

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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Doomsayers Misread the High-Tech Landscape!

"Israel is losing not only its principal relative edge, but its very future: the high-tech industry. Over 90% of new start-up companies incorporate as foreign companies; and, in order to evade material tax tests, their business centers and management teams also get propelled out of Israel. Even when the research is performed in Israel, the development products are transferred, at the end of the "approved enterprise" term, to related companies overseas, which market the product and reap their profits in countries with a more competitive tax rate. Any connection between companies such as EFI or Amdocs and Israel is barely discernible. Mercury, incorporated in Delaware and valued at \$7 billion, has only one third of its employees at work in Israel, and pays almost all its taxes abroad, says advocate Ron Tira. His is one of a small but vociferous and growing chorus of voices chanting for speedy radical tax reforms. Calling for tax reforms is legitimate. No one whether in Israel, in the US, United Kingdom or France will oppose the call for less bureaucracy.

However, when professionals roundly criticize the status quo and threaten the demise, before birth, of the thousand new high tech companies that are formed each year, it would behoove legislators, the business community and entrepreneurs to take a closer view and examine the realities in the field.

Felix Zandman chairman of US Vishay Intertechnology, a Fortune 500 company, believes that the most important issue of the 21st century is employment. Zandman, the head of the global enterprise, is short on pontification and long on action. He founded Vishay Israel, a company active in electronics.

The company has grown steadily and is now Israel's 11th largest industrial company, based on the latest Dun's 100 Israel's largest Enterprises. Moreover, Mr. Zandman's son is now at the helm of Vishay Israel which reports employing 7,677. Vishay Intertechnology International this summer approved a program to invest \$500 million in Israel between 2001 and 2006. The investment will create at least 4,000 new jobs here, said Marc Zandman, the president of

<http://ishitech.co.il>

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Vishay-Israel. The investment in Israel is part of Vishay's global strategy to increase sales to \$5 billion by 2006. The company's investment in Israel will not be implemented immediately, as Vishay International CEO Dr. Felix Zandman is awaiting clarification of the changes in taxation of foreign investments pursuant to the recommendations of the Ben-Bassat Commission on tax reforms.

By the end of 2000 Vishay will have invested a total of \$500 million in Israel.

Even if the next 500 startups register themselves as foreign companies the odds of any or all of them providing employment in the thousands, are at best infinitesimal. Again on the basis of Dun's 100 Israel's Largest Enterprises statistics of the 65 largest industrial companies by sales revenues: 20 fall within the science based industries/high-tech category. These 20 concerns employed 45,936 personnel and were responsible for \$6.1 billion in exports.

Kobi Alexander, Comverse Technology chairman and president, recently threatened that Comverse would not stay in Israel if it does not receive support from the State. "Israel should support a company such as Comverse, or Comverse won't be here. The State of Israel need not help us.. But if it wants us to stay here, it had better offer us adequate support - be it in the taxation process or through the Chief Scientist. If the State of Israel wants to attract genuine industries that generate employment, it should tempt them to stay on," Alexander, was quoted. He also criticized the view that the State should support start-up companies rather than large companies: "Why support small companies? The amount of money on the Israeli capital market is unparalleled. If a company fails to raise funds, it probably doesn't deserve to", he said.

Comverse Technology has a Nasdaq market capitalization in excess of \$12 billion. Though it is registered in Guernsey Island, and has a business center in Missouri, it employs 2,560 workers in Israel, and several times as many are indirectly employed through subcontractors.

