



Haifa Port Company Ltd.

A compelling opportunity to acquire a major Israeli infrastructure asset

October 2020



Disclaimer

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-  Israel macro-economic overview
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-  Forecast financial overview Confidential: section excluded prior to NDA
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Introduction

The State of Israel, through the Government Companies Authority (“GCA”) has announced its intention to privatize the Haifa Port Company (“HPC”)

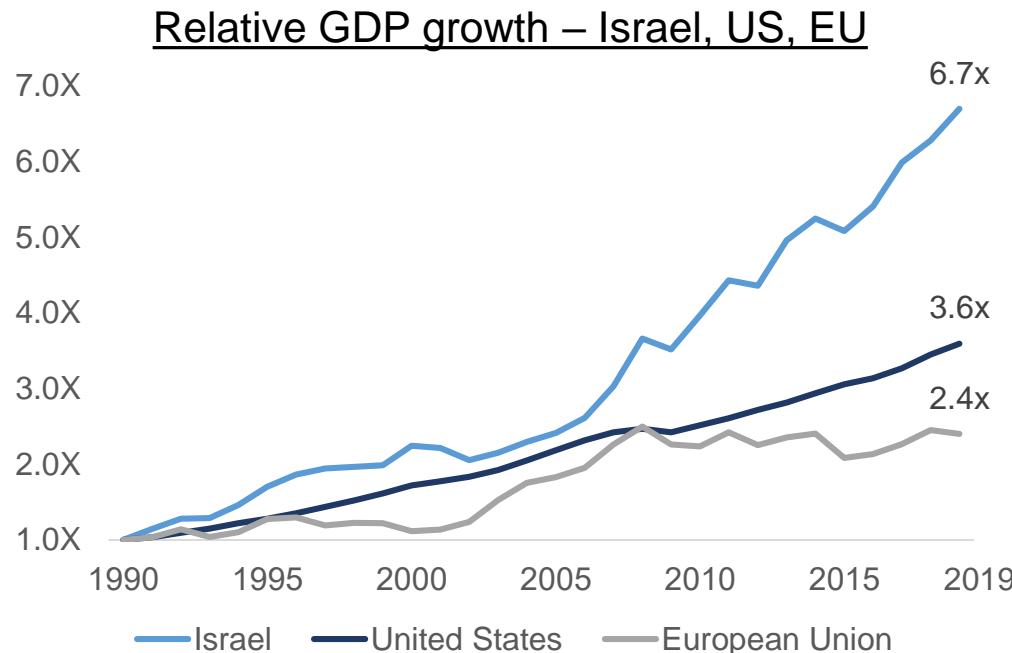
A 100% sale is anticipated to a buyer/group led by a strategic entity with significant maritime experience

The process will involve ‘money in’ and ‘money out’; specifically, the first ILS 1 billion will be invested into HPC

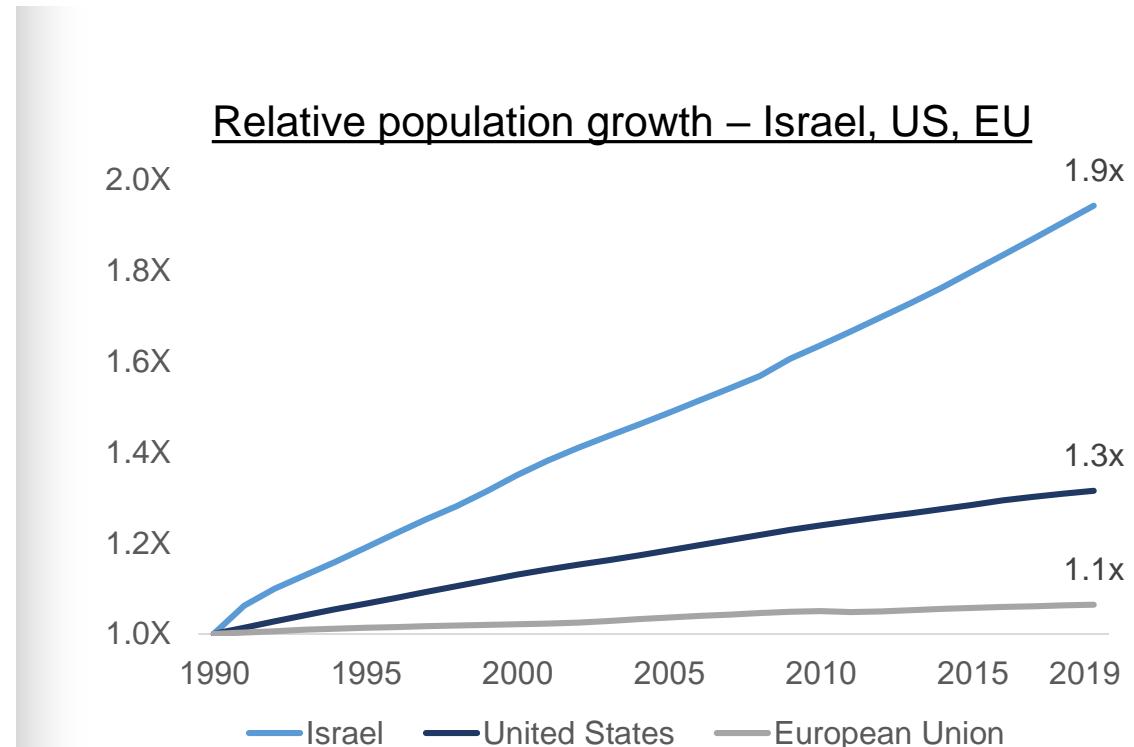
This presentation serves as an introduction to the HPC and the sale process



Israeli GDP and population growth rates significantly exceed those of the US and EU over the last 30 years

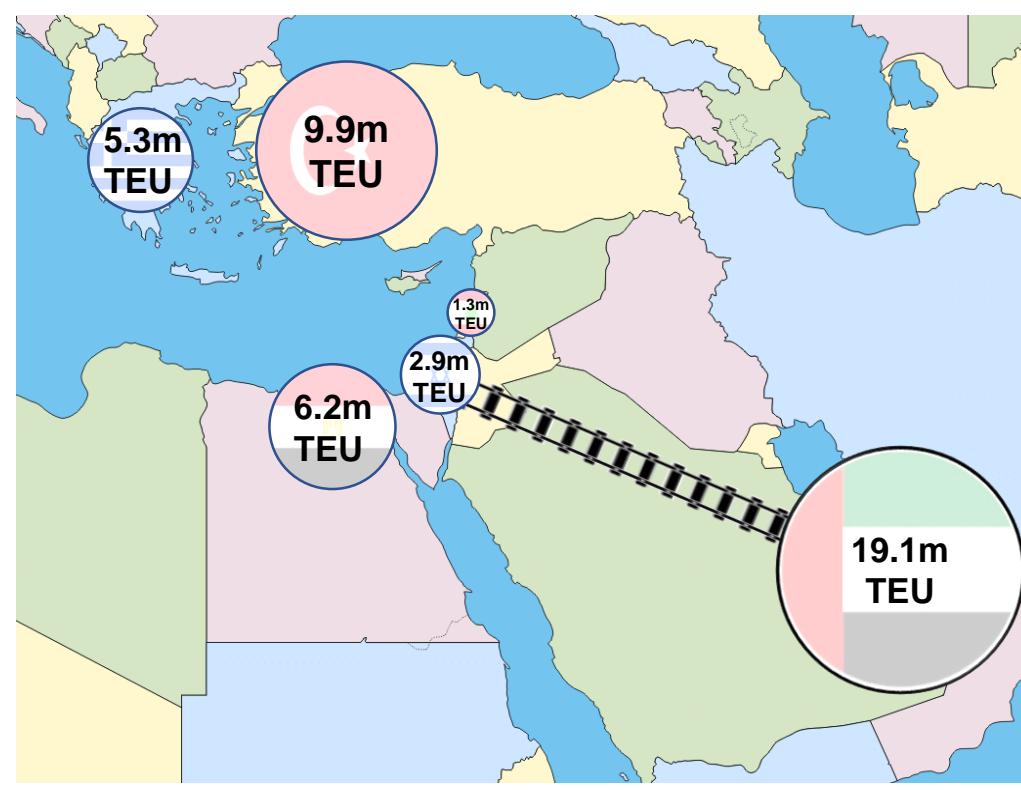


Israel GDP, 2019: \$395 billion



Israel Population, 2019: 9.1M

Israel is currently a small player in the Eastern Mediterranean region, but Israeli port volumes are expected to grow due to increased capacity coming online (2021)



Recent geopolitical events may create further significant upside

Haifa Port Company: world class multi-purpose port

Eastern Container Terminal

- Length: 960m
- Depth: up to 14.5m
- Area: 403 dunam
- Use: containers, bulk, general cargo

Carmel Container Terminal

- Length: 700m
- Depth: up to 16.2m
- Area: 273 dunam
- Use: containers

Kishon - West Terminal

- Length: 642m
- Depth: up to 10m
- Area: 287 dunam
- Use: general cargo and bulk

Kishon-East Terminal

- Length: 677m
- Depth: up to 10m
- Area: 190 dunam
- Use: general cargo and bulk

Waterfront (2km)

