

Telecommunications Industry & Market in Israel

Israel Gateway 2004
David Intercontinental
Hotel, Tel Aviv, 1 and 2
June

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Presentation Agenda

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- Israel Demographics
- Telecommunications Industry
- Telecommunications Market Overview
- Telecom Israel 2004 Exhibition



Israel Demographics

ISRAEL Demographics

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- **Population ~ 6.7 million.**
- **Households ~ 1.9 million.**
- **Average family ~ 3.6 persons.**



Telecommunications Industry

Israel's Electronics Industries

Source: IAEI, 2004

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- **Combined 2003 sales** - \$13.2 billion, of which \$10.9 billion were exports sales.
- **Highly skilled workforce** ~ 53,500 employees, including over 64% scientists, engineers & technicians.
- **Sales per employee** ~\$246,000.

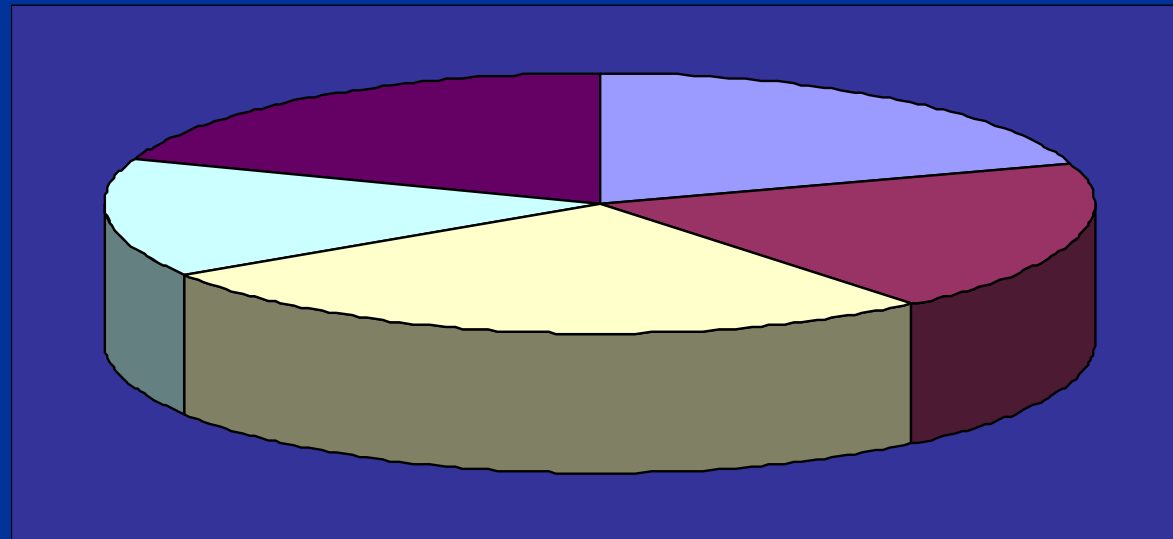
Total 2003 Sales – \$13.2 billion

Source: IAEI, 2004

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Components
15%



Defense
Systems
19%

Comm. & Telecomm.
20%

Software
27%

Industrial &
Medical Systems
19%

Leading Israeli Telecommunications, Electronics & Software Companies

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<u>Company</u>	<u>Sales 2003 (US\$M)</u>	<u>Line of Business</u>
Israeli Aircraft Industries	1870	Satellites & Aircraft
Amdocs	1483	Billing Software
Intel Electronics (Israel)	1404*	Semiconductors
Motorola Israel	902*	Communications & Semiconductors
Comverse	766	Telecommunications & Electronics
Mercury	507	Software
R A D Group	500	Telecommunications & Electronics
Check Point	433	Software
E C I	421	Telecommunications
Formula	367	Software
Vishay Israel	230*	Electronics & Electricity
Gilat Satellite Networks	190	Satellites Communications
Alvarion	127	Telecommunications

