

Eilat Port Privatization

Company & Transaction overview

March 2011



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This Document and its contents are based on the assumption that at the time of the sale of the Shares, the shares of EPC will be owned 100% by the State of Israel.

The information relating to the sale process, structure and timetable is purely indicative and may be altered, modified or cancelled at any time by the GCA. Details of the sale process and sale structure of the Shares, if applicable, are officially announced in the Sale Procedure.

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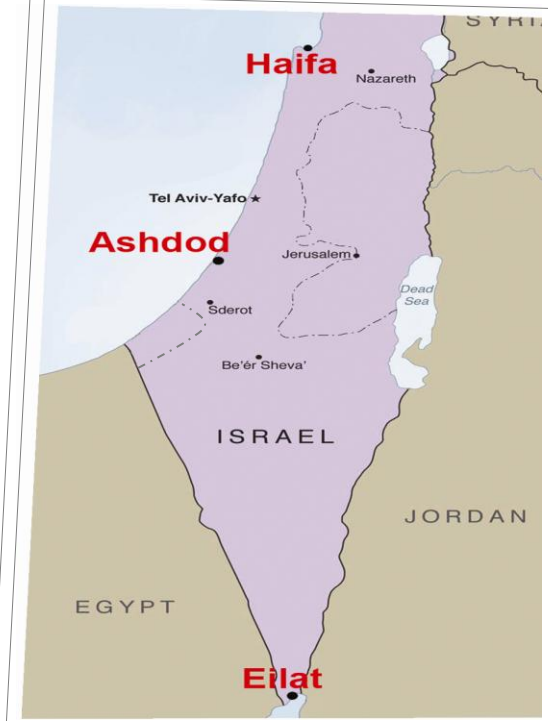
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Transaction background

The Eilat Port Company privatization is the part of the on-going Israeli port reform program

- During February 2005, the Israeli government began its port reform program with the disbanding of the Israel Port Authority and creation of four government-owned companies, among them the Eilat Port Company (EPC)
- The State of Israel owns 100% of the shares of the EPC and intends to sell them to a private sector port operator
- On December 6, 2010, the Government approved the sale of all 100% of the shares it holds in the company
- The transaction is based on the sale of the State's shares

Israel's three commercial ports: Haifa, Ashdod & Eilat



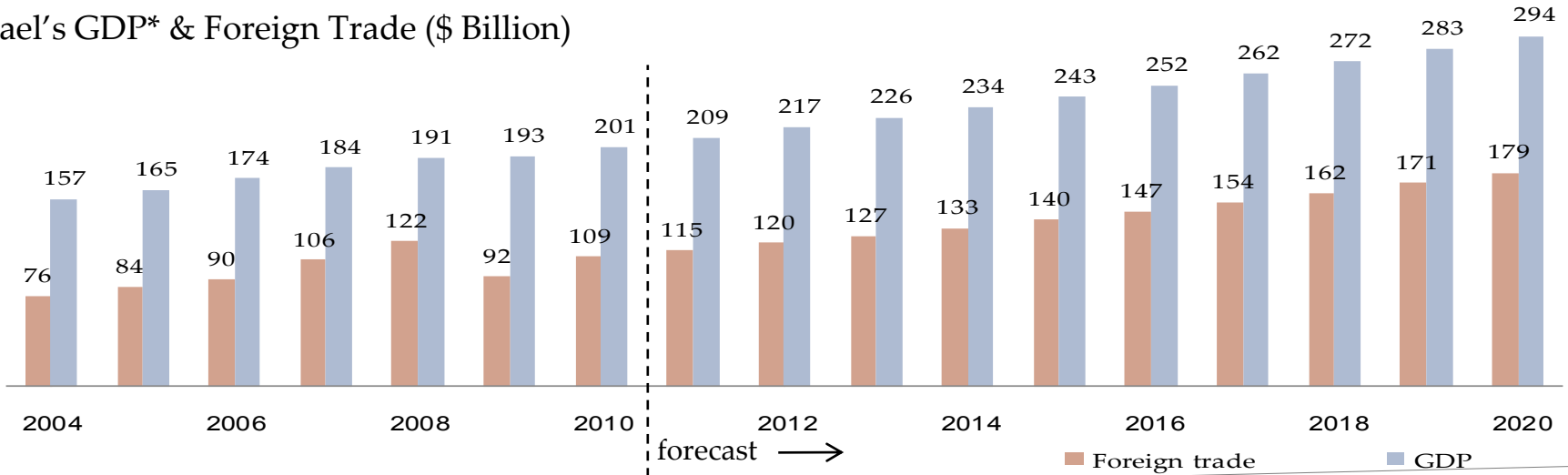
The sale of shares in the EPC is part of the government's strategy to increase competition within the industry

