



“ 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, Chairman of Microsoft, 2005



Israel – A Software Powerhouse

In the early 1990's, software exports from Israel totalled \$90 million. In 2000, that figure was up to \$2.6 billion. Today, software exports have topped \$3 billion, representing over one-quarter of all technology exports from Israel and almost one-tenth of total national exports. Additionally, the Israeli software sector draws over one-third of all foreign investment in Israel.

With such a history of growth, it's no surprise that software originating in Israel is today found in almost every business in the Western world. The Internet firewall, modern cellular billing, voicemail, VoIP telephony, and Internet instant messaging – all these fields were conceived and developed in Israel, and leading software packages continue to be marketed by Israeli companies.

With a stable democratic system of government, a solid and growing economy, world-class technology educational institutions, and a constant influx of talented immigrants from around the world – Israel continues to strengthen its position as a world center of software innovation.

Israel – Fast Facts

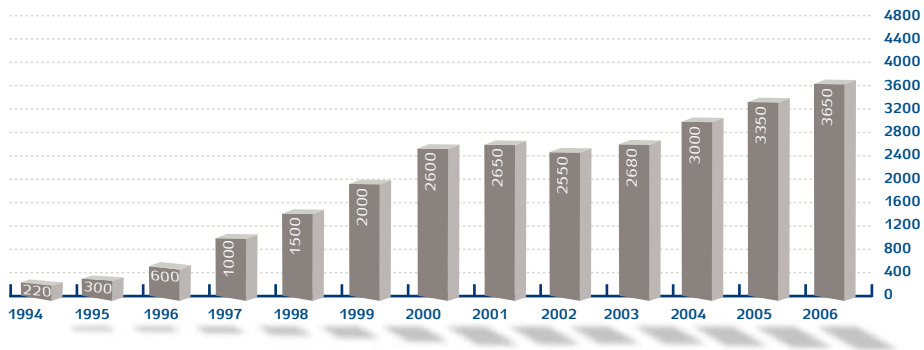
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|------------------|--------|
| Population | 7m |
| GDP | \$140b |
| Total Exports | \$64b |
| Software Exports | \$3.6b |
| NASDAQ Companies | 100 |





Israel's Software Industry

Exports (\$ Million)



WHAT MAKES THE ISRAELI SOFTWARE INDUSTRY UNIQUE?

Israel's unique geographic, geopolitical, demographic, and cultural characteristics have combined to create a genuinely different software development climate - where innovation and entrepreneurship are the norm, early adoption is the rule, and thinking "out of the box" is a day to day phenomenon.

A Culture of Innovation

Israel's turbulent history helped produce a culture of innovation based on pure necessity. Effective use of scarce resources, intelligent improvisation, and an ethic

of persistence in the face of adversity - these are the traits that helped turn the Negev desert green, and built a modern Western economy, military and infrastructure in little more than half a century. This same culture of innovation thrives today in the Israeli software industry.



Did you know?

With more than 3000 companies, Israel has the highest concentration of hi-tech companies in the world, second only to Silicon Valley, USA.





Culture of Serial, Nimble Entrepreneurship

In the business arena, Israel's culture of innovation finds its expression in one of the world's most supportive entrepreneurial environments. With broad popular understanding of the risks inherent in new ventures – and the potential payoffs – Israel's entrepreneurs enjoy a fiscal and business support structure unlike any other. The results – over 30% of today's startups are founded by serial entrepreneurs. Seasoned roadmap readers, Israeli entrepreneurs react rapidly to changing market conditions, often creating software for one niche or vertical market that is later easily applied to multiple markets or sectors.



Did you know?

After the United States and Canada, Israel boasts the largest number of NASDAQ listed companies

Internationally Customer Focused

With only a small local market, Israeli-built software is from day one written with the global marketplace in mind – designed from the ground up to handle the many languages, currencies, and compliance environments of customers around the world.

Having spent their careers serving international clients, Israel's entrepreneurs have an intimate knowledge of what solutions companies worldwide are looking for, and combine this understanding with locally-available resources to produce solutions to problems not yet on the radar in other markets.

Especially in the software sector, Israeli executives travel the world regularly, are well-versed in the complex nuances of international business, and speak excellent English. With an informal but professional business culture, Israeli businesspeople are completely customer-centric – willing and able to rapidly adapt solutions to unique client needs, cutting through hierarchical company relationships to minimize time to delivery and maximize client satisfaction.



