

SHINE



AN INTRODUCTION TO ENLIGHTENED
DIRECT FOREIGN INVESTMENT IN ISRAEL

Presented by The Foreign Investments and Industrial Cooperation Authority



Invest In Israel is a foreign direct investment initiative of the Israeli Ministry of Economy. The enlightened spirit of our enterprise is dedicated to connecting investors to opportunity, innovators to facilitators, turning opportunity into action and prospect to profit. All the while bringing groundbreaking discoveries, goods and services to people around the world. In short, we exist to help you shine.





COME SHINE WITH US

Israel is the world's spiritual hub for innovation and a powerhouse for pioneering technologies. Israeli thinkers, makers and doers are changing the world of Media & Internet, Cyber Security, Water Technology, AgriTech, Health & Life Sciences, Financial Technology, Automotive Industry, High-Tech & Smart Manufacturing.

If you are looking for ways to grow your business, Israel is the place to be.

First, we have an increasingly strong and resilient economy. Israel has seen consecutive years of significant GDP growth above that of the OECD and the US, and our 5% unemployment rate is among the world's lowest. Despite the regional geopolitical challenges, the Israeli economy has been identified as one of the healthiest and most secure in the world.

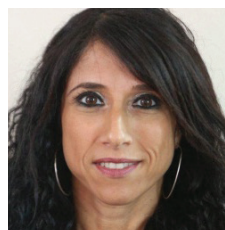
Second, our renowned academic system has afforded us with an extraordinarily talented workforce. Israel is ranked No.4 for research personnel. Moreover, Israel has the highest concentration of engineers and PhDs per capita in the world, laying the foundation for successful research and innovation.

Third, Israel is an R&D and technology leader. It ranks No. 1 in the world for R&D investment as a percentage of GDP, with more than 5,000 high-tech companies and start-ups (the highest concentration in the world after Silicon Valley).

Fourth, we are open for business – The Ministry of Economy promotes foreign investments in Israel, with programs and services designed to address every phase of the investment process. Comprehensive governmental incentives make Israel one of the world's most attractive places for foreign investors.

Fifth, Israel has by far outperformed other countries in VC volume per capita, and many of the world's leading multinational companies have made Israel their home. Microsoft, Motorola, Google, Apple, Facebook, Berkshire-Hathaway, Intel, HP, Siemens, GE, IBM, Toshiba and Cisco head the long list of over 300 MNCs which have realized that Israel is the ideal choice for investment.

Our message is clear: If you are expanding your business, searching for inspiring technologies or simply looking for attractive opportunities – invest in Israel.



Ziva Eger
Chief Executive of
The Foreign Investments and
Industrial Cooperation Authority





VIBRANT ECONOMY

Israel's economy is one of the strongest in the world, boasting positive and steady growth for over a decade.

Israel's diverse open market economy has a proven record of resilience and sustained competitiveness in the face of global economic crisis.

Israel's anchored banking system, elastic labor market and seasoned policy makers are well positioned to protect investor's interests throughout turbulent global market conditions.*

* Israel is ranked 6th in Strength of Investor Protection by The World Bank

"IF PEOPLE WANT TO SEE THE FUTURE OF THE WORLD
ECONOMY THEY SHOULD LOOK AT TEL AVIV, HOME TO HUNDREDS
OF STARTUPS AND RESEARCH CENTERS."

