



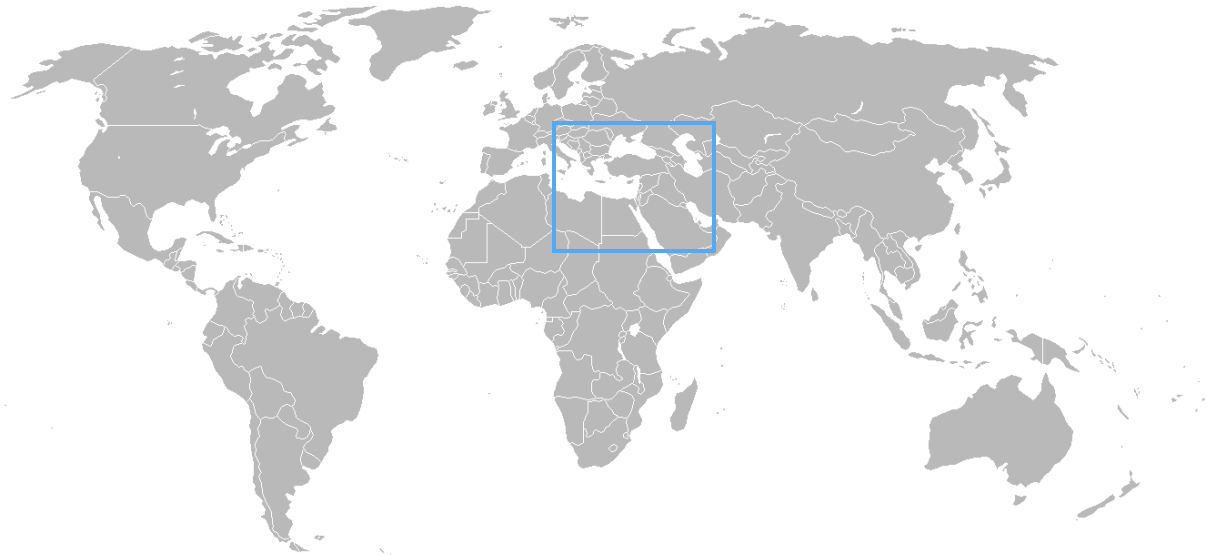
State of Israel  
Ministry of Industry, Trade & Labor  
Investment Promotion Center

Invest In Israel  
Where **Breakthroughs** Happen

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Creating Synergies in **ICT**

# Country ID



**Area:** 22,000 sqkm

**Population:** ~ 7.4 millions

**GDP:** \$201 Billion (2010)

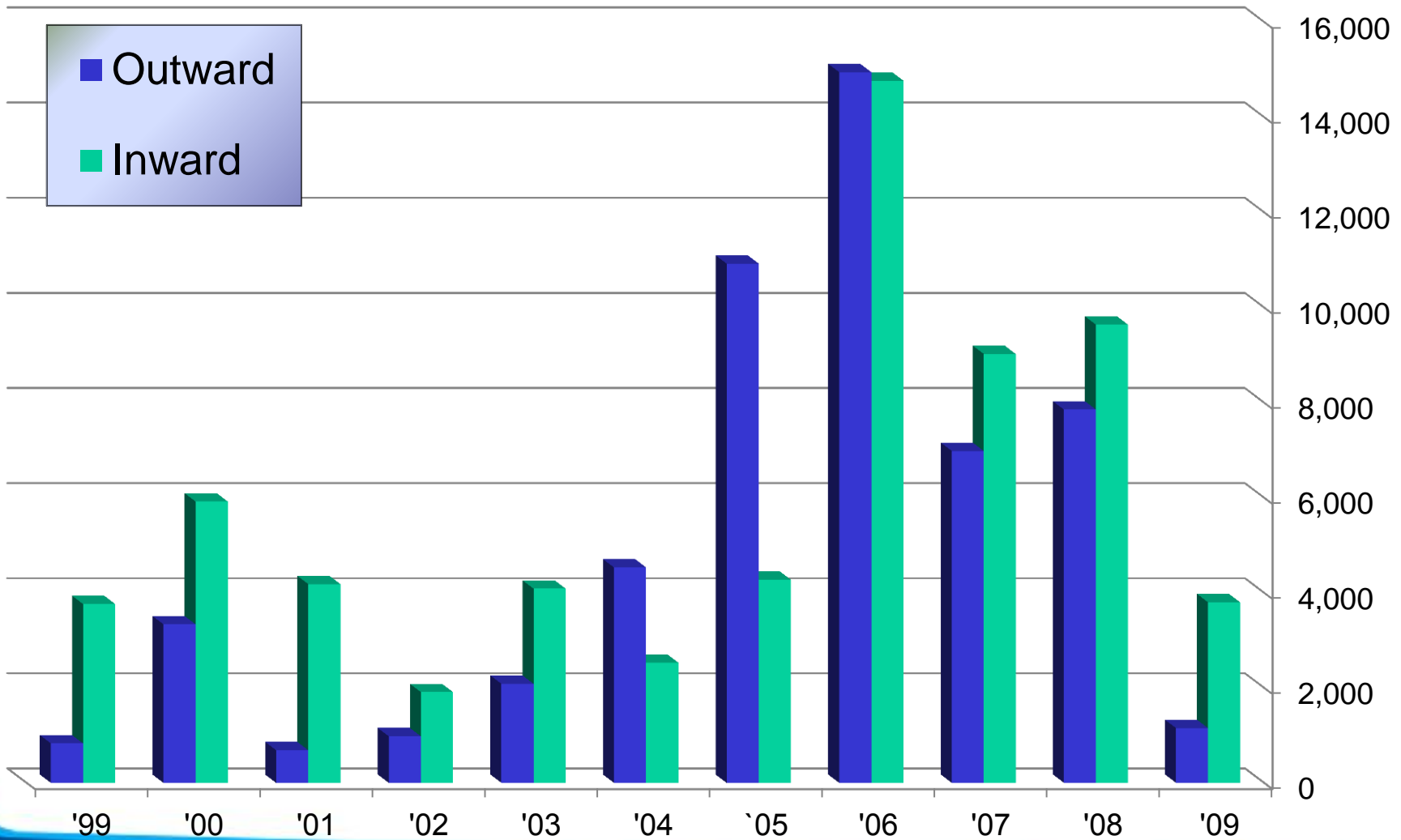
**Main Cities:** Jerusalem, Tel-Aviv, Haifa, Be'er Sheva



