



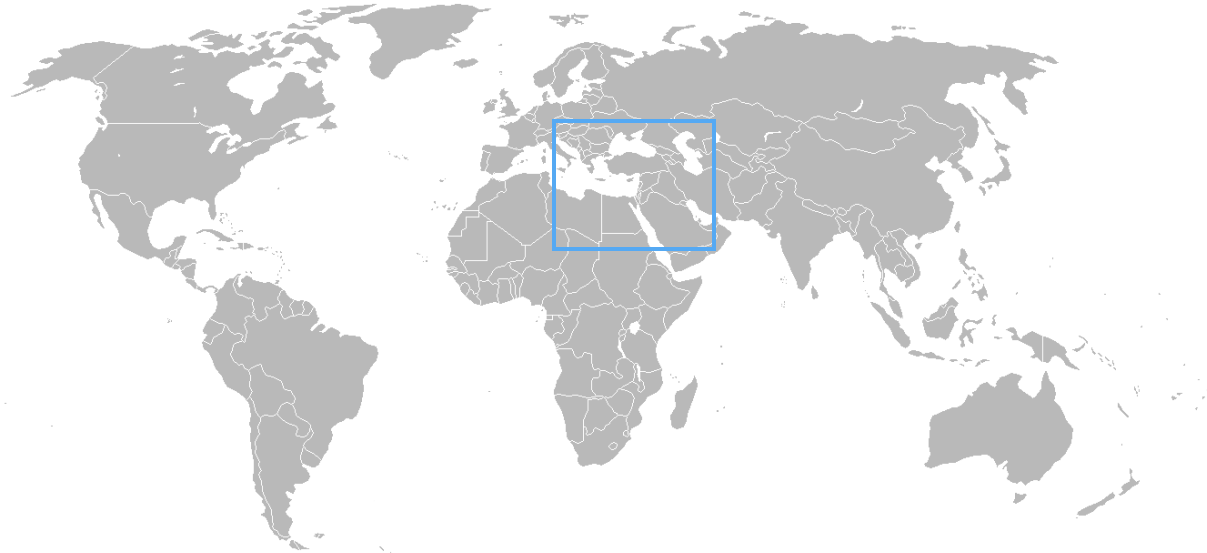
State of Israel

**Ministry of Industry, Trade & Labor - Foreign Trade Administration
Investment Promotion Center**

Invest In Israel
Where Breakthroughs Happen

Invest in Israel
investment promotion center

Country ID



Area: 22,000 sqkm

Population: ~ 7.0 millions

GDP: \$155.9 Billion (2007F)

