

GIZA

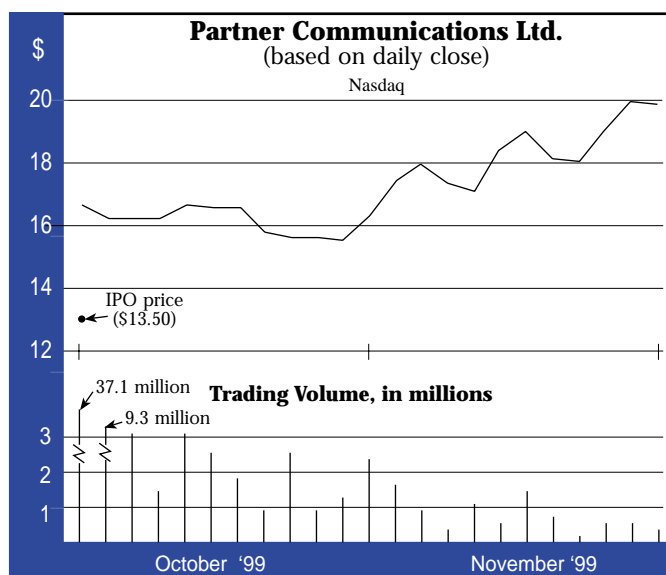
INVESTMENT LETTER

December 1999
No. 48

הג'זא GIZA

The #1 newsletter on Israeli Securities

Partner gaining market share



Traded: Nasdaq, London S.E.
Nasdaq Symbol: PTNR
Recent Price: \$18 1/2 /ADS
Offering Price: \$13.50/ADS
1999 High - Low: \$21 - \$14 1/4
ADSs Offered: 38,888,888
Shares/ADSs Outstanding: 178,888,888
Market Capitalization: \$3.31 billion

Partner Communications' initial public offering in late October raised \$525 million and ranked as the largest ever IPO for an Israeli company. Underwriters sold 38,888,888 American Depositary Shares at \$13.50 each. Joint global coordinators for the offering were Morgan Stanley Dean Witter and Warburg Dillon Read. Co-managers were ABN AMRO Rothschild, Credit Suisse First Boston and Salomon Smith Barney.

Partner is one of three mobile telephone network operators in Israel, and the third to enter the market. It received its operating license in April, 1998 and started providing commercial services only

in January of this year. By the end of September, with over 275,000 subscribers, it had captured 11% of the Israeli market.

Stressing GSM

Partner distinguishes itself from the other two operators, Pelephone and Cellcom, through use of Global System for Mobile Communications (GSM), a European-originated digital mobile telephone standard that has achieved worldwide popularity.

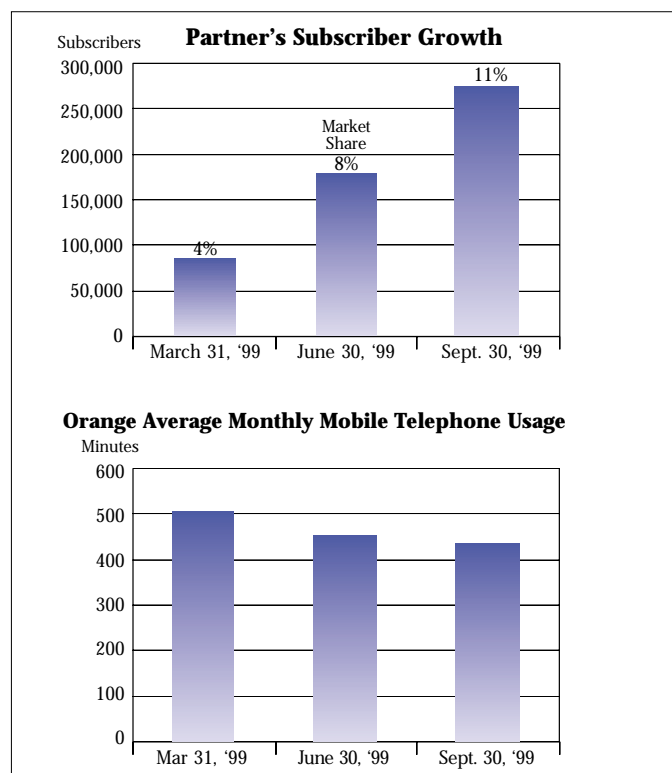
GSM technology supports certain value added services not currently offered by other digital technologies including mobile phone banking, bill payment and various e-commerce features. It also provides the most comprehensive roaming services, which permit overseas travelers to continue using their own GSM phone rather than rent one while in another country.

Partner operates under the "Orange" brand, which is licensed to it by a subsidiary of Orange plc.

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Partner began a massive promotional and advertising campaign when it started commercial operations in order to achieve recognition of the Orange name and stress the advantages of its GSM standard.

Israelis are big mobile phone users

While mobile phone services have been available in Israel since the mid-1980s, they began to significantly take off near the end of 1994 when Cellcom entered the market, providing service at rates substantially reduced from those of Pelephone. Industry data indicate there were 2.3 million subscribers in mid-1999 representing 38% of the population. Israelis also use their mobile phones frequently, about 350 minutes per month on average, about 2 1/2 times more than Europeans. This reflects, in part, a high rate of car phone penetration.

Israeli market is highly competitive

While the size of the Israeli market and current penetration rate still leaves considerable room for additional revenue expansion, the market is quite competitive.

Both Pelephone and Cellcom have responded to the introduction of Partner with aggressive marketing of their own in order to try to retain their current customers and attract new ones. Israel's Ministry of Communications, moreover, plans to issue tenders in about a year's time for new mobile operating licenses. The addition of new players could mean that Partner will lose its current

Income Statement Data

(NIS 000s, adjusted)

	3 months ended	
	9/30/99	9/30/98
Revenues	279,234	-
Cost of revenues	292,719	-
Gross loss	13,485	-
Selling and marketing expenses	55,764	10,487
General and admin. expenses	29,842	3,863
Operating loss	99,091	14,350
Financial expenses, net	61,523	440
Net loss	160,614	14,790
Loss per share (basic and diluted) (NIS)	1.11	0.10
Aver. shares outstanding	144,687,222	144,687,222

	9 months ended	
	9/30/99	9/30/98
Revenues	554,480	-
Cost of revenues	716,843	-
Gross loss	162,363	-
Selling and marketing expenses	143,099	10,487
General and admin. expenses	77,659	3,863
Operating loss	383,121	14,350
Financial expenses	200,709	440
Net loss	583,830	14,790
Loss per share (basic and diluted) (NIS)	4.03	0.10
Aver. shares outstanding	144,687,222	144,687,222

Balance sheet data

(NIS 000s, adjusted)

	9/30/99	12/31/98
Cash and equivalents	14,313	16,655
Accounts receivable		
Trade	172,895	4,182
Other	52,151	35,792
Inventories	111,935	54,146
Total current assets	351,294	110,775
Fixed assets, net	1,014,953	551,733
License and deferred charges, net	1,846,853	1,637,355
Total assets	3,213,100	2,299,863
Current liabilities	1,980,020	364,540
Long-term liabilities	1,904,248	2,022,861
Total liabilities	3,884,268	2,387,401
Capital deficiency	671,168	87,538
Total liab. & cap. deficiency	3,213,100	2,299,863

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Partner's Services

Partner provides such standard services as call waiting, call forwarding, call barring, caller identification and conference calling. It also offers the following value added services:

Voice mail – with advanced features

Short message service – receive and forward text messages

Voice messaging – send messages to over 400 people

Fax mail – receive, store and forward through handset

Calling services – conference calls, caller id, etc.

WWW-SMS Gateway – receive messages from Partner site visitors

Account balance – account and usage information

Planned Services

The introduction of additional services are being considered:

Field personnel management – dispatching, scheduling, etc.

E-mail SMS gateway – send/receive e-mail from handset

Orange duet – ring on both handset and fixed telephone line

Virtual private network – user groups in multiple layers

Call screening – only holders of secret code can call handset

Mobile banking – for inquiries, transfers and bill payment

CNN mobile – access to news, other stories from CNN

Interactive information services – information on demand

Web phone book management – via Orange web site

Content and Internet browsing – Internet access on handset display

E-commerce – allows purchases of goods and services

advantage as the only GSM mobile telephone operator in Israel.

New cordless technologies or satellite-based personal communications services may also pose a future competitive threat as well as MIRS, a shared radio network using Motorola-developed technology. MIRS currently has more than 100,000 subscribers and can offer some telephony and data functionality.

