

ISRAEL HIGH-TECH & INVESTMENT REPORT

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The Expectations of "Saner" Times is a Prospect Around the Corner

Friday, April 14, closed out one of the worst weeks in the history of the United States stock markets. On that unsettling day, the Nasdaq index plunged by nearly 10% totaling 25.3% for the week. The fall of 7.3% for the Dow Jones industrial average, was the worst since the index fell 7.6 % in the week ended Oct. 13, 1989.

The meteoric rise in the prices of securities, was sustained by the "New Religion". Central to it was the belief that dot.com companies could be worth billions of dollars even though the prospects of profitability were more than unlikely.

Much will be written about the events of this period and undoubtedly this saga will continue long after we pen this editorial.

The question as to who won and lost and why, has to be viewed in the framework of macroeconomics. Between Monday and Friday, it has been tallied that investors lost more than \$2 trillion, or \$7,000 on average for each person in the United States!

The real life story of the behavior of two investors during that week will show that it is far from clear whether US Fed Chief Alan Greenspan will have no further need to continue to raise interest rates. As recently as February 17 we heard him say that: "with foreign economies strengthening and labor markets already tight 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".

Will the American economy slow? Will the consecutive nine-year growth in the economy come to a grinding halt? Will consumers retrench and slow down massive purchases of all types of goods? The booming stock market has clearly aided the economy, as investors who felt wealthier spent more. The anticipation of higher stock prices also helped. One survey late last year showed that the typi-

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cal investor expected the stock market to gain an average 19 percent a year for the next decade, a figure that is in line with recent experience but far beyond what the long-term growth of the economy is likely to support. Investors who held such expectations could have felt less need to save, since they thought their investments were likely to keep rising.

"We are going to find that this 'tech wreck' and Nasdaq crash will have a much more immediate impact on consumer spending than the interest rate hikes the Federal Reserve has given us," proclaimed the chief economist of Deutsche Bank Securities. The "wealth effect" or "poverty effect", as some are calling it, will certainly be a factor in the minds of investors as they examine more carefully their decisions as to what part of their savings will go for consumption.

It can be expected over the foreseeable future that the growth of the American economy will slow from its torrid rise and the need for raising interest rates, so harmful to capital markets, will be avoided. Under these conditions the share markets should still produce positive yields in 2000.

But what of Israel and its burgeoning high-tech universe?

Few doubt that young entrepreneurs harboring expectations of company values expanding unendingly and resulting in the proverbial Wall Street killing will need to reassess their dreams. The "window of opportunity" which Wall Street had kept open for so long could close for an indefinite period of time. Managers of startup Internet companies may wonder whether it will be at all possible to obtain funding for activities. For them it is less relevant the whether current market valuations have fallen by billions or even trillions. For them survival will depend on the willingness of the venture capital industry, including angels, to provide initial backing.

Companies that are in the process of developing their software or hardware systems but without financial reserves, appear to be the most likely to suffer. Without adequate financing their options

will narrow. In the absence of an ability to raise capital they will have to sell themselves to other companies having the ability to maintain operations. One can only see difficult times ahead.

The individual Israeli investor, as opposed to the professional investor, has recently experienced severe paper losses but with the exception of those who have invested for the first time in recent months, his investment portfolio is still in the plus column. However, it is unlikely to assume that under the burden of globally declining prices, investors will exhibit the enthusiasm of recent years for backing young companies with unproven ideas and euphoric business plans. The expectation of "saner" times is beginning not only to look attractive, but appears to a prospect around the corner.

A woman investor was advised by her broker that her investment portfolio had "crashed". Upon hearing the news she rushed to the showroom of the nearest car dealer and with little fuss bought a new shiny sports car. In her words it was to make her feel good after hearing the unexpected news. The distraught investor was not truly wiped out but her net worth had severely deteriorated and her ego was sorely bruised. She obviously had not heard about Mr. Alan Greenspan's hopes for curbing inflation by lowering stock market values.

The car dealer had hunted high and low until he found the exact second-hand model ordered by his customer. It was a shiny silver 2000 model Toyota Corolla. The dealer had assured his customer that the car had "all the goodies". Then the bottom fell out of the customer's share portfolio. A "partial liquidation" of a portfolio, which had appreciated in sixteen and a half months by 2200 percent, was to be the source of the purchase price. However, by the time the car was ready for delivery the value of the portfolio had fallen by 60%. The decision to buy the car was put off for some happier day. It seemed like such a pity to sell shares now. "They will go up again," he believed.

