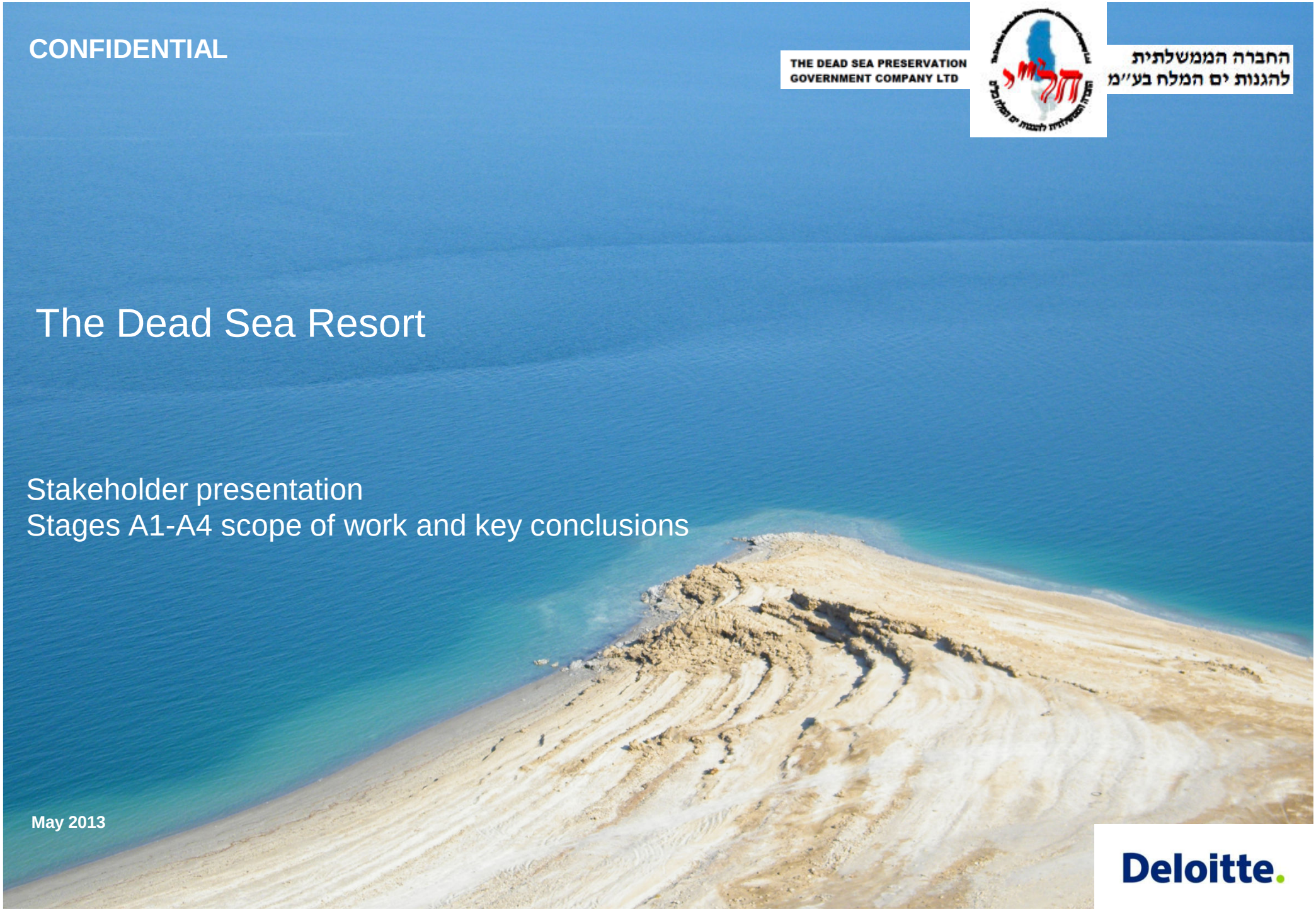
CONFIDENTIAL

THE DEAD SEA PRESERVATION GOVERNMENT COMPANY LTD

החברה הממשלתית להגנות ים המלח בע"מ

The Dead Sea Resort

Stakeholder presentation
Stages A1-A4 scope of work and key conclusions



May 2013

Deloitte.

Programme

- Strategic vision
- Scope of work
- Key conclusions
- Programme overview

The aim of the project is to enable a complete repositioning of the resort – to put the destination “on the map”

The work was structured in four stages with regular workshops to discuss findings and agree conclusions

