

# GIZA

## INVESTMENT LETTER

October 1999  
No. 47

הג'זא GIZA

The #1 newsletter on Israeli Securities

### Radware is accorded hot reception

Traded: Nasdaq	Symbol: RDWR
Recent Price: \$40 3/4	
1999 High-Low: \$49 - \$24	
Initial Public Offering Price: \$18/sh.	
Shares Offered: 3,500,000	
Shares Outstanding: 14,604,209	
Market Capitalization: \$595 million	

Radware Ltd. is the most promising company of the RAD-BYNET Group to have made an initial public offering in the US to date. At the end of September, Radware sold 3.5 million shares through underwriters led by Salomon Smith Barney; CIBC World Markets; and U.S. Bancorp Piper Jaffray. The market responded positively, thrusting Radware shares to a huge 126% premium by the end of the first 10 days of trading.

#### Internet traffic cop

As several other Israeli IPOs this year, Radware is attracting an investor following because its business is directly involved with the Internet. Its products manage and direct Internet traffic so customers can be assured of uninterrupted availability and optimal performance of IP-based applications.

It is the exponential and rapid growth of the Internet and the forecast for further expansion that has created the demand for Radware's products. The growth in traffic, the variety of data, and demands for access at almost any time, has strained network infrastructure. Companies and other organizations have realized that slow response times and technical difficulties within their network will result in customers going elsewhere.

While many companies have undertaken network expansion to alleviate the problems of overload, there are several problems not addressed by expansion. These include the risk of a single point of failure; lack of efficient distribution of traffic

among available services; the high cost of increasing bandwidth and adding servers and firewalls; and the operation and administrative burden of managing a complex network.

#### Radware's advantages

Radware's products enable uninterrupted availability and potentially better performance by distributing traffic among a network's resources. They (a) direct end-users to functioning resources and applications by bypassing off-line and failed resources; (b) allocate IP traffic among dispersed network resources based on feedback from monitoring; and (c) provide scalability to enable resources to be added to capacity without the need for upgrading or replacing existing resources.

#### Products for multiple needs

Radware offers three product lines:  
*Web Server Director* – distributes IP traffic among  
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### What is the RAD-BYNET Group?

RAD-BYNET consists of a group companies (plus subsidiaries and affiliates) either founded by Yehuda and Zohar Zisapel or in which the brothers have principal shareholdings. Most are involved in the data communications field, although none manufacture the same products as Radware. Often marketing by group companies is through the same distribution channels.

Radware Ltd.  
RAD Data Communications  
RND Networks,  
RAD Network Devices  
RADLAN Computer Communications Ltd.  
RADWIZ  
RIT Technologies Ltd.\*  
RADView Software Ltd.  
RADVision Ltd.  
RADGuard Ltd.  
Silicom\*  
Radcom\*

Bynet Semech Ltd.  
Bynet Systems Applications Ltd.  
Bynet Data Data Communications Ltd.  
Bynet Electronics Ltd.  
Timebe Ltd.  
AB-Net Ltd.  
Commercenet Ltd.  
Radwin Ltd.  
Rad-Op Ltd.  
Giganet Ltd.  
Several real estate and pharmaceutical companies

\*publicly traded on Nasdaq

multiple servers and applications. Enables continuous access to the servers and optimization of capacity utilization.

*FireProof* – manages IP traffic to and from network security filters (such as firewalls). Maximizes reliability and efficiency.

*Cache Server Director* – redirects end-user requests, when appropriate, to cache servers which store content previously retrieved from the Internet in order to optimize performance, improve response time and conserve bandwidth.

### Customers

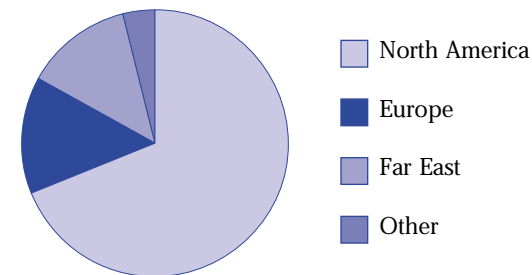
Radware products are sold to distributors, the largest of which are Frontier GlobalCenter, National Business Group, Progressive Source Int'l, Source Communications, The WANGroup, WebZone, Inc., and Zerowait. Final customers are better known. They include telecommunication carriers, Internet service providers, application service providers and web-hosting providers. Principal customers are as follows:

Bell Atlantic	NEC
BMC Software	NIT
Concentric Network	Saritel Telematica Italiana
Deutsche Bahn AG	Sony Sprint
Deutsche Telekom AG	USinternetworking
France Telecom	UUNET
Gateway	Vanguard
GTE	AB Volvo
Intel Corp.	

### Strategic alliances

Radware has entered into various distribution and OEM agreements with software and hardware vendors which have complementary product lines to Radware. These include companies such as NEC and Secure Computing Corp. The agreements allow distribution of Radware products on a non-exclusive basis, with products usually branded with the name of the vendor or co-branded with Radware's name as well. Radware is planning to expand these alliances in order to better access its target markets.

Sales by Locale\*



\*6 months through June 30, 1999

### Offering proceeds

Net offering proceeds to Radware were about \$56.5 million. It earmarked \$19 million for expansion of marketing and sales activities and \$6.5 million for R&D. While the company does not have a budget for the remainder, it expects \$10 million to \$15 million will be used to fund the company's

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<b>Income Statement Data</b> (S000s)		
	6 mos. ended	
	6/30/99	6/30/98
Sales	5,533	1,674
Cost of sales	883,920	466,110
Gross profit	4,649	1,208
Research and devel. exp., net	618	319
Marketing and selling exp.	3,814	1,705
General and admin. expenses	410	129
Total operating expenses	4,842	2,153
Operating loss	(193)	945
Financing income (exp.), net	16	47
Net loss	(178)	(991)
Basic & diluted loss per sh. (\$)	(0.03)	(0.16)
Weighted aver. shs. outstanding	6,350,400	6,350,400
	1998	1997
Sales	4,900	1,159
Cost of sales	899	599
Gross profit	4,001	560
Research and devel. exp., net	739	411
Marketing and selling exp., net	4,204	248
General and admin. exp.	298	142
Total operating expenses	5,242	801
Operating loss	(1,242)	(241)
Financing income (exp.), net	11	9
Net loss	1,253	232
Basic & diluted loss per sh. (\$)	(0.20)	(0.04)
Weighted aver. shs. outstanding	6,350,400	6,350,400
<b>Balance Sheet Data</b> (S000s)		
	6/30/99	12/31/98
Cash and equivalents	10,708	1,676
Trade receivables, net	2,107	839
Other receiv. and prepaid exp.	675	471
Inventories	656	565
Total current assets	14,146	3,551
Property & equipment, net	444	218
Other	181	63
Total assets	14,771	13,833
Total current liabilities	2,714	1,045
Accrued severance pay	195	83
Total liabilities	2,909	1,128
Shareholders' equity	11,862	2,705
Total liab. & shareholders' equity	14,771	3,833

participation in strategic alliances with vendors and/or fund strategic acquisitions of products and technologies, and \$16 million to \$21 million will be used for working capital and general corporate purposes.

#### **Losses are decreasing**

Radware only began operations in April 1997, but by the second quarter of this year sales were running at a \$12 million annual rate. The Web Server Director product line accounts for 80% of sales with Cache Server Director and FireProof product lines for the remainder.

While losses have been incurred to date, and the company expects "to continue to incur significant losses for the foreseeable future," losses have been

reduced sharply. In the June 1999 quarter, the company was almost at breakeven. In the fourth quarter of this year, the company will have a sharp increase in interest income as a result of higher bank balances from the offering proceeds, partially offsetting the higher anticipated spending levels for marketing and R&D. The company, as a result, could find it itself operating in the black in the not-too-distant future.

#### **Principal Stockholders**

Yehuda Zisapel	31%
Polaris Group	12%
Evergreen Group	12%
Zohar Zisapel	6%
Roy Zisapel	7%
HarbourVest Int'l Priv. Equity Partners III Fund	6%

## **Giza Group**

### **Venture Capital Management & Investment**

- ABS GE Capital Giza Fund L.P.
- Privately negotiated transactions
- Direct equity investments

### **Investment Banking**

- M&A, restructuring
- Capital raising - equity and debt
- Project finance - domestic and international
- Associated with leading international investment banks

### **Financial Advisory**

- Financial analysis, due diligence
- Company valuations, fairness opinions
- Equity research, economic studies

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Venture Capital	972-3-640-2318	972-3-640-2319
Financial Consulting	972-3-640-2301	972-3-640-2313
Investment Banking	972-3-640-2340	972-3-640-2341

## The Market

Tel Aviv Stock Exchange-traded shares receded moderately in the two months through September. Losses which occurred in a weak August, however, were mostly recouped in a fairly strong September. Overall, the General Share Index declined 2.8% for the period, while the Tel Aviv 100 Index was off 2.6% and the MAOF Index of 25 large cap stocks dipped 2.4%.