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

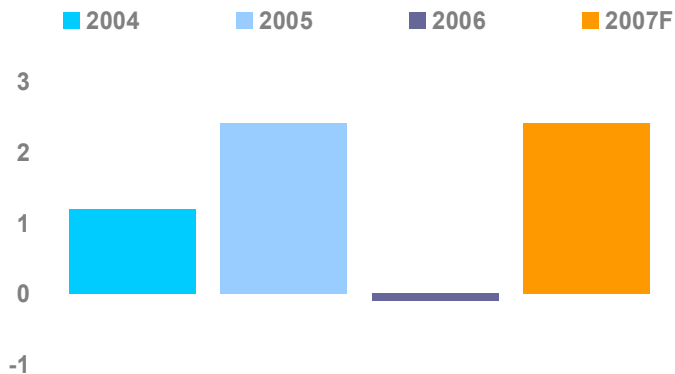


Main Economic Indicators

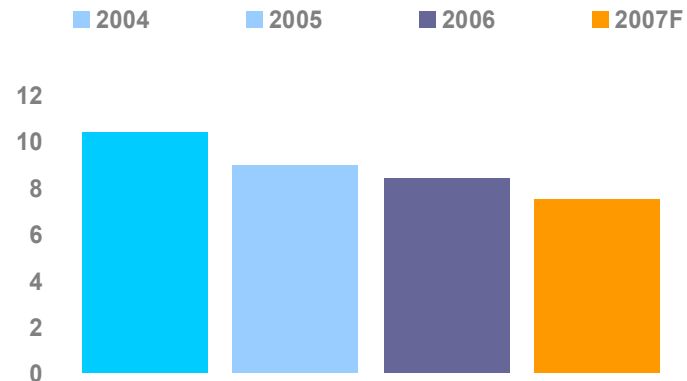
	2004	2005	2006	2007F
GDP (current prices, B\$)	128.9	129.7	140.5	155.9
GDP Growth Rate (%)	4.3	5.2	5.1	5.4
GDP/Capita (Current Prices)	18,000	18,700	19,900	20,974
GDP/Capita (based on purchasing power parity)	27,289	29,044	30,464	31,767
Exports (goods & services, B\$)	52.8	57.9	62.6	67
Imports (\$ billion)	52.3	57.5	61.7	67
Inflation (CPI, %)	1.2	2.4	0.1-	2.4
Unemployment (%)	10.4	9	8.4	7.5

Main Economic Indicators (Graphs)

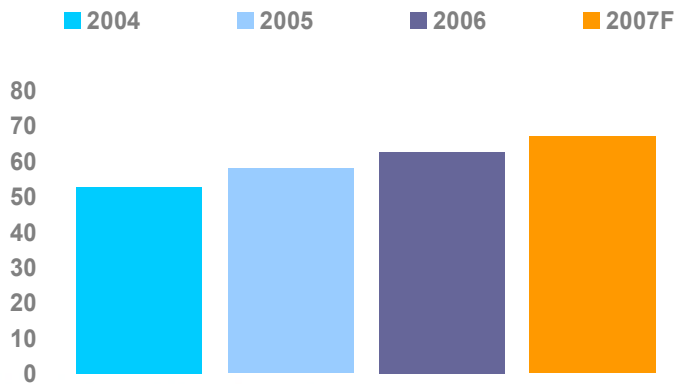
Inflation % (excl. housing)



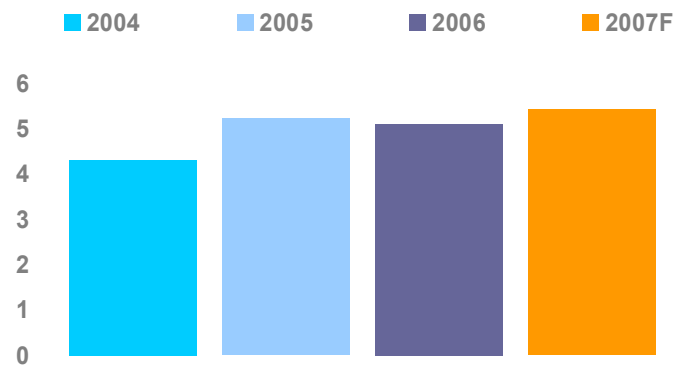
Unemployment (%)



Exports (\$ Billion)

