

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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Life Sciences Revisited increased activity and heightened hopes

Capital in the billions, whose flow continued throughout the decade ending with the arrival of the millennium, positive government support and what in retrospect was propitious timing, driven by an aspiring entrepreneurial class were the mix that propelled Israel into world class status in telecommunications and software. Small companies achieved critical mass size and were integrated into the global economy as founders preferred to abandon corporate empire building and chose to sell out to foreign multi-nationals. It was followed by a period of regenerating of new companies, a process that continues until this day.

In 2000 Israel's industrial exports climbed by 27% to \$20.9 billion. Of the total, high-tech industries accounted for 44% of all industrial exports. The growth in exports from high-technology industries contributed 75% to the increase in industrial exports, according to the "Summary of Israel's Foreign Trade for 2000" published by the Central Bureau of Statistics.

Pharmaceuticals, by contrast, accounted for only 2.7% of total industrial exports. Teva Pharmaceuticals (TEVI), as one of the world's largest genetic drug manufacturers dwarfed all others. However, the biotechnology group, long promoted as Israel's "next major area of development" has lagged. After years of disappointment is it finally ready to emerge from behind the shadow of the booming telecommunications and software sector?

In May 1998 we focused on this country's biotechnology industry when we heard a bold prediction: "The next big moving sector in your country will be

biotechnology," stated Daniel J. Schultz, then Senior Vice President of Lehman Brothers, the prestigious investment bankers, during a visit to Israel.

We had paid so much attention to the development of Internet related firms, (nearly to the exclusion of other technology sectors), that we recalled that it was in November 1994, when the Israel High-Tech & Investment Report acted as a sponsor of the International Cooperation for Development of Biotechnology Conference in

<http://ishitech.co.il>

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Jerusalem. At the time we prematurely believed that the young group of Israeli biotechnology firms were on the threshold of producing a new Chiron or Genetech.

Privately Mr. Schultz confided, that his prediction was based on the millions of dollars being invested by Lehman Brothers and others, into Israeli startups and emerging growth biotech companies.

The recently published Ernst & Young report, cited in this issue states that "the biotechnology sector in Israel is in a state of accelerated growth", with nearly 200 startups in 1999-2000. This report summarizes the life sciences and biotechnology sector. It is highly upbeat but we have our reservations. Telecommunications and software which have attracted some of Israel's best human resource are a perfect fit for the Israeli mentality.

The main characteristics include a flexibility, a boundless energy which focuses on a short time frame from startup to the market place. The life sciences require a longer view of minimally four years, and up to ten years in the instance of a major drug development. Capital is available but experienced management is in short supply. Life sciences are in keeping with underlying Israeli ethos of "tikun olam" (improving the world) but as long as they do not add the magic of ample financial return, in relatively short time frames and if not matching but only approaching that of its high-tech brethren they may once again fall short of the mark.

Israel's Biotechnology Sector

Venture capital funds and initial offerings accounted for more than \$500 million raised by Israeli companies in the life sciences sector in 2000. The sector had a combined market value of about \$13.4 billion at the end of 2000. Teva Pharmaceuticals, (TEVA) alone, reached a market value of \$9.5 billion. The figures appear in a report on biotechnology in Israel for the year 2000, published by the Israeli office of the international accounting firm of Ernst & Young, which handles about 40 percent of all Israeli life sciences companies served by the Big

Five accounting firms. The report states that the biotechnology sector in Israel is in a period of accelerated growth: about 100 new companies in the life sciences field were established in 2000, compared with 70 to 80 new companies in 1999. Investment in Israeli companies by venture capital funds rose by 66 percent during 2000, to reach \$203 million. The average investment per company also rose steeply, from \$2.5 million in 1999 to \$5.5 million in 2000. The number of stock offerings by biotechnology firms increased from three in 1999 to seven in 2000. The following companies issued shares in 2000, raising a total of \$300 million: Visionics, Keryx Biopharmaceuticals, Compugen, XTL and Shahal Medical Services Ltd. There were more Israeli offerings on European exchanges and fewer on United States stock markets. The life sciences sector is divided mainly into companies that develop medical instruments, biotechnology and pharmaceutical firms. The report estimates that there are currently about 150 biotechnology companies and about 400 new companies in the country, in the field of medical instrumentation and other areas related to the life sciences. The Government, for its part, is pledging financial support .