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Despite the recent global economic crisis, Israel's GDP & foreign trade has shown resilience

Israel's GDP* & Foreign Trade (\$ Billion)



- Israel's average annual foreign trade growth during the period 2001-2008 has exceeded 8%
- Due to the 2009 economic crisis, foreign trade decreased by 24%
- Foreign trade grew over 18% during 2010
- Foreign trade and GDP are forecasted to grow annually in excess of 5% & 3.9% respectively through 2030

*GDP calculated based on dollar exchange rate of NIS 3.65

Source: CBS & Economic Models

Israel's GDP grew even during the international economic crisis, and while the crisis impacted on trade, Israel is on track to full recovery

An overview of the Israeli economy reveals relatively high growth rates with shrinking unemployment

The Israeli economy

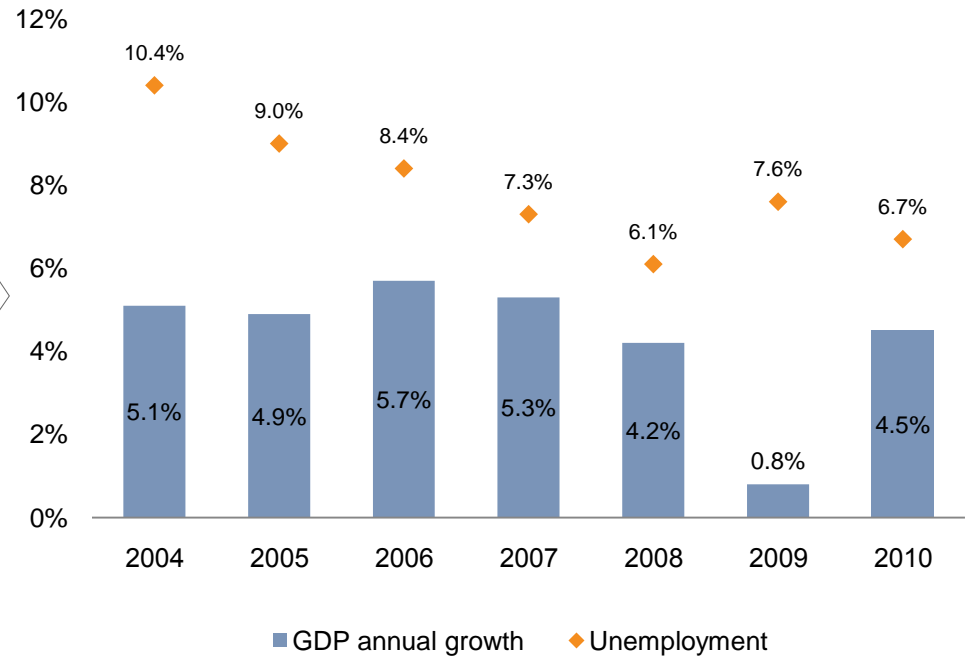


- Population: 7.5 million
- Annual inflation: 2.7%
- GDP per capita (PPP*): \$28,400
- Currency: NIS
- €1 = NIS 4.997
- \$1 = NIS 3.65
- % Public debt/GDP: 76%