Factors helping the market included the report of the August Consumer Price Index, which rose a lower-than-expected 0.5%, and a meeting of the minds between the Bank of Israel and the Treasury over inflation targets. Share prices continued to be influenced by investor sentiment in overseas markets and by second quarter financial results.

### Tel Aviv-traded shares

**Bezeq** was off 4%. Its second quarter earnings fell sharply – greater than expected – due to lower phone rates and intensified competition. Weakness in the shares, however, was partially offset by various local companies indicating interest in bidding for control of the telecommunications firm. **Dankner**, one of those firms considering purchase of Bezeq, advanced 13%.

**Makhteshim-Agan** fell 13%. Its shares were downgraded by a local broker. Its Latin America business is showing only limited growth, and it is being affected by weak prices for some chemicals. Paint producer **Tambour** was hurt by anti-trust action taken by government authorities and dropped 7%. **Dead Sea Works**, off 22%, was impacted by large losses on its magnesium joint venture. **FIBI** fell 7%. High start-up costs at its **Visa Alpha** credit card operation impacted **First International Bank's** Q2 earnings.

**Elite** was up 6%. **Merrill Lynch** recommended its shares, and Q2 profits were up sharply as well. **Bank Leumi** edged up 2%. It was helped by its purchase of 18% of **The Israel Corp.** as well as an interest in Europe-Israel. **IDB Holdings** gained 9% benefiting from a valuation of **Israel Discount Bank**, which indicated it was worth far more than its market value. **Clal Industries** rose 2%. It reported sharply higher earnings (excluding capital gains) for Q2. **Africa Israel**, up 13%, was helped by expectations that two of its units would go public.

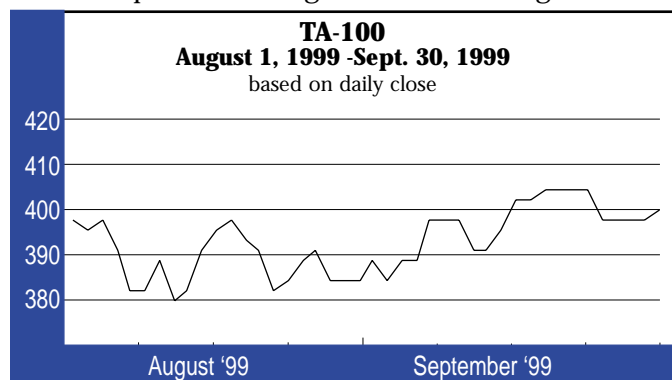
### US-traded shares

**Teva Pharmaceutical** advanced 8%. It completed the acquisition of 94%-owned, Nasdaq-listed, **Copley Pharmaceutical** for \$208 million. Teva benefited from improved sales of Copaxone, its drug to treat multiple sclerosis and a strong

recommendation from a leading US investment banking house.

**Elbit Ltd.** jumped 14% reflecting its significant holdings in cellular phone operator **Partner Communications**, which is currently planning an initial public offering in the United States. Speculation put Partner's estimated value for the offering at more than \$2 billion. **Matav Cable**, another significant stockholder in Partner, was off 4% although its shares had previously run up in anticipation of the offering.

**AudioCodes** (see June issue of *Giza Investment Letter*) surged 25%. A **Warburg Dillon Read** analyst boosted his revenue and earnings forecast. AudioCodes is among the few Internet-related firms to be registering profits at an early stage in its development. **Netro**, a new issue that was reviewed in the August *Giza Investment Letter*, soared to \$28. Its initial public offering was made in August at \$8 a



share. The shares of venture fund **Mofet**, an early investor in Netro, were up strongly on the communications firm's outstanding performance.

**Orbotech** gained 16% with the help of major product orders for automated optical inspection equipment. **Magic Software** soared 53%. It was helped by new product introductions plus the acquisition of rights to an innovative Y2K solution, which drastically cuts time and cost of implementation.

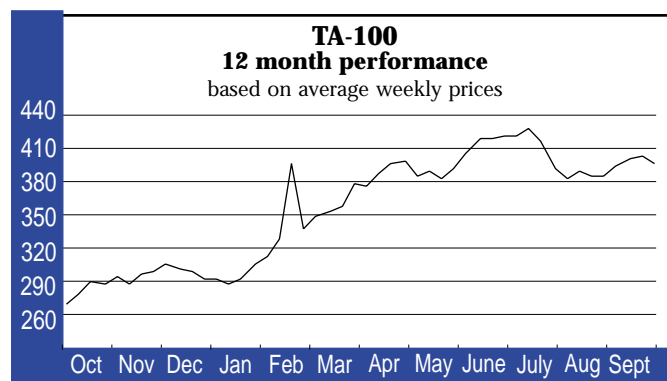
**Vocaltec** climbed 37%, benefiting from an affiliate's plan to go public in the US. The company, **ITXC**, made its initial offering on October 1. VocalTec's stake is worth over \$40 million. Vocaltec also entered into a joint development, marketing and sales agreement with **Cisco Systems** to deliver IP telephony solutions to ISPs, I telephony SPs, and carriers. **Taro Pharmaceutical** continued to climb with a 24% increase for the period. It has been

Indexes: US-traded shares				
	7/30/99	8/31/99	9/30/99	2 month change
Giza Index	93.54	89.75	91.50	-2.2%
Nasdaq Comp.	2638	2739	2746	+4.1%

Indexes: Tel Aviv-traded shares										
	52 week			Percentage change						
	9/30/99	High	Low	yr-to-date	last mo.	last 2 mos.	1995	1996	1997	1998
TA-100	399.64	434	249	42.3	3.6	-2.6	20.2	1.2	37.9	3.0
MAOF	391.85	432	251	37.4	3.8	-2.4	23.0	1.5	38.7	1.5
TASE General	347.60	374	219	43.1	3.2	-2.8	14.0	-1.0	35.2	3.0

particularly strong since mid-year on good financial results and FDA approval to market a generic anticoagulant equivalent to a **DuPont** produced drug.

On the downside, **Blue Square-Israel** dropped 14%. **Lehman Brothers** lowered its rating to neutral, citing flat first half sales and a difficult economic climate. **ECI Telecom** declined 27% as the company reported that **DCME** sales flattened in



Q2. Management said that good progress is being made in development and field trials of new generation products which will fuel the re-acceleration of DCME. **Koor Industries**, which is ECI Telecom's largest shareholder, was off 16%. **Elscint** skidded 24%. A shareholder claim made against the company, former directors and certain controlling stockholders alleged conflicts of interest and that minority holders were discriminated against in certain actions taken by the company. This was in addition to a similar claim recently made by the company's former president.

**Galileo Technology** slipped 7%. It was hurt by news of the earthquake in Taiwan. Galileo contracts most of its manufacturing to chipmaker **Taiwan Semiconductor**, which estimated a 10% drop in its production for September due to the earthquake. Nevertheless, Galileo management said that Q3 results would not be impacted due to sufficient inventory on hand. Galileo's stock recently split 2-for-1.

**BVR Systems** was off 9% despite resolving a commercial dispute and litigation over intellectual property with **Israel Aircraft Industries**. BVR's profits fell in the second quarter. **Nexus** plunged

#### Change in Macroeconomic Indicators

	1998	1997	1996	1995
GDP	1.9%	1.9%	4.4%	6.9%
Exports	5.2%	6.1%	6.0%	7.8%
CPI	8.8%	7.0%	10.6%	8.1%

#### Key Rates

Bank of Israel interest rate	11.5%
Prime interest rate	13.0%
12 month T-bill yield	11.7%
NIS/dollar	4.26

44%. Revenues were down in Q2; and operating and net losses continued to be incurred although at reduced levels due to cost reductions. **Etz Lavud** was off 13% as losses from continuing operations widened in Q2. The company was hurt by a sales slowdown in the local market and by imports. **Paradigm Geophysical** fell 12% even though **Shamrock Holdings**, the private investment firm for the Roy E. Disney family, purchased additional stock, making it Paradigm's largest shareholder with 13%.