Analysis of IPO Market

Historically, market corrections have always drained life out of the initial public offering market. But since the crash in 1987 the downturn in activity has not lasted long. Initial public offerings and venture capital investments had brought in the significant sum of \$150 billion for hundreds of new companies since the beginning of 1999.

Now, however, the sudden weakness of the stock market may have a much more direct effect on the new economy. Much of that money was spent by new companies on computers, software and communications equipment purchased from older technology companies. A precipitous decline in such financings would directly affect companies like Intel, Compaq and Lucent Technologies. The impact on the real economy will be faster than people expect.

As Israeli venture capital companies inevitably reassess their strategy they will lengthen the time frame of the expectations it takes for an investment to come to the market. They would be expected to become more cautious in finalizing financing. Historically, major stock market corrections see equity underwriting fall from the peak quarter to the bottom quarter by well over 50 percent. A decline of 50 percent or more is a possibility.

Moreover, if there are delays in coming to the market by the portfolio companies it follows that there will be delay in cashing out with hefty profits. More simply put there is little concern about the drying up of investment funds. However, the process will be delayed and for some startups this may prove fatal.

Existing portfolio companies could become the real winners. They will receive even greater attention from their backers and mature faster. The good ones will float to the top!

Venture Capital Corner

In Q1 2000, financing of Israeli start-ups advanced by 74%. In the first three months of the year, start-ups raised \$596.9 million, up from \$343 million in the last quarter of 1999. The amount raised by the new Israeli companies in these three months is equal to 60 percent of the \$1.0 billion raised by start-ups in all of 1999. A total of 120 Israeli high-tech companies raised capital from venture capital funds, as compared to 104 companies in the previous quarter and 70 companies in the same quarter of 1999, according to Israel's Giza Group.

Nearly 35% of the total was made available by Israeli based venture capital companies, that invested \$209.9 million as compared to \$139.9 million in the previous quarter.

The Internet was the most popular field among the new start-ups, accounting for \$301.1 million from investors; communications, with \$141.3 million, followed by software, with \$115.8 million. Companies operating in the natural sciences raised \$38.7 million, with biotechnology gaining four percent from the preceding quarter.

Orsus Solutions Raises \$40 million

Orsus Solutions, which develops and markets integration solutions for business-to-business e-commerce, recently completed a \$40 million private placement at a company valuation of \$150 million, according to founder and CEO Arie Finegold. The investors include Clal, Koor and United Mizrahi Bank as well as private investors such as businessmen Michael Strauss, David Federman and Eitan Wertheimer. "We had originally intended to raise \$20 million, but the people we talked to were ready to give us checks for \$80 million. We finally decided to go half way," Finegold said. Orsus was set up in 1999 by Finegold, former CEO of Mercury, together with Amir

Weinberg who had been developing software for Mercury since 1991. The company now employs 70 workers. In the middle of 1999 Orsus raised \$8 million at an \$18 million valuation, after the money. The investors in that round included Clal Industries, the Cedar venture capital fund and a group of private investors. The company's products allow integration of business processes. Thus, anyone with an Internet site can provide e-commerce services without surfers having to leave the site. For example, visitors to Steimatzky's website can buy books from Amazon.com without even knowing that Amazon is the seller. Steimatzky will conduct the transaction itself. Feingold said Orsus's basic software package sells today at \$125,000. Feingold said the company has now met the business plan and that the order backlog for the second quarter is higher than the sales it had planned for the entire year. Orsus Solutions is headquartered in California and operates its research and development center in Israel.

CyOptics Obtains \$16 million

Israel-based CyOptics, a developer of components for long distance high-speed optic communications, announced the completion of a \$16 million financing round. The valuation used in the financing round was not disclosed though it has been estimated to be in the order of \$60 million.

Leading names participating in this round were US venture capital funds Soros Private Equity Partners and Sprout Group.

Prior round investors included among them-Israeli venture capital fund Jerusalem Venture Partners and InnovaCom, a subsidiary of France Telecom. The company completed its initial financing round of \$3.5 million at the beginning of 1999. CyOptics' communications components facilitate high-speed communications of 40 Gbps -four times existing speeds.