* 2002 Sales

Major R&D Efforts

Stretching Boundaries of Imagination & Ingenuity

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- Innovative synergistic industry-academy cooperation, supported by the Chief Scientist, Ministry of Industry & Trade.
- Over 100 industrial & academic participants.
- Focused on establishment of the technological infrastructure for the next generation.
- Key telecommunications R&D activities:
 - Digital wireless
 - Satellite systems
 - Broadband & optical technology
 - Internet & Multimedia
 - Telemedicine
 - Microelectronics
 - Network management

Technology Start-ups



- Israel is one of the largest world centers for start-up enterprises, with ~800 (year 2003) active start-ups.
- Innovative, technology-intensive activity, representing several technology breakthroughs.
- Major international activity:
 - Strategic alliances and joint ventures.
 - Raising capital - venture, seed & risk investments.

Venture Capital

Source: IVC Research Center (2004)

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- Investments by venture capital funds constitute an added value above financial contributions - in management, world market familiarity, strategic guidance and economic credibility.
- During 2003, 371 Israeli companies raised \$1.01 billion (compared to 352 companies & \$1.14 billion during 2002).
- 43% (\$421 million) was invested by Israeli venture capital funds.
- The active sectors are communications (33%), software (19%), life sciences (18%), semiconductors (12%) & Internet (4%).



Telecommunications Market Overview

Regulation



- **Free and competitive markets promote growth, efficiency, customer satisfaction & wide geographical coverage.**
- **Facility-Based Competition in Israel.**

From Monopoly to Competition



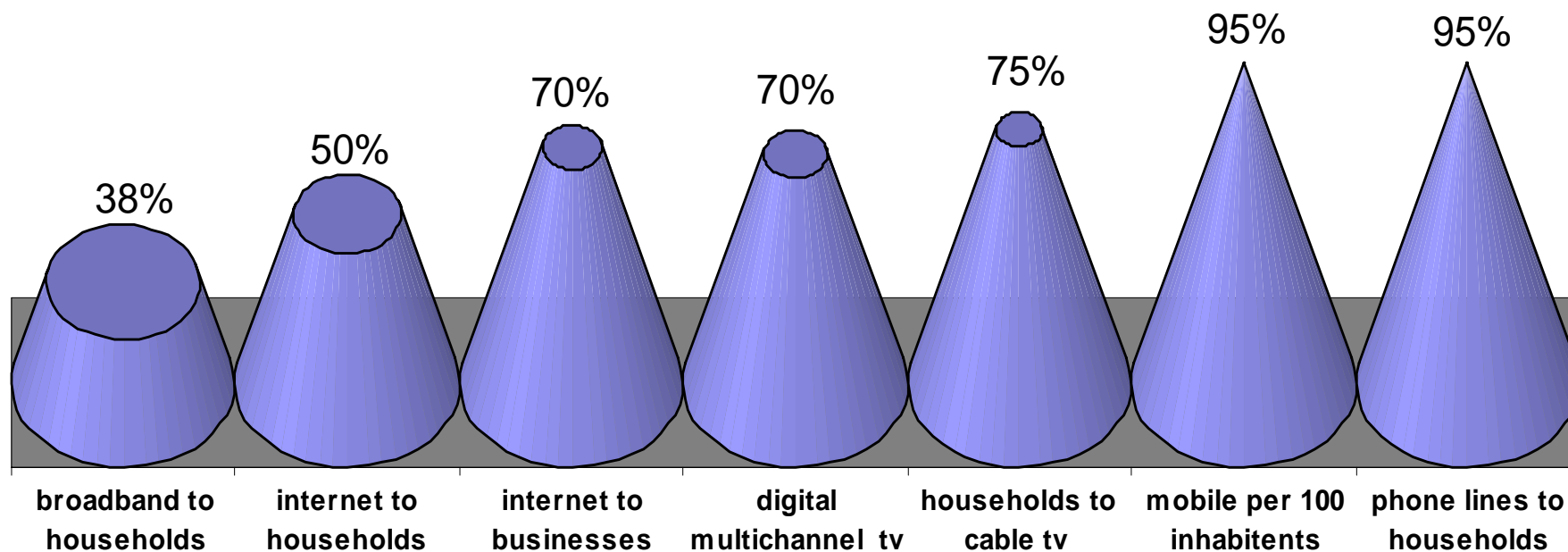
	<u>1994</u>	<u>2000</u>	<u>2004 +</u>
Mobile Services	<ul style="list-style-type: none"> ● Pelephone (Bezeq) 	<ul style="list-style-type: none"> ● Pelephone ● Cellcom ● Partner 	<ul style="list-style-type: none"> ● Pelephone ● Cellcom ● Partner ● MIRS
Fixed Services (Infrastructure, Transmission & Telephony)	<ul style="list-style-type: none"> ● Bezeq 	<ul style="list-style-type: none"> ● Bezeq 	<ul style="list-style-type: none"> ● Bezeq ● Cable Companies ● Others: <ul style="list-style-type: none"> ◆ Wireline ◆ Wireless
International Long Distance Services	<ul style="list-style-type: none"> ● Bezeq 	<ul style="list-style-type: none"> ● Bezeq-International ● Barak ● Golden-Lines 	<ul style="list-style-type: none"> ● Bezeq-International ● Barak ● Golden-Lines ● Additional operators