— Barack Obama

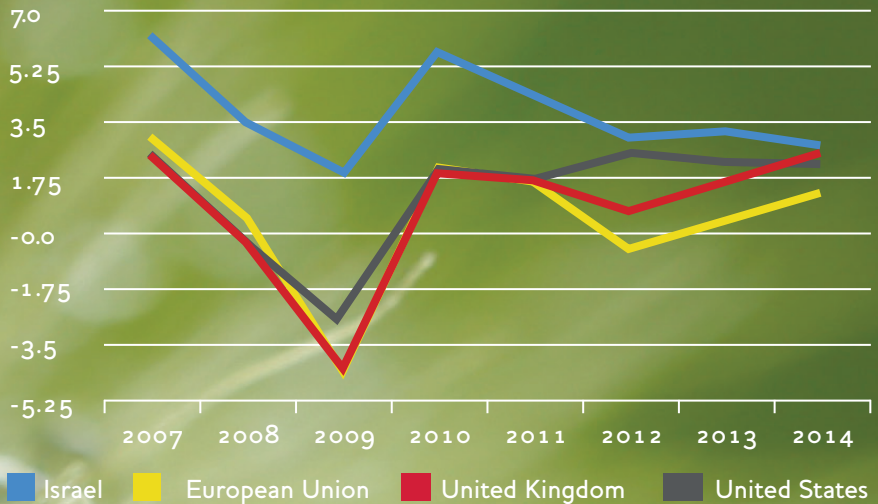


SECURE IN ISRAEL

Positive Growth Rate
— Resilience to
External Shocks

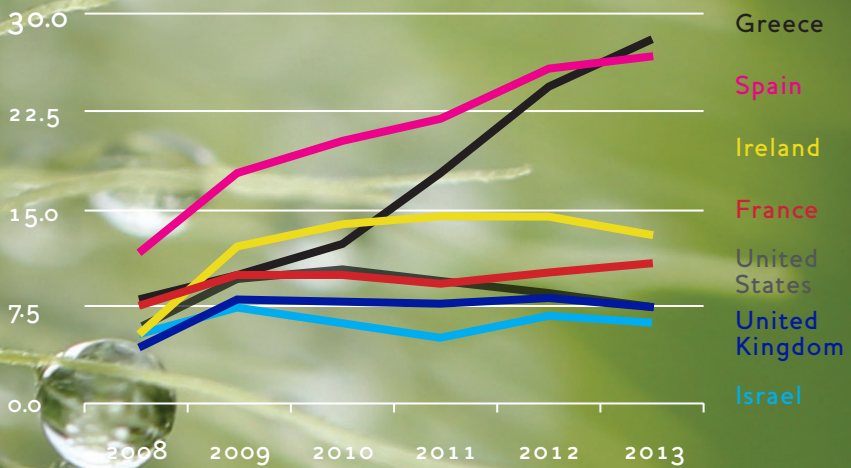
Source: The World Bank

GDP GROWTH RATE (%)



Newly discovered natural resources will boost the Israeli economy for decades to come.

UNEMPLOYMENT RATE (% OF TOTAL LABOR FORCE)



STRONG IN ISRAEL

Low and Declining
Unemployment Rate

Source: The World Bank

ENLIGHTENED ACADEMICS

The Israeli educational system is built upon a tradition of distinguished achievement and a culture of excellence.

From regional primary schools to multidisciplinary research institutions, Israel values and promotes the ingenuity and creativity of its students and scholars.

Recognized around the world for their leadership in science and technology, Israeli universities offer a broad spectrum of academic programs and degrees to advance a talented workforce.

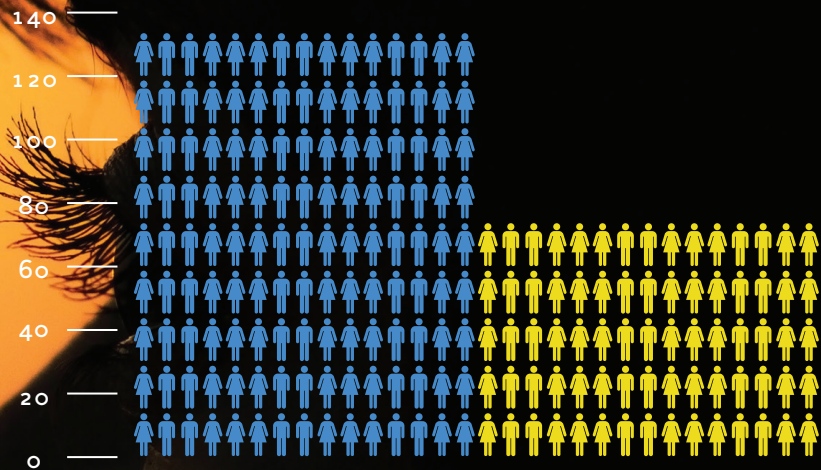
“ISRAEL IS A WELLSPRING OF KNOWLEDGE AND SKILL
AS WELL AS A FASCINATING PLACE OFFERING
UNLIMITED OPPORTUNITY.”

— LI Ka-shing

ENGINEERS PER 10,000 PEOPLE

Only in Israel
HIGHEST
 Concentration of
 Engineers in the World

Source: Global Creativity Index 2010



ISRAEL

UNITED STATES

Israeli Scientific
 Institutions are
 Ranked Top
 in the World
 for Quality.