Elemental Software Raises \$40 million

Elemental Software, developers of Internet tracking application completed a \$40 million private placement that valued the company at \$150 million after the money. Elemental's e-commerce software tracks visitors through a web site and analyzes what they would be most likely to buy. It then provides contact between the site's sales department and the customer. Investment bankers Chase H&Q headed the placement, with the Nexus Fund taking the lead investment role. The Challenger II Fund had previously invested a million dollars in 1998, a year after Elemental Software was founded in Israel. Participants in preceding rounds included Bessemer and Vantage-Point venture capital funds.

After Elemental Software, originally known as Insite Innovations, established offices in the United States it discovered that another software company with the same name had developed a similar service and was bought by Macromedia. Subsequently, it established a new company named New Channel. That company is not yet profitable but it has won several major clients, including US West, GE Information Systems and SITEL. The company employs 60 workers, with a 15-person R&D operation in Tel Aviv, and the rest in offices in North America.

Allot Communications Looking to Raise \$15 million

The start up Allot Communications will complete a private placement of \$15 million based on a company value of \$115 million, after the placement. Follow on investors include the venture capital funds Walden Israel, Genesis Partners and Gemini Israel II, as well as new strategic foreign investors. Allot develops communications equipment for Internet service providers (ISPs). Allot was established by Yigal Jacoby and Michael Shurman in 1996. The company currently employs 80 people. Allot has developed a communications system that manages ISPs.

Presently most individuals using ISPs to access the Internet, are charged a uniform price and are limited by bandwidth, that varies according to the volume of traffic at a given time for that particular ISP. As a result, at peak times, the customer will receive particularly slow service. Due to these problems, the ISPs are hard pressed to ensure more complicated services to their client base such as telephone services or video via the Internet. Using a of customer preferential connection, the ISP may offer better services to certain clients for a higher fee. Similar solutions may be offered to a company that wishes to use a wider band at particular times. Allot Communications is developing equipment that would ensure the preferential treatment as well as the the width of band at all times according to the customer's demands. In 1999 Allot had sales of more than \$1 million. Its main competitor is the American publicly traded Packeteer.

"The market was levitating on hope and irrational concepts of stock market value, and now it's coming down to earth, but it's probably not down yet," said Byron R. Wien, a respected United States investment analyst.

Seeking to Dominate Digital TV Services

California-based Liberate Technologies is to acquire the Pennsylvania-based MoreCom Inc in a share deal worth \$560 million. MoreCom was founded by Israeli Amichai Meron in 1997 with investments from Israeli venture funds Vertex and Mofet. The two funds invested in the company at a valuation of \$2 million, and currently hold 20 and 12.4 percent of MoreCom, respectively. Vertex originally invested \$3.5 million in MoreCom and will now see its shares in the company valued at \$110 million as a result of the buy out

by Liberate. Mofet originally invested \$1.3 million, so its shares are now worth \$69 million. (see TASE traded venture capital funds on p.8) MoreCom's interactive television (enhanced TV) technology enables cable television suppliers to provide high speed Internet services on a programming base, and therefore stands at the forefront of the new market known as the convergence of Internet and television. The combination of the two would allow a viewer of a channel such as MTV, the music channel, to bring up an Internet screen on television and to order a CD through online traders. MoreCom's speciality is its digital television technology that uses the standards in the industry, such as DVB, MHP and MPEG. This technology allows the end users of analog television to connect with the Internet through digital converters. The advantage of this solution to the combination of the two media is that it not only allows access to high speed Internet and electronic mail, but also provides video services on demand and a combination of Internet applications such as electronic commerce and online chat services while watching television, share price listings or sport results. As MoreCom's technologies can be used on any sort of broadband digital television network, buying the company gives Liberate an advantage in the competitive market of television through satellite and cable TV.

Plans for first Israeli Listing on Tokyo Exchange

PhotoNet Japan, a subsidiary of PictureVision, is planning an August initial public offering (IPO) on Tokyo's new high-tech stock market. If there are no hitches the offering is planned to come to the market at a value of \$500 million. PictureVision was founded in Israel in 1995. The company was acquired by Kodak in 1998. The IPO will be the first issue of Israeli technology on a Japanese exchange. Analysts expect the public offering