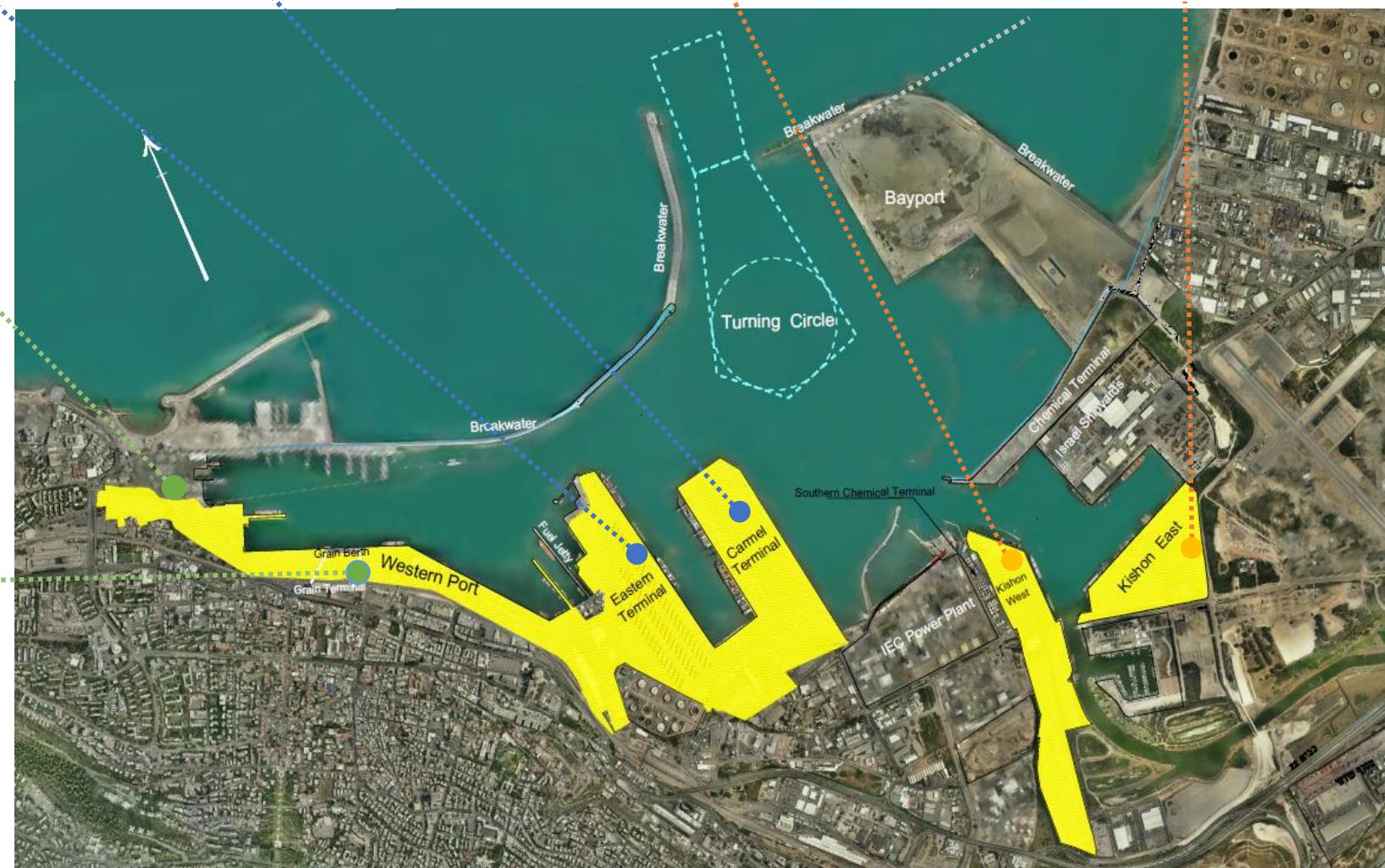
Central & Western Terminal

- Development opportunity
- Future center for tourism, recreation, commerce and leisure
- 40 dunam commercial use
- 22.5 dunam offices

Passenger Terminal

- Up to 600,000 passengers annually
- Cruise passenger facilities

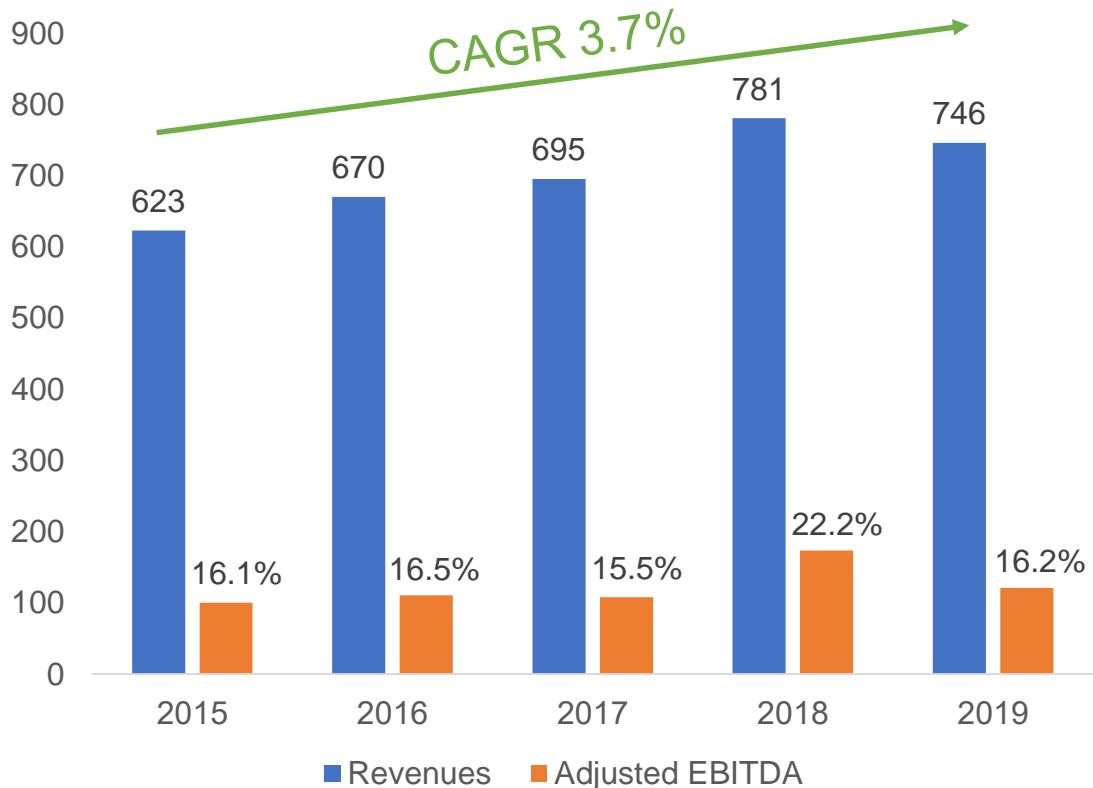
- Containers
- Cargo
- Others



Key Facts - 2019

Financial overview *

(millions ILS)

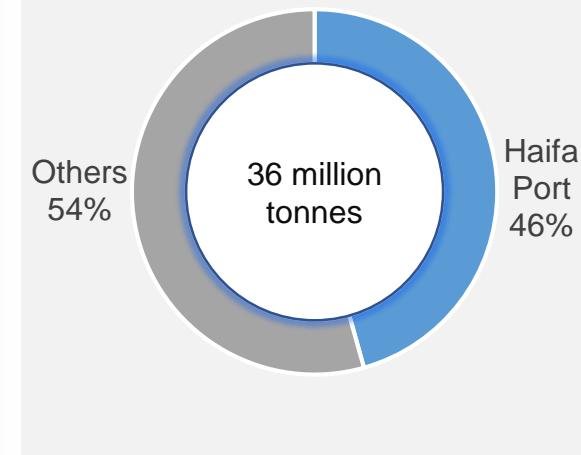


* Excludes one-off items

Source: Administration of Shipping & Ports, Haifa Port Company

2019 operating overview *

Israeli total cargo throughput **, 2019



Up to 600,000 passengers

32K TEU storage capacity

16.45m tonnes total cargo (2019)

1.379 million TEU (2019)

HPC handles approximately 46% of the gateway market and 95% of the transshipment market

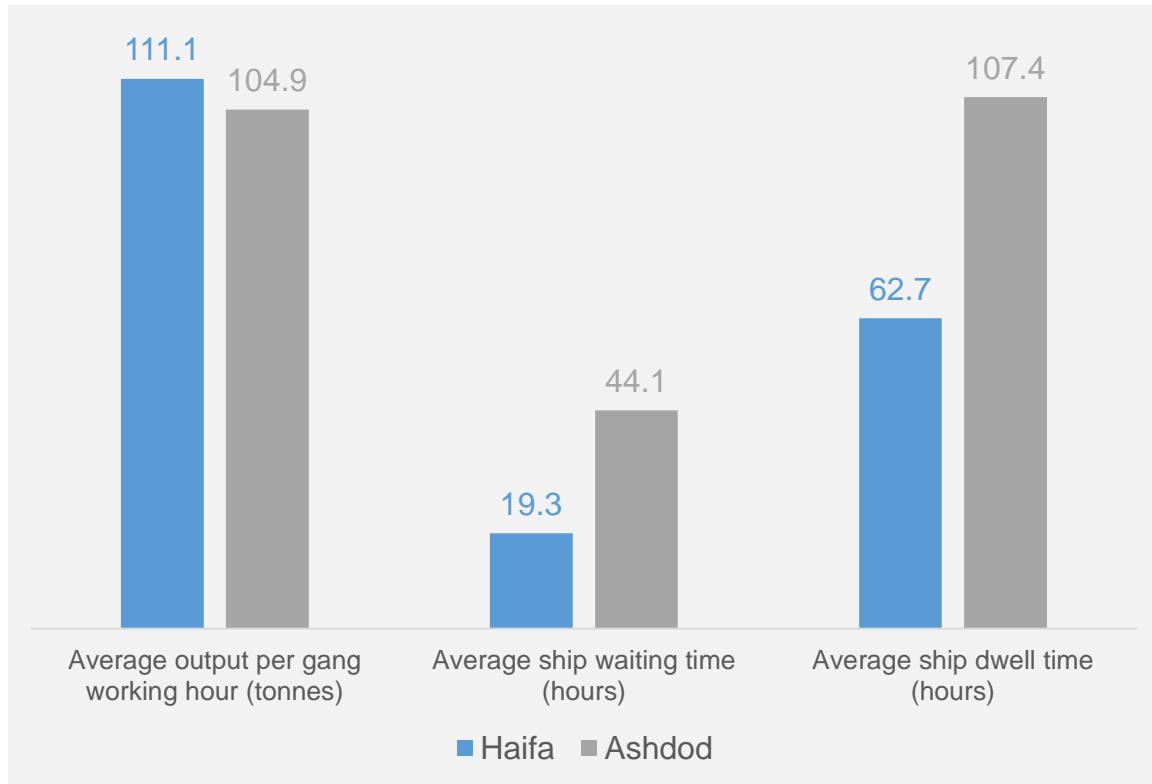
*Restated to exclude activities not included in privatization (e.g. dedicated automated bulk handling berths)