**DSP Communications** continued to slide, falling 19%. Analyst reports cited in the press raised fears that the company may not meet its revenue targets from products based on TDMA technology. There was concern over Q3 results, and a research analyst downgraded the stock to neutral. **Home Centers** plunged 27% as Q2 revenues fell 5% and as it reported a small net loss in contrast to income for the year-earlier period. The company attributed losses to the absence of the Passover holiday period in 1999's second quarter and high opening costs for its 49%-owned store in Cyprus. The company expects the Cyprus store to turn profitable in the first half of 2000.

#### Recent Symbol Changes on Nasdaq

Company	New Symbol
ESC Medical	ESCM
Fundtech	FNDT
I.S.G. Software	SISG
Lanoptics	LNOP
M-Systems	FLSH
Magal Security Systems	MAGS
Magic Software	MGIC
Teva Pharmaceutical	TEVA

## US-Traded Securities

Company	Symbol	Exch	Price	% Chg	52 week		Market Value \$M	Annual Sales \$M	P/E
			9/30/99	Aug-Sept	High	Low			
Aladdin Knowledge Sys	ALDN	NAS	7 15/16	-6	14 1/2	6 1/4	91	39	nm
Amdocs	DOX	NYSE	21 1/2	-20	30 1/16	8 3/4	4307	561	54
American Israeli Paper	AIP	AMEX	56	-5	61 1/2	28 3/4	354	213	12
Ampal American A	AIS	AMEX	6 1/4	...	6 3/4	3 1/4	180	61	8
AREL Communications	ARLCF	NAS	7 7/16	-8	9 3/8	2 3/16	62	11	nm
AudioCodes	AUDC	NAS	37 5/8	+25	41 3/16	14 7/8	622	19	nm
Backweb	BWEB	NAS	17	-34	36 1/2	15	470	15	nm
Bio-Technology Genl	BTGC	NAS	9 19/32	+1	11 3/8	5 1/2	512	84	27
Blue Square	BSI	NYSE	13 3/4	-14	16 7/8	10	528	1159	18
B.O.S. Better OnLine	BOSC	NAS	2 9/16	+18	6 1/2	1 5/8	22	46	nm
BVR Systems	BVRS	NAS	9 11/16	-9	13 1/6	6 1/8	87	46	22
BVR Technologies	BVRTF	NAS	7 5/16	-9	11 1/4	2	62	4	nm
Carmel Container Sys	KML	AMEX	7 5/8	-8	8 3/4	5 1/8	19	93	10
Check Point	CHKP	NAS	84 7/16	+23	96 1/2	10 7/8	3425	170	45
Cimatron	CIMTF	NAS	2 9/32	-22	3 3/8	1	18	22	17
CommTouch	CTCH	NAS	14 1/8	...	25 7/8	9 3/4	208	1	nm
Converse Technology	CMVT	NAS	94 5/16	+25	97 5/8	19 9/16	7154	778	52
Crystal Systems	CRYSF	NAS	7 3/4	-14	14 3/4	6 3/8	78	46	8
Data Systems & Soft.	DSSI	NAS	2 5/8	-25	4 1/4	1 5/8	20	32	nm
Delta Galil	DELT	NAS	11 1/2	+5	12 7/8	9	183	344	10
DSP Communications	DSP	NYSE	18 7/8	-19	32 5/8	4 5/8	829	155	26
E-Sim	EIM	AMEX	8	-28	14 3/4	1 3/8	82	4	nm
ECI Telecom	ECIL	NAS	24 11/16	-27	45	19 3/4	2374	1000	35
Elbit Ltd.	ELBTF	NAS	12 7/8	+14	14 11/16	2 1/4	277	17	nm
Elbit Medical Imaging	EMITF	NAS	7 13/16	-9	12 3/16	7 5/16	173	38	nm
Elbit Systems	ESLTF	NAS	13 1/2	-11	19	9 5/8	358	422	12
Elbit Vision Sys	EVSF	NAS	1 19/32	-36	2 5/8	13/16	14	16	nm
Electric Fuel	EFCX	NAS	1 5/16	-13	4 3/4	1 1/16	18	3	nm
Elron Electronic Indus.	ELRNF	NAS	23 1/8	-8	29 1/2	10	490	60	nm
Elscent	ELT	NYSE	7 7/8	-24	13 7/16	7 3/4	127	202	4
Eltek	ELTK	NAS	25/32	-14	1 3/4	7/16	4	24	0
Engel Development	ENGEF	NAS	1 3/4	...	4 1/8	1 1/4	15	30	3
ESC Medical	ESCM	NAS	4 15/16	-4	21 1/8	3 11/16	125	174	nm
Etz Lavud A	ETZ	AMEX	10 1/8	-13	13	5 7/8	36	97	13
First Israel Fund	ISL	NYSE	14	-9	16 3/16	9 3/4	nm	nm	nm
Formula ADR	FORTY	NAS	24 3/4	-8	32 5/8	12	224	315	6
ForSoft	FORS	NAS	6 1/2	-7	12 3/8	5 7/8	92	58	10
Fundtech	FNDT	NAS	22 5/16	-12	47	8 5/8	308	28	nm
Galileo Technology	GALT	NAS	25	-7	34 9/16	3 5/16	1030	59	57
Genesis	GDCUF (units)	NAS	2 1/8	-50	6	1	11	36	2
Gilat Satellite Network	GILTF	NAS	53 5/8	+2	67	35 1/4	1167	230	nm
Gilat Communications	GICOF	NAS	14 3/8	-17	23 1/4	4 1/8	132	30	21
Home Centers	HOMEF	NAS	6 1/2	-27	11 1/8	5 5/8	45	134	14
ICTS	ICTS	NAS	5 1/8	-11	6 5/8	3 5/8	34	97	nm
I.S.G. Software Indus.	SISG	NAS	7 1/16	-29	14	7	60	17	60
Indigo N.V.	INDG	NAS	3 1/32	-2	5 11/16	1 1/2	234	148	nm
Israel Land Devel. ADR	ILDCY	NAS	18 3/4	-22	24	11 3/8	177	403	5
Koor Industries ADR	KOR	NYSE	17 3/8	-16	25 3/8	12 1/2	1469	3034	nm
LanOptics	LNOP	NAS	4	-12	5 13/16	1	26	26	nm
M-Systems Flash Disk	FLSH	NAS	10 11/16	+21	12 5/8	2 1/4	102	20	nm
Magal Security Sys	MAGS	NAS	3 9/32	-13	4	1 1/2	24	33	10
Magic Software	MGIC	NAS	19 3/4	+53	24 1/8	1 15/16	168	51	34
Matav Cable ADR	MATVY	NAS	41 1/4	-4	47 3/8	14 3/4	610	104	nm
Medis El	MDSLFL	NAS	6 1/16	-16	8 1/4	2 15/16	58	nil	nm
Mer Telemanagement	MTSLF	NAS	3 5/8	+23	4 3/8	1 1/4	17	12	nm

nm - not meaningful P/E - price to earnings ratio na - not available

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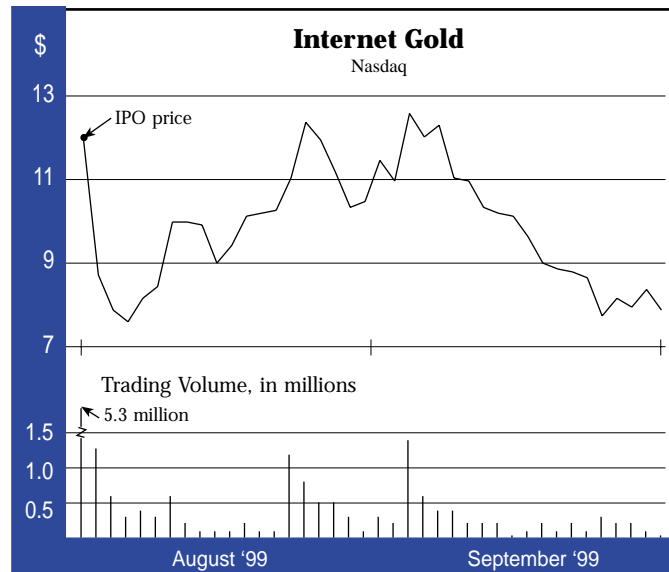
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**Tel Aviv-Listed Shares**

