

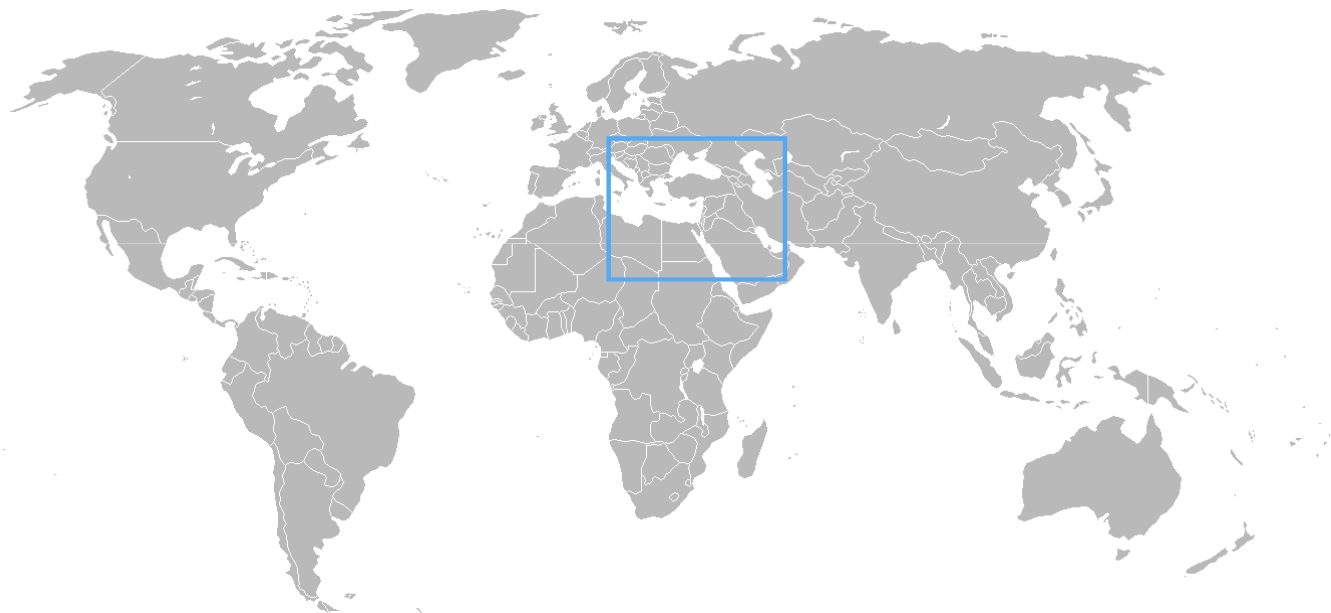


State of Israel
Ministry of Industry, Trade & Labor
Investment Promotion Center

Invest In Israel
Where **Breakthroughs** Happen

Invest in Israel
investment promotion center

Country ID



Area: 22,000 sqkm

Population: ~ 7.4 millions

GDP: \$199.4 Billion (2008)

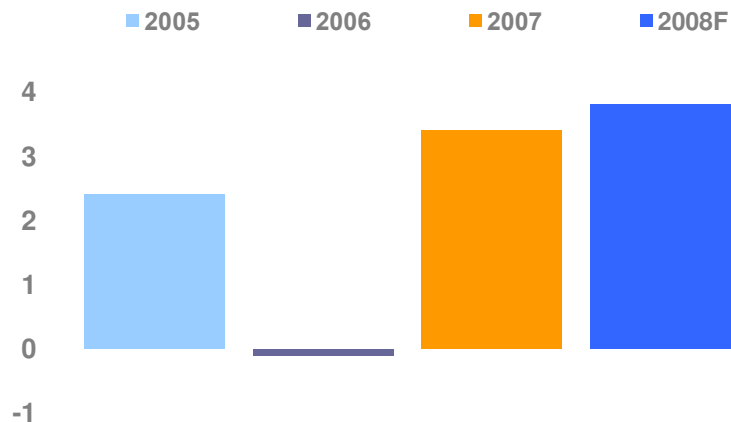
Main Cities: Jerusalem, Tel-Aviv, Haifa, Be'er Sheva

