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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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DESPITE GLOBAL RECESSION FDI TO ISRAEL RECORD HIGH IN 2008

The distribution by industry of FDI in 2008 -as in previous years- tilts towards the high-tech industry.

Though the global credit crunch weighed on Israel's economic growth in 2008, foreign direct investment into Israel did not decline, the Bank of Israel reported. FDI is expected to have reached approximately \$10 billion in 2008, short of a record high of \$14 billion reached in 2006 when Berkshire Hathaway's \$4 billion acquisition of Iscar Metalworking boosted the annual figure.

"The relative stability of FDI this year may reflect the fact that it is consistent with real economic activity which was adversely affected only in the fourth quarter of 2008 rather than financial activity," the central bank said.

Half of FDI in 2008 was geared towards high-tech industries, about 20 percent of FDI in the chemical and metal sectors, 10 percent in traditional industries, and 9 percent in traditional industries.

Despite the high figure for overall investment, there was a decline in the rate of investment in seed companies, which fell to 11 percent of total investments from 15 percent the year before. The flow of FDI in real estate was also down from 2007.

ISRAELI LIFE SCIENCES START UPS CONTINUE TO BE ATTRACTIVE: MEDTRONIC ACQUIRES VENTOR FOR \$325 MILLION

The heart valve developer's acquisition by medical industry giant Medtronics made a 16-fold return for its investors.

Medtronic Inc, the world's largest stand-alone maker of medical devices, is buying, for \$325 million in cash, the Netanya-based Israeli start-up Vention Technologies. Following the acquisition, the Israeli company will be known as Medtronic Vention Israel and will continue research and development of the product.

"We appointed scouts whose job is to track Israeli technology and bring it to us. We are very satisfied with the investments we have made so far in Israel, like the acquisitions of Instent and Odin," said Mark Hokin, Medtronic's CEO.

Vention, established in 2004, developed a unique aortic valve prosthesis that can be implanted in severely ill cardiac patients with aortic valve-related diseases to enhance blood supply to the heart. The aortic valve prosthesis can be implanted on a beating heart without requiring open heart surgery.

The advantage of Vention's product over that of its competitors is the catheterization mechanism that allows for more precise positioning of the prosthesis.

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The acquisition follows an earlier \$7.5 million investment by Medtronic, who said it was "scouting for technology."

Despite the global credit crisis, multinational concerns over investment in Israeli expertise. Global demand for breakthrough technologies in life sciences is expected to be less affected by the slowdown, due to the long R&D processes required in this field. The culmination of patent licenses for some popular medical products is expected in the upcoming years. Hence, analysts expect the Israeli sector to be largely safeguarded from financial pressures. Including three Israeli companies in the fields of life sciences have been acquired since December 2008. Johnson & Johnson acquired Omrix for \$438 million and St. Jude acquired Haifa's Medigene for \$300 million.

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IMF PUBLISHES POSITIVE REPORT ON ISRAELI ECONOMY

Balanced economic growth since 2003 was underpinned by prudent macroeconomic policies, and supported by a stable banking system.

The International Monetary Fund in February published a report praising the Israeli economy and its plans for revival. According to the report, the Israeli economy is withstanding the economic challenges well, although additional stimulation to the economy is needed.

In its executive assessment, the IMF noted that robust and balanced economic growth since 2003 was underpinned by prudent macroeconomic policies, and supported by a stable banking system and favorable global conditions. The IMF noted, however, that global strains and weakness in the corporate bond market have affected credit and growth prospects, and accordingly, activity is set to slow markedly in 2009-10.

Trends changed in the fall of 2008 as the deterioration of global financial conditions and the weakening of export markets took their toll. Exports and growth slowed, lowering the annual current account surplus to 1.25% of GDP, and reducing growth to about 4.1% for the year. In addition, fiscal revenue fell sharply in the fourth quarter, raising the central government deficit to 1.5% of GDP in 2008, with public debt at about 77.5% percent of GDP.

The IMF commended Israeli authorities for their disciplined execution in recent years, which had delivered strong economic outturns, secured significant debt reduction, and accompanied a prepared fiscal policy for a supportive role in the current circumstances.

The financial institution emphasized the need to further strengthen the medium-term fiscal framework, anchored by a medium-term public debt goal and associated expenditure ceilings and efforts to bring forward planned infrastructure projects.

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ISRAEL'S BRIGHTSOURCE ENERGY SIGNS SOLAR DEAL WITH SOUTHERN CALIFORNIA UTILITY

"The groundbreaking deal takes solar-thermal from a niche technology to the mainstream" - Daniel Kammen, an energy public-policy professor at UC Berkeley.

BrightSource Energy and Southern California Edison (SCE)

to build a series of solar-thermal power plants that will generate 1.3 gigawatts of electricity for SCE's customers, enough power for 845,000 homes, by 2016. The deal is considered to be one of the largest ever in this field.

The company's solar-thermal technology uses thousands of mirrors to reflect sunlight onto a boiler. That creates steam, which feeds a turbine and creates electricity.

BrightSource's first 100-megawatt solar plant for SCE will be in operation by 2013 and will be located in the Ivanpah dry lake bed in the Mojave Desert where it also intends to build two more plants totaling 300 megawatts, for another utility, Pacific Gas & Electric (PG&E) under a separate deal. From 2014 to 2016, BrightSource will construct six more 200-megawatt plants for SCE.

