

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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Inflatable DOT.COMS are Deflated! What Next?

Financial analysts, corporate executives, businessmen, investors, gurus and financial editorial writers were unanimous in predicting a "major correction" in the valuations of dot.coms. Few accurately predicted the actual date in April. When the correction came it struck with incredible speed and force with the greater part of the punishing damage to valuations inflicted over three days. That the recent valuations were supported by a wave of greed speculation, not seen since the Dutch Tulip Craze, is not even arguable. Yet most observers know that astute long-term investors in high-tech were still substantially ahead.

Nor is there any argument but that new fortunes were created at a dizzying pace. According a presenter at the Ben Gurion University Conference, 63 new millionaires were created daily in Silicon Valley. When the shares of the CheckPoint fell by 50% one Israeli newspaper was quick to point out that Gil Schwed, the young executive and founder of Check-Point was still worth \$1.0 billion after incurring a paper loss of \$1.0 billion! Our IHTIR Model Portfolio clearly reveals that the long term investor portfolio has been hit but not deeply hurt.

The global stock markets are gyrating as they follow the violent up and down movements of the Nasdaq market. From our vantage point in Israel the high-tech community, entrepreneurs, venture capitalists, technocrats, the Office of the Chief Scientist in the Ministry of Industry and Trade and ultimately the investor, are now faced with the necessity to come to

terms with the New Reality. The once highly inflatable dot.coms have been deflated, as well as they should have been.

Recently we attended the 5th International Israel Venture Association Conference. Israeli venture capitalists appear are even more restrained than investment bankers. Yet the bottom line of what was said and perhaps even unsaid was that financing of "concept" start-ups is over. This does not necessarily mean that

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start-ups will face a money drought. However, the criteria for investment will change. A clear-cut business plan will be a future pre-requisite for a serious financing discussion and a visible and viable product may be required, as well.

Israeli entrepreneurs, leading the start-ups, due to the nature of the shift, will need be more nimble. However, they should be cheered by the new trend now appearing to be firmly entrenched, whereby for every \$1.0 invested by the Israeli based venture capitalists nearly \$2.0 is invested from sources outside of Israel. In 1999 the sum total of \$1.6 billion was raised by all Israeli companies from all sources.

The "Burn Rate" and the Virtual Future of Many dot.coms

Examining company balance sheets and profit and loss statements is a task left by most investors to others. However, quarterly profit and loss reports are incredibly revealing. The herculean efforts of chief financial officers to present the best possible face are followed by comments of the Chief Operating or Chief Executive Officer. A sobering thought is that a comparison of salaries of CFOs and CEOs indicates that they are generally nearly similar. CFOs, not all that many years ago were known as "bean counters". Nowadays they are called upon to present corporate results in a creative fashion.

An inspection of a typical announcement of quarterly results is that it comes in the form of Company Press Release. Typically they will state the business of the company and will list the revenues for the preceding quarter. These may range from a few hundred thousand of dollars to several hundred millions of dollar. The Press Release will indicate that sales have gone up by an astronomic amount, say 150% as compared to the previously reported quarter. A lengthy description of how the revenues were generated will follow.

That ends the good news.

Now for the bad news. The dot.com company , excluding charges, suffered a whopping loss. Neither the CEO or CFO will publicly state the many hundreds of percentage points the loss has deepened from the comparable quarter a year earlier. The CEO will then be quoted and it will read as follows: "we are extremely pleased with our results for the quarter". Until recently such announcements were greeted by a flurry of share buying and a rise in their price.

To anyone except for the "hit-and-run" or daily trader investor, one should assume that recurring expenses such as salaries clearly reflect the companies need to cover operating expenses, which are paid each month.

All recurring expenses, when added up, are "burn rate" which is the rate at which cash reserves are consumed, eating up the company's cash reserves. Unless they are covered with revenues the company will need to resort to selling more of its own shares or borrowing. If banks and others balk at lending, and the capital markets are "unwilling" then the crunch comes.

It is essential that the investor need to determine whether an accelerating "burn rate" is being

British online retailer boo.com became Europe's first big dot-com failure when it was forced into liquidation due to lack of funds, just six months after its launch.

matched with a stream of commensurate income. If not, losses result.