Main Economic Indicators

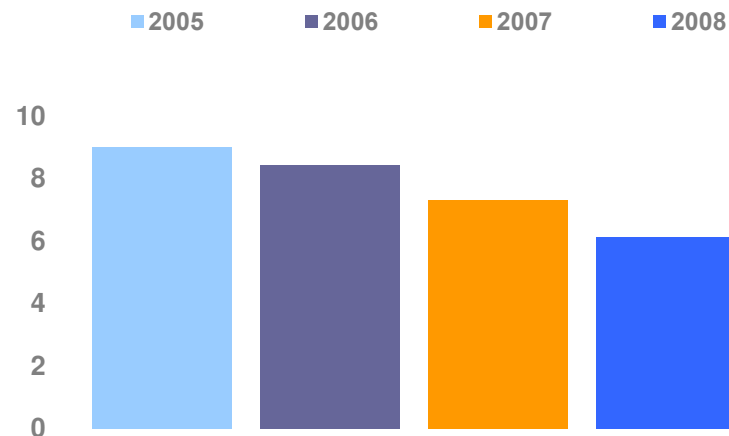
Criteria	2004	2005	2006	2007	2008
GDP (current prices in \$B)*	125.8	133.2	144.0	164.1	199.4
GDP Real Growth Rate (%)	5.0%	5.1%	5.2%	5.4%	4.0%
GDP per Capita (PPP adjusted)**			\$24,271	\$26,226	\$27,355
GDP per Capita Growth Rate (%, Current prices)	3.2%	3.3%	3.3%	3.5%	2.1%
Exports (Goods & Services)** \$B* (As Percentage of GDP)	52.0 (41.3%)	57.2 (43.0%)	62.6 (43.5%)	71.2 (43.4%)	80.4 (40.3%)
Imports (Goods & Services)** \$B* (As Percentage of GDP)	52.1 (41.4%)	57.5 (43.2%)	62.2 (43.2%)	74.0 (45.1%)	84.1 (42.2%)
Unemployment Rate (%)	10.4%	9.0%	8.4%	7.3%	6.1%

Main Economic Indicators (Graphs)

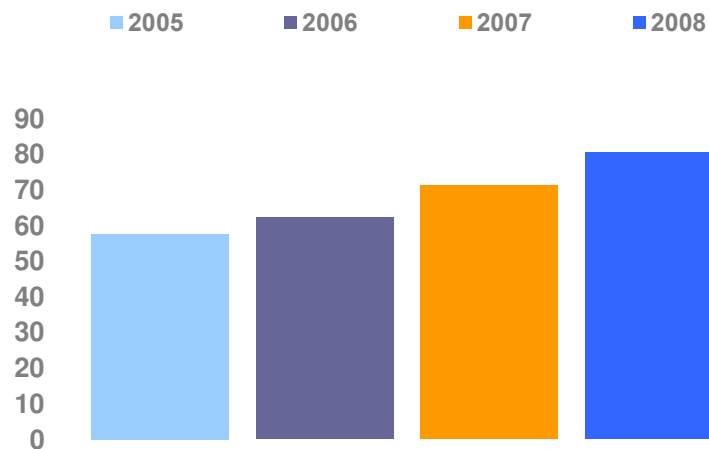
Inflation % (excl. housing)



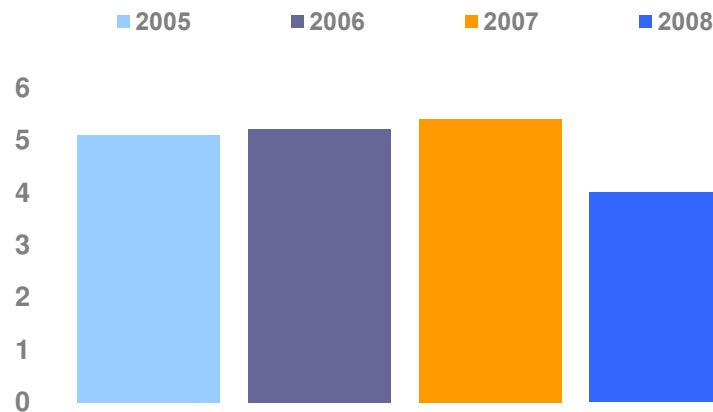
Unemployment (%)