Legal action could impact company

Partner has erected about two-thirds of its antennas without permits from relevant local or regional authorities because it has experienced difficulties in obtaining the proper permits. Criminal proceedings have been brought against the company. Many of the cases have been settled with fines and the imposition of demolition orders for the sites involved, but other cases are still open. Difficulties in obtaining the required approvals for the erection of antenna sites could impact on the quality and capacity of the company's network coverage.

Losses expected to continue

In 1999, its start-up year of operations, Partner is incurring substantial losses as expected. It is anticipated that operating losses will continue for a number of years as the company continues to expand its network and build its subscriber base.

Proceeds mostly for debt repayment

Net proceeds from the initial public offering were about \$500 million of which \$350 million has been earmarked for repayment of loans and capital notes issued to Partners' founding shareholders. The balance is to finance operating and capital expenditures and other working capital needs.

Ownership has international flavor

Post-offering, Advent Investments Incorporated of Singapore, owns 35% of the outstanding shares. Advent is an indirect wholly owned subsidiary of Hutchison Whampoa, which is listed on the Hong Kong and London stock exchanges. Chairman of the holding company for Hutchison's telecommunications interests, Fok Kin Ning, Canning, is also chairman of Partner. Matbit Telecommunications, which is 50.1% owned by Matav-Cable Systems Media and 49.9% by Elbit Ltd., is the second largest shareholder with 25% of the outstanding shares. Matav and Elbit are controlled by the Dankner family and Elron Electronic Industries, respectively.

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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Financial Consulting	972-3-640-2301	972-3-640-2313
Investment Banking	972-3-640-2340	972-3-640-2341

The Market

The Tel Aviv Stock Exchange continued its climb in the two month period through November. In the second half of November, the market repeatedly reached new record breaking highs. The General Share Index rose 10.9%, while the TA-100 and the TA-25 advanced 10.3% and 11.3%, respectively.

The market benefited from the Bank of Israel unexpectedly lowering its interest rates 0.3% in late November to 11.2%, improved economic forecasts, and discoveries of natural gas off Israel's coast. The latter sparked both the energy sector as well as shares overall.

Concerns about replacement for Bank of Israel governor Yaacov Frenkel, who announced he is stepping down, and higher interest rates in the US and Europe somewhat tempered the gains.

Tel Aviv-traded shares

Bezeq advanced 30%. With several groups reportedly interested in the telecommunications giant, the **Ze'evi Group** emerged as buyer of **Cable & Wireless's** 20% stake and indicated its interest in obtaining control. **Clal Israel** gained 9% aided by the announcement of plans to merge into parent **IDB Development**. The move is part of a reorganization to simplify the structure of IDB. **Dead Sea Bromine** moved up 6%. Its third quarter results benefited from a buoyant market for flame retardants. **Ormat** jumped 18%. It holds a stake in **Orad** which made its initial public offering on the Frankfurt Stock Exchange.

Banks Hapoalim and **Leumi** were up 10% and 4%, respectively. In their third quarter financial reports, Hapoalim was helped by capital gains from the sale of shares in **Delek**, and Leumi benefited from strong loan activity. Italian insurance giant **Assicurazioni Generali** made purchases of Leumi stock and was also reportedly interested in acquiring control. **Makhteshim-Agan** slipped 4%. Its third quarter profits dropped 41% amidst price pressures and a devaluation in Brazil.

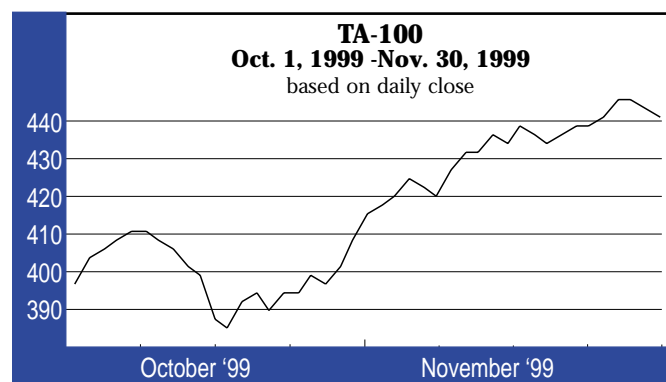
US-traded shares

US-traded Israeli stocks were sharply higher in the two months through November. *The Giza Index* of 18 leading US-traded companies climbed 22%, well outperforming the TASE because of the heavy technology weighting of the US-traded firms.

Matav Cable rose 20%. It overcame concerns raised in a government antitrust report and reacted mostly to the good aftermarket performance of **Partner Communications** in which it has significant holdings. **Gilat Communications**, up 14%, acquired **John Bryce Training** for stock.

M-Systems climbed 68%. Revenues for the third quarter more than doubled from last year's Q3, although the company's loss widened. **Nice Systems** rose 59%. It received an important contract from **ABN Amro** and also reported strong earnings for the third quarter. Nice was also recommended by **CIBC World Markets** which called it a "strong buy."

Magic Software soared 141%. At the start of October, it began shipments of Magic for Linux Enterprise Server, which runs on the new and increasingly popular Linux operating system and supports distributed processing, application partitioning and web deployment. Magic's board proposed a 3-for-1 stock split which will be voted on by shareholders in January. **Formula**, which heavily invested in Magic, was up 35%. It also benefited from strong revenues from overseas markets.



It was a busy two month period for **Teva Pharmaceutical** which moved up 9%. Teva garnered the first FDA approval for its generic version of **Glaxo Wellcome's** anti-depressant Wellbutrin, which has US sales of \$110 million. Canadian company **Biovail**, whose generic drugs are marketed in the US by Teva, received approval for the generic version of Cardizen, a hypertension and blood pressure drug. Teva also benefited from a study showing that patients using its Copaxone drug for treatment of multiple sclerosis received better results than those using **Biogen's** drug, which holds the largest share of the market. In mid-November Teva announced plans to acquire **Novopharm**, one of Canada's leading generic drug firms, for close to \$400 million in stock.

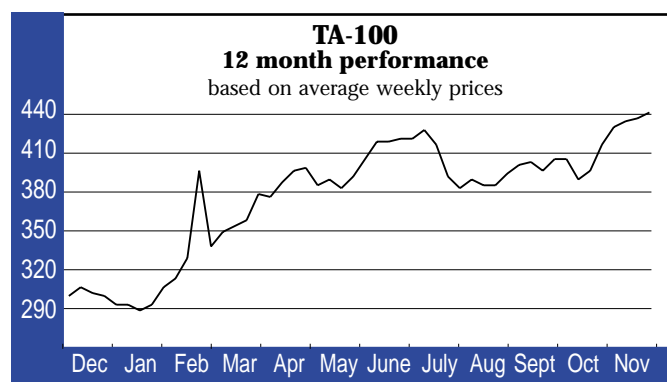
Bio-Technology General was up 25%. It entered into a strategic alliance with Teva to develop and commercialize several generic recombinant therapeutic products. The agreement called for BTG to receive up to \$20 million for rights and milestone payments.

Gilat Satellite rose 43%. Its third quarter net jumped 131% and the company garnered several major contracts. **ISG Software** moved up 89% after

Indexes: Tel Aviv-traded shares										
	52 week			Percentage change						
	11/30/99	High	Low	yr-to-date	last mo.	last 2 mos.	1995	1996	1997	1998
TA-100	441.12	446	288	47.1	7.5	10.3	20.2	1.2	37.9	3.0
MAOF	436.29	442	296	41.5	7.5	11.3	23.0	1.5	38.7	1.5
TASE General	385.48	388	248	49.7	8.0	10.9	14.0	-1.0	35.2	3.0

it entered into a cooperative marketing agreement with **Brio Technology**, a provider of enterprise and Internet business intelligent software. **Mer Telemanagement** advanced 34%. It sold its voice logging business to **Nice Systems** and said it will concentrate on management solutions, based on IP and web technology, for the enterprise and service provider markets.

Commtouch surged 84%. **Microsoft** acquired an



option to purchase 708,000 shares of the company at \$28.25 each as part of a distribution pact. An increasing number of strategic relationships are being set up to promote Commtouch's e-mail services. **ECI Telecom** rose on strong third quarter earnings, but later retreated partly on news of the retirement of CEO David Rubner. It was ahead 2% for the period.