Company	Price* 9/30/99	% Chg Sept	% Chg 1999	Market Value \$M	Annual Sales \$M	Market/ Equity	P/E
Africa Israel 1	312600	+13	+101	335	na	1.4	27
Agis	2530	+10	+16	174	238	0.8	12
Al-rov	2380	+4	+25	70	42	1.1	nm
Azorim	4380	+6	+36	352	325	1.0	19
Bank Leumi	745	-2	+30	2464	na	1.0	10
Baran	6600	+9	+103	108	137	3.8	10
Bayside 1	61200	+1	+37	273	57	1.5	19
Bezeq	1529	nil	+18	2787	2242	1.5	26
Clal Electronic Ind	63800	+3	+17	550	na	1.2	3
Clal Industries	2920	+3	+68	956	na	1.3	9
Clal Insurance	5300	nil	+45	624	1216	1.8	11
Clal Israel	12870	+3	+52	940	na	1.2	8
Dan Hotels	1370	+2	+110	221	124	1.5	nm
Dankner	4920	+28	+166	207	na	7.4	nm
Dead Sea Bromine	2270	-1	-7	372	490	1.6	9
Dead Sea Works	1039	-8	+27	719	558	2.3	18
Delek	14900	-2	+38	345	629	1.7	10
Delek Motors	1000	-7	+51	169	410	3.0	7
Delta Galil	4920	+1	+47	206	306	1.6	11
Discount Investment	15600	+5	+42	1612	na	1.6	34
Elco	3550	+4	+69	285	975	1.7	nm
Electra	26500	+6	+44	196	264	2.4	14
Electra Consumer	4570	+2	+70	215	403	2.0	14
Elite 5	20300	+8	+64	457	523	2.3	15
FIBI 1	3340	+5	+24	259	na	0.9	11
Granit	475	-1	+6	154	438	1.1	12
Housing & Construction	534	+10	+91	501	873	6.8	13
IDB Holdings	12470	+9	+45	1099	na	1.3	27
IDB Development	12640	+10	+48	1347	na	1.3	21
Industrial Buildings	598	-2	+19	406	56	1.5	23
Israel Chemicals	408	-1	+3	1145	1786	1.4	12
Israel Corp 1	43900	-4	+27	577	na	1.3	23
Jerusalem Economic	2250	-10	+52	247	53	2.2	24
Kitan	755	-10	+78	119	173	0.8	56
Knafaim	8370	+7	+71	263	204	4.0	31
Leumi Insurance	315	+2	+45	763	1195	2.6	11
Makhteshim Agan	770	+3	-14	642	839	1.3	16
Mehadrin	15690	+3	+16	122	53	1.9	nm
Mei Eden	3060	+9	+87	94	68	1.9	20
Ormat	728	+3	+67	98	126	1.3	15
Osem	2170	-1	+32	404	452	1.6	17
Petrochemicals	2850	+6	+40	198	na	1.1	35
Poalim	1053	+8	+40	3034	na	1.1	11
Poalim Investments	16950	+9	+51	230	na	1.1	5
Property & Building	39800	-2	+28	386	134	1.4	12
Salt Industries	2040	+6	+9	190	55	5.2	16
Solel Boneh	4460	+9	+18	105	480	2.2	17
Tambour	740	+9	+40	105	148	1.1	nm
Tefahot	311200	-5	+63	351	na	1.0	11
Ytong	908	+4	+17	93	70	1.0	11

\* Prices shown in agorot nm - not meaningful na - not applicable P/E - Price to earnings ratio

## New & Noteworthy

### Internet Gold – Golden Lines Ltd.



Traded: Nasdaq Symbol: IGLD  
 Recent Price: \$7 13/16  
 1999 High-Low: \$16 7/8 - \$7 1/4  
 IPO price: \$12  
 Shares Offered: 4,500,000  
 Shares Outstanding: 18,431,500  
 Market Capitalization: \$144 million

#### ***IPO recently completed***

Internet Gold, which purports to be Israel's largest Internet Service Provider in terms of the number of subscribers, made its initial public offering in the United States in early August. The company sold 4,500,000 shares at \$12 each through underwriters led by Lehman Brothers, CIBC World Markets, C.E. Unterberg, Towbin and Poalim Capital Markets & Investments Ltd.

#### ***High level of Internet use***

Internet use in Israel is at a high level and rapidly increasing. From a population of six million, representing 1.7 million households, there were

600,000 Internet users in 1998. By year-end 2000 the number of Internet users is forecast to be from 1.2 million to 1.5 million.

#### ***Market share estimated at 34%***

Through 14 facilities, Internet Gold's network allows 95% of Israel's population to access the Internet with a local telephone call. At mid-year 1999, the company had 127,400 subscribers, up 187% from just 18 months earlier. Internet Gold's market share among residential subscribers is approximately 34% (according to a January 1999 Gallup Israel survey), which just edges out its principal competitor, NetVision, with 31%.

#### ***Competition from several directions***

There are many competitors in the local Israeli market, and some of them have recently begun to offer free Internet access, which has put pressure on prices. Worrisome, too, for Internet Gold, is competition on the horizon from telephone companies, cable television firms and DBS and wireless providers as well as AT&T, which plans to set up an Internet service business. Despite Israel's relatively small population, companies are attracted by the positive outlook for Internet services among its technologically sophisticated population.

#### ***Strategic direction***

In addition to strengthening its brand and implementing other measures to expand its subscriber base, Internet Gold intends to develop e-commerce and portal advertising businesses.

In the e-commerce area, the company entered into a joint venture with Bank Hapoalim, Isracard (Mastercard's Israeli franchisee) and Eurocom, a communications firm and also Internet Gold's parent. The joint venture, 50.1% controlled by Internet Gold, aims to establish a virtual mall providing online shopping. Internet Gold will transfer its existing e-commerce activities to the joint venture and the three parties will make capital contributions in proportion to its ownership of the

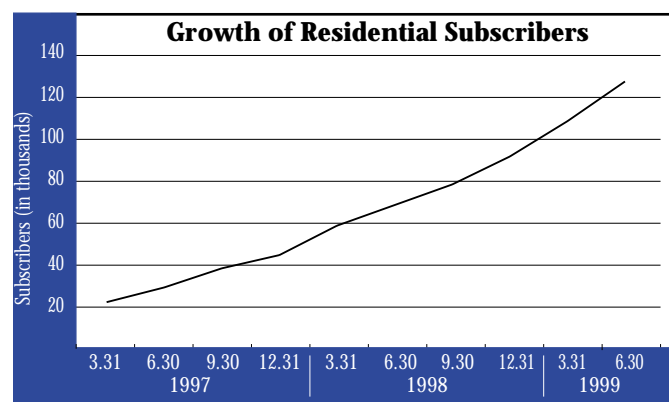
#### **Internet Access Packages**

<u>Access Services</u>	<u>Description</u>	<u>Target</u>	<u>Customers Pricing</u>
Basic	Use of modems to dial up network	Residential and small business subscribers	Unlimited: \$24 to \$34/mo; Hour-based: 6-15 hrs/mo. for \$8 to \$19
ISDN dial-up	Digital service providing faster (ISDN) access	Residential and small business subscribers	Same as basic
64Kbps leased frame relay line	24 hr. high speed dedicated Internet access	Business subscribers	\$200 to \$300 /mo.
Bulk hours	Bulk purchase of hours for several employees	Business subscribers	\$1/hr.
Dial-up network	Entire PC network connected to Internet via one modem	Business subscribers	\$100 to \$150 monthly

<b>Enhanced, Value-Added Services</b>		
<i>Service</i>	<i>Description</i>	<i>Target Customers</i>
Web design and production	Integrated site production packages including development, construction registration, marketing, booking of advertisers and maintenance	Business
Commercial web site hosting and server co-location	Hosting of subscriber web site on Internet Gold servers or client computer is installed in IG network operations centers.	Business
Internet consulting and implementation	Provides desktop, server and network configuration; intranet and extranet design and implementation; web site design; security consulting; turnkey solutions for e-commerce and other applications.	Business
Online commerce site implementation	Turnkey solutions for database-driven Internet store	Business

joint venture. Operations are expected to begin in the first half of the year 2000.

In February 1999, Internet Gold introduced its portal which provides a gateway to information and services available on the Internet. It includes links to sites and services with e-mail, chat rooms, stock quotes, CDs, real estate and job listings and news. The company intends to build its portal with additional content while also developing specialty portals for children, high technology, women and other online communities.