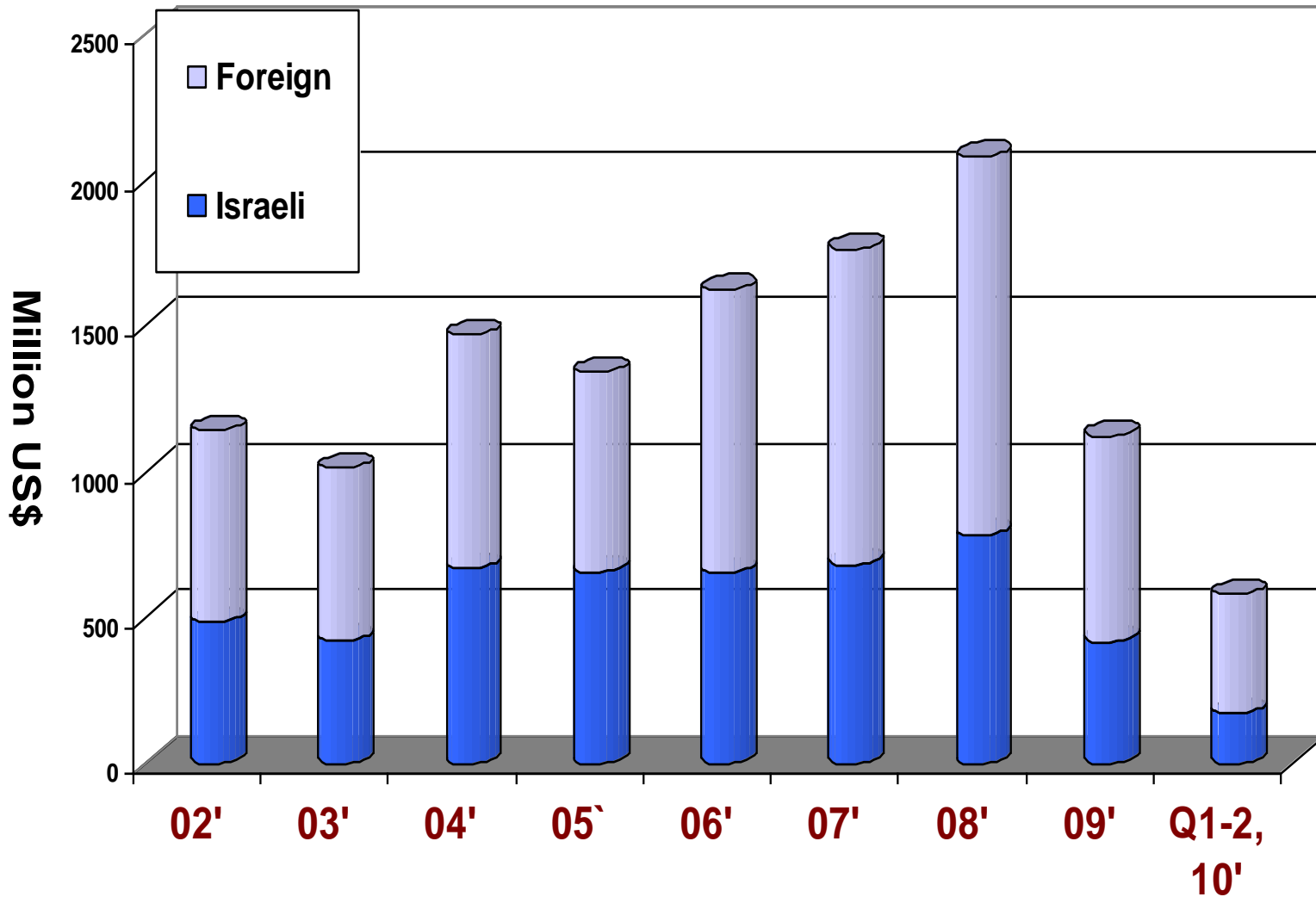
# Main Economic Indicators

<b>Criteria</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010E</b>
GDP (current prices in \$B)*	144.0	164.1	191.8	193.1	201.0
GDP Real Growth Rate (%)	5.2%	5.4%	4.0%	0.7%	4.1%
GDP per Capita (PPP adjusted)**	\$24,271	\$27,395	\$28,473	\$28,160	\$28,800
GDP per Capita Growth Rate (%, Current prices)	3.3%	3.5%	2.1%	-1.1%	2.3%