Biotech Fund in Formation

Discount Capital Markets and Investments Ltd. (DCM), a hi-tech investment arm of Discount Bank, has established a life-sciences and biotechnology venture-capital fund named Vitalife. It plans to raise \$60 million-\$70m. for the fund, according to Dr. Abraham Ludomirski, who has been appointed to head up the fund. DCM has been actively investing in the life-sciences start-ups for more than a year, and has seven portfolio companies to date, in which it invested \$1m. each. The high level of interest in securing funding is evident from the 203 business plans submitted to DCM between December 1999 and August 2000. Ludomirski himself is a medical expert who is part of the Vitalife value-added package. He has been involved in the field of telemedicine since 1988 and became a specialist in fetal surgery, hematology,

and immunology in the the US. Ludomirski, whose office is in Tel Aviv, has identified four sources for deal flow: Israel's universities; VC firms seeking co-investors in a company; entrepreneurs themselves; and the conversion of military technologies for civilian use.

Anatomy of a Merger

Will the Tel-Aviv's Stock Exchange's dual listing policy help a merger? The Tel Aviv Stock Exchange (TASE) announced that the shares of Polycom Inc. (Nasdaq: PLCM), a California-based company recently began trading on the TASE. Polycom became the first U.S.-based Company to dual-list its shares on the TASE. The company develops, manufactures and markets a full range of premium quality network access devices and broadband appliances.

Ronit Harel Ben Ze'ev, senior vice president and head of the TASE's Economic Department, welcomed Polycom to the Exchange. Israel's dual-listing law enables U.S.-listed companies to list their shares on the TASE, with no additional regulatory requirements and no added costs, she stressed. Since Israel's parliament enacted the dual-listing law in October 2000, six U.S.-listed Israeli companies have dual-listed on the TASE. Polycom is the first U.S.-headquartered company to take advantage of this new liberal regulatory framework. The TASE listing will ease the way for Polycom to acquire Accord Networks (Nasdaq:ACCD), an Israeli manufacturer of visual and voice networking products.

Dual listing provides substantial benefits to the listed companies and the investment community, both in Israel and abroad. The companies gain a new investor base as Israeli and European investors can trade dual-listed shares at convenient hours and take advantage of the TASE's low trading fees. Investors can more easily assess and access Israel's many innovative technologies. Ms. Harel Ben Ze'ev added that more Israeli and international companies, including U.S.-incorporated companies based in Israel, are expected to dual-list on the TASE in the near future. "New

dual listings are a great potential for our market. More U.S.-listed companies will draw in more investors, both Israeli and European, leading to stronger trading volumes," she said. Before the projected merger of Accord and Polycom a number of regulatory obstacles in Israel and the U.S. are to be overcome. After the U.S. Federal Trade Commission antitrust unit gives its clearance, the U.S. Securities and Exchange Commission must give its stamp of approval. Accord, due to its Israeli manufacturing presence, requires approval of the deal from a number of Israeli regulatory bodies. Clearance from the Israeli Investment Center and the Office of the Chief Scientist of the of the Israeli Ministry of Trade and Industry, as well as that of the Israeli Commissioner of Restrictive Trade Practices, is awaited. Reflecting the downward trading pattern on Nasdaq, since the deal was announced, the stock price of California-based Polycom has fallen by more than two thirds while Accord's share price has gained about 30%. Accord's chairman and CEO, Jules DeVigne, says the deal is on track to close in the first quarter of 2001. Accord was scheduled to vote on the merger in mid-February. The deal is to be concluded by May 31, however, there is a \$9.5 million breakup fee if either Polycom or Accord walk away from the deal before that date.