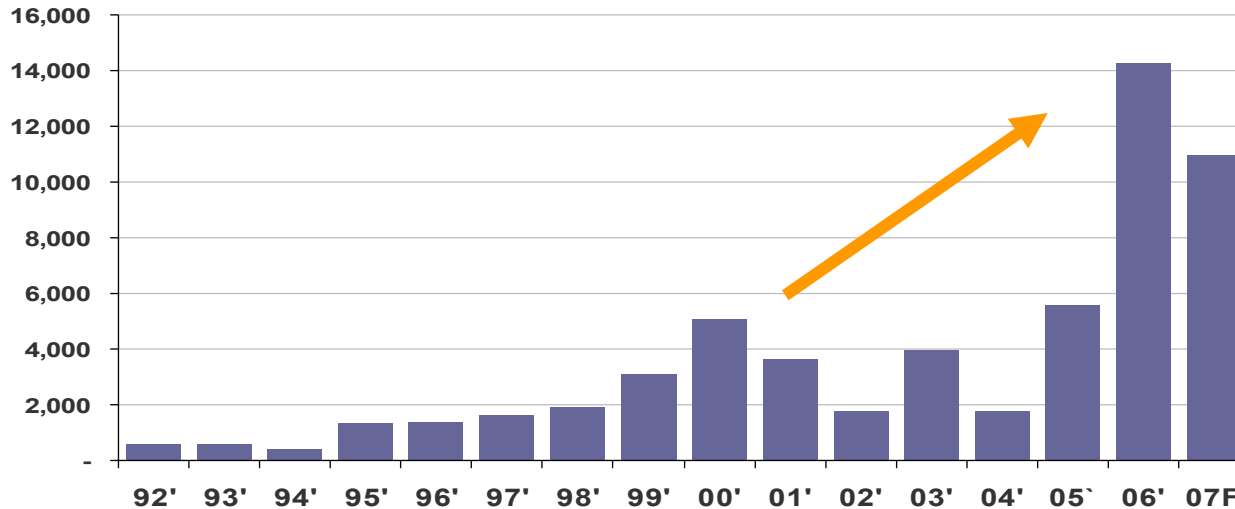
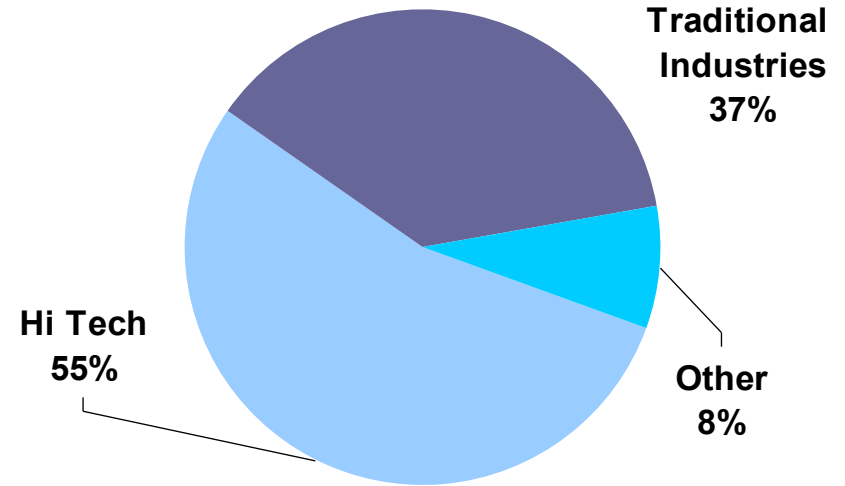


GDP Growth (%)



Foreign Direct Investment (millions of US\$)

FDI investment by Sector 2006



Foreign Companies Invested in Israel - Some Examples

US

- Microsoft
- Epix
- AOL Time Warner
- Intel
- IBM
- Perrigo
- Cisco Systems
- GE Healthcare
- Lucent
- 3Com
- Hewlett Packard
- Stryker
- Motorola
- Sun Microsystems
- Johnson & Johnson
- Dentsply
- Kodak

Europe

- British Telecom
- SAP
- Philips Medical
- Alcatel
- 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...

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

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

Google[™]