A1 Market trends

A2 Concepts

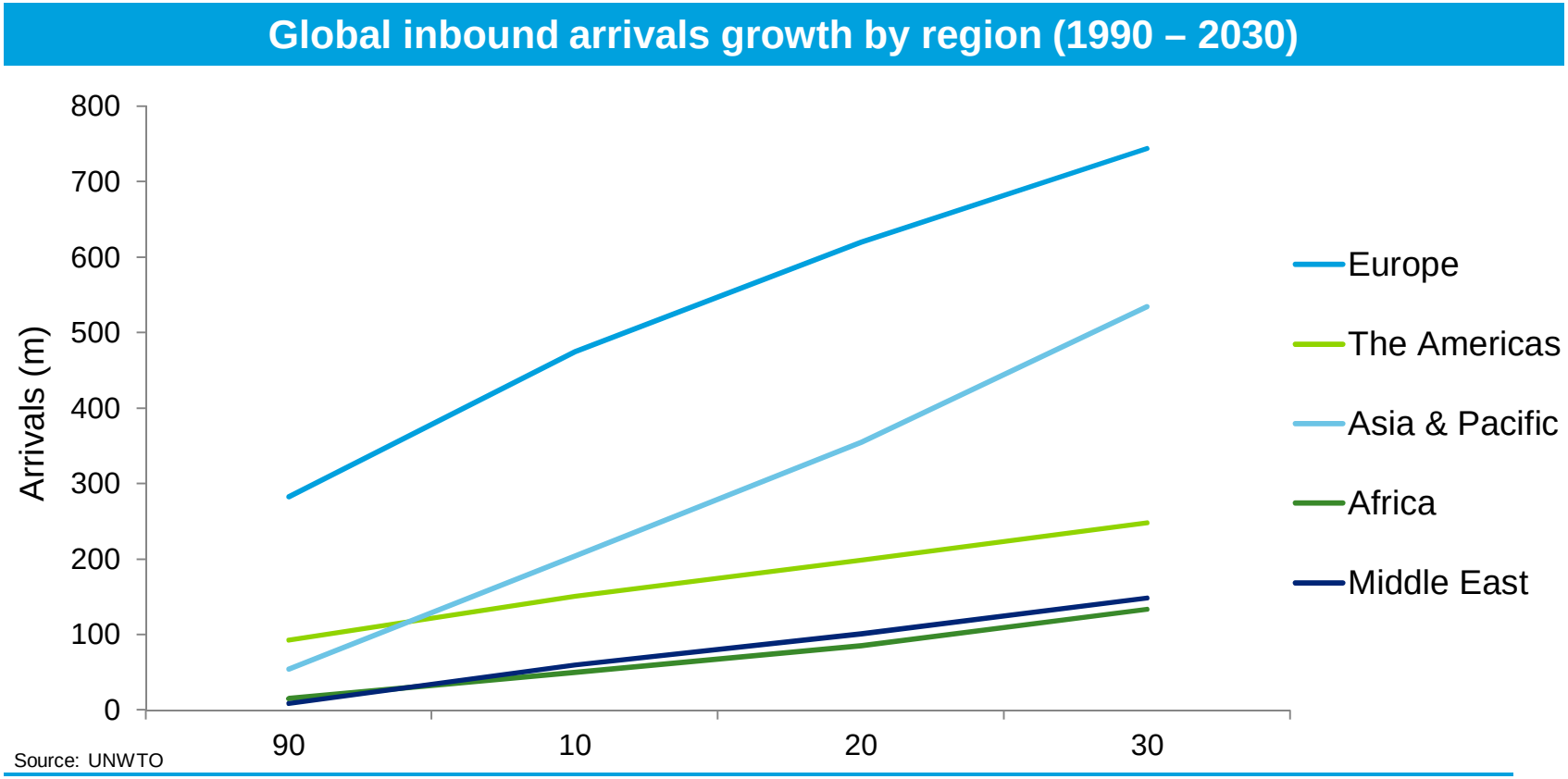
A3 Evaluation

A4 Final programme

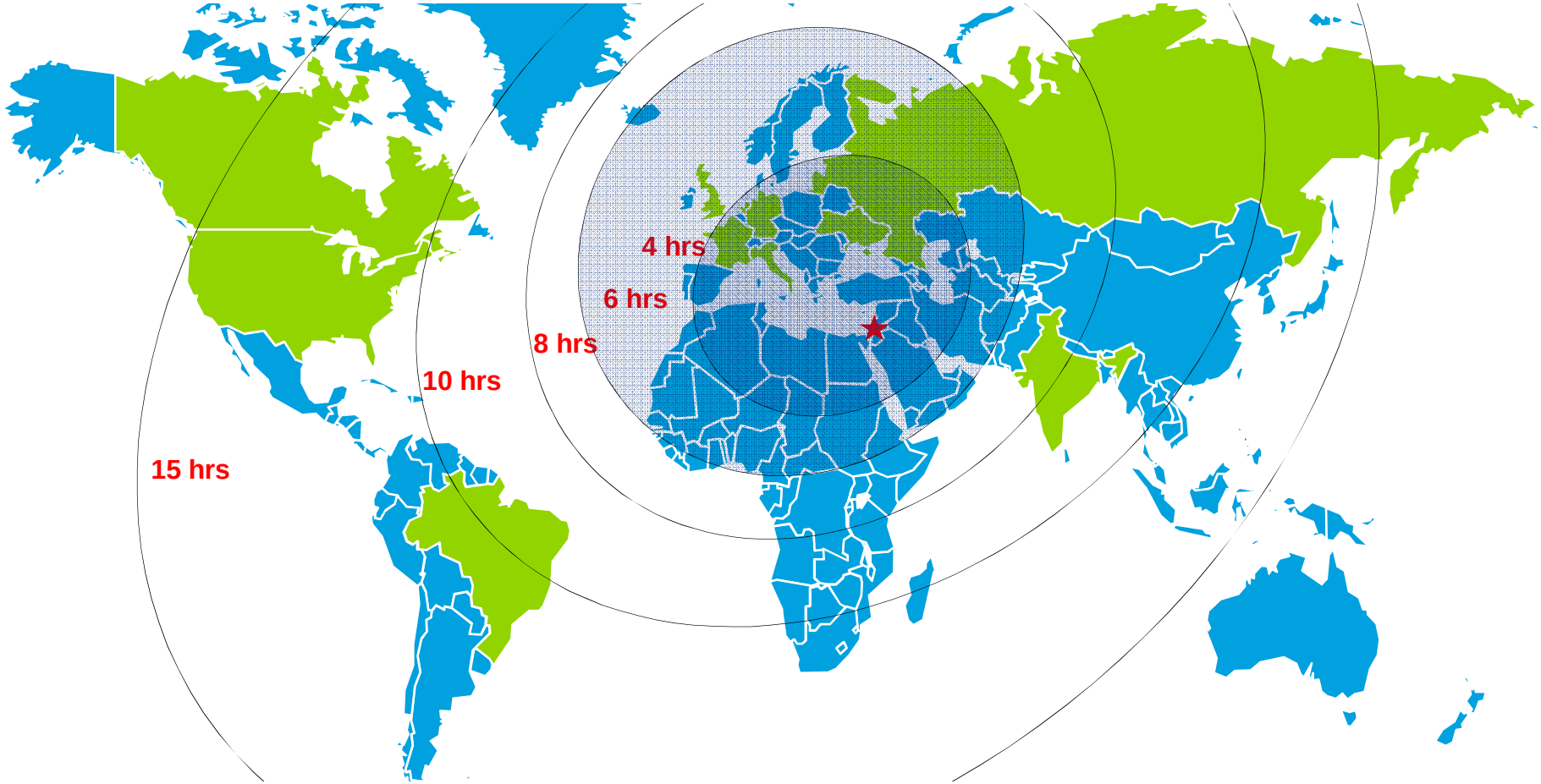
The analysis and conclusions of each stage are contained in four documents. The conclusions of each stage underpinned the analysis of the subsequent stage