Exports (Goods & Services)** \$B* (As Percentage of GDP)	62.6 (43.5%)	71.2 (43.4%)	80.4 (40.3%)	70.35 (36%)	81.9 (40.7%)
Imports (Goods & Services)** \$B* (As Percentage of GDP)	62.2 (43.2%)	74.0 (45.1%)	84.1 (42.2%)	72.3 (37.4%)	84.8 (42.2%)
Unemployment Rate (%)	8.4%	7.3%	6.1%	7.6%	7.2%

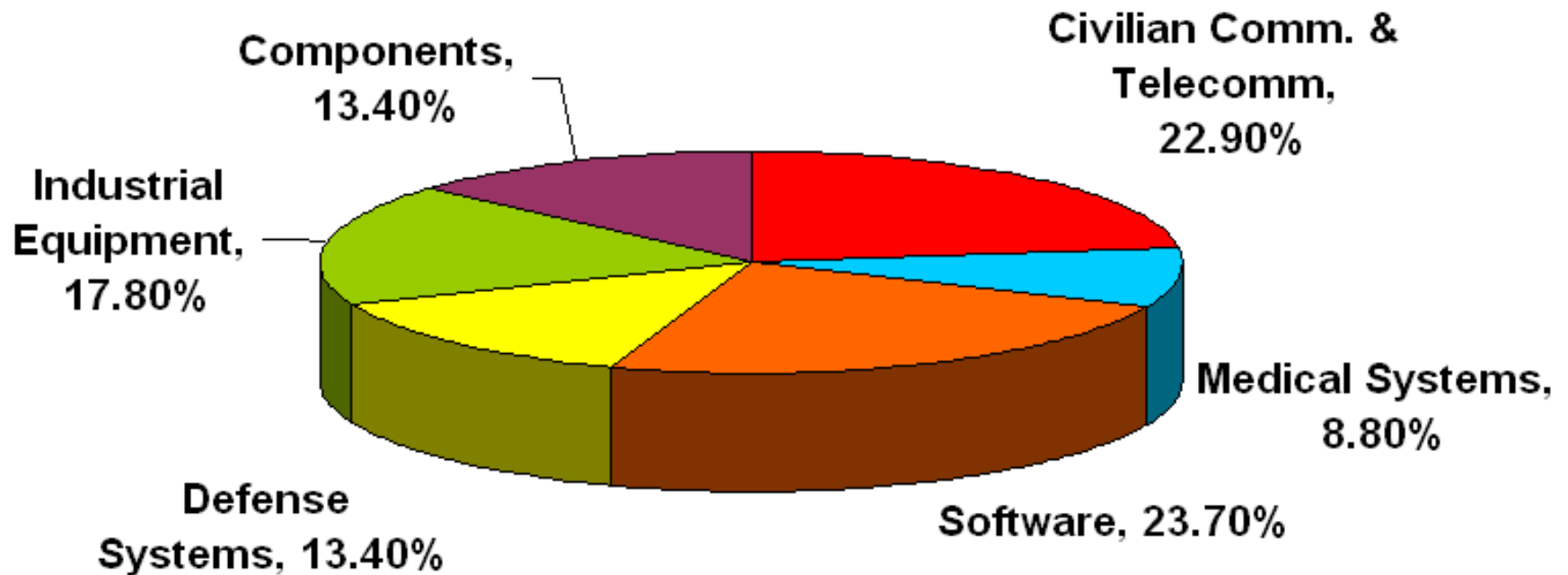
# Israel- Inward & Outward Foreign Direct Investment (Millions of US\$)