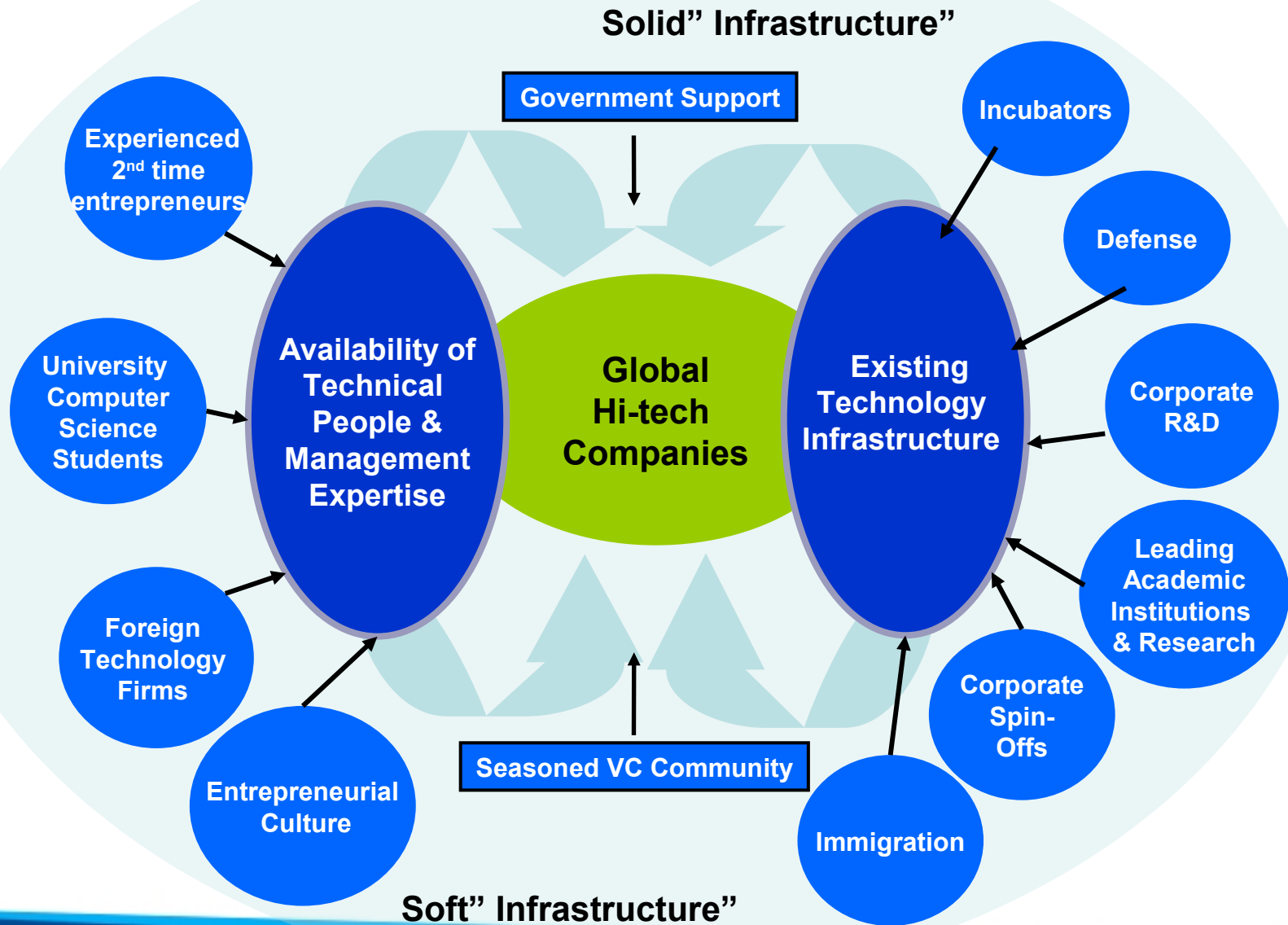
- Google opened not only one but two R&D centers in Israel

R&D Centers of Leading Foreign Companies

Company	No. of Employees	Sector
Intel	5,400	Semiconductors
HP- Indigo	2,500	Capital Equip
IBM	1,300	Computing Equip
Cisco	1,000	Software
Motorola	1,000	Telecom
Applied Materials	1,000	Capital Equip.
HP-Mercury	1,000	Software
SAP	800	Software
Freescale	570	Semiconductors
Microsoft	500	Software

