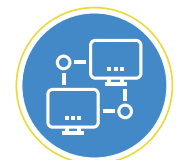


A conceptual illustration showing a human hand reaching up towards a glowing orange globe. The globe is surrounded by numerous floating icons representing various aspects of technology and communication, such as a smartphone, a laptop, a server rack, a speech bubble, a magnifying glass, and social media symbols. The background features a faint world map, emphasizing global connectivity. A bright light source emanates from behind the globe, creating a lens flare effect.



**INVEST
IN ISRAEL**
MINISTRY OF ECONOMY
AND INDUSTRY
STATE OF ISRAEL

INVESTINISRAEL.GOV.IL



THE ISRAELI INVESTMENT PROMOTION AGENCY

Invest in Israel is an integrative body within the Ministry of Economy and Industry that serves as a one-stop shop for a wide range of potential and existing investors. Invest in Israel identify lucrative investment opportunities, map potential obstacles and help fast-track investment.

Our advantage lies in our ability to bridge between private client needs and to promote activities within the framework of the government.



Foreign Investment Promotion

Forward-thinking conferences and delegations with key figures, businesses and government officials



Investor Guidance

Expert sector managers that leads potential investors from initial interest to successful investments



Post- Investment Support

Providing ongoing assistance to overcome challenges, bureaucratic obstacles, expanding operations and promoting conducive environment for foreign investors

WHERE COMPANIES COME TO SHINE

THE HI-TECH INDUSTRY IN ISRAEL

A SHORT GUIDE TO YOUR NEXT BEST INVESTMENT



The Foreign Investments
and Industrial Cooperation Authority

INVESTINISRAEL.GOV.IL



A GLIMPSE INTO ISRAEL

AREA

22,072 km²

POPULATION

8,765.700

CAPITAL

Jerusalem

MAJOR CITIES

Jerusalem

Tel Aviv-Jaffa

Haifa

Be'er Sheva

All data refers to 2018



TIME ZONE
GMT + 2 HOUR

OFFICIAL LANGUAGES
Hebrew | Arabic | English*

URBAN POPULATION
92.3%

CURRENCY
New Israeli Shekel (NIS)

GDP _(ppp)
\$37,175

UNEMPLOYMENT RATE
4.8%

* Though not specified by the law, English is widely used both officially and unofficially.

A STABLE ECONOMY

FITCH

RATING

A+

OUTLOOK

STABLE

MOODY'S

RATING

A1

OUTLOOK

STABLE

STANDARD &
POOR'S

RATING

A+

OUTLOOK

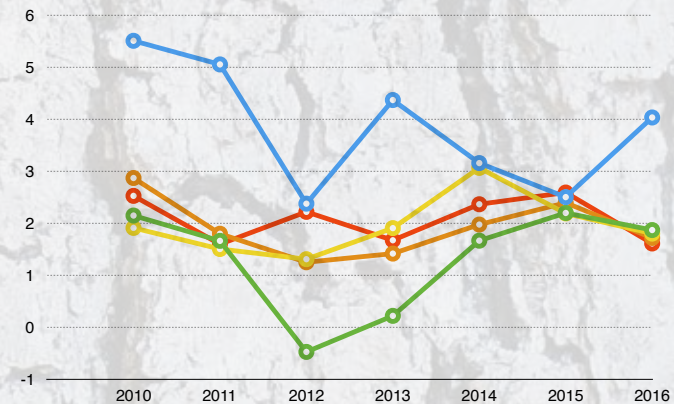
POSITIVE



Israel has one of the strongest and most technologically-advanced economies in the world, with a resilient, diverse and open market.