by the Japanese subsidiary to boost PictureVision's company value to \$1 billion. Kodak's purchase price of PictureVision was estimated at \$70 million, as the exact sum was never officially disclosed. After the acquisition, PictureVision became an independently operated subsidiary of the photographic leader. In May 1998, the Kodak-PictureVision partnership created the leading online photo sharing network Kodak PhotoNet Online. Concurrently, an additional 10 percent of PictureVision was sold to America Online at a company valuation of more than \$200 million. AOL and PictureVision created You've Got Pictures - an extension of Kodak PhotoNet Online that delivers pictures to a mailbox on AOL's welcome screen. This service became available last fall to AOL's millions of subscribers. PictureVision's research and development center, located at the Har Hotzvim industrial park in Jerusalem, employees about 50 people. The company was a pioneer in online digital imaging and its technology is used in a number of products and services developed by Kodak, America Online, Sony and other leading companies. PictureVision is discussing collaboration with the NDS satellite television company, part of the Murdoch group, which also has a large development center in Jerusalem. The joint venture would develop systems to transmit photographs through television. Users would be able to view the pictures on a television screen and send them to other destinations. The public stock offering of PhotoNet Japan comes in the wake of the company's great success at providing services, especially in transmitting and ordering photographs over cellular telephones. Kodak plans to offer its PhotoNet services in Israel during the coming year.

DealTime plans to raise \$50 million on Wall Street

DealTime has announced that it will raise \$50 million in a Wall Street initial public offering

based on an estimated valuation of the company of between \$250 million and \$300 million. The investment banks of Robertson Stevens, Warburg Dillon and Nomura International will underwrite the offering. DealTime did not provide details of the IPO. DealTime was set up in 1997 by former Comtouch executives - Nahum Sharfman, now the company's chair and holding 8.5 percent of its capital, and Amir Ashkenazi, the company's deputy chief of technology with 7 percent of the company. The company employs 168 workers, 105 based at company offices in Israel and the rest in New York. The company's CEO is Daniel Tziporen, a former deputy manager of MasterCard. DealTime operates an e-trade Internet site. The site enables buyers to compare different models of a desired product as well as its prices on a variety of sales sites. In addition, the site offers consumer information on new products on the market, recommended products and optimal prices. The company also provides information on consumer behavior to various research and consumer organizations. DealTime's website was put up in June 1999 and is now being upgraded and rebuilt. It is to be re-launched in the middle of this year. The company's business model is based on fees paid for advertising on the site and on commissions to be paid by "referrals". In common with most dot-com companies, it is not recording any significant income but has sizable losses. In 1999, DealTime's income totaled \$525,000 with losses of \$19.6 million. All the firm's income came from its operations in the American market. Most of DealTime's expenditures were on marketing and sales, which represented 80 percent of the company's losses. In order to cover marketing and advertising expenses, DealTime raised \$50 million five months ago in a private stock offering based on a company valuation of \$250 million. The company sold 8.9 million shares at \$6 a share. Early stage investors included Israel Seed Partners venture capital fund with 11.3 percent; Odeon Investment Fund with

12.75 percent; Nomura Investment Bank with 11 percent; and the Vetro and Bane capital funds, each with 5.5 percent stakes. E-trade is one of the hottest areas on the Internet today and Meal-time operates in a fiercely competitive market. One of these is RUSure, which was founded up by Israeli Yossi Vardi. The firm developed software, that once it is downloaded onto a personal computer, allows one to search for a specified product at a "best price". Consumers type in the desired product name and model and the software finds the lowest priced available on the Internet. DealTime's other competitors are the store guides offered by Yahoo!, Lycos and Exit, and the OnSale and eBay auction sites.

III Timing for Ben-Eliezer

Recommendation

Societe Generale Securities initiated coverage of Tecnomatix Technologies with a buy rating and a 12-month price target of \$65, as analyst Shmuel Ben-Eliezer wrote in a research note. "We expect that as the company's e-manufacturing solutions gain market acceptance, our estimates will be revised upwards and the attributed P/E multiple increased," said Ben-Eliezer in an advisory note released on Friday March 31, shortly before a sharp drop for the TCNO shares. SG assessed Tecnomatix at a price/earnings ratio of 31 to 32 times 2001 earnings per share.

Precise Software Solutions Planning IPO

Israeli company Precise Software Solutions is about to hold a public offering on Nasdaq in the weeks ahead. It is estimated that the company will attempt raise \$50 million at a company value of \$300 million, before money. Investment house Merrill Lynch is one of the underwriters. Precise is managed by Shimon Alon, formerly Scitex US general manager.

In July 1999, the company raised \$10 million in a private placement, based on a company value of \$40 million, after money. This was the company's third financing round.

