

video game controller, the Israeli business daily Calcalist reported.

Calcalist claimed that an Apple engineering team visited PrimeSense in early July, and that the firms have been in talks since then. Although the negotiations are in early stages, an acquisition would cost Apple about \$280 million, the newspaper said.

PrimeSense is best known for designing the SoC (system-on-a-chip) silicon that processes 3-D motion sensing, a gestures-based technology it licensed to Microsoft for the latter's Kinect video game controller, an important part of Microsoft's Xbox 360 ecosystem.

Microsoft has since moved beyond PrimeSense, buying other firms in the space, and will rely on those technologies as well as an amped-up in-house effort, for Kinect on the Xbox One, the company's next-generation game console.

Apple Update

In March 2012, PrimeSense laid off more than a fourth of its workforce, most in its Tel Aviv headquarters, presumably because of the loss in licensing revenue after Microsoft dumped it.

Apple already has multiple teams in Israel, where it employs an estimated 300 to 400 people, many of them engineers. Nor is the company a stranger to acquisitions there: In late 2011, Apple purchased Anobit Technologies, an Israeli maker of solid state drives (SSDs), for a reported \$500 million. Later, Apple integrated Anobit's SSDs into Fusion Drive-equipped iMacs.

Van Baker, an analyst at Gartner, ticked off a host of possible reasons why Apple might be interested in PrimeSense, from a set-top box and the oft-rumored-not-yet-real Apple TV to 3-D gesture recognition built into Mac and iPhone hardware. "But no one knows for sure,"

said Baker, the refrain of any analyst trying to read Apple's tea leaves.

From Baker's perspective, however, PrimeSense's technology, at least as expressed in the original Kinect, was lackluster, making him wonder why Apple would chase the company. There's an outside chance that patents may be at the root of the pursuit, he said.

Brian Blau, a Gartner analyst who, among other things, focuses on console-based video games and virtual reality, pointed out that, for all the bells and whistles of Kinect, the technology, both software and hardware, are not terribly difficult to produce.

How Israeli High-Tech Happened

Israel became a high-tech hothouse because she had to. True, she enjoys favorable conditions for the growth of high-tech industries; chief among them, well-educated, inventive, enterprising people. Relative to the size of her population, Israel has more engineers, and

Israel High-Tech & Investment Report

Published monthly since January 1985

Publisher and Editor in Chief

Joseph Morgenstern, B.A. Chem.

Technology Review Board

Prof. S.J. Joel-Cohen, MD, FRCS. FRCOG (1996-2002)

Prof. Hylton Miller, M.B. Ch.B.

Copy Chief

Debbie Mor

Web Master

Marty vonBokel

Graphics Consultant

Daniel Morgenstern

Subscription Inquiries

Tel-. +972-3-5235279 Fax. +972 3-5227799

E-mail: htir_1@netvision.net.il

Annual subscription \$95.- per year, for 11 issues,

Israeli residents add 17% VAT

Web Edition and Archives

<http://ishitech.co.il>

sees more scientific articles published, than any other country in the world (Israel has 135 engineers per 10,000 people; the US has 85). However, the stimulus for the industry's growth has been national survival, both military and economic.

David among Goliaths

As a small country in a hostile neighborhood, Israel must strive to maintain a qualitative military edge over her potential enemies. Experience in a series of wars has taught Israel that she needs to develop that edge independently as far as she can. In large part, Israel's high-tech industries are a spin-off from that process.

Israel fought the 1967 Six Day War largely with French weaponry. When President de Gaulle imposed an arms embargo after that war, Israel turned to the United States, and to herself. The commercial consequences can be seen today. Blades Technology, for example, a company originally set up to manufacture engine parts for the Israel Air Force's Mirage aircraft, now has annual sales of \$90 million, and joint ventures with Pratt & Whitney and Rolls Royce.