Aladdin Knowledge Systems climbed 57% as its eSafe software security product continued to gain market acceptance. **BOS Better Online Solutions** soared 136%. Its **Lynk** subsidiary announced a new hardware/software system to provide real-time voice services via the Internet. BOS also acquired a company involved in e-commerce software development, and its **Surf Communication** affiliate received an investment from **Texas Instruments**.

Arel Communications, up 48%, recorded Q3 profits of \$1.0 million in contrast to a year earlier loss, partly due to strong North American penetration of its interactive distance learning systems. Its **ArelNet** subsidiary received a strategic investment from an Asian telecom firm, which will act as Far East distributor of i-Tone products. **LanOptics**, up 59%, appointed Meir Burstein,

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	11.2%
Prime interest rate	12.7%
12 month T-bill yield	10.4%
NIS/dollar	4.23

formerly chairman of Ornet and Art Inc., as its new chairman.

Fundtech, among the few losers for the period, dropped 22%. Financial institutions have held back their purchases of software because of fears related to the Y2K bug. Company management expects pressure on revenues and profits until these concerns dissipate.

Food retailer **Super-Sol** managed a gain of 10% despite experiencing a dip in same store sales in the third quarter. Q3 net income was up 18%, the result of a capital gain on sale of holdings in a home improvement chain. **Delta Galil** was ahead 48% on the prospect of higher sales to its main customer, **Marks & Spencer**, and as profits for the third quarter doubled. Sales to the US have been particularly strong this year, with ladies intimate apparel showing the fastest growth.

Israel Land Development jumped 35%. There were reports that several potential buyers were interested in purchasing control from the Nimrodi family, which was beset by troublesome legal investigations.

Converse Technology, ahead 28%, was added to the broad based S&P 500 Index, a move which led to buying from index funds looking to mimic the market's performance. **BackWeb** surged 91%, partly reflecting the signing of contracts with **Hewlett-Packard** and **Jeffries & Co.** **Optibase** rose 135% as it signed an OEM agreement to supply digital video hardware to **Cisco**.

International Paper agreed to sell its 13% stake in **Scitex** to **DIC** and **Clal Electronic Industries**. Scitex managed to gain 25%. **AIPM** was up 4%. It expects a big boost in sales from a joint venture

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US-Traded Securities

Company	Symbol	Exch	Price	% Chg	52 week		Market Value \$M	Annual Sales \$M	P/E
			11/30/99	Oct-Nov	High	Low			
Aladdin Knowledge Sys	ALDN	NAS	11 1/2	+57	14 1/2	6 7/8	132	42	nm
Amdocs	DOX	NYSE	35 1/4	+63	37 11/16	13 1/2	7061	561	88
American Israeli Paper	AIP	AMEX	58 1/4	+4	61 1/2	31 1/8	222	359	16
Ampal American A	AIS	AMEX	7 5/16	+17	7 1/8	3 7/8	203	61	9
AREL Communications	ARLCF	NAS	11	+48	11 15/16	3 7/8	92	12	nm
AudioCodes	AUDC	NAS	59 7/8	+59	84	14 7/8	1024	29	nm
Backweb	BWEB	NAS	32 1/2	+91	51 7/16	15	1060	21	nm
Bio-Technology Genl	BTGC	NAS	12	+25	12 15/16	5 9/16	640	84	34
Blue Square	BSI	NYSE	12 1/4	-11	16 7/8	10	470	1159	16
B.O.S. Better OnLine	BOSC	NAS	6 1/16	+136	6 1/4	1 5/8	52	46	nm
BVR Systems	BVRS	NAS	10	+3	13 1/6	6 3/4	90	46	23
BVR Technologies	BVRTF	NAS	8 13/16	+21	9 11/16	2	75	4	nm
Carmel Container Sys	KML	AMEX	7 1/4	-8	8 3/4	5 1/8	18	93	10
Check Point	CHKP	NAS	141 5/8	+68	146 7/8	23	5744	170	75
Cimatron	CIMTF	NAS	2 5/8	+15	3 3/8	1 7/16	21	22	17
CommTouch	CTCH	NAS	26	+84	34 13/16	9 3/4	364	1	nm
Converse Technology	CMVT	NAS	120 7/8	+28	142 1/2	36 9/16	9169	778	66
Crystal Systems	CRYSF	NAS	10 7/8	+40	14 3/4	6 3/8	120	45	13
Data Systems & Soft.	DSSI	NAS	3 1/4	+24	4 1/4	1 3/4	24	32	nm
Delta Galil	DELT	NAS	17 1/16	+48	17 1/8	9	280	331	12
Deltathree.com	DDDC	NAS	29 5/16	+95*	33 3/4	15**	na	6	nm
E-Sim	EIM	AMEX	9 9/16	+20	14 3/4	7 1/16	98	4	nm
ECI Telecom	ECIL	NAS	25 1/16	+2	45	23 3/4	2292	1092	nm
ECtel	ECTX	NAS	19 1/4	+60*	23 1/2	10	380	39	nm
Elbit Ltd.	ELBTF	NAS	13 5/16	+3	14 11/16	2 15/16	286	17	nm
Elbit Medical Imaging	EMITF	NAS	7 3/4	-1	12 3/16	7 5/16	172	38	nm
Elbit Systems	ESLTF	NAS	14 1/2	+7	19	11 3/8	384	431	13
Elbit Vision Sys	EVSN	NAS	1 1/2	-4	2 5/8	1 1/16	13	16	nm
Electric Fuel	EFCX	NAS	1 1/4	-5	4 3/4	1 1/16	18	2	nm
Elron Electronic Indus.	ELRNF	NAS	25 3/16	+9	29 1/2	14 1/4	533	69	nm
Elscent	ELT	NYSE	6 5/8	-16	13 7/16	6	107	202	4
Eltek	ELTK	NAS	1 3/8	+76	3 1/16	21/32	7	24	0
Engel Development	ENGEF	NAS	1 13/16	+4	3 3/4	1 1/4	16	30	3
ESC Medical	ESCM	NAS	5 3/8	+9	11 13/16	3 11/16	136	174	nm
Etz Lavud A	ETZ	AMEX	7 1/8	-30	13	6 9/16	25	97	9
First Israel Fund	ISL	NYSE	16 15/16	+21	16 3/4	10 11/16	nm	nm	nm
Formula ADR	FORTY	NAS	35	+41	38 1/4	21 7/16	316	315	9
ForSoft	FORS	NAS	9 1/16	+39	12 3/8	5 1/2	128	59	15
Fundtech	FNDT	NAS	17 13/16	-22	47	10	248	32	nm
Galileo Technology	GALT	NAS	22 13/16	-9	34 9/16	7 13/16	1019	70	45
Gilat Satellite Network	GILTF	NAS	76 15/16	+43	86 15/16	41 3/4	1674	230	nm
Gilat Communications	GICOF	NAS	16 3/8	+14	23 1/4	7 3/4	150	33	22
Home Centers	HOMEF	NAS	7 3/8	+13	10 15/16	5 5/8	51	134	16
ICTS	ICTS	NAS	5	-2	6 5/8	3 5/8	33	97	nm
I.S.G. Software Indus.	SISG	NAS	13 3/8	+89	14	6 3/4	114	16	nm
Indigo N.V.	INDG	NAS	3 5/32	+4	5 11/16	2 9/16	244	148	nm
Internet Gold	IGLD	NAS	14 15/16	+71	16 7/8	6 3/4	199	22	nm
Israel Land Devel. ADR	ILDCY	NAS	25 5/16	+35	29	11 7/16	239	403	7
Jacada	JCDA	NAS	19 1/4	+75*	37 3/8	8	272	13	nm
Koor Industries ADR	KOR	NYSE	19 3/4	+14	25 3/8	16	1670	3034	nm
LanOptics	LNOP	NAS	6 3/8	+59	8 1/4	1	42	19	nm
M-Systems Flash Disk	FLSH	NAS	18	+68	21 1/8	3 1/2	176	24	nm
Magal Security Sys	MAGS	NAS	3 3/16	-3	4	1 15/16	23	33	10
Magic Software	MGIC	NAS	47 1/2	+141	43 3/4	3 5/16	408	58	49
Matav Cable ADR	MATVY	NAS	49 3/8	+20	54 1/4	17 3/8	730	104	nm

nm - not meaningful P/E - price to earnings ratio na - not available *Change from IPO price **IPO price