A1 Market trends	A2 Concepts	A3 Evaluation	A4 Final programme
• International and domestic source markets • Leisure segment • Mid-market to upscale positioning	• 3 concepts with different orientation: – Family – Spa – Eco • Current destination underinvested with no “resort experience”	• Preferred concept: spa • Major repositioning • Broad component mix • Unique selling points: – day spa – eco-gateway	• Phased development programme • All components scalable • Government incentives required

Global tourism forecasts indicate strong potential for international demand growth

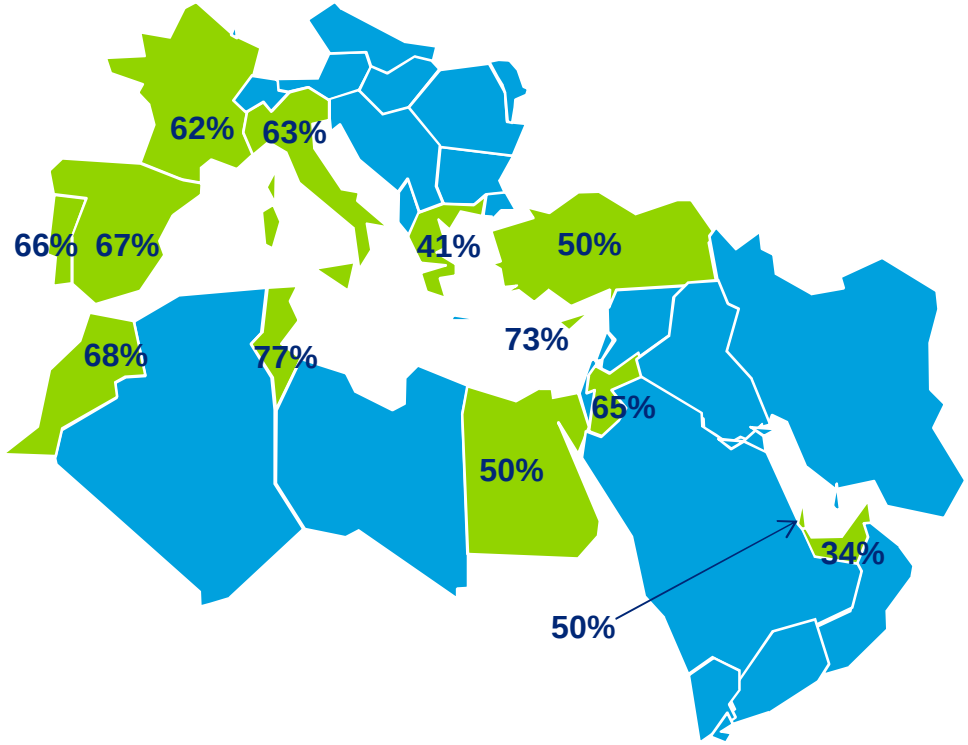


Mediterranean/Atlantic markets are core source markets *and* competitors due to access and culture



Direct flight times to Israel. Countries highlighted in green represent Top 10 source markets

Israel's competitor destinations rely on a similar mix of intra-regional demand



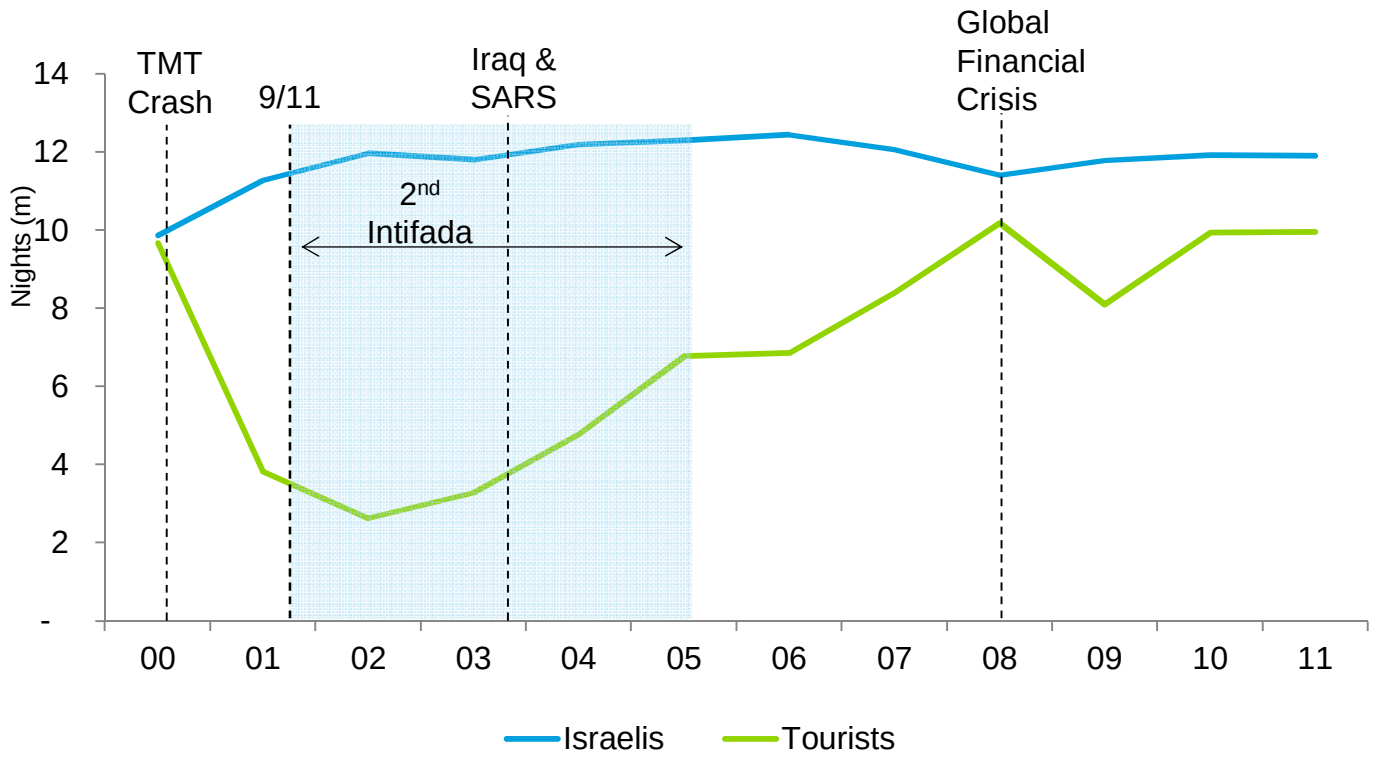
Top 5 source markets – selected countries												
Cyprus	**Egypt**	**France**	**Greece**	**Italy**	**Morocco**	**Oman**	**Portugal**	**Qatar**	**Spain**	**Tunisia**	**Turkey**	**UAE**	**Israel**
UK	**Russia**	**UK**	**UK**	Switzerland	**France**	India	**UK**	Saudi Arabia	**UK**	Libya	**Germany**	Saudi Arabia	US
Russia	**UK**	**Germany**	**Germany**	**Germany**	**Spain**	UAE	**Spain**	UAE	**Germany**	**France**	**Russia**	India	Russia
Germany	**Germany**	Belgium	**France**	**France**	**Germany**	**Germany**	**Germany**	Bahrain	**France**	Algeria	**UK**	**UK**	France
Greece	**Italy**	**Italy**	**Italy**	Austria	**UK**	**UK**	**France**	Oman	**Italy**	**Germany**	Iran	Iran	Germany
Sweden	**France**	Netherlands	Netherlands	Slovenia	**Italy**	**US**	Netherlands	Kuwait	Netherlands	**UK**	Bulgaria	**US**	UK