** Includes containers, bulk and general cargo

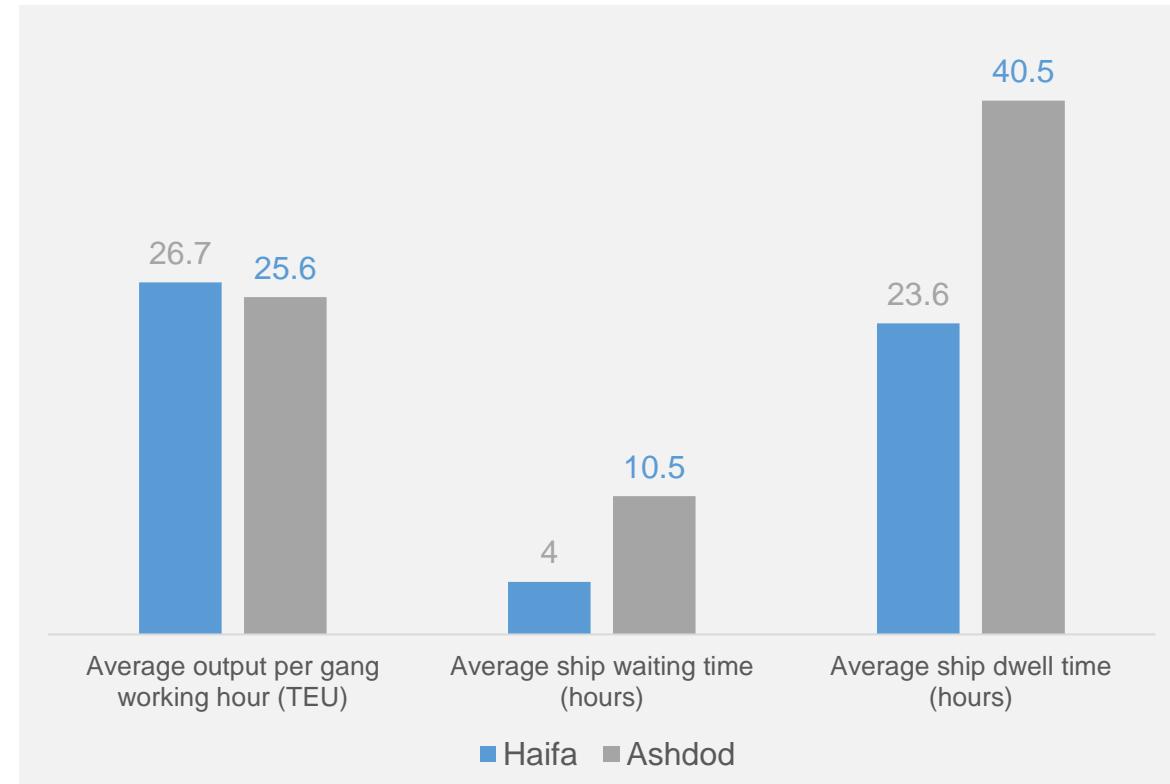


HPC is the most efficient Israeli cargo port

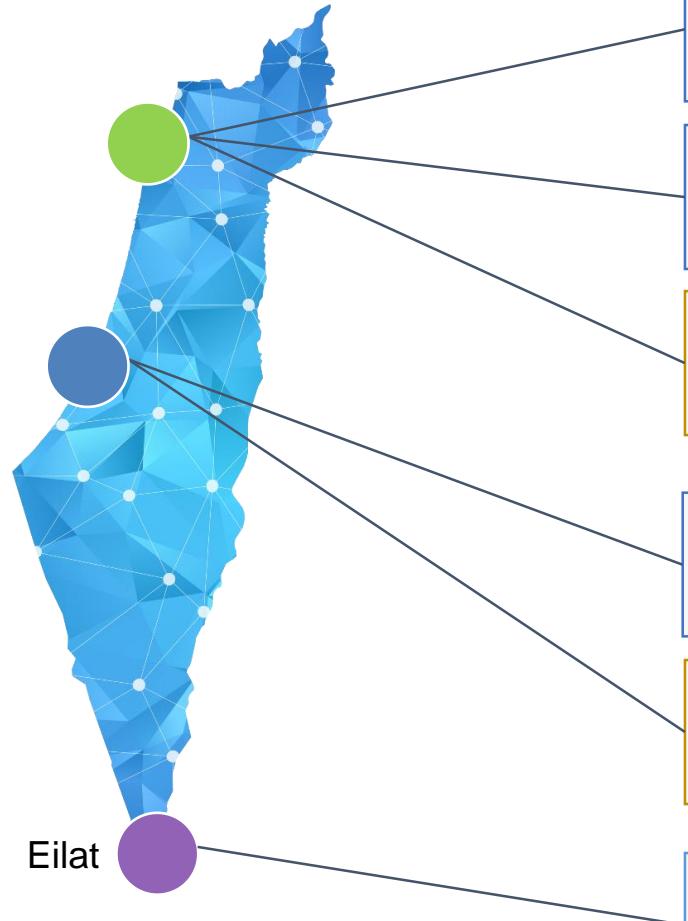
General cargo - KPI (2019)



Containers – KPI (2019)



Israeli port infrastructure

Israeli port infrastructure			
	<u>Haifa Port Company</u> Operated by HPC (government owned)	Container capacity 2m TEU	
	<u>Israeli Shipyards Port</u> Main activities are Bulk and General Cargo handling (Private and public ownership)	Container capacity n/a	
	<u>Haifa Bayport</u> Expected to operational during 2021 Shanghai International Ports Group	Container capacity* 1.1m TEU	
	<u>Ashdod Port Company</u> Operated by Ashdod Port Company (government owned)	Container capacity: 1.8m TEU	
	<u>Ashdod Hadarom Port</u> Expected to be operational during 2021 TIL Group	Container capacity* 1.1m TEU	 Terminal Investment Limited
Eilat	<u>Eilat Port</u> Israel's only port on the Red Sea Papo Maritime	Container capacity n/a	

* Estimated capacity for phase 1

Sources: ASP, Israel Ports Authority

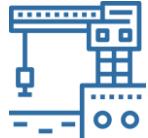
Current ports

Ports under construction

HPC is fully prepared for the expansion of the market

	Phase 1	Phase 2
Key events	Opening of 2 new ports Expected to add 2.2m TEU of national capacity	Israeli ports approach container capacity – 4.9 million TEU Israeli ports volumes increase and the new ports request authorization to expand capacity by an additional 1.85 million TEU
Market impact	<ul style="list-style-type: none">Increased competition in container segmentVolume increase in transshipment segment	<ul style="list-style-type: none">Reach ‘steady state’ capacityFocus on service levels and pricing
HPC response	<p>Diversify business mix and commence efficiency improvements</p> <ul style="list-style-type: none">Expand range of activitiesExpand general cargo capabilitiesLaunch early retirement planImplement efficiency improvementsDevelop waterfrontDevelop trade with opening Arab markets	<p>Completion of infrastructure upgrades and achieve efficiency improvements</p> <ul style="list-style-type: none">Invest in infrastructure and automation upgradesFurther efficiency improvementsReorganize workforce

Key investment highlights



Critical infrastructure with national importance



Strong balance sheet and cash position



Finalized agreement with worker's union

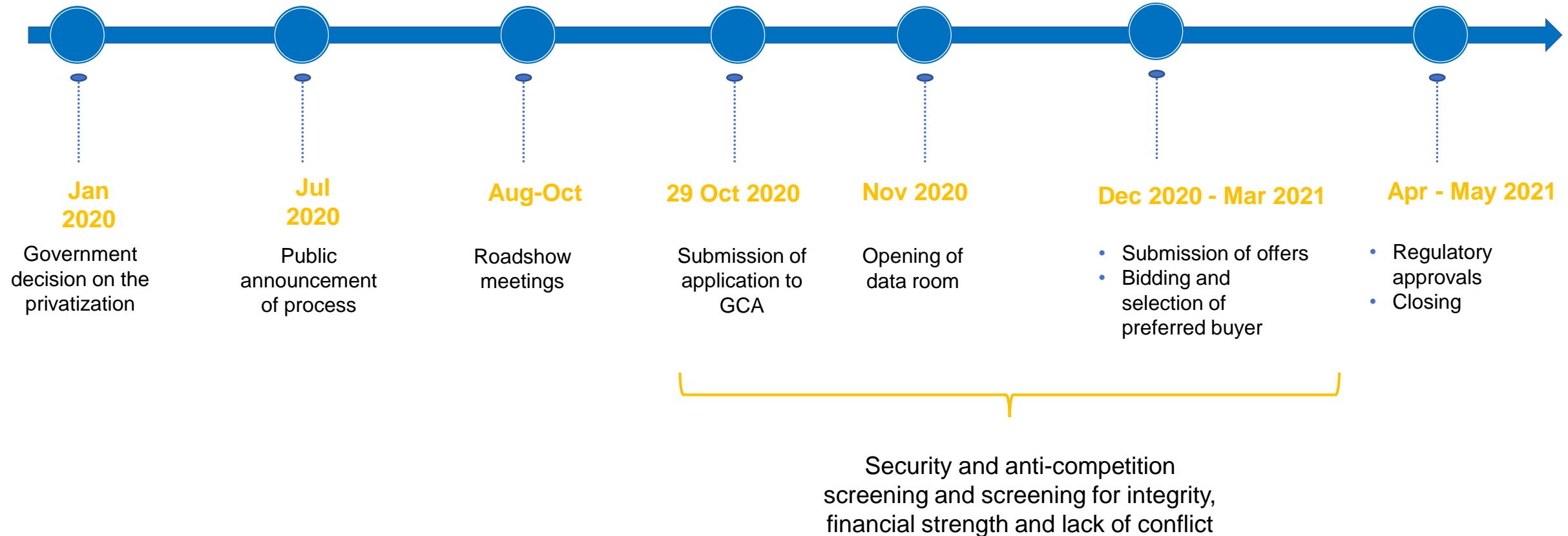


Strong strategic options



Clear regulatory and competitive environment

Overview of the process



Note: this information is provided for convenience and illustration purposes only. It is not the full process guideline and procedure and cannot be used as their interpretation. The indicated dates, as well as the process stages, are estimates only and are subject to approvals and possible future changes

