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

All data refers to 2018

MAJOR CITIES
Jerusalem
Tel Aviv-Jaffa
Haifa
Be’er Sheva
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

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>A+</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody's</td>
<td>A1</td>
<td>Stable</td>
</tr>
<tr>
<td>Standard &amp; Poor's</td>
<td>A+</td>
<td>Positive</td>
</tr>
</tbody>
</table>
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.
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
TELECOMMUNICATION AND NETWORKS
- Infrastructure and platforms
- Networking

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

SEMICONDUCTORS
- Microprocessors
- System on a chip
- Automotive
- Smartcards
- Optics
- Fabrication
THE ISRAELI HI-TECH ECOSYSTEM
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

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Performance</th>
<th>Funding</th>
<th>Market Reach</th>
<th>Talent</th>
<th>Startup Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Silicon Valley</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>New York City</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>London</td>
<td>4</td>
<td>4</td>
<td>10</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Beijin</td>
<td>2</td>
<td>5</td>
<td>19</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Boston</td>
<td>6</td>
<td>6</td>
<td>12</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Tel Aviv</td>
<td>9</td>
<td>8</td>
<td>4</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>Berlin</td>
<td>7</td>
<td>9</td>
<td>6</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Shanghai</td>
<td>8</td>
<td>3</td>
<td>10</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>9</td>
<td>Los Angeles</td>
<td>5</td>
<td>7</td>
<td>15</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>10</td>
<td>Seattle</td>
<td>12</td>
<td>12</td>
<td>14</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>
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
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
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.
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.

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.

Source: OECD

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

**ISRAELI HI-TECH FUNDRAISING 2012–2016:**
GROWTH IN FUNDS RAISED AND NUMBER OF DEALS

Source: IVC
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.
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.

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

- ERIC SCHMIDT / FORMER CEO

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**FIRST R&D CENTRE**
2006

**R&D CENTERS**
2

**ACQUISITIONS**
5

**EMPLOYEES**
600

**ANNUAL REVENUE**
$500M
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.

“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
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

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

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

<table>
<thead>
<tr>
<th>CENTER OF ISRAEL</th>
<th>PRIORITY AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;High Salary&quot; sub-track</td>
<td>NA</td>
</tr>
<tr>
<td>Special populations (Ultra-Orthodox, ethnic minorities, individuals with disabilities, single parents)</td>
<td>10%-37.5% of the wage cost, with a maximum monthly wage of ~$4,000.</td>
</tr>
<tr>
<td>Minorities in knowledge based industries</td>
<td>30% - 40% of the wage cost for 24 months with a maximum monthly wage of ~$3,000.</td>
</tr>
</tbody>
</table>
## R&D INCENTIVES

### GLOBAL ENTERPRISE COLLABORATION PROGRAM

<table>
<thead>
<tr>
<th>Target</th>
<th>Encourage the creation of MNC-Startup partnerships in Israel.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentives</td>
<td>The Israel Innovation Authority will support the Israeli startup company with a conditional grant ranging between 20%-50% of the approved development budget</td>
</tr>
<tr>
<td>Qualifications</td>
<td>Criteria for MNC: Annual revenues over $2 billion; Significant investment in R&amp;D; Global presence.</td>
</tr>
<tr>
<td>Other</td>
<td>The MNC can invest in cash and/or in kind, i.e. technological guidance, using labs, discounted software licenses, regulatory advice, etc.</td>
</tr>
</tbody>
</table>

### BILATERAL & MULTILATERAL INDUSTRIAL R&D

<p>| Incentives | Encourages international collaborative R&amp;D between Israeli and foreign companies. |
| Qualifications | Public funding is usually 50% of the approved project. |
| Other | 40 bilateral and multilateral industrial R&amp;D support agreements, as well as participation in 5 multinational European programs. |</p>
<table>
<thead>
<tr>
<th><strong>R&amp;D FUND</strong></th>
<th><strong>OTHER R&amp;D SUPPORT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td>To promote R&amp;D by lowering the company’s risk.</td>
</tr>
<tr>
<td><strong>Incentives</strong></td>
<td>Subsidizing up to 50% of the project’s cost (60% in priority areas).</td>
</tr>
<tr>
<td><strong>Qualifications</strong></td>
<td>Approved by a professional committee of the Israel Innovation Authority.</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>If the company commercializes the technology or product and generates profit, royalty payments need to be made. Otherwise, not.</td>
</tr>
</tbody>
</table>
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
- The israel export & international cooperation institute
- Israel tax authority
- Israel innovation authority
- Israel land authority
- Municipal authorities
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.
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 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.