Note: The percentage on the map represents total demand from the Top 5 source markets in each country. In the table, the Top 10 inbound source markets to Israel are highlighted in **bold**

Source: OECD, UNWTO, Deloitte research, CBS

International demand recovers following periods of instability and there is significant growth potential. Domestic demand is strong but well saturated

Person nights in tourist hotels, Israel (2000 –2011)

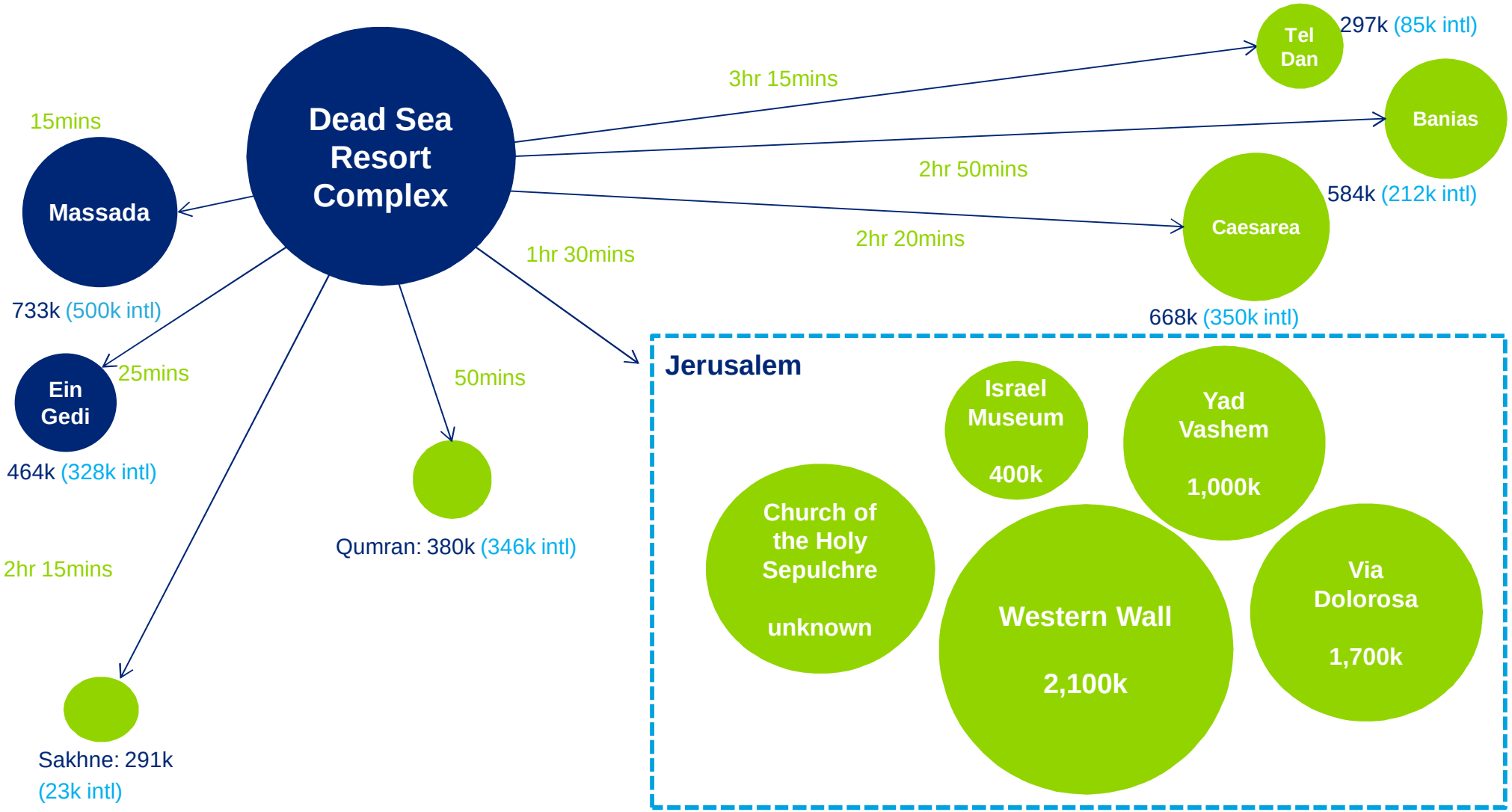


Source: CBS

- Israeli hotel demand has grown at less than 2% CAGR over the past decade
- Latent demand analysis estimates international tourist arrivals could have been c. 25% higher than 2011 levels, in the absence of the 2nd Intifada