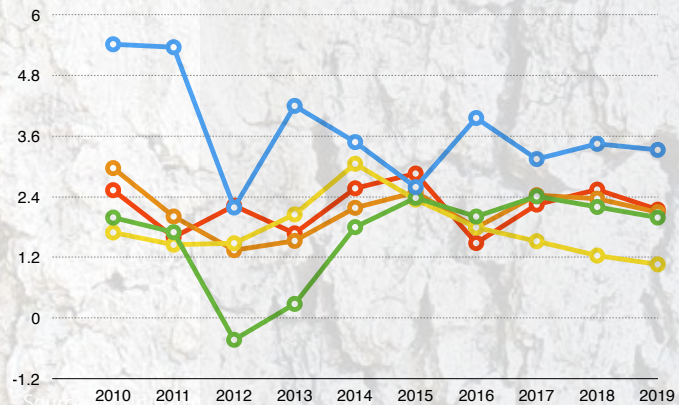
The most recent global financial crisis in 2008-9 led to a brief period of recession in Israel, but the country's prudent fiscal policies and regulations, combined with a particularly robust banking sector, allowed the economy to recover quickly – faster than other advanced economies worldwide.

GDP GROWTH RATE (%)



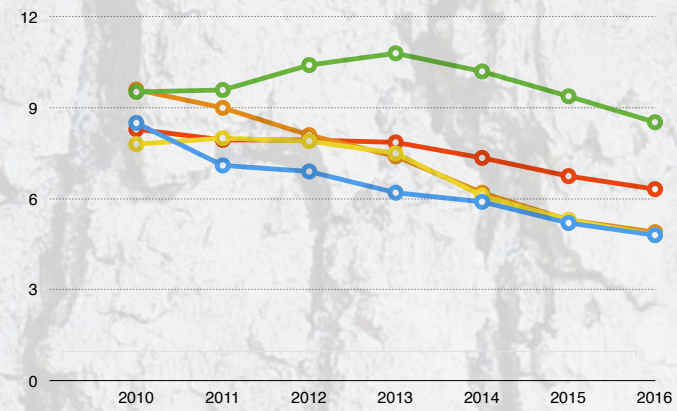
SOURCE: The World Bank

REAL GDP FORECAST



Source: OECD

UNEMPLOYMENT RATE (%)



SOURCE: The World Bank

A person in business attire, including a dark suit, light-colored trousers, and dark leather shoes, is walking up a set of wide, grey stone steps. They are carrying a dark briefcase in their right hand. The image is used as a background for the report cover.

GLOBAL HI-TECH TRENDS

WHERE THE WORLD
IS HEADING –
ISRAELI COMPANIES
ARE LEADING THE WAY



DATAFICATION

The explosion in digital data availability and the opportunities in mining it to uncover its hidden value.

The amount of data transferred over the Internet is expected to double and even triple over the coming years, especially due to increased video traffic (videofication) on social networks and content sites and the rise of the IoT.

BLOCKCHAIN TECHNOLOGY (CRYPTOCURRENCY)

A decentralized database that is based on the bitcoin protocol. It stores a constantly growing volume of data records that is protected against fraud.

Recent investments in the industry show that blockchain applications are expanding beyond payments and are penetrating health, funding, financial services and even music industries.

INTERNET OF THINGS (IOT)

Installing objects – chips, sensors and software – into a wide range of items (“things”) such as home electronic appliances, wearables, vehicles, thermostats and so on, and then connecting them to the Internet.

Asking what is communicative will become redundant, as everything will be.

WEARABLE TECHNOLOGY

Clothing and accessories that incorporate computers and sophisticated electronic technologies.

We will soon be able to obtain genuine indications of the quality of food served at a restaurant, how scary a movie is, and how nerve-racking a journey is, based on the biometric responses of people who have had these experiences.

AUTONOMOUS VEHICLES

Self-navigating vehicles that overcome obstacles without human intervention and without preparing the road or its surroundings in advance.

Autonomous vehicles are expected to be safer than human drivers and to relieve us of wasted time and the burden of driving.

MOBILE EVERYTHING

The increased use of mobile communications, which is comprised of two main components: mobility and connectivity, two concepts that intertwine and advance one another.

The ability to connect from any location is a basic necessity in today's world, not a luxury.

AUGMENTED AND VIRTUAL REALITY

Augmented Reality replicates reality and converts it into an interactive one, while virtual reality completely replaces the real world with a virtual one.