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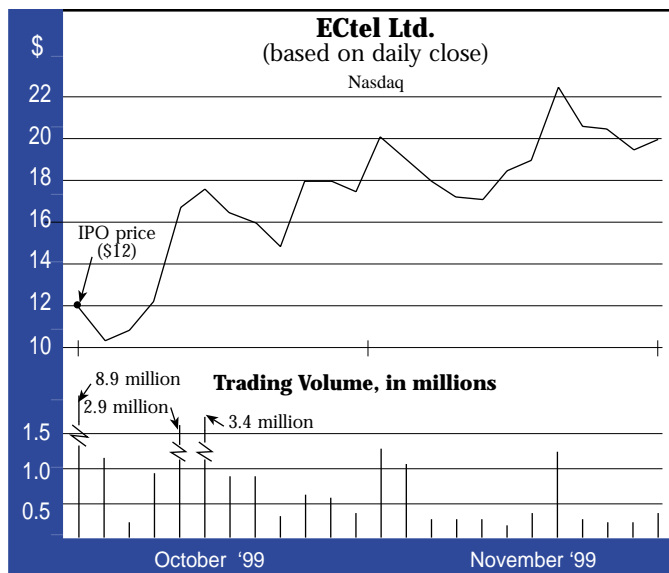
---Selected---
Tel Aviv-Listed Shares

Company	Price* 11/30/99	% Chg Nov	% Chg 1999	Market Value \$M	Annual Sales \$M	Market/ Equity	P/E
Africa Israel 1	350000	+5	+125	383	na	1.7	16
Agis	2900	+17	+33	202	235	1.0	14
Al-rov	2480	+9	+31	74	42	1.1	nm
Azorim	4540	+1	+41	369	265	1.1	23
Bank Leumi	779	+4	+36	2606	na	1.0	10
Baran	8320	+1	+159	138	135	4.8	13
Bayside 1	57400	nil	+28	269	58	1.5	20
Bezeq	1990	+12	+53	3676	2118	2.2	nm
Clal Electronic Ind	71700	+8	+32	626	na	1.3	4
Clal Industries	3076	+3	+76	1017	na	1.4	10
Clal Insurance	5800	+6	+59	690	1207	1.9	12
Clal Israel	14000	+3	+66	1035	na	1.5	9
Dan Hotels	1370	+2	+110	221	124	1.5	nm
Dankner	5150	-2	+179	231	na	8.3	nm
Dead Sea Bromine	2420	+6	+1	401	490	1.7	10
Dead Sea Works	1165	nil	+43	815	558	2.6	20
Delek	17110	+19	+59	401	730	2.0	11
Delek Motors	1124	+11	+69	192	444	3.2	8
Delta Galil	7310	+35	+120	309	334	2.3	14
Discount Investment	18270	+8	+73	1979	na	2.0	42
Elco	3580	+2	+71	290	na	1.7	25
Electra	27000	+2	+47	202	265	2.5	14
Electra Consumer	4580	-4	+70	209	397	1.8	13
Elite 5	22000	+8	+77	499	505	2.4	17
FIBI 1	3480	+4	+30	311	na	0.9	12
Granit	529	+10	+18	174	459	1.2	13
Housing & Construction	600	+9	+114	569	819	7.8	17
IDB Holdings	12980	+6	+54	1157	na	1.3	25
IDB Development	13970	+5	+64	1506	na	1.4	22
Industrial Buildings	630	+5	+25	431	55	1.6	24
Israel Chemicals	430	+8	+8	1221	1786	1.5	13
Israel Corp 1	51300	+22	+53	674	na	1.5	27
Jerusalem Economic	2510	+13	+70	277	67	2.4	31
Kitan	885	+7	+109	141	173	1.0	67
Knafaim	6740	-6	+38	214	215	3.1	24
Leumi Insurance	343	+4	+58	841	1195	2.9	12
Makhteshim Agan	736	-4	-18	622	850	1.2	17
Mehadrin	16100	+4	+19	127	51	2.1	nm
Mei Eden	4160	+21	+154	130	70	2.5	27
Ormat	894	+18	+105	121	119	1.6	16
Osem	2550	+14	+65	481	456	2.4	19
Petrochemicals	2480	+2	+37	174	na	1.2	30
Poalim	1116	+10	+54	3252	na	1.3	11
Poalim Investments	21400	+8	+91	296	na	1.5	7
Property & Building	40700	+3	+31	399	122	1.5	13
Salt Industries	2600	+24	+39	245	22	6.4	23
Solel Boneh	4530	+4	+20	108	432	2.3	19
Tambour	750	+1	+42	108	137	1.2	nm
Tefahot	296400	+2	+55	340	na	1.0	10
Ytong	930	nil	+20	97	58	1.1	13

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

New & Noteworthy

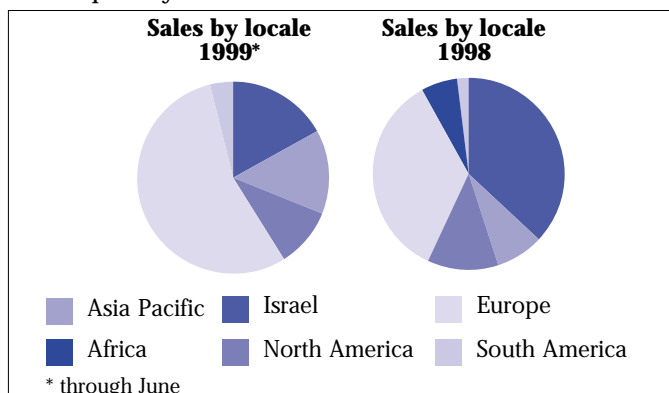
ECtel Ltd.



Traded: Nasdaq Symbol: ECTX
 Recent Price: \$21 1/2/sh.
 IPO price: \$12/sh.
 1999 High - Low: \$23 1/2 - \$10
 Shares Offered: 3,500,000
 Market Capitalization: \$346 million
 Shares outstanding: 16.1 million

ECtel was a wholly owned subsidiary of Israel's premier telecommunications equipment company, ECI Telecom, until late October when ECtel made its initial public offering in the United States. The offering reduced ECI Telecom's interest to 78%, and the subsequent exercise of the underwriters' over-allotment option further decreased its stake to 75%. ECtel's focus - monitoring the quality of service of telecommunications providers - was somewhat out of the realm of ECI Telecom's core business. As a result, ECtel was a good candidate for a high valuation offering as a fast growing independent entity.

The initial offering of 3,500,000 shares at \$12 each was underwritten by Hambrecht & Quist along with co-managers Salomon Smith Barney and CIBC World Markets. Another 525,000 shares were subsequently issued to cover over-allotments.



Company background

Today's ECtel is the result of two entities - one based in Israel and the other in the US- which were combined in October 1998. The two companies used similar technology architectures enabling the improvement and expansion of products and various efficiencies such as consolidating R&D, manufacturing and marketing activities.

New technology spurs industry development

New technologies and competitive pressures have combined to place increasing emphasis on quality of service. Converged networks which transmit integrated voice and data traffic, particularly through the new highly efficient packet technology, must be maintained properly to assure that individual packets are not delayed or lost, thus causing messages to be unintelligible. Telecommunications service providers are also increasingly interconnecting their networks. Use of different transmission protocols and other complex interconnection issues requires monitoring to avoid a deterioration in service.

ECtel's products monitor services to assure they are working up to standard and to locate the sources of network problems. ECtel's main product, for example, provides network quality and performance measurements on live traffic; analyzes voice, fax and data transmissions; generates quality reports and analyses of traffic trends; and supports maintenance, troubleshooting and rerouting of traffic.

Detecting fraud

A second product area for ECtel is the detection and prevention of fraud which has been made easier by certain services such as international toll-free numbers and cellular roaming. Common acts of fraud include gaining free access to telecommunications services, establishing pirate toll services at discounted rates and generating fraudulent calls under premium rate services (such as a 900 number service). Fraud is of growing concern to telecommunications providers because of the growth of premium rate services, decreased credit controls and the reduced ability to pass on the costs of fraud to their customers.

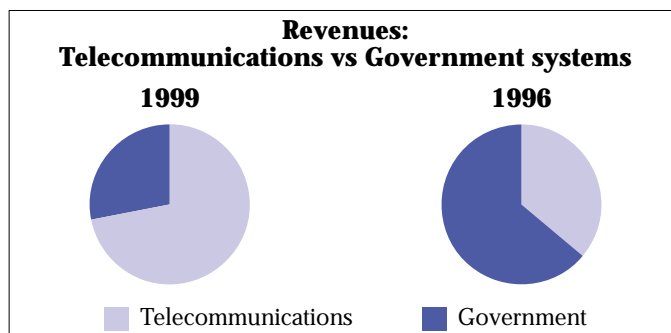
ECtel's products aimed at detecting and preventing fraud provide real-time data and call pattern analysis and can interrupt fraudulent calls while in progress or even before they begin.