The major shareholder in Precise is Israeli venture capital fund Jerusalem Venture partners. Other shareholders include Israeli funds Star, Gemini, Giza and Mofet, Gemini's US partner Advanet and GE Capital of the US.

The company has developed software for tracing bottlenecks in corporate information systems, and finding solutions to the problem. The company's headquarters are in Boston.

In the US it has established a reputation for quality products. Its customers include Nike and Sony. Precise has cooperative agreements with PeopleSoft, Oracle, IBM, CA, Tivoli and HP.

Market Debuts

Ulticom stock rises almost 30 percent

Shares of Ulticom Inc. (NasdaqNM:ULCM), which provides networking software for wireless, wireline and Internet communications, jumped almost 30 percent after the start of trading on the Nasdaq.

Stock of the Mount Laurel, N.J.-based company rose to 17 in early afternoon trading, up 4 from its initial offering price.

The company priced 4.25 million shares of its common stock at \$13 per share, the low end of a boosted price band.

Ulticom, which is a subsidiary of Israel's Comverse Technology Inc. (NasdaqNM:CMVT), raised more than \$55 million through the deal with the help of Lehman Brothers, its lead underwriter. The company, which has almost 37 million shares of common stock outstanding, recently had a market capitalization of about \$629 million.

(continued on page 9)

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	+ 22.7 %
Teuza	+ 11.8 %
Marathon	+ 14.2 %
Mofet	+ 37.5 %
Inventech	+ 23.4 %*

*as of April 18, 2000 and since Jan. 1, 2000

In our April 2000 issue we captioned this page A "basket" of these shares followed since the beginning of 2000, currently shows a nominal paper profit of 67.2%. As valuations of high-technology issues, both in New York and Tel-Aviv were being pounded lower so were the shares of the five TASE Publicly Traded Venture Capital Companies. In one month the "basket's" value contracted by about 60%. Yet, "long term" investors, were still ahead by 21.9% since the onset of the millennium,

At current price levels, is there "good value" or "fair value" in these companies to warrant investing in this group. We think the answer is yes.

We see two possible scenarios. One of these is that the Nasdaq will fluctuate sharply and by year's end will show positive yield. Another scenario is that at some point in the near future, as the Nasdaq average fluctuates wildly, a string of unpalatable business news will force the Nasdaq average to penetrate the 36000 level and move toward 3000. This would likely have a negative effect on prices of TASE shares. Under the first scenario we are confident that venture capital companies will continue to be "good bets".

In this issue under the caption Venture Capital Corner Mofet is mentioned as a 12.4% holder of the US company MoreCom. MoreCom was founded by an Israeli and early in its history Mofet management investe \$1.3 million. MoreCom is being bought out by Liberate for \$560 million. If the "deal" goes through at anywhere near this valuation Mofet will record a capital gain of anywhere between \$50-\$69 million. The investment argument for Mofet and others in the group to garner capital gains in the future remains positive. The time frame will depend to a great extent on how long it will take for the pickup in the Initial Public Offering market.

The prime market on Wall Street may be looking for a life jacket, but on their day of debut Ulticom and Vyvo surprisingly managed to stay afloat and issue IPOs. The impressive achievements of Davidi Gilo (Vyvo) and Kobi Alexander (CMVT) certainly helped the two issues get underway, even in the troubled waters of today's markets. Ulticom even succeeded above its original range of \$12-13, rising to \$13-15.

Ulticom issued 4.25 million shares and raised \$55 million at a company value of \$480 million. The Comverse subsidiary, which provides value-added services to telephony and cellular companies, has no actual link to Israel, except for being owned by Comverse. Ulticom was founded in New Jersey by four partners, and was acquired by Comverse four and a half years ago for \$20 million. The company currently employs 150 staff, all in the US, and is already worth more than 20 times its IPO price. Ulticom's products facilitate services, such as number identification on a cell phone, text transmission (SMS), prepaid service, voice dialing, 1-800 numbers, cellular roaming, a personal virtual cellular, and follow-me.

VYVO IPO Well Received

Davidi Gilo's Vyvo, which supplies wireless communications systems facilitating high-speed broadband communications to end-users, also held a successful IPO yesterday on Wall Street. The company issued 6.75 million shares at \$13.5 per share (the range was \$13-15) and raised \$91 million at a company value of \$450 million. Vyvo had sales of \$4.2 million and losses of \$36 million in 1999. Vyvo is also still a dream company.

