

EMG Profile

- EMG was established and registered in Egypt in 2000 and has constructed an off-shore gas pipeline from El-Arish (Egypt) to Ashkelon (Israel) as well as on-shore facilities.
- Egypt has undertaken to export up to 7 BCM of natural gas annually for 20 years renewable to Israel through EMG.
- EMG's contracts with Israeli customers for Egyptian natural gas may have terms of up to 20 years, with a total of 140 BCM.
- The gas flow to Israel began in June 2008.
- At the end of 2010 EMG provided gas to Israel Electric Corporation and Mashav at an annual rate of 2.5 BCM.
- During 2011, several incidents have interrupted EMG's gas flow, as detailed in the following slide.
- Due to the impairment of Ampal's Investment in EMG, the investment's carrying amount of approximately \$361 million was written down to its fair value of approximately \$344 million.



EMG Pipeline – 2011 updates

- Beginning on February 5, 2011, the supply of gas to Jordan, Lebanon, Syria, major Egyptian industries and gas consumers in the Sinai, and to EMG and its clients, has been interrupted due to four alleged terror attacks, on GASCO's (the Egyptian gas transport company) pipeline.
- On July 30, 2011, in the wake of violent incidents in El-Arish, Egypt, there was an attempt to cause damage to the EMG site near El-Arish. The security forces on site returned fire, prevented any penetration of the EMG site and repelled the attack. EMG reports that the incident will not affect its operations once EGPC resumes supply.
- As a result of the continued interruption of gas supply to EMG and the delivery of gas to EMG below contracted quantities, the international shareholders of EMG, including Ampal, have commenced procedures under applicable bilateral investment treaties between several countries and Egypt. Such procedures may ultimately result in arbitration of claims under the various treaties, EMG's gas supply agreement or other agreements. Ampal has also been advised by EMG that EMG is considering initiating arbitration proceedings against the government-owned Egyptian gas supplier alleging a breach of various provisions of its gas purchase agreement.

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Natural Gas in Israel

- Demand for natural gas in Israel continues to increase both for electricity generation and industrial conversions.
- EMG is one of only two gas suppliers in Israel.
- EMG contracted the supply of more than half of the natural gas consumed by the Israeli market
- EMG is currently the only company that can provide additional quantities of gas to Israel in the years 2011-2013.

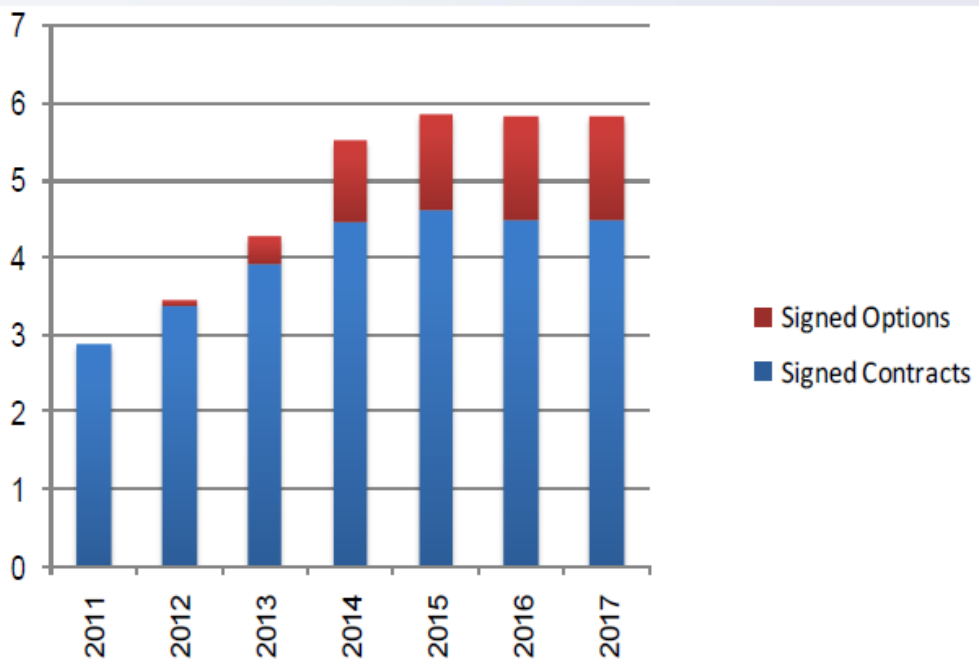
EMG

- EMG has access to Egyptian gas reserves totaling in excess of 2,500 BCM from proven diverse sources
- EMG has skilled and professional management with decades of experience in Egypt and its gas industry
- EMG has already concluded several long term contracts for the sale of over 90 BCM valued at over US\$15 billion
- EMG's estimated revenues (assuming delivery of 7 BCM annually) – **over US\$ 1.0 billion**
- Estimated EBITDA (with provision of 7 BCM annually) – over US\$ 350 million
- Pipeline construction cost – approximately US\$ 460 million
- Debt Balance - US\$ 170 million
- Due to current interruption in gas supply, Ampal cannot determine the expected first dividend from EMG.

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