Data as of end of 2010

* Power purchase parity

GDP growth and unemployment

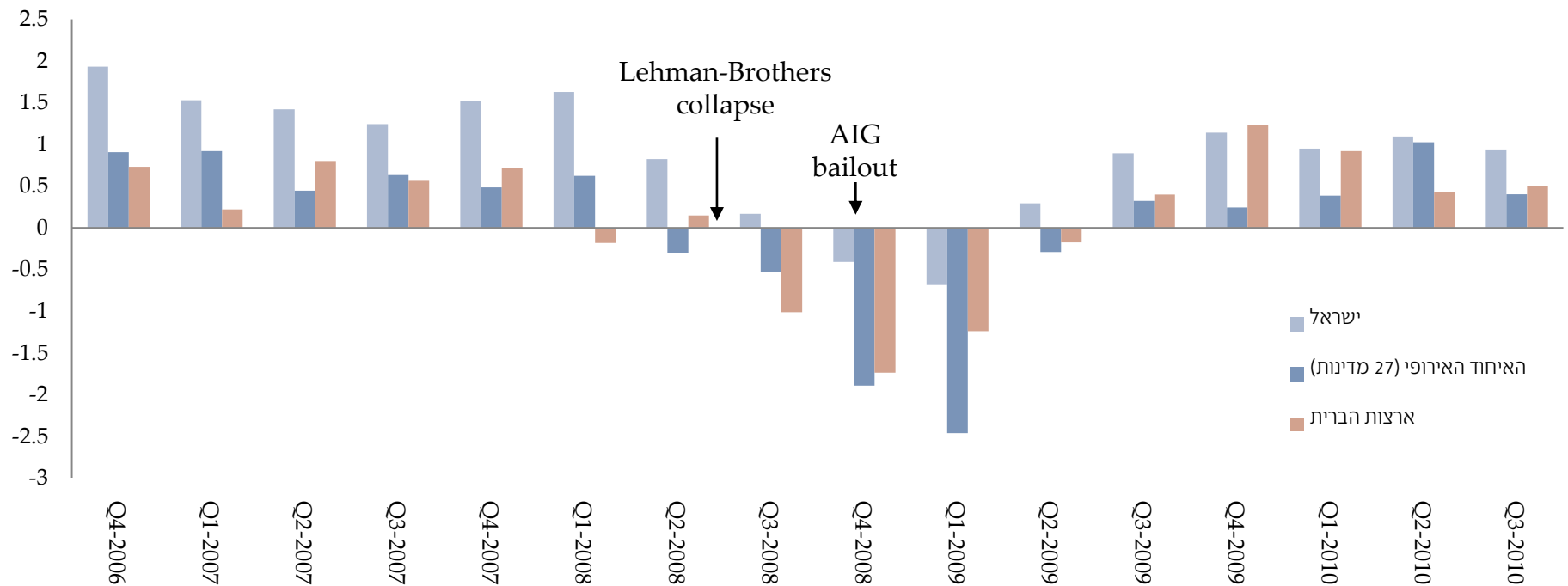


Source: CBS

During the last 6 years, the Israeli economic strength has resulted in lower unemployment rates and high annual GDP growth

Israel has weathered the international economic crisis much better than other economies

GDP growth: Israel vs US & EU



Source: OECD Stat, IMF

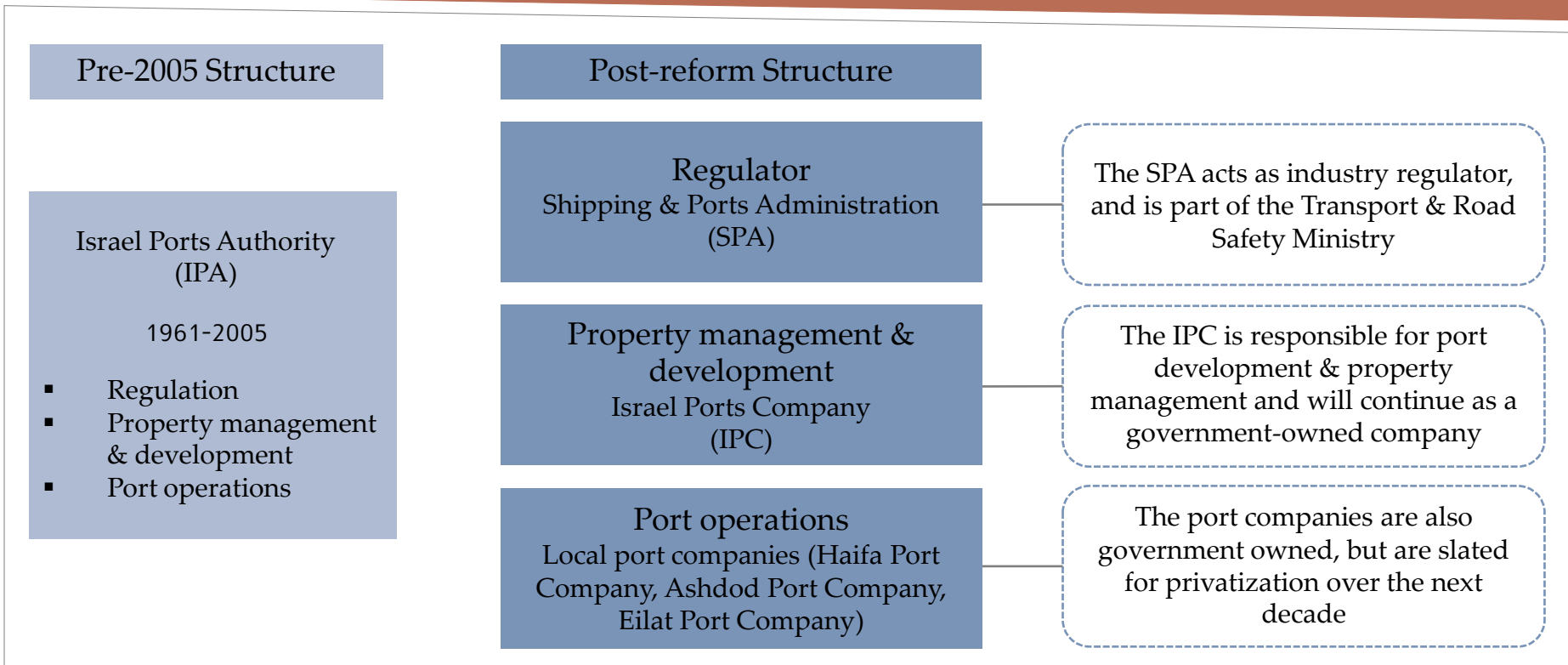
Israel experienced a slight hiccup compared to the recessionary impact on other world economies and has come out of the crisis with stronger growth

