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**NEWSLETTER**

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This newsletter is brought to you by **Invest in Israel**, the investment promotion center of the Ministry of Industry, Trade and Labor.

**Invest in Israel** works closely with potential and current investors before, during and after investment, and serves as a resource for investment related information about Israel.

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#### **ISRAEL EXEMPTS FOREIGN INVESTORS FROM PRIVATE EQUITY TAXES**

In a bid to draw a bigger share of global capital to Israel, the Ministry of Finance recently announced that foreign investors would be exempt from taxes on investments in private equity funds.

Foreign investors currently pay a tax of 15 percent for individuals and 25 percent for companies on profits made in private equity funds.

Noting that the earlier tax exemption on investments in venture capital funds significantly raised foreign investments in such funds in Israel, the Ministry said it was hoping for a similar response for private equity investments.

There are currently 10 private equity funds operating in Israel with combined investments totaling about \$2.5 billion.

The exemption from tax on profits in private-equity funds is expected to attract more foreign capital to Israel, thereby helping to alleviate the credit crunch, increase employment, enhance the sophistication of the capital market, reduce its concentration, as well as improve and streamline business activity in the Israeli economy.

Approval of the exemption is in line with recent legislation aimed at increasing exemptions for foreign investors, including tax exemptions for profits from the sale of shares of Israeli companies as well as for profits from investments in corporate bonds.

#### **ISRAEL RANKED 9<sup>TH</sup> MOST INNOVATIVE COUNTRY BY EIU REPORT**

According to an updated ranking of an Economist Intelligence Unit report called "the world's most innovative countries," Israel is rated the ninth most innovative country globally in 2008, and is forecast to rise further to win the eighth position sometime between 2009 and 2013.

The innovation index ranks 82 countries based on their innovation capacity and forecasts their performance through 2013. The new rankings largely confirm the forecasts of the original research done in 2007. The forecast for 2009-13 takes into consideration the severe business downturn and the global economic crisis, which will have a negative impact on countries' long-term ability to innovate.

According to the Economist, the current financial turmoil is expected to affect innovation worldwide through a reduction in significant drivers of innovation such as investment in research and development (R&D), spending on training and education and the

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quality of information and communications technology (ICT) infrastructure. The crisis will also have a negative impact on other aspects of the environment that enable innovation globally, including access to finance for firms, conditions for entrepreneurship, and economic and political stability.

Recent data shows, however, that Israeli innovation continues to be boosted by a steady flow of foreign direct investment, which reached a near-record high of over \$10 billion in 2008. The Israeli market also continues to be a highly favored destination for some of the world's most successful companies. According to the Israeli media, in June alone visits are expected by among others Hewlett Packard CEO Mark Hurd, Oracle President and CFO Safra Catz, Dell CEO and Founder Michael Dell, and chief software architect at Microsoft Ray Ozzie.

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### ISRAEL RANKED 20 IN IMD STRESS TEST

*The "stress test" aims to examine how "countries can resist adversity and show resilience to weather the storm."*

The International Institute for Management Development (IMD) headquartered in Lausanne, Switzerland added a "stress test" to its IMD World Competitiveness Yearbook 2009 to take into account the effect of the global financial crisis on countries. In this year's evaluation, Israel ranked 20<sup>th</sup>, ahead of Japan (26), the US (28), and the UK (34).

With the "stress test" the IMD aims to examine how "countries can resist adversity and show resilience to weather the storm."

"The stress test shows that smaller nations, which are export-oriented, resilient and with stable socio-political environments are better-equipped to benefit immediately from the recovery," Stéphane Garelli, director of the IMD World Competitiveness Centre said.

The IMD, which analyzes competitiveness measuring 329 variables grouped into four categories, i.e. economic soundness, government efficiency, business, and infrastructures, ranked Israel 24<sup>th</sup> out of 57 countries.

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### MORGAN STANLEY SUGGESTS INVESTMENT IN ISRAEL

Morgan Stanley raised its recommendation for Israeli shares to "Overweight" from "Equal weight" which, according to their definitions means they are advocating that investors place their money in shares on the Israeli stock exchange. Israel rose to third place from ninth place in Morgan Stanley's ranking of 20 emerging markets.

The upgrade is based on an analysis of returns and volatility on the Tel Aviv Stock Exchange and will increase the recommended weight of the TASE in emerging market investment portfolios to 3.5% from 3%, which essentially raises Israel's weight by almost 20%.

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### BP SOLAR UTILIZES SOLAR EDGE TO CUT POWER OUTPUT

*"I am impressed with the initial performance and reliability tests of SolarEdge's solution", said Eric Daniels, chief technology officer at BP Solar.*

BP Solar, a unit of oil giant BP Plc, will integrate Herzliya-based SolarEdge's electronics into its photo voltaic (PV) solar modules. The new technology is designed to reduce the losses in solar arrays which can cut power output by as much as 20 percent.

Solar panels typically convert between 10 to 15 percent of the sun's light into electricity, but that output can be reduced by unwanted partial shading of the arrays and other glitches in the electronic equipment that transports power between the panels.

"We believe the SolarEdge technology, when combined with BP Solar's patented IntegraBus™ module power strip, can significantly enhance the energy output of residential and commercial scale systems."

In support of this activity, BP Solar and SolarEdge have been awarded a research grant by the Israeli and US governments through the BIRD (Bi-national Industrial Research and Development) Foundation, which shares the cost of joint US-Israel development.