In the 1973 Yom Kippur War, Israel was surprised by the technological capabilities of her enemies, and also experienced difficulty in obtaining vital material from her foreign suppliers, spurring efforts for technological supremacy and self-sufficiency. The Kfir jet fighter, based on the French mirage, was one of the first large-scale projects in this effort.

Lavi grounded, high tech takes off

The effort for military self-sufficiency reached its limits in the 1980s, when Israel tried to develop the Lavi jet fighter. The cost proved beyond her and the project was abandoned, but this meant that, in the mid-eighties, hundreds of engineers with experience at the cutting edge of aerodynamics, avionics, computers and elect

ronics were released onto the market. The Lavi project's demise has been described as one of the greatest ever boosts to Israeli high-tech industry.

Since the Lavi, Israeli defense industries have focused more on components, electronics, avionics and other systems that are installed on American or other platforms. Israel has arranged many reciprocal procurement agreements with leading aerospace and military manufacturers, which help sustain high-tech industries. The development of these auxiliary systems has also given Israeli high-tech industries an edge in civilian spin-offs in security, electronics, computers, software and the burgeoning Internet sectors.

Into space

The military imperative has not disappeared. Even in the era of the peace process, Israel must keep up her guard. In response to the Iraqi Scuds that hit Tel Aviv in the 1991 Gulf War Israel began development of the Arrow anti-missile missile. The Arrow program began as part of the US SDI (Star Wars) program, requiring considerable advances in electronics, computers and ballistics. The Arrow will soon be ready for operational deployment. In general, the search for better systems in the areas of weapons, intelligence gathering, and command and control, goes on apace.

In the 1990s, Israel became only the eighth country in the world to develop and launch satellites, beginning with the Amos civilian communications satellite, followed by the Ofek military satellites and the Eros civilian photo-reconnaissance satellite. Israel now partners with NASA, the ESA and the Russian space program, building component and complete satellites for scientific and civilian uses.

In 2002, two of Israel's six largest industrial

companies by turnover were high-tech companies: Israel Aircraft Industries (IAI), Intel Electronics, as well as pharmaceutical company Teva (Nasdaq: TEVA; TASE:TEVA). The largest exporters in terms of sales included high-tech companies Teva, IAI, Intel Electronics, and Vishay Intertechnology (Israel), with over \$1 billion in exports each.

Economic imperative

In part, the economic necessity derives from the military one. Israel's defense budget is inadequate for her to maintain her military advantage. One solution is export. Israel is both a highly successful defense and civilian high-tech exporter.

However, the global defense market is shrinking. Civilian applications of the skills in software, communications, imaging, process control, derived from military industries, have therefore become increasingly important. For example, the need for better night-vision equipment led to local engineers becoming trained in the field of image processing, and to the establishment of two trailblazing Israeli high-tech companies: Scitex (Nasdaq: SCIX; TASE:SCIX), and Elscint. Because Israel is such a small market, export is essential for civilian products too, providing a further incentive to maintain technological excellence, particularly in certain niche markets - network security, for example, where Check Point (Nasdaq: CHKP) is a world leader; Mercury Interactive Corporation (Nasdaq: MERQ) is a leader in enterprise testing and performance management solutions; and Amdocs (NYSE: DOX) is a leader in customer relations management, billing and order management solutions.

Pharmaceuticals

In the 1990s, pharmaceuticals and medical devices became a rising high-tech sector. Teva has become a leading global generic drug maker, followed by Taro Pharmaceutical

Industries (Nasdaq: TARO) and Agis Industries (TASE:AGIS). Medical device company Given Imaging (Nasdaq: GIVN) and biopharmaceutical companies such as Savient Pharmaceuticals (Nasdaq:SVNT) are becoming prominent players, listed on Nasdaq and European bourses.

Immigration

The wave of immigration from the countries of the former Soviet Union in the 1990s provided an influx of skilled scientists and engineers. The government's technology incubator program was largely a response to the need to provide these newcomers with employment, and harness their talents to the needs of industry. The immigrants helped fuel Israel's phenomenal growth rate between 1991 and 1994, and helped man the high-tech boom after 1998. In the late 1990s, Israeli high-tech began suffering from a shortage of skilled manpower. The government and industry have been expanding educational and vocational programs to meet the demand. The high-tech slump since late 2000 has slowed demand for trained personnel, but not ended the shortage altogether.