A Culture of Pioneering, Early Adoption, and Networking

Israel's young technology and business leadership – having matured in the framework of the military – are used to the unknown. Israeli software engineers thrive in uncharted technological waters, lending their market vision to solving problems often barely defined in other markets. This pioneering attitude often leads to the early adoption of new technologies, well ahead of the mainstream market. For example, Israeli software developers were among the first to embrace modern software architectures like .NET and J2EE – helping ensure that today's Israeli software solutions are highly interoperable and flexible.



Did you know?

Israel has the highest ratio of university degrees to the population in the world

Thanks to universal military conscription, Israeli software entrepreneurs and engineers enjoy unparalleled access to technology resources during their formative years. Later, unhindered by formality or hierarchy, relationships forged during years of military service are often leveraged to further business goals – resulting in a dynamic culture of technology transfer and highly-effective networking.

Solutions Covering Broad a Range of Industries

Israeli software is found in enterprises of all sizes, across countless industries worldwide. From financial to public sectors, telecommunications to healthcare, defense to manufacturing – software solutions developed in Israel are raising productivity and efficiency, lowering overhead, and positively impacting the bottom line of companies worldwide.

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A Magnet for Multinational Research and Acquisitions

To more effectively leverage Israel's intellectual capital, numerous multinationals have set up permanent research and development facilities or maintain a significant presence in the country. These companies include some of the world's largest technology conglomerates, such as Microsoft, Intel, IBM, SAP, Cisco, Texas Instruments, and HP.

Israel has also become a focal point for acquisitions by international software giants seeking to acquire innovative niche software solutions, rather than develop them in-house. Software acquisitions of note in 2006 include HP's purchase of Mercury Interactive (business technology optimization software solutions) for over \$4 billion, Informatica's \$50 million purchase of ItemField (data transformation software), BMC Software's \$150 million purchase of Identity Software (application management and problem resolution software), Oracle's \$41 million purchase of Dmantra (trade promotion management solutions), and many others.

Healthy Government Encouragement

Long recognizing that the country's economic future depends not on citrus but on software, the Israeli government has honed the art of encouraging new technology ventures without impeding them. Through liberal grants and loans from the Office of the Chief Scientist, government-supported technology incubators, state-funded research centers, and intelligent incentives to multinational technology companies - the Israeli government plays an ongoing, quiet role in building a solid and growth-oriented technology sector.



A History of Success

Any success story is ultimately measured quantitatively – and the Israeli software industry boasts numerous examples of international success, including:



▶ Check Point Software Technologies – established in 1993, Check Point invented the Internet firewall, creating a new a multi- billion dollar market – NASDAQ:CHKP



▶ Amdocs – founded in the 1970's in the field of Yellow Pages computerization, Amdocs was a telecommunication billing pioneer and is now a global leader in integrated telecommunication customer management software – NYSE:DOX



▶ Comverse – founded in 1984, Comverse is the creator of voicemail and currently the world's leading provider of value-added services software for cellular and fixed-line operators – NASDAQ:CMVT



▶ Retailix – since 1982, Retailix has provided integrated enterprise-wide software solutions for the retail food industry worldwide, including supermarkets, convenience stores and restaurants – NASDAQ:RTLX



▶ Cimatron – established in 1982, Cimatron is a CAD/CAM software pioneer, and the current market leader of integrated solutions for the toolmaking and manufacturing industries – NASDAQ:CIMT



▶ Aladdin Knowledge Systems – digital security pioneer, providing solutions for software Digital Rights Management and Internet security since 1985 – NASDAQ:ALDN



About The Israel Export & International Cooperation Institute

The Israel Export & International Cooperation Institute (IEICI), a non-profit organization supported by the government of Israel and the private sector, facilitates business ties, joint ventures and strategic alliances between overseas and Israeli companies. Charged with promoting Israel's business community, it provides comprehensive, professional trade information, advice, contacts and promotional activities to Israeli companies, and complementary services to businesspeople, commercial groups, and business delegations from abroad.



Did you know?

Israel leads the world in the number of scientists and technicians in the workforce - 145 per 10,000 (as opposed to 85 in the US, 70 in Japan, and 60 in Germany)

Storage and Data Centers

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© March 2007
The Israel Export & International Cooperation Institute
Production: Media & Productions Unit
Copywriting: Steven Greenberg
Design: Ayala Eylath