Israel's Telecommunications Statistics 2004

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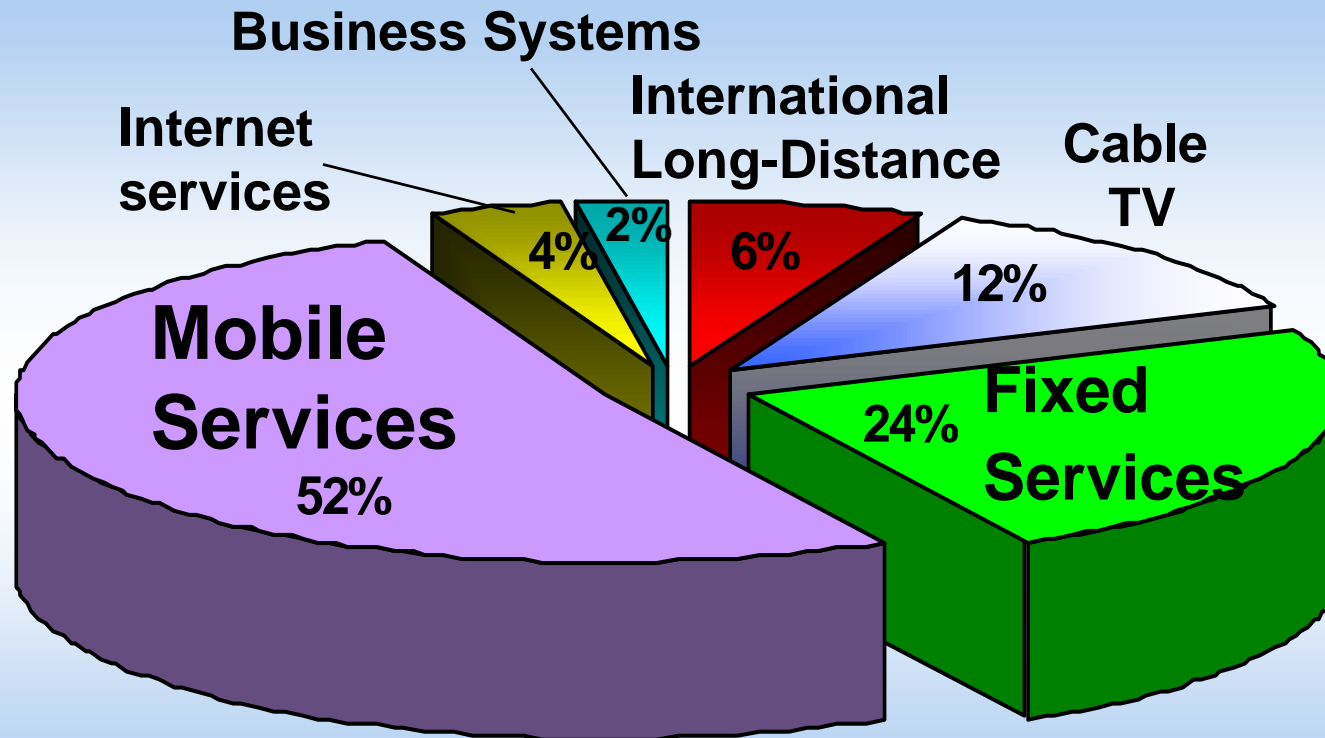