### **Losses seen as continuing**

Substantially all of Internet Gold's revenues to date have come from subscriber access fees. These have risen sharply as the number of subscribers has increased (see graphs above). Revenue growth, however, has been moderated by a decline in average monthly revenues per subscriber due to

competitive pricing pressures. In fact, about 10% of access hours in the first quarter of 1999 were

<b>Income Statement Data</b>		
(NIS 000s)		
	6 months ended June 30	
	1999	1998
Revenues	45,974	27,909
Cost of revenues	25,459	15,291
Gross profit	20,515	12,618
Selling and marketing exp.	17,436	10,026
General and admin. exp.	8,668	5,803
Loss from operations	(5,589)	(3,211)
Financing expenses, net	(950)	(984)
Other expenses, net	(16)	(14)
Net loss	(6,555)	(4,209)
Net loss per share	(0.47)	(0.30)
Weighted aver. shs. outstdg.	13,932,000	13,932,000
	1998	1997
Revenues	63,169	32,835
Cost of revenues	35,373	18,010
Gross profit	27,796	14,825
Selling and marketing exp.	21,346	12,861
General and admin. exp.	11,883	8,022
Total operating expenses	33,229	20,883
Loss from operations	5,433	6,058
Financing expenses, net	1,987	918
Other income (exp.), net	(7)	30
Net loss	7,427	6,946
Loss per share (NIS)	0.53	0.50
Weighted aver. shs. outstdg.	13,932,000	13,932,000
<b>Balance Sheet Data</b>		
(NIS 000s)		
	6/30/99	12/31/98
Trade receivables, net	15,075	13,570
Other receivables	5,758	4,652
Total current assets	20,833	18,222
Long-term loans	822	-
Property and equipment, net	21,691	17,980
Deferred charges	2,859	-
Total assets	46,205	36,202
Short-term bank loans	40,692	32,813
Accounts payable	15,486	13,729
Other payables	8,560	4,060
Total current liabilities	64,738	50,602
Long-term loans	2,786	1,156
Employee-related liabilities	1,705	913
Total long-term liabilities	4,491	2,069
Shareholders' deficit	23,024	16,469
Total liab. & shareholders' deficit	46,205	36,202

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## New & Noteworthy

### deltathree.com, Inc.

To be traded: Nasdaq    Symbol: DDDC  
Anticipated Offering Price: To be announced  
Shares to be Offered: To be announced

Deltathree.com provides Internet Protocol (IP) telephony services to individuals and businesses via its privately managed IP network. These services include the enabling of a user to initiate a telephone call from a personal computer and speak to a party using a standard telephone, and a variety of web-based communications services. Although the company is incorporated in Delaware, some 65 of its 85 employees are based in Israel, where research and development facilities are located.

Deltathree.com is planning an initial public offering in the US through underwriters led by Lehman Brothers; U.S. Bancorp Piper Jaffray; Warburg Dillon Read LLC; and Lazard Freres & Co. LLC.

#### ***Packet switching is key to enormous IP growth***

Traditional telephone networks are based on circuit switching technology, but because a dedicated circuit is needed for each call, the network is not used to its maximum efficiency. Packet switching technology, such as IP, can handle a greater amount of traffic over a network because it divides signals into packets that are simultaneously routed over different channels to their destination where they are reassembled in their original order.

IP technology was somewhat slow to take off because of poor voice quality and little interest from traditional carriers which have considerable investments in circuit-switched technology. But even some of these firms, such as AT&T and Sprint, have now begun to come around with IP telephone service offerings.

Recent advances in packet switching, compression and broadband access technologies, hardware and private networks have markedly improved the quality of voice calls, now permitting service providers to carry voice, fax and data over the same network at large cost savings. Deltathree.com cites IDC estimates that 2.7 billion minutes will be carried over IP networks in 1999, generating revenues of \$0.6 billion. In 2004, IDC projects that IP minutes will reach 135 billion, producing \$20.7 billion in revenues.

Deltathree.com is banking on IP communications as the catalyst for the Internet's use as a preferred means of communications. It sees integrating voice communications into the web as enhancing existing e-mail and online chat and enabling shoppers to

speak with customer service representatives of on-line retailers to strengthen customer support. Deltathree.com's service offerings reflect the projected growth of telephony in Internet communications.

#### ***Deltathree.com's services***

*PC-to-phone.* Enables users to call to a standard telephone from a PC while remaining online. The software is available for free from deltathree.com's web site. The cost is lower than for usual long distance services since calls are routed from the Internet to the company's privately managed IP network and then to its destination.

*D3.* Enables a user to retrieve e-mail, voice mail and faxes and send e-mail from a single source. A user can retrieve messages by logging on to www.deltathree.com or by calling via a standard telephone.

*Click IT.* Enables a link to be placed on one's web site. When clicked by a user viewing the site, automatically initiates a telephone call from the user's computer to a number specified by the host of the site.

*Phone-to-phone.* Enables calls which are made from a standard telephone to be carried primarily over deltathree.com's privately managed network. It is a low cost service due to its utilization of IP technology.

*Global roaming.* Enables businesses and individuals to place phone calls throughout the world using country-specific toll-free numbers, thus bypassing local access charges.

#### ***Planned services***

The company plans to introduce a variety of services through its interactive communications portal. These include IP-initiated conference calls; reception of phone calls on one's PC without needing to log off; fax transmission to any standard fax machine worldwide by downloading a deltathree.com account; phone and e-mail directory services via the communications portal; and view and editing capabilities for multiple users while speaking to each other.

#### ***Promotional efforts***

Several marketing partnerships have been entered into which promote deltathree.com's services. In August 1999, the company became the exclusive provider of IP services on the CBS.com web site. In return, deltathree.com's services are being promoted through co-branded areas on CBS's web site, dedicated e-mailings to its user base and banners.

An agreement with Sony.com makes deltathree.com a preferred provider of enhanced IP

### deltathree.com's network

<i>Points of Presence (POPs)</i>					
Austria	Vienna	Greece	Athens	Korea	Seoul 2
Bangladesh	Dhaka	Greece	Heraklion	Malaysia	Kuala Lumpur
Belgium	Brussels	Greece	Rhodes	Norway	Oslo
Brazil	Rio de Janeiro	Greece	Saloniki	Russia	Moscow
Brazil	Sao Paulo 2	Holland	Rotterdam	Russia	Nijnei
China	Beijing 3	Hong Kong		Russia	Samara
Colombia	Bogota	Hungary	Budapest	Russia	St. Petersburg
Colombia	Cali	Iceland	Reykjavik	Singapore	
Czech Republic	Prague	India	Bombay	Sweden	Stockholm
Finland	Helsinki	Israel	Jerusalem	Turkey	Istanbul
France	Paris	Israel	Rosh Ha'ayin	United Kingdom	London
Germany	Frankfurt	Israel	Tel Aviv	United States	Los Angeles
		Japan	Tokyo	United States	New York

services on its web site and establishes a co-branded "communications center" where enhanced IP services will be offered.

A co-marketing agreement with Xoom.com, Inc. makes deltathree.com a preferred supplier of IP services on Xoom's web site. There are links to deltathree.com and co-branded areas. Xoom plans to integrate deltathree.com's services with its chat network of 250,000 chat rooms, offer its services with Xoom greeting cards and integrate its services with Xoom's directory services of White Pages and Yellow Pages.

Other marketing efforts include partnerships with companies linking their web sites to deltathree.com via banners and programs and in which service providers distribute deltathree.com's services under their own private labels.

#### **Proceeds**

Offering proceeds will be used for developing enhanced IP communications services, advertising, marketing and pursuing strategic and marketing alliances, as well as for working capital, capital expenditures and general corporate purposes.

#### **Stockholders**

Pre-offering, Nasdaq-traded RSL Communications, Ltd. owns 100% of deltathree.com's common shares,

#### **Income Statement Data**

(\$000s)

	1998	1997
Revenues from affiliates	4,896	468
Revenues from non-affiliates	1,742	778
Total revenues	5,638	1,246
Cost of revenues	4,657	1,065
Research and devel. expenses	650	294
Selling and marketing exp.	2,431	632
General and admin. expenses	1,842	1,388
Compensation expense	743	-
Amortization of goodwill	2,472	197
Total costs and operating expenses	12,796	3,576
Loss from operations	7,158	2,330
Interest expense	186	37
Minority interest	224	-
Net loss	7,121	2,368
Net loss per share—basic & diluted(\$)	0.92	0.47
Weighted aver. shs. outstanding—basic & diluted	7,748,542	4,986,262

having increased its ownership from 51% in April 1998. RSL has funded deltathree.com's cash requirements through inter-company loans and at mid-year 1999, was owed \$9.6 million.