Liberalization

Israel has few natural resources. The aspiration of her population for a Western standard of living can only be satisfied through integration into the global market. Israel's transition from a State-dominated, centralized, protectionist economy to a free market means that traditional industries such as textiles are disappearing, losing out to low-cost overseas competition. How far and how fast this transition should go is a matter of debate, but there is no doubt that high-tech, where Israel enjoys a relative advantage, will be a mainstay of Israel's economic future. As Israel's economy restructures from traditional industries for the local market to export-oriented high-tech, high-tech exports as a percentage of total exports has been steadily increasing, rising from 45% in 1995 to 57% in

2000.

Exports of electronics communications components, electronic components, medical equipment and software and IT products soared to over \$13 billion 2000. Although the onset of the high-tech crisis in late 2000 caused a sharp contraction in exports and production, electronics, communications, monitoring and control equipment, and avionics are still key exports. Pharmaceuticals and medical devices and equipment are also becoming increasingly important. High-tech is still the key growth engine for the Israeli economy and a mark of its integration into the global economy.

Foreign investment

An important aspect of Israel's integration into the world economy has been increasing inward investment, particularly in the high-tech industry. Companies like Cisco Systems, Motorola, Intel, IBM, Nortel, Microsoft, Mitsubishi, Deutsche Telekom, aviation and space companies, to mention just a few, have recognized that Israel is a fount of high-tech innovation they cannot afford to ignore. They have set up subsidiaries and research centers here, invested in Israeli companies, technology incubators, and venture capital funds, or found Israeli strategic partners.

Annual foreign investment in Israel grew from \$400 million in 1992, to peak at \$5.0 billion in 2000. Foreign investment subsequently contracted, due to the high-tech crisis, the global economic slowdown and political tensions in the Middle East, but is still substantial. Foreign venture capital investment grew apace, rising from \$587 million in 1998, peaking at \$3.1 billion in 2000, before falling to \$982 million in 2002, still higher than the level of five years previously. Investment by Israeli venture capital funds followed the same pattern: peaking at \$1.27 billion in 2000, but totaling only \$481 million in 2002, including \$62 million in foreign companies. (Sources: MoneyTree and IVC). The Bank of

Israel reported that total foreign investment in Israel amounted to \$2.6 billion in 2002, including \$1.2 billion in direct foreign investment.

Start-up country

With 3,000 start-ups, the Global Competitiveness Report 2000 ranked Israel second behind the US in the number of start-ups and first relative to population. The weight of start-ups of GDP was 3% in 2000, compared with 0.4% in 1997. The comparable figures for the US was 0.3% and 0.1%, respectively. Israel was highly ranked in terms of the number of engineers and education, but poorly in terms of physical infrastructure, a situation the government is trying to remedy.

Israel was ranked second in civilian R&D expenditure as a percentage of GDP, rising from 2.7% in 1994 to 4.2% in 1999. Total R&D expenditure in 2000 was \$4.2 billion and NIS 23.9 billion in 2001. State expenditure on civilian R&D has been rising faster than GDP through the 1990s, mostly being invested in high-tech, but also agriculture, manufacturing and biotechnology.

Next steps

In any discussion of the future of Israeli high-tech, the following points tend to emerge:

The limiting factor on the sector's growth is a shortage of engineers and managers. Although training programs at universities, colleges and government and industry sponsored retraining courses have been expanding, plus attempts to expand the labor pool by tapping haredi (ultra-orthodox) and other communities, demand continues to outstrip supply, even in the wake of the cutbacks due to the high-tech crisis since mid-2000. Demand to allow the entry of foreign skilled engineers and programmers for the high-tech sector have abated, the issue may re-emerge when the industry recovers and if the Israeli labor pool remains insufficient.

