doubt it will be the last. That's not to say there are no defenses." In this attack, however, those defenses proved inadequate. Yahoo had implemented "rate filters," which are intended to guard against attempted denial of service attacks. The company admitted however, this particular attack was too large to ward off. Executives at GlobalCenter, the Web-hosting unit of international communications carrier Global Crossing, said the level of traffic sent to Yahoo's equipment was unprecedented. For example, GlobalCenter's entire network handles an average of 4.5 gigabits per second, Priddy said. At the peak of the outage, which lasted from about 10:30 a.m. PST until shortly after 1 p.m., the Yahoo-directed requests totaled roughly 1 gigabit per second, more information than some Web sites receive in a year, Yahoo spokeswoman Diane Hunt said. "This was a highly unusual event," Hunt said. "It happened very quickly and with great intensity. "The Internet is still in its infancy," she added. "A lot of the things that happen on the Web are new. This isn't the last time this will happen on the Internet." Midway through the day, Yahoo's core Web address switched from the GlobalCenter facility to a backup East Coast system, easing much of the problem, said Gene Shklar, vice

### ***Influence -- Israeli Medical Company Acquired by Pfizer***

Pfizer, the US global pharmaceutical concern Pfizer has acquired little known Israeli start-up Influence Ltd. for \$65 million.

Influence develops and markets micro-surgical implants enabling people with difficulties to control the passing of urine. The problem is widespread among the older population. The company developed a device to prevent urine leaking, which works on the basis of valves implanted in the body. The company already received US Food and Drug Administration (FDA) approval for the product it developed for women in this area. Influence was founded by Messrs Motti Beyar and Oren Globerman and Lewis Pell. The company has branches in the US and Britain, and has a staff of forty.

president of public services for Net traffic monitor Keynote Systems. That action by Yahoo probably was responsible for bringing the site back online, he said. Yahoo was hardly unprepared for such an attack, which indicates that it was a coordinated effort, experts say. "Yahoo is a company that's prepared to handle really high levels of traffic," said Elias Levy, chief technical officer for Internet consulting firm Security Focus. "To be able to take down that network would require a lot of hosts coordinating their actions." Brute-force denial of service attacks have a long history in the computer underground, largely because they are a relatively easy way to wreak havoc with outside computers or Web sites, security analysts say. In one of the most common forms, an attacker will effectively take over another machine, or a group of machines connected to the Web, and then program these "slave" machines to send streams of information at the target site. Commonly, these streams will take the form of a "ping" command—a basic, low-bandwidth way

for one machine to query whether another machine on the network exists. One ping at a time is that tools is almost indistinguishable from the flow of traffic around it. But send enough of them, all at the same time, and the resulting traffic can clog networks or bring servers and router systems to their knees. Attackers commonly insert fake addresses into these tiny streams of information, making them virtually untraceable. For all the sophisticated work on firewalls and security, analysts say there is little that can be done against a concerted denial of service attack. Compounding the risk the tools used to launch denial of service attacks are easily available online. Where an attack once might have required sophisticated programming knowledge and computing resources, downloadable tools now have brought the ability to wreak havoc on unprepared Web sites within the range of relatively casual computer users. Experts say that similar attacks are likely to happen, taking advantage of inherent weaknesses in the Internet's system of open, interconnected networks. No security system will guard against every attack, they say. "The Internet is very much an environment where networks and computers participate by playing by rules," Keynote's Shklar said. "It just takes somebody breaking those rules to cause problems."

## CheckPoint Offers: Cyber Attack Defense System

### ***New Integrated System Part of Broad Solution for Internet Security***

Check Point Software Technologies Ltd.(NASDAQ:CHKP - news), the worldwide leader in securing the Internet, announced its Cyber Attack Defense System to protect websites and corpo-

rate networks from cyber attacks. The Cyber Attack Defense System is designed to automatically identify, analyze and prevent cyber attacks launched on an E-Business website. It also sends notifications to Internet Service Providers (ISPs) and leading OPSEC solutions to cut off an attack. The Cyber Attack Defense System further advances the powerful denial of service attack measures Check Point began introducing, as early as 1994 as a part of its industry-leading VPN-1/FireWall-1.