\$400 Million Grant Approved for Intel's Major Expansion

Outgoing Minister of Finance Avraham Shochat announced that Intel receive a \$400 million grant. This follows a \$250 million investment grant for Tower Semiconductors, (Nasdaq:TSEM). The Treasury and the Ministry of Industry and Trade have offered Intel a grant totaling 12.5% of the total investment, complemented by tax benefits including a two-year tax-exempt status followed by a 10% tax rate for eight years. The total investment in Intel's new facility and in its existing one is expected to reach \$3.5 billion. The government previously advised Intel that it cannot afford to provide the standard 20% investment grant, as it did in the case of Tower Semiconductor: a 20%

grant, as part of a \$1.2 billion investment. In Intel's case, a 20% grant would have amounted to \$700 million of the \$3.5 billion Intel plans to invest. \$1.0 billion will be used to upgrade the company's existing facilities in Kiryat Gat. Intel wants to expand its existing facility there to produce 0.18-micron chips and set up a new facility to produce 0.13-micron chips. Intel's exports from the facility are expected to grow to \$2 billion a year, compared to the \$1.3 billion in revenue generated by the company's current facilities in the southern town.

"A big day for Israel's economy," Finance Minister Shochat said after the agreement was reached. Shochat predicted Intel's Kiryat Gat facilities would provide jobs for 12,000 people in the town. Some 3,000 people are to be employed directly by Intel as a result of the expansion. Intel currently employs 3,800 people in Kiryat Gat.

Fiber-Optic Components Industry: Annual Growth Projected at 25%

A Yankee Group research report states: the fiber-optic components industry experienced 80% growth both during 2000, and 1999. The most important contributing factor, in an otherwise steady-growth industry, was the huge capital expenditure increases by carriers during last few years.

This was mostly due to excessive optimism of Wall Street and investors. The Yankee Group projects that the fiber-optic components industry will grow from \$10.7 billion in 2000 to \$32.9 billion by 2005 at a compounded annual growth rate (CAGR) of about 25%.

The biggest drivers behind this growth are the migration toward the "next-generation networks" to provide high bandwidth services for businesses and consumers in a cost-effective manner.

This growth rate, while not as impressive as that of the last two years, nevertheless represents a substantial growth for the fiber-optic components industry.

VENTURE CAPITAL CORNER

Celltrex Obtains \$3million from Polaris Venture Capital Fund

The Polaris Venture Capital Fund announced that it has invested \$3 million in Celltrex, as part of the Israeli start-up's first financing round. Celltrex develops mobile e-mail systems that enable e-mail to be received in cellular handsets even on existing networks, not necessarily third-generation broadband networks.

The company says the technology it developed enables receipt of a wide assortment of information, including pictures and documents of all types, by all mobile handsets at ten times the average speed. The company's technology provides a positive and appealing experience in using e-mail, which is the world's most popular Internet application, on cellular handsets. It overcomes the current technology barrier in this application.

Celltrex was founded in 2000 by former Comverse employees Erez Halahmi and Eran Fuchs. Halahmi previously was data communications development manager at Comverse. Located at Bnei Zion, Israel, Celltrex has a staff of 26.

Veritas Leads Three Rounds Totaling \$10 million

Despite the 'dry season' for venture capital fund investments in start-up companies, Veritas Venture Partners led seed-round investment in three Israeli start-ups, totaling nearly \$10 million. The investments are in the fields of cellular communications and Internet software infrastructure.

Veritas chose to invest in the three companies –

Navicula, Bamboo and e-Ship-4u.

"Veritas chooses to work with people with the motivation to build companies for the long term and is not deterred by the current downturn in the market," stated Gill Zaphrir, Veritas' Venture manager."

Veritas leads an investment of \$3.5 million in Navicula in which the Aurum-SBC Fund also participated. Navicula develops Internet infrastructure technology enabling improvement in user experience on the Web. Navicula's technology represents the next generation of the Internet, allowing browser-based applications to perform like full-fledged applications. The result is a highly efficient and productive environment combined with the simple accessibility of the Web. Initial implementations include financial services and enterprise software.

Veritas invested \$2.5 million in Bamboo and was joined by the Aurum-SBC Fund and the Link Fund. Bamboo provides real-time, high quality, rich media broadcasting solutions to the wireless market. Bamboo's solution focuses on efficient bandwidth utilization, real-time delivery, and enhanced user experience over dynamic end-user reception capabilities. Bamboo's solution will allow wireless carriers to leverage their infrastructure and user bases by offering value-added services through underutilized resources.