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The State of Israel began its port reform program during 2005

The first stage of the reform was a restructuring of the industry



The new organizational structure transforms a monopolistic port structure into decentralized units, creating both a competitive structure and a more efficient set of checks & balances

The continuing port reform program includes both tariff reform & the privatization of cargo handling services

Privatization of the Port Companies

	2010	1 year later	2020
Haifa Port Company	The sale of 15% of shares in the Haifa and Ashdod Port Companies * * Not yet completed	The sale of up to 49% of shares in the Haifa & Ashdod Port Companies	Government control transferred to the private sector
Ashdod Port Company			
Eilat Port Company	2010 Sale of 100% of the shares of the Eilat Port Company		

The 2010 Tariff Reform

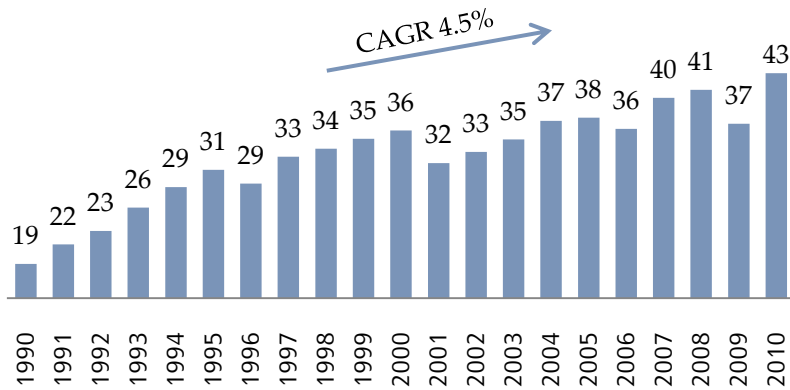
Three primary tariffs (Handling Fees, Infrastructure Fees and Vessel Charges) were created based on common international practice:

- New tariffs are based on costs rather than cargo value
- Existing import-export cross-subsidy is being phased out
- Infrastructure fees will be directed to the IPC to support port infrastructure development

These two reform initiatives will further facilitate competition which should lead to a more efficient export-import logistics structure, benefiting the Israeli economy

Growth in Israeli port traffic data is consistent with the growth in economic indicators presented earlier in the presentation

Total traffic
In millions of tons

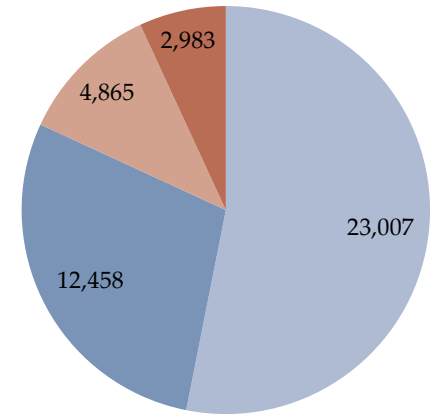


Source: SPA

Over the past 20 years, annual cargo traffic growth has averaged 4.5%, exceeding the growth in most developed countries