The biggest challenge facing these technologies is the convergence of AR and VR content beyond entertainment, made possible largely thanks to the accessibility of powerful new devices.



ALL THE MAJOR HI-TECH SEGMENTS ARE REPRESENTED IN ISRAEL

IT & ENTERPRISE SOFTWARE

- Enterprise applications
- Enterprise infrastructure
- Business intelligence
- IT services
- Enterprise security



INTERNET

- Online advertising
- Internet applications
- Digital media
- E-commerce
- E-learning
- Gaming
- Social networks

TELECOMMUNICATION AND NETWORKS

- Infrastructure and platforms
- Networking

SEMICONDUCTORS

- Microprocessors
- System on a chip
- Automotive
- Smartcards
- Optics
- Fabrication

THE ISRAELI HI-TECH ECOSYSTEM

The background of the slide is a complex, abstract composition. It features several concentric circles in shades of green and yellow, creating a sense of depth and movement. Overlaid on these circles are vertical columns of binary code (0s and 1s) in a glowing green font, reminiscent of the 'Matrix' effect. On the right side, a close-up of a human eye is visible, looking towards the center, which adds a human element to the technological theme.



No. 1

Researchers in
R&D per capita

Source: the Global Innovation Index 2017

No. 2

Most Available
Venture Capital

Source: World Economic Forum's Global
Competitiveness Report 2016-2017

No. 2

Most
Innovative Country

Source: Global Competitiveness Report
2016-2017

No. 3

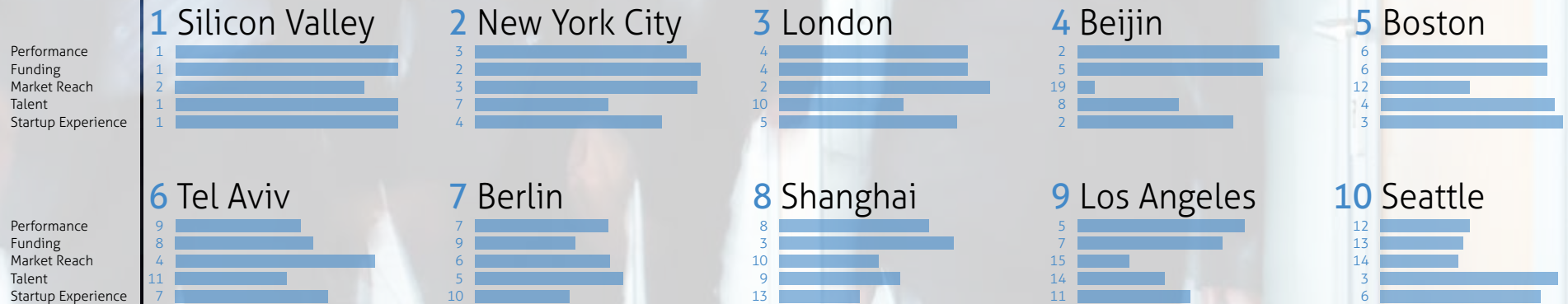
Business
Entrepreneurship

Source: IMD World Competitiveness Yearbook

Israel is a leading hub of investment far beyond what its small size and short history might suggest. With a leading economy, a striking concentration of innovative people and countless cutting-edge technologies, Israel is the best place for your company to grow.

VIBRANT STARTUP HUB

THE GLOBAL STARTUP ECOSYSTEM RANKING





The Tel-Aviv ecosystem is ranked sixth worldwide, and first among sites located outside of the US. Tel Aviv also ranks first in accessibility to the global market, with double the extent of international clients compared to Silicon Valley.

Tel Aviv is tied with Los Angeles for the highest percentage of startups who reported that the product they are developing is the first of its kind or in a completely new category, at 51%. The global average is 35%.

Source: Global Startup Ecosystem Report
2017 - Startup Genome

WHAT LIES BENEATH THE ISRAELI HI-TECH INDUSTRY'S SUCCESS





1 LOCAL SPIRIT OF ENTREPRENEURSHIP

Israel is situated in a tumultuous geographic region, and therefore cannot depend on business and trade via its land borders. This, combined with Israel's lack of natural resources, produced a self-reliant society that encourages innovation and fosters the groundbreaking ideas that are such an inherent part of Israeli culture.