Interconnect billing

The company's third principal product area is in interconnect billing, whereby service providers can bill for traffic that is transported across their networks by other providers.

Government systems slipping in importance

ECTel's products permit governmental agencies to conduct surveillance of telecommunications service providers for law enforcement and intelligence gathering. Sales to governments have been fairly flat over the past few years, while the sale of systems to telecommunications providers has been increasing rapidly. The following graphs indicate how ECTel's business has shifted in the past three years.



Telecommunications Customers

ECTel sells to customers in over 50 countries. Its largest telecommunications company customers include the following:

Belgacom	MCI Worldcom
British Telecommunications	Pelehone Communication
Carrier 1 U.K.	Qwest Communications Int'l
China National Postal & Telecomm.	Telfonica del Peru
Deutsche Telekom	Viatel

R&D aimed at IP compatible products

ECTel is developing quality monitoring and fraud prevention products that are compatible with Internet Protocol. It also expects to expand quality of service offerings for mobile networks. The company has 64 employees (about a third of its staff devoted to R&D), net expenditures for which equaled 11% of revenues in the first six months of 1999.

Proceeds

Net proceeds from the IPO (including the over-allotment) were \$43 million. ECTel will use the funds to repay about one-third of a \$9.6 million loan from ECI Telecom. The remainder of the loan will be repaid over two years. The company will use the rest of the proceeds for working capital and possible acquisition of complementary businesses or technologies.

Income Statement Data

(\$000s)

	9 months ended	
	9/30/99	9/30/98
Revenues	29,951	20,417
Cost of revenues	<u>14,041</u>	<u>10,736</u>
Gross profit	15,910	9,681
R&D expenses, net	3,313	3,233
Sales and marketing exp.	5,188	2,426
General and admin. expenses	1,827	1,199
Goodwill amortization	713	713
Stock-based compensation	<u>889</u>	<u>-</u>
Operating income	3,980	2,110
Financial income	70	46
Other expenses-net	<u>26</u>	<u>23</u>
Income before taxes	3,788	2,153
Taxes on income	<u>1,271</u>	<u>1,536</u>
Net income	2,517	617
EPS (\$) - basic	0.21	0.05
- diluted	0.20	0.05
Weighted aver. shs. - basic	12,062,500	12,062,500
- diluted	12,663,922	12,062,500

Balance Sheet Data

(\$000s)

	9/30/99	12/31/98
Cash and equivalents	845	1,140
Trade receivables	13,117	7,685
Other receivables	1,860	1,828
Recoverable costs		
and earnings not-yet-billed	4,008	1,170
Inventories	<u>5,039</u>	<u>4,300</u>
Total current assets	24,869	16,123
Long-term bank deposits, net	453	492
Property, plant & equipment, net	3,174	2,525
Other	<u>671</u>	<u>1,151</u>
Total assets	29,167	20,291
Trade payables	3,144	2,520
Long-term loans	9,649	4,317
Other payables	<u>5,300</u>	<u>3,577</u>
Total current liabilities	18,093	10,414
Long-term liabilities	<u>453</u>	<u>2,662</u>
Total liabilities	18,546	13,076
Shareholders' equity	<u>10,621</u>	<u>7,215</u>
Total liab. & shareholders' equity	29,167	20,291

Continuing relationship with ECI

ECI Telecom is closely relied upon in several respects. ECI Telecom provides office and warehouse facilities and administrative services, and is the company's principal supplier of components. ECI Telecom also acts as ECTel's non-exclusive sales representative in Austria, Germany, Liechtenstein, Switzerland, Hong Kong and Korea.

Season's Greetings

The staff of Giza Group extends its warmest wishes for a happy holiday season and a peaceful and prosperous New Year.

New & Noteworthy

NDS Group plc

Traded: Nasdaq, EASDAQ	Nasdaq Symbol: NNDS
Recent Price: \$39/ADS	
IPO Price: \$20/ADS	
ADSs Offered: 9,000,000	
1999 High - Low: \$39 - \$26	
Shares Outstanding: Series A - 9,000,000	
Series B - 42,000,000	
Market Capitalization: \$1.6 billion	

NDS, a provider of conditional access systems to digital satellite and cable pay TV broadcasters, made its initial public offering on Nasdaq and EASDAQ in late November. The company offered 9,000,000 American Depositary Shares through underwriters led by Morgan Stanley Dean Witter, Allen & Company, and Merrill Lynch International. Due to strong demand, underwriters upped the offering price to \$20 a share from the earlier anticipated \$15 to \$17 share range.

Controlled by Rupert Murdoch's News Corp.

NDS was organized in the UK where its managerial offices and other operations are located. Research and development is carried out principally in Israel where half the firm's almost 900 employees are located. Until the offering, NDS was an indirect wholly owned subsidiary of South Australia's The News Corporation Ltd., which is controlled by Rupert Murdoch. Post-offering, The News Corporation owns all of NDS's 42 million Series B ordinary shares which are convertible to Series A shares on a one-for-one basis. Since the Series B shares have ten votes per share, versus one per share for Series A, The News Corporation retains some 97.9% of the voting power.

Digital television market accelerating

Television broadcasting is making the transition from analog to digital broadcasting and transmission. While today less than 3% of the one billion television households worldwide receives programming through digital transmission, the

number is expected to grow dramatically. NDS cites projections of Allied Business Intelligence indicating that 241 million television households will receive programming by digital transmission by 2005. Digital transmission technology was first used by the digital satellite market and was recently introduced to both cable and terrestrial television systems. The US FCC requires that by 2002 US viewers have access to digital television transmissions, and that by 2006 stations discontinue analog service.

This shift to digital technologies will enable broadcasters to introduce interactive services, allowing their subscribers to use their televisions to browse and make purchases over the Internet, conduct banking and play games. It will result in broadcasters relying on revenues from subscription fees and pay-per-view events, fees from value-added services and viewer specific advertisements.

Control systems and protect distribution

This is where NDS comes in. Its conditional access systems manage and control the distribution of programs from broadcaster to viewer and protect programming from unauthorized viewing by scrambling content. NDS's systems permit its broadcaster customers to charge for subscriber access to content via pay TV channels, pay-per-view events and interactive services. Its software is installed both in the facilities of the broadcaster and also, along with NDS-developed smart cards, in set-top boxes, digital television sets and PCs. In addition, NDS provides its customers with consulting services, broadcast system design and integration and support and maintenance.

Customers include world's largest broadcasters

NDS supplies its conditional access systems to digital satellite broadcasters which have more than 13 million subscribers – over half the market. Its customers include DIRECTV the world's largest digital satellite television network with some seven million subscribers alone; British Sky Broadcasting (BskyB) the largest pay TV network in the UK and Ireland, with 750,000 digital subscribers and which is moving its 2.7 million analog satellite subscribers

Research & Development Focus	
<i>Area</i>	<i>Activity</i>
Conditional access systems	Next generation system to integrate interactive and value-added services with current VideoGuard system for digital broadcasting
Conditional access security and smart cards	Customized smart card platforms and software algorithms for security. Also set-top box conditional access software to be compatible with Microsoft's WindowsCE and Sun Microsystems' Java
Mobile and handheld device applications	Platform to integrate content management and protection, secure broadcasting and data distribution; ability to be deployed on a wireless network
Broadcaster backoffice systems	For broadcasters to integrate and simplify all digital content manipulation functions via metadata (detailed descriptions of critical business functions)
Media conversion	Facilitate conversion of content to required MPEG standards so content can be transmitted interchangeable between networks using either MPEG or IP standards.

to digital; Innova, a joint venture between Grupo Televisa S.A., News Corporation and AT&T which broadcasts digital satellite services to Mexico; and NetSat, a joint venture between Globo Comunicações e Participações Ltda., News Corporation and AT&T which broadcasts digital satellite television services to Brazil.

In fiscal year 1999, BskyB, which is part of the News Corporation group of companies, accounted for 26% of revenues from ongoing operations while DIRECTV accounted for 22%.

New product directions

In fiscal 1999, NDS spent 28% of its revenues on research and development. Most R&D is aimed at expanding the scope planned products. It also does research on security algorithms and smart card chip design. The table on page 10 indicates the focus of current R&D efforts.