Israel High-Tech & Investment Report

The industry needs to consolidate through company mergers.

The government's role needs to be reviewed. Many argue that government support for civilian R&D is not sufficiently discriminating, resulting in financial and human resources becoming too thinly spread.

Tax reform to ease mergers and acquisitions, better reward employees, and encourage foreign investment. Although progress has been made on these issues, stumbling blocks remain.

New directions: Biotechnology and medical devices are seen as coming fields. While Israel is well placed to exploit it, with outstanding life sciences and medical research institutions, this will mean a departure from the military-industrial symbiosis which has done so much to sustain high-tech development up to now. Nevertheless, Israel has a number of outstanding and growing start-ups and companies in these fields, including many new listings on Nasdaq and European exchanges. Israel is ranked third in the world in biotechnology start-ups.

In 2000 there were 160 biotechnology and 400 medical device companies in Israel, compared with 25 in 1988, employing 4,000 people and generating \$800 million in turnover. 20 companies are publicly traded, half in the US and half in Europe. Investment in biotechnology has been growing steadily, reaching totaled \$1.7 billion in 2000, including about \$200 million in venture capital. There are 15 life sciences venture capital funds operating in Israel.

Some figures

In 2000, exports of high-tech products accounted for 55% of all exports, up from 23% in 1991. Exports of electronics communications components, electronic components, medical equipment and software and IT products

peaked at over \$13 billion, before the onset of the high-tech crisis in late 2000 caused a sharp contraction in exports and production.

In 2000, 195,000 people were employed in the various high-tech sectors, compared with 148,870 people a decade earlier. Demand for engineers and technicians is estimated at 2,000-3,000 a year. The various academic institutions currently supply 1,000-1,300.

National expenditure on civilian R&D amounted to NIS 23.9 billion (over \$5 billion) in 2001, 4.2% of GDP. Spending on civilian R&D has remained stable despite the recession since 2000, although the focus on research has been shifting from Internet and software to new fields such as biotechnology, nanotechnology. Chemical and chemical products, electronic components, communications components, supervision, monitoring, and medical equipment accounted for 87% of industrial R&D expenditure in 2001.

Israel issues the largest number of companies in the US after the US itself and Canada. According to the Bank of Israel, investment by foreign residents totaled \$9.4 billion in 2000, up from \$3 billion in 1995. Israeli companies raised \$4.2 billion overseas in 2000, mostly on Nasdaq, but also including \$800 million raised on European exchanges. The 2000 figure is 13 times the amount raised only five years earlier, in 1995, reflecting the immense growth by Israeli high tech and its emergence as a global player. Foreign investment and the raising of capital by Israeli companies overseas has since fallen to a fraction of the 2000 figure.

Israel's secret intel unit spawns high-tech his alsraeli military's top-secret Unit 8200, the Jewish state's equivalent of the U.S. National Security Agency, has spawned a generation of high-tech start-ups and more technology millionaires

Israel High-Tech & Investment Report

than many business schools, and these days the cyber security sector is booming.

Unit 8200 is now the Israeli military's biggest branch in manpower terms. It has grown swiftly in recent years as cyberwarfare has become one of the major security threats to military organizations and industrialized states whose vital infrastructure is vulnerable to cyberattack.

But Unit 8200 remains the most secretive of Israel's military units. Even the name of its commander is a state secret, as is its annual budget .

It has a major, highly secure base in the Negev Desert south of Tel Aviv. But little is known about its work in what's known as signals intelligence, intercepting and analyzing other forces' communications and data traffic from mobile phones chatter and emails to flight paths and electronic signals.

Unlike other branches of the Israeli military, virtually all its research and development is conducted in-house by its huge cadre of engineers, programmers and technicians.

Unit 8200 headhunts the brightest students from high schools and colleges, and there seems to be no shortage of volunteers.