Company	Employees	Exports
Teva Pharma	6,237	863
MotorolaIsrael	4,100	256.9
ECI Telecom	3,545	779.8
Vishay Israel	7,677	720.6
Scitex	3200	636
Tadiran Telecom	2,630	262
Elbit Systems	1,876	337.2
Elta	2,403	283.6
El-Op	1,960	225.7
Formula	3,200	99.8
Intel Electronics	1,914	255.6
Orbotech	1,079	229
E.S.C.	837	220.6
Intel Israel	1,182	166.4
Gilat Satellite	868	130.9
RAD	1,061	135.3
Indigo	750	146.6
CheckPoint	464	140.5
DSPC Technologies	130	124.3
Elisra	823	52.7
Total	45,936	6066.5

Data: Dun's 100 Israel's Largest Enterprises: They appear among the 65 largest companies. total exports expressed in US\$ 000's

The Minister of Industry and Trade and his staff would do well to listen closely to Comverse Technologies' Kobie Alexander. Like Felix Zandman, Alexander understands the importance of employment. His call for a good and supportive relation between Government and industry should be heeded.

Placed side by side with the 20 industrial concerns, the Lucent Technology purchase of Chromatis, an American company for \$4.5 is a gigantic deal which only benefits a handful of individuals. Chromatis employs only 32 personnel in Israel

and several outside of its borders. Its employees will get \$3.0 million each and the founders may yet become billionaires. The exciting part of it all is that the ingenuity of two individuals resulted in the deal. This is enough to encourage a whole generation of Israelis to study, to persevere, to become entrepreneurs, because they see it can be done in Israel.

Regardless where Cromatis is registered it is still seen as an Israeli achievement which proves that the label--- created in Israel has acquired added value.

THE TEL AVIV STOCK EXCHANGE JOINS FTSE ALL-WORLD INDEX

Tel Aviv, July 6, 2000 ñ The Tel Aviv Stock Exchange announced that 23 of its listed companies were included in the FTSE All-World Index. The new index, launched June 30, includes stocks from 49 exchanges worldwide. FTSE has classified Israel as an Advanced-Emerging market along with Greece, Brazil, South Korea, Mexico, South Africa and Taiwan. The Israeli stocks' weighting in the FTSE All-World Index is 0.07%, similar to the weightings of Austria and New Zealand. A country's classification is dependent on the following primary factors: Data quality (availability and timeliness), free flow of foreign exchange, GDP (per capita), market breadth (number of eligible constituents), market depth (number of industrial sectors), reliable price information, stock market capitalisation vs GDP and unrestricted/low restrictions on foreign investment. The list of secondary factors includes: Efficient settlement systems, liquidity (minimum stock market turnover, market maturity, membership of economic group or common currency block and total stock market capitalisation. FTSE estimates that overseas investment in the constituent's stock is likely to increase following Israel's inclusion in the FTSE All-World Index, with an impact on trading volumes. Now

that Israel is a member country in the new index, qualifying companies listed on the TASE are automatically part of other indexes calculated within the FTSE family of indexes. Prof. Yair Orgler, chairman of the Tel Aviv Stock Exchange, said that the inclusion of the Exchange in the new index would boost international investment on the TASE. We believe that the continued growth of the Israeli economy will keep fueling the stock market's expansion, Mr. Orgler said. The Tel Aviv Stock Exchange, founded in 1953, is owned by its 28 member firms and is regulated by the Israel Securities Authority. The Exchange operates a highly advanced electronic trading system for shares, bonds, Treasury bills and derivatives. All trades are cleared and settled by the TASE Clearing House.

Venture Capital

Reports Indicate Only Slight Slowing from Record Levels

The following are the findings of the quarterly survey conducted by the Zinook Research and Data Center – IVC-Online – Israel Venture Capital Online, covering capital raised by private Israeli high tech companies and investments by Israeli venture capital funds. This survey, which received full cooperation from all of the Israeli venture capital funds (72 funds), accompanied a comprehensive research report conducted by the Zinook research department – IVC-Online.

During the second quarter of 2000, 120 private Israeli high tech companies raised \$609.9 million. This figure is 10% lower than the amount raised by companies in the previous quarter which totaled \$676.7 million, but 175% higher than the second quarter of 1999 which totalled \$222 million.

This decline in the amount raised by high tech companies is a new phenomenon in the Israeli high tech sector which, until now, was characterized by sharp quarterly increases. For example,

the average quarterly increase in capital raised in 1999 was 27%, and the increase in the first quarter of 2000 over Q4/99 was 97%.