The deal is another step toward meeting California's mandate for 33 percent renewable-energy generation. Investor-owned utilities are required to get 20 percent of their generation from renewable sources by the end of 2010, and 33 percent by 2020.

Financial terms of the 1.3 GW deal weren't disclosed, nor did it say how much it will pay for the power as California regulations require that such terms be kept confidential.

BrightSource, based in California, uses its large-scale solar energy system based on proprietary Luz Power Tower technology, which was developed in Israel.

SCE, the largest electric utility in California, is the nation's largest purchaser of renewable energy and, in 2007, bought more than 10 percent of the solar energy produced in the United States from its customers.

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FRANCHISE CHAINS SEE CHANCE FOR PROFIT AS SLOWDOWN: GAP, BANANA REPUBLIC, H&M OPEN BRANCHES IN ISRAEL

Elbit Imaging Ltd. subsidiary Elbit Trade and Retail signed an exclusive franchise agreement with Gap Inc. to open and operate Gap and Banana Republic stores in Israel. Gap said in a statement that the first of its flagship stores in Israel would open in Tel Aviv while the first Banana Republic store would open in spring 2010.

Swedish fashion retailer Hennes & Mauritz (H&M) also plans to open stores in Israel. The company in December entered into a franchise agreement with Match Retail Ltd, a privately held company founded by the Horesh family, and said the first store in the country was planned to open in 2010.

Elbit Trade, which also markets other international brands in Israel, expanded the Spanish-based Mango chain in Israel from 15 stores to 25, and boosted sales turnover four-fold.

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SOLEL CONSTRUCTS 50MW SOLAR FIELD IN SPAIN

Solel Solar Systems has begun construction on a 50 MW solar field in Lebrija, Spain. The \$150 million project utilizes Solel's state-of-the-art patented technology to capture sunlight and convert it to maximum heat for clean energy.

The Lebrija project has an overall cost of \$400 million, and is being developed in partnership with Sacyr Vallehermoso, a Spanish construction company based in Madrid. The project

operational in 2010.

With the Lebrija project, Solel equipment is generating more than 400 MW of installed capacity of clean energy at both projects and at solar fields of other developers in the U.S. and Spain that have installed Solel equipment.

As Israel has almost no natural fuel sources except for its abundant sunshine, it has become a world pioneer in the use of solar energy. Sun-heated water tanks were invented in Israel, which also has the technology's highest residential penetration (85%). The largest solar thermal company is Israeli, and the largest solar plant in the world was built by an Israeli company.

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ELBIT SUBSIDIARY GETS 2008 INNOVATION OF THE AWARD

The Frost & Sullivan Award for Product Innovation is presented each year to the company that has demonstrated excellence in products and technologies within its industry.

Prestigious business research and consulting firm Frost & Sullivan presented the 2008 North American Product Innovation of the Year Award to Elbit Systems of America, a wholly-owned subsidiary of Israel's Elbit Systems Ltd., for its Rugged Personal Digital Assistant (RPDA) handheld computer.

Frost & Sullivan said the RPDA handheld computer, which addresses the needs of the US military, was "a reflection of Elbit Systems of America's focus on designing solutions that customers ask for."

"From the launch of the RPDA on September 2001 through its evolution from a generation design to date, the Elbit Systems of America RPDA has become the handheld solution of choice for many US military programs," the consulting firm said.

The RPDA's unique modular system feature offers expansion and integration of several technologies, including military commercial GPS, interfaces to military radios, and Iridium Satellite Data Communications, into one compact handheld computer. The rugged design enables military personnel to carry one handheld computer into the field, leaving other devices behind.

Elbit Systems of America is a leading provider of high performance products and system solutions focusing on the commercial and defense, homeland security, and medical instrumentation markets.

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COMVERSE RANKED NO. 1 AMONG GLOBAL TELECOM BILLING VENDORS

A global survey of about 150 telecom carriers by the Yankee Group ranked Comverse No. 1 among nine vendors. According to the survey, Comverse is best positioned as a comprehensive end-to-end solution provider among global telecom vendors to meet the rapidly changing billing needs of carriers rolling out next-generation voice, data and video services.

"To drive revenue growth, operators need to embrace a multi-tiered, innovative pricing model," industry analyst Ari B. Goldstein, Director of Yankee Group, said. "Comverse has a significant track record (in converged prepaid and postpaid billing), and has demonstrated successes in this space. What makes it attractive is its productized approach to convergent scenarios."

Most service providers (71 percent, according to the believe that offering subscribers a choice of prepaid and payment options will encourage adoption of next-generation services, such as gaming, video streaming and video vo Comverse is a leading supplier of software and systems value-added messaging and content services, converged bill active customer management, and IP communications.

The company's comprehensive business support system allows operators to manage all subscribers consistently, regardless of payment or service type.

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DRUG DEVELOPMENT SERVICES LEADER “COVANCE” OFFICE IN ISRAEL

The new office and expanded staff will help Covance execute execution of clinical studies as well as build strategic relationships.

Princeton, New Jersey's Covance, one of the world's largest most comprehensive drug development services companies opening a new clinical development office in Tel Aviv to enhance the company's global presence.

Israel has been a strategic location for Covance since 1995 new Tel Aviv office will serve as its centre for operational support staff across South-Eastern Europe and the Middle East.

Covance offers clinical development services, including Phase I and III clinical trial support in more than 55 countries. With a suite of services to take a drug through all stages of development, Covance offers its customers clinical and regulatory expertise, as well as global reach.

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