RSL Communications focuses on providing international telecommunications services by establishing local operations in major world markets. Last year it bought Westinghouse Communications, and it has operations in the US, western Europe, South America and elsewhere. It is a member of the Ronald S. Lauder group of companies.

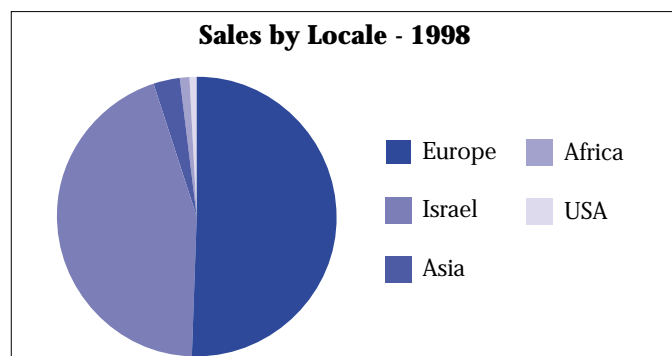
### **Unitronics (1989) (R"G) Ltd.**

To be Traded: Euro.NM Belgium  
 Offering Price €3.72/share  
 Shares Offered: 2,000,000  
 Shares Outstanding (post-offering): 8,826,750  
 Market Capitalization: €32.8 million

Unitronics, a manufacturer of programmable logic controllers (PLCs), is in the process of an initial public offering on the Euro.NM Belgium. The subscription period for the 2,000,000 shares being offered at €3.72 is from September 21 through

October 15, 1999. Smeets Securities of Antwerp is the lead underwriter, joined by Delta Lloyd Bank of Amsterdam and Cyril Finance Gestion of Paris.

PLCs are computer-based electronic devices used in automation to control machinery and other systems. They are programmed to perform specific control tasks in real-time and allow continuous closed loop control capabilities by processing feedback from input sensors and activating output tasks. PLCs are used in a variety of fields including the automotive, petrochemical, plastics, textile, pharmaceutical, energy, packaging, building,



environmental control and food-processing industries.

Unitronics is a minuscule factor in the \$6 billion world PLC market, but hopes to become an important player through the development of PLCs embedded with Internet and intranet capabilities. The company sees the Internet as enabling easier monitoring of systems and production line tasks via remote control, and intranet technology as improving production line efficiency by facilitating peer-to-peer communications between linked PLCs. The company provides the following instance of how web-based PLCs could be utilized to save time and money through remote monitoring: A manufacturer in Brussels which has Unitronics' PLC devices integrated into a factory in Indonesia could diagnose and troubleshoot certain production line problems via the web – without incurring the expense of sending specialty personnel to the Indonesian factory.

Unitronics now has its WebPLC product in an advanced stage of development. WebPLC is to have Internet and intranet communications capabilities via TCP/IP communications protocols. These will allow a network supervisor to monitor, diagnose and correct problems from remote locations via the Internet.

The first WebPLC device is expected to be released for the micro PLC market. Characterized by diminished size and increased functionality, Unitronics cites a Frost & Sullivan study indicating this to be the fastest growing segment of the market.

Also under development are devices for the small and medium PLC markets. Its products are intended as both PLCs and Web servers having Internet/Ethernet, HTML, FTP and SMTP/POP3-enabled e-mail capabilities. Additionally, features enabling increased connectivity, advanced software concepts and CPUs which can obtain faster response and control are planned. These are for monitoring complex machinery requiring an operator-friendly graphical interface. Product lines in these areas are expected to be introduced through the year 2000.

#### **Income Statement Data**

(NIS 000s, adjusted)

	<u>1999</u>	<u>1998</u>
Revenues	11,051	10,662
Cost of revenues	<u>6,219</u>	<u>6,588</u>
Gross profit	4,832	4,074
R&D exp., net.	1,446	1,994
Selling & marketing exp.	1,586	1,485
General and admin. exp.	<u>1,451</u>	<u>1,187</u>
Operating profit (loss)	349	(592)
Financing expenses	141	194
Other income (expenses)	<u>6</u>	<u>(67)</u>
Pretax income	214	(683)
Tax benefits (taxes on income)	(167)	192
Share in affiliates' results	<u>(19)</u>	<u>(23)</u>
Profit (loss) for the year	28	(684)
Profit (loss) per NIS 1 share (NIS)	0.21	(5.60)

#### **Balance Sheet Data**

(NIS 000s, adjusted)

	<u>Dec. 31, 1998</u>	<u>Dec. 31, 1997</u>
Cash and equivalents	213	39
Accounts receivable	2,813	1,379
Inventory	<u>1,094</u>	<u>897</u>
Total current assets	3,928	3,529
Investment in affiliate	129	225
Property and equipment	1,301	1,319
Deferred taxes	<u>178</u>	<u>71</u>
Total assets	5,536	5,144
Credit from banks and others	995	769
Accounts payable	<u>2,691</u>	<u>3,098</u>
Total current liabilities	3,686	3,867
Long-term debt	276	994
Accrued severance pay, net	743	302
Long-term liabilities	1,019	1,296
Loans	822	-
Stockholders' equity	<u>9</u>	<u>(19)</u>
Total liabs. and shareholders' equity	5,536	5,144

#### ***Existing products are basis for web-based PLCs***

Two types of PLCs are manufactured by Unitronics – those that contain integrated human machine interface operating panels and more standard PLC devices that do not. The company's product range is built around a 32-bit high speed central processing unit with varying computational and connectivity capabilities. Unitronics' PLCs can handle different communication protocols for communication on multiple platforms and for operation together with devices of different manufacturers. They serve as the basis for the new, more advanced models being developed.

#### ***IPO proceeds***

Most of the €7 million (\$7 million) in proceeds from the initial public offering is expected to be used for working capital, with the remainder slated for marketing, general and administrative costs,

R&D and investment in equipment and repayment of shareholder loans.

### **Customers**

Most of Unitronics' customers are machine manufacturers specializing in PLC-controlled machinery for packaging, palletizing or other automated tasks. These customers are mostly from Europe and Israel, although part of the company's strategy is to boost sales to other areas, notably the US and Latin America.

### **Competition**

In the PLC field, Unitronics has many large and powerful competitors such as Mitsubishi, Rockwell Automation/Allen Bradley and Siemens though Unitronics is aware of just one firm, Jetter AG of

Germany, which is developing Internet-based products directly competitive to the its WebPLC line.

The industry as a whole is undergoing several competition-driven changes. Frost & Sullivan reports that companies are finding it difficult to survive in the face of intensified competition particularly from the Japanese, major markets are becoming saturated and a shorter product life cycle is increasing pressure on R&D and engineering staffs. The Internet, though, is stimulating PLC market development with its potential for remote control of production tasks.

### **Main stockholders**

Haim Shani, who has been Chairman and CEO since the company's founding in 1989, will own 77% of the outstanding shares post-offering.

## **On Track Innovations Ltd.**

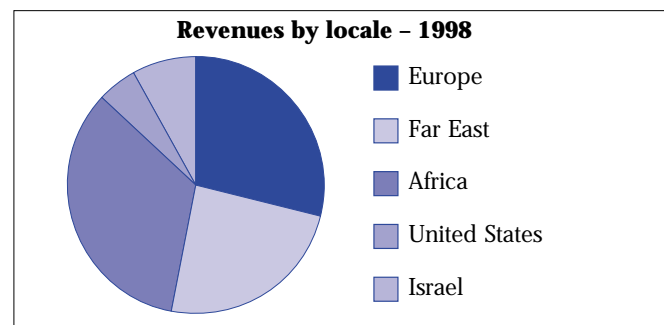
Traded: Neuer Markt/Frankfurt Stock Exchange  
Recent Price: €5.40  
Initial Offering Price: €8.50  
Shares Offered (by company): 3,200,000  
Shares Outstanding: 14.4 million  
Market Capitalization: €78

On Track Innovations (OTI) made its initial public offering on the Frankfurt Stock Exchange's Neuer Markt in late August. The company sold 3,200,000 shares at €8.50 for its own account through underwriters led by M.M. Warburg & Co.; Vereins- und Westbank Aktiengesellschaft; Baden-Wuerttembergische Bank Aktiengesellschaft; SchmidtBank KgaA; net IPO and Banque CPR. An additional 1,066,667 shares were sold on behalf of selling shareholders.