BP Solar designs, manufactures and markets products which use the sun's energy to generate electricity for use in the residential, commercial and industrial sectors.

SolarEdge is a provider of smart, holistic PV power harvesting and monitoring solutions for maximum energy and cost efficiency.

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## **NDS EXPANDS IN GERMANY**

The two largest independent German cable operators, Tele Columbus and PrimaCom, have selected NDS, a leading Israeli provider of technology solutions for digital pay-TV, to launch Germany's first high definition (HD) cable DVR (Digital Video Recorder) service across their networks.

Tele Columbus and PrimaCom serve some 3.5 million cable-connected households and operate a large number of independent networks as well .

NDS' integrated DVR service gives viewers the ability to record TV content while viewing another program, enabling subscribers to pause, record, play back, rewind and fast forward recorded content .

"XTV as the leading integrated DVR technology has already proven its success in millions of homes worldwide," Markus Schmid, CEO of Tele Columbus and PrimaCom, said. "We are thrilled ... to continue working with NDS as one of our main digital technology partners," he added.

In early May, KDG, Germany's largest cable network operator and biggest triple play provider, selected NDS as their end-to-end solution provider to enhance its digital TV platform.

KDG operates cable networks in 13 German states and supplies its television and triple play services to approximately 9 million connected households in Germany .

"NDS' technology portfolio and expertise fulfills our long list of requirements," Lorenz Glatz, CTO of Kabel Deutschland, said, noting the company delivers an advanced end-to-end solution, including future-looking enabling technologies. "We welcome NDS as our technology partner and look forward to bringing a truly exciting entertainment offering to our subscribers," he added.

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### **JOINT PROJECT OF IBM, TECHNION, RAMBAM MEDICAL CENTER WINS PRESTIGIOUS INTERNATIONAL PRIZE**

*SRII awarded the prize for "the most successful collaboration of industry, academia and government as expressed in this project."*

IBM, the Technion and the Rambam Medical Center in Haifa won first place from among dozens of competing multidisciplinary teams from different locations worldwide for improving medical service to patients.

The research done will enable follow up and close accompaniment of patients from their admission to the emergency room through their entire period of hospitalization, allowing for the most efficient allocation of resources.

"The Rambam Medical Center, the Technion and the IBM research lab in Haifa have succeeded in carrying out collaboration between industry, academia and government, and bringing ideas and innovative methods to realization," Denise Villamil, vice president of the San Diego based Service Research & Innovation Initiative (SRII) said.

The SRII prize is intended to emphasize the activities of individuals, institutions, organizations and academia around the world in research and innovation in the field of service processes and at the same time to publicize and preserve the scientific knowledge acquired during such research.

The Service Research & Innovation Initiative is a consortium of technology companies, government agencies and universities dedicated to fostering advancements in service research. Advisory board members include, among others, Hewlett Packard, Microsoft, Sun Microsystems, and Xerox, while academic participants include, among others, top researchers from UCLA, Wharton School of Business, and University of California Silicon Valley Center at Santa Cruz.

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### **ECI HELPS SWITCH DEUTSCHE TELEKOM TO IP**

Deutsche Telekom AG (DT) has selected Israel's ECI Telecom, a global provider of networking infrastructure solutions, to participate in its Next-Generation Factory (NGF) initiative to upgrade its public switched telephone network .

The NGF project will upgrade DT's network from circuit-switched to IP-based, improving performance and reducing network complexity. It will also simplify the carrier's network architecture, integrate the several platforms now being used, and provide the flexibility necessary for new services through common service capabilities.

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## **YISSUM AND ZAMBON TO COMMERCIALIZE NANO PAIN TREATMENT**

Z-Cube, the corporate venture arm of Italy's Zambon Company, and Yissum Research Development Company Ltd., the technology transfer company of the Hebrew University of Jerusalem, have agreed to jointly commercialize an innovative nanotechnology drug delivery system for the treatment of pain.

The technology was invented by Professor Elka Touitou at the Hebrew University of Jerusalem, who is a worldwide authority in the drug delivery field with a focus on the design of novel carriers for enhanced drug absorption and efficiency.

"This innovative drug delivery system is a powerful tool enabling the development of improved medicines for the treatment of pain," said Business and Operational Development Director of Z-Cube Lorenzo Pradella. "Patients suffering from pain will benefit from this new approach that promises to generate upgraded and easier to use therapeutics".

Z-Cube invests in and validates early stage innovative drug delivery systems with the potential to generate new products in selected therapeutic areas.

Yissum, which ranks among the top technology transfer companies in the world, has registered 6100 patents covering 1750 inventions, licensed out 480 technologies and spun out 65 companies.

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## **TEL AVIV BLUE CHIPS JUMP IN FIRST QUARTER**

Despite the effects of the recession, companies included in the Tel Aviv Blue Chip Stock Index rose 21% in the first quarter of 2009 from a year ago, and their net profit rose 48%. The Tel Aviv 25 Index companies posted an aggregate net profit of NIS 7.7 billion (\$1.925 billion) for the first quarter.

The improvement in the companies' results followed a very difficult end to 2008, when the appreciation of the shekel and the rise in oil prices eroded profits, inflation grew, and the collapse of stock markets hit financial companies and their nostro portfolios (i.e. accounts that banks hold in other banks in other countries). During the first quarter of 2009, all these factors turned favorable, and helped strengthen the companies' bottom-line.

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