A cursory look into the company's reports filed regularly with the Securities and Exchange but not publicly trumpeted, may carry an ominous warning from the auditors to the effect "that the company has only enough funds to carry on its operations for a few weeks".

"Cool People in the Hot Desert"

"Last month hi-tech executives, venture capitalists, investment bankers, managers of investment funds, heads of financial institutions, start-up entrepreneurs, managers of foreign companies considering partnerships with Israeli companies,



Mr. Shimon Peres - Minister of Regional Cooperation with Dr. Hubert Burda - Chairman, Hubert Burda Media Holding at the Conference

and partners of leading law and accounting firms, mingled at the Burda Center for Innovative Communications at Ben Gurion University. They participated in a conference appropriately named - "Cool People in the Hot Desert". They had an opportunity to interact with a selected group of top "new and old media", technological, publishing, business and academic experts all working in the field of information and Internet, either in research or applications. The impact of modern communications and Internet on fields such as business, media, politics, medicine, education and technology was addressed from various of points of view.

The Burda Center for Innovative Communications was established under the sponsorship by Dr. Hubert Burda - Chairman, Hubert Burda Media Holding, one of the most powerful and innovative enterprises in Germany. The company employs 4,400 and has annual sales of more than DM 2.0 billion. It specializes in publishing, printing and new media. The news magazine Focus, founded by Dr. Burda in 1993, broke a monopoly position held by Der Spiegel for four decades and today boasts 5.8 million readers.

Dr. Burda, 60, has undertaken a very active role in promoting good relations between Germans and Jews. At the conference Dr. Burda noted that for Europe the Middle East has a role to play and Israel is central to it. He stressed that creativity and vision are key issues in building great businesses.

Dr. Avishay Braverman - President, Ben-Gurion University of the Negev in a keynote presentation entitled the "New Media and Social Transition" stressed the importance of ethical considerations in all areas of the new media. The visionary President of BGU pointed out that he expects in the near future to see the operation of the express train service linking Beersheba and Tel-Aviv in 50 minutes. He also pointed out that the recently granted approval for the operation of civilian flights at the nearby Nevatim Airport, would allow for the rapid development of a high-tech industrial park, adjacent to the University.

"It would be the final realization of the dream to make the Negev a center of high-technology", declared Ben-Gurion University's President.

Mr. Shimon Peres - Minister of Regional Cooperation, in his address stressed the role of "speed" in the modern world whereby information about political events due to its rapid transfer impacted immediate behavior. Mr. Peres Israel's leading statesman in recent years, has devoted extensive

energies to Promoting the Peres Peace Center since 1997. The Center's aim is to advance Arab-Israeli joint ventures.

Dr. Yosi Vardi, chairman of International Technologies, and a founder of ICQ, which connects up individuals when on line, stressed that the forces driving world innovation . "Instead of a handful of people with considerable influence today millions of young people dictate innovation".

CRITICS of the dot.coms

"There are many challenges as new technologies bring along with them enthusiasm which is taken to excess," stated the Rt Hon Lord David Young of Graffham - Chairman, Young Associates Ltd. . Lord Young was one of the architects of the Thatcher Era privatization surge in Britain and now heads a company specializing in making capital available for start-up companies. He pointed out that in the early 1900s in the US there were many railroads, most of whom subsequently disappeared and that this would repeat itself in the Information Technology of today.

Mr. Erich Sixt – Chairman of the Board and CEO, Sixt Group and one of the hosts of the conference while pointing out the need for information by venture capitalist and the investor also stressed the need for inter-connectability.

Mr. Sixt in a few short years led a family car rental business from a fleet of 1,500 to 150,000 and transformed the company into Germany's number one car rental agency. The company utilizes the Internet for the renting and buying and selling of cars.

An Optimistic View and Key Issues in Business Models

"The investment environment is now more compelling due to lower valuations," stated Len Leader, president of AOL Investments since 1998. He is responsible for managing AOL's

growing portfolio of investments in public and private companies. He stressed that new model is "making money". The issues at hand, he stressed, are "customer convenience for value added services, aggregate content, strong brands, multiple revenue streams, cash, the monetizing of Internet traffic, the use of a recognized brand or trusted name and the application of innovation and creativity". AOL's stock quote service, first established three years ago now attracts 245 million entries daily. AOL has already invested in a number of Israeli ventures including DealTime and e-SIM, among others.