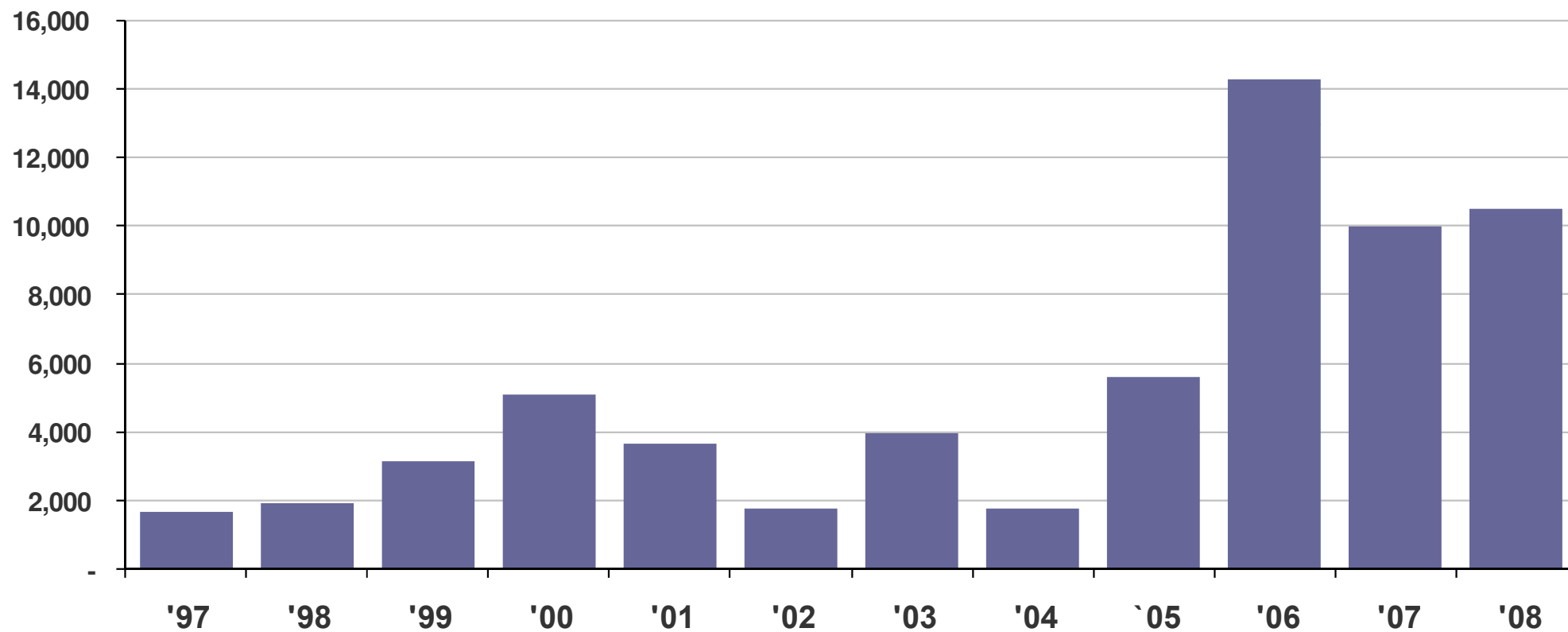
Exports (\$ Billion)



GDP Growth Rate



Foreign Direct Investment (millions of US\$)



Foreign Companies Invested in Israel - Some Examples

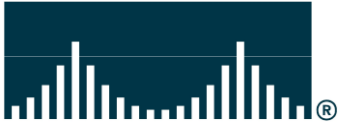
US	Europe	Asia
<ul style="list-style-type: none">• Microsoft• Applied Materials• AOL Time Warner• Intel• IBM• Perrigo• Cisco Systems• GE Healthcare• Lucent• 3Com• Hewlett Packard• Stryker• Motorola• Sun Microsystems• Johnson & Johnson• Dentsply• Kodak	<ul style="list-style-type: none">• British Telecom• SAP• Philips Medical• Alcatel• Siemens• Cable & Wireless• Deutsche Telekom• Telecom Italia• Generali• Nestle• L'Oreal• Danone• Unilever• Vilmorin• Veolia• Ferring• MERCK Serono	<ul style="list-style-type: none">• Sony• Toyo Ink• Fuji• Honda• Sumitomo Trading• Nomura• Samsung Electronics• Daewoo• LG Group• Hyundai• Acer Computers• Macronix• Winbond• Hutchison Telecomm• Scigen• Jain Irrigation• Sun Pharmaceutical

Multinationals...