Penetration Rates



Telecommunications Services Market - 2003

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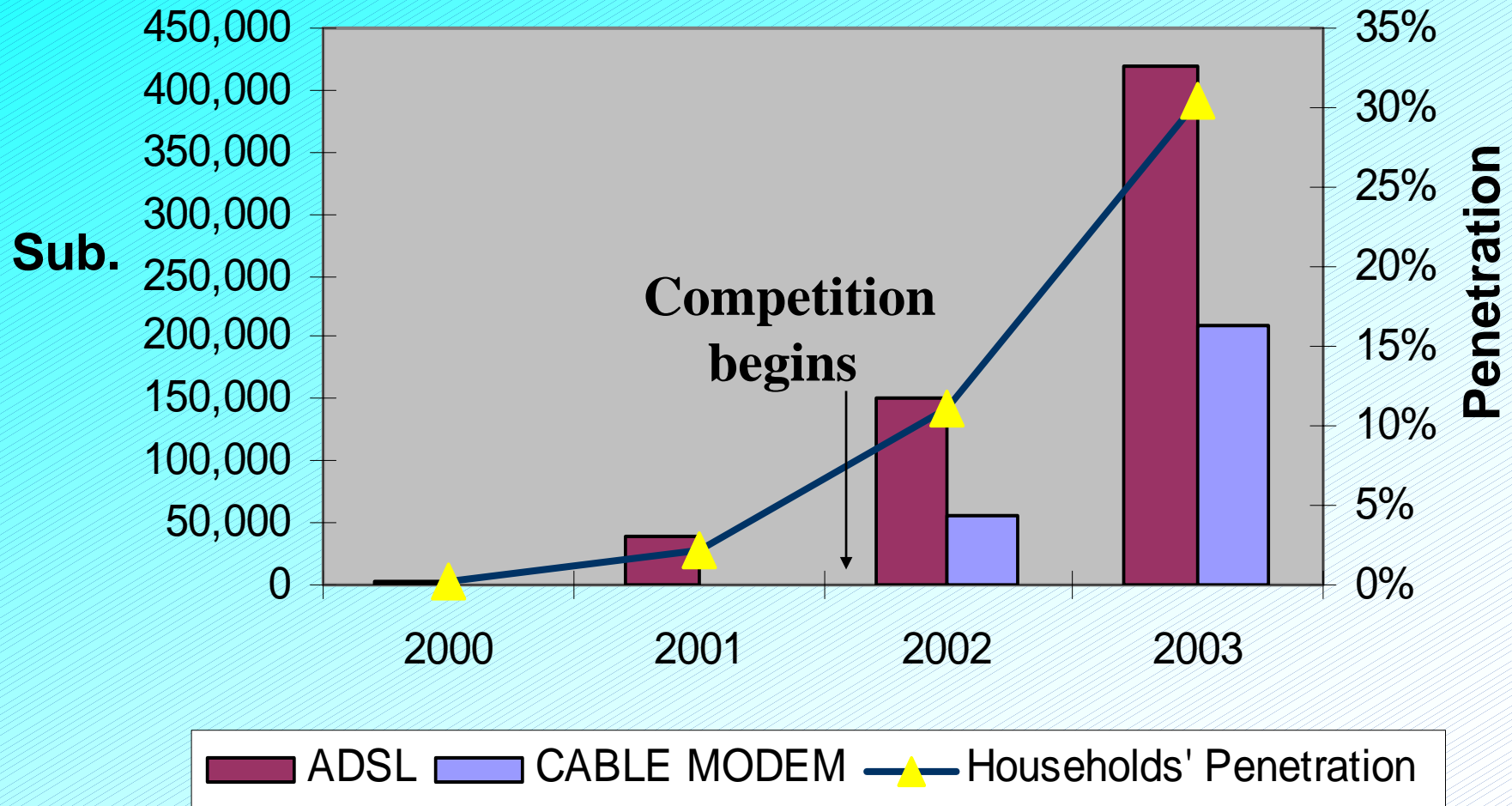
Total telecom services market ~ US\$ 5 billion,
1998-2003 avg. annual growth of 7%