"Business models have not changed but the world has changed. It is the telecoms, Internet Service Providers, consultants and ASPs who get paid for services and they should be a part of an IT business model," said Dr. Franco Bernabe, former CEO of Telecom Italia and now an Internet entrepreneur.

International Israel Venture Conference

Springtime is conference time in Israel and there is strong competition for speakers and attendees, as well. The 5th International Israel Venture Association Conference held in mid-May was well attended but noticeably, a number of keynote speakers were being rapidly transported from the IVA's Tel-Aviv venue to Jerusalem to participate in the "Cool People in the Hot Desert". IHTIR followed suit but not before hearing about some developing trends and novel financial products.

At Credit Suisse First Boston, Henry Robin heads a unit which operates a Fund of Funds whereby individual or institutional investors, minimally investing \$250,000, will have the benefit of having funds invested in a boutique of funds. "Investors may not have the access to some of the

funds in which we invest because of high entry thresholds. Our performance has returned to our investors 35%, on the average," said Henry Robin.

In the past year the size of Israel venture capital companies has grown to an average of \$180 million to \$200 million, as the funds concentrate on second stage investments. Mr. Yigal Erlich, Chairman of the IVA, points out that the local venture capital industry raised a record \$1.5 billion. Perhaps an even more telling figure is the 330 Israeli high tech companies that received investments from local venture capital funds. During the past heady capital and investees were chasing each other and upping valuations.

"The deals in Israel begin when I go out," quipped the Rt Hon Lord David Young of Graffham, to IHTIR. The witticism implied that in the UK companies cash out at the valuations at which Israeli companies obtain initial capital.

"There is a noticeable maturing of the Israeli high-tech scene with new companies being managed by third or fourth time entrepreneurs. As to the venture funds they keep on getting larger, with one recently having raised \$500 million and so the stakes become higher as the sums get larger. There are also more industry specific funds such as our Catalyst Funds that specialize in telecommunications, IT and software," noted Ms. Robin Hacke, Israel's premier venture capital lady. She also made note that Israel's venture capital funds are "deepening their overseas relations and entering into joint investments".

Money Tree Survey Reports on Israel's VC Industry

The trend of increased venture capital investment was maintained during the first quarter of 2000 and investment the came to a total of \$617 million, an increase of 59% above the record set in the previous quarter.

At least 2 of every 3 investments in the first quarter were in the Internet-related companies. These

companies raised an average of \$6.55 million each, 40% above non-Internet-related companies

Kesselman & Kesselman PricewaterhouseCoopers reports that a record level of investment in venture-backed companies (investments where at least one of the investors is a venture capital firm) - \$617 million - was achieved during Q1-2000, with 105 companies sharing these funds. This is an increase of 59% as compared to the record set in the previous quarter and an increase of 373% as compared to the first quarter of 1999. The investments in the first quarter of 2000 constituted 61% of all investment in the entire year 1999. The Money Tree Survey shows that 71% of all investments went to Internet-related companies.

Mr. Joseph Fellus, Partner in Kesselman & Kesselman PricewaterhouseCoopers, points out that Internet access and infrastructure technologies generate the greatest attraction for venture capital funds. Companies engaged in these areas, specifically in the fields of developing wireless communication, remote access, broadband, and computer communication equipment, raise particularly high sums in early stages of their operation. The Money Tree survey findings indicate that these companies attract 35% of all Seed investments, and 34% of all first round investment. Joseph Fellus adds that venture capital funds in their early stages also have been investing heavily in developing Internet software and its applications formed an important part in early stages investments (25% of all Seed investment and 46% of all first round investments).

He further states that because venture capital funds in Israel have been highly successful in raising funds, the average local venture capital fund investment has increased in the first quarter of the year by 32% (to \$1.17 million) as compared to the last quarter of 1999 (\$0.85 million). The weight of the local funds in the overall

investments, however, has decreased in the first quarter to 29% compared with the previous quarter's 36%.

Geographically, companies in Haifa and the northern area raised over \$138 million, an increase of almost 500% increase as compared with the previous quarter. Although their respective share in the overall investments has decreased by 19% when compared with previous quarter, companies from Tel-Aviv and the central area remain the focal attraction for venture capital. In the first quarter of 2000, 68% of all investments were in Tel-Aviv and the central area, 22% in Haifa and the northern area, and 10% in the Jerusalem area with the south remaining devoid of venture capital investment.