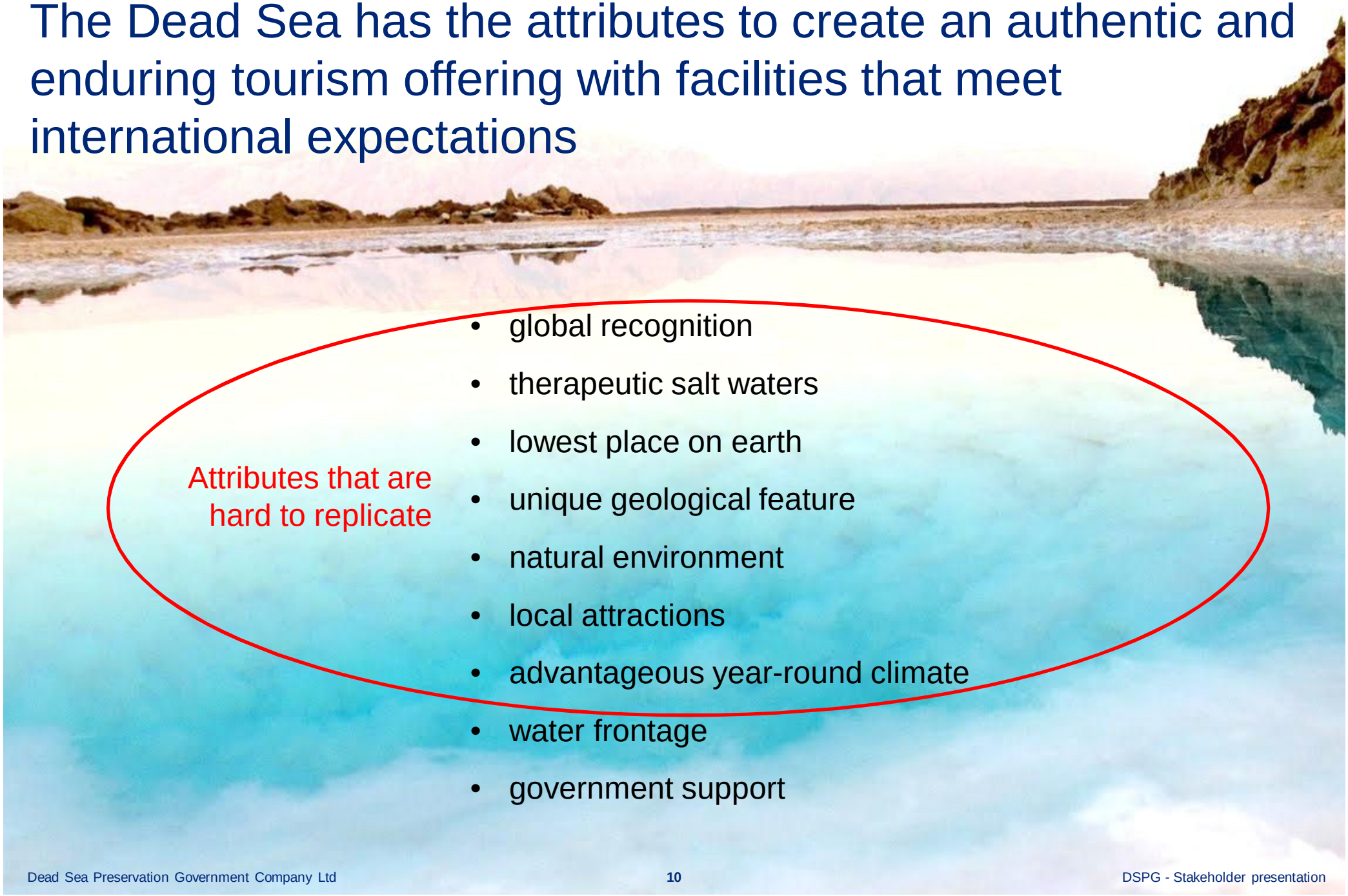
Note: the data point for 2000 is not the same value; the similarity is coincidental CAGR – Compound annual growth rate

There is strong potential for a Dead Sea-based tourist circuit that also covers Massada, the desert and Jerusalem



Note = Bubble shows estimated tourist visitors

The Dead Sea has the attributes to create an authentic and enduring tourism offering with facilities that meet international expectations



Attributes that are hard to replicate

- global recognition
- therapeutic salt waters
- lowest place on earth
- unique geological feature
- natural environment
- local attractions
- advantageous year-round climate
- water frontage
- government support

Whilst the majority of the c.1.4m tourists visiting the Dead Sea are day-trippers, it is the best performing hotel market with 77% occupancy

Hotel summary	
hotels	14
hotel rooms	3,884
occupancy	77%
hotel guests (000s)	
domestic (ratio)	668 (80%)
International (ratio)	188 (20%)
total person nights (000s)	
domestic (ratio)	1,715 (75%)
international (ratio)	587 (25%)
ALOS (average length of stay)	
domestic	2.4
international	3.1

Note: 2011 data

Future demand growth will be underpinned by international and domestic leisure tourists and domestic MICE

Product

- **Existing product** predominantly mid-market, with selective upgrading
- **New product** international upscale and de luxe standard and positioning

Segmentation

- **Domestic –** leisure and MICE
- **International –** leisure demand dominated by existing European markets including:
  - France
  - Germany
  - Russia
  - UK

Demand

- **Total tourist nights** 2.8m or 27% up on 2011
- **International tourist nights** 1.1m – double 2011 level
- **Domestic tourist nights** ratio to total room nights down from 77% to 61%
- **Latent demand** potential to increase existing room nights by 25% (0.5m)

Note: MICE – meetings, incentives, conventions, exhibitions

The existing resort does not offer an experience that meets the expectations of today's international tourist