Lastly, Veritas led an investment of \$3.8 million in eShip-4u, in which the Yozma Fund and a private investor also participated. E-Ship-4u is developing a revolutionary solution to the 'Last Mile' problem in deliveries of physical goods. Through networks of Automatic Delivery Machines and a centrally controlled customer web base, interface installed at e-commerce sites and m-portals, e-Ship-4u it enables package carriers to reduce delivery and pick-up costs in residential and small- to medium- size business areas.

Veritas Venture Partners is Israel's veteran venture capital firm. Established in 1990 it invests primarily in technology-based companies at the seed and early stage levels .

Can Oracle Learn Anything from Yazam's Unhappy Experience?

Yazam was launched in July 1999 in Jerusalem and then opened additional offices in New York, San Francisco, and Washington, D.C. The company's funding policy was also aimed at expanding Yazam's presence, in London and Tokyo.

Yazam described itself as a provider of seed-stage funding and business development services, to emerging Internet and technology start-ups. The company declared its business strategy as a, "Predictable Time to Money" funding model that targets closing within 45 days of initial contact for projects accepted. It was made available to entrepreneurs through the Internet, and deemed an exciting new business idea. Yazam created the impression that it could process requests for funding "faster" than anyone else.

Yazam aggressively pursued its goal and expanded its activities. However, its founding came late in the boom cycle of Internet companies, heavily dependent on the reputation of Dr. Shlomo Kalish, founder of Jerusalem Global. The company began to falter in early 2001, when investors in Yazam were reported to have expressed grave dissatisfaction, and raised the prospect of a return of uninvested funds still available in Yazam's coffers. Subsequently, newspaper reports stated that the American incubator U.S. Technology, is ready to buy Yazam, for \$22 million in cash and \$9 million in shares. Under the terms of the sale, Yazam shareholders will be able to realize U.S. Technology shares amounting to \$2 million within 20 working days of the deal being closed. U.S. Technology is traded on the Nasdaq at a value of \$36 million and owns seven active portfolio companies. The American firm will take over Yazam's holdings in 30 portfolio companies in Israel and the United States, as well as the capital that remains in the coffers of the investment company. Yazam decided to accept the U.S. Technology offer rather than go into liquidation after shareholders in the investment company concluded that it would be too costly. While the thud of implod-

ing Internet companies is still being heard, Oracle Corp., comes along and launches a Web-based initiative that is part business-to-business marketplace, and part online incubator for technology start-ups. The Oracle VentureNetwork aims to place start-ups in touch with venture capital and provides professional services to help ventures develop and promote themselves. VentureNetwork will be funded by Oracle's \$400 million annual worldwide marketing budget.

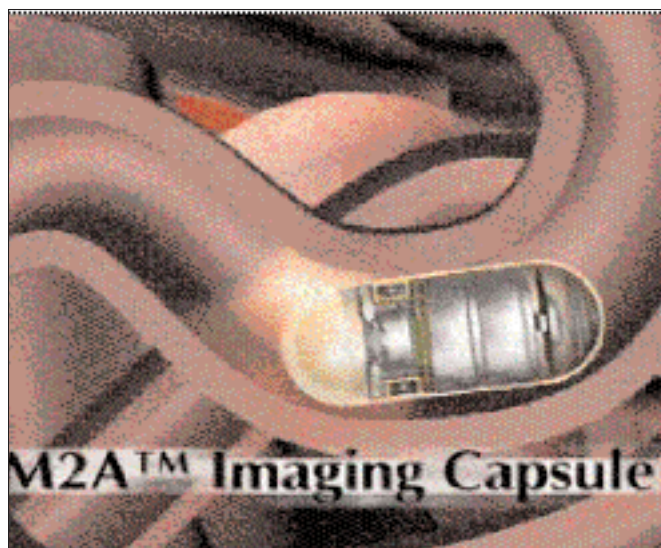
Unlike the company's Venture Fund, established with \$500 million for strategic investments in start-ups developing technologies based on Oracle products, the network unit invests in companies that already use its services. VentureNetwork unit, like the Oracle Venture Fund, is looking to draw business to its parent company. Oracle has traditionally targeted its sales to big business. It is now seeking a way to drive its brand to small business.

Outside the U.S., Oracle is rolling out local versions of the program in a number of European countries, Brazil, China, Hong Kong, Taiwan and the Philippines. The portal has already signed up about 3,000 entrepreneurs and start-ups receiving 1,800 business plans from a pilot program started last spring in Europe.