Overview of results

Communication, software and New Media attracted 82% of all investments in the first quarter of 2000 (34%, 25% and 23%, respectively). The investments in Life Sciences continued to decline and were less than 7% of all investments.

Analysis of rounds of investments shows that 33% of all investments were in the third round and expansion stage, 23% were in the second round, 21% were in the first round, 13% in the Late/ Mezzanine round, 6% in the Seed stage, with the remainder in other rounds. Investment in the Late/ Mezzanine round in the first quarter of the year was 193% higher than in the previous quarter. Investments in the third round and expansion came to a total of \$204 million, a 95% increase over the previous quarter.

The first quarter of 2000 is characterized by an increase of investment in Internet-related companies. This definition encompasses companies from all roads of industry whose product, service or technology has Internet implication. These companies raised \$439 million, equal to 71% of

all investments in the quarter. During the first quarter, at least two of every three companies that raised venture capital funds were Internet related. These companies raised an average sum of \$6.55 million each, 40% above the average investment in Non-Internet Related companies.

Investment in Internet-related companies comprised of the following: Tools/ Application – 47%, Access/Infrastructure – 25%, Services – 13%, and the remainder in other fields (particularly content). Content companies formed 65% of the Tools/ Application share. Communication companies formed 62% of all Access/Infrastructure share.

Access/Infrastructure attractiveness is reflected by the average investment of \$3.3 million in those companies at the Seed stage (57% higher than the average Seed investment). Average investment in those companies at the first round stands at \$5.5 million. In light of the general attractiveness of the Internet- Related technology companies, investment in content-based Internet companies generated a limited number of transactions at later stages.

The comparative advantage of Israeli companies in technology inclined fields is evident when comparing Internet related investments during the last three years in U.S. and Israel. In Israel, investment in contents sights and e-commerce make up a small portion of overall investments, while in the U.S. investments diverge in a more equal manner between the technology and content fields.

Economic Distance Learning

The Background of Economic Distance Learning
In the mid 1990s the idea of Virtual Universities began to gain ground in the US. The American Distance and Education Consortium was formed to provide "economic distance education" pro-

grams via the latest and most appropriate information technologies. Among many supporting bodies was Simon & Schuster which contributed \$150,000 (WICHE) to the Western Interstate Commission "to remove state barriers so educational markets can function freely".

Among the technologies used were that of the various satellite transmission technologies. Israel jumped to the forefront of the "distant education" programs by virtue of a young rapidly growing company. Gilat Communications Ltd (Nasdaq:GICOF). is a dominant provider of satellite-based communications services in Israel and has become a leading developer and provider of satellite-based interactive distance learning ("IDL") systems worldwide. It offers a wide range of satellite-based communications services in Israel, including domestic and international private data and voice communications networks, IDL and digital video broadcasting. Gilat's IDL systems allow various academic, training, governmental and commercial institutions to create and conduct fully integrated academic courses or employee training to and from remote sites.

Interactive Distance - Education Via Satellite-OFEK

Ofek is a private system for interactive distance learning via satellite. It enables a lecturer to deliver a live lesson from a central studio concurrently to any number of classrooms spread all over the country. The students in these remote classrooms can participate in the lesson by means of voice communication and data communication.

Instruction via Ofek provides the lecturer with technological means, which improve the quality of instruction and the internalization of new knowledge by students. The task of this innovative project is to develop all the tools and instructional components

for teaching programs using interactive satellite communications. The Open University has established its instruction program via satellite, creating an initial outreach throughout Israel. A broadcasting system was set up at the main campus. It comprises a central computer and a studio fully equipped to process a broad range of visual information, including a video camera, a PC used for computations and multimedia presentations, a special writing board and a color scanner. The remote class rooms throughout the country are equipped with computerized equipment and telephones for students to speak to the lecturer at the center and to enter their computerized responses.

Ofek operates under a cooperation agreement with Gilat Communication Ltd..

Since 1995 the Open University, Ramat Aviv delivers, via Ofek, academic courses, tutorials, teachers-training programs and corporate training.