Source: GCA

Israel macroeconomic overview



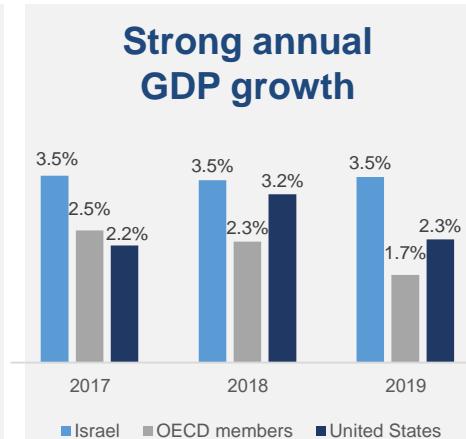
Key figures



Population - 9.1 million

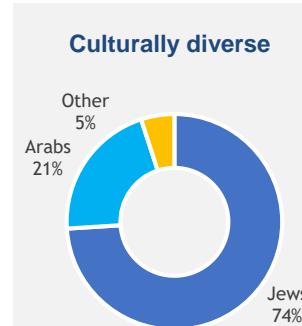


Total:
US\$395 billion
Per capita:
US\$43,641



Credit Rating
AA- / A1

3.6M
vehicles



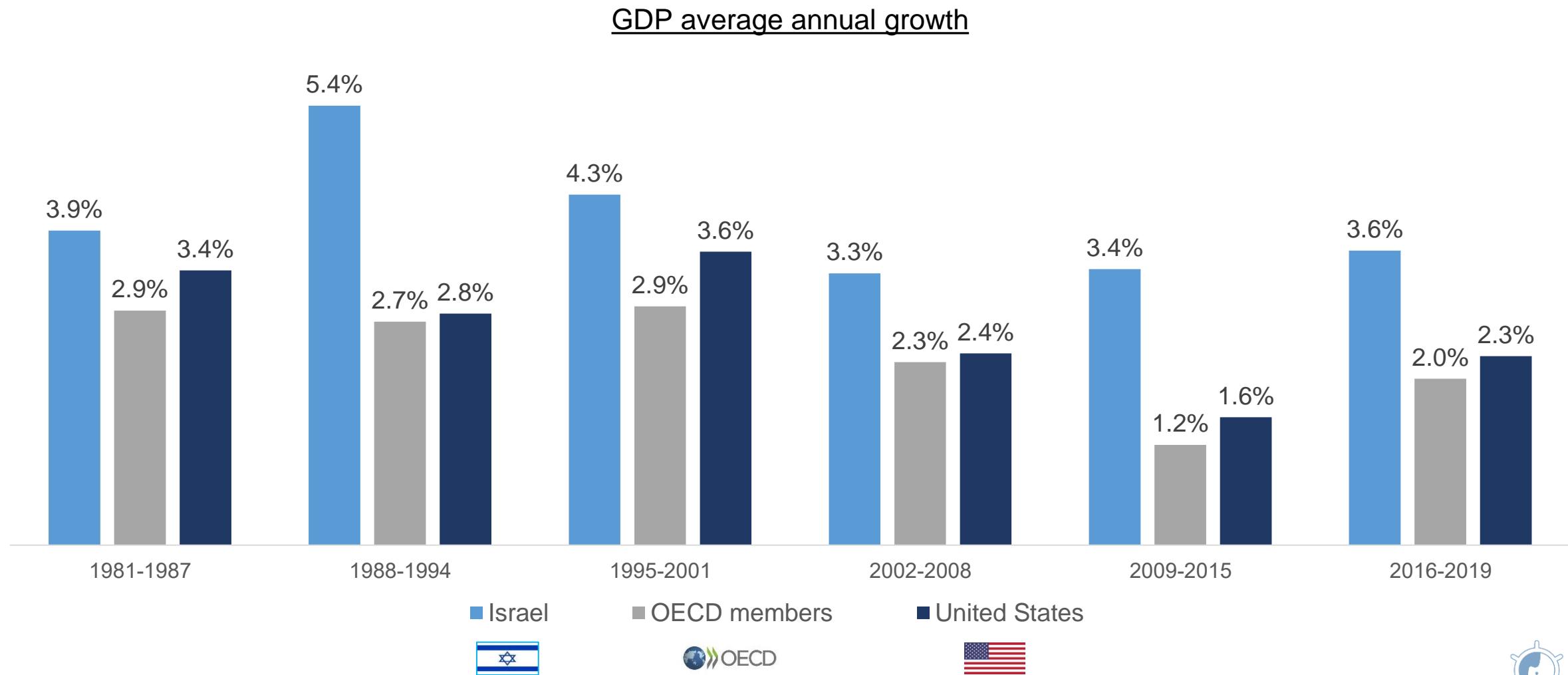
Jobless – 3.8%



*Data presented as of December 2019

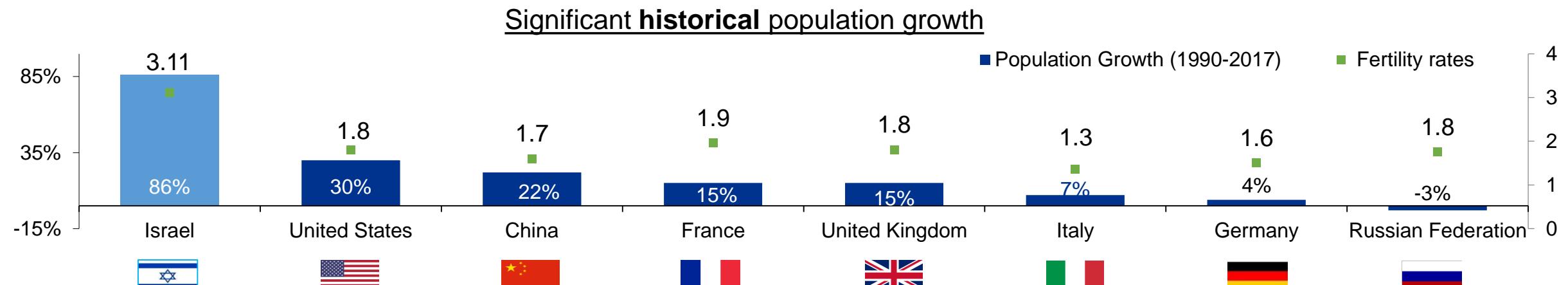
Source : Bank of Israel, World Bank, Israel central bureau of statistics and Trading Economics

Israel's GDP has been growing at a relatively high and steady rate

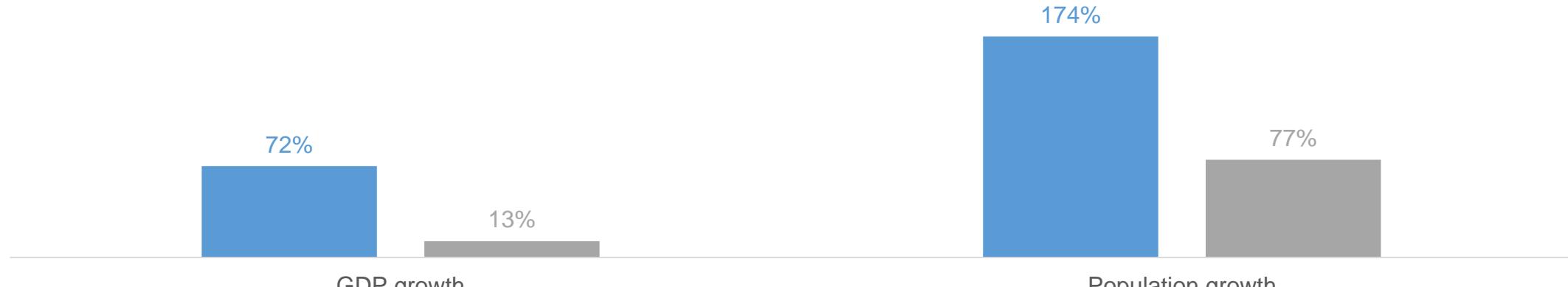


Source : Worldbank

Based on expected population growth alone, Israel expects continued strong medium and long term growth



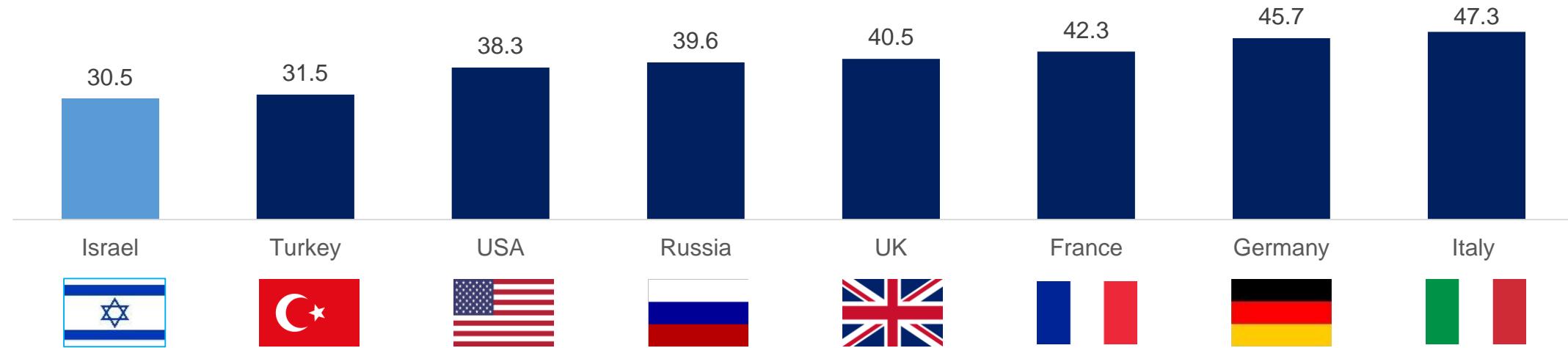
GDP and population growth forecast (2018-2050)



Source : OECD, Israeli CBS

Israel has a young population – supporting consumer spending and economic growth

Median age (years), 2019



Israel Life Expectancy:

**5th place
globally**

 80.9

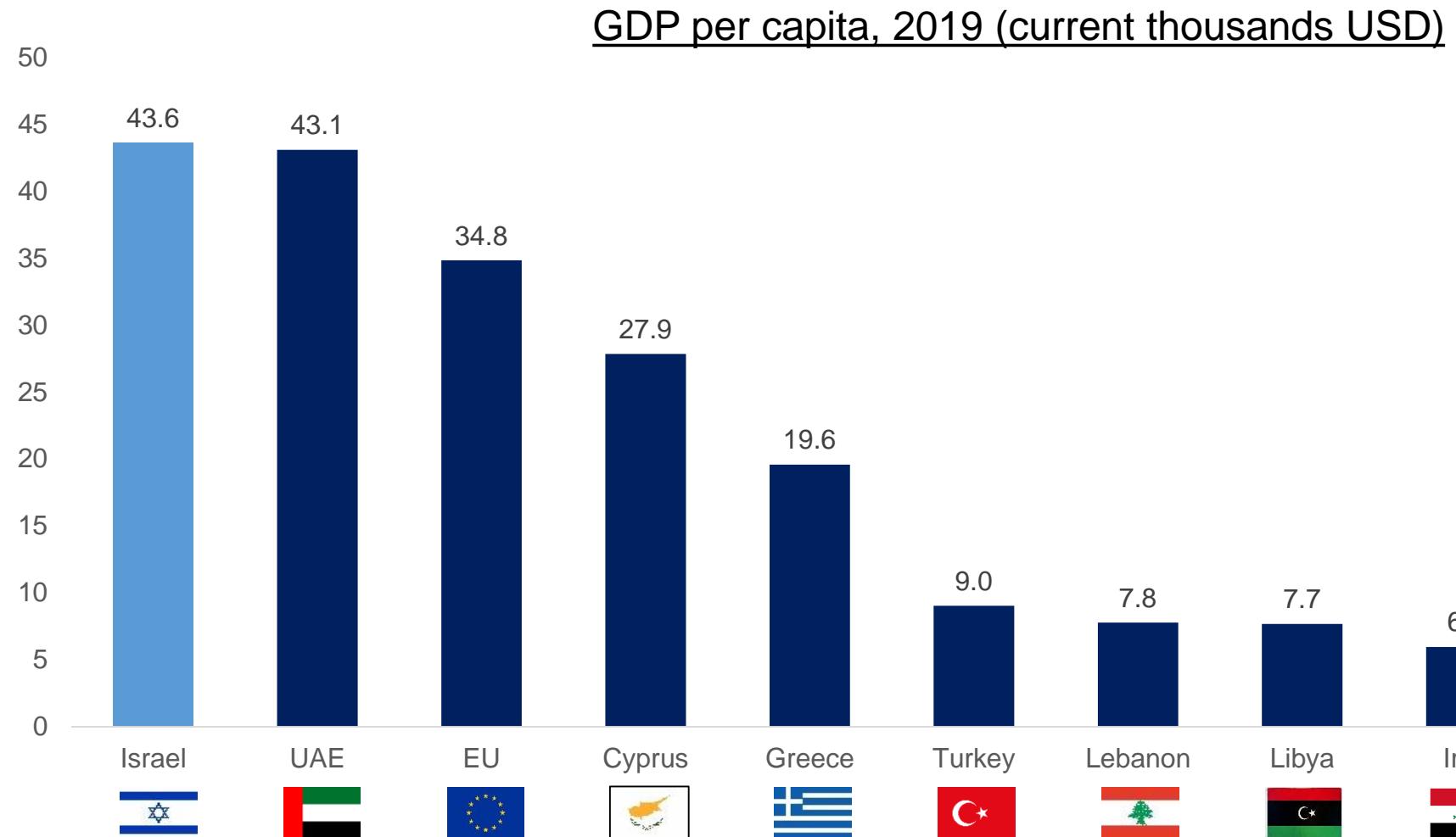
 84.9

Israel's population is growing



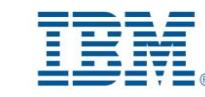
annually at 1.6% compared to average
OECD of 0.5%

Israel's economy is the strongest in the region



Source: Worldbank

In total, there are over 350 multinational companies in Israel



* Israeli headquarters in Haifa or northern Israel region

Northern Israel is expected to experience strong population growth as government encourages investment in Israel's northern metropolis as a national priority

Haifa Bay Strategic Plan – Objectives:

- Economic development – expansion of employment and career opportunities
- Recreational opportunities: **capitalizing on the waterfront opportunity - combining the boardwalk and the port for an urban recreational experience**
- Improved regional air quality
- Connecting the cities of Haifa metropolis
- Attracting young population

Haifa Bay Strategic Plans:

- 700 dunam of port hinterland for logistics activities supporting port traffic / national trade
- Plans pending approval - **Innovation Valley**: urban hub integrating industrial, commercial and residential activities
- Industrialization plan which includes 5 municipalities in the Haifa region

Innovation Valley

Phase	Industrial area (dunam)	Residential units
1	600	9,000
2	1,000	36,000
3	250	18,000
4	250	20,000
Total	2,100	83,000



Israel port sector overview



Ashdod Port Company and HPC dominate Israeli maritime movements. But two new ports are under construction and are expected to alter the competitive landscape

Current ports					Ports under construction (*)	
	Haifa Port Company	Israel Shipyards(*)	Ashdod Port Company	Eilat	Haifa BayPort	Ashdod HaDarom
Location	North	North	Center	Far South (Red Sea)	North	Center
Operational	√	√	√	√	Expected during 2021	Expected during 2021
Revenue - ILS (2019)	746M	117M **	1.087B	19.7M	n/a	n/a
Operator	HPC	Israel Shipyards Ltd	Ashdod Port Company	Papo Maritime	Shanghai International Ports Group (China)	TIL Group (Netherlands)
Lease expiration	2054	2058	2054	2028	2046	2046
Max depth	16.2m	11m	15.5m	10m	17.3	17.3
Quay length	1660m	800m	1823m	530m	Phase 1: 800m Post phase 2: 1,535m	Phase 1: 800m Post phase 2: 1,300m
Container capacity - TEU	2M	n/a	1.8M	n/a	Phase 1: 1.1 million Post phase 2: 1.9 million	Phase 1: 1.1 million Post phase 2: 2.16 million
Max containers vessel size – TEU	15.7K	n/a	14K	n/a	24k	24k

* Israel Shipyards' primary business is cement handling, shipbuilding and repair

** The port revenues exclude the cement segment (ILS 283M)

Sources: HPC, ASP, Israel Ports Authority, Drewry, Israel Port Market Analysis, 2018, Ashdod Port website

* Phase 1 – expected to begin in 2021

Phase 2 – is dependent on Israeli container volume

Haifa Port Company overview





Haifa Port Company

Board of directors



Eshel Armony
Chairman

- In office since 2017
- Former CEO of the Ministry of Construction and Housing
- Former CEO of Kfar Saba municipality



Hila Oren
Director



Liza Singer
Director



Natalie Or-Chen
Director



Asaf Rafeld
Director

Management team



Mendi Zaltzman
CEO

- In office since 2009
- 3 times elected as CEO
- Former CEO of Eilat Port



David Cohen
VP Operation



**Shirley Helman
Harosh**
VP Finance



Alitche Frenkel
VP Marketing



Dalit Bizan
VP Resources



Gal Somech
Legal Adviser



Ana Genkin
Acting Internal
Auditor



Asaf Gavish
Corporate Secretary



Zohar Rom
Spokesperson

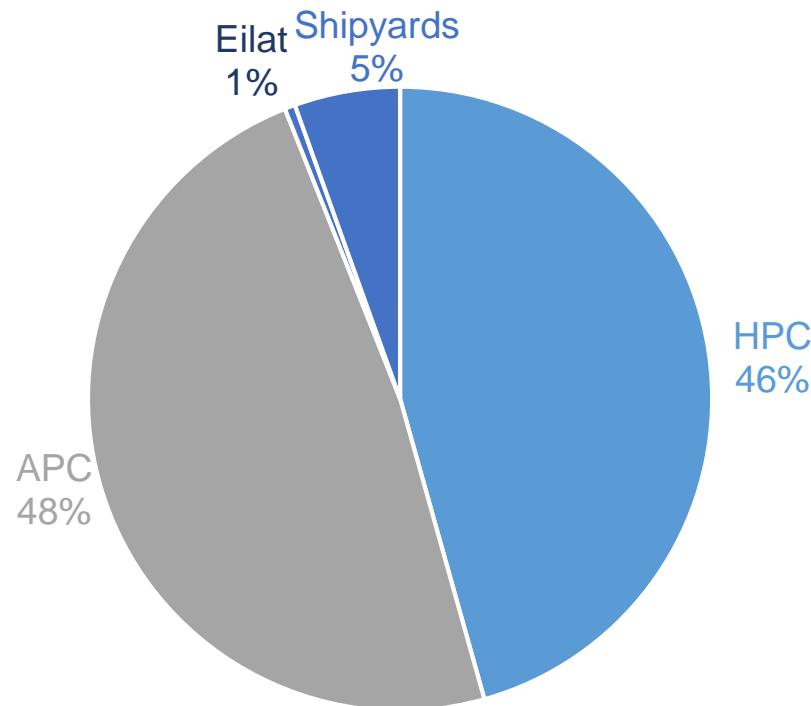
Haifa Port Company

Analysis of historic trading



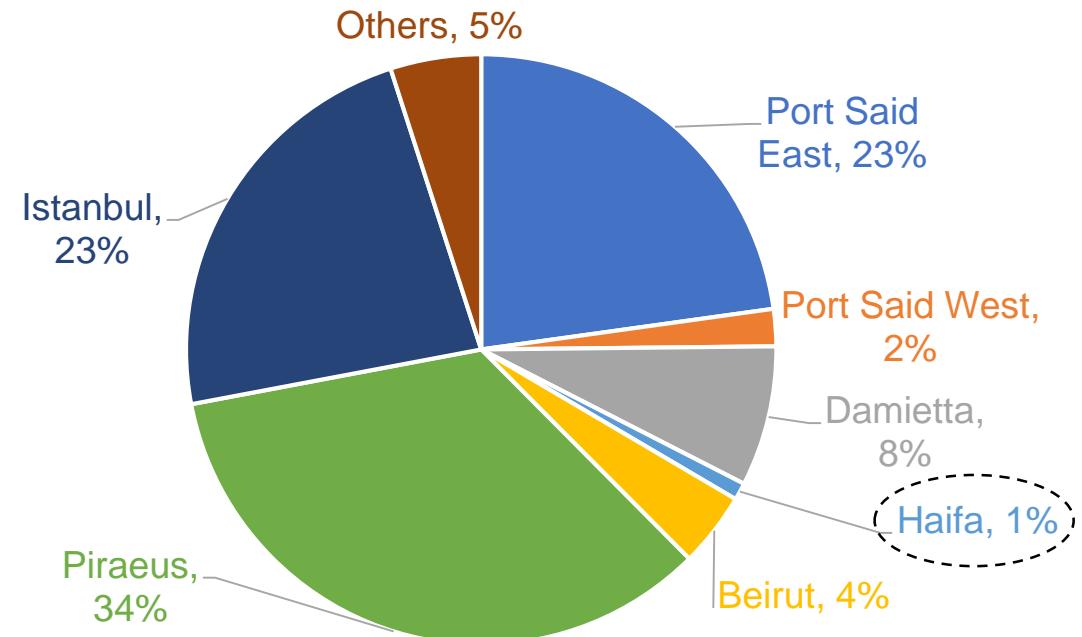
HPC competes in both the gateway and transshipment markets

Gateway market share (weight), 2019 (*)



HPC is a major player in Israel gateway market with 46% market share

Transshipment market share (TEU), 2017

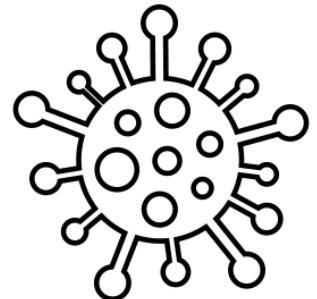


Israeli ports to date are secondary East Med hubs with HPC handling just 1% of this market