Competition is intense in conditional access

No single company competes with NDS in all its product lines, but in conditional access systems, the company's core business, competition is intense.

Business area	Main competitors
Conditional access systems	NagraVision (division of Kudelski SA); Canal+ Technologies SA; General Instrument Corp. Irdeto BV (sub of MIH Ltd.); France Telecom
Subscriber management systems	MIH Ltd., Wiztec Solutions; Cable Data, Inc.
Broadcast system integration	General Instrument Corp., Scientific-Atlanta; Philips Electronics; Echostar Communications
Data broadcasting systems	Hughes Network Systems, Philips Video Systems, DiviCom, Inc.; The Fantastic Corporation; ComBox Ltd. SkyStream Corp.

Proceeds to pay off News Corporation debt

Net proceeds from the initial public offering were approximately \$163 million. About two-thirds of the proceeds were earmarked to repay part of an outstanding £131.2 million term loan taken from a subsidiary of The News Corporation.

Discontinuance of operations improves results

Until July 1, 1999, NDS had two business segments: (1) integrated broadcasting system software and development; and (2) the manufacture of digital compression products for digital broadcasting. The businesses had separate operational management, operated from different locations, and each had its own marketing strategy. At the start of the current fiscal year, the digital broadcasting business was transferred to another subsidiary in The News Corp.

group for £70.6 million and, on October 14, 1999, it was sold for £130.7 million. This divestment made NDS more of a pure play in its principal business and provided it with greater profitability in advance of the public offering.

In fiscal 1998-9 discontinued operations accounted for 41% of NDS's total revenues, down from 46% in 1997-8.

Income Statement Data		
-in accordance with UK GAAP-		
(£000s)		
	Fiscal year ended June 30	
	1999	1998
Turnover		
Continuing operations	127,574	101,332
Discontinued operations	88,348	87,465
Total turnover	215,922	188,797
Cost of sales	101,020	90,276
Gross profit	114,902	98,521
Operating expenses	98,029	87,394
Operating profit (loss)		
Continuing operations	18,734	8,137
Discontinued operations	(1,861)	2,990
Finance charges (net)	13,205	10,444
Pretax income (loss)	3,668	683
Taxes	1,194	508
Profit (loss) before tax	2,474	175
Minority interests	356	293
Profit (loss) after tax	2,118	(118)
Basic and diluted EPS (loss)(p)	5.0	(0.3)
Income Statement Data		
-in accordance with US GAAP-		
(£000s)		
	Fiscal year ended June 30	
	1999	1998
Revenues	137,024	93,492
Operating income	21,434	45,897
Interest expense, net	13,205	10,444
Income (loss) bef. taxes & discontinued operations	8,229	(4,547)
Income tax	2,258	541
Income bef. discontinued oper.	5,971	(5,088)
Discontinued operations, net	(1,627)	1,746
Net income (loss)	4,344	(3,342)
Basic & diluted EPS (loss)	10.3	(8.0)
Continuing EPS (loss)	14.2	(12.1)
Discontinued EPS (loss)(p)	(3.9)	4.2
Under US GAAP, NDS's revenues and earnings appear more favorable than under UK accounting standards. The US GAAP statements differ from the UK presentation as follows:		
	June 30, 1999	June 30, 1998
(Decrease) increase in revenue	9,450	(7,840)
Decrease (increase) in cost of sales	(6,750)	5,600
Decrease (increase) in taxation charge	(830)	694
(Decrease) increase in net (loss) income	1,870	(1,546)
Balance Sheet Data		
(£000s)		
-Adjusted for sale of discontinued digital broadcasting business and application of offering proceeds-		
	6/30/99	
Total assets	107,416	
Long-term liabilities	39,392	
Total other liabilities	66,956	
Minority interests	-	
Shareholders' equity	1,068	

New & Noteworthy

Card Guard Scientific Survival Ltd.

Traded: SWX New Market
Offering Price: CHF 25/share
Shares Offered: 3,750,000
Shares Outstanding: 8,279,877
Market Capitalization: CHF 207 million (\$133 million)

Card Guard is the first Israeli company to be listed on the SWX New Market of the SWX Swiss Exchange. The company made its initial public offering at the end of November through Warburg Dillon Read which sold 3,750,000 ordinary shares at CHF 25 each. Of the amount sold, 2,500,000 million shares were on behalf of the company and the remaining 1,250,000 for selling shareholders. The offering, in addition to the sale in Switzerland, included an international private placement in the US and elsewhere.

An early pioneer of telemedicine

Telemedicine is the remote monitoring and recording of medical data and transmission of data via telecommunications from a patient to a medical facility for diagnosis and treatment. Card Guard was one of the early pioneers of telemedicine and is now benefiting from the trend toward alternate site delivery of health care.

Rehovot-based Card Guard began operations in 1990, and for the next four years focused on development of its telemedicine systems. Sales began to accelerate in 1997 when it made strong distribution efforts in the US and Japanese markets. Today, the company sells its systems through distributors and by establishing a direct presence in several markets.

Potential for cost savings

One of the principal reasons for the increasing move toward telemedicine is the intense pressure to control costs of patient healthcare. Telemedicine is expected to provide huge savings to the patient care system by removing disease management from expensive in-patient environments. It is also expected to provide benefits relating to quality of care, especially for patients who suffer from chronic diseases and must undergo frequent monitoring of their state of health.

Products for cardiology and asthma

Card Guard believes it is the only company to operate in two major medical disciplines – cardiology and pulmonology – and it has plans to enter a third discipline – obstetrics – in the coming year.

Card Guard's systems include receiving center hardware, software and remote monitoring devices. Modemless transmitters convert medical signals into compressed data which is transmitted via telephone to a call/data-receiving center. At the receiving center, incoming medical data are displayed, stored and compared with historical data. The information is used by physicians to help make rapid diagnoses.

The company's medical products are based on accepted medical technologies so that the regulatory approval process in the US, Europe and Japan, generally requires the device to be demonstrated as substantially equivalent to an existing product. Company products have received 510(k) market clearance by the FDA or CE Mark certification or both. Card Guard's strength is its ability to integrate a wide variety of technologies into an easily used turnkey system.

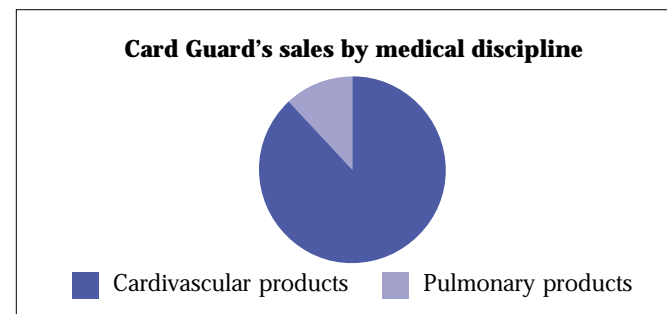
Cardiac care is largest market

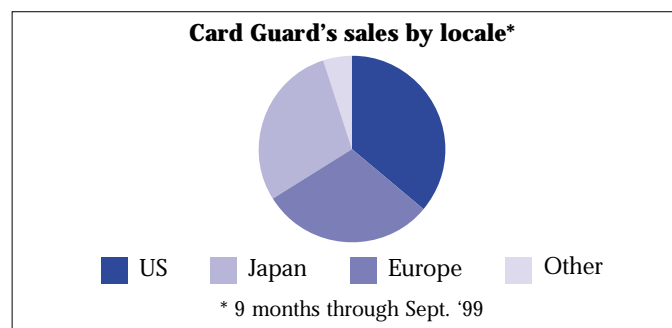
Card Guard's ECG recorders, transmitters and event monitors assist in the early detection of cardiac disease. This is the largest market for its products. For example, myocardial infarction, or blocked coronary arteries, affects 7 million people in the US alone and 1.1 million of these have new or recurrent coronary attacks each year. Angina pectoris, or the insufficient supply of blood to the heart, affects 6.2 million people in the US.

Alternate site treatment appears appropriate for many of those affected by congestive heart failure where the normal pumping of the blood from the heart is impaired. There is a gradual shift to out-of-hospital care, although many patients are readmitted within 30 days of discharge. Studies have shown that alternate site treatment programs can reduce readmission to the hospital by up to 85% resulting in an enormous savings to the healthcare system.