Microsoft[®]

- Microsoft built their first R&D facility outside the US in Israel

CISCO SYSTEMS



- Cisco built their first R&D facility outside the US in Israel



- Motorola's Israel facility is the company's largest development center worldwide.

IBM[®]

- IBM chose Israel for its first VC investment outside of the US



- Intel has 4 R&D facilities and 2 manufacturing centers in Israel, employing 7,000 Israelis

Google[™]

- Google opened not only one but two R&D centers in Israel

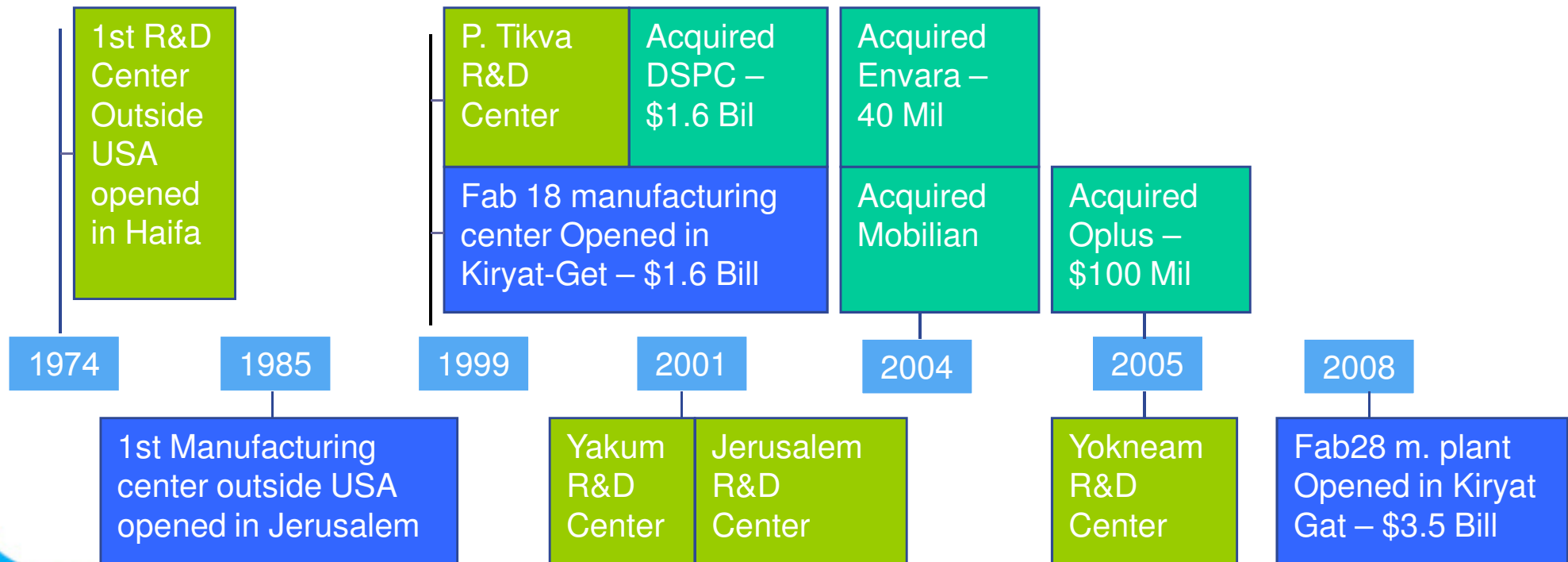
R&D Centers of Leading Foreign Companies

Company	No. of R&D Employees	Sector
Intel	5,400	Semiconductors
HP- (Indigo & Mercury)	~5,000	Capital Equip
IBM	1,100	Computing Equip
Cisco	1,000	Software
Motorola	1,000	Telecom
Applied Materials	1,000	Capital Equip.
SAP	800	Software
Freescale	570	Semiconductors
Microsoft	600	Software
GE (Healthcare)	400	Medical Equip

- Over 110 foreign companies have established R&D centers in Israel
- Over 35,000 personnel are employed in these R&D centers in Israel

