

ISRAEL'S ISLANDS OF EXCELLENCE

UNMANNED AERIAL VEHICLES AND DRONES



ADVANCED
MANUFACTURING
IN THE PLASTICS
INDUSTRY



METROLOGY AND
TESTING IN THE
SEMICONDUCTOR
INDUSTRY



ROBOTICS



UAVS AND
DRONES



MEDICAL AND
COSMETIC
LASER



BATTERIES
FOR ELECTRIC
VEHICLES

DIGITAL AND 3D
PRINTING



COMPOSITE
MATERIALS FOR
AVIATION

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 identifies lucrative investment opportunities, maps potential obstacles and helps fast-track investment.

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

Knowledge
and
Research

Data, statistics, facts and figures that lead to knowledge-based decision making

Foreign
Investment
Promotion

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

Investor
Guidance

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

Post-
Investment
Support

Providing ongoing assistance to overcome challenges and bureaucratic obstacles, expand operations and re-investments and promote a conducive environment for foreign investors

WHERE COMPANIES COME TO **SHINE**

ABOUT THE ISLANDS OF EXCELLENCE SERIES

Israel's excellence in various industries is well known around the world thanks to its highly skilled workforce, entrepreneurial thinking, groundbreaking research capabilities, high concentration of MNCs, collaborations with the Israeli academy, its defense industry and advanced manufacturing abilities.

These unique characteristics have influenced the development of Israel's Islands of Excellence: sectors or industries in which Israel shows extraordinary results.

These areas show excellent performances, high growth rates and significant manufacturing potential.



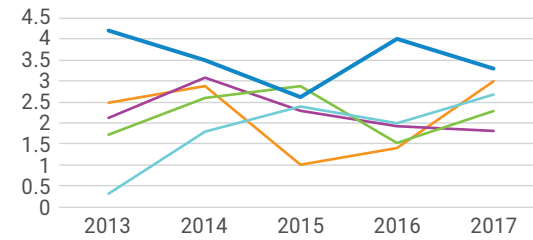
ISRAEL'S ISLANDS OF EXCELLENCE



LEADING ECONOMY

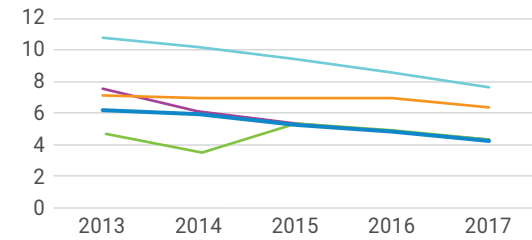
Israel economy is one of the strongest in the world, featuring high growth rates and low and declining unemployment rate, that indicate its outstanding resilience to external shocks.

Real GDP Growth (Annual % Change)



SOURCE: IMF, 2018

Unemployment Rate (%)



SOURCE: The World Bank, 2018

Economic Structure Risk **A**

Currency Risk **A**

Country Risk **A**

SOURCE: The Economist Intelligence Unit, 2018

EXCEPTIONAL R&D

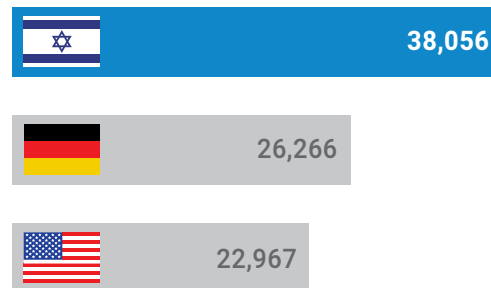
No. 1 in Research Personnel

SOURCE: The Global Talent Competitiveness Index, 2017

No. 4 in Scientific Infrastructure

SOURCE: IMD, 2018

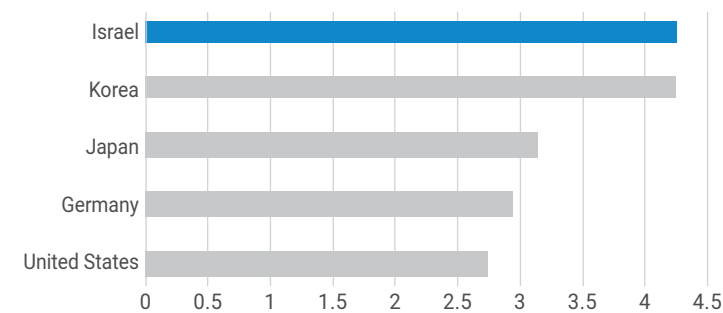
Number of Scientific and Technical Journal Articles, 2015*



* per PPP USD M GDP

No. 1 R&D Investment as % of GDP

Gross Domestic Spending on R&D, 2016 (Total, % of GDP)