Regional competition is increasingly diversified, differentiated and design-led

Sanctuary Camelback Mountain, USA

Siwa Shali, Egypt

Boulders, Arizona, USA

Shangri-la, Oman

Amangiri, Utah, USA

Manvar Desert Resort & Camp, India

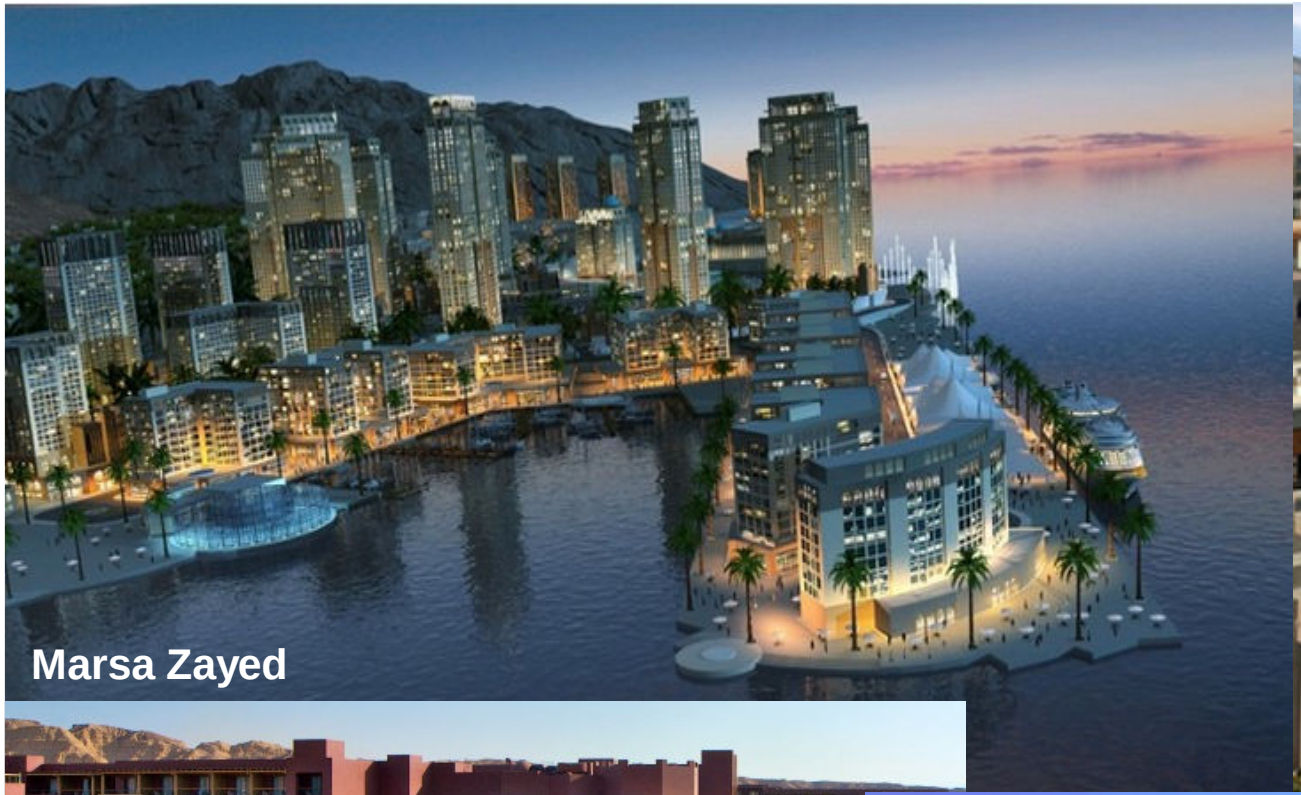
Amanpuri,Thailand

Six Senses Soneva Gili, Maldives

Wild Wadi, Dubai

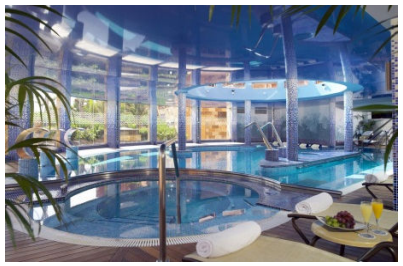
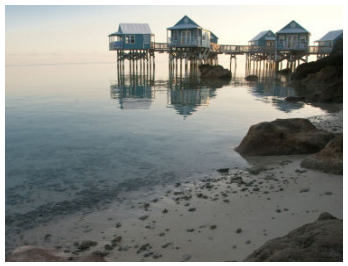
Qasr Al Sarab, Abu Dhabi

The next generation of integrated resorts are under construction on Israel's doorstep including in Jordan

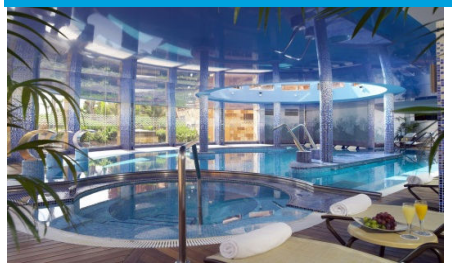
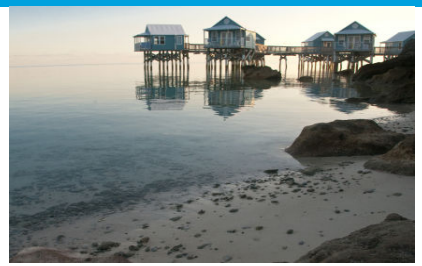
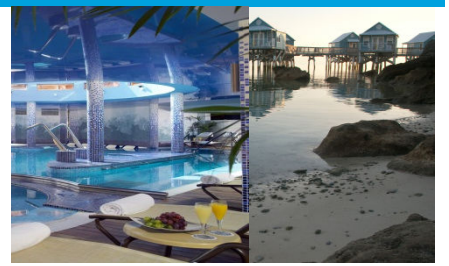


Stage-A2 explored ten options, which reflect the strategic vision for the Dead Sea. All are multi-component in nature

1 iconic	2 integrated mixed	3 casino	4 concept/theme park	5 family-focused
single iconic destination-enhancing structure	*offers something for everyone*	*only casino in Israel*	*core themed attraction*	*family vacations comprehensive childcare*