Vyvo (formerly Phasecom) is registered as a US company. In contrast to Ulticom, however, it has a development center in Israel. In addition, its list of owners includes several public companies in Tel Aviv. These are mostly companies in the Biran group, such as TEAM and Eihut, each of

which holds 675,000 shares worth \$9 million at issue price. The company profiting the most from a holding in Vyvo is Galran Investments, which holds one million shares, with a value of \$13.5 million.

A Big Disappointment

Casting envious looks at Ulticom and Vyvo is Comtech, whose window of opportunity is apparently closing. The company has been forced to postpone its IPO. Comtech has another problem - it simply doesn't sell dreams. This "small" competitor of Orbotech, which is controlled by PCB, operates in a relatively limited field. Comtech deals in the field of examining and identifying faults in printed circuits, which is considered a niche with a relatively slow growth rate. In general, issues are a question of timing. Two weeks earlier, Comtech could easily have issued.

CommTouch Even after Sharp Drop Still Above IPO Price

CommTouch, which to issued three million shares, saw a sharp drop from their initial high levels. The company's shares in the after market fell by 15% in one day to under \$30. Even at that price it was still above the IPO price of \$16, but far from the record peak of \$68.

In effect, the drying up of the primary market may be a death sentence for dozens of cash-hungry Internet companies desperately trying to raise capital and encountering uncooperative markets. A large proportion of them will simply not succeed, and the result will be that they will have to be sold to a stronger factor, or else go under completely.

15-Year Natural Gas Supply Reports Corroborated

The Delek Drilling-Avner-Samedan group reported on findings from the Mary-2 drilling

namely that gas quantities in the area are of unprecedented proportions.

While specific amounts were not mentioned, Israeli oil exploration industry sources said, "the findings corroborate the reports concerning Mary-1, which were announced recently. Those reports said that the quantities of commercial gas will suffice to supply Israel's gas needs for 10-15 years."

The announcement stated: "The Mary-2 drilling reached a depth of 1,942 meters. Up to this depth, a series of tests were made which confirm the gas quality".

"The Mary-2 findings show sand strata containing natural gas, similar in character to the sand strata found in the Mary-1 drilling. Screening pipes were inserted to protect the drilling hole. These findings are sufficiently clear. There is therefore no need for production tests. Following additional evaluations, an estimate will be given of the size of the gas reserve in the Ashkelon concession area".

The announcement also stated that the concessionaire estimates that this well is capable of producing over 100 cubic feet of gas per day, through the use of suitable production equipment. This constitutes a commercial gas discovery. The news of the gas discovery has propelled the Tel-Aviv Stock Exchange listed Avner shares by 310%.

XTL Biotechnology Aiming at London SE

Israeli biotech company XTL is planning to raise \$40 to \$50 million on the London Stock Exchange (LSE) at a valuation of \$200million. XTL is poised to become the first Israeli biotech company to be traded on the LSE.

The public offering, to be managed by the West-

LB Panmure investment Bank, is to take place at the end of May. Its draft prospectus is planned to be published at the beginning of May.

Specializing in the development of human antibodies for the treatment of viral diseases, the company's leading product is a medicine combining antibodies for the treatment of certain chronic patients with antibodies used for treating patients suffering from hepatitis type B, as a side effect of a liver transplant.

Another of the company's leading product is Trimera, which enables a mouse to carry human liver fragments infected with hepatitis C virus. Normally, animals are not susceptible to infection with hepatitis C, a fact that has severely limited researchers' ability to test promising new drugs.

The novel Trimera system provides a test model for the evaluation of compounds that may have clinical use for the treatment of hepatitis C, an affliction that is estimated to affect between one and two percent of the world's population.

XTL's system offers the potential to biologically validate the effectiveness of potential drug candidates before embarking on costly human clinical studies.

XTL was founded in 1993 in cooperation with Yeda, a company that the Weizman Institute of Technology established to commercialize scientific research carried out by the Institute's scientists.

XTL's last private placement was at a valuation of \$43 million after the money.

Shareholders include the American investment bank Goldman Sachs (4.5 percent), the Japanese Numura Bank (9.3 percent), Yeda (5.3 percent), Inventech (4.8 percent) and Clal Biotechnology Industries.