Broadband

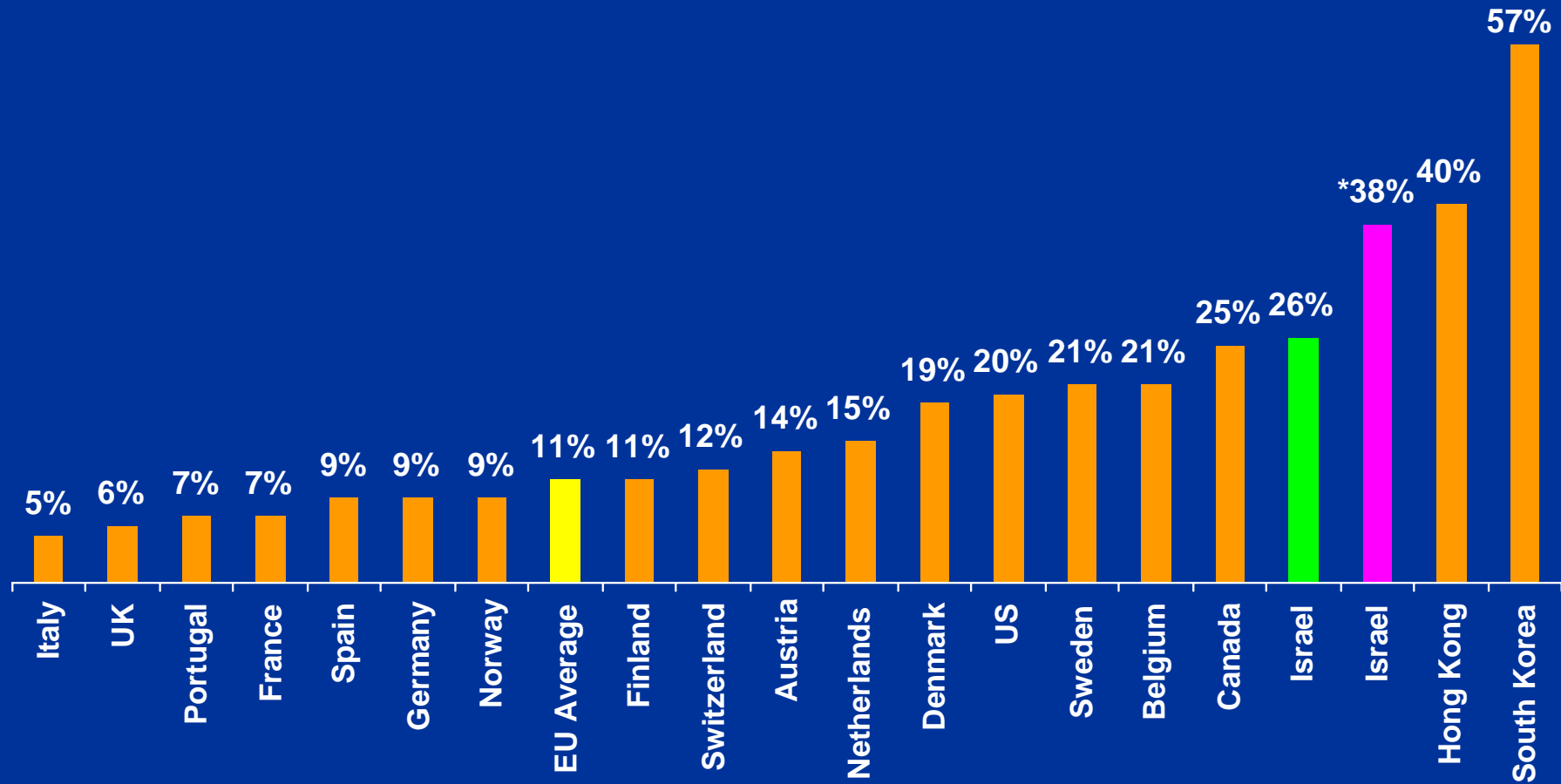


- 785,000 broadband lines (515,000 ADSL lines; 270,000 cable modems).
- Broadband subscriber growth ~200% last year.
- Broadband household penetration 38%.
- Broadband penetration per 100 inhabitants 12%.

Broadband Subscriber Growth in Israel



Households` Broadband Penetration (June 2003)



Source: TASC Ernst & Young

* May 2004

Bezeq in process of privatization



- Israel's incumbent telecommunications operator.
- Annual sales ~2.2 billion US \$ (inc. subsidiaries)
- Government holds 49.1% of Bezeq shares.
- During 2004 the government plans to sell its holdings:
 - 30%-40% to financial/strategic investor.
 - Additional shares in Tel Aviv stock exchange.

Amos 2 Satellite - Civilian Telecommunications Satellite

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- Launched December 2003.
- Geostationary orbit at 4° West (co-located with AMOS 1).
- 11 active transponders & 3 backup transponders, 72 MHz bandwidth each.
- High power - planned for DTH TV distribution, two-way Internet services and broadband VSAT networks.
- 3 spot beams:
 - Middle East - supporting up to 11 transponders.
 - Europe - supporting up to 6 transponders.
 - US East coast - supporting up to 8 transponders.
- Designed, manufactured and controlled by Israel Aircraft Industries.
- Owned & operated by Spacecom Ltd.

Cooperation between the Ministry of Communications and the Foreign Delegations

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- Professional visits to Israel, to learn about the Israeli telecom market and to enhance the mutual trade relations.