So it's no surprise that many veterans of Unit 8200 -- invariably known as "eight-two hundred" -- have been behind a host of successful high-tech start-ups in the commercial sector after they leave the service.

These enterprises provide a unique contribution to Israel's high-tech sector, widely recognized as one of the most advanced in the world.

The country's high-tech exports total an estimated \$25 billion a year, a quarter of Israel's exports.

The high-tech sector currently boasts 5,000 companies that employ 230,000 people.

Recent Israeli success in the field include the Zisapel brothers, Yehuda and Zonhar, who sold and floated a dozen companies for hundreds of millions of dollars; and Yair Cohen, a former brigadier general who once commanded Unit 8200, who heads the intelligence cyberdivision of Elbit Systems, a major defense company.

Then there's Aharon Zeevi Farkash, another former Unit 8200 chief, founder and chief executive of FST21, which employs a mix of technologies, combining hardware and software to suit specific needs that are in the hands of young men and women hardly out of their teens.

Yossi Vardi, who founded Israel's first software company in 1969, says "more high-tech millionaires have been created from 8200 than from any business school in the country."

Israeli tech firms like Nice, Converse and Check Point were all set up by Unit 8200 alumni or based on technology developed by the unit which cyber insiders say is in some cases decades ahead of the U.S. and Europe

A measure of these companies' success is that many are bought out by the titans of the field.

IBM announced in August that it's buying Trusteer, a privately owned Israeli cloud-based cybersecurity software provider whose customers include many of the largest banks in the United States and Britain.

The terms of the deal have not been disclosed. But the Financial Times reported that IBM, which will form a cybersecurity software laboratory in Israel with more than 200 researchers from both companies, is believed to be forking up \$800 million-\$1 billion for Trusteer.

The Israeli outfit says its equipment can identify security threats that escape more traditional security software.

Trusteer software is designed to help ensure that bank customers can safely transfer funds on mobile devices by detecting malware that can infect a smartphone, allowing the bank to prevent fraudulent transactions taking place.

“The way organizations protect data are quickly evolving,” observed Trusteer’s chief executive, Mickey Boodaei, who founded the firm in 2006.

“As attacks become more sophisticated, traditional approaches to securing enterprise and mobile data are no longer valid.”

Unit 8200’s success as an incubator for Israel’s high-tech venture is likely to grow since under the military’s new strategic plan it’s downsizing conventional land, sea and air forces to meet the challenges of a new era of warfare with more agile, technology-oriented forces.

Farkash says 8200’s alumni are so successful because its organizational ethos encourages out-of-the-box thinking.

“We’re very tolerant of mistakes,” he explains.

Tel Aviv University professor shares Nobel fophysics

British scientist Peter Higgs and Belgian Francois Englert, a Holocaust survivor, discovered the ‘God particle’ and will share \$1.2 million prize.

This image made available by CERN shows a typical candidate event in the search for the Higgs boson. Photo by AP Reuters

Belgian Jewish physicist Francois Englert and his British colleague Peter Higgs won the Nobel Prize for physics for predicting the existence of the Higgs boson particle that explains how elementary matter attained the mass to form stars and planets.

Asked how it felt to be a Nobel winner, Englert, who has a longstanding affiliation with Tel Aviv University, told reporters by phone link to Stockholm: “You may imagine that this is not very unpleasant, of course. I am very, very happy to have the recognition of this extraordinary award.”

Englert, a Belgian Jew and Holocaust survivor who is married to an Israeli, has maintained “a deep connection” with Tel Aviv University for some 30 years, since 1984, when he was appointed as a Sackler professor by special appointment at the School of Physics and Astronomy. Englert regularly visits, teaches and maintains research ties with the university.

“Professor Englert is a Belgian Jew, a professor emeritus at the University of Brussels and has had close research ties with the Tel Aviv University for the past 30 years,” Tel Aviv University said in a statement.

It added that, in April, Englert visited and delivered a special lecture on his work on the particle that was awarded the Nobel.