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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 4/21/2000: 20.25		
Total:	1,000		\$0.00	\$43,500.00	\$20,250.00	(\$23,250.00)

Check Point Software Tech		CHKP		Price as of 4/21/2000: 161.69		
Total:	1,500		\$0.00	\$17,015.62	\$242,535.00	\$225,519.38

Comverse Technology, Inc.		CMVT		Price as of 4/22/2000: 161.69		
Total:	750		\$0.00	\$34,687.50	\$121,267.50	\$86,580.00

Gilat Commun.		GICOF		Price as of 4/21/2000: 20.88		
Total:	5,000		\$0.00	\$49,375.00	\$104,400.00	\$55,025.00

Gilat Satellite Networkss		GILTF		Price as of 4/21/2000: 88.67		
Total:	1,000		\$0.00	\$56,125.00	\$88,670.00	\$32,545.00

Point of Sale Ltd.		POSI		Price as of 4/21/2000: 17.125		
Total:	7,800		\$0.00	\$49,725.00	\$133,575.00	\$83,850.00

Technomatix		TCNO		Price as of 4/21/2000: 33.125		
Total:	871		\$0.00	\$23,734.75	\$28,851.88	\$5,117.12

IHTIR Model Portfolio			\$0.00	\$274,162.87	\$739,549.38	\$465,386.51

IHTIR Model Portfolio Investment Summary

Original Assumed Investment at the Start of 1999 was	\$ 246,850
Total Current Value	\$ 492,699
Gain	\$ 811,112 +199.6%

*valued as of April 21, 2000

IHTIR MODEL PORTFOLIO NEWS

CheckPoint Software Technologies reported a better-than-expected 77% rise in 1Q profits, fueled by heightened demand for Web security programs following several high-profile hacker attacks during the quarter. The Israeli firm said its net income for the quarter rose to \$34.9 million, or \$0.40 per share, from \$19.7 million, or \$0.24, a year earlier. Wall Street analysts had expected a profit of \$0.35 per share, according to research firm First Call/Thomson Financial.

CheckPoint's CEO Gil Schwed said he expects the company to post a 45% to 50% rise in earnings per share this year and more than a 50% increase in sales.

Sales jumped 79% in the first quarter to \$78.2mln. For the full year of 1999 Check Point earned \$2.33 a share, excluding capital gains, while revenues totalled \$219.6mln.

"Check Point reported outstanding first quarter 2000 revenues and earnings," said John Powers, senior analyst at Robertson Stephenson. "Business continues to be strong as the company expands into new markets through new and old channels and as demand for security continues to grow.

We are raising our estimates to reflect business strength." In a research note dated April 13, analysts John Powers and Evren Dogan raised Check Point's 2000 EPS to \$1.73 from \$1.57 and 2001 EPS to \$2.32 from \$2.09.

Goldman Sach advised clients that it has added CheckPoint (:Nasdaq:CHKP) to its U.S. purchase list. CheckPoint shares were awarded a "market outperform" investment rating.

Analysts Elan Zivotofsky and Anne Meisner raised their 2000 earnings estimate to \$1.61 a share from \$1.56 and 2001 earnings estimate to \$2.12 a share from \$2.02.

Chinese President Jiang Zemin Visits Israel

In a historic precedent setting event Chinese President Jiang Zemin spent six days in Israel. The Chinese in the past three years have expanded their local embassy facilities, which are now scattered at several locations in Tel-Aviv. The Israel High Tech & Investment Report is an acknowledged source of information since the Embassy of China is one of many foreign embassies in Israel that subscribe to our Report.

Before the Chinese President's visit, our editorial staff was asked to supply the Chinese with information on technology incubators, industrial parks and on Israel's Law for the Encouragement of Capital Investment.

There was an air of controversy surrounding the execution of a five-year-old contract for the supply of sophisticated early warning airborne equipment. The US, which was aware of the contract from its inception, following changing policies related to the Taiwan-China issue, has asked the Israeli Government to refrain from completing the contract. During the visit the Chinese President made no public mention of the issue.

Though actively touring throughout the country he did find time to visit two internationally successful high-tech companies. One of these is Converse Technology, (whose shares are one of the components of the Israel-High-Tech & Investment Report Model Portfolio) and ECI Telecom.

Not too many years ago we heard in hushed tones of ECI Telecom's tentative steps in China which began with the positioning of telephone conversation multiplying equipment on China's aged telecom lines. ECI Telecom's China exports have reached several tens of millions of dollars.