The Center for Information Technology in Distance Education

The Center for Information Technology in Distance Education was set up with a view to developing and assimilating new distance-learning methods by incorporating state-of-the-art technologies into the existing course-development and teaching procedures. By coordinating and integrating the various teaching media, the OU aims at the following goals: Improving and upgrading instruction by taking advantage of multimedia aids capable of transmitting study material with accuracy and speed. These technological means will be incorporated, in accordance with need and suitability, into the written courses which OU produces in the various disciplines.

Opening up new avenues to OU's students (such as access to data banks), providing feedback and offering more opportunities for practice.

Bridging geographical distances and allowing for an ongoing dialogue

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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	+ 34.9 %
Teuza	+ 36.2 %
Marathon	+ 9.6 %
Mofet	+ 108.7 %
Inventech	+ 40.0 %*

*as of May 19, 2000 and since Jan. 1, 2000

A balanced portfolio of the above TASE Publicly Traded Venture Capital Companies since the beginning of 2000 currently shows a nominal paper profit of 45.9%. This compares very favorably with the General Share Index of TASE traded companies which in the first four months of this year was barely able to eke out a four per cent rise while the Yeter Index of small capitalization issues was gaining 14.7%. Mofet Israel Technology Fund, with a 108.7% gain since the start of the year, continues to be a major winner.. Mofet holds nearly 6% of BreezeCom which was one of the last companies to debut successfully on Nasdaq.

Proposed Tax Reform and Israel's Capital Market

Since our May issue Israel's Finance Ministry has published a proposal for a major overhaul of Israel's Tax system. The concept behind the proposed reform is to eventually lower the tax level for the middle class and to transfer the savings to the more needy. For Israelis it means that most capital market transactions, which were formally free of tax will now be liable to a 25% capital gains tax.

However, foreign residents will continue to benefit from free of capital gains tax on transactions on the Tel-Aviv Stock Exchange. Interest earned on deposits will continue to go untaxed and there will be no inheritance tax levied.

between students and their teachers or their fellow-students by using advanced electronic facilities. Providing learning possibilities which, in principle, do not depend on time, place or means of instruction, while allowing students to choose and control this interactive learning process to suit their needs and styles.

Orckit Buys Israeli Start-up EDSL for \$32 million

Orckit,(Nasdaq:ORCKT) a maker of DSL digital modems, announced the purchase Israeli company EDSL in consideration of 750,000 Orckit shares, which were valued at \$32 million when the deal was signed.

EDSL develops DSL technology used to connect residents of apartment buildings and hotels directly to the Internet, without their needing to go through an Internet service provider (ISP). This significantly lowers the cost to the user. It also enables rapid connection speeds, of up to 10 megabytes per second, thanks to the creation of a type of ethernet within the building. The equipment is installed in the building's basement. The technology is meant to complement Orckit's ADSL technology. One of the limitations of the Orckit's system is that the telephone switchboard must be relatively close to the customer's house in order for it to provide high-speed, high quality connections. EDSL's technology is expected to eliminate this problem.

EDSL was set up two years ago and employs 45 people, mainly development engineers.

The two founders, Erez Avidan (36) and Amnon Patachek (39), own 30 per cent of the shares. Other shareholders include the Genesis venture capital fund and Discount Investment Corporation.

ESC Cost-cutting Plans Pay Off

ESC Medical Systems announced that its series of cost-cutting measures undertaken last year bore fruit as it returned to the black with a \$1.2 million

net profit (\$0.05 per share) during the first quarter of the year. This is compared to a \$40.7m loss (\$1.58 per share) during the same period one year ago.

Company CEO Yacha Siton stated that demand for ESC's medical devices continues to be strong and that profit margins can be further improved.

Several months ago the Yokneam-based company began implementing a comprehensive cost-cutting restructuring program following a hostile takeover of the board of directors and the plummeting of its stock. The company shares stood at high \$45 in July 1997 fell to a low of \$3.80 in August 1999.

After a struggle between Mr. Arie Genger a key shareholder, and company management former company CEO Shimon Eckhouse formally stepped down.

ESC develops, manufactures and markets medical devices utilizing both proprietary intense pulsed light and laser technology for non-invasive treatment of varicose veins and other benign vascular lesions, as well as for hair removal, skin rejuvenation and other clinical applications.