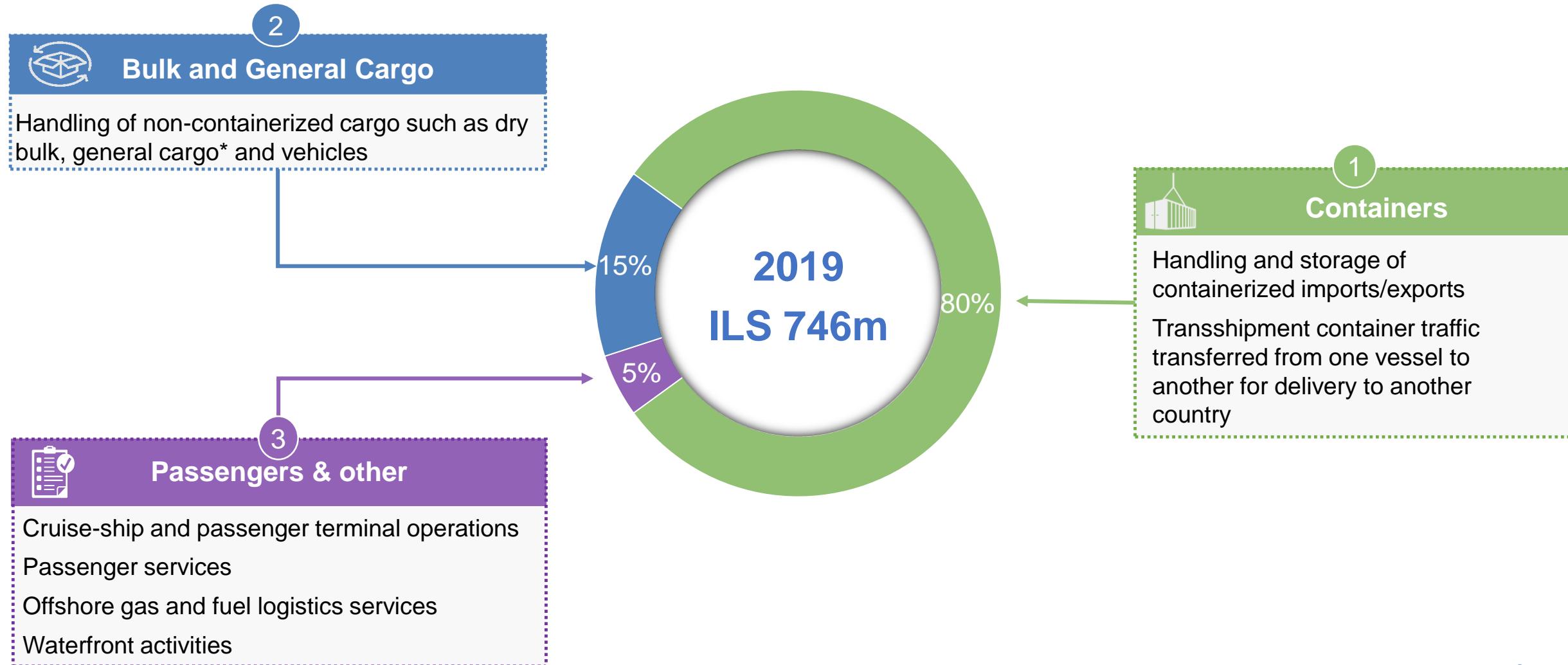
* Gateway traffic covers containerized, general cargo and bulk, excluding automated dedicated bulk berths

HPC has not experienced significant negative impacts as a result of the Covid-19 crisis

- Worldwide container traffic dropped 0.1% YTD through July 2020
- Recovery in volumes is being driven by consumer spending transfer from services to goods
- HPC container throughput increased by 3.9% in H1 2020 compared to H1 2019
- HPC general cargo dropped 6.5% over the same period, primarily due to decline in vehicle imports (a worldwide phenomena during Covid-19). In Israel, there are signs in August/September 2020 that the vehicle sector is recovering
- Cruise activity has come to a complete halt as a result of Covid-19, however, this segment accounts for only ~2.6% of HPC's revenue



HPC is a diversified multi-function port

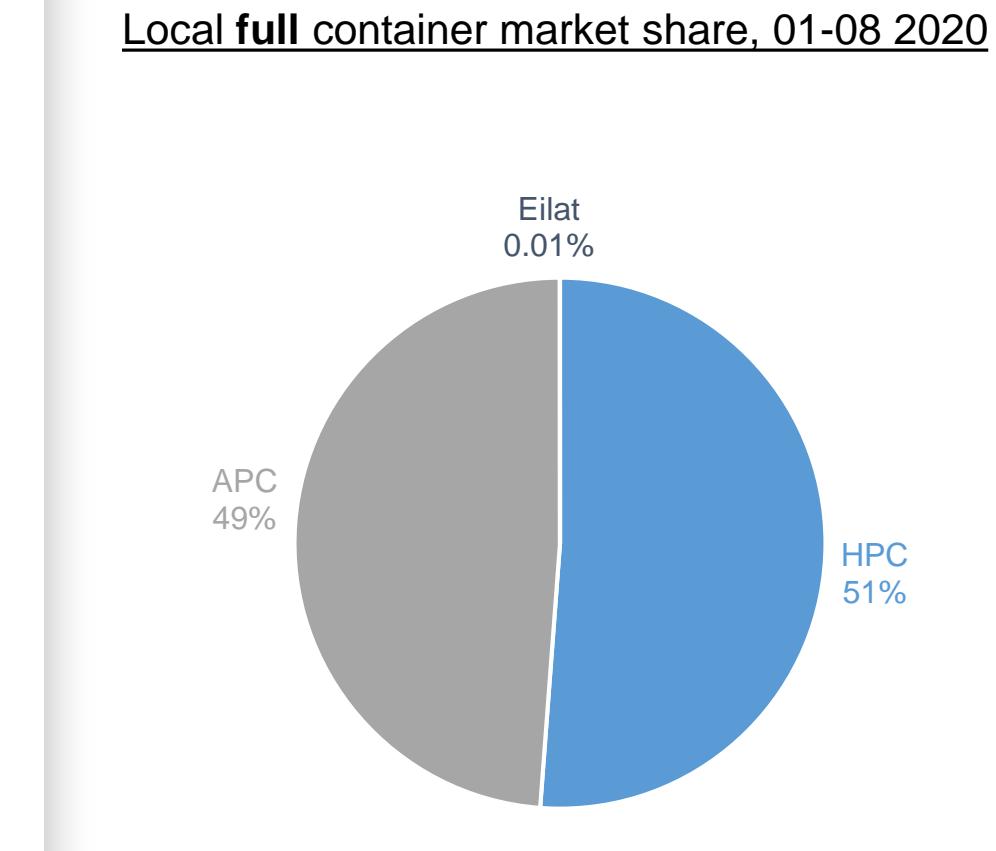
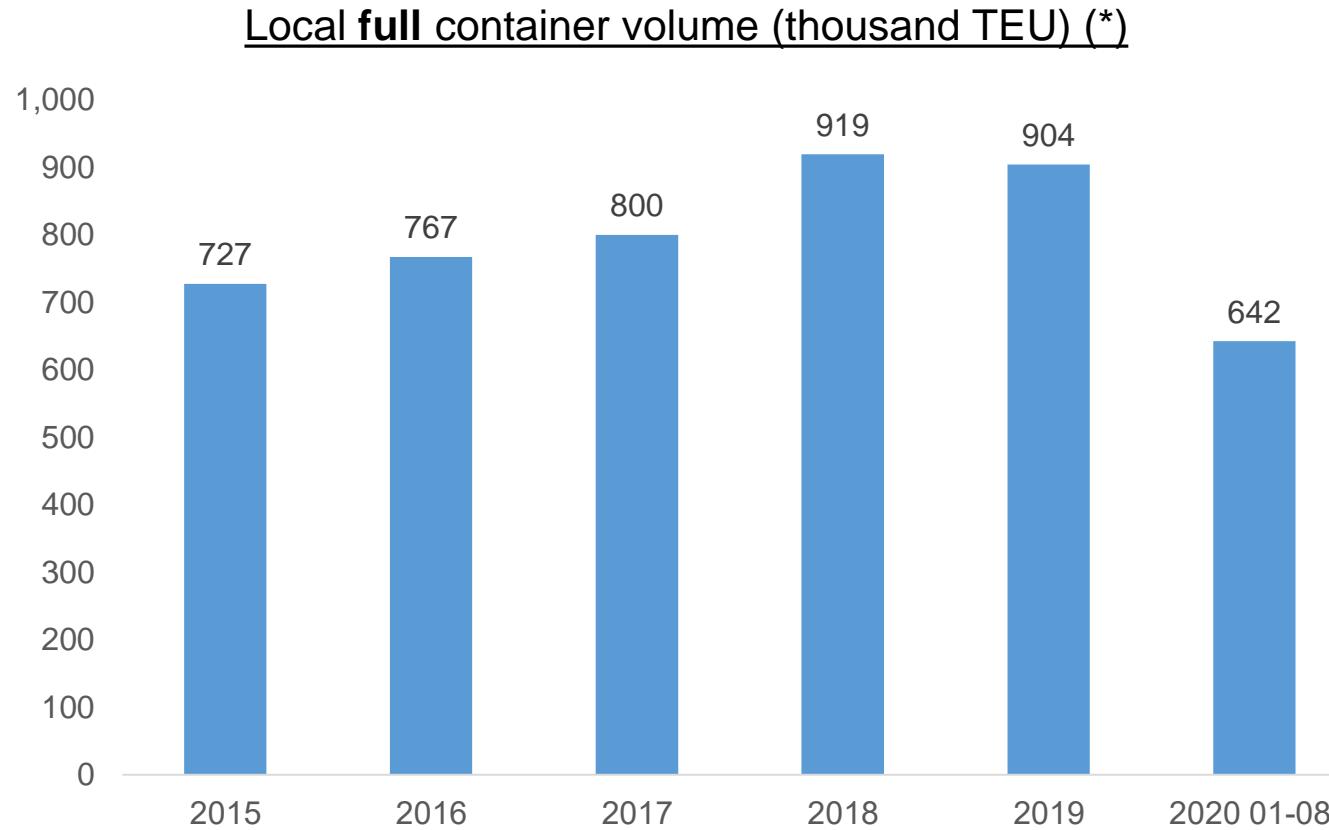


* General Cargo: Metal, gypsum, cement, grains products, iron scrap, wood, paper, cement clinker, etc

In 2019, local full containers accounted for approximately 65% of HPC's container volume



1
Containers

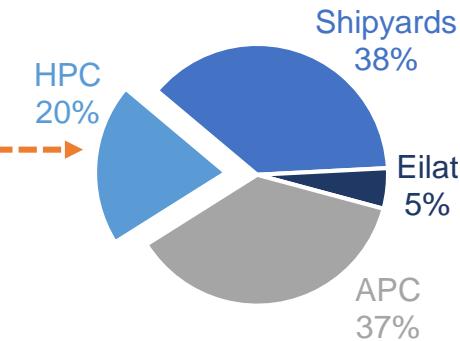


* HPC experienced volume increases in 2018 due to service disruption at Ashdod Port