"It is becoming undeniably clear that robust, comprehensive Internet security is a requirement for companies conducting business on the Internet; the events of the last few days have sent a wake-up call," said Gil Shwed, chairman and chief executive officer, Check Point Software Technologies. "With the introduction of Check Point's Cyber Attack Defense System, we are advancing our Secure Virtual Network (SVN) architecture to take on new and future challenges in guarding against cyber attacks."

Check Point Software's Cyber Attack Defense System is a unified Internet security framework that includes four new modules and technologies: Check Point NetQuota, Check Point ServerQuota, OPSEC Internet Alerts and OPSEC Intrusion Response Protocol. Check Point NetQuota and ServerQuota automatically monitor and analyze for suspicious connection activity at a company's Internet gateways and public Web servers and trigger the system to take immediate response. Check Point's OPSEC Internet Alerts automatically notifies a company's Internet Service Provider (ISP) when its corporate network is under attack so that attackers to the site can be shut off. The OPSEC Intrusion Response Protocol automatically alerts third-party devices such as Web server load balancing products or networking hardware to immediately block traffic from identified attackers. These modules and technologies will be available later this month. The Cyber Attack Defense System

also incorporates three existing products: Check Point VPN-1 Enterprise Center, Check Point Malicious Activity Detection (MAD) and Check Point RealSecure, which has been developed in conjunction with Internet Security Systems (ISS). "ISS and Check Point have been close partners for several years, delivering the industry's leading integrated Internet security and intrusion detection solution," said Tom Noonan, president and chief executive officer of Internet Security Systems Inc. (NASDAQ: ISSX). "Check Point's Cyber Attack Defense System represents a milestone for E-Business security, and we are pleased to extend our strategic relationship with Check Point in this area." Check Point's Cyber Attack Defense System fully integrates the modules and technologies through a unified, tightly coupled sharing of information across all components. The Cyber Attack Defense System also leverages the strengths of Check Point's OPSEC framework, with more than 200 partners, to integrate and interoperate with other security and networking solutions. Through its Secure Virtual Network (SVN) architecture, Check Point Software provides comprehensive Internet security critical to doing business on the Web and forms the basis for the secure infrastructure needed for E-Business.

**Positive Economic Performance Improves Investment Prospects**

The Gross Domestic Product, the measure of the value of all goods and services created, surged by 5.4 percent in second half of 1999. The outstanding performance was capped by the coun-

try's gross business product which surged 6.5 percent in the second half of 1999, according to figures released recently by the Central Bureau of Statistics.

The figures showed a marked improvement in the state of the economy in the second half of 1999. Many indicators pointed to an economy emerging from its slowdown, in stark contrast to the inflation figures for the last three months.

The GDP figures for the second half of 1999 are far higher than the government target of 3 percent for the year 2000.

Growth was consistent throughout the half, at 4.4 percent in the third quarter and 4.7 percent in the fourth.

A significant factor in this increase was the continued growth in exports of goods and services, up 15.6 percent on an annual basis for the second

half of 1999, after a rise of 7.9 percent in the first half of the year. The healthy rise in exports encompassed most sectors: software exports were up 21.2 percent, industrial exports rose 15.3 percent,

agricultural exports surged 16.9 percent, and income from tourism was up 13.6 percent. Growth in diamond exports slowed - to 18.6 percent.

Imports of goods and services also rose in the second half, by 21.3 percent, compared to a rise of 17.7 percent in the first half of the year.

The economy's total resources - the combination of domestic product and- therefore rose by 9.4 percent in the second half, after a first-half rise of 5.5 percent.