The decline in total capital raised in Q2/2000 is due to a decline in investments by other than Israeli VCs. These investors decreased their investment in Israeli high tech companies by 24% reducing the total sum raised by the Israeli companies.

Fewer number of companies raised capital, in the most recent quarter. 120 private Israeli high tech companies raised capital in Q2 in comparison to 134 companies, which raised capital in Q1. The average amount raised per company this quarter was \$5.1 million. This is nearly unchanged from the the previous quarter.

The local Venture Capital Industry

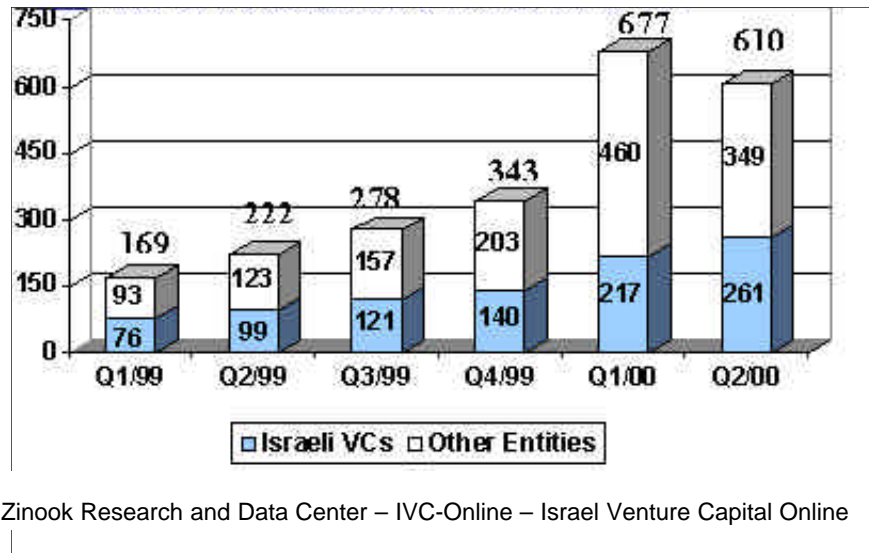
Local VCs invested a record \$260.6 million in Q2, a 20% increase over the \$216.7 million invested in Q1, and a 164% increase over the \$98.7 million invested in Q2/1999.

Although capital raising declined in this quarter, the \$1,286.6 million raised in the first half of 2000, \$609.9M in Q2 and \$676.6M in Q1, is 27% higher than the total figure of \$1,011.6 million in 1999, and set an all-time record.

Zeev Holtzman, Chairman of Zinook and Giza Venture Capital, explained that "the increased investment by Israeli venture capital funds is due to the intense capital raising carried out by the funds themselves." This capital raising, explains Holtzman, "has allowed the funds to invest larger amounts of money every quarter since the beginning of 1999."

The Kesselman & Kesselman Pricewaterhouse

Total Amount Raised by Israeli High-Tech Companies (\$M)



Coopers Money Tree Survey reports lent support to the Zinook report with nearly similar results. In Israel, investments in Internet-related companies in this quarter accounted for 54% of the investments for the quarter, whereas investments in Internet-related companies constituted 71% of total investments for the previous quarter/

This is the first time there has been a decrease in the proportion of investments in Internet-related companies since the third quarter of 1998.

In the United States, the Internet is still the leader in venture capital investments. However, for the first time, there are indications of a distinct change in the investment channels within the internet-related field: there has been a decrease in investments in e-commerce sites (B2B, B2C) as compared to previous quarters. The Money Tree™ Survey performed in the United States indicates that companies engaged in the "business side" (i.e. – services, tools/application and access/infrastructure jointly accounted for 66% of the Internet pie (25.6%, 24.4% and 16%, respec-

tively). In Israel, the breakdown of investments in Internet-related companies was as follows: access/infrastructure – 42%, tools/application – 37% and services – 15%, a total of 94% of the Internet pie. Analysis by industry shows that, in the United States, companies engaged in soft-