# V. Capital Raised by Israeli Hi-Tech Companies



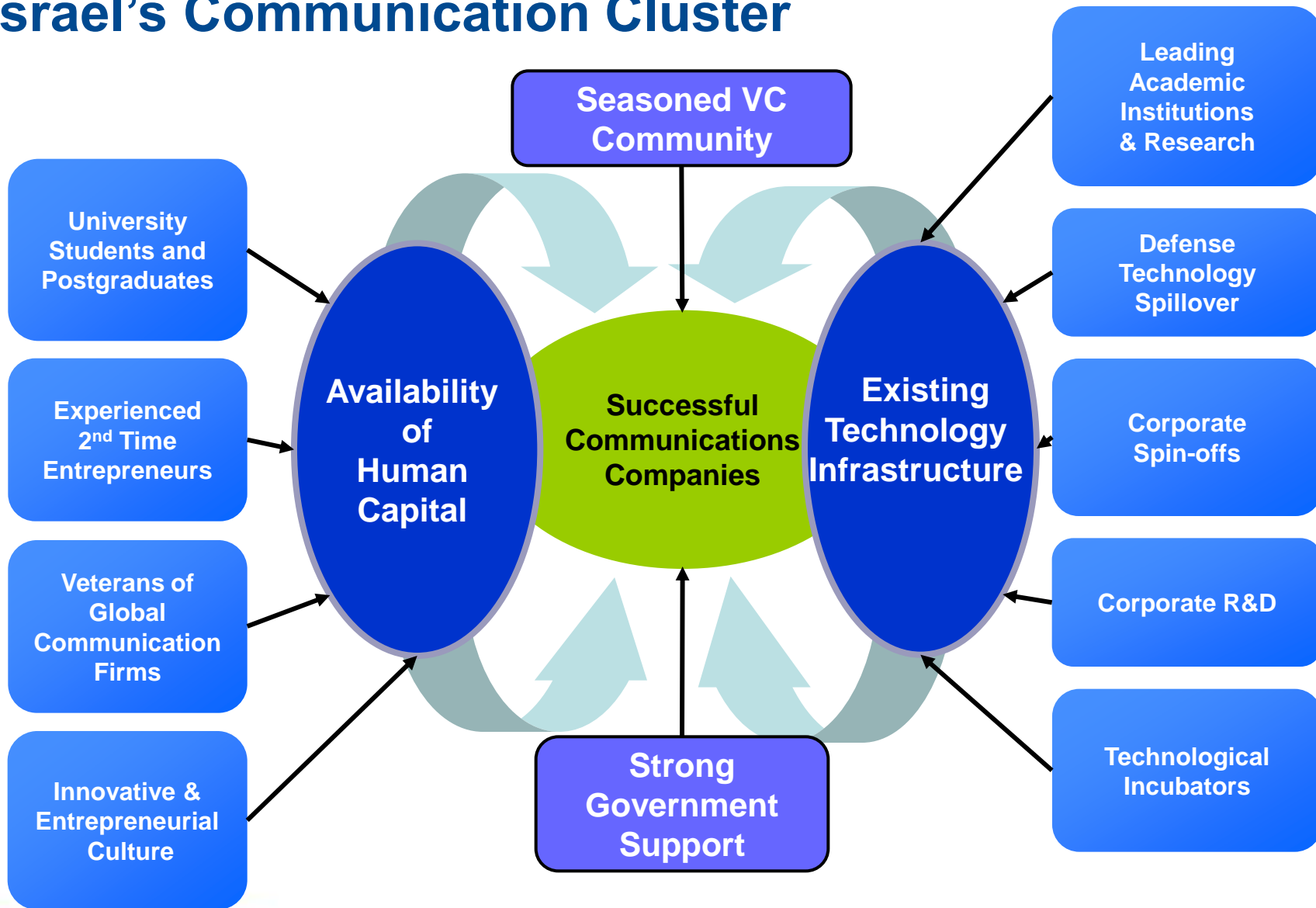
# Israel's Electronics & Information Industries



# Israel's Communications Cluster - Highlights

- **1<sup>st</sup>** in the world in expenditure on R&D as a percentage of GDP.
- **2<sup>nd</sup>** in the world for Entrepreneurship of managers.
- Thriving VC Industry – **3<sup>rd</sup>** in the World.
- **4<sup>th</sup>** in Attitudes toward globalization.
- Strong government support for R&D.
- Strong cooperation between Industry & Academia.
- Defense Industry - catalyst for new ICT technologies.
- Entrepreneurial culture - 1,000 start-ups in Communications.