Private consumption for

***Driven by rising exports and a strong show of public confidence, Israel's economy is poised for further growth***  
***Additional inflows of international investments together with local investment money are likely to underpin a buoyant share market***

(continued on page 9)

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

**UPDATE**

## TASE Publicly Traded Venture Capital Companies

**Up by 57.56% since start of the year as General Share Index gains 15.0%**

The five **TASE Publicly Traded Venture Capital Companies** are not classified uniformly by the statistician who developed the sectorial indices. These are generally looked at and used by the investment community to compare performance against an index. Had they been classified under one specific heading such as Trade & Services or Holding and Investment Companies we could make a sensible comparison. So for the sake of determining the performance of **TASE Publicly Traded Venture Capital Companies** we calculated this average. To put it differently:

if one had invested a NIS 100,000 at the start of the millennium, that is at the outset of January 2000-- what would be the value of these holdings? The value of such an investment would be **NIS 157,560, a result of a gain of 57.56% since the start of this year.** In the same period the General Share Index was up by 15.0% and on a sector basis Insurance companies led the various groups with a 23% gain.

Local institutional investors have been quick to take profits but that has not detracted from the appeal of these shares. Just recently a Bank Leumi mutual fund manager offloaded holdings in Teuza. This not deter other investors, in the days that followed, to bid up Teuza shares, in one day nearly 10 %.

It is obvious that the volatility, the beta factor for these securities, is extremely high. A basket holding would reduce the effect of these swings.

Our conviction is that the group when taken in terms of total market capitalization is still inexpensive when compared with the profits to be realized by the venture capital companies as their holdings mature and become public companies.

<b>Sadot</b>	<b>+ 15.7 %</b>
<b>Teuza</b>	<b>+ 91.0 %</b>
<b>Marathon</b>	<b>+ 40.5 %</b>
<b>Mofet</b>	<b>+ 29.5 %</b>
<b>Inventech</b>	<b>+ 111.1 %*</b>

\*as of February 18, 2000 and since Jan. 1, 2000

the second half of 1999 rose markedly, by 6.9 percent (compared to 2.9 percent in the first half of the year). Per capita private consumption was up 4.3 percent in the same period, after a slight rise of 0.5 percent in the first half of 1999.

Per capita consumption of durable goods jumped 17.3 percent in the second half, after falling 6.6 percent in the previous half. This included rises of 34.3 percent in per capita purchases of vehicles and 14.7 percent in purchases of household appliances.

Private consumption of services, such as health, entertainment and education, increased by 4.9 percent, while expenditure on consumer items increased per capita by 2.9 percent.

Public construction of housing dropped significantly in the second half, by 21.6 percent, while private residential construction fell by 7.1 percent.

## Venture Capital Investments

### ***DealTime: E-commerce Specialist Raises \$50 mln***

America Online and Time Warner among investors participating in a \$50 million capital raising round offered by Israel's DealTime. The proceeds are intended to finance company activity until its IPO, expected to take place in the second or third quarter of 2000. The investments were part of a round which placed at the company's value of \$225 million. High-profile investors participating include Singapore Telecom, CSK Ventures, Axiom Capital Ventures, Gray Ventures, Clal Electronics, Clal's Infinity fund, Bain Capital, UBS Capital, Hollinger Capital, and a group of private foreign investors. The capital raising round was handled by the Warburg, Dillon, & Read investment bank..

DealTime is a free online comparison-shopping service that locates the websites offering deals on your product. Rather than selling -DealTime lists the online merchants, auctions, classifieds and group buying sites that currently match the potential buyer's shopping criteria.

### ***A Hot Area:***

### ***Small Internet Appliances to Surpass PCs in 2002***

The U.S. market for Internet appliances is entering a period of rapid takeoff, and the new devices are expected to surpass consumer personal computer shipments in 2002, International Data Corp. (IDC) said.

Internet appliances are simple--to-use, lower price devices designed for accessing the Internet. They do not have hard disk drives or some of the functions of more costly personal computers.

As an even broader group of companies seek to address the new era with these new devices, market research firm International Data Corp. (IDC) said it expected the worldwide market for information appliances to exceed 89 million units, or \$17.8 billion in 2004 vs. 11 million units and \$2.4 billion in 1999.