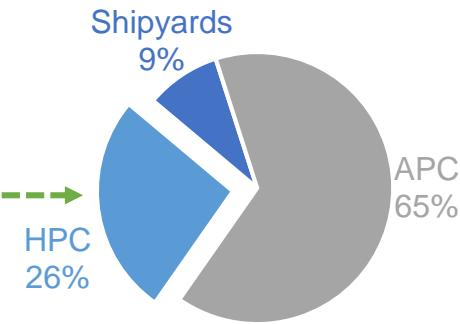
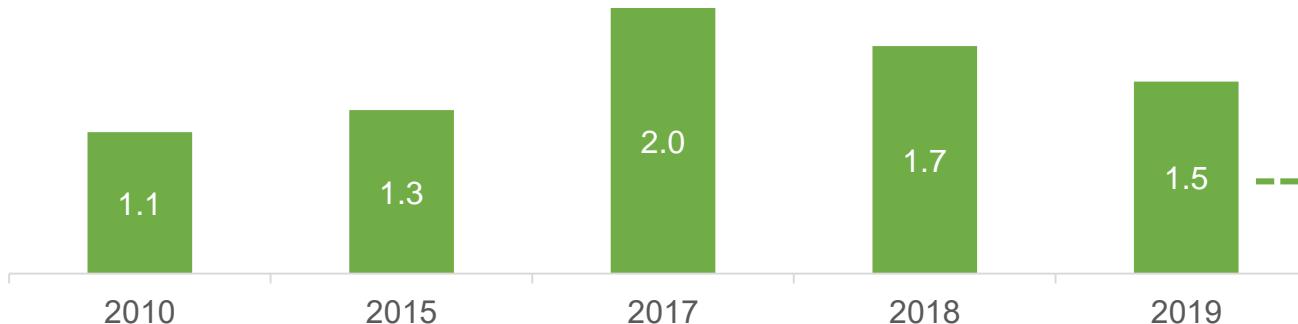


Over the past decade, HPC has improved its market share in the bulk and general cargo segment, growing by 53% (weight)

General cargo volume (million tonnes)



Bulk volume (million tonnes) (*)

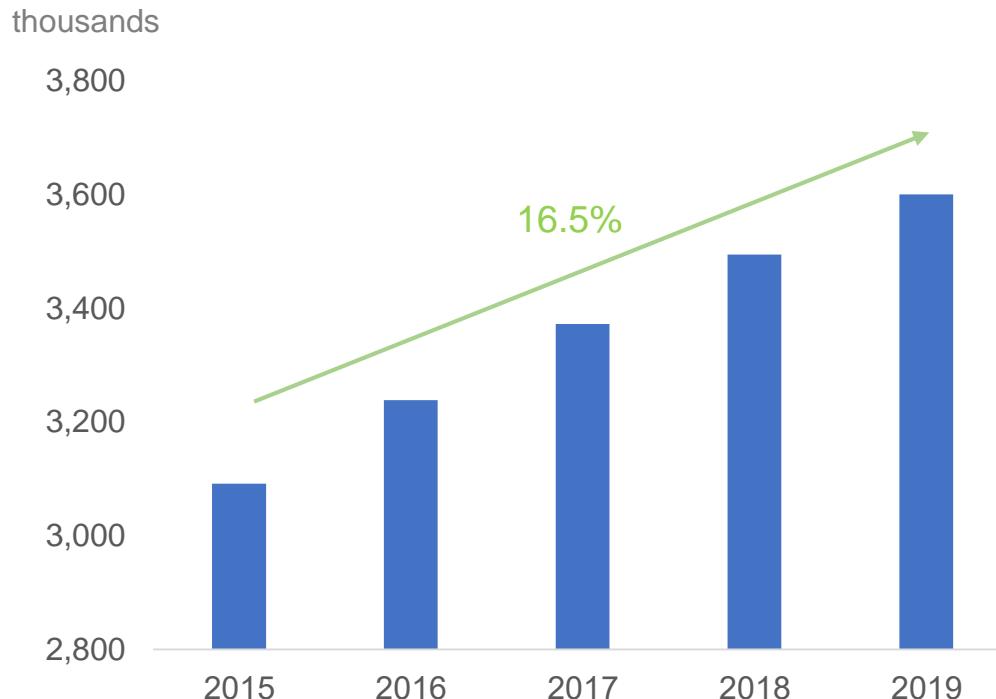


(*) 2018-2019 downturn is due to temporary disruption as a result of infrastructure investment

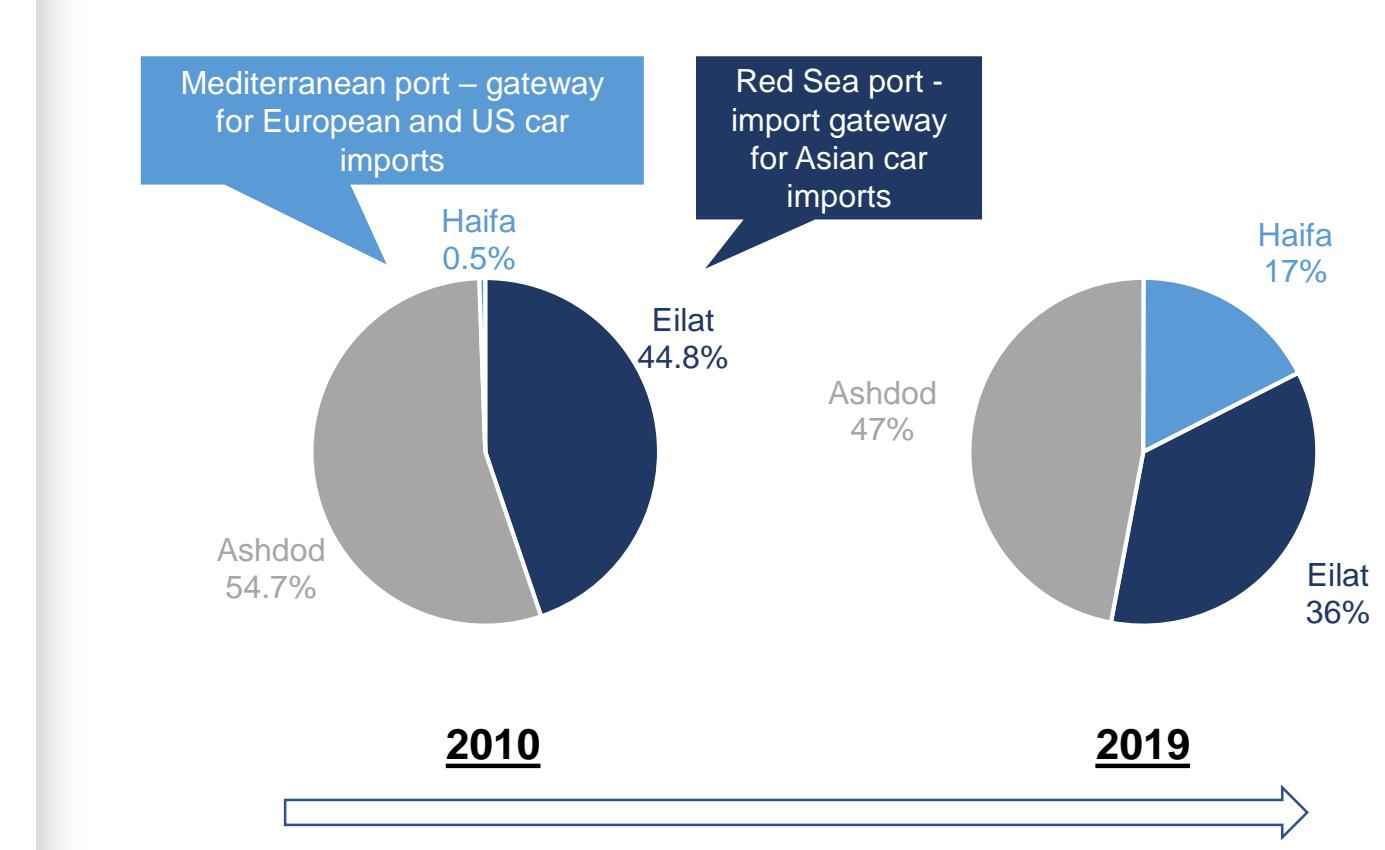


Over the past decade Haifa increased its market share in the vehicles segment

Israel – number of vehicles



Israel ports – vehicles market share



Over the last 5 years, Israel imported (on average) in excess of 300,000 vehicles per year

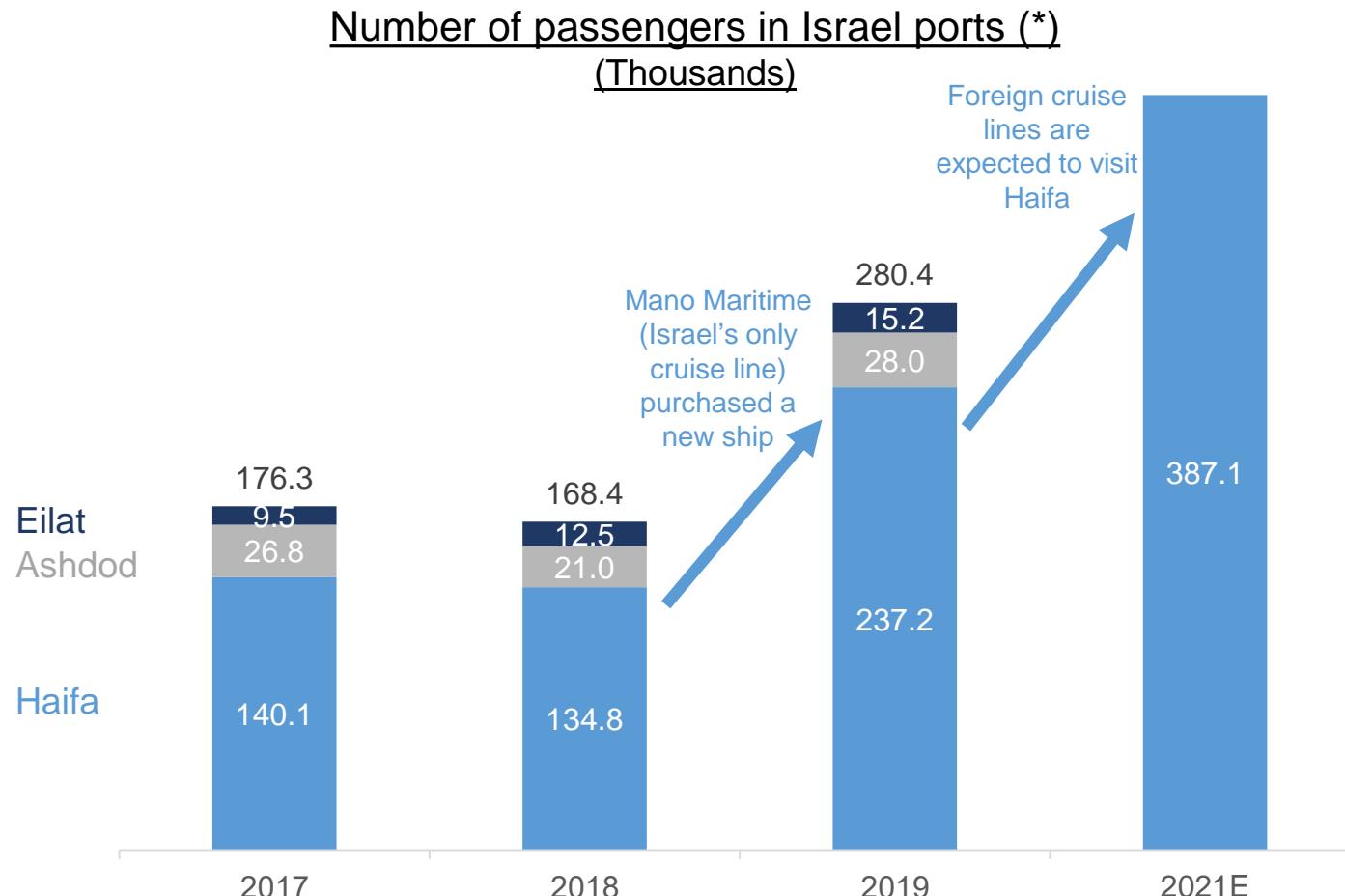
Sources: Haifa Port , Ministry of Transport, Report on Cargo Movement in the ports of Israel, 2019