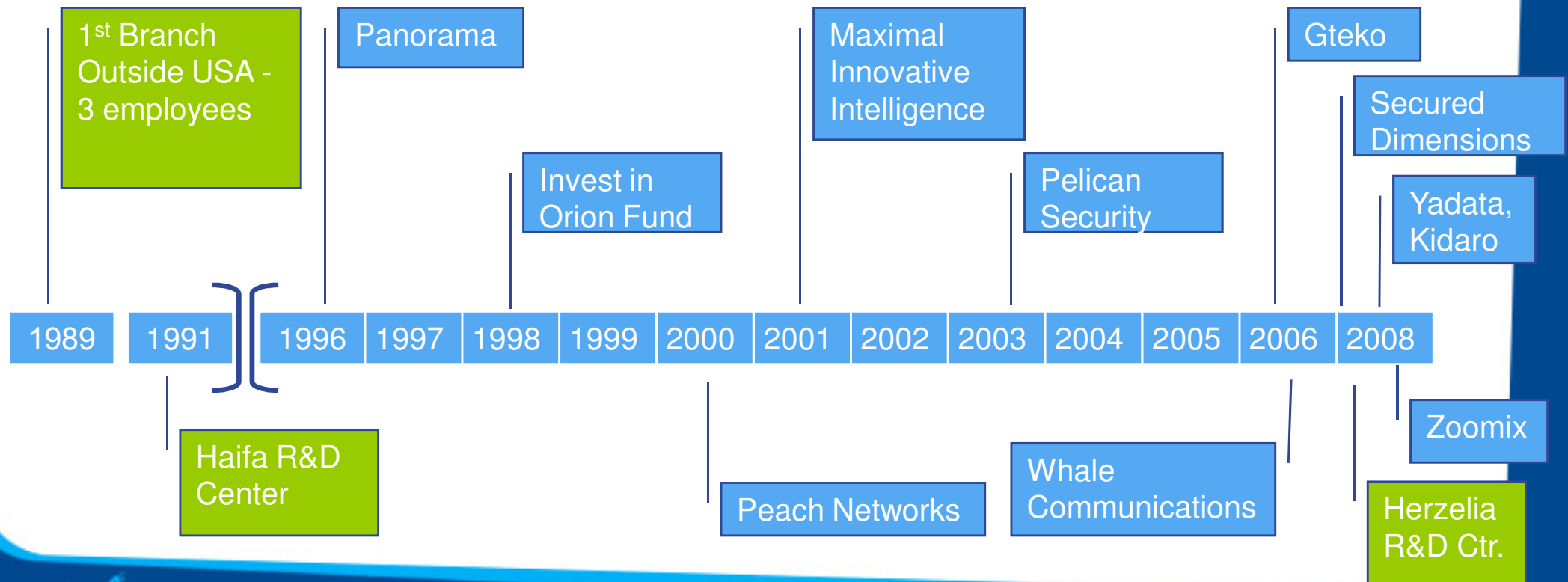
Intel – Success story

- Over 7000 employees
 - 4 active R&D Facilities
 - 2 Manufacturing Centers
- Israeli Centers Developments Include:



Microsoft – Success story

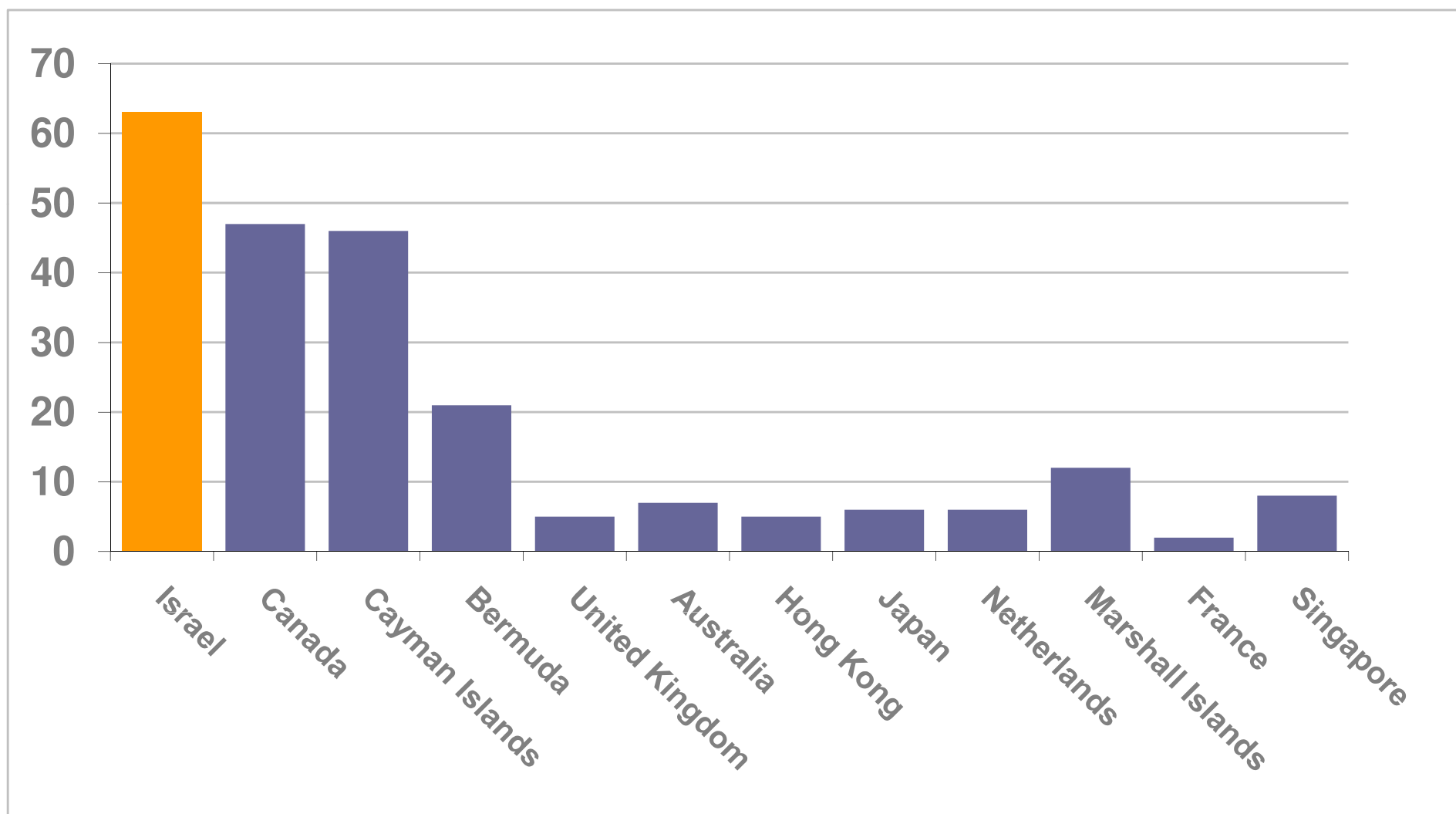
- Over 500 employees
- Over US\$ 700 million only in M&A during 2002-2008
- Herzelia R&D Center is one out of 3 Strategic Centers.
Focus: Internet, Security