# Israel's Communication Cluster



# Advanced Communication Infrastructure

- **85%** of Internet connections are broadband.
- **89%** Internet penetration to households.
- **92%** Penetration of digital Multi-channel TV.
- **95%** Penetration of Cable TV to households.
- **95%** Penetration (of households) of telephone lines.
- **100%** Home-Pass rate with 3 networks: Twisted - Pair (PPT), HFC (Cables) and 4 Wireless cellular providers.
- **104%** penetration rate of Mobile phones (7.5 million).
- **6<sup>th</sup>** in the World in Mobile Telephone subscribers (Per Capita).

# Israel's Competitive Edge – IMD World Report 2010

Country Rank →	1st	2nd	3rd	4th
BUSINESS EXPENDITURE ON R&D ( % GDP)	Israel	Sweden	Japan	Finland
TOTAL EXPENDITURE ON R&D ( % GDP)	Israel	Sweden	Finland	Japan
SKILLED LABOR	Israel	Denmark	Iceland	Ireland
ENTREPRENEURSHIP OF MANAGERS	Malaysia	Israel	Taiwan	Hong Kong
FLEXIBILITY AND ADAPTABILITY OF PEOPLE	Iceland	Israel	Hong Kong	Brazil
VENTURE CAPITAL AVAILABILITY	Hong Kong	Malaysia	Israel	Taiwan

**Israel Ranks 17**

## Recent ICT M&A – Selected Examples

<u>Acquirer</u>	<u>Amount</u>	<u>Company</u>	<u>Date</u>
PMC Sierra	240 Mil	Wintegra	Oct 2010
3M	230 Mil	Attenti	Aug 2010
IBM	225 Mil	Guardium	Dec 2009
Telefonica Europe	207 Mil	Jajah	Dec 2009
Sigma Designs	184 Mil	CopperGate	Oct 2009
Broadcom	178 Mil	Dune Networks	Dec 2009
Vector Cap.	160 Mil	Aladdin	Jun 2009
EBay	169 Mil	Fraud Sciences	Feb 2008
IBM	140 Mil	Storwize	July 2010
Microsoft	115 Mil	Faircast	July 2008
IBM	165 Mil	Diligent Technologies	Apr 2008

# Foreign Companies Invested in Israel

## US

- AT&T
- Microsoft
- Epix
- AOL Time Warner
- Intel
- IBM
- Google
- Cisco Systems
- GE
- 3Com
- Hewlett Packard
- Stryker
- Motorola
- Sun Microsystems
- Broadcom
- Dell
- Kodak

## Europe

- British Telecom
- SAP
- Philips Medical
- Alcatel-Lucent
- Siemens
- Cable & Wireless
- Deutsche Telekom
- Telecom Italia
- Generali
- Nestle
- L'Oreal
- Danone
- Unilever
- Vilmorin
- Veolia
- Ferring
- MERCK Serono

## Asia

- 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 in Israel

**Microsoft**<sup>®</sup>

- **Microsoft** built its first R&D facility outside the US in Israel. It recently established a new communications R&D center in Herzliya.

**CISCO SYSTEMS**



- **Cisco** built its first R&D facility outside the US in Israel.



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

**IBM**<sup>®</sup>

- **IBM** established its operations in Israel in 1972. The company employs 2000 people in its facilities throughout Israel.