In conclusion, the atmosphere of uncertainty, which has been surrounding the capital market lately and which has shaken up the international economy, has not deterred venture capital investors. On the contrary, the venture capital investors showed a combination of "healthy optimism and patient money" and made their mark – once again – breaking new investment records.

ware (24%), telecommunications (22.4%), and business services (18.9%) attracted a total of \$ 12.8 billion in the second quarter of 2000. Although software's dominance of investments goes unchallenged, investments in telecommunications did increase significantly (by 46% - to \$ 4.3 billion) over the previous quarter. In Israel, telecommunications, software and new media attracted 60% of investments in the second quarter (about 20% each).

Networking and equipment attracted 18% of the total investment for the quarter and reached a record-breaking level of \$ 130 million.

In the second quarter, 60% of all investments in Israel were in the early round, either start up or early stage, and represented 48% of total transactions, the average investment in these stages being \$ 5.16 million. Companies in the third round raised 33% of the total investments, which represented 16% of the total transactions. The average investment in this stage was \$ 11.6 million.

Turkey, Singapore Sign Milestone Agreement for Israeli Satellites

Israel concluded separate negotiations with Singapore and Turkey to build satellites with intelligence-gathering capabilities from its Ofek series. The two contracts are expected to total \$1.2 billion in revenues to Israel defense industries. The contract with Singapore was signed in a bilateral agreement between the two countries. The contract with Turkey was signed after the Turkish Government selected Israeli Aviation Industries to build the satellites from a pool of candidates which also included the French company Alcatel. The contracts between Israel and the two respective countries marked the first time that Israel has been contracted to build intelligence-gathering satellites for other countries. Singapore and Israel are also expected to cooperate in future ventures on satellites with intelligence gathering capabilities.

Background: Israel's Surveillance Satellite

Israel's needs for trans border information was a priority and drones (RPVs) remotely piloted vehicles were the answer. These planes, somewhat larger than the remotely controlled planes used by hobbyists, were endowed with cameras that could pinpoint and report on strategic targets. They were difficult to spot from the ground and few if any which were ever brought down. In the 1982 Israeli incursion into Lebanon a major concern was the Syrian controlled Russian SAM missiles positioned in the Bekaa Valley, in the eastern part of South Lebanon. The drones TV reported on the launching pad locations and our air force, in short shrift, destroyed them and nullified their military potential.

Similar drones. were employed in Desert Storm. For many years Israel was privy to US information from American global satellites. For reasons not quite clear the US, on a number of critically important situations, withheld information gathered by the American global satellites. Israel, for its part felt that it could not depend on irregular

satellite reports.

This issue undoubtedly accelerated the Ofek Satellite Program and led to its outstanding success. The engineering know-how to place the satellite into an orbit it was an additional indication of Israel's technology capability, already more than a dozen years ago. Ofek Satellites have been custom redesigned and today are an export item being offered by Israel Aircraft Industries.

Background of the Ofek Satellite Program

Ofek-1 was built by Israel Aircraft Industries with the Israel Space Agency as the coordinator for the project Ofek-I Satellite. On September 19, 1988, Israel's first satellite was launched into space and was orbiting every ninety minutes. Ofek-I was put into orbit by a rocket launcher developed by Rafael, Israel's Armament Development Authority. The satellite was the result of the highly dedicated effort of Israel's Space Agency, and the cost of the program so far has been put at a relatively low \$200 million. The ISA chairman has stated that Ofek-I is of major scientific importance. Israel Aircraft Industries, which was the contractor for the development and building of the satellite, has indicated that Ofek-I's subsystems collected data on space environmental conditions as well as the earth's magnetic field. Other important scientific findings involved the evaluation of the satellite's transmission systems, the use of solar power, and the determination of operation capabilities in a vacuum and in the condition of weightlessness. Israel's achievement in orbiting a satellite is not as surprising as it otherwise might be, because of its proven scientific infrastructure and technologically oriented engineering and scientific personnel. This achievement accords the country entry into a highly exclusive space club, whose membership includes Russia, the United States, Japan, France, China, Great Britain, and India. Charter members were Russia and the United States. Both these countries entered the space age with-