### **In highly competitive smart card market**

OTI develops contactless smart cards – a fast growing but highly competitive field. The company faces competition from a host of other firms including Philips, which is the industry leader of contactless cards using applied specific integrated circuit (ASIC) technology. OTI believes it has a major advantage relative to its competitors in that its smart card runs on a microprocessor – not an ASIC chip. This gives it much greater functionality and a higher level of security. The functionality of ASIC chips has to be determined when they are manufactured, but microprocessors can be repeatedly programmed and support multiple functions. The company believes it has the first commercially field tested technology using microprocessors on contactless smart cards.

The smart card market is continuing to undergo



change. In their early development, smart cards had silicon chips embedded in plastic microelectronic modules. These chips, which provided memory but no processing power, have been typically used in the standard credit card. A key advancement in technology was made with ASIC and microprocessor chips, which provide the card with functionality.

### **Contactless versus contact cards**

With contact cards, direct contact between the card and the reader terminal provides the energy to operate the microprocessor and transmit data between the card and reader. With the introduction of contactless cards, the microprocessor receives energy from a reader-generated magnetic field, and it transmits information generally from two and ten centimeters.

Contactless cards have several advantages over contact cards:

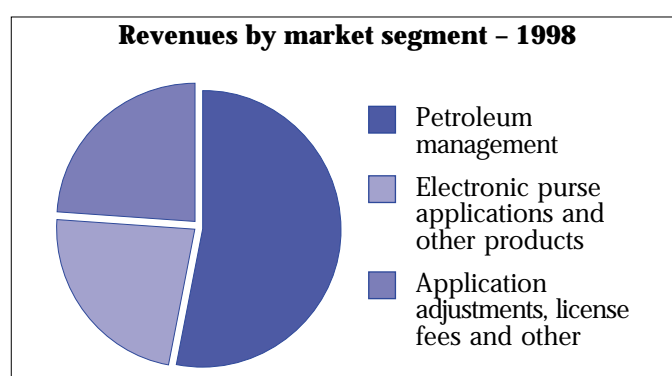
- less contact between the card and reader which helps prolong the life of the card and components
- the smart card device can come in various forms including a wristwatch or tag
- faster transmission of data
- easier to use since inserting the card into a slot is unnecessary

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- reduced possibility of vandalism
- more reliable since the card is less affected by interference
- enhanced security

### **Advantages of OTI's product**

In addition to its programmable microprocessor functionality, OTI's products are capable of complex encryption; can make positive identification using biometric comparisons of the cardholder and information on the card; enable both contact and contactless smart interfaces on one card; and are sufficiently flexible to integrate OTI technologies with other smart card microprocessors and operating systems.



### **Variety of products using OTI technologies**

**Electronic Purse Applications.** OTI's EYECON products help store, encrypt and secure personal and transactional data transmitted through contactless communications.

**Gas Management System.** Records fuel consumption, processes billing information, monitors maintenance and performance of vehicles. Information is stored on the vehicle's smart card.

**Hygiene Control System.** Helps ensure employees follow hygienic practices by recording procedures carried out by employees. Particularly geared for the food service industry.

**In-Vehicle Parking System.** An in-vehicle card is activated by the driver upon parking and deactivated by the driver when leaving a parking lot, so charges reflect the exact time a vehicle is parked. An OTI hand-held reader for inspectors can automatically generate a parking ticket, if required.

**National Documentation.** A single card can provide information for national identification, driver's licenses, tax payments and health insurance.

**Mass Transportation.** Enables fare collection by storing passenger credit balances and debiting the balance once the passenger passes by the reader.

### **Future directions**

OTI's EYECON technology is expected by the

company to lead to significant revenue increases over the next two years. OTI is planning to increasingly focus marketing efforts in the US, where little penetration has been made to date, and in Europe and Southeast Asia. It is also seeking to extend its strategic relationships with manufacturers of semiconductors, terminals and smart cards.

### **Lead shareholders**

Following the initial public offering, Astra Technological Investments, a publicly traded Israeli venture capital firm, held 10% of the shares; Ronnie Gilboa, Vice President for R&D, held 9%; and CEO Oded Basham held 8%.

<b>Income Statement Data</b>		
	(\$000s)	
	6 mos. ended	
	<u>6/30/99</u>	<u>6/30/98</u>
Revenues	1,215	858
Cost of revenues	<u>589</u>	<u>521</u>
Gross profit	626	337
R&D expenses, net	516	393
Marketing and selling expenses	880	775
General & admin. expenses	<u>726</u>	<u>691</u>
Total operating expenses	<u>2,122</u>	<u>1,859</u>
Operating loss	1,496	1,522
Financial income (expenses), net	(26)	-
Minority interest in subsidiary	<u>66</u>	<u>-</u>
Net loss	1,456	1,505
Net loss per share	0.14	0.14
Weighted aver. shares	10,642,871	10,492,821
	<u>1998</u>	<u>1997</u>
Revenues	2,821	1,778
Cost of revenues	<u>1,419</u>	<u>917</u>
Gross profit	1,402	861
R&D expenses, net	896	1,038
Marketing and selling expenses	1,611	1,078
General & admin. expenses	<u>1,699</u>	<u>1,426</u>
Total operating expenses	<u>4,206</u>	<u>3,542</u>
Operating loss	2,804	2,681
Financial income (expenses), net	<u>71</u>	<u>46</u>
Net loss	2,797	2,535
Net loss per share	0.27	0.24
Weighted aver. shares	10,538,537	10,430,571
<b>Balance Sheet Data</b>		
	(\$000s)	
	<u>6/30/99</u>	<u>12/30/98</u>
Cash and equivalents	2,248	2,006
Short term investments	297	668
Trade receivables, net	500	1,018
Other receiv. and prepaid exp.	872	434
Inventories	<u>1,898</u>	<u>1,849</u>
Total current assets	5,815	5,975
Property, plant and equip., net	<u>1,616</u>	<u>1,601</u>
Total assets	7,431	7,576
Current liabilities	1,999	2,234
Long-term liabilities	2,400	2,435
Convertible loans	700	-
Shareholders' equity	<u>3,032</u>	<u>2,207</u>
Total liabs. & shareholders' equity	7,431	7,576

## Technology – at the cutting edge

### **Collgard Biopharmaceuticals, Ltd.**

This private, development stage company is focused on products to treat diseases in which tissue trauma and collagen production are involved. Therapeutic markets include cancer, cardiovascular disease, fibrosis and autoimmune disease. Formed in 1996 by Medica, an Israeli venture capital firm, Collgard has already made good progress on the long, arduous road to drug commercialization.

#### ***Inhibits negative effects of collagen***

Tissue trauma can result from harsh physical or chemical conditions or skin injuries. It involves cell migration, cell proliferation and angiogenesis (new blood vessel formation) occurring within the injured tissue. In certain of these disease states, a type of collagen that is normally produced in the body at low levels is “turned on,” leading to negative health consequences.

Collgard has found that Halofuginone, a drug used against parasites in animals, inhibits the negative effects of this type of collagen, a development which opens doors to many significant therapeutic opportunities. For example, in cancer treatment, Halofuginone has been shown in animal tests to inhibit angiogenesis, cell migration and proliferation, thus affecting the tumor and the environment it depends upon.

A complication after angioplasty – the procedure

to reopen blocked arteries in the heart – is restenosis or the renarrowing of the blood vessels. Halofuginone selectively blocks two key events involved in the reclogging of the blood vessels.

Responsiveness to Halofuginone treatment has also been shown, in both animal and human studies, for an autoimmune condition known as scleroderma – for which no current effective treatment exists and which is characterized by progressive deposition of fibrous connective tissue.

#### ***Clinical trials underway***

A phase 1 clinical trial in human volunteers for the treatment of scleroderma has shown topical use of Halofuginone to be safe and well tolerated. A multi-center phase II clinical trial was begun in 1999.

In the year 2000, the Collgard hopes to proceed to a Phase II/III study of scleroderma in the US. It also is planning to initiate multiple cancer clinical trials in the US and Israel. Discussions with potential corporate partners are taking place, which, if successful, could accelerate Collgard's development program.