Nokia Adopts NICE's Digital Video

NICE Systems Ltd said (Nasdaq:NICE) NOKIA has installed its NiceVision digital video and audio recording systems in five of its key research and development facilities in Denmark. Nokia plans to install NiceVision at two additional sites this year, Nice said in a statement.

NiceVision will monitor internal as well as external activities in Nokia's facilities, which house proprietary technology. Nice did not disclose the value of the deal with Nokia

MRV Completes Jolt Acquisition

MRV Communications Inc. (Nasdaq:MRVC) completed its previously announced acquisition of

Jolt Ltd., based in Jerusalem, Israel.

Jolt is a pioneer in wireless optics and its products are currently operating on six continents, with over 3,000 systems already installed.

Jolt currently offers all-weather (except for heavy fog) 2km links and has built its reputation on conservative specifications and reliability. In addition, their products are cost effective and are designed for mass production.

Jolt, which is located in Jerusalem, was founded by Dr. David Medved, who is widely known for his pioneering work in the physics of over-the-air optics. MRV believes that the mesh architecture of Jolt's systems is much more cost effective, reliable and has better performance than a point to multi-point system, as suggested by Terabeam.

MRV has already designed and demonstrated together with Jolt a wireless IP metropolitan network capable of servicing thousands of clients at low cost. Independently, MRV has been working on Wireless Optics for some time, including the development of a "fog-proof" solution to overcome the last reliability hurdle in free space optical communications.

Over the past two years, MRV adopted a business model of creating and managing several start-up companies and forming independent business units in order to take them public.

The principal focus of the MRV group of companies is Optical components, Optical networks, and Internet infrastructure.

MRV Communications Inc. is a world-class leader in optical network components and systems. MRV has initiated and funded cutting edge start-up companies including Zaffire Inc., Charlotte's Networks, Hyperchannel, Zuma Networks and most recently RedC Optical Networks Inc., Optical Crossing and All Optical Inc.

News of Israel High-Tech Model Portfolio Companies

Gilat Communications Ltd. (NASDAQ; GICOF) reported financial results for the first quarter of the year 2000, which showed substantial revenue growth from \$6.5 million in the first quarter of 1999, to \$14.6 million in 2000.

After one time charges and goodwill amortization, net loss for the quarter ended March 31, 2000 was \$8.2 million (-\$0.66 per share), or \$2.5 million (-\$0.20 per share), when disregarding the one time charges of \$5.6 million, compared with a net income of \$0.6 million (\$0.05 per share). Goodwill amortization included in the financial results were \$ 607,000 compared to \$ 86,000 in the same quarter of 1999, mainly due to the recent acquisition of the company's subsidiaries and associated companies.

During the first quarter the acquisitions of John Bryce Training, Allen Communication and LearnLinc were concluded and the company began implementing a plan to integrate all the companies into a combined organization in the US. This quarter's results reflect one-time charges related to these acquisitions as well as an increase in expenses associated with the integration of the combined operation. The successful implementation of the integration plan which started in the first quarter will continue through the second quarter, and will strengthen Gilat's position as the leading provider of comprehensive e-learning solutions.

Tecnomatix Technologies Ltd. (NASDAQ Symbol: TCNO), a pioneer in e-Manufacturing software solutions, announced financial results for the first quarter ended March 31, 2000. Revenues for the first quarter of 2000 increased 27% year-over-year, from \$18.7 million for the same period in 1999 to \$23.8 million

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ISRAEL HIGH-TECH MODEL PORTFOLIO

Selected Israeli Growth Companies

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	Quantity		Commission	Open Amount	Current Value	Gain/Loss
IHTIR Model Portfolio						
BackWeb		BWEB		Price as of 5/20/2000: 17.3125		
Total:	1,000		\$0.00	\$43,500.00	\$17,312.50	(\$26,187.50)
<hr/>						
Check Point Software Tech		CHKP		Price as of 5/20/2000: 161.375		
Total:	1,500		\$0.00	\$17,015.62	\$242,062.50	\$225,046.88
<hr/>						
Comverse Technology, Inc.		CMVT		Price as of 5/20/2000: 74.25		
Total:	750		\$0.00	\$34,687.50	\$55,687.50	\$21,000.00
<hr/>						
Gilat Commun.		GICOF		Price as of 5/20/2000: 18.375		
Total:	5,000		\$0.00	\$49,375.00	\$91,875.00	\$42,500.00
<hr/>						
Gilat Satellite Networkss		GILTF		Price as of 5/20/2000: 76.875		
Total:	1,000		\$0.00	\$56,125.00	\$76,875.00	\$20,750.00
<hr/>						
Point of Sale Ltd.		POSI		Price as of 5/20/2000: 19.875		
Total:	7,800		\$0.00	\$49,725.00	\$155,025.00	\$105,300.00
<hr/>						
Technomatix		TCNO		Price as of 5/20/2000: 24.625		
Total:	871		\$0.00	\$23,734.75	\$21,448.38	(\$2,286.38)