in one year of each other, in the late 1950's, with the Sputnik I and the Vanguard 1. The American Vanguard and Israel's Ofek-I were developed independently by their national space programs. The scientific benefits from data gathered by the Israeli satellite undoubtedly will lead to improved understanding of space and associated phenomena. It also provides Israel with a new "seeing" dimension of major strategic and political importance. Israel has achieved a highly developed expertise in the field of optical lenses, and a cutting-edge position in infrared detectors. Both of these technologies are prerequisites for reaping the benefits of optical telescopes that can focus light from objects on the earth onto highly sensitive detectors that, in turn, can provide real-time information. These abilities are critically important in terms of strategic information-gathering capabilities. They also form an underpinning for advance-warning defense systems and are therefore a deterrent to potential aggression on the part of Israel's neighbors.

The high technology required for the development, launching, and orbiting of the satellite is a multifold blessing. Practitioners of the technology have earned for their country the prestige accorded to such successes and have elevated its standing in the international arena of science and technology. Israel's four million people have gained an additional feeling of pride and a heightened sense of capability in this unstable region of the world.

Ofek-2 satellite was launched well ahead of schedule in April 1990.

Ofek-3 was successfully placed in orbit in April 1995. It was sent aloft by a "Shavit" three-stage launcher made by Israeli high-tech companies.

Amos in the Sky:

The Amos Satellite Program is a low orbit commercial Communications Satellite offering an alternative to the Arab ComSat. It is up and well and bringing in income from the rental of recep-

tion and transmittal of programs. Amos is a strictly commercial effort.

The Amos I communications satellite was launched successfully by the Ariane 44L launch vehicle on May 16, 1996 at 0:4:56 Israel time from Kourou in French Guiana. The project was begun in 1992 by Israel Aircraft Industries. A major technological success, it was constructed at a cost of \$120 + \$30 million for the launch. It is further proof of using defense experience towards a civilian project. One of the names associated with the Amos satellite is that of Meir Amit. The one time chief of intelligence, turned company manager of Koor Industries, promoted the project and obtained capital from foreign investors which allowed the implementation and eventual commercial success of the Amos Comsat.

TechSat2:

The Technion Institute of Technology Satellite

The Technion's micro-satellite, Gurwin Techsat 2, on July 10 this year, marked its second year in space – in spite of predictions by scientists that it would survive in space for only 12 months.

Technion engineers are now planning to launch another satellite with additional features at the end of 2004.

Techsat 2 revolves around the earth every 102 minutes and transmits data to the ground station on the Haifa campus. The scientific-technological satellite weighs only 48 kilos and is a 45-centimeter cube. It is considered one of the most advanced of its kind, and it consumes less electricity for all its needs - less than 10 watts - than any other its size. The electricity is supplied by solar energy cells that cover part of its surface.

Among its projects and tasks are: a camera and simulation program for transmitting pictures from earth, a device for the measurement of ultraviolet rays for testing the earth's ozone layer, a sensor for charged particles, and the supply of

ham radio transmissions. Some of the experiments' results have already been presented at international conferences and published in journals.

Techsat 2 was developed and built by Technion staffers and students and experts from 12 hi-tech companies. It had been thought that some of the components, which are commercial and were not designed for space conditions, would not last more than a year.

Venture Capital Investments

Yazam leads \$2 Million Seed Financing Round for Selis Networks Jerusalem

Yazam, the international leader in seed-stage investing and business development, has led a \$2 million round of seed financing for Selis Networks Inc. of San Francisco. Selis Networks develops and markets broad Web-based management systems for business-critical networks and applications. Selis Networks is currently developing an application based on leading-edge Web technologies that enables network managers and CIOs at small- to mid-sized businesses to conduct SLA monitoring of business services for proactive network maintenance. "The ability to proactively maintain network-based business services is key to avoiding financial losses incurred due to system down time," says Selis Networks President and CEO Jonathan Gad. The application is scheduled for rollout in the first quarter of 2001.