Traffic breakdown by type
In thousands of tons

- Containerized
- Automated Bulk
- Bulk - Grabs
- General Cargo



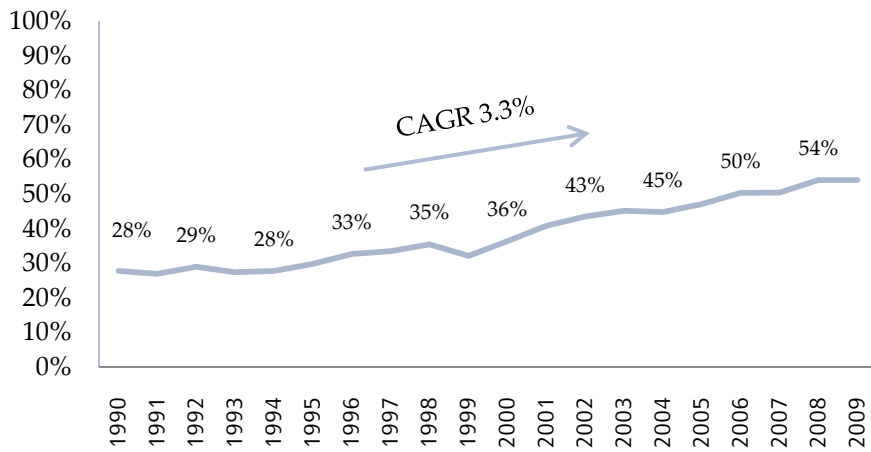
Source: SPA

Around 55% of traffic is containerized. Another third is automated bulk

While there has been consistent growth in overall cargo traffic, the strongest growth has been in container traffic

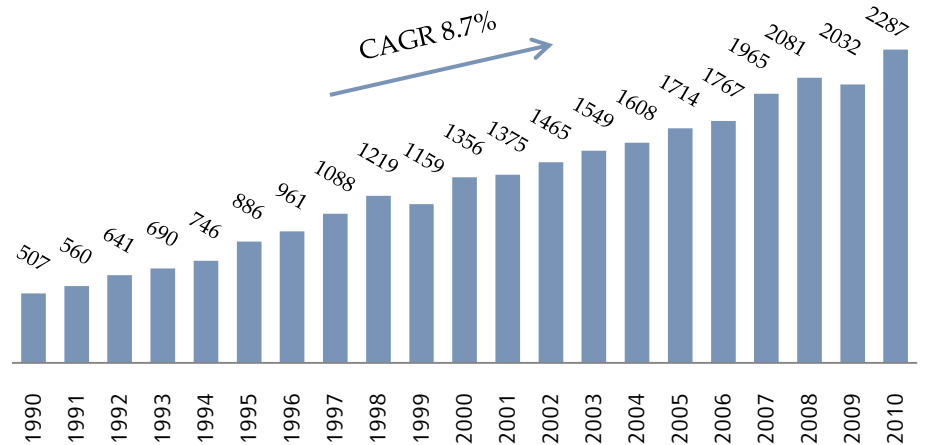
Most Israeli cargo traffic is containerized

Containerized cargo as a percentage of total cargo traffic



Source: SPA

Annual Israeli container traffic In thousands of TEU's



Source: SPA

The percentage of cargo traffic being handled by container has steadily increased over the last two decades and is currently the predominant form of traffic

The combination of increased trade and increased containerization has resulted in average annual container traffic growth approaching 9%

With growth in total traffic and the global containerization trend, containerized cargo has been rising significantly through the years

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The Port of Eilat is located on the northern end of the Red Sea

EPC License Area



- The yellow denotes the area licensed to the Eilat Port Company
- The blue denotes port property leased by the IPC for other port related uses
- The white area to the south is area occupied by the Eilat Ashkelon Pipeline Company (EAPC)

Eilat Port- A view from the East



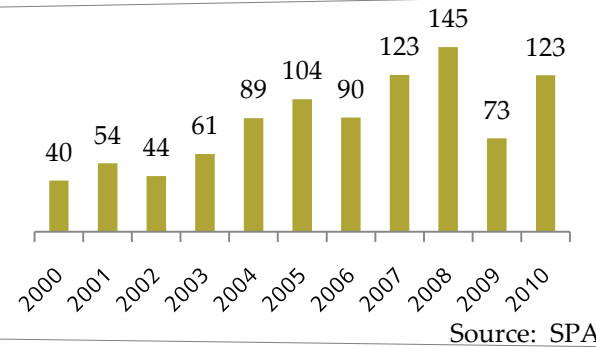
Eilat's geographical location provides it with certain strategic advantages for handling trade to and from the Far East