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

Israel Hi-Tech Cluster

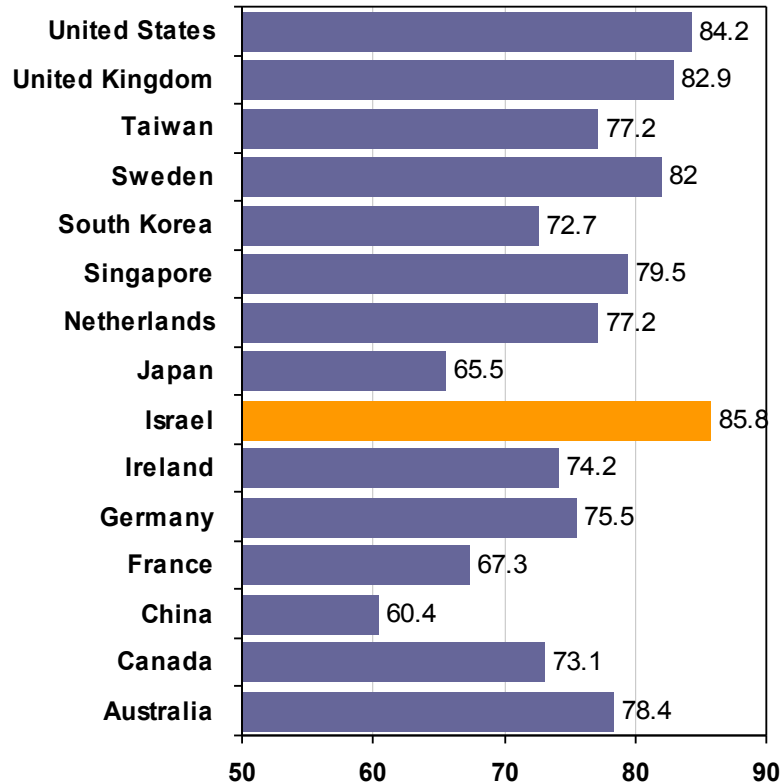


Significant Selected Mergers & Acquisitions

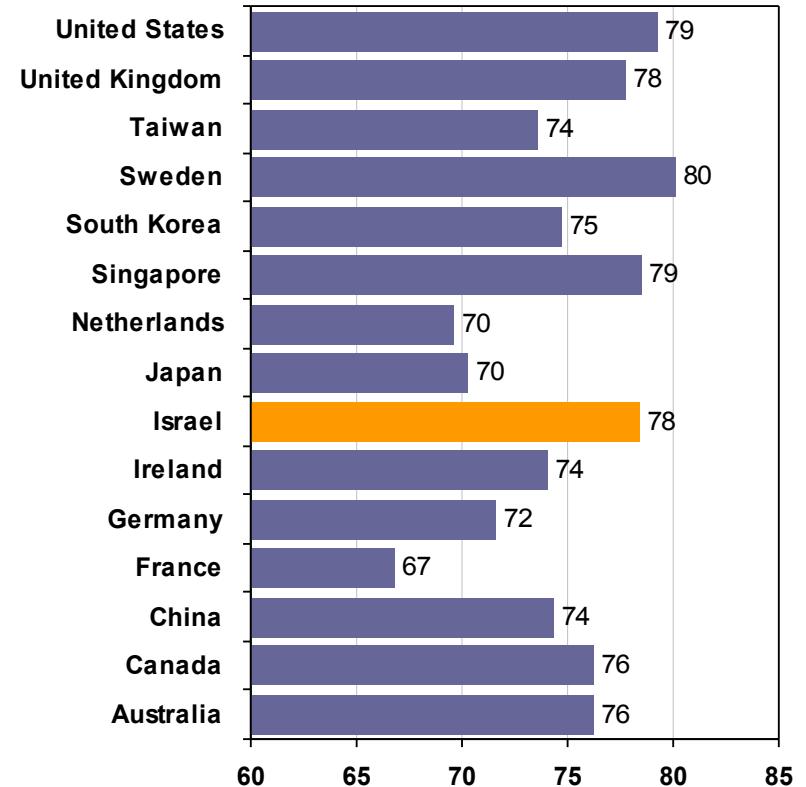
Acquirer	Amount	Sector	Company	Date
HP	\$4500m	ICT	Mercury	Jul 2006
Berkshire-Hathaway	\$4000m	Metal Cutting	Iskar	May 2006
SanDisk Corp.	\$1550m	ICT	M-Systems Ltd.	Jul 2006
Sun Pharmaceutical Industries Ltd.	\$454m	Life Sciences	Taro Pharmaceutical	May 2007
Spanion	\$368m	Semiconductors	Saifun	Oct 2007
AOL	\$363m	Software	Quigo	Nov 2007
IBM	\$300m	ICT	XIV	Dec 2007
ICAP	\$247m	ICT	Traiana	Oct 2007
Microsemi	\$245m	Semiconductors	PowerDsine	Oct 2006