Oracle, not unlike Yazam, has signed 50 financial institutions as members, along with a 100 professional service companies. Investors have been especially interested in how the Web portal aims to build a community for entrepreneurs and funding sources.

On the surface, Oracle's initiative, appears to be strictly profit oriented, looking to extend the outreach for its products into companies in the pre-business stage. Undoubtedly, partner-investors will be seeking to gain a profit by going with the industry giant.

Will Oracle, which advertises that it saved \$1.0 billion by streamlining its own software, be able to produce profitable results as it moves along a path somewhat reminiscent of Yozma and other dot coms of the recent past? However, one thing is sure that Oracle will not run out of funds.



Investment Bankers Prepare Given Imaging for IPO

Globes, a leading Hebrew language financial daily reported that Given Imaging is being prepared for Public Offering on Nasdaq, in the second quarter of 2001. According to the report the firm plans to raise \$70 million, based on a pre-funding valuation of \$280 million. Lehman Brothers is the lead underwriter for the IPO, Credit Suisse and Robertson Stephens will also take part. Given Imaging's CEO and founder, Dr. Gavriel Meron would not comment other than to say, that the information did not originate with the company.

Given Imaging was founded in 1998 and is located in Yokneam, Israel. It developed Gastrointestinal Video Endoscopy, which is a minimally invasive, disposable imaging capsule, for diagnosing small intestine disorders and diseases. Once the patient swallows the pill-size camera (complete with battery, lighting, lens and transmitter), it transmits intestinal images back to the diagnosing physician. After receiving FDA authorization for clinical trials, the company is waiting for marketing approval. Given Imaging hopes to begin selling its product in the current quarter.

In October 2000, the company raised \$30 million on a post money valuation of \$75 million. That round of financing was led by US-based venture fund OrbiMed Advisors LLC, which invested in

\$15 million worth of equity. Other Given shareholders include OrbiMed 20%, Discount Investment Corporation 16%, Elron Electronic Industries and RDC -- the Rafael Development Corporation.

The patented M2A Imaging Capsule holds great promise in the diagnosis and healing of gastrointestinal disorders.

GIVEN IMAGING (GIVEN is an acronym for GastroIntestinal Video Endoscopy), since its founding has intensively pursued and achieved the goal of miniaturizing a video camera and encapsulating it so that it could be swallowed, traverse smoothly through the digestive tract and then be naturally excreted. Currently, the broadly used method for gastrointestinal diagnostics is endoscopy, which uses flexible scopes inserted through the mouth or rectum. Typically the length of a gastroscope exceeds 2.5 meter. Most patients, whose physicians suspect ulcerations, lesions, tumors, Crohn's disease, inflammatory bowel disease (IBD) and irritable bowel syndrome (IBS) undergo endoscopic procedures, which most individuals find stressful due to patient discomfort and the need for sedation.

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

is downloaded into a conventional computer. The GI specialist who receives the video can review it for easy examination. The biggest market for Given Imaging's M2A Imaging Capsule is the US, where between 60 to 70 million people are affected by gastrointestinal diseases. More than 10 million endoscopic procedures are performed yearly and according to the National Institute of Health the annual cost of the gastrointestinal disease is more than \$100 billion.

General Motors, Ad4ever Pilot Exclusive Online Ad Technology to Fight 'Banners Burn-Out'

General Motors Corp. (NYSE: GM) and Ad4ever, a developer of interactive advertising technology, have partnered to launch a new media pilot program that employs a first-of-its-kind technology aimed at improving online advertising effectiveness. GM is the first company in the world to test this technology. The Chevrolet and Pontiac-GMC divisions are leading the initiative, which features the Chevrolet Tahoe and Malibu and the Pontiac Aztek vehicles

GM's relationship with Ad4ever resulted from the automaker's efforts to identify innovative e-commerce technologies throughout the world via a global network of "listening posts." GM learned of Ad4ever's technology through its recently established technology office near Tel Aviv, Israel.