As a multi-cultural immigration country, Israel is home to a population with diverse cultures

and perspectives that facilitate a flow of ideas and collaborations between individuals with differing points of view.

The innovative spirit is cultivated from a very young age. Israeli society views failed attempts as educational phases from which people can learn, and not as something to be ashamed of, as is so common in other countries around the world.

These processes enhance creativity and easily explain how Israel ranks as the third most innovative nation in the Global Competitiveness Report.

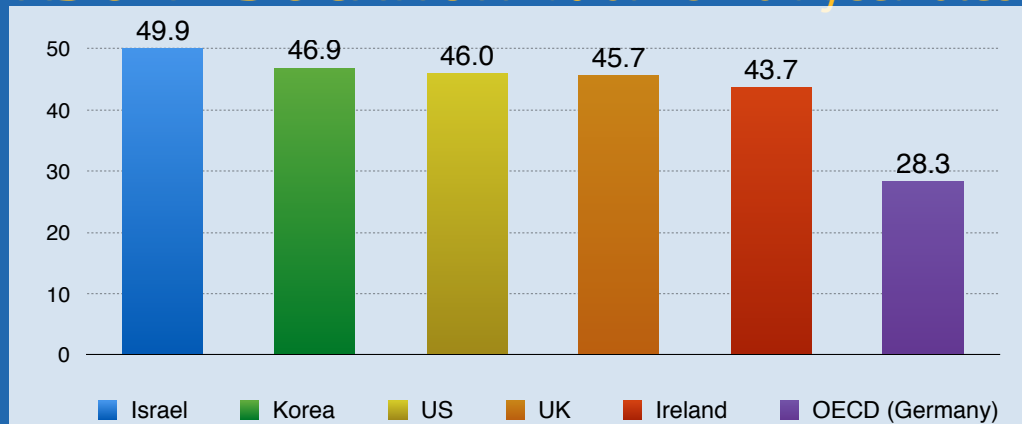
2 ACADEMIA

Israel's academic institutions have contributed greatly to establishing and developing the local technology market. According to OECD data, Israel ranks third worldwide in percentage of the population with academic degrees: 49% of the population has an academic degree and approximately one-third of these graduates hold degrees in engineering and technological fields.

Israel is ranked third for the quality of its scientific research institutes and leads the category for percentage of researchers (number of R&D scholars in relation to the population).

The flow of knowledge from the academic institutions, combined with the migration of excellent students and researchers from the academic institutions to the private-commercial sector, guarantee the success of the industry.