Half a century after their original work, the new building block of nature was finally detected in 2012 at the European Organization for Nuclear Research (CERN) center’s giant, underground particle-smasher near Geneva.

The discovery was hailed as one of the most important in physics.

The two scientists had been favorites to share the 8 million Swedish crown prize after their

theoretical work was vindicated by the CERN experiments.

To find the elusive particle, scientists at the Large Hadron Collider (LHC) had to pore over data from the wreckage of trillions of sub-atomic proton collisions.

The Higgs boson is the last piece of the Standard Model of physics that describes the fundamental make-up of the universe. Some commentators - though not scientists - have called it the "God particle", for its role in turning the Big Bang into an ordered cosmos.

Higgs and Englert's work shows how elementary particles inside atoms gain mass by interacting with an invisible field pervading all of space - and the more they interact, the heavier they become. The particle associated with the field is the Higgs boson.

Two Israelis win Nobel Chemistry prize

Arieh Warshel and Michael Levitt, both formerly of the Weizmann Institute and now living in the US, won the prize together with Martin Karplus.

The Nobel Prize in Chemistry for 2013 has been awarded to two Israelis living in the US - Michael Levitt, and Arieh Warshel, who won the prize together with Martin Karplus, for their work on the development of multiscale models for complex chemical systems. "The work of Karplus, Levitt and Warshel is ground-breaking in that they managed to make Newton's classical physics work side-by-side with the fundamentally different quantum physics," said the Royal Swedish Academy of Sciences in its announcement of the award.

Levitt and Warshel were both once researchers at the Weizmann Institute of Science in Rehovot. Prof. Warshel, an Israeli and US citizen was born in 1940 at Kibbutz Sde Nahum and earned his Ph.D. in 1969 from the Weizmann Institute.

He currently works at the University of Southern California. Prof. Levitt, an Israeli, US and British citizen, was born in 1947 in Pretoria. He earned his Ph.D. from the University of Cambridge in 1971, and served as a professor of chemical physics at the Weizmann Institute from 1979 to 1987. He currently works in cancer research at Stanford University School of Medicine.

Prof. Martin Karplus, (83) a US and Austrian citizen, currently works at Harvard University and the Université de Strasbourg. His Ph.D. is from the California Institute of Technology.

"This year's Nobel Laureates in chemistry took the best from both worlds and devised methods that use both classical and quantum physics. For instance, in simulations of how a drug couples to its target protein in the body, the computer performs quantum theoretical calculations on those atoms in the target protein that interact with the drug. The rest of the large protein is simulated using less demanding classical physics," states the Royal Swedish Academy of Sciences. "Today the computer is just as important a tool for chemists as the test tube. Simulations are so realistic that they predict the outcome of traditional experiments."

The three laureates will share the \$1.25 million prize at the award ceremony in Stockholm on December 20.

Many IPOs ahead

Managing partner Chemi Peres: A large number of Israeli companies will go public in 2014. Some of them of them are our portfolio companies.

"We're seeing how the opportunity for venture capital is growing because the markets are growing," said Pitango Venture Capital general managing partner Chemi Peres at today's press conference to mark the closing of the firm's sixth fund and its 20th anniversary. The markets he was referring to were geographical - China,

Taiwan, and India - the source of the some of the investors in the new fund; and the target markets for new products, such as digital consumers and online advertising, where Pitango barely had a presence in the past.

Recently Pitango closed its sixth fund at \$270 million, above the \$250 million planned. It now manages \$1.6 billion.

The message of Peres and Pitango's other partners is optimistic. "A large number of Israeli companies will go public in 2014. Some of them of them are our portfolio companies," he said. Pitango believes that ten of its portfolio companies will near IPOs over the next 18 months. With the Pitango VI Fund, the firm plans to diversify investment stages, with a stronger emphasis on growth-stage investments, as well as a kind of mini-fund, under managing general partner Rami Beracha, which will make seed-stage investments.