Ad4ever's TopLayer™ technology provides a new way to deliver advertising on the Web, offering a fresh alternative to traditional banner ads. It allows marketers to deliver a new kind of interactive online advertising via online ads that appear to the user as interactive, animated objects on a transparent layer above a conventional Web site. The ads are non-intrusive, lasting from five to seven seconds before disappearing from the middle of the viewer's computer monitor. People may choose to interact with

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

UPDATE

TASE Publicly Traded Venture Capital Companies

Results for the individual companies

Sadot	- 8.1 %*
Teuza	+ 14.3 %*
Marathon	- 19.3 %*
Mofet	+ 7.4 %*
Inventech	- 32.9 %*
Tamir Cap	+ 4.4 %*

* Yields Year to Date and as of February 22, 2001

The share price movements Tel-Aviv Stock Exchange publicly traded venture capital companies appear to have decoupled themselves from the seesaw swings of the US Nasdaq market. The latter has experienced a sharp drop in the wake of January's runup. However, the downward 8.3 % drift of the Tel-Aviv Stock Exchange's General Share Index, since the beginning of 2001 is identically mirrored in the nearly 8.1% decline of the vc equity group.



The decline included two major losers: Inventech and Mofet.

An early cessation of unrest in the Middle East is still not assured, but expectations of a lessening of hostilities, now being promoted by US Secretary Colin Powell, as he makes his first trip throughout the region, could give a boost to the local stock market. The fundamental investment thesis has not changed and next month's Sixth Annual International Conference on Venture Capital, to be held in Tel-Aviv will certainly provide some new insights. IHTIR will be there meeting with the local and visiting venture capitalists.

the ad to obtain more information about the Tahoe, Malibu, or Aztek without leaving the sponsored Web site.

e-GM, established in August 1999, is a business unit of General Motors focused on leveraging the power of the Internet to enhance experiences and relationships with customers worldwide.

Ad4ever provides the advertising community with an interactive attention-grabbing campaign technology aimed at improving on-line advertising effectiveness.

Founded in August 1999, the company is headquartered in New York City, with its development center in Ramat-Gan, Israel.

In a related event Ernst & Young, a leading global accounting firm has signed a Beta Site Agreement with EveryNetWorks to use its Secure Collaboration Platform. Ernst & Young plans to deploy the system first with an elite group of technologists who will evaluate how best to use the system to increase productivity and manage business practices.

The Ernst & Young professional team will use the system to work securely with suppliers and partners. Current systems do not answer this pressing need.

"We are very excited about this opportunity to test our system with such a distinguished organization" said Chanan Greenberg, CEO and President of EveryNetWorks. "We hope to learn as much as possible, first hand, from end users about how we can improve the way our system manages business practices for them".

Millennium Portfolio Update

CheckPoint Software on February 13 a three-for-two stock split became effective

Lehman Brothers recently began coverage of the Internet security sector, saying it expects it to be among the "best performing sectors in technology" in the next one to two years.

"In order for the Internet to achieve its vast commercial potential, we believe that a comprehensive security infrastructure must exist in order to establish the requisite level of trust and confidence for conducting large scale business transactions online," Lehman stated in a research report. It expects the Internet security software market to reach \$13.3 billion by 2004.

Lehman said this sector should "experience rapid growth" because of concerns over Internet security, strong industry fundamentals, an increase in corporate security budgets and little evidence of a slowdown in spending in the sector. The sector should benefit from a long period of sustained growth that is independent of economic cycles.

Lehman initiated coverage of CheckPoint (CHKP:Nasdaq) and Internet Security Systems (ISSX:Nasdaq), both with strong buy ratings. It started coverage of RAS Security (RSAS:Nasdaq) and VeriSign (VRSN:Nasdaq) with buy ratings, and Network Associates (NETA:Nasdaq), Symantec (SYMC:Nasdaq) and Entrust Technologies (ENTU:Nasdaq) with market perform ratings.

BreezeCOM Ltd.

BreezeCOM Ltd. (Nasdaq:BRZE) a leading developer and manufacturer of broadband wireless access products, announced results for the fourth quarter and the year 2000. The yearly results reflect 127% revenue growth, compared with revenues in 1999. Revenues for Q4 2000 were \$32.4 million, a 154% increase over \$12.7 million reported in Q4 1999, and a 12% increase over Q3 2000 revenues of \$29 million.