ADULT EDUCATION % of 25 - 64 year-olds



Source: OECD

No. 1

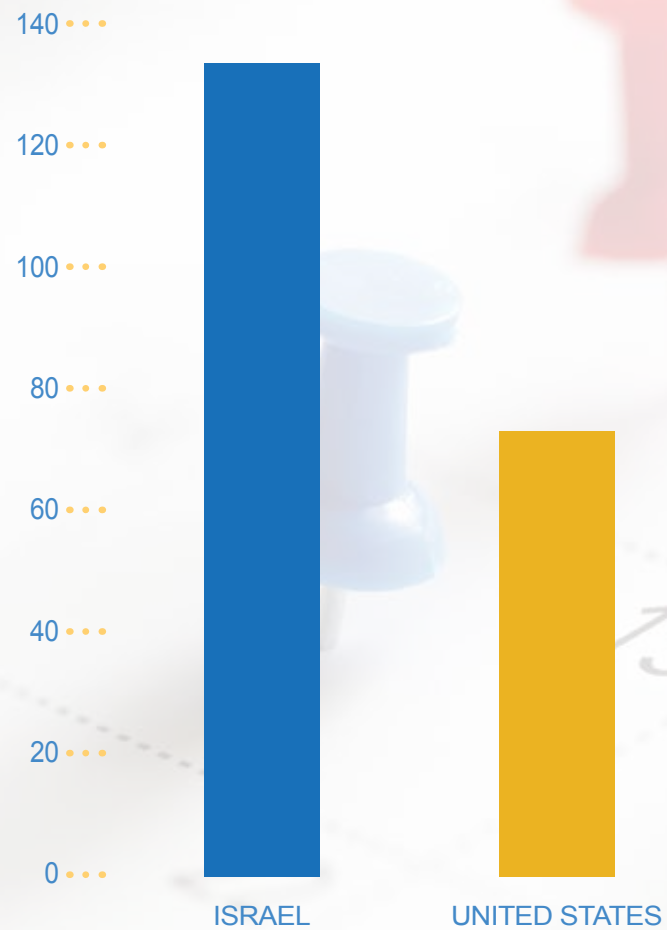
in Research Talent

No. 1

in Digital/
Technological Skills



ENGINEERS PER 10,000 PEOPLE



Source: OECD



3 MULTINATIONAL COMPANIES

There are currently over 300 R&D centers in Israel, operated by leading international companies such as Apple, Google, Intel, Microsoft, HP, IBM, eBay, and many more.

The presence of foreign companies in Israel has contributed greatly to economic growth and has a positive impact on employment, productivity, and knowledge flow as skilled employees switch to local companies.

Productivity rates in multinational companies in Israel are higher than



in other advanced countries such as France, Germany and England. Foreign companies also promote overall investments in R&D: a 1% increase in R&D expenditure in foreign companies results in a 0.27% increase in spending on R&D in locally-owned companies. Moreover, in 2015, the total expenditure on R&D in multinational R&D centers in Israel constituted 47% of the total expenditure on business R&D. These two factors mutually benefit both the multinational companies and the local market, promote growth and inspire the work environment as a whole.



4 GOVERNMENT INVESTMENTS

Over the past several decades, Israel has been a world leader in national investment in research and development when calculated as a percentage of the GDP, maintaining a steady average of 4.2%, far above the OECD average of 2.3%. This steady investment over time is proof of a government policy aimed at encouraging entrepreneurship and facilitating the growth of new ideas.