Pulmonary market focuses on asthma patients

Card Guard's portable spirometer to monitor and record the lung function of patients, assists in the early detection and prevention of asthma attacks. There are some 14 million asthma sufferers in the US and 17 million in Europe. In the US alone, there are 500,000 annual hospital





admissions. With an estimated \$15 billion yearly price tag on treatment, this market is a potentially large one for telemedicine.

Entering obstetrics market

Development efforts are now geared to add obstetrics to CardGuard's market focus. It is developing a fetal monitor, expected to be released in 2000, which will allow the monitoring of uterine contractions and the fetal heart rate of pregnant women outside the hospital setting. It is intended for use by women identified to be at risk for premature delivery who constitute a significant proportion of those defined as having high risk pregnancies. In the US, some 7% of babies are born prematurely.

Alliances help marketing efforts

Card Guard sells its products to physicians, hospitals, home health care providers and receiving center operators. These service providers then sell or rent them to the patient end-users. The company has a direct local presence in the US, Europe and South America where it has set up wholly owned subsidiaries. It also operates through distributors. Its key distribution agreement in Europe is with a subsidiary of Hewlett-Packard. Card Guard believes its access to HP Europe's distribution channels will result in a significant boost in sales in Europe. In the US, it has a relationship with Matria Health Care, its key US customer which accounted for 84% of North American sales in 1998 and 64% in the first nine months of this year.

One of the company's strategic objectives is to reach consumers directly. In Japan, for example, the company's distributor (14%-owned by Card Guard) sells Card Guard products directly to consumers in electronics stores. In the UK, its devices are marketed over-the-counter through a major UK drug store chain.

Marketing to clinical research organizations

Card Guard also markets to clinical research organizations which test the safety and effectiveness of products for pharmaceutical companies, including the conducting of clinical trials. Use of telemedicine allows them to collect data in a faster

Income Statement Data		
(\$000s)		
	Nine months ended	
	9/30/99	9/30/98
Revenues	7,262	3,648
Cost of revenues	2,709	1,548
Gross profit	5,553	2,100
R&D expenses	1,103	869
Selling, mktg, gen'l & admin. exp.	3,231	2,348
Operating (income) loss	219	(1,117)
Financial income (expenses)	9	12
Other income	41	(24)
Net income (loss)	351	(1,139)
EPS (loss) (\$) – basic	0.07	(0.27)
– diluted	0.06	(0.27)
Weighted aver. shs – basic	5,018,000	4,289,000
– diluted	6,086,000	4,289,000
	Year ended	
	12/31/98	12/31/97
Revenues	5,553	7,876
Cost of revenues	2,013	3,265
Gross profit	3,540	4,611
R&D expenses	1,217	984
Selling, mktg, gen'l & admin. exp.	3,284	2,545
Operating income (loss)	(961)	1,082
Financial expenses, net	27	183
Other expenses, net	42	14
Net income (loss)	(1030)	885
EPS (loss) – basic (\$)	(0.23)	0.25
– diluted	(0.23)	0.21
Weighted aver. shs – basic	4,473,000	3,477,000
– diluted	4,473,000	4,186,000

and more efficient manner and results in lower costs for trials and a quicker time-to-market for the pharmaceutical products.

Results

Full-year 1999 results are expected to show strong improvement from those of 1998. The company anticipated that fourth quarter revenues and net income will be higher than the \$3.2 million and \$0.7 million, respectively, reported for the third quarter, reflecting the expansion of distribution channels and introduction of new products.

Results for 1998 were depressed due, in large part, to the absence of sales in Japan where the economic crisis delayed purchases.

Proceeds

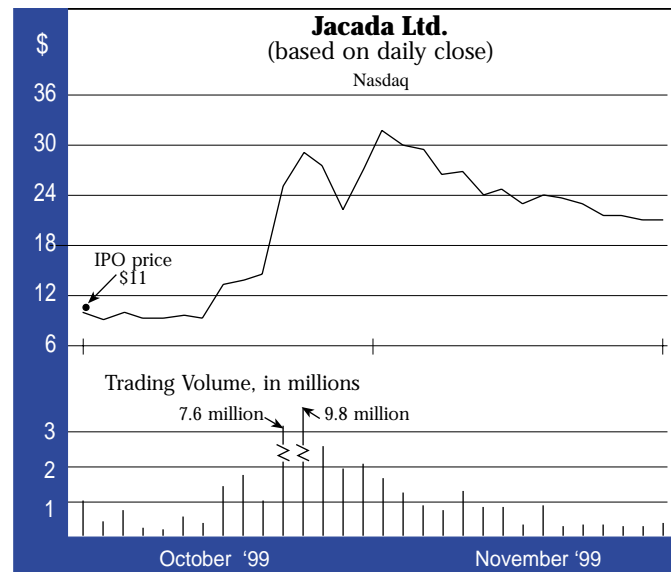
Gross proceeds from the initial public offering approximated \$60 million. They will be used for commercializing current and new products, research and development efforts, and collaborative arrangements with other businesses.

Shareholders

Co-founders Jacob Geva and Dan Giora each hold 6% of the shares post-offering. Significant stakes are also held by several investment groups including Polaris Fund (8%), Hi-Technology Ltd. (8%) and TAT Investment Fund (5%).

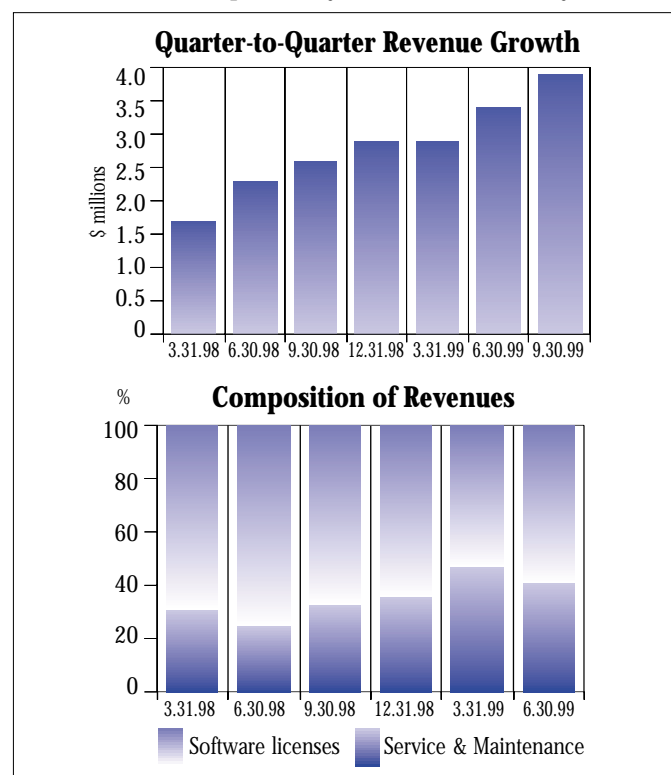
New & Noteworthy

Jacada Ltd.



Traded: Nasdaq Symbol: JCDA
 Recent Price: \$26 7/16
 IPO Price: \$11/sh.
 Shares Offered: 4,500,000
 1999 High - Low: \$37 3/8 - \$8
 Shares Outstanding: 17.6 million
 Market Capitalization: \$465 million

This Herzliya-based company was known as Client/Server Technology Ltd. until two months before its October IPO when it changed its name to Jacada. Investors must have liked the new age name, but were probably most attracted by Jacada's



Income Statement Data

	3 months ended	
	9/30/99	9/30/98
Revenues	3,892	2,598
Cost of revenues	889	806
Gross profit	3,003	1,792
Total operating expenses	2,996	2,383
Operating income (loss)	7	(591)
Net income (loss)	15	(581)
Pro forma EPS (loss)	0.00	(0.05)
Pro forma weighted aver. shs. outstanding	14,146,000	11,943,000

	9 months ended	
	9/30/99	9/30/98
Revenues	10,193	6,601
Cost of revenues	2,395	2,129
Gross profit	7,798	4,472
Total operating expenses	8,157	7,187
Operating income (loss)	(359)	(2,715)
Net income (loss)	(388)	(2,700)
Pro forma EPS (loss)	(0.03)	(0.24)
Pro forma weighted aver. shs. outstanding		12,128

Internet-related focus. Jacada develops software enabling businesses to use applications which reside in mainframes and mini-computers – and therefore not designed for Internet use – to conduct business over the Internet.

The shares – 4,500,000 offered at \$11 each – were flat in early aftermarket trading, but soared two weeks later on heavy volume. Subsequently, the shares retreated. The underwriting was led by Lehman Brothers with CIBC World Markets and SG Cowen as co-managers.