Commenting on the two-year process to raise the Pitango VI Fund, Peres said, "In 2008, there was a huge financial crisis, and some investors personally suffered. In 2012, we stopped investing from Pitango V, and we wanted a quick first closing of the new fund, which was largely based on longstanding investors. We saw that some of the investors had stopped investing in some fields, some had quit certain funds, and some said that they would reduce their investment. Beyond that, they said that we should bring investors from China, and that's another matter. They are all making their first investment in Israel. These are sophisticated investors who carried out very thorough due diligence."

As for Israeli investment institutions, Pitango said that while it received larger allocations than in the past, they were still immaterial. "Israeli institutions have an assessment of what Israeli high-tech and venture capital are, but they apparently still need to realize that this is a

long-term investment," said Pitango managing general partner Rami Kalish, who co-founded the firm with Peres.

Pitango CFO and general partner Zeev Binman said, "In work with high-tech, the institutions are not yet there. You also see this in IPOs in Tel Aviv. This is partly because their staffs are not well prepared. They're being trained, but they're not ready. It will take time."

Between the lines, Peres offered some constructive criticism, saying, "I can certify that, to date, investors in our funds have not lost money. In good times, there is a very high return on investment. There is an idea that venture capital is something irresponsible and risky, but it's impossible to claim that we have struck it rich. We're dealing with many crises at the companies, and we go around the world and learn. There is also a cultural change; the rush for an exit has abated, and there is a wish to build big companies with value. Not investing in venture capital is like lagging behind and not keeping up-to-date."

Samsung mulls buying Israeli start-ups

Samsung Electronics Co. Ltd. (KRX: 5930; LSE: SMSN), which acquired Boxee for a sum believed to be about \$30 million in July, is interested in acquiring more Israeli companies. "The Wall Street Journal" cites a Samsung document which mentions mobile search engine developer Everything.me as a possible target and video-chat app Rounds. The newspaper says that an acquisition of Rounds would help Samsung compete with Apple's FaceTime and Google's Hangouts.

"The Wall Street Journal" says that Samsung is stepping up its hunt for acquisitions and building out its presence in Silicon Valley to try and overcome its key weakness - software - and is aiming to become a software power in its own right.

“The Wall Street Journal” says, “Earlier this year, Samsung was among the bidders for Israeli mobile-mapping service Waze Ltd., according to people familiar with the matter. Google eventually bought Waze for about \$1.1 billion in July, a deal that is under review by the Federal Trade Commission. According to one person, Samsung had approached Waze in hopes of making a large investment and forming a partnership, before acquisition talks kicked off.”

Samsung mulls buying Israeli start-ups - report
“The Wall Street Journal” reported that Samsung is eyeing Everything.me and Rounds.

Samsung Electronics Co. Ltd. (KSX: 5930; LSE: SMSN), which acquired Boxee for a sum believed to be about \$30 million in July, is interested in acquiring more Israeli companies. “The Wall Street Journal” cites a Samsung document which mentions mobile search engine developer Everything.me as a possible target and video-chat app Rounds. The newspaper says that an acquisition of Rounds would help Samsung compete with Apple’s FaceTime and Google’s Hangouts.

“The Wall Street Journal” says that Samsung is stepping up its hunt for acquisitions and building out its presence in Silicon Valley to try and overcome its key weakness - software - and is aiming to become a software power in its own right.

“The Wall Street Journal” says, “Earlier this year, Samsung was among the bidders for Israeli mobile-mapping service Waze Ltd., according to people familiar with the matter. Google eventually bought Waze for about \$1.1 billion in July, a deal that is under review by the Federal Trade Commission. According to one person, Samsung had approached Waze in hopes of making a large investment and

forming a partnership, before acquisition talks kicked off.”

Barclays exec sees big Israeli M&A deals ahead
Barclays Capital technology M&A manager Richard Hardegree says there may be 2-3 \$1 billion-plus deals a year in Israel.