Eilat Port imported vehicle and bulk traffic has been stable and growing

Eilat Port- View from the South

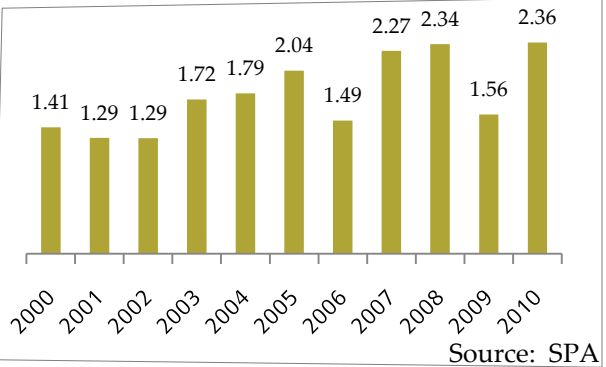


Vehicle Traffic In thousands of Units



- Roughly 50% of Israeli vehicle imports enter via Eilat Port

Automated Bulk In Millions of Tons



- The automated bulk facility, managed by Israeli Chemicals Limited (ICL), handles potash and phosphate exports to the Far East

Eilat Port is the dominant gateway to the Far East for phosphate & potash exports, as well as imported vehicles

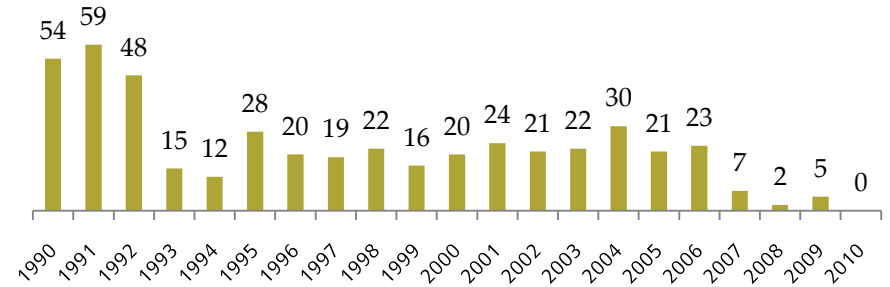
Despite recent trends, Eilat has the capacity to handle container traffic, as it had in the early 90's

Overhead view of Eilat Port
Levels & access roads



Container Traffic

In thousands of TEU's



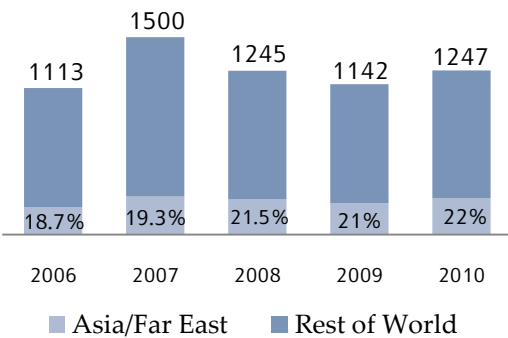
Source: SPA

- In the early 90's, Eilat Port handled almost 60K TEU's
- Container cargo has dried up due to elimination of overland transport subsidies and changes in shipping lines

One of the main privatization objectives is to reinstitute container traffic via the port

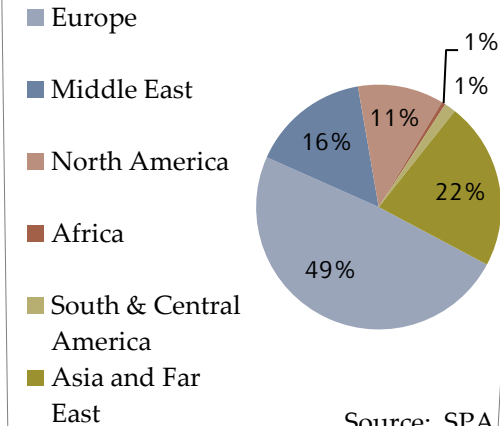
The Asia/Far East trade route is one of Israeli's most important trade routes

Israeli full container traffic
In thousands of TEU's



Source: SPA

2010 trade by region



Source: SPA

Far East maritime trade routes



- Israeli –Far East trade has been stable in recent years at around 20% of total Israeli traffic
- The volume of trade with the region directly impacts on Eilat Port's potential

- Shanghai – Eilat: 12 days of shipping
- Shipping line length: 7,100 nautical miles

Israel's trade with the East is consistently around 20% of traffic; Eilat's geographical location provides it with certain strategic advantages in regard to that market.