Noted in Israel
No. 3
 In the World –
 Scientific Infrastructure

Source: IMD 2015

Noted in Israel
12
 Nobel Prize Winners

Written in Israel
No. 4
 In the World – Science &
 Technical Journal Articles

Source: The Global Talent Competitiveness Index,
 2014



NUMBER OF SCIENTIFIC AND TECHNICAL
 JOURNAL ARTICLES PER MILLION
 PPP\$ GDP / 2011



BRILLIANT PEOPLE

Israel is home to one of the most highly educated, entrepreneurial, and multicultural workforces in the world; advancing groundbreaking research and creating innovative technologies, products and services that impact lives and markets around the globe.

Israelis are known for their creativity and boldness. That's what empowers them to break boundaries, think outside the box and imagine creative solutions for a successful business and a better future.





Source: The Global Talent Competitiveness Index, 2014

Source: The Global Talent Competitiveness Index, 2014

Achieved In Israel

No. 2

Higher Skills and Competencies

Achieved In Israel

No. 3

Tertiary-Educated Population

Achieved In Israel

No. 4

In the High-Skilled Employment with 49.7%

Achieved In Israel

No. 4

In the World – Research Personnel

Source: WEF's Human Capital Report 2015

Source: The Bloomberg Innovation Index 2015

“WHEN YOU GO TO THE MIDDLE EAST LOOKING FOR OIL, YOU DON'T NEED TO STOP IN ISRAEL. BUT IF YOU GO LOOKING FOR BRAINS, FOR ENERGY, FOR INTEGRITY, IT'S THE ONLY STOP YOU NEED TO MAKE.”

— Warren Buffett



BLAZING RESEARCH & DEVELOPMENT

Israel is the first in the world for investment in R&D as a percentage of GDP. A unique combination of strong academic research, comprehensive governmental support, and a strong defense industry has led Israel to worldwide R&D dominance.

Israel is home to many of the world's leading technology corporations employing 283,000 hi-tech workers, 39% of which work in R&D.

"ISRAEL IS THRIVING IN TERMS OF INNOVATION BECAUSE YOU HAVE A CULTURE THAT MAKES IT POSSIBLE TO QUESTION AUTHORITY AND TO CHALLENGE EVERYTHING - YOU DON'T FOLLOW THE RULES."

— Eric Schmidt



Invest in Israel

No. 1

In the World –
R&D Investment
as % of GDP

Source: The World Bank

R&D INVESTMENT AS % OF GDP



Origin In Israel
50%
Of Global
Low-Pressure
Irrigation Systems

Powered In Israel
MILLIONS
Of Cardiovascular
Stents

Conceived In Israel
1000+
Innovative Startups
Per Year

Created In Israel
**DISK ON
KEY**
Mobile Storage

Fabricated In Israel
THE BEST
The World's Top Digital
3D Print Technology

Imagined In Israel
KINECT
Gesture Recognition
System

Invented In Israel
PILL CAM
First Ingestible
Endoscopy Camera

Developed In Israel
WAZE
Navigation System

Manufactured In Israel
BILLIONS
Of Intel Computer
Processors





RADIANT INVESTMENT

Israel's thriving start-up industry is complemented by domestic venture capital funds, raising a total of US \$1 billion annually.

Israel was ranked 4th by The Global Competitiveness Report 2015 for venture capital availability.

Israel has far outperformed other countries in VC volume per capita according to The Wall Street Journal, 2013.

Israel's venture capital availability and highly efficient financial sector give its innovative industries the right environment in which to flourish.