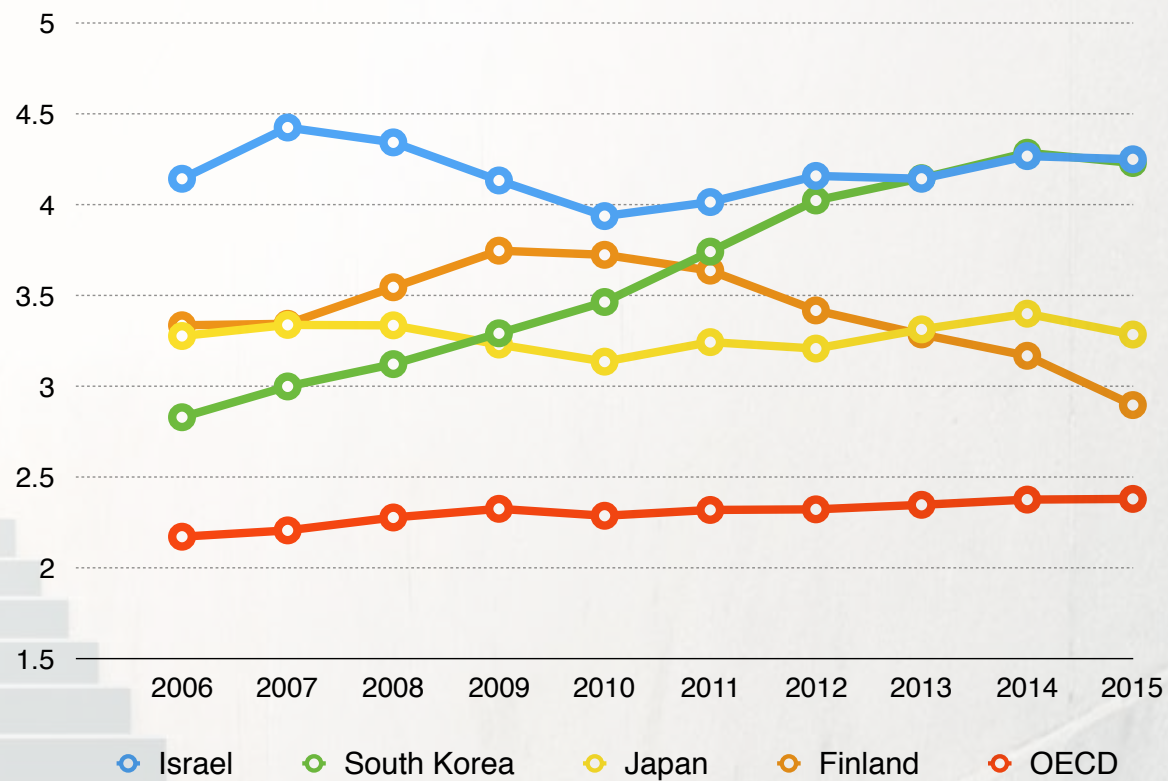
Source: OECD

The Israel Innovation Authority subsidizes R&D expenses of start-ups (up to 75%) as well as large companies, with some programs tailored specifically for cooperation with foreign multinationals. In addition, incubator plans are developed into technological initiatives that help entrepreneurs who are just starting to transform their ideas into commercial businesses. Government-supported research centers maintain ongoing relationships with the private-commercial sector by sharing information and human resources and helping the domestic ecosystem to flourish.





EXPENDITURE ON R&D AS A PERCENTAGE OF THE GDP, 2006-2015



Source: OECD

ISRAELI STARTUPS: ATTRACTING INVESTMENTS AND PRODUCING EXITS



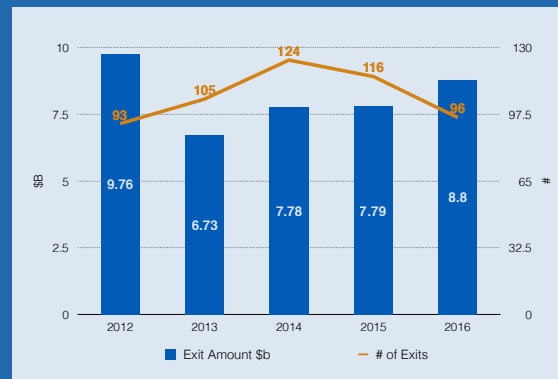


The Israeli hi-tech industry is known as the “Silicon Wadi”, indicating the great value attributed to the industry by international companies and enterprises. It includes a large

number of enterprises and the environment necessary to facilitate unprecedented growth and success on a global scale.

ISRAELI HI-TECH EXITS 2012–2016:

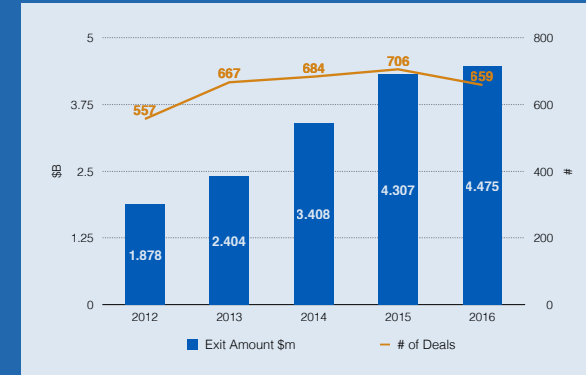
A STABLE RATE OF EXITS
AND PROCEEDS



Source: IVC

ISRAELI HI-TECH FUNDRAISING 2012–2016:

GROWTH IN FUNDS RAISED
AND NUMBER OF DEALS



JOIN THE BEST

THERE'S A REASON WHY SO
MANY HI-TECH COMPANIES
DO BUSINESS IN ISRAEL.