- Joint enterprises: workshops, exchange of information in the field of market regulation, etc.
- Promotion of Telecom Israel 2004.



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Telecom Israel 2004 Exhibition and Conference: The Future is Here

Tel-Aviv, 8-11 November, 2004

For more information

Telecom Israel 2004:

<http://www.telecom-israel.com>

Telecom Israel 2004: Telecom Showcase



- **A bi-annual international event:**
 - **Expectation of more than 160,000 visitors, more than 4000 foreign visitors, more than 20 telecom official delegations headed by ministers.**
 - **Following the remarkable success of Telecom-Israel events:**
 - ◆ **1998 - 100,000 visitors, 3000 foreign visitors.**
 - ◆ **2000 - 140,000 visitors, 4000 foreign visitors.**
 - ◆ **2002**
 - ❖ **160,000 visitors.**
 - ❖ **372 Exhibitors from Israel and outside Israel.**
 - ❖ **4500 participants at Conferences.**
 - ❖ **1,058,903 visitors at the web site in 2002 before Opening Day.**
- **Exhibition 35,000 sqm.**
 - **Over 400 exhibitors.**
 - **~ 90 start-ups stands which were chosen by the Chief Scientist, Ministry of Industry & Trade.**

Telecom-Israel 2004 Event

Tel-Aviv, 8-11 November, 2004



- Important international exhibition & conference:
- A showcase of hottest technologies and applications.
- The place to see how new technologies, products, services and issues are reshaping the world of communications.
- **The future is here** - Wherever you look, across the globe, Israel's born products stand up.
- We invite you to witness for yourself!



The End

Thank you for your attention

**For more information
<http://www.moc.gov.il>**