IHTIR Model Portfolio Investment Summary

Original Assumed Investment at the Start of 1999 was	\$ 246,850
Total Current Value	\$ 660,286
Gain	\$ 413,436 +167.5%

*valued as of May 20, 2000

this quarter. Operating profit increased by 52%, from \$2.1 million in the first quarter in 1999 to \$3.2 million this quarter.

Net income for the first quarter was \$3.4 million or \$0.30 per diluted share, compared to \$2.6 million or \$0.26 per diluted share for the first quarter in 1999.

Point of Sale Limited (Nasdaq: POSI), a leading developer of enterprise-wide software solutions for groceries, hospitality and convenience stores, announced its operating results for the first quarter ending March 31, 2000.

Net revenues for the quarter ended March 31, 2000 were \$7 million, an increase of 37 percent from \$5.1 million in the first quarter of 1999. POSI reported a net loss for the quarter of \$276,000, or (\$0.03) per share, compared to a net profit of \$1.3 million, or \$0.12 per diluted share, in the first quarter of 1999. The net loss for the first quarter of 2000 as compared to 1999 reflected increased expenditures on research and development and sales and marketing associated with the roll out of the Company's ASP initiative. R & D expenditures increased 149 percent to \$2.7 million in the first quarter of 2000, versus \$1.1 million in the first quarter 1999. Sales and marketing expenditures increased 100 percent to \$1.9 million for the first quarter of 2000, versus \$969,000 in 1999.

Jews are the Genetic Brothers of Palestinians, Syrians, and Lebanese

If a common heritage conferred peace, then perhaps the long history of conflict in the Middle East would have been resolved years ago. For, according to a new scientific study, Jews are the genetic brothers of Palestinians, Syrians and Lebanese, and they all share a common genetic lineage that stretches back thousands of years.

"Jews and Arabs are all really children of Abraham," says Harry Ostrer, M.D., Director of the Human Genetics Program at New York University School of Medicine, an author of the new study by an international team of researchers in the United States, Europe, and Israel. "And all have preserved their Middle Eastern genetic roots over 4,000

years," he says.

The researchers analyzed the Y chromosome, which is usually passed unchanged from father to son, of more than 1,000 men worldwide. Throughout human history, alterations have occurred in the sequence of chemical bases that make up the DNA in this so-called male chromosome, leaving variations that can be pinpointed with modern genetic techniques. Related populations carry the same specific variations. In this way, scientists can track descendants of large populations and determine their common ancestors.

Specific regions of the Y chromosome were analyzed in 1,371 men from 29 worldwide populations, including Jews and non-Jews from the Middle East, North Africa, sub-Saharan Africa, and Europe.

The study, published in the May 9 issue of the Proceedings of the National Academy of Sciences, found that Jewish men shared a common set of genetic signatures with non-Jews from the Middle East, including Palestinians, Syrians, and Lebanese, and these signatures diverged significantly from non-Jewish men outside of this region. Consequently, Jews and Arabs share a common

ancestor and are more closely related to one another than to non-Jews from other areas of the world.

The study also revealed that despite the complex history of Jewish migration into the Diaspora. Jewish communities have generally not intermixed with non-Jewish populations. If they had, then Jewish men from different regions of the world would not share the same genetic signatures in their Y chromosome.

"Because ancient Jewish law states that Jewish religious affiliation is assigned maternally, our study afforded the opportunity to assess the contribution of non-Jewish men to present-day Jewish genetic diversity," says Michael Hammer, Ph.D., from the University of Arizona, Tucson, who is the senior author of the new study. "It was surprising to see how significant the Middle Eastern genetic signal was in Jewish men from different communities in the Diaspora," he says.