The \$2 million in seed financing will be used for research and development of the first version of the product at Selis Networks' R&D facilities in Or Yehuda, Israel. The time of a network manager is at a premium, especially in small- to mid-sized companies where they might be the only individual in their organization capable of operat-

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	+ 15.4 %*
Teuza	+ 26.5%*
Marathon	+ 1.5 %*
Mofet	+ 134.5 %*
Inventech	+ 58.8 %*
Tamir Cap	+ 13.5 %*

* Yields Year to Date and as of August 15, 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 41.7%. This compares very favorably with the General Share Index of TASE traded companies which since the outset of this year has gained 14.1 per cent.

Mofet Israel Technology Fund, with a 134.5% gain since the start of the year, continues to be a major winner, and since our July IHTIR issue, has gained nearly 20% .



The Israeli Publicly Traded Venture Capital Companies, may benefit from capital gains to be reaped as a result of a resumption of Initial Public Offerings on Wall Street. As we report in this issue Compugen recently debuted with an 11% premium.

While we continue to favor Mofet, which has one of the more promising mixes of investments in its portfolio the recent resumption of IPOs along with a continuous trend of Mergers and Acquisitions should favor this sector.

ing and repairing the network, Gad says. Today, the network manager may only know about a network problem when a user calls to complain. Our solution allows managers to spot potential problems before they become critical and affect users enabling rapid troubleshooting and problem resolution. Similar solutions currently on the market are primarily designed for large corporations.

Thus Selis Networks' application fills a void in the marketplace because most comparable tools are designed for large corporations, leaving millions of small- to mid-sized firms searching for answers to network operations issues, says Yazam CEO Yaacov Ben-Yaacov.

Ensemble Raises Record \$60mln.

Ensemble Communications, a broadband wireless access equipment manufacturer, announced that it has raised \$60 million in the largest private placement round ever executed by an Israeli hi-tech firm.

Officials from Tel Aviv-based Ensemble added that the financing round was based on a company value of \$460m. and that Ensemble plans to go public on Nasdaq in the first half of next year.

The company intends to expand its international presence as it prepares for commercial shipments of its products in the fourth quarter of this year.

The capital raising round attracted new investors to the firm, including Goldman Sachs, Cisco Systems, Dell Ventures and IVP X. Existing investors ADC Telecommunications, DMC Stratex Networks, Samsung, Crescendo Ventures Enterprise Partners, Institutional Venture Partners, KTB Networks and Trinity Ventures, some of these increased their interests in Ensemble.

Eran Mordechai, director of research at venture capital firm Zinook, said that the largest private placement financing round so far by an Israeli company had been Netanya-based Internet services provider Dealtime's \$50m. in February 2000.

"There were higher rounds than this," he said, "in

which Israeli venture capital firms participated. But none of these companies can be classified as Israeli." Mordechai defined an Israeli company as one that is either registered as Israeli or operates a branch in Israel, such as an research and development facility.

Ensemble employees 35 people at its research and development facility in Tel Aviv. Its San Diego, California office, which conducts sales, marketing, customer service, and development activities, is operated by 150 employees.

This round represents the company's fourth capital raising round since its founding in 1997. The previous round was executed last December, when it raised \$25m. based on a company value of \$100m.

Ensemble designs, manufactures, and markets point-to-multipoint wireless systems for local multi-point distribution service and other broadband wireless access markets worldwide.

In March, the company entered into a worldwide marketing and distribution agreement with California-based Digital Microwave Corporation, which sells broadband access microwave radio systems. Under the terms of the agreement, Digital Microwave placed an initial purchase order of approximately \$5 million for Ensemble's fiberless systems.