National Orientation and Human Infrastructure

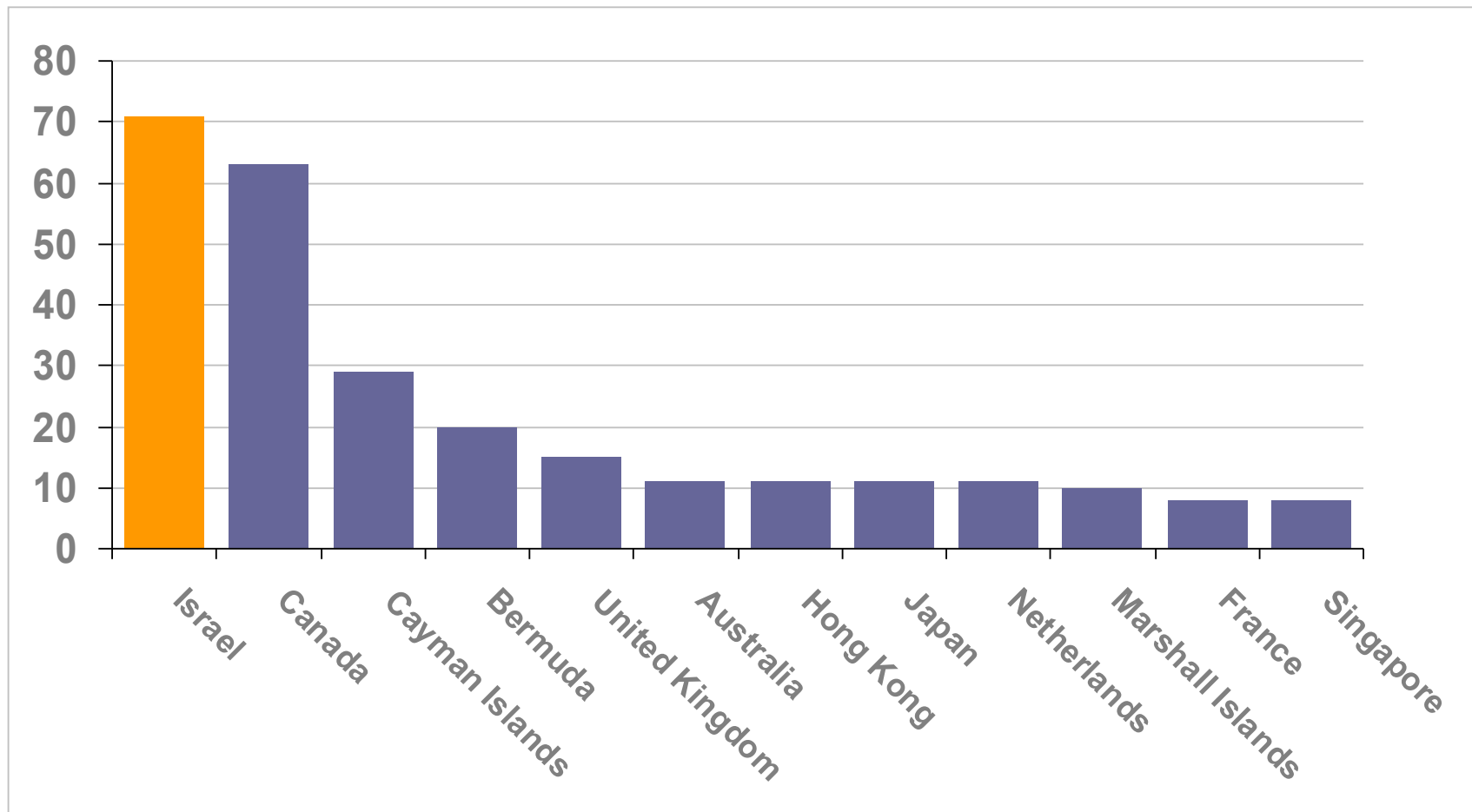
Socioeconomic infrastructure



National orientation



NASDAQ Non US listed companies- Selected countries



Israel's Competitive Edge – IMD World Report 2007

Country Rank →	1st	2nd	3rd	4th
BUSINESS EXPENDITURE ON R&D	Israel	Sweden	Finland	Japan
TOTAL EXPENDITURE ON R&D AS A PERCENTAGE OF GDP	Israel	Sweden	Finland	Japan
AVAILABILITY OF QUALIFIED ENGINEERS	Israel	Singapore	India	Iceland
VENTURE CAPITAL AVAILABILITY	U.S.A	Israel	Denmark	Netherlands
INFORMATION TECHNOLOGY SKILLS	Iceland	Israel	Korea	Singapore
FLEXIBILITY & ADAPTABILITY OF THE WORKFORCE	Iceland	Ireland	Israel	Hong Kong
HIGHER EDUCATION ACHIEVEMENTS	Canada	Japan	Singapore	Israel

Israel Ranks 21 Out of 125 Countries

Israel's Competitive Edge – WEF Report 2006-2007

Country Rank →	1st	2nd	3rd	4th
AVAILABILITY OF SCIENTISTS AND ENGINEERS	Israel	Japan	Finland	India
VENTURE CAPITAL AVAILABILITY	U.S.A	Israel	Netherlands	Finland
JUDICIAL INDEPENDENCE	Germany	Netherlands	Israel	New Zealand
TECHNOLOGICAL READINESS	Sweden	Singapore	Israel	Iceland
QUALITY OF RESEARCH ORGANIZATIONS	Switzerland	U.S.A	U.K	Israel

Israel Ranks 15 Out of 125 Countries

“Israel does spectacularly well on those indicators that capture **technology innovation, education, human capital** and this accounts for the very rapid movement of the Israeli Economy .”

(Augusto Lopez-Claros, Chief Economist, World Economic Forum, December 2006)

Areas of expertise

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

Israeli Breakthroughs – Selected Examples



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



- Intel's 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

National Program Promoting Water Technologies



Program Goals

- Increase Israeli Export of Water Technologies - \$US 2B by 2010
- Enhance International Investment – Multinationals, Governments
- Promote Water Technology R&D

Program Strategies

- Strengthen Human Capital – Academic programs, scholarships, professional mentorship of start-ups
- Concentrated R&D – promoting academic research, Water-dedicated technological incubators
- Promote Israeli Water Technology Implementation in Israel
- Market Israel's proven abilities worldwide – relations with potential partners, promote media coverage, marketing campaign,

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
- The Global Enterprise R&D Project Centers
- Bi-national funds (such BIRDF, KORIL-RDF)
- Special tax benefits for R&D centers
- Tax exemption for venture capital investment
- Employment grant program
- Training grant program

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,
Bershire 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

Ministry of Industry, Trade & Labor
Foreign Trade Administration
Investment Promotion Center

5 Bank Israel St., Kiryat Ben-Gurion Jerusalem, Israel

www.investinisrael.gov.il ■ infoipc@moital.gov.il

Tel: +972-2-6662607 Fax: +972-2-6662983

Invest in Israel
investment promotion center