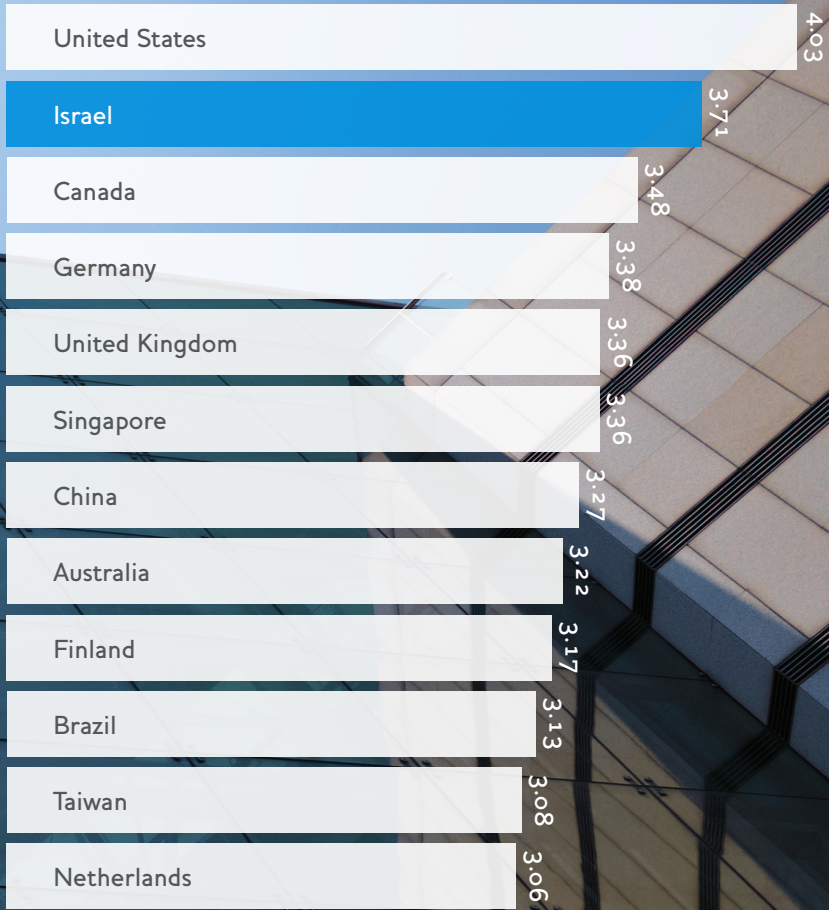
"THE INNOVATION GOING ON IN ISRAEL IS CRITICAL TO THE FUTURE OF THE TECHNOLOGY BUSINESS."

— Bill Gates



Belief in Israel
No.2
 Venture Capital
 Confidence

Source: Deloitte



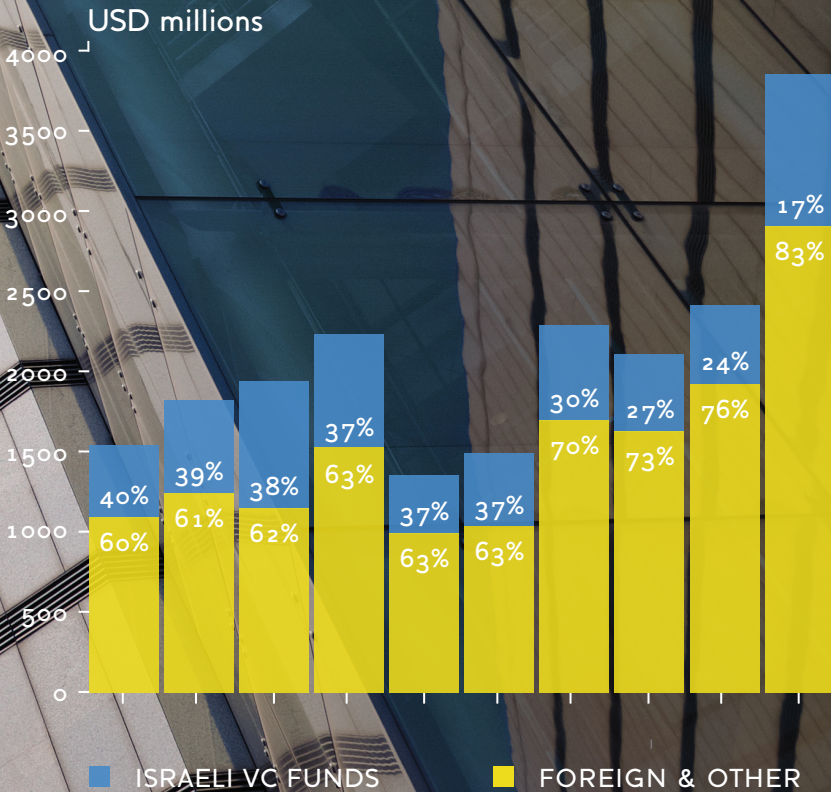
Investors were asked to rate their confidence level in each country. Confidence levels were measured on a scale of 1 to 5, with 5 representing the most confidence. Deloitte US / 2014 VC Survey