Israeli Biotech Co XTL Raising \$17 Mln at \$97 Mln Value

Biotechnology company XTL of Rehovot is in the process of completing a \$17 million fund raising round, at a company value of \$97 million. Yeda research & Development, the commercialization arm of the Weizmann Institute of Science has invested \$300,000, in exchange for 3.55% of the company. Other investors include Goldman Sachs, Japanese investment bank Nomura, and venture capital fund Nitzanim.

The private placement followed the inability of the company to realize its plans to issue its shares on

the London Stock Exchange. XTL planned to raise \$40-60 million in May, at a company value of \$200 million. It is believed that the company may make another attempt to float in London. It raised \$17 million in May 1999, at a value of \$42 million.

The company develops human antibodies for viral diseases. US pharmaceuticals company Eli Lilly is among those using XTL's technology. XTL's CEO is Dr. Martin Becker.

IHTIR Model Portfolio

The *IHTIR Model Portfolio* of Israeli high-tech shares continues to be a high-octane performer. Since the beginning of the summer we have closed out our position in Tecnomatix and replaced it with newcomer Precise Software (IHTIR 7/2000).

Successful equity portfolios of the size of the *IHTIR Model Portfolio* generally contain one position which is responsible for the majority of its capital gain. In the *IHTIR Model Portfolio* we can point to CheckPoint Software (CHKP:Nasdaq) and Point of Sale (POSI:Nasdaq). The long-term holdings of the shares of these companies, since the outset of 1999 have returned 1001% and 294%, respectively. Both of these companies are global leaders in their respective fields. CHKP has a commanding lead in the software for corporate network security and its business results are in keeping with the rapidly growing demand for Internet security.

Founded in 1993 in Israel and now based both there and in Redwood City, Calif., Check Point was the first company to offer easily installable software designed to place a firewall between a corporate network and the Internet. It has since added other products, including virtual private networking software that lets workers log on to corporate networks while at home or on the road. Since the company went public in 1996, its annu-

al revenue has soared from \$32 million to \$220 million, with net income rising from \$15.2 million to \$95.8 million. And after the first quarter of 2000, when earnings soared 77% and revenue shot up 79%, company officials said they wouldn't be surprised if both the top and bottom lines grew by 50% for the entire year. .

Gilat Satellite (GILTF) is included in our portfolio because of its solid growth and ability to increase its slice of the satellite communications market. GILTF:Nasdaq recently reported record results for the second quarter and first half of 2000.

Revenues of \$108.6 million for the second quarter ended June 30, 2000, increased by 46 percent over revenues of \$74.4 million for the second quarter 1999. Net income was \$9.1 million (US\$0.38 per share).

Revenues for the six months ended June 30, 2000 were \$194.5 million, an increase of 38 percent over the first half of 1999, when the company had revenues of \$140.5 million. Net income was \$15.6 million (US\$0.65 per share).

Gilat has been awarded China's first large-scale satellite rural telephony network by the Xinjiang Uygur Autonomous Region Posts & Telecommunications Administration. The Xinjiang PTA purchased 1050 units of Gilat's DialAway Very Small Aperture Terminal (VSAT) satellite communications equipment for public call offices to serve the province's remote villages. Each DialAway remote site will support up to three toll-quality voice channels. The Xinjiang province is home to 17 million inhabitants and covers an area comparable in size to Europe.

OTI, SmartNexus Win \$2 Mln Contract

OTI, a Rosh Pina, Israel-based maker of smart card products and SmartNexus, a US-based manufacturer of smart card infrastructure, said yesterday they had received a \$2 million initial order to jointly develop a new smart continued on p 12

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 8/16/2000: 15.875		
Total:	1,000		\$0.00	\$43,500.00	\$15,875.00	(\$27,625.00)

Check Point Software Tech		CHKP		Price as of 8/16/2000: 124.875		
Total:	3,000		\$0.00	\$17,015.62	\$374,625.00	\$357,609.38

Comverse Technology, Inc.		CMVT		Price as of 8/16/2000: 78.3125		
Total:	750		\$0.00	\$34,687.50	\$58,734.38	\$24,046.88