SOURCE: OECD, 2017

A GLIMPSE INTO ISRAEL

GROUNDBREAKING INNOVATION

No. 2 in Innovation

SOURCE: Global Competitiveness Report, 2016

No. 1 in Digital/ Technological Skills

SOURCE: IMD World Digital Competitiveness Ranking, 2017



+6,000 active startups

ATTRACTIVE BUSINESS ENVIRONMENT

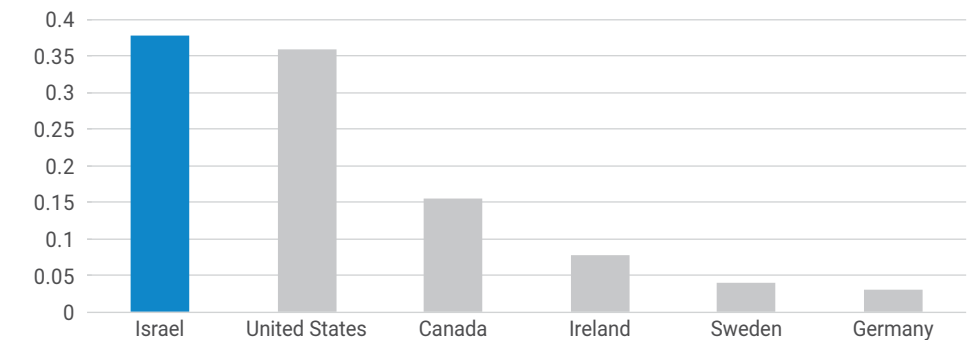
No. 1 in Venture Capital Investments as a Ratio of GDP

SOURCE: Global Competitiveness Report, 2016



+300 MNC's

Venture Capital Investments, 2016 (% of GDP)



SOURCE: OECD, 2017

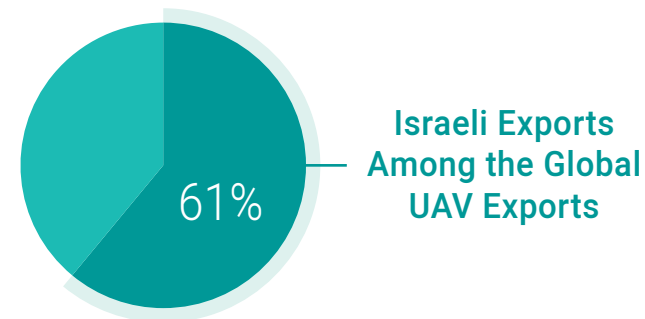
UNMANNED AERIAL VEHICLES AND DRONES IN ISRAEL



Between 2005 and 2013, Israeli exports in the UAV sector amounted to approximately \$4.62B, with most of the exports being directed to the European and Asia-Pacific markets. In recent years, the trend of exporting UAVs to other markets such as Africa and South America has been increasing.

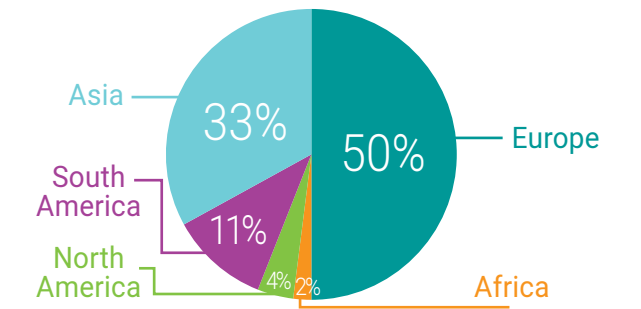
No. 1 in the World in Exports of Aircraft Systems

Average Annual Export **\$100M USD**



A segmentation of export targets from recent years shows that 50% of the export of Israeli UAVs was directed to the European market, 33% of the exports were destined for Asia and the Pacific, 11% for South America, 4% for North America and 2% for Africa.

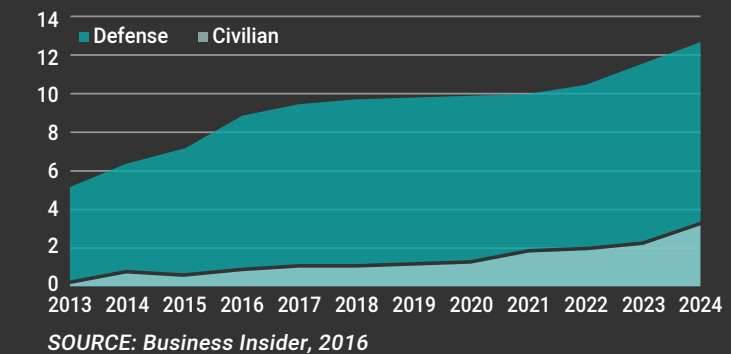
Breakdown of UAVs Exports From Israel



A partial list of customers from all over the world who have already acquired UAVs manufactured in Israel includes: Germany, France, Britain, India, Finland, Colombia, Spain, Brazil, Nigeria, Turkey, Chile and Ethiopia.