“It’s possible that we’ll see 2-3 \$1 billion-plus deals (in Israel) a year. We think that this is the direction, and that we’ll also see many transactions in the hundreds of millions,” said Barclays Capital technology M&A manager Richard Hardegree told “Globes”. “This is definitely a change from the sizes of the past. I think that it’s because Israeli companies are turning in the direction of bigger opportunities and the success of companies which have become market leaders.”

“I spend a lot of time with Israeli companies and US companies that are looking at Israeli companies. There are many opportunities in Israel and most big high-tech companies consider Israel as a source of opportunities, and they are constantly seeking acquisitions here,” he said.

Israeli high-tech seems to have taken a great leap forward in the past year. Even if deals the size of Waze Ltd., which was acquired by Google Inc. (Nasdaq: GOOG) for nearly \$1 billion are exceptional, prominent acquisitions have climbed to \$400-500 million in the past two years from \$200-300 million beforehand. Then there are deals like IBM Corporation’s (NYSE: IBM) acquisition of Trusteer Inc. and the merger of Perion Network Ltd. (Nasdaq:PERI; TASE:PERI) with a Conduit Ltd. spinoff at a company value of \$700 million for the latter.

“I believe that the level of experience of Israeli managers has risen, such as Mellanox Technologies Ltd. (Nasdaq:MLNX) CEO Eyal Waldman, who previously worked for multinationals

and whose goal is to build a global leader. The acquisition of Waze was designed to achieve a huge market. When companies like Facebook, Apple, and Samsung chase after these opportunities, you reach extraordinary deals.”

F-35 fighters to be equipped with an Israeli helmet

The future fighter planes, which are expected to replace the familiar F-16s, will have helmets that were developed by Israeli company “Elbit”.

Israeli pride: aerospace manufacturing company “Lockheed Martin” announced that they have picked a helmet made by Israeli company “Elbit” for the F-35 development project, a fighter plane that is expected to replace the F-16s in the next few years.

The Israeli helmet which will be added to the F-35 is designed to provide the pilots with all the information they need to complete their mission – from weather conditions today and night visibility conditions – all projected on the helmet visor in real time.

Additionally the helmet provides the pilots with information coming from the six infra-red cameras that are situated on the body of the plane. The information gathered by the cameras will provide the pilot information on what is happening in areas that are out of his line of sight. The decision to stop developing the American helmet, and choose the Israeli one, is expected to save “Lockheed Martin” around 45 billion dollars designated to develop a helmet for the F-35 fighters.

“So far, over 100 pilots used the helmet, during 6,000 flights and 10,000 accumulated flight hours, and the feedback was very positive” said the VP of Lockheed Martin. “The government’s decision to continue with this helmet exclusively is a sign of their faith in its perfor-

mance”.

Facebook to Buy Israel-Based Startup to Bolster Internet

Facebook Inc. (FB:US) agreed to buy an Israel startup that specializes in mobile applications as part of its effort to reduce the number of people without Internet access.

No terms were disclosed of the purchase of Onavo, which has about 40 employees and was founded in 2010. As part of the acquisition, Facebook will open its first office in Israel.

“Onavo will be an exciting addition to Facebook,” Facebook said in an e-mailed statement today. “We expect Onavo’s data compression technology to play a central role in our mission to connect more people to the Internet, and their analytic tools will help us provide better, more efficient mobile products.”

: FDA Regulators Eye Medical Apps for Mobile Devices

Facebook Chief Executive Officer Mark Zuckerberg joined with other tech companies in August to form a new group called Internet.org, which aims to expand access to the Internet for the 5 billion people who have yet to get online. Facebook, owner of the world’s largest social-networking service, is looking for new ways to attract more people to its service, which has more than 1 billion users.

Hardegree spoke with “Globes” ahead of his participation in the “Globes”-Ernst & Young Israel Journey Conference in Tel Aviv on October 17. “I spend a lot of time with Israeli companies and US companies that are looking at Israeli companies. There are many opportunities in Israel and most big high-tech companies consider Israel as a source of opportunities, and they are constantly seeking acquisitions here,” he said.