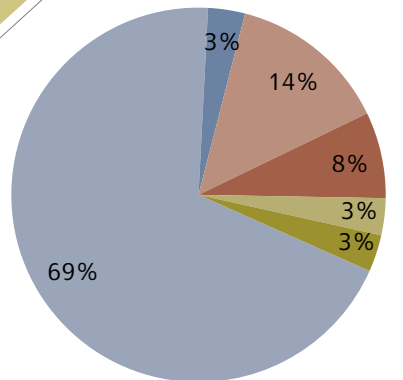
EPC's steady revenue and profit flows are dependent on its vehicle and mineral traffic

Primary income from vehicle and mineral traffic

- Eilat Port has strategic importance as Israel's only southern gateway
- Eilat Port handles about 6% of Israel's cargo
- World crisis impacted on Eilat's 2009 activities
- Vehicle traffic is source of 65% of revenue

Distribution of Eilat income

- Vehicles
- Livestock
- Minerals
- Rent & Franchises
- Containers
- Other

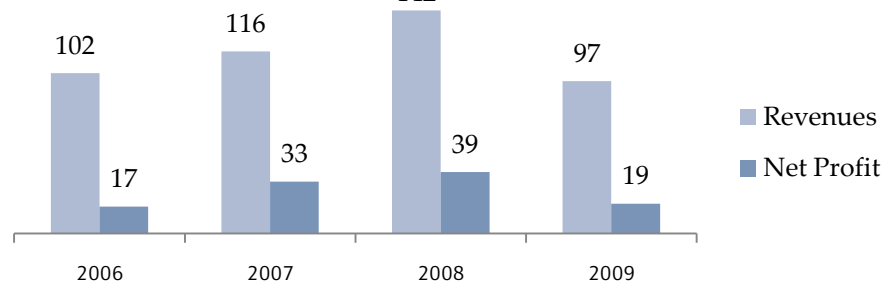


Source: EPC

Despite the low throughput, Eilat revenues & net profit are relatively stable

- EPC's revenue streams have been stable through the years, including 2009, the year of the global financial crisis
- EPC's profit margins exceed 20% and have remained stable during recent years
- Due to the tariff reform, port profitability is expected to alter

EPC Revenues & Net Profit (Millions of NIS)



Source: EPC, Hayuot Report

While over 80% of EPC revenue is currently attributable to vehicle and mineral traffic, diversification to other trades such as containers will unlock the EPC's potential

Eilat Port Company's financials

Profit & Loss Report

In thousands of NIS

	2006	2007	2008	2009
Net Income	101,924	116,473	141,514	96,574
Operating / General & Administration Costs	(78,046)	(79,662)	(88,082)	(82,627)
Earnings Before Interest & Taxes	23,878	36,811	53,432	13,947
Income from Finance & Other income	1,611	6,055	1,801	10,767
Pre-Tax Profit	25,489	42,866	55,233	24,714
Income Tax	0	(11,697)	(16,380)	(6,107)
Net Profit	25,489	31,189	38,853	18,607

Source: EPC

Balance Sheet

In thousands of NIS

Current assets	2008	2009	Equity & Liabilities	2008	2009
Cash & Cash Equivalents	103,420	58,215	Short-term Liabilities	38,980	32,205
Short Term Investments	31,474	42,471	Long-term Liabilities	55,274	56,463
Employee Bank Deposits & Securities	10,415	11,309	Deferred Taxes	6,224	5,161
Customer's open-accounts	8,748	3,394	Liabilities due to		
Others	10,671	13,926	termination of Employer-	49,050	51,302
Total Current Assets	164,728	129,315	Employee relations		
			Total Liabilities	94,254	88,668
Long Term Assets					
Long Term Debit Balance	92,673	94,593	Equity	211,887	183,462
Savings & Employee mutual fund	2,838	3,045			
Employee Bank Deposits & Securities	89,835	91,548			
Permanent Assets (Book Value)	60,922	68,181			
Accumulated Depreciation	(14,100)	(21,672)			
Intangible Assets	1,918	1,713			
Total Long Term Assets	141,413	142,815			
Total Assets	306,141	272,130	Total Equity & Liabilities	306,141	272,130

Source: EPC

The EPC's infrastructure, assets & manpower

Existing equipment

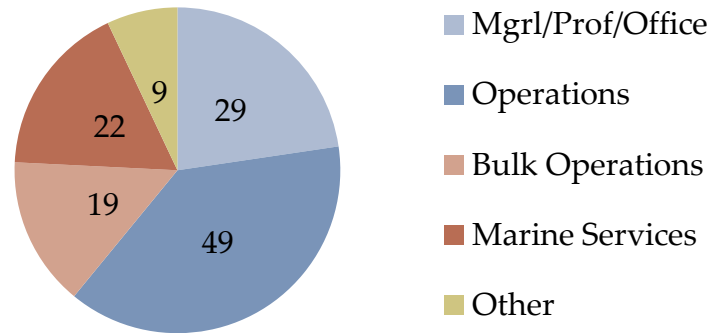
- Tugs
- Other Vessels
- STS Crane
- Double Jib Crane
- Single Jib Cranes
- Reachstackers
- Trucks & Trailers