Net operating income in Q4 2000 was \$1.3 million, versus \$(629,000) in Q4 of 1999. The company reported net income for Q4 2000 of \$3.9 million, \$0.12 per diluted share, compared with a net loss of \$(765,000), \$(0.07) net loss per share, Q4 1999. Revenues for the year 2000 were \$101 million, a 127% increase over revenues of \$44.8 million for the same period in 1999. Net operating income for

the year 2000 was \$3 million, compared to a net operating loss of \$(2.6) million in 1999. Net income for the year 2000 was \$10 million, or \$0.33 per diluted share, compared with a net loss of \$(3.6) million, or \$(0.32) net loss per share, in the same period last year. The past year was marked by BreezeCOM's reaching profitability, doubling revenues and recording strong quarter to quarter growth. Demand remained high from service providers and private networks.

BreezeCOM provides Broadband Wireless Access (BWA) solutions used by service providers and enterprises. Its products provide a wireless alternative to wired access solutions, such as DSL and cable modems, and facilitate indoor and outdoor, as well as fixed and mobile wireless LAN connectivity. BreezeCOM products are based on a packet switching point-to-multipoint wireless platform optimized for high-speed Internet and Intranet access. Core technologies include spread spectrum radio, digital signal processing, modems, networking protocols and VLSI.

After **Precise Software Solutions** reported better-than-expected fourth quarter 2000 results Wall Street raised the 2001 revenue estimate to \$51.7 million from \$47.5 million and its operating loss per share was lowered to \$0.05 from \$0.07. Behind the company's significant growth are the development in the company's sales force, an increase in the average deal size and a large rise in the number of new customers.

The popular technology industry publication Red Herring recently pointed out that "however, while overall infrastructure management spending is growing at more than 20 percent annually, there is a spending transition toward lower-cost application management tools to drive operational performance improvements.

"This transition is a reaction to the comparatively high cost and long deployment cycle of traditional management tools (including the management "frameworks" from IBM, CA, and BMC), and

bodes well for niche/application management vendors. We think application management solution providers Embarcadero Technologies (Nasdaq: EMBT), Mercury Interactive (Nasdaq: MERQ), Precise Software Solutions (Nasdaq: PRSE), Quest Software (Nasdaq: QSFT), Micromuse (Nasdaq: MUSE), and privately held suppliers such as Ipswitch and Somix Technologies are likely beneficiaries of the spending shift toward application management products because of their focus on performance management, monitoring, and productivity," concluded Red Herring.

Shares of **Comverse Technology Inc.**

(Nasdaq:CMVT) were up nearly \$13 for a two day rise of over \$16 after it announced a major contract to provide AT&T Wireless Group Inc., (NYSE:AWE) additional offers to sell with AT&T's current and future wireless services. The company said it signed an agreement with AT&T Wireless to provide integrated voice mail, e-mail and text-to-speech e-mail to AT&T Wireless' current and future broadband services, are directed to the delivery of video, data, Internet and voice services over wireless phones. Comverse gave no details of the timing and value of the contract.

Until now, Octel, a division of Lucent Technologies Inc. (NYSE:LU), has supplied AT&T Wireless with voice mail Web-for-wireless phone services.

Lehman believes that Comverse may be well positioned to announce further wins in the domestic market, potentially with Cingular & Verizon Communications (NYSE:VZ) in the next several weeks," Lehman Brothers Analyst Tim Luke wrote in a research note. Cingular is the wireless venture of BellSouth Corp. (NYSE:BLS) and SBC Communications Inc. (NYSE:SBC)

Mr. Luke also said the company was on track to exceed his fourth-quarter revenue estimates of \$330 million and earnings of 39 cents a share when Comverse reports its results the week of March 12.

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ISRAEL HIGH-TECH MODEL MILLENNIUM PORTFOLIO

	Quantity		Commission	Open Amount	Current Value	Gain/Loss
Millennium Portfolio						
AudioCodes Ltd.		AUDC		Price as of 2/21/2001: 17.50		
Total:	9,350		\$0.00	\$100,073.05	\$163,625.00	\$63,551.95
BreezeCom						
Total:	8,300	BRZE	\$0.00	\$100,122.07	\$98,604.00	(\$1,518.07)
Check Point Software Tech						
Total:	3,450	CHKP	\$0.00	\$254,150.01	\$290,455.50	\$36,305.49
Comverse Technology, Inc.						
Total:	2,700	CMVT	\$0.00	\$245,870.10	\$252,288.00	\$6,417.90
Orbotech Ltd.						
Total:	3,000	ORBK	\$0.00	\$104,061.00	\$135,750.00	\$31,689.00
Precise Software						
Total:	4,300	PRSE	\$0.00	\$96,212.50	\$84,108.00	(\$12,104.50)
Retalix Ltd.						
Total:	10,200	RTLX	\$0.00	\$99,450.00	\$114,750.00	\$15,300.00
Millennium Portfolio						
			\$0.00	\$999,938.73	\$1,139,580.50	\$139,641.77

