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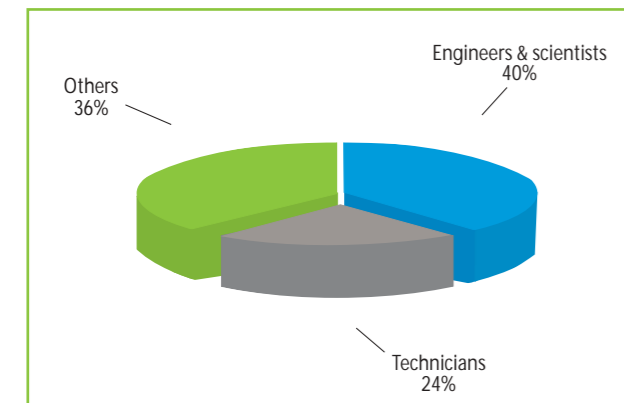
Israel's electronics industry is one of the country's leading high-tech sectors and also plays a major role in the success of two other leading industrial sectors: communications and medical devices, with exports in these areas reaching \$3.3 billion in 2004.

Israel is one of the few countries of its size with end-to-end capabilities in the electronics industry. From basic chip technology, chip design, fabrication and testing, through manufacturing of subassemblies and complete equipment, Israeli companies have continued to be at the forefront of this industry.

Basic Facts on Israel's Electronics

Number of exporters	More than 250
Sales per employee	\$230,000
Exports in 2004	\$3.3 billion

Employment in Electronics, by Type of Worker



Key Industry Segments

Semiconductors

Semiconductor Design

Israel has a large number of companies specializing in fabless semiconductor design. Based on original research and development, Saifun Semiconductors and M-Systems are leading fabless developers for flash memories, while EZChip specializes in fabless design for network processors; Green Power Technologies' forte is in power management semiconductors; Emblaze focuses on fabless design for multimedia applications; Tzoran is a leading chip developer for video and image processing; and DSP Group has a spectrum of fabless components across wireless, video and VoIP applications.

Semiconductor Manufacturing

This sector combines both internal R&D and manufacturing. Intel has two major fabs in Israel, for microprocessors in Jerusalem (its first fab outside the US), and memory chips and mobile phone chipsets in Kiryat Gat; and it is currently planning a third one. Tower Semiconductor, another major industry player, has a foundry for memory chips.

Intel has had R&D facilities in Israel since 1974 and employs more than 2,000 R&D staff in five facilities and more than 2,800 workers in its two fabs. It developed its 8088 and Pentium MMX microprocessors and its first Fast Ethernet chipset, in Israel; the Centrino microprocessor now standard in most laptop computers was initiated and developed by Intel engineers in Israel.



Equipment & Technologies for the Semiconductor Industry

This sector includes a range of solutions and equipment, from design software through the bonding, packaging, dicing, and testing systems used in manufacturing semiconductor wafers and chips. Leading companies in this

field include Kulicke & Soffa for bonding; KLA Tencor and Applied Materials (which has acquired two other Israeli companies) for optical wafer inspection; ADT, which manufactures dicing blades; and Shellcase and Amitec for packaging and substrates.

Passive Components

Israeli companies design and manufacture a variety of passive components for the electronics industry, including PCBs, resistors, capacitors and filters. The leading manufacturers in this field include Vishay, an American company, and AVX, a subsidiary of Japan's Kyocera.

Electronics Assembly (EMS)

Israel has broad experience and a wide range of assembly facilities for outsourcing of electronics systems, both for the local high-tech industry and international companies. They do everything from PCB assembly up to complete turn-key products such as medical equipment and communications systems.

Industrial Equipment

Israel has developed important specializations in the industrial applications of electronics. One of the best known is digital printing and imaging, where home-grown technology leaders such as Scitex and Indigo have been acquired by multinationals corporations such as Creo and Hewlett-Packard, while smaller companies such as Objet Geometries develop independent solutions in 3D rapid prototyping. Orobotech develops and manufactures equipment for the electronics industry, including automated optical inspection systems for printed circuit boards, flat panel displays and electronics assembly lines.

Another leading field is robotics, where Israeli systems for manufacturing and quality control are widely used, especially in the automobile industry. The country's strengths in aviation also have resulted in several companies developing test equipment for aircraft and their components.

General Electronics Equipment

Israel has developed an entire range of finished electronics products, including intruder alarms and monitoring systems, smart decryption cards for satellite television, and remote-access meters for water and power. The developers and manufacturers range from small start-ups up to integrated industrial groups such as Elbit. Israel has even started to penetrate the world of digital entertainment products. Mirage Innovations, for example, has adapted Israeli know-how in video displays to create lightweight, portable video-viewing glasses.