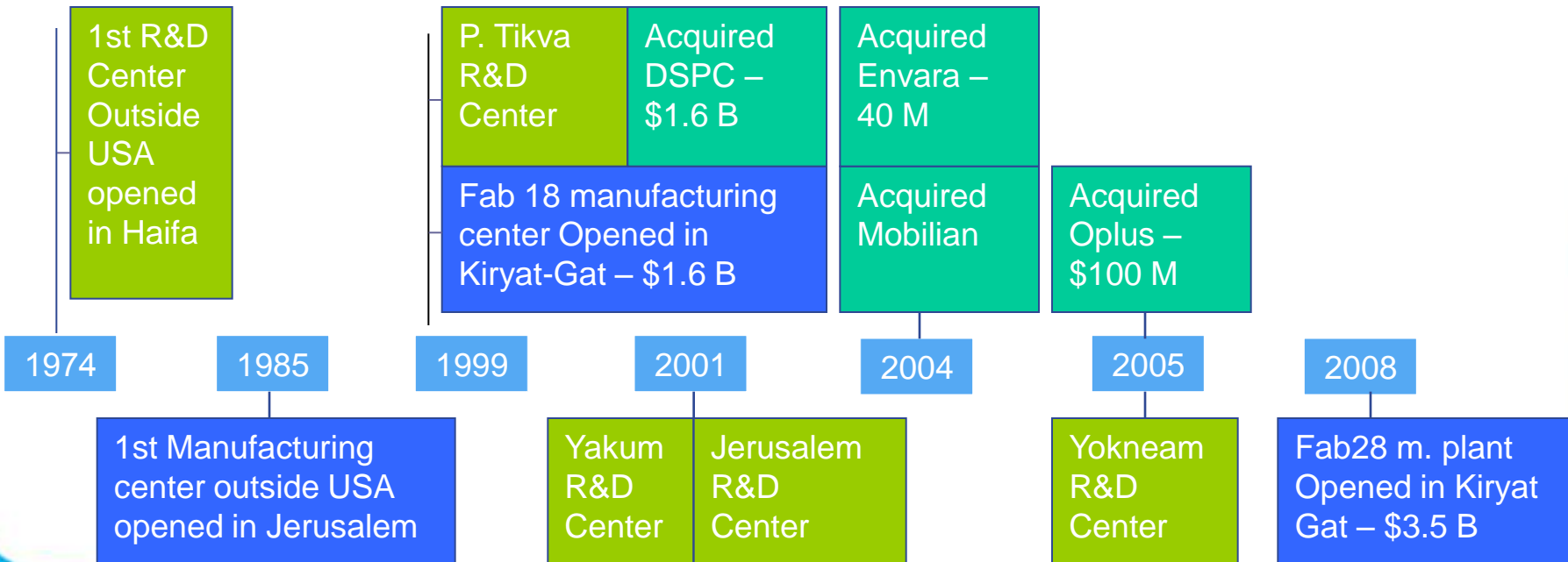
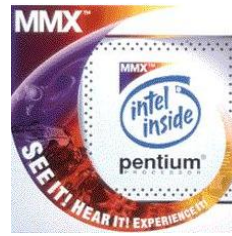


- **Intel** has 4 R&D facilities and 2 manufacturing centers in Israel, employing 7,000 Israelis. Intel develops & manufactures Centrino, Core 2 Duo and most of its mobile WiMAX Chipset in Israel.

# Intel – Success Story

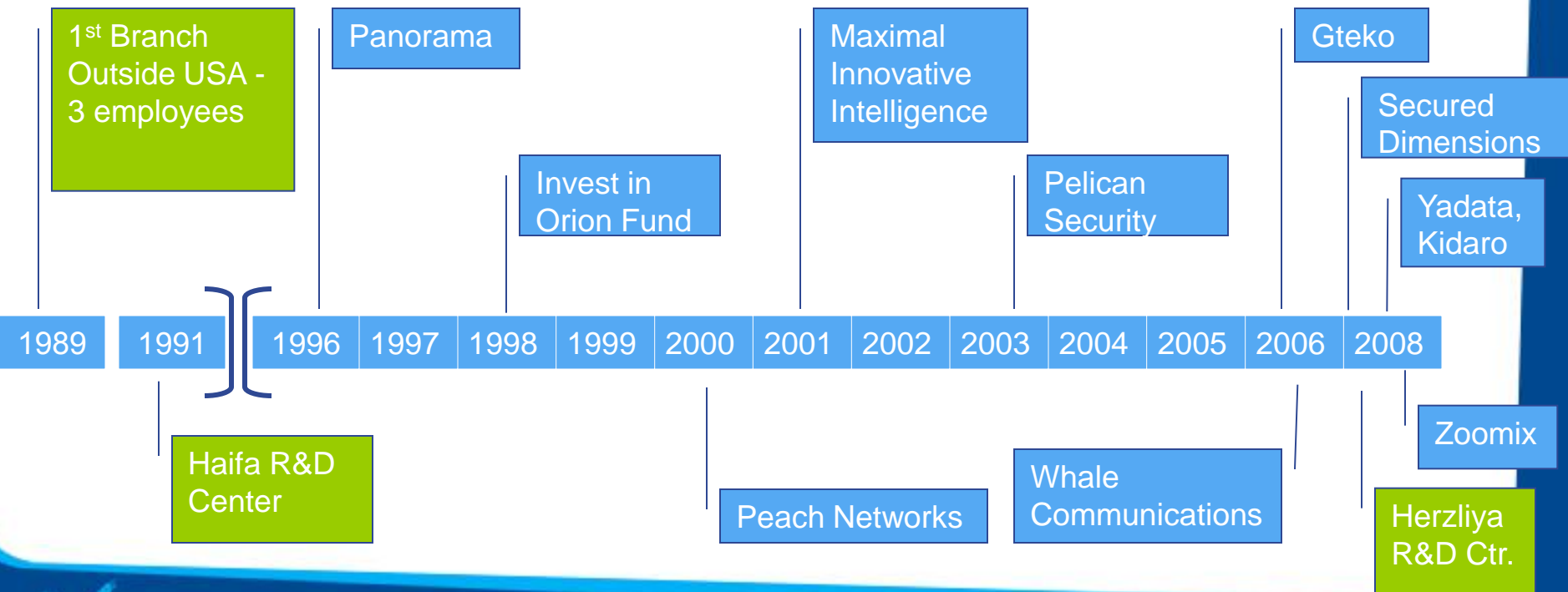
- Over 7000 employees.
- 4 active R&D Facilities.
- 2 Manufacturing Centers.