Following Nasdaq's recent fall to a two-year low, the value of the IHTIR Model Millennium Portfolio, was severely lower. Yet it is up since the beginning of this year and as of February 21, by 13.9%.

The ISRAEL HIGH-TECH MODEL MILLENNIUM PORTFOLIO is a simulated portfolio. We accept no responsibility for investment results based on the Model Portfolio.

6th Annual International Conference on Venture Capital features global personalities

<u>Monday, April 2, 2001</u>		Corporation Additional speakers - TBA	
8:00-9:00	Registration	16:15-18:30	Start-Up Presentations
9:00-9:20	Welcoming Remarks - Review of Venture Capital Developments in Israel Yigal Erlich , Founder, Chairman and Managing Partner, Yozma; Chairman, Israel Venture Association	18:30	Reception, Networking Dinner
9:20-9:45	Lecture: Conor F. Kehoe , Partner, McKinsey & Company Future of VC Industry: Winning & Losing	<u>Tuesday, April 3, 2001</u>	
		8:45-9:45	Exit Strategies in Today's Markets: The increased level of uncertainty in the world financial markets emphasize the need to develop innovative exit models to maximize

Orbotech Announces Record Q4 and Full Year 2000 Results

Revenues for Q4 2000 were \$105.9 million, an increase of 39% from \$76.2 million recorded Q4 a year ago. Net income for Q4 2000 was \$22.7 million, or \$0.70 per share (diluted), an increase of 49% as compared to \$15.2 million, or \$0.47 per share (diluted), in the same period a year ago. Revenues for the full year ended December 31, 2000 were \$372.3 million, an increase of 34% compared to \$278.4 million for 1999. Net income for 2000 was \$79.1 million, or \$2.40 per share (diluted), an increase of 45% as compared to \$53.1 million, or \$1.66 per share (diluted) a year ago.

Sales of equipment to the printed circuit board ("PCB") industry and also of flat panel displays, were sharply higher in Q4 2000. The company experienced growth across all geographical regions, particularly strong in the Pacific and Japan. Its gross and operating margins remained strong.

Orbotech added 150 new research and development engineers in the second half of 2000.

Research and development as a percentage of total revenues has returned to 12 - 13%.

During the quarter Orbotech re-purchased approximately 485,000 Ordinary Shares at a total cost of approximately \$22.3 million.

AudioCodes Revenues and Profits Grow

AudioCodes Ltd. (Nasdaq:AUDC) a supplier of IP Telephony and voice over packet technologies, announced financial results for Q4 2000. Which reflect growth of 130% in revenues and 150% in net income compared to 1999. Net revenues for Q4 2000 were \$22.5 million, an increase of 121 percent compared to revenues of \$10.2 million for Q4 1999. Net income for the Q4 2000 was \$8.0 million compared to \$4.1 million for the same period in 1999. Net revenues for the year ended December 31, 2000 were \$71.8 million, an increase of 130 percent over last year. Net income in 2000 was \$26.7 million, compared to net income of \$10.7 million in 1999. Diluted earnings per share were \$0.62 in 2000 versus \$0.29 in 1999, exceeding Wall Street forecast by \$0.01. Based on the iLoc global IP Telephony report of December 2000, AudioCodes continued to lead the voice over packet enabling technologies market for the second year in a row.

Bio-Technology General to Acquire Myelos

US-Israeli biopharmaceutical company Bio-Technology General Corporation (BTG) announced that it has entered into a definitive agreement to acquire closely held Myelos Corporation of San Diego, a biopharmaceutical company focused on the development of novel therapeutics to treat diseases of the nervous system, for \$35 million in cash and stock.