In general, appliances are low-cost and generally are priced under \$500, depending on the type of device and ideally, they cost way under \$500, IDC said. According to IDC, it includes the shipments of Internet gaming consoles, Internet accessible TVs, Internet smart handheld devices such as 3Com Corp.'s Palm VII Web terminals, e-mail terminals and screenphones.

As these and other new devices arrive in the next few years, the Framingham, Mass.-based IDC predicted that U.S. unit shipments of appliances would outnumber those of consumer PCs by 2002., U.S. consumer information appliances are forecast to reach over 25 million units in 2002, while PCs are expected to hit about 23 million units in the United States.

(continued on p.12)2)

# IHTIR Model Portfolio

## Developments and Prospects

### ***“Beware of the Ides of March”***

In advance of the millennium numerous economic forecasters have predicted that March 2000 will be the month when Wall Street will experience a massive downward correction. We at IHTIR are more concerned with the immediate realities of a switch in US interest rates, than with stockmarket prophecies. The signal was given on February 17 when we heard: "With foreign economies strengthening and labor markets already tight," Mr. Greenspan warned, "how the current wealth effect is finally contained will determine whether the extraordinary expansion that it has helped foster can slow to a sustainable pace, without destabilizing the economy in the process." To us it presages a period of monthly lowering of interest rates. This is a new economic phenomenon not experienced for several years and not surprisingly could be expected to lower prices anywhere between 10 to 20%.

As youngsters fresh out of college we faced the prospects of having to insure our newly bought homes from fire, theft, floods, earthquake and the effects of an atomic war; to take out health and disability insurance and life insurance when we married. We did it with a sense of responsibility and a realization that the insurance industry is the best and most profitable business. It was clear that the industry flourished in a healthy atmosphere of insecurity. When we collected our first substantial claim we temporarily forgot our inherent dislike of the industry that “does not lose”

This line of rationale was brought to mind as the business and individual users of computers have had to face up to the fact that “skilled” yet “undiscovered individuals” known as “hackers” have acquired the nefarious skills which allow them to surreptitiously enter our computers, disrupt their operation and equally distasteful, access the information stored on our hard discs. Worse luck is that there no “cybercops” to call.

Israel’s CheckPoint Technologies (Nasdaq:CKPF) is the world’s leading supplier of Internet security. Wall Street investors are keenly aware of the company’s skill in providing software solutions that are in the vanguard of Internet protection. CheckPoint’s business model bears some similarity to what we felt about insurance companies.

Just note the 62% rise in the company’s valuation in one month’s trading .

*(see next page “Israel High-Tech Model Portfolio”)*



The company has announced a stock split and more importantly, exquisitely timed its announcement of its Cyber Attack Defense System to protect websites and corporate networks from cyber attacks.

Investors, inspired by this news reacted with enthusiasm and continued to bid for the shares as their price rose handsomely.

# ISRAEL HIGH-TECH MODEL PORTFOLIO

## Selected Israeli Growth Companies

2/19/2000

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	Quantity	Commission	Open Amount	Current Value	Gain/Loss
<b>IHTIR Model Portfolio</b>					
BackWeb				Price as of 2/19/2000: 36.00	
Total:	1,000	\$0.00	\$43,500.00	\$36,000.00	(\$7,500.00)
<hr/>					
Check Point Software Tech				Price as of 2/19/2000: 198.188	
Total:	1,500	\$0.00	\$17,015.62	\$297,282.00	\$280,266.38
<hr/>					
Converse Technology, Inc.				Price as of 2/19/2000: 180.125	
Total:	750	\$0.00	\$34,687.50	\$135,093.75	\$100,406.25
<hr/>					
Gilat Commun.				Price as of 2/19/2000: 26.00	
Total:	5,000	\$0.00	\$49,375.00	\$130,000.00	\$80,625.00
<hr/>					
Gilat Satellite Networkss				Price as of 2/19/2000: 159.00	
Total:	1,000	\$0.00	\$56,125.00	\$159,000.00	\$102,875.00
<hr/>					
Point of Sale Ltd.				Price as of 2/19/2000: 19.00	
Total:	7,800	\$0.00	\$49,725.00	\$148,200.00	\$98,475.00
<hr/>					
Technomatix				Price as of 2/19/2000: 41.00	
Total:	871	\$0.00	\$23,734.75	\$35,711.00	\$11,976.25
<hr/>					
IHTIR Model Portfolio		\$0.00	\$274,162.87	\$941,286.75	\$667,123.88