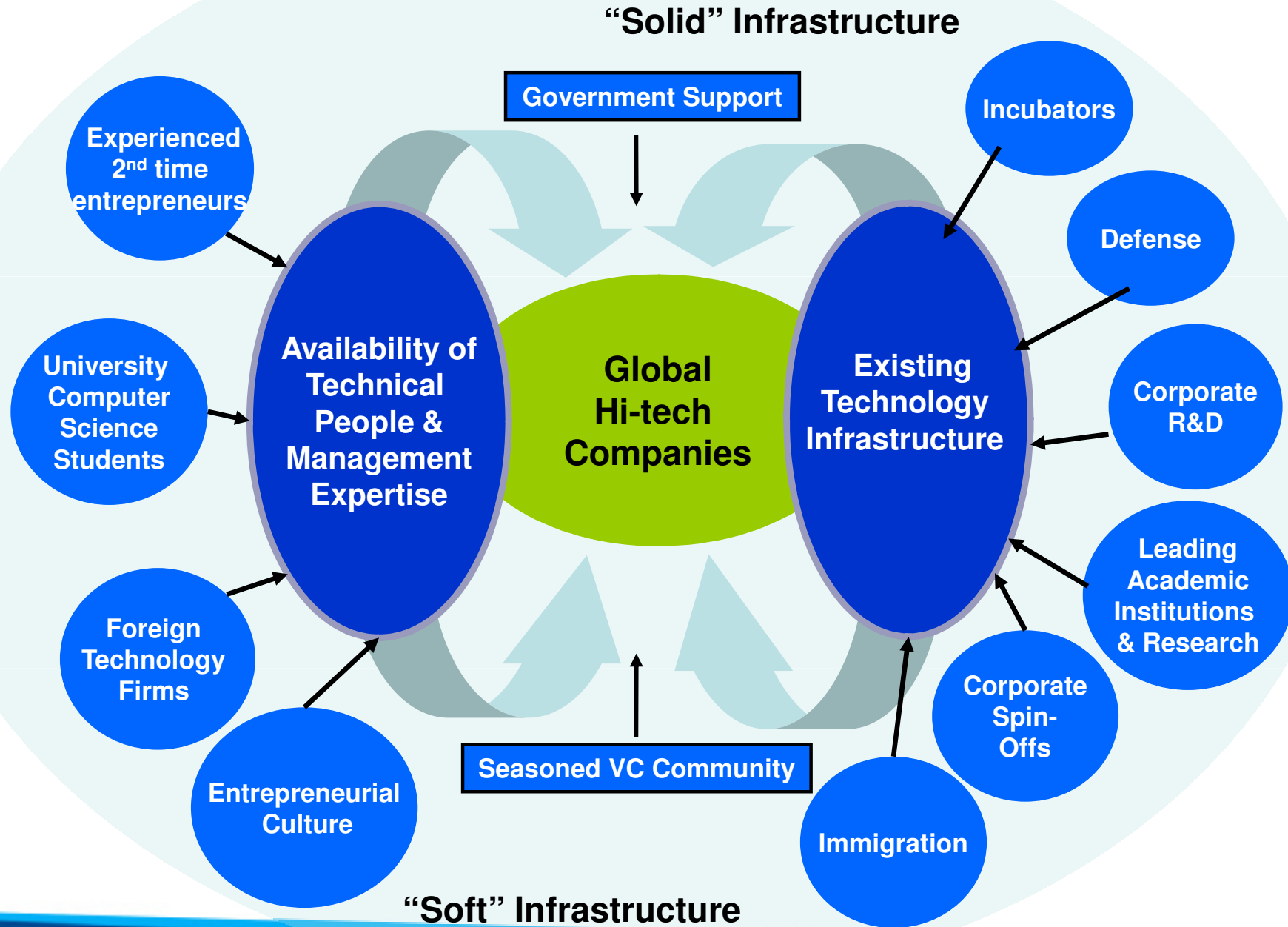
Significant Selected Mergers & Acquisitions

Acquirer	Amount	Sector	Company	Date
HP	4500 Mil	ICT	Mercury	Jul 2006
B. Hathaway	4000 Mil	Metal Cutting	Iscar	May 2006
Sandisk Corp	1550 Mil	ICT	M-Systems	Jul 2006
Sun Pharma	454 Mil	Pharma	Taro	May 2007
J&J	438 Mil	Life Sciences	Omrix	Nov 2008
Spansion	368 Mil	Semiconductors	Saifun	Oct 2007
AOL	363 Mil	Software	Quigo	Nov 2007
Medtronic	300 Mil	Medical Dev.	Ventor	Feb 2009
S. Jude Medical	300 Mil	Intra Body Nav	Mediguide	Dec 2008
Microsemi	245 Mil	Semiconductors	PowerDsine	Apr 2007
Vector Cap.	160 Mil	Software	Aladdin	Jun 2009
Samsung	150 Mil	ICT	Transchip	Nov 2007
Microsoft	34 Mil	Semiconductors	3DV	Jun 2009

NASDAQ Non US listed companies- Selected countries



Israel Hi-Tech Cluster



Israeli Breakthroughs – Selected Examples



- Given Imaging – First ingestible video camera used to view the small intestine and diagnose disorders