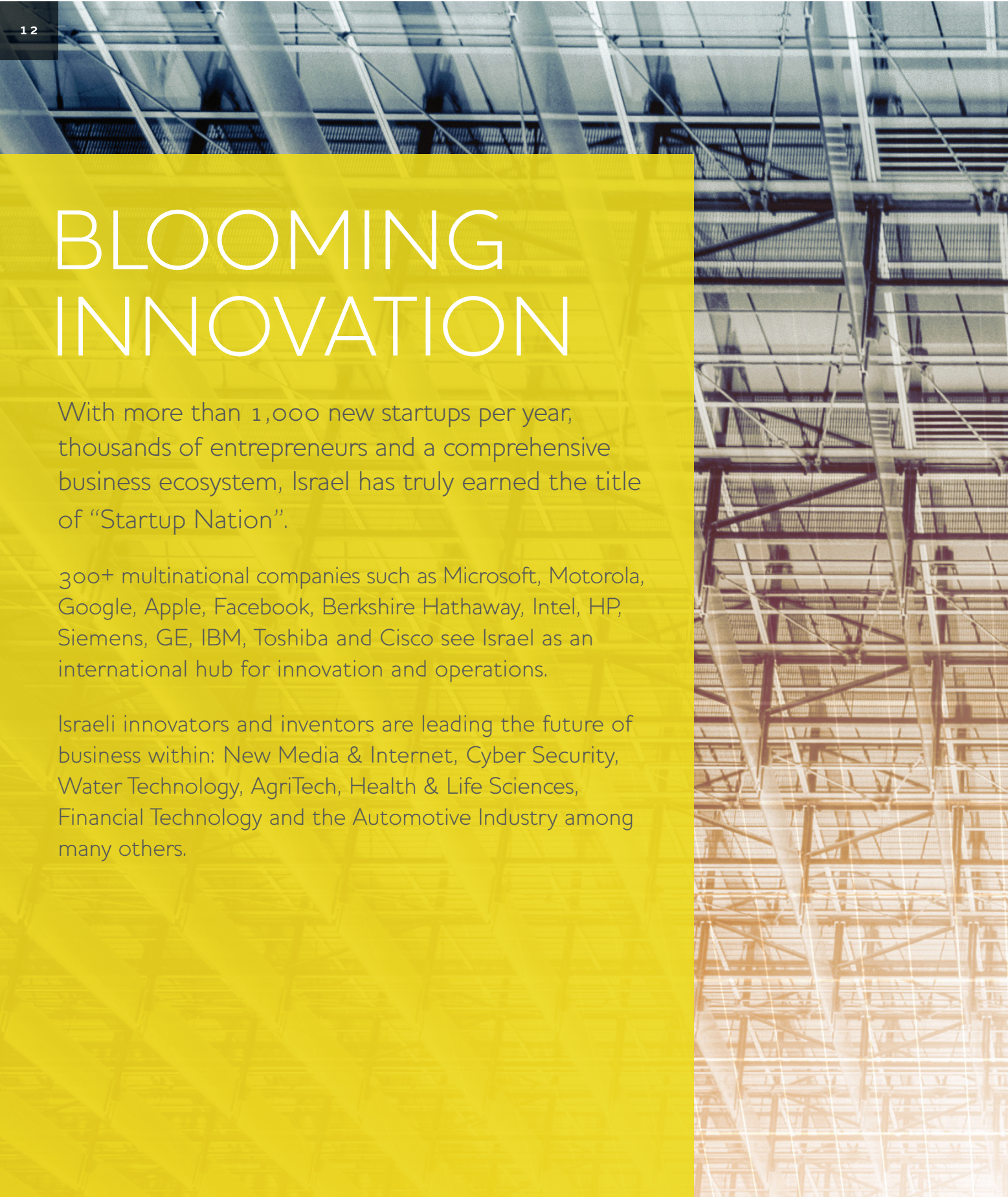
Financed in Israel
\$4.43b*
 Capital Raised by Israeli
 Hi-Tech Companies
 in 2015

* USD

Financed in Israel
\$23.3b*
 Capital Raised by Israeli
 Hi-Tech Companies
 2005 - 2015

* USD





BLOOMING INNOVATION

With more than 1,000 new startups per year, thousands of entrepreneurs and a comprehensive business ecosystem, Israel has truly earned the title of “Startup Nation”.

300+ multinational companies such as Microsoft, Motorola, Google, Apple, Facebook, Berkshire Hathaway, Intel, HP, Siemens, GE, IBM, Toshiba and Cisco see Israel as an international hub for innovation and operations.