Demand spurred by move to e-business

Jacada cites a report by the Meta Group indicating that 70% of corporate data resides in the mainframe environment. This is data that was originally intended for use by designated employees. However, an increasing number of companies are seeking to make applications that relate to customer accounts, sales and inventory management, customer order information and manufacturing ERP, available to a wider range of employees, customers, suppliers and corporate partners. This rush to quick data distribution, essentially via the Internet, involves rewriting applications – a time consuming and expensive process.

Jacada's products are focused on overcoming the tedious and expensive rewriting of applications, and enable companies to extend their existing applications to the Internet. Its approach is faster than rewriting applications and does not require extensive custom programming.

Jacada's main product, accounting for over 70% of revenues, is Jacada for Java. It generates Java-based interfaces for mainframe and minicomputer software applications without requiring change to the host

applications. It also provides modern graphical features and allows application enhancement by adding functionality, integrating with other data sources and linking to other Internet applications.

Large corporate names as end-users

Jacada markets its products both through a direct sales force in North America and distributors, independent software vendors and systems integrators in North America and elsewhere.

End-users of Jacada's products are typically medium and large businesses with sophisticated technology requirements. By mid-1999 Jacada for Java was licensed to over 100 end-users. Other products, including Jacada Connects, which enables Java-based products to access the business logic of an existing application, Jacada for Visual Basic and Jacada for Windows, have several hundred end users. Jacada's end customers include AIC, Bank of America, Caterpillar, Lockheed Martin, McGraw Hill, Nabisco, Porsche and Saab.

Several companies compete with Jacada. They use a variety of approaches to enable host-centric software applications to be used over the Internet. Currently, Jacada's main competition is from Active Software, Attachmate, CrossWorlds, IBM, New Era of Networks, OpenConnect, Seagull and Vitria. Jacada expects several others – both established and emerging companies – to soon enter the field as well. Moreover, many firms prefer not to purchase externally developed solutions, but opt for internal staff to write new code or rewrite existing applications.

Proceeds upped by exercise of over-allotment

Net proceeds from the initial public offering approximated \$50 million, which included proceeds from the November exercise of the underwriters' 675,000 share over-allotment. Jacada plans to use proceeds for general corporate purposes including working capital. It may use a portion for acquisitions of complementary products, businesses or technologies.

Funds are major shareholders

Investment partnerships, known as the Goldman Sachs Group, hold 10% of the outstanding shares as do entities affiliated with Star Ventures. Other funds or investment groups, including H&Q Client Server Technology Investors L.P.; Gemini Israel Fund L.P.; and HarbourVest Partners L.L.C., have significant stakes as well. Gideon Hollander (CEO) and his brother Yossie Hollander (board chairman) own 7% and 5% of the outstanding shares, respectively.

The Market

continued from page 5
pact with an Austrian firm. **Nexus** jumped 57%. An investor group including George Soros invested \$25 million for 25% of the company. **Galileo** was down 9%. It still faces investor concerns about the impact of the recent earthquake in Taiwan where its production takes place. **Amdocs** completed the acquisition of a company involved in billing for the telecommunications industry in an exchange of stock and rose 63%. **Orckit** along with partner **Fujitsu** won a \$100 million extension contract from
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US-Traded Securities

Company	Symbol	Exch	Price	% Chg	52 week		Market Value \$M	Annual Sales \$M	P/E
			11/30/99	Oct-Nov	High	Low			
Medis El	MDSL	NAS	6 3/16	+2	8	5	59	nil	nm
Mer Telemanagement	MTSL	NAS	4 7/8	+34	5 7/16	1 1/4	23	13	nm
Mercury Interactive	MERQ	NAS	83 1/8	+29	98	21	3449	140	nm
NDS Group	NNDS	NAS	30 3/8	+52*	34	20**	1549	203	nm
NetManage	NETM	NAS	4 31/32	+141	6	1 1/2	322	76	nm
Nexus Telecom.	NXUSF	NAS	2 15/16	+57	4 7/16	1 5/8	39	5	nm
NICE Systems ADR	NICE	NAS	40 15/16	+59	48 5/8	18 3/8	513	110	34
Nur MacroPrinters	NURM	NAS	10 3/8	+31	11 1/4	2 5/16	159	51	27
Optibase	OBAS	NAS	16 7/16	+135	17 3/8	4 7/8	144	25	24
OptiSystems	OPTL	NAS	6 17/32	+29	10	na	39	4	nm
Orbit FR	ORFR	NAS	2 7/8	+31	5	1 1/8	17	10	nm
Orbotech	ORBK	NAS	91 1/2	+58	95 1/4	36 5/8	1298	264	33
Orckit Communications	ORCT	NAS	29	-18	40 1/2	13 3/4	519	65	nm
Paradigm Geophysical	PGEO	NAS	5	-13	7 3/8	4 1/16	63	49	nm
Partner Comm.	PTNR	NAS	18 3/4	+39*	21	13 1/2**	3354	555	nm
Pharmos	PARS	NAS	1 15/32	+14	2 1/8	1 1/16	62	3	nm
Point of Sale	POSI	NAS	13 7/8	+22	15 15/16	5 5/8	151	22	27
Rada Electronic Indus	RADIF	NAS	1 5/32	-12	1 13/16	15/16	31	15	nm
Radcom	RDCM	NAS	6 1/8	+42	7 7/8	2	64	22	nm
Radware	RDWR	NAS	45 5/8	+153*	87	18**	666	11	nm
RIT	RITT	NAS	4 9/16	+1	5 1/8	1 1/2	39	21	nm
Sapiens International	SPNS	NAS	13 7/8	+25	12 5/8	6 11/16	339	84	28
ScanVec	SVECF	NAS	5/8	+11	2 3/4	3/8	4	19	nm
Scitex	SCIXF	NAS	13 5/8	+25	13 3/4	8 7/16	581	658	24
Silicom	SILCF	NAS	5 15/16	+264	7	1 1/8	24	6	35
Summit Design	SMMT	NAS	3 1/16	+21	10 1/4	2 1/8	48	36	nm
Super-Sol	SAE	NYSE	15 1/4	+10	15 11/16	10 7/8	639	1268	18
Taro Pharmaceutical	TAROF	NAS	14 1/16	-8	19	4 1/2	165	81	33
Tecnomatix Technol.	TCNO	NAS	27 3/8	+54	29 1/4	11 1/2	280	84	nm
Tefron	TFR	NYSE	10 3/8	-2	13 9/16	5 9/16	130	111	21
Teva Pharmaceutical ADR	TEVA	NAS	54 7/8	+9	55 7/8	37 1/4	3453	1199	44
Top Image	TISA	NAS	6 7/8	+72	5 7/8	2 9/16	27	8	24
Tower Semiconductor	TSEMF	NAS	10 11/16	+17	13 3/4	6 1/8	135	64	nm
TTI Team Telecom	TTIL	NAS	16 1/8	+59	20	6 3/8	163	27	32
VocalTec	VOCL	NAS	13 9/16	-4	17 1/4	8	155	26	nm
Willi-Food	WILCF	NAS	1 1/2	-8	2	3/4	7	31	na
Wiztec	WIZTF	NAS	24	-3	29 3/4	8	181	29	19
Zoran	ZRAN	NAS	39 7/8	+47	41 1/8	8 1/2	468	52	nm

nm - not meaningful P/E - price to earnings ratio na - not available *Change from IPO price **IPO price

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Deutsche Telekom for FastInternet ADSL/DSLAM. It wasn't enough though to hold up Orckit's shares, which declined 18%.

Audiocodes continued to soar aided by a recommendation from **BancBoston Robertson Stephens**. It is up 5-fold since its initial public offering earlier this year.

Companies making initial public offerings in the US since the summer all did exceedingly well. From their offering prices, **Radware** was up 153%, **Jacada** 75%, **Deltathree.com** 95%, **NDS Group** 52%, **ECTel** 60% and **Partner Communications**

39%. The gains reflected the seemingly insatiable appetite of US investors for Internet and communications-related issues.

Netmanage expects that its recently completed cash acquisition of **Wall Data** will strengthen its position in the e-commerce and e-business markets. The shares climbed 141%. **Silicom** surged 265% as it began receiving orders for its new broadband Internet access and home networking products shortly after they were introduced in the third quarter. **Zoran** rose 47%. Its recent results were helped by the continued rapid growth of the DVD market.