The Israeli Advantage

International Innovation Leadership

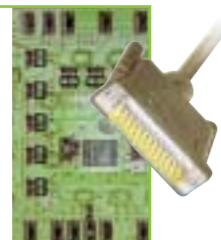
Israeli industry is internationally acknowledged as one of the most innovative in the world for research and development, both for basic technology and real-world applications. Israel has the world's highest concentration of high-tech start-ups per capita and the second-highest in the world in absolute numbers after Silicon Valley. Many companies are in electronics and related fields. Backing by Israel's very active venture capital funds ensures that a high proportion of the best ideas reach the market.

Outstanding Human Resources

Israel has the highest proportion in the world of scientists and engineers with postgraduate education: 135 per 10,000, compared to 78 per 10,000 in the USA. Israeli science and engineering students demonstrate a high level of maturity and are experienced in real-world challenges, due to two or more years of mandatory military service, creating a productive and innovative work force. The level of the country's human capital also can be measured by the number of registered patents, one of the highest in the world relative to population.



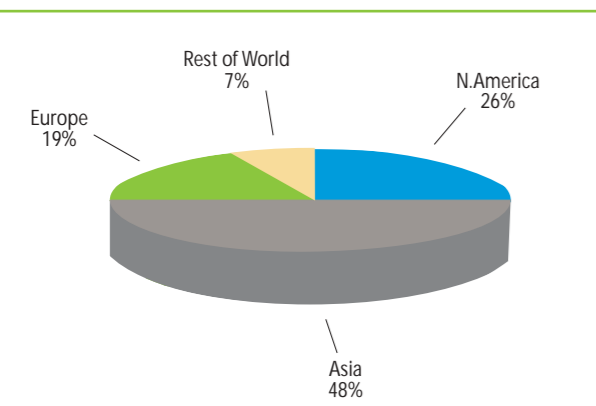
Israel has more high-tech start-up companies per head than anywhere else in the world and the largest concentration in absolute numbers anywhere outside Silicon Valley. Electronics is one of the fields of excellence of Israeli start-ups, and many have either gone public or been acquired by major multinational companies.



Government Support

The Israeli government actively supports industrial innovation, from entrepreneurial start-ups through multinational companies, with a broad spectrum of tax benefits, incentive funds for establishing manufacturing facilities, and funds for R&D support. These include incentives for foreign capital investments, especially outside the center of the country, tax holidays, matching funds for industrial R&D from the Chief Scientist, and support programs for pre-industrial generic R&D.

World Markets For Israeli Electronics Exports



Success Stories

Saifun Semiconductors

Saifun has developed a wide range of non-volatile memory components for applications including cellular phones, palm computers and digital cameras. Its technologies have been licensed by leading Asian electronics manufacturers, including Sony, Infineon and Semiconductor International Manufacturing Corporation of China.

Oplus

Oplus has developed cutting-edge digital signal processing chips for a range of digital TVs, projectors and plasma displays. Intel acquired the company in early 2005 to incorporate its technology solutions into its own product line.

Camtek

Camtek, spun off from a group of companies specializing in PCB design and component packaging, develops and manufactures optical inspection systems for semiconductor manufacturing, substrates, and PCB design and assembly. It sells through centers throughout East Asia, the U.S. and Europe and is listed on NASDAQ.

DSP Group

DSP is a major developer of system-on-a-chip solutions for a wide range of consumer communications products, including audio and video recorders, cordless digital telephones, answering machines, Bluetooth communications, and Voice-over-IP phones. It also trades on NASDAQ.

Zoran

Zoran is one of the leading developers of integrated circuits and system-on-a-chip solutions for graphical consumer electronics products, including DVD players and recorders, digital televisions and cameras, printers and scanners. It powers many of the products manufactured and marketed by the leading consumer electronics companies in the world, including Casio, Fujifilm, Kodak, Pioneer, Samsung, Sanyo, Sharp, Sony and Toshiba.

Multinational Companies

The skills and innovative focus of Israel's engineers and scientists have long attracted major multinationals in the electronics industry to establish both R&D and manufacturing centres in the country. These include:

- Semiconductors & components: AVX, Freescale, Infineon, Intel, Texas Instruments, Vishay, Winbond
- Manufacturing and test equipment: Applied Materials, KLA Tencor, Kulicke & Soffa
- Digital printing and imaging: Creo, Hewlett-Packard, Kodak

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Israel's Electronics Industry

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