- Israeli Developments Include:



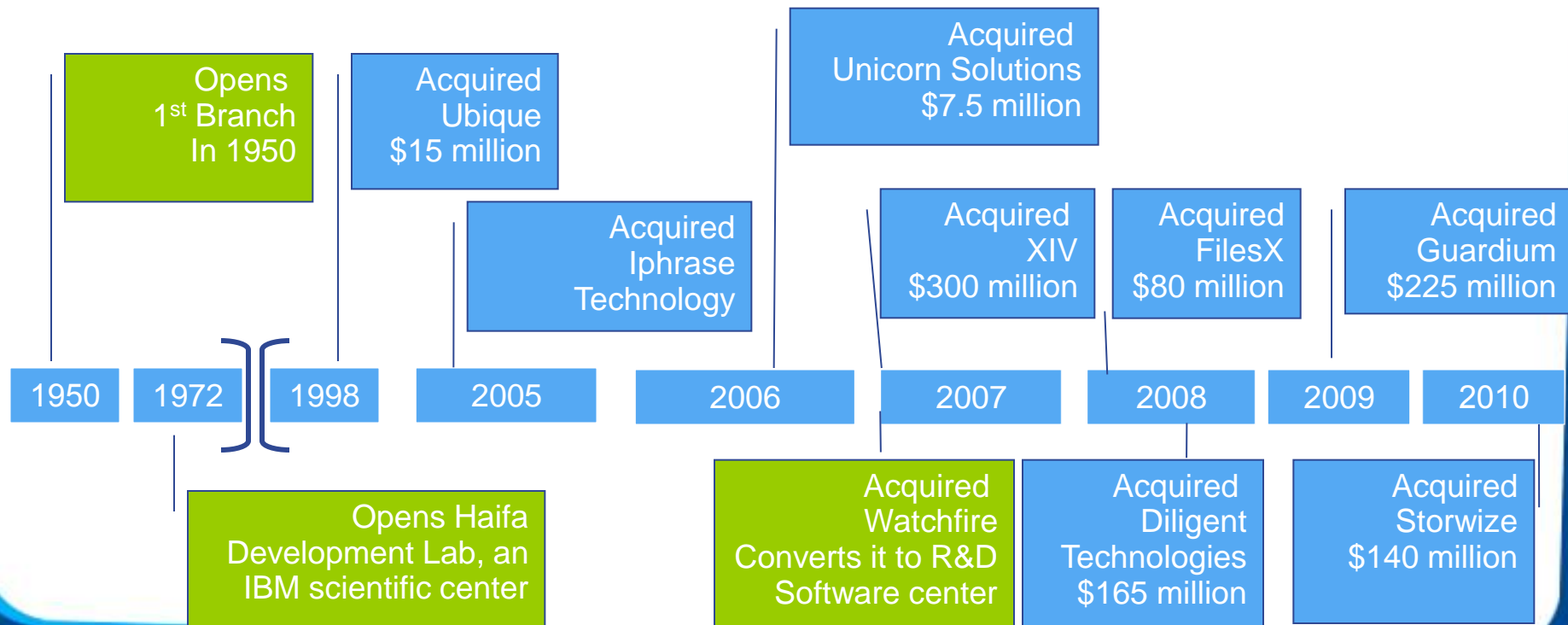
# Microsoft – Success Story

- Over 500 employees
- Over \$700 million only in M&A during 2002-2009.
- Herzliya R&D Center is one out of 3 Strategic Centers.  
Focus: Internet, Security