### IHTIR Model Portfolio Investment Summary

<b>Original Assumed Investment at the Start of 1999 was</b>	<b>\$ 246,850</b>
<b>Total Current Value</b>	<b>\$ 941,287</b>
<b>Gain</b>	<b>\$ 694,437 +281.3%</b>

\*valued as of February 18, 2000

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## Financial Reports

### **BackWeb Growth Above Expectations**

BackWeb Technologies (Nasdaq:BWEB) a leading provider of push for e-business solutions that enable companies to communicate time-sensitive, business-critical information throughout the extended enterprise of customers, partners and employees. Via Internet-based applications and proactive portals, corporations such as Cisco, Compaq, Hewlett-Packard, and British Telecom have deployed BackWeb's Polite push Internet infrastructure for managing critical changes for key e-business and customer service applications. BackWeb Technologies is headquartered in San Jose, California, and Ramat Gan, Israel.

For the fiscal year ended December 31, 1999, BackWeb reported revenues of \$23.3 million, an increase of 144 percent from \$9.5 million reported

**Editor's Note:** BackWeb has been chosen to be an investment component the Israel High-Tech & Investment Report's Model Portfolio.

BWEB held its Initial Public Offering in June 1999 at a \$12 issue, when it raised \$76 mln price. Highly respected Wall StreetRobertson-Stephenson analyst John Powers on a recent visit to Israel projected that BackWeb will turn profitable in the course of 2000. Robertson Stephens set a 2001 earnings per share estimate of \$0.12 , while maintaining a 2000 estimate of a \$0.13 a share loss.

for fiscal 1998. Excluding amortization charges, net loss for 1999 was \$7.8 million, or \$0.27 per share loss, compared to a net loss of \$12.8 million or \$0.60 per share loss for 1998. Including special charges, net loss for 1999 was \$11.5 million, or \$0.39 per share loss compared to a net loss of \$14.6 million, or \$0.69 per share loss in 1998.

### **NUR Macroprinters Ltd. Reports Record Full Year 1999 Results**

Revenues for the year ended December 31, 1999 were \$60.72 million, an increase of 66.6%, compared to \$36.45 million for the fourth quarter the previous year. Gross profit increased to \$28.94 million from \$17.5 million last year, an increase of 65.36%.

Net income was \$7.18 million, or \$0.56 per share on a fully diluted basis, for the year ended December 31, 1999 compared to \$1.46 million or \$0.13 per share for period last year. Excluding a \$1.6 million one-time charge related to the acquisition of Meital Technologies reported in September 1998, the net income for the year December 31, 1998 was \$3.06 million, or \$0.27 per share.

On February 14, 2000 NUR announced the commercial release of the NUR Fresco(TM) -- its pioneering wide-format screenless production press. The NUR Fresco is the digital alternative to traditional screen printing for wide-format printing in production environments. The market for cost-effective short and medium run digital solutions is expected to be major engine of growth for NUR in the current year..

### **NICE Revenues and Net Set New Record**

NICE Systems Ltd. (Nasdaq: NICE), a leading global provider of digital recording and quality management solutions, reported that 1999 revenues increased 36 percent to a record \$123.6 million, compared with \$91 million in 1998. Net income for the year, excluding one-time charges, reached \$20.3 million, or \$1.65 per share (diluted), compared with net income of \$13.5 million, excluding one-time charges, or \$1.12 per share (diluted) for the previous year.

NICE Systems is a leading global provider of integrated digital recording and quality management solutions which help customers improve their business by effectively recording, storing, evaluating and managing voice communications.video.