- Intel's Core 2 Duo, Centrino and Pentium 4 microprocessors



- M System's Disk on Key and Disk on Chip flash memory



- GE Healthcare's portable cardiac ultrasound system



- The Phillips Brilliance CT Scanner



- IP Telephony invented by founders of Vocal Tec



- AOL Instant Messenger ICQ



- Zip compression technology

Israel's Competitive Edge – IMD World Report 2008

Country Rank →	1st	2nd	3rd	4th
BUSINESS EXPENDITURE ON R&D	Israel	Sweden	Japan	Korea
TOTAL EXPENDITURE ON R&D AS A PERCENTAGE OF GDP	Israel	Sweden	Finland	Japan
AVAILABILITY OF QUALIFIED ENGINEERS	Singapore	Israel	Chile	Taiwan
KNOWLEDGE TRANSFER BETWEEN INDUSTRY AND ACADEMIA	Singapore	Israel	Switzerland	U.S.A
VENTURE CAPITAL AVAILABILITY	U.S.A	Hong Kong	Israel	Singapore
INFORMATION TECHNOLOGY SKILLS	Sweden	Singapore	Israel	U.S.A
RESILIENCE OF THE ECONOMY	Australia	Denmark	Switzerland	Israel

Israel Ranks 20

Israel's innovative ranking

The
Economist

	2002-06	2004-08	2009-13
Japan	1	1	1
Switzerland	2	2	2
Finland	5	3	3
USA	3	4	5
Sweden	4	5	7
Germany	6	6	4
Taiwan	8	7	6
Netherlands	9	8	9
Israel	10	9	8
Denmark	7	10	10
South Korea	15	11	11
Austria	11	12	12
France	12	13	13
Canada	13	14	15
Belgium	14	15	14
Singapore	17	16	16
Norway	16	17	17
UK	18	18	19
Ireland	19	19	20
Australia	21	20	18

Areas of expertise

- Telecom
- Information Technology
- Microelectronics
- Software
- Life Sciences
 - Medical Equipment
 - Biopharma
- Water Technology
- Clean Technologies
- Aerospace
- Design

National Program Promoting Water Technologies



Maximizing the Israeli Water and Renewable Energy Sectors Potential

Water

- Increase export up to \$2.5B by 2011
- Attract targeted FDI
- Promote international R&D cooperation
- Position the Israeli water sector as a source of innovation and creativity
- Enable a formation of an Israeli water cluster

Renewable Energy

- Enable the transformation of technology from R&D to production
- Increase export up to 500M NIS by 2013
- Increase R&D investment up to 400M NIS by 2013
- Promote international R&D cooperation
- Position the renewable energy sector as a source of innovation

Government Support

- The Law for the Encouragement of Capital Investments:
 - Competitive grant program.
 - Tax exemption path for manufacturing facilities.
- The Law for the Encouragement of Industrial R&D – Incl. special incentives to Traditional Industry R&D.
- The Global Enterprise R&D Cooperation Framework.
- Employment grants for R&D centers and large enterprises established in the north and south.
- Bi-national funds (such BIRDF, KORIL-RDF).
- Special tax benefits for R&D centers.
- Tax exemption for venture capital investment.
- Tax benefits on production of foreign films in Israel.
- Employment grant program.

Summary

- Israel is a center of innovation and technological excellence
- Israel is a leading entrepreneurial society
- Israel enjoys an excellent track record in breakthrough discoveries and innovations
- Future results are expected to improve due to the maturity of the market
- Foreign companies can cost effectively conduct cutting edge research in Israel
- Israel's government and policies strongly support investment and economic growth

Bubbles

"What is exciting to me about Israel is that it is the most entrepreneurial and spirited place I have come across outside the U.S."

Simon Levene, Yahoo's managing director of corporate development, June 2006

"Israel is an incredible opportunity for us. It provides a growth engine for innovation for us."

Richard Nottenburg, Motorola's executive VP chief strategy officer, June 2006

"It's no exaggeration to say that the kind of innovation going on in Israel is critical to the future of the technology business."

Bill Gates, Founder Microsoft, 2005

"Some Americans have come to the Middle East looking for oil. We came to the Middle East looking for brains, and we stopped at Israel."

Warren Buffett, Berkshire Hathaway, September 2006

"Israel – a reservoir of innovation that will advance our competitiveness."

. " Professor Eric Reinhart, President of Siemens Medical, September 2006

"We were attracted by the outstanding research and researchers here."

David M. Bowser, Johnson & Johnson, VP, Corporate Office of Science and Technology March 2006

"The landscape (in Israel) provides the perfect environment for researching and developing water technologies in 'real-world' conditions and then marketing and selling them globally"

Dr. Roger Radke, CEO of the Water Technologies Division of Siemens, June 2006

"The quantity and quality of software engineers in Israel made it logical that we would open a R&D center here at some point."

David Woodside, EMEA Manager, Google February 2006



State of Israel

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