Recent Infra. works

- Main quay refurbishment
- Shallow water quay works
- D&H stacking area rehabilitation
- STS upgrade

Human resources

- The EPC employs 128 employees
- 19 employees are engaged in ICL facility activities

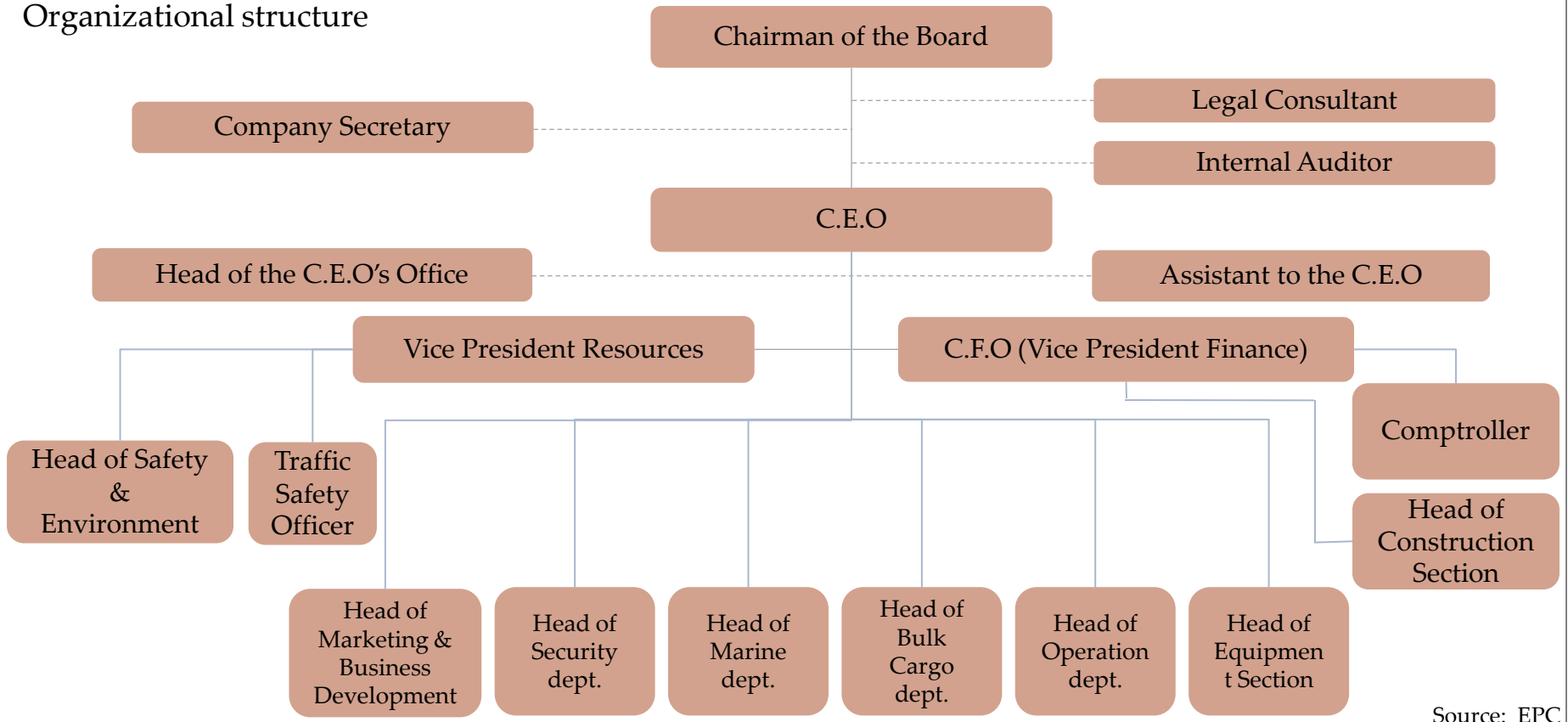


Source: EPC

Recent infrastructure works and the EPC's human capital create a sound foundation for handling containers

Eilat port company's organizational structure consists of functional and divisional aspects

Organizational structure



Source: EPC