Israeli innovators and inventors are leading the future of business within: New Media & Internet, Cyber Security, Water Technology, AgriTech, Health & Life Sciences, Financial Technology and the Automotive Industry among many others.



“ISRAEL IS A DYNAMIC AND IMPORTANT PART OF THE FUTURE OF THE INTERNET, AND OF COURSE EBAY. WE ARE LOOKING TO INCREASE OUR PRESENCE IN ISRAEL AND WE WILL CONTINUE TO SEEK GOOD TECHNOLOGIES AND TALENTS IN ISRAEL, IN ORDER TO BRING INNOVATION INTO THE COMPANY.”
— John Donahoe, Former eBay CEO





Sector Highlights

800+

Innovative
Companies

Media, Publishing,
Content & Gaming

Broadcast Delivery
& Services

Big Data &
Analytics

Online Advertising
& Commerce

Tools, Apps &
User Platforms

SECTOR BRIEF

NEW MEDIA & INTERNET

- ✓ Israel is considered one of the world's most innovative digital environments, launching more than 250 companies each year.
- ✓ Israeli companies operate R&D facilities for top multinational new media companies, such as Google, Facebook, AOL, eBay, and Yahoo, to name but a few.
- ✓ Israeli New Media and Internet companies export advanced services worth several billion USD annually.



Sector Highlights

250+

Innovative
Companies

Firewall

Information
Security,
Protection &
Threat MonitoringFraud Detection,
Prevention &
Security
ManagementCorporate End
Point SecurityIntrusion &
Detection
Prevention Systems

SECTOR BRIEF

CYBER SECURITY

- ✓ Israel was ranked 1st for Cyber Security (IMD 2013) with annual exports of more than US \$3 billion.
- ✓ Israel's Cyber Security industry is estimated to represent 10% of global sales and 20% of global investments.
- ✓ Israel hosts R&D centers for 20 MNCs, such as IBM, Cisco, and GE.
- ✓ Israeli anti-virus software protects 1 in 6 computers worldwide.

SECTOR BRIEF

WATER

TECHNOLOGY

Sector Highlights

250+

Innovative
Companies

Water
Management
& Urban
Solutions

Water
Desalination

Irrigation

- ✓ Israeli systems account for 50% of the world's low-pressure irrigation systems, reducing agricultural water consumption by one-third.
- ✓ Israeli companies have installed more than 350 desalination plants in nearly 40 countries.
- ✓ Among the world's lowest-cost producers of desalinated water: \$0.55 / m³ vs \$1.00 / m³ world average.
- ✓ 86% of Israel's wastewater is reclaimed for agriculture – the highest percentage in the world.

SECTOR BRIEF

HEALTH & LIFE SCIENCES TECHNOLOGY

- ✓ Israel is ranked 1st for Medical Device patents and 2nd for Medical Device solutions (per capita).
- ✓ Israel exports groundbreaking Life Science products and services worth billions of USD annually.
- ✓ Israel has been the source of breakthrough treatments and blockbuster drugs, such as *Copaxone* and *Rebif*.

Sector Highlights

250+

Innovative
Companies

Digital Imaging

Medical &
Surgical
EquipmentPharma &
Drug DeliveryMedical Laser
Technology

Bio-Informatics

Sector Highlights

200+

Innovative
Companies

Fertilizer &
Pesticides

Seeds & Seedling
Production

Poultry &
Dairy Farming
Technologies

Specialized
Agricultural
Production
Equipment

Veterinary
Products &
Food Suppliers

SECTOR BRIEF

AGRICULTURAL TECHNOLOGY

- ✓ Israel has reached record highs in productivity per unit for dairy cattle, cotton, olives, and other products.
- ✓ Israel's vegetable seeds industry is considered "best in its class" and is at the forefront of the global effort to increase crop yield.
- ✓ Israeli AgroTech and irrigation companies export more than US \$3 billion annually.

Sector Highlights

250+

Innovative
CompaniesPayment
TechnologiesLending
PlatformsPersonal
Finance
ManagementFraud Detection,
Prevention &
Security
ManagementBig Data
& Analytics

SECTOR BRIEF

FINANCIAL TECHNOLOGY

- ✓ In this growing arena of Financial Tech, Israel has introduced a large number of expanding companies and startups to the global market.
- ✓ KPMG recognized OurCrowd as one of world's ten most innovative Fintec companies of 2015, with another five Israeli companies placing in the top 100.
- ✓ Israeli startups are easing payment processes, reducing fraud, saving users money, promoting financial planning, and ultimately moving this giant industry forward.
- ✓ Israel also hosts the Citibank Strategic Innovation Lab and the Barclays R&D Centre to develop advanced financial technology products and support global operations.