There's a reason why Facebook's second-largest R&D center is located in Israel. It's the same reason why Warren Buffett chose to make Israel the home of his first major acquisition outside of the United States. And it's the same reason why Microsoft, Google, Apple, Intel, Samsung, HP, Siemens, GE, Philips, Alcatel-Lucent, Cisco, Toshiba, Barclays, Hutchison and LG lead the long list of over 270 multinational companies who have realized that Israel is their ideal choice for investment.



DON'T ASK US. ASK THEM.



* Partial list

GOOGLE



"THE DECISION TO INVEST
IN ISRAEL WAS ONE OF THE BEST
THAT GOOGLE HAS EVER MADE."

- ERIC SCHMIDT / FORMER CEO

Many of Google's key innovations were developed in Israel, such as Google Trends, Live Results, Google Instant, Google Suggest and In-Page Analytics.

One of the six worldwide campuses hosting Google for Entrepreneurs is located in Tel Aviv.

FIRST R&D CENTRE

2006

R&D CENTERS

2

ACQUISITIONS

5

EMPLOYEES

600

ANNUAL REVENUE

\$500M



INTEL



"IT IS A COMPLETE INTEL WITHIN A SINGLE COUNTRY. IT'S ABOUT THE PLACE WHERE YOU HAVE A COMPLETE CROSS-SECTION OF THE COMPANY IN ONE COUNTRY."

— BRIAN KRZANICH / CEO

Intel Israel is the company's largest operation outside the USA, and where its most strategic processors are developed.

Intel's Israeli plants are responsible for over a billion chips and \$46 billion in exports to date.

FIRST R&D CENTRE

1972

R&D CENTERS

4

MANUFACTURING FACILITY

1

ACQUISITIONS

6

EMPLOYEES

10,000+

ANNUAL EXPORT

\$3.3B

INVESTMENTS

\$11B



ISRAEL IS PRO-BUSINESS. YOUR BUSINESS.

The Ministry of Economy and Industry offers countless programs and services designed to simplify the investment process. The wide range of governmental incentives and grants makes Israel the perfect place for foreign investors to shine.



THE GOVERNMENT OF ISRAEL OFFERS AN ASSORTED RANGE OF INCENTIVES IN THREE MAIN CATEGORIES

INVESTMENTS AND MANUFACTURING

Investment grants
& tax benefits for
investors

INDUSTRIAL R&D

Various programs
that support
Industrial R&D

EMPLOYMENT

Employment subsidies
& vocational training
programs

INVESTMENTS AND MANUFACTURING INCENTIVES

| | CENTER OF ISRAEL | PRIORITY AREA |
|--|------------------|---------------|
| Reduced corporate tax rate - priority enterprise (special priority enterprise) | 16% (8%) | 7.5% (5%) |
| Reduced dividend tax rate (special priority enterprise) | 20% (15%) | 20% (15%) |
| Investment grant | | Up to 30% |
| Innovation box for IP based companies (consolidated revenues of over NIS 10b) | 12% (6%) | 7.5% (6%) |

* The regular Israeli tax rates are 24% for business and 25% for dividend.



EMPLOYMENT INCENTIVES

| | CENTER OF ISRAEL | PRIORITY AREA |
|---|---|---|
| "High Salary" sub-track | NA | 10% - 35% of the wage cost for 48 months, with a maximum monthly wage of \$7,500. |
| Special populations Ultra-Orthodox, ethnic minorities, individuals with disabilities, single parents | 10%-37.5% of the wage cost, with a maximum monthly wage of ~ \$4,000. | 10%-37.5% of the wage cost, with a maximum monthly wage of ~ \$6,000. |
| Minorities in knowledge based industries | 30% - 40% of the wage cost for 24 months with a maximum monthly wage of ~\$3,000. | 30% - 40% of the wage cost for 24 months with a maximum monthly wage of ~\$3,000. |