Gilat Commun.		GICOF		Price as of 8/16/2000: 14.6875		
Total:	5,000		\$0.00	\$49,375.00	\$73,437.50	\$24,062.50

Gilat Satellite Networkss		GILTF		Price as of 8/16/2000: 79.625		
Total:	1,000		\$0.00	\$56,125.00	\$79,625.00	\$23,500.00

Point of Sale Ltd.		POSI		Price as of 8/16/2000: 25.125		
Total:	7,800		\$0.00	\$49,725.00	\$195,975.00	\$146,250.00

Precise Software		PRSE		Price as of 8/16/2000: 19.625		
Total:	600		\$0.00	\$12,300.00	\$11,775.00	(\$525.00)

IHTIR Model Portfolio Investment Summary

Original Assumed Investment at the Start of 1999 was	\$ 246,850
Total Current Value	\$ 810,046
Gain	\$ 563,196 +228.15 %

*valued as of August 16, 2000

card program for Pinnacle Business Management. The value of the nationwide project for US-based Pinnacle should eventually reach \$15-\$20m., the companies said. OTI and SmartNexus have entered into a long-term strategic alliance that will be based on marketing ORTI's products in the US. In the Pinnacle project, OTI will provide the front end and user interface devices, including the cards. SmartNexus will contribute a smart card system for distributing funds to customers. Pinnacle clients will receive a card for making purchases via point-of-sale systems and withdrawing cash at ATMs. Customers will also be able to add other services to the cards such as electronic signature capabilities.

The IPO Window is Open Again

Compugen up 11% first day of trading

Tel Aviv-based biotechnology company Compugen Ltd. raised \$50 million when it sold 5 million ordinary shares - 20 percent of the company's shares - at an initial public offering (IPO) price of \$10 per share.

The share price climbed on Wall Street to close at \$11.13 at the end of trading reflecting an immediate appreciation of 11.25%.

According to Nurit Benjamini, VP Finance. Compugen, whose Nasdaq symbol is CGEN, went public at a company valuation of \$277m..

The company's last private placement - for \$35.4m., less than one month ago - was based on a company valuation of only \$151m.

"The IPO price of \$10 was at the bottom of our \$10-\$12 range," Benjamini said, "but it was in the range, and it was the price we determined was appropriate given market conditions."

The shares were offered through underwriters led by FleetBoston Robertson Stephens Inc., U.S. Bancorp Piper Jaffray Inc., and Invemed Associates LLC.

Compugen's major shareholder is Clal Biotechnology Industries, with a 12% equity stake in the company. Other investor shareholders in the company include Israel Seed Partners (10%), Apax Partners and Apax Funds Nominees (10%), US Venture Partners (8%), and smaller investors Pequot Private Equity Group, Yozma Venture Fund, State Farm Mutual Automobile Insurance, the Giza Group, Poalim Investments, STI Venture Fund, Ampal Industries, Evergreen and Genesis.

Compugen, founded in 1993, is a pioneer in the fields of computational genomics and is developing new research approaches to drug discovery, therapeutics, and diagnostics.

The company - which employs 120 people and has a subsidiary in Jamesbury, New Jersey - is commercializing the genes and proteins that it discovers through its Novel Genomics division. It provides products and services to organizations and companies in the life sciences and pharmaceutical sectors, such as Pfizer and the US Patent and Trademark Office.

In March, Compugen won a multi-million dollar contract to carry out research for US-based Human Genome Sciences.

IHTIR ranks Compugen, as one of Israel's most promising biotechnology companies.

Teva Granted UK Approval to Market Copaxone

Teva Pharmaceuticals Industries, Ltd., one of the largest generic pharmaceutical companies in the world, said they received long-awaited approval from the British Health board to market the multiple-sclerosis (MS) drug, Copaxone (R), in the UK. Copaxone was recommended for approval in the beginning of June, and has now received the final okay. The UK is the first European market to okay the drug and under a mutual recognition procedure Teva will now file for approval throughout the European Union, with the UK acting as its reference member state. Teva plans to launch sales in the UK market by the beginning of the fourth quarter.