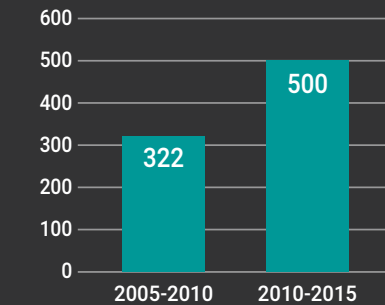
UAVS AND DRONES INDUSTRY GLOBAL PERSPECTIVE

Global Aerial Drones Market (Billion USD)



It is estimated that in the next few years the use of UAVs by foreign armies in the world will expand and many of the capabilities currently being carried out by manned aircrafts will gradually be carried out by UAVs.

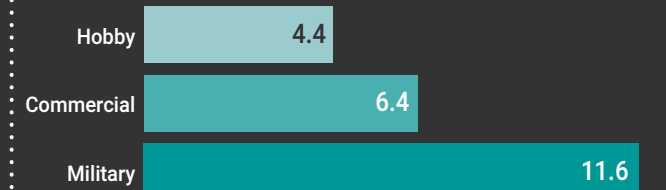
NO. of UAV Transactions Signed Around the World



Sales of drones are expected to surpass \$12B in 2021, which is up by a CAGR of 7.6% from \$8.5B in 2016.

SOURCE: IHLS, 2016

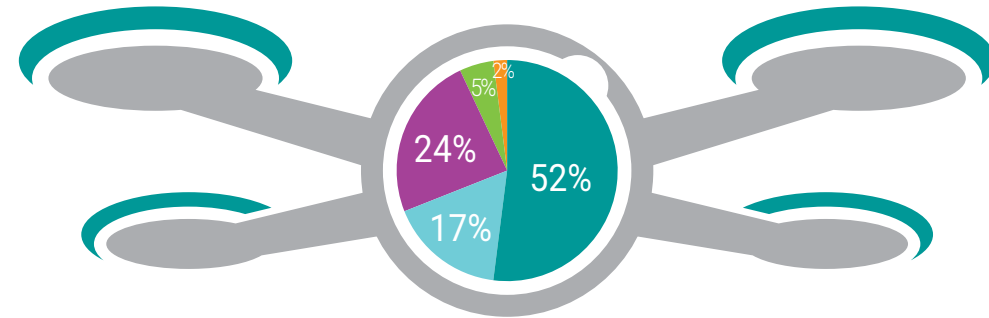
Projected Global UAV Market in 2020, by Area of Application (Billion USD)



SOURCE: Statista, 2018



Classification of the Israeli Drone Technology Startups (2017)



- UAV's systems (components, embedded software and hardware solutions and external elements)
- UAV's platforms
- Anti-drone technologies
- Aftermarket (add-on solutions for commercially available drones)
- Passenger (electric drones capable to carry humans)

SOURCE: LNRG Technology, 2016



Israel is considered a super-power in the field of UAVs, and this sector accounts for approximately **10%** of Israel's defense exports.



ADVANCED CAPABILITIES



INNOVATIVE RESEARCH



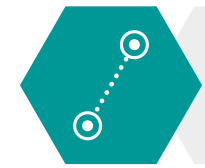
The UVID Conference, initiated by Israel Defense, aims to coordinate between strategic players of unmanned systems sector, in the air, space, sea and land, to develop dialogue and build a common knowledge and expertise in the field.



The School of Mechanical Engineering at Tel Aviv University offers a variety of academic programs in the field. The students participate in a large variety of activities including research and development, design, manufacturing, engineering, management and maintenance. The school collaborates with prominent industry experts.



The UAV Propulsion Technologies Conference is an annual gathering which has turned to be the center stage for all those who engage the field in Israel. It is supported by MAFAT, Technion, Israel Aerospace Industries and Elbit Systems. It is participated by over 220 professionals: engineers, researchers, and leading experts from industry, academia, and government institutes.



Israeli defense expertise is used in the civil sector as startup entrepreneurs use the knowledge they have accumulated during their army service and implement it into their projects. In addition, Israeli military UAVs are exported abroad and are diverted for civilian missions.

The Israeli Air Force Drone Training Center holds annual courses to meet the IDF's rising demand for UAVs. The IAF recently opened its gates for Italian, American and German UAV operators who arrived at the IAF's Airbases with the aim of familiarizing themselves with the Israeli UAV activity.

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

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 \$2B; 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.

INVEST IN ISRAEL

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**The Foreign Investments
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Cooperation Authority**