HPC entered this segment in 2010 and currently has a 27% market share of the Israeli Mediterranean vehicle imports



Others activities such as cruises, tourism and gas operations are part of HPC's growing plan



* 2021 estimations are based on a COVID free scenario

Sources: Haifa Port, ASP - Report on Cargo Movement in the ports of Israel, 2019

Historic trading - financial overview

ILS (million)	2017	2018 ³	2019
Total Revenue	695	781	746
Cost of sales	(557)	(582)	(591)
Gross profit	138	199	155
Administration and general costs	(98)	(92)	(102)
Other income / (costs)	1	(0.2)	1
Operating profit	42	106	54
Operating profit %	6.0%	13.6%	7.3%
Adjusted EBITDA	108	174	121
EBITDA %	15.5%	22.2%	16.2%

Notes:

1. All figures are restated to only include activities part of the transaction
2. Excludes one-off items
3. HPC experienced some temporary volume increases in 2018

Haifa Port Company

Strategy Overview



HPC is prepared and moving forward with plans to address the new competitive challenges



1

Streamline workforce

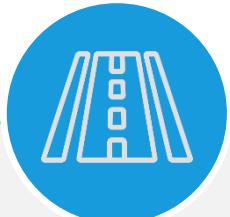
- Downsize from 1,030 to 700 by 2024, including early retirement of 200 first generation employees (funding covered from existing provisions)
- New efficiency agreements with workers unions



2

Expand maritime supply chain logistics services

- Increase general cargo and cruise volumes
- Expand services in maritime logistics supply chain



3

Upgrade infrastructure

- Upgrade roads, quays, cranes and logistics
- Convert certain quays to multi-purpose to accommodate larger general cargo vessels
- Infrastructure works to increase water depth
- Automation and Advanced IT systems



4

Develop waterfront

- Retail, office and hotel/tourism waterfront development
- Creation of an international tourism hub

HPC retirement plans will allow smart restructuring and operational changes



1. Restructuring



Overview

- Agreements have been reached with unions regarding early retirement and efficiency measures (*)



Early Retirement

- 55-60% of HPC's operating costs are employee related. Retirement plans will accelerate labor cost reductions
- 25-35% of the workforce will retire by the end of 2024, representing more than 25% of the existing labor costs



Efficiency

- Additionally, agreements with unions will allow the port to boost its automation process



- Cost reduction
- Improve margins
- Retirement of unproductive personnel
- Improve port efficiency
- Operational flexibility
- **Retirement program fully funded from existing excess pension reserves**



- P&L one-time accrued expense

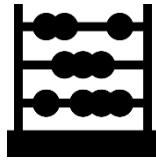
* The Marine Services Department will become a government-owned corporation under IPA
Source: Review of maritime transport, 2019, KPMG model valuation

Revenues from non-container related activities will facilitate HPC's evolution in Israel's new competitive port market



2. Expand range of activities

Current activities



- Focus on increasing bulk and general cargo segment by adjusting Eastern quay to serve both container and General cargo
- Continue focus on efforts to grow cruise traffic



- Increase general cargo throughput
- Increase non-cargo related revenues
- Realize HPC's competitive advantages

New activities



- Expand range of activities, including value added activities, including vehicle depot, grain terminal, logistics, smart storage and export / import services



- Adjustment period

HPC's upgraded infrastructure will enable diversification of the port's revenues while maximizing its competitive advantages



Investment

- Investment in cranes and advanced equipment to handle a variety of cargo types



modification

- Conversion of certain container quays into multi-functional activities (to mitigate impact of expected loss of container volume to the new ports)



Construction

- Increase maximum depth of the berth to allow docking of larger vessels
- Options for deepening of other quay



- Access to larger vessels
- Improve port efficiency
- Government to contribute towards the investment cost
- Expand handling capabilities
- Help diversify sources of income



- Interruptions during construction period
- Drawings on cash flows
(note: internal cash together with government funding will be sufficient to meet requirements without need for external debt financing)

The Haifa waterfront opportunity



4. Recreational center

Overview:



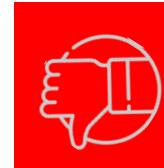
- 2.0 km of waterfront area for commercial activity, recreation, employment and tourism
- National Outline Plan approved
- License to operate for more than 30 years
- Synergistic with cruise ship services and mega-yachts

Commercial areas	40 dunam
Offices	22.5 dunam
Hotel rooms	200 rooms
Public spaces	20 dunam
Residential areas	500 units totaling 56 dunam*

* To be transferred to Israel Land Authority and HPC will be compensated up to ILS 150 million



- Diversify revenues
- Strong municipal support
- Long term license to operate



- Additional permissions required from agencies



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Haifa Port Company privatization process



The buyer must be controlled by a strategic entity

The deal structure

The potential buyer

Buyer must be controlled by a Strategic Entity, with experience in one of the following:

- Marine terminal operations
- Maritime shipping
- Combination of terminal operations and other relevant experience such as cargo vessel or logistics and supply chain operations

Experience will be examined jointly for the a Strategic Buyer group (Consortium) providing that:

- each strategic entity in the buyer holds at least 5% of the shares of the potential buyer.
- Meets at least 20% of the requirements needed in the maritime terminal operations and maritime shipping
- Or at least 40% of the requirements needed in the combined condition

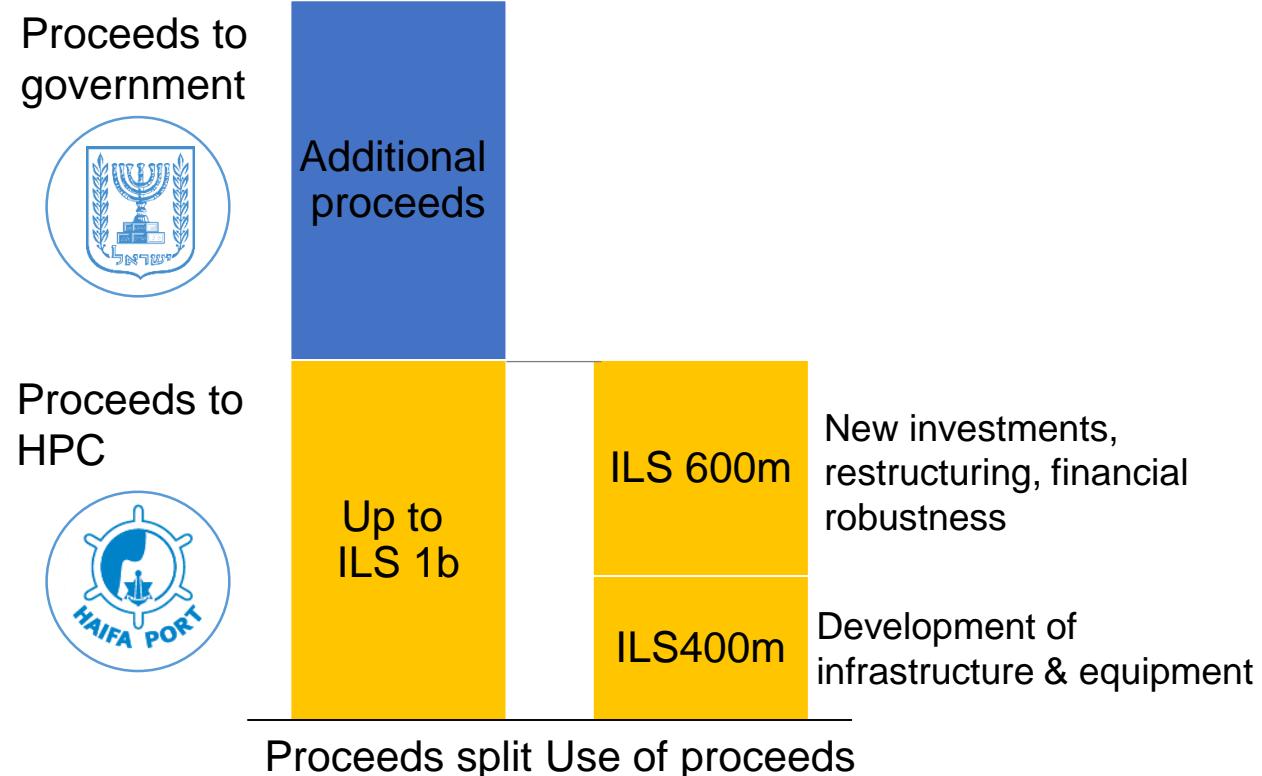
The holding structure



If the Strategic Entity is a consortium, the Lead Strategic Entity must hold at least 30% in the Buyer

Substantial part of proceeds from buyer's payment will be invested in the Company to fund development

The use of proceeds



Container terminal operations and maritime transportation experience can increase the value of the Buyer's bid.



Contact details

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