



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

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Press Release

Agreement Signed for 150 Million Cubic Meter a Year Desalination Project – Likely to be the Largest of its Type in the World

Finance Minister Dr. Yuval Steinitz: “What is involved here is yet one more important step in replacing the pumping of water from the Kinneret and the depleted aquifers with desalinated water from the Mediterranean”

National Infrastructure Minister Dr. Uzi Landau: “We will continue to take resolute action to ensure that Israel does not suffer from a water shortage”.

The real price of NIS 2.01 per m³ in the winning bid represents a saving to the economy of over NIS 1.3 billion

In the presence of Finance Minister Dr. Yuval Steinitz and National Infrastructure Minister Dr. Uzi Landau, the Accountant-General Mr. Shouky Oren and his deputy Mr. Gil Shabtai today signed with SDL Ltd. a desalination project franchise agreement for the planning, construction and operation of a sea-water desalination plant in Soreq with an annual output of 150 million cubic meters. A month ago SDL, which is comprised of IDE and Hutchinson Water, was announced as winner in the tender after offering a real price of NIS 2.01 per m³, which was considerably less than that in any desalination tender to date. Representing SDL at the signing ceremony were Mr. Avshalom Felber, CEO of IDE Technologies, and Mr. Amikam Cohen, CEO of Hutchinson Water.

Finance Minister **Dr. Yuval Steinitz** said: “What is involved here is yet one more important step in replacing the pumping of water from the Kinneret and the depleted aquifers with desalinated water from the Mediterranean”.

National Infrastructure Minister **Dr. Uzi Landau** said: “This is an important day for the Israeli water economy. The desalination plant in Soreq will be the largest such plant in Israel, and among the largest in the world. The attractive price set by the inter-ministerial Tenders Committee for the first time places the price of desalinated water at a level very similar to that of drinking water pumped from the Kinneret. This is nothing less than a revolutionary achievement. By 2013, over 550 million m³ are due to be desalinated in Israel. By then, most of the drinking water piped to households will be desalinated water. I intend to do everything I can to ensure that we attain this ambitious target and that Israel does not suffer from a water shortage”.



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The Accountant-General at the Ministry of Finance, Shouky Oren, said that the Soreq tender is a major success, both from the aspect of the competitive price that was obtained compared with previous tenders, and from the fact that we were able to hold a successful international tender at the time of an extremely complicated global financial crisis. Given the conditions prevailing in the credit market during the past year, the issuance and successful closure of the tender was no small feat. The Tenders Committee succeeded in coping with this challenge and in bringing about today's signing of an agreement for a desalination plant that will supply one fifth of Israeli households' water consumption. The Accountant-General added that the successful desalination tenders and the private sector's entry highlight the major potential inherent in other areas of activity that have traditionally been the preserve of the government sector.

Mr. Avshalom Felber, CEO of IDE Technologies, said: "We are happy and proud that the creativity and technological and business innovation which IDE has developed and enhanced during its 40 years of worldwide activity, together with worldwide Hutchinson's proven ability, have made it possible to reduce the plant's costs to a minimum and to provide Israel's residents with water at a very low price by international standards. We believe that this project, like the desalination plants already operating in Israel, represents a significant advance in solving the country's water shortage."

Mr. Amikam Cohen, CEO of Hutchinson Water, added: "We are proud to be leading together with IDE one of the most revolutionary projects in the area of desalination worldwide. We believe that the desalination plant in Soreq will create new global standards from the aspect of desalination price, and from the aspect of the advanced technology that makes it possible to supply very high quality water and free us from complete dependence on pumping sources of drinking water."

The plant, which is designed to operate under the reverse-osmosis method, is expected to be one of the largest of its kind in the world. This is the fourth desalination plant to be built in Israel, after the plants in Ashkelon (120 million m³), Palmachim (45 million m³), and the plant Hadera (127 million m³) which is scheduled to start supplying water in the next few weeks. Together, all four plants are expected to produce 450 million m³ a year from 2013.

The Soreq desalination plant, like the plants in Ashkelon and Hadera, will be constructed under the Build-Operate-Transfer (or "BOT") method whereby the franchise-holder undertakes to plan, build and operate the desalination plant for an overall period of 26 and a half years, after which the plant will be transferred to State ownership. According to the timetable set in the franchise agreement, the franchise-holder must reach "financial closure" within 12 months from the signing of the agreement. The winning company undertook to build the plant within a period of 34 months at the most from the financial closure date, and that after 30 months the plant



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will be supplying half of its overall output. The terms of the agreement include economic incentives for shortening the construction timetable.

The inter-ministerial Tenders Committee for Seawater Desalination is comprised of representatives from the Water Authority, the Ministry of National Infrastructures, the Ministry of Environmental Protection and the Ministry of Finance, and is coordinated by the Projects Division of the Inbal company. The Tenders Committee is responsible for implementing the government's resolution to construct desalination plants with an output of 600 million m³ a year. The Tenders Committee recently set the purchase price from the Ashdod desalination plant at NIS 2.36 in real terms. The desalination plant, with an output of 100 million m³, is to be constructed by Mekorot Development and Enterprise