R&D INCENTIVES

| | GLOBAL ENTERPRISE COLLABORATION PROGRAM | BILATERAL & MULTILATERAL INDUSTRIAL R&D |
|-----------------------|--|---|
| Target | Encourage the creation of MNC-Startup partnerships in Israel. | Encourages international collaborative R&D between Israeli and foreign companies. |
| Incentives | The Israel Innovation Authority will support the Israeli startup company with a conditional grant ranging between 20%-50% of the approved development budget | Public funding is usually 50% of the approved project. |
| Qualifications | Criteria for MNC: Annual revenues over \$2 billion; Significant investment in R&D; Global presence. | According to fund criteria. |
| Other | The MNC can invest in cash and/or in kind, i.e. technological guidance, using labs, discounted software licenses, regulatory advice, etc. | 40 bilateral and multilateral industrial R&D support agreements, as well as participation in 5 multinational European programs. |



| | R&D FUND | OTHER R&D SUPPORT |
|----------------|---|---|
| Target | To promote R&D by lowering the company's risk. | Support early stage companies as well as the development of technological infrastructure for the Israeli industry. |
| Incentives | Subsidizing up to 50% of the project's cost (60% in priority areas) . | Technological Incubators - the operating licensee invests only 15% of the project budget (the state invests the remaining), and receives in return 50% of the shares of the companies in the incubator. Magnet program for generic R&D - up to 66% of its approved R&D budget. |
| Qualifications | Approved by a professional committee of the Israel Innovation Authority. | Technological Incubators - the licensee is elected by the Israel Innovation Authority's relevant committee. Magnet - group of companies and academia join forces to develop new generic technology. Magneton - cooperation between academia and industry for technology transfer. |
| Other | If the company commercializes the technology or product and generates profit, royalty payments need to be made. Otherwise, not. | Magnet project is usually approved for a 3-year period with extensions of 1-3 years possible. |

WHAT WE CAN DO FOR YOU

Investments
Authority
for Industry
& Economy
Development

Population &
immigration
authority

Fuel choices
initiative

Administration
of industrial
zones

Foreign trade
administration

Israel tax
authority

Israel innovation
authority

Israel land
authority

Municipal
authorities

The israel
export &
international
cooperation
institute



MAKING THE DECISION TO INVEST IN A NEW LOCATION CAN OFTEN BE DIFFICULT, CONFUSING AND FRUSTRATING. THERE ARE SO MANY THINGS TO TAKE INTO ACCOUNT, AND SO MANY DIFFERENT OPTIONS TO CONSIDER. AT *INVEST IN ISRAEL*, WE OFFER A WIDE RANGE OF SERVICES TO SUPPORT AND OPTIMIZE YOUR BUSINESS IN ISRAEL. IN FACT, WE'LL WALK THROUGH EVERY STEP OF YOUR INVESTMENT, TOGETHER.

FROM PROPERTY TO WAGES TO TAXES, WE'LL PROVIDE YOU WITH ALL THE INFORMATION YOU NEED.

Starting a new operation in a new location requires a myriad of information, and you know as much as we do that every detail counts. We'll help you understand every aspect of your journey here in Israel, from the smallest issue to the biggest problem. Laws, regulations, locations, taxes, incentives and costs — we have it all figured out.

FEEL AT HOME, FROM DAY 1.

No need to feel like the new guy. We can introduce you to peer companies and key figures in your industry, so you can easily facilitate your network of connections. Join the best companies in the world, in the most innovative ecosystem on earth.



LET'S CONNECT

A VISIT IS WORTH A 1,000 WORDS. COME SEE FOR YOURSELF.

There's nothing like an actual tour to help make a decision, and Israel has so much to offer for potential investors. We invite you to come to Israel and see why so many companies have made Israel their innovation center. Meet the people, see the locations, hear the stories.

Visit Israel. It's your first step towards your best investment.

LET'S TALK, LET'S MEET.

You can schedule a meeting, give us a call or leave your details at our website, and we'll get back to you. You can also meet our global experts in your region. We are here to make it your easiest investment yet.



THE FOREIGN INVESTMENTS & INDUSTRIAL COOPERATION AUTHORITY

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Email: InvestInIsrael@economy.gov.il

The information included in this guide is relevant for January 2018. The content included is intended to provide only a general outline of the subjects covered and it is necessary that specific professional advice be sought before any action is taken.