Sector Highlights

250+

Innovative
Companies

Smart
Mobility

Electric
Mobility

Alternative
Fuels

Automated
Car

SECTOR BRIEF

AUTOMOTIVE INDUSTRY

- ✓ While Israel doesn't have native auto manufacturing, it does excel in the automobile technology sector with over 130 research groups and over 2,000 entrepreneurs.
- ✓ With such talent resources, General Motor's Advanced Technical Centre established their world-class R&D organization in Israel.
- ✓ What's more, other leading automotive brands like BMW, Fiat, and Toyota are turning to Israel to develop cutting-edge auto parts and progressive design technologies to equip their latest models.

SHINING A LIGHT ON INSPIRED GOVERNMENT INCENTIVES

THE GOVERNMENT OF ISRAEL OFFERS AN ASSORTED RANGE OF INCENTIVES IN TWO MAIN CATEGORIES: TAX BENEFITS AND GRANTS.

Israel seeks to offer maximally supportive conditions for companies and investors seeking to invest in Israel.

As part of the extensive range of incentives and benefits, the State of Israel encourages international and local investment by offering grants, reduced tax rates, tax exemptions and other benefits.

Israel's Ministry of Economy offers a wide range of specifically designed incentives in order to keep prosperity and growth in the country.

ENLIGHTENED TAX BENEFITS

The average Israeli corporate tax rate is 25%. Competitive industrial enterprises that are listed in Israel are entitled to preferred corporate tax rates, as follows: Companies located in Development area A could be entitled to a 9% reduced corporate tax rate. Companies located in other areas can enjoy a 16% corporate tax. In both areas, additional dividend tax reductions might also apply.

Companies defined as special preferred industrial enterprises¹, are entitled to a further reduction: a 5% tax rate in Development Area A and 8% in the rest of the country.

¹ Depending on the investment characteristics (scope, no. of employees etc.)

SHINING A LIGHT ON GRANTS

SUPPORT GRANTS FOR INTERNATIONALLY COMPETITIVE INDUSTRIAL COMPANIES

Industrial companies located in Development Area A can receive grants of 20% of the approved investment², covering investments in fixed assets (equipment, buildings, furniture, etc.) over a period of 5 years. The company must be internationally competitive and registered as an Israeli entity.

The company can receive an additional grant of up to 10% if it is located in the Negev.³

SUPPORT GRANTS PROMOTING R&D

MAIN GRANTS FOR GENERIC R&D NON ROYALTY BEARING

THE GENERIC PROGRAM

Large companies can receive up to 20% of their annual R&D budget. Eligible companies: annual sales exceeding US \$100 million with over 200 R&D employees in Israel, or alternatively, R&D budget in Israel that exceeds US \$20 million.

MAGNET

Aimed to enable a long-term R&D process. Industrial companies cooperating with academic institutions and potential qualifiers can apply for grants covering up to 66% of the R&D budget in an industrial company and of 80% of the R&D budget in a research institution. The objective is to support technologies with a commercialization horizon of 3 to 5 years.

MAGNETON

Offers a grant of up to 66% of the approved budget in order to support technology transfer from academic research institutes to industry for commercialization purposes.

NITZAN FUND

Supports technological collaboration between research institutes and agricultural companies.

² Subject to the Investment Center's approval

³ Subject to the Investment Center's approval

MAIN GRANTS FOR APPLIED R&D ROYALTY BEARING

THE COMPETITIVE PROGRAM

Grants cover up to 50% of the approved development budget, depending on several criteria such as technological innovation, business potential and the applicant's capability.

TRADITIONAL INDUSTRY PROGRAM

Grants of 50% of the approved budget aimed to assist traditional industries companies that are interested in upgrading their competitiveness by implementing innovative R&D.

TNUFA FUND

Designed for pre-seed companies. Grants of up to 85% of the budget or NIS 200 thousand.

KIDMA

A fund designed for cyber-security companies with grants of up to 50% of the approved budget and participation in marketing expenses.

TECHNOLOGICAL INCUBATORS

The primary goal of this program is to transform innovative technological ideas in their early, high-risk stages into viable startup companies capable of raising money and operating on their own. For a period of 2-3 years, the program provides approved companies with full financial support (approximately US \$500,000– US \$750,000) to be repaid to the government only upon generation of sales.