#### ***Attracting key investors***

Collgard is in the process of raising capital and has thus far exceeded its original \$5 million target for this round. In addition to Medica, its investors include Yozma Management & Investments, Denali Ventures and Comverse Investments.

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## US-Traded Securities

Company	Symbol	Exch	Price 9/30/99	% Chg Aug-Sept	52 week		Market Value \$M	Annual Sales \$M	P/E
					High	Low			
Mercury Interactive	MERQ	NAS	64 <sup>9</sup> / <sub>16</sub>	+40	65 <sup>3</sup> / <sub>4</sub>	10 <sup>9</sup> / <sub>16</sub>	2679	140	nm
NetManage	NETM	NAS	2 <sup>1</sup> / <sub>16</sub>	-11	3 <sup>1</sup> / <sub>2</sub>	<sup>27</sup> / <sub>32</sub>	134	76	nm
Nexus Telecom.	NXUSF	NAS	1 <sup>7</sup> / <sub>8</sub>	-44	6	1 <sup>3</sup> / <sub>4</sub>	25	8	nm
NICE Systems ADR	NICE	NAS	25 <sup>3</sup> / <sub>4</sub>	-19	33 <sup>15</sup> / <sub>16</sub>	11 <sup>5</sup> / <sub>8</sub>	307	99	28
Nur MacroPrinters	NURM	NAS	7 <sup>15</sup> / <sub>16</sub>	+4	9 <sup>1</sup> / <sub>2</sub>	1 <sup>3</sup> / <sub>4</sub>	97	46	30
Optibase	OBAS	NAS	7	+2	9 <sup>3</sup> / <sub>16</sub>	4 <sup>7</sup> / <sub>8</sub>	61	23	18
OptiSystems	OPTL	NAS	5 <sup>1</sup> / <sub>16</sub>	-11	10	na	30	4	nm
Orbit FR	ORFR	NAS	2 <sup>3</sup> / <sub>16</sub>	+3	5 <sup>5</sup> / <sub>8</sub>	1 <sup>1</sup> / <sub>8</sub>	13	10	nm
Orbotech	ORBK	NAS	61 <sup>7</sup> / <sub>8</sub>	+16	66 <sup>11</sup> / <sub>16</sub>	21	879	252	24
Orckit Communications	ORCT	NAS	35 <sup>3</sup> / <sub>8</sub>	+15	38	9 <sup>1</sup> / <sub>8</sub>	611	59	nm
Paradigm Geophysical	PGEO	NAS	5 <sup>3</sup> / <sub>4</sub>	-12	7 <sup>3</sup> / <sub>8</sub>	4	72	49	nm
PEC Israel Economic	IEC	NYSE	34 <sup>5</sup> / <sub>8</sub>	+14	35	23 <sup>5</sup> / <sub>8</sub>	649	45	32
Pharmos	PARS	NAS	1 <sup>9</sup> / <sub>32</sub>	-23	2 <sup>1</sup> / <sub>4</sub>	1 <sup>1</sup> / <sub>8</sub>	54	3	nm
Point of Sale	POSI	NAS	11 <sup>3</sup> / <sub>8</sub>	-15	14 <sup>1</sup> / <sub>2</sub>	3 <sup>1</sup> / <sub>8</sub>	123	20	24
Rada Electronic Indus	RADIF	NAS	1 <sup>5</sup> / <sub>16</sub>	-13	1 <sup>13</sup> / <sub>16</sub>	<sup>15</sup> / <sub>16</sub>	26	15	nm
Radcom	RDCM	NAS	4 <sup>5</sup> / <sub>16</sub>	+8	5 <sup>11</sup> / <sub>16</sub>	1 <sup>5</sup> / <sub>8</sub>	44	19	nm
RIT	RITT	NAS	4 <sup>1</sup> / <sub>2</sub>	+71	4 <sup>7</sup> / <sub>8</sub>	1 <sup>1</sup> / <sub>4</sub>	40	20	nm
Sapiens International	SPNS	NAS	11 <sup>1</sup> / <sub>8</sub>	+10	12 <sup>5</sup> / <sub>8</sub>	3 <sup>5</sup> / <sub>16</sub>	272	84	22
ScanVec	SVECF	NAS	<sup>9</sup> / <sub>16</sub>	-44	3	<sup>9</sup> / <sub>16</sub>	4	19	nm
Scitex	SCIXF	NAS	10 <sup>15</sup> / <sub>16</sub>	+6	13 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>	467	655	nm
Silicom	SILCF	NAS	1 <sup>5</sup> / <sub>8</sub>	-4	2 <sup>3</sup> / <sub>4</sub>	<sup>15</sup> / <sub>16</sub>	7	6	10
Summit Design	SMMT	NAS	2 <sup>17</sup> / <sub>32</sub>	+7	10 <sup>1</sup> / <sub>4</sub>	2 <sup>5</sup> / <sub>16</sub>	40	36	nm
Super-Sol	SAE	NYSE	13 <sup>13</sup> / <sub>16</sub>	+3	15 <sup>5</sup> / <sub>8</sub>	10 <sup>5</sup> / <sub>16</sub>	578	1268	16
Taro Pharmaceutical	TAROF	NAS	15 <sup>1</sup> / <sub>4</sub>	+24	17	4 <sup>1</sup> / <sub>2</sub>	157	76	38
Tecnomatix Technol.	TCNO	NAS	17 <sup>3</sup> / <sub>4</sub>	-7	22 <sup>3</sup> / <sub>8</sub>	7 <sup>1</sup> / <sub>8</sub>	181	76	20
Tefron	TFR	NYSE	10 <sup>9</sup> / <sub>16</sub>	-8	13 <sup>9</sup> / <sub>16</sub>	5 <sup>9</sup> / <sub>16</sub>	130	101	17
Teva Pharmaceutical ADR	TEVA	NAS	50 <sup>5</sup> / <sub>16</sub>	+8	52 <sup>1</sup> / <sub>2</sub>	35	3168	1182	37
Top Image	TISA	NAS	4	-14	5 <sup>5</sup> / <sub>8</sub>	2 <sup>5</sup> / <sub>16</sub>	16	8	14
Tower Semiconductor	TSEMF	NAS	9 <sup>1</sup> / <sub>8</sub>	-10	13 <sup>3</sup> / <sub>4</sub>	6	115	61	nm
TTI Team Telecom	TTIL	NAS	10 <sup>1</sup> / <sub>8</sub>	-8	14 <sup>5</sup> / <sub>8</sub>	3	102	24	23
VocalTec	VOCL	NAS	14 <sup>1</sup> / <sub>8</sub>	+37	17 <sup>1</sup> / <sub>4</sub>	5 <sup>9</sup> / <sub>16</sub>	161	26	nm
Willi-Food	WILCF	NAS	1 <sup>5</sup> / <sub>8</sub>	+6	4 <sup>13</sup> / <sub>16</sub>	<sup>3</sup> / <sub>4</sub>	7	31	5
Wiztec	WIZTF	NAS	24 <sup>3</sup> / <sub>4</sub>	-1	29 <sup>3</sup> / <sub>4</sub>	8	186	28	19
Zoran	ZRAN	NAS	27 <sup>1</sup> / <sub>8</sub>	+11	36	4 <sup>7</sup> / <sub>8</sub>	318	52	nm

nm - not meaningful P/E - price to earnings ratio na - not available

Internet Gold continued from page 9 provided free in order to attract and retain customers. These free hours have grown as competition has intensified.

Losses are expected to continue for the foreseeable future as the company spends heavily on sales and marketing, administration and general operations in order to further develop its access business, portal and e-commerce activities.

### **Proceeds partly for debt repayment**

Net offering proceeds to Internet Gold were \$48 million from which some \$11 million was earmarked to repay loans under a short-term loan facility. The company is continually monitoring possible acquisition possibilities and plans to set aside \$15 million to \$20 million for strategic acquisitions, including those abroad, and for

expansion into new markets. An additional \$8 million to \$15 million is planned for network expansion, equipment purchases, developing and buying value-added services and content, advertising and marketing and facility improvement. Another \$2 million to \$7 million will likely go for the company's e-commerce business with the remainder slated for working capital and general corporate purposes.

### **Ownership**

Euronet Communications Ltd. owns 71% of Internet Gold's shares. Euronet is owned by Eurocom Communications Ltd., a private communications group controlled by brothers Shaul and Yossef Elovitch. Arison Investments, the controlling shareholder in Bank Hapoalim, has a 49% interest in Eurocom.