

Israel Railways Ltd.

Tender 41601

**Invitation to Pre-Qualify
for
the Design-Build of
Israel Railways ETCS L2 On Board Project**

March 2016

TABLE OF CONTENTS

1. INTRODUCTION AND DESCRIPTION OF THE PROJECT	3
2. PARTICIPANTS	6
3. DEFINITIONS, ACCOUNTING PRINCIPLES AND CURRENCY FOR FINANCIAL PRE-QUALIFICATION REQUIREMENTS	6
4. FINANCIAL PRE-QUALIFICATION REQUIREMENTS	8
5. COMPLIANCE WITH FINANCIAL PRE-QUALIFICATION REQUIREMENTS	11
6. COMPLIANCE WITH FINANCIAL PRE-QUALIFICATION REQUIREMENTS THROUGH A PARENT COMPANY	11
7. TECHNICAL PRE-QUALIFICATION REQUIREMENTS	12
8. COMPLIANCE WITH TECHNICAL PRE-QUALIFICATION REQUIREMENTS	12
9. COMPLIANCE WITH TECHNICAL PRE-QUALIFICATION REQUIREMENTS AFTER A BUSINESS RESTRUCTURING EVENT	13
10. DOCUMENTS COMPRISING THE SUBMISSION	14
11. PRE-QUALIFICATION SUBMISSION PROCEDURE	16
12. CONFIDENTIALITY AND PROPRIETARY RIGHTS	19
13. GENERAL TERMS AND CONDITIONS	20
.14 GOVERNING LAW AND JURISDICTION	23
15. DEFINITIONS	24
LIST OF SCHEDULES TO THE INVITATION TO PRE-QUALIFY	27
LIST OF ATTACHMENTS TO THE INVITATION TO PRE-QUALIFY	36

1. INTRODUCTION AND DESCRIPTION OF THE PROJECT

1.1 Invitation to Pre-Qualify

1.1.1 In accordance with the requirements of Israeli Mandatory Tenders Law, 5752