GLOBAL ENTERPRISE R&D COLLABORATION FRAMEWORK

This flagship program aims to encourage partnerships between Multi National Companies (MNC) and startup companies in Israel, in order to maximize the synergy between the partners' strengths. Within this framework, both the Office of the Chief Scientist (OCS) and the MNC commit to equally invest in pre-selected R&D projects, conducted jointly by the MNC and the Israeli company. The MNC can invest in cash and/or in kind, i.e. it can provide the startup with facilities like: technological guidance, borrowing equipment, using labs, discounted software licenses, regulatory advice, etc., instead of or in addition to cash funding. Eligible MNC must have annual revenues exceeding US \$2 billion, significant investment in R&D, and worldwide presence. To date, over 40 corporations have joined the program.

BINATIONAL JOINT R&D PROGRAMS ISRAELI AND FOREIGN COMPANIES

There are several binational programs, funds and cooperation agreements providing support for R&D companies that carry out joint R&D projects with foreign companies. The following are selected programs.

EUREKA

EUREKA incorporates 40 national funding schemes of virtually all European countries and the European Union, facilitating approx. 400 projects every year, mobilizing EUR 1.5 billion of public and private funds. Since 2000, Israel has been the only non-European Full Member of EUREKA, and is among the most active members of the network – Israeli companies currently participate in more than 10 percent of all EUREKA projects.

BIRD

This US-Israel Binational Research and Development Foundation offers funding of 50% of the product development and commercialization costs or US \$1 million.

CIIRDF

Canada-Israel Industrial R&D Foundation offers up to 50% of R&D costs up to a total of C \$800,000.

KORIL

Korea-Israel Industrial R&D Foundation offers support of up to 50% of joint R&D expenses up to a ceiling of US \$1 million.

SIIRD

Singapore-Israel Industrial R&D Foundation offers up to 50% of the joint venture's approved costs up to a ceiling of US \$1 million.

EMPLOYMENT GRANTS

In order to complement the tax benefits and the investment and R&D grants, the government has established additional programs to increase employment in the outlying areas of Israel, in specific centers with high unemployment and to promote special populations. The following are examples of the tracks offered:

SPECIAL BUSINESS TRACKS

HIGH INCOME TRACK

Grants are 25% of the wage costs for a 48-month period, with a maximum monthly salary of US \$7,500. Eligible employers must recruit at least 15 new full-time employees at 2.5 times the national average salary.

ANCHOR BUSINESS TRACK

Grants are 25% of the wage costs for a 48-month period, with a maximum monthly salary of US \$5,000. The eligible company must recruit at least 80 new employees with salaries at least 1.5 times the national average salary.

CYBER TRACK FOR THE SOUTH REGION

Grants are 33.75% of the wage costs over a period of 48 months, with a maximum monthly salary of US \$7,500. Only cyber-security companies are eligible. The employer must recruit at least 15 new full-time employees to a city in a specific area in the south.

Only Israeli -registered companies can apply for these employment grants. The company turnover must exceed US \$25 million, the employment location must be in a national priority area and 60% of the support-contingent employees must reside in the priority area. The Employment period must last 48 months.

The indicated subsidy rate is an average across the 48-month period (i.e. it starts at a higher rate and decreases over time).

The amounts in USD are approximated, the obligatory amounts are in NIS.

SUB SECTOR TRACKS

TRACK FOR POPULATIONS WITH LOW EMPLOYMENT RATES

Fixed participation as a percentage of employee wages (10% - 37.5%), by a particular group, for up to a wage of approximately US \$4,000. The participation depends on the social identity of employees (e.g. Ultra Orthodox, ethnic minorities, individuals with disabilities, single parents) and geographic location, with preference to a combination of both.

"WE CANNOT SOLVE OUR PROBLEMS WITH THE SAME THINKING
WE USED WHEN WE CREATED THEM."

— Albert Einstein

ILLUMINATING OPPORTUNITY

- ✓ Invest in Israel to embrace a culture of curiosity and creativity.
- ✓ Connect to our people's natural entrepreneurial spirit.
- ✓ Feel secure in our stable economy.
- ✓ Further the innovative technologies that touch lives around the world.
- ✓ Advance groundbreaking manufacturing to build a sustainable future.
- ✓ Find a new home for your business to shine.

The Foreign Investments
And Industrial
Cooperation Authority



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