# IBM – Success Story

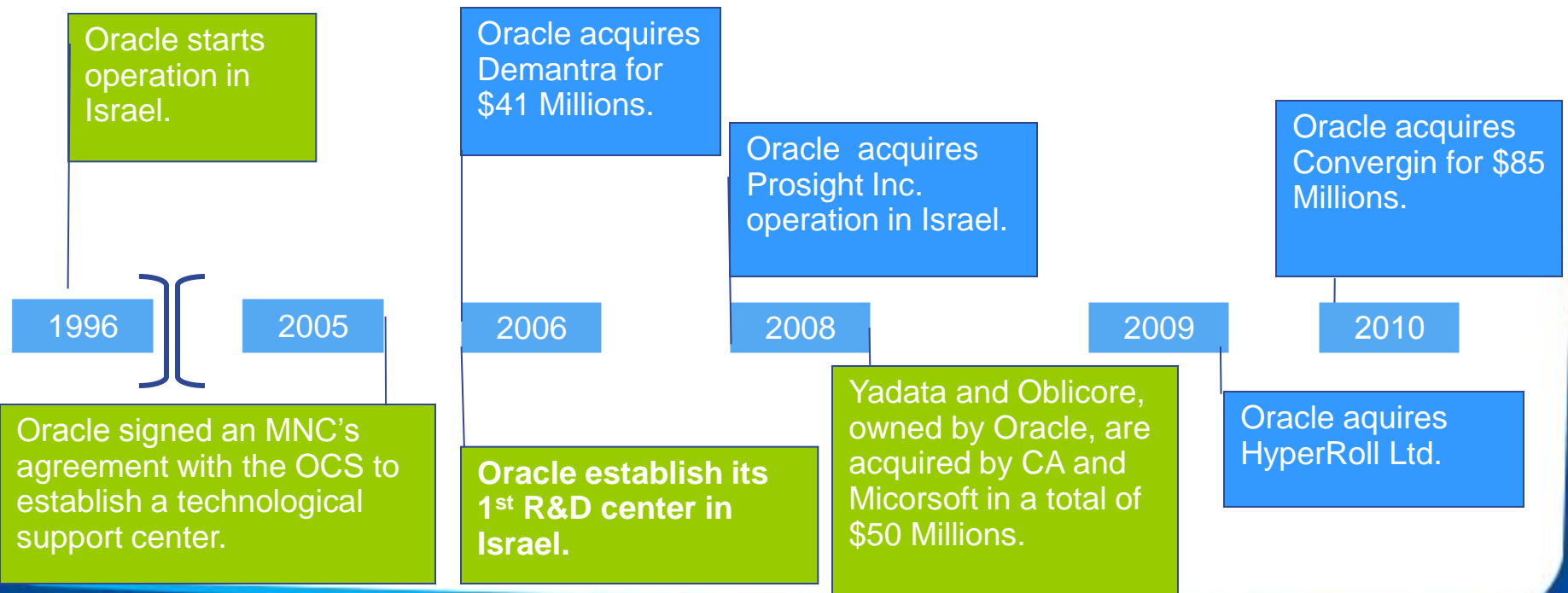
- Over 2000 employees in Haifa, Rehovot, and Jerusalem
- From 2001-2009:  
IBM made 23 acquisitions



# Oracle – Success Story



- Since 2005, 28 start-up's investments.
- 4 R&D centers , over 400 employees.
- Integration of Sun's R&D center in Israel.



# Israeli Breakthroughs- Selected Examples

- **Comverse** –Integration of voice, fax and call process functions.
- **VocalTec** – Invented IP Telephony.
- **Nice Systems** – First to enter Voice over IP (VoIP) Market.
- **RADVision** – Developed core standard Protocol of VoIP.
- **Runcom** – First to introduce mobile WIMAX compliant ASIC.
- **Sun Microsystems Israel** – Developed Kindle's OS.
- **ECI Telecom** – Introduced toll-quality international traffic compression, first to enable two calls on the same phone line.
- **Modu** – Developed “Credit Card” size cellular handset.

# 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.
- The Global Enterprise R&D Cooperation Framework.
- Bi-national funds (such as BIRDF, KORIL-RDF).
- Special tax benefits for R&D centers.
- Tax exemption for venture capital investment.
- Employment grant program.
- Training 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*

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

*Richard Nottenburg, Motorola's executive VP & CTO*

"Israel – a reservoir of innovation that will advance our competitiveness."  
." *Professor Eric Reinhart, President of Siemens Medical*

"There is direct Israeli influence on IP communication... All this technology comes out of Israel – but I don't think people have realized this... If it's going to happen, it'll happen in Israel first"

*Jeff Pulver, PulverMedia, American VoIP industry guru*

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

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

"Most solutions to most IT problems will come from Israel,"  
*Gordon Graylish, VP & General Manager, Intel*

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

*David Woodside, EMEA Manager, Google*



# State of Israel

## Ministry of Industry, Trade & Labor Investment Promotion Center

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