6 destination spa	7 eco-resort	8 community/village	9 resort extension	10 luxury spa resort
				
world-class natural and medical spa	*blends with unique natural environment*	*masterplanned sustainable community*	*unique natural destination*	*ultimate spa destination*

Stage-A3 analysed four multi-component integrated resorts, targeting multiple customer segments, with a specific authentic orientation (family, spa, eco)

destination spa	eco-resort	family	integration extension
			
world-class natural spa & medical offering	***blends with unique natural environment***	***family vacations, comprehensive childcare***	***unique natural spa destination***
exclusive hotels	low-density, low impact	multiple large resort hotels	low/medium density
integrated spas	upscale resorts	functional	sustainable luxury
medium density	sustainable luxury	quality	high-end spa-centric operators
indulgent luxury retreat	subtle branding	family-friendly	all market segments
world-class spa	ethical & sustainable	mass-market	spa and eco-attraction
	eco-attractions	water park	

Stage-A4 analysed one concept that balances core Dead Sea attributes with constraints of the site, existing resort, development considerations and international trends

Existing resort and site

- steep rocky terrain
- wadis
- raised beaches
- high density
- transportation
- barren landscape
- dated hotel design

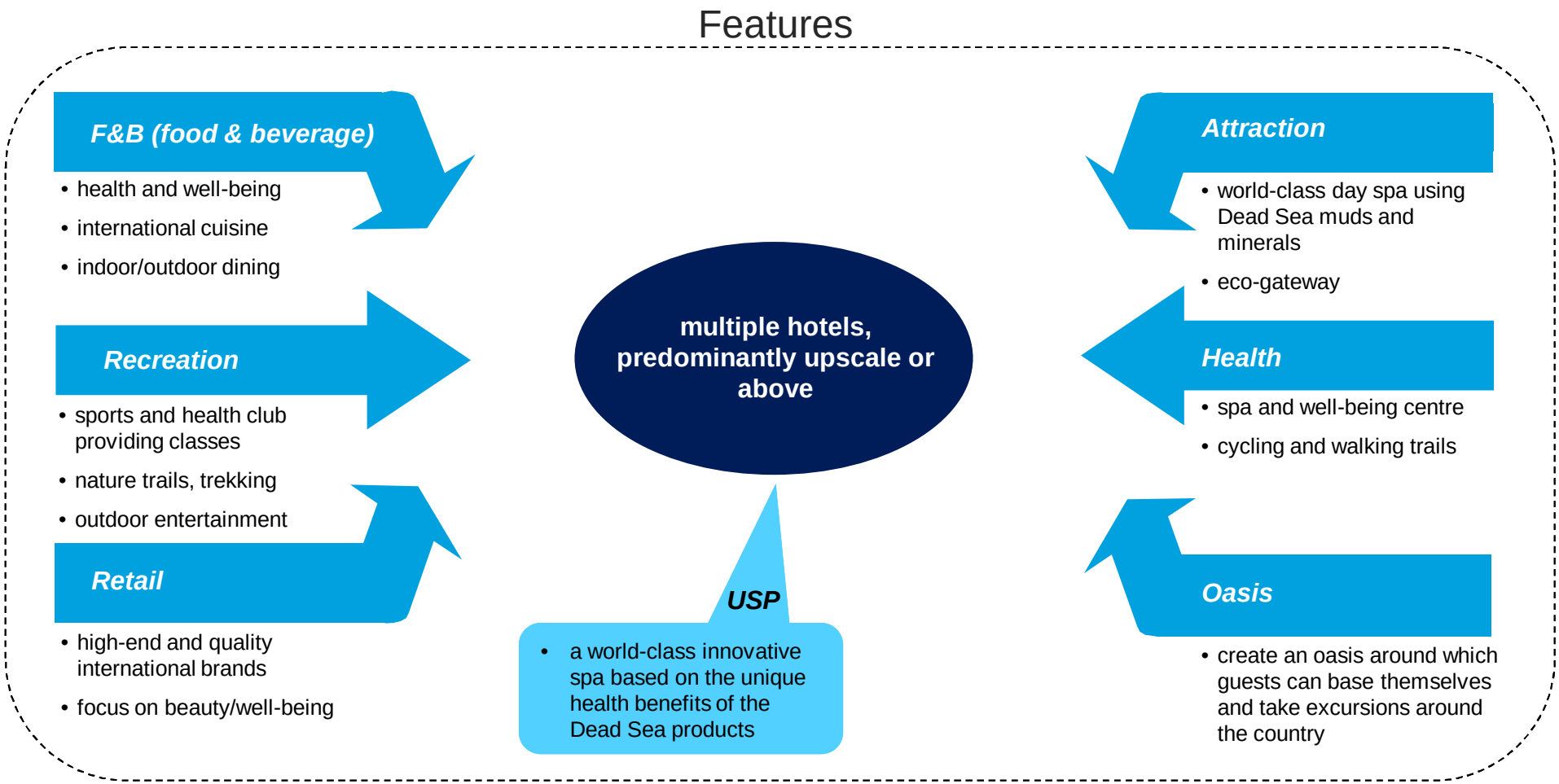
Development considerations

- core attributes
- authenticity
- improve sense of arrival
- landscaping
- transport/circulation
- on-resort entertainment
- development density
- development styles
- integration of existing resort and new development

Concept

- eco-spa
- high quality
- low/medium density
- sustainable features
- linkages through landscaping
- multi-component
- coherent theming
- *authentic* and *iconic* design
- resort manager
- a repositioned destination

The Dead Sea has strong potential to develop a compelling offering around health, well-being, nature and adventure



Note: F&B – food and beverage

The repositioned Dead Sea resort will be an integrated offering providing and facilitating on- and off-resort activities

Resort redevelopment - initial phasing	
Component	**Detail**
Hotels	• de luxe • upscale • mid-market
Retail/F&B	• high-end and upscale • International and domestic brands • health and well-being focus
Central attraction	• world-class day spa and well-being centre • eco gateway attraction
Conference centre	• standalone facility • capacity for over 2,000 delegates
Other attractions/leisure	• extensive landscaping • cycle paths and nature trails
Visitor centre	• interactive, educational facility • providing information on local excursions, attractions and the health benefits of the Dead Sea
Target markets	• all segments (limited families with children) •
Unique selling point	• unique natural spa

The proposed de luxe hotel components are envisaged as low density exclusive developments with highly personalised service levels

Six Senses, Zighy Bay, Oman

Qasr Al Sarab, Abu Dhabi

Beresheet, Israel

Al Maha, Dubai

Banyan Tree Al Wadi, UAE

Beresheet, Israel

Typical features

- fine dining and signature F&B
- room service/butler service
- swimming pools and spa
- luxury retail
- high-spec in-room technology
- concierge services
- exclusive meeting facilities
- average room size: 45m²
- private villas with pools (200-300m²)
- various rooms/suites (40-100m²)

Illustrative brands

The proposed upscale hotel components are envisaged as relatively low density with comprehensive facilities and service offering

Typical features

- multiple F&B outlets
- room service
- swimming pool(s)
- gym and spa
- quality retail
- in-room technology
- meeting facilities
- various room types and suites
- average room size: 35-40m^2 net

Illustrative brands

Anantara, InterContinental, Westin Hotels & Resorts, Langham Hotels International, JW Marriott, Conrad Hotels & Resorts, Banyan Tree Hotels and Resorts, Grand Hyatt, Sofitel Luxury Hotels, W Hotels, Jumeirah Hotels & Resorts

The standalone day-spa and wellbeing centre will need to have clear USPs in order to differentiate itself in domestic and international markets

Component summary – day-spa and wellbeing centre	
Purpose	• core attraction targeting resident and day visitors
Design	• *authentic* • "wow" factor • sustainable features • sympathetic to resort design
Operations	• multi-lingual staff • open daily
Key features	• wide range wet areas (pools, steam, sauna, jacuzzi) • extensive treatment menu • range of exclusive treatments (not available elsewhere on-resort) • medi-spa • multiple F&B outlets • relaxation areas • parking

The retail component will be an important driver of resort revenues by attracting resident and non-resident customers to a broad mix of F&B and non-F&B outlets

Selected brands – F&B brands

Selected brands – eco/resort

Selected brands - spa

Note: the above is an indicative list of selected brands for each concept

Component summary – retail	
Purpose	• to drive higher footfall from daytrippers and/or regional visitors • to drive on-resort revenues by providing on-resort attractions
Design	• consider theming in keeping with resort concept • incorporate supply chain requirements such as back-of-house and storage facilities
Operations	• early stage “anchor” tenants can create “buzz” and appeal for other potential tenants • management company to maintain standards and coherent theming • multi-lingual staff • open daily
Key features	• broad mix of domestic and international brands at various price points • extensive F&B offering • childcare facilities • outdoor seating/shaded areas

The visitor centre will be the *face* of the resort, welcoming tourists and promoting tourism activity and attractions in the Dead Sea, the local area and elsewhere in Israel

Component summary – visitor centre	
Purpose	• an information centre for tourists (day-trippers in particular)
Design	• sympathetic to resort design • sustainable features
Operations	• multi-lingual staff • open daily
Key features (typical)	• information centre • souvenir shop • educational centre • administrative offices • shuttle bus to Massada • concessions • first aid post • parking for coaches and cars

The eco-gateway is envisaged as a nature-driven attraction drawing on the wealth of ecological attributes in the desert and surrounding area

Component summary – eco-gateway	
Purpose	• a revenue-generating nature-driven attraction providing access to the desert and flora/fauna of the area
Design	• sustainable and environmentally sympathetic features
Operations	• multi-lingual staff • open daily
Key features (typical)	• information centre • nature trails and desert sports/ adventure • educational materials • on-site guides • first aid post • parking for coaches and cars • potential to incorporate/show-case domestic innovations in sustainable technologies

The conference centre will target the MICE segment. The design will creating a successful link between the existing and new areas of the resort

Component summary – conference centre	
Purpose	• Standalone facility to drive MICE activity on-resort
Design	• sympathetic to resort design and creating linkage with existing and new development • sustainable features • highly flexible meeting space • sense of arrival
Operations	• multi-lingual staff • marketed and managed by specialists
Key features (typical)	• range of small and large meeting rooms • large subdivisible ballroom • exhibition space • outdoor space • back of house food preparation areas • storage • Parking

A phased approach to the development will seek to balance supply and demand as an international marketing strategy re-positions the destination in international markets

Accommodation

	Existing resort		Initial phasing		Long-term vision	
	Hotels	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**
De luxe	-	-	3	280	4	530
Upscale	2	718	4	810	8	2,558
Mid-market	12	3,166	-	(-)	12	3,166
Approved					**4**	1,350+
Total	**14**	**3,884**	**7**	**1,090**	**28**	**7,600+**

Standalone components

		Existing resort	Initial phasing	Long-term vision
		sq.m		**sq.m**
Retail	Limited	20,000		36,000
Conference	In hotel only	6,000		10,000
Spa/Well-being	In hotel only	3,500		12,000
Eco-gateway	-	5,000		5,000
Visitor centre	-	1,000		2,000

Note: all components will be scalable; approved hotel rooms include 850 rooms approved on new hotel plots in the existing resort and 500+ rooms that have been approved in existing hotels within the resort. Long-term vision for spa includes up to 6,000m^2 of external decking area

The Dead Sea has strong potential to become a “must visit” destination. It requires Government and stakeholder commitment to achieve the transformation

- Israel has strong tourism potential but operates in a challenging political environment
- An international-standard resort would offer a compelling product, given the attributes of the area
- Difficult hotel economics will require an “authentic” product that does not seek to compete on price
- Attracting investment for the project will require significant incentives but will allow the development to deliver substantial economic benefits to Israel.
- Development should be phased to manage demand and supply fluctuations and repositioning activities
- The redevelopment will need to be undertaken in an integrated manner, to ensure linkages between the existing resort and new elements
- Overbuilding the site will undermine the offering
- Initial phasing of c. 1,100 new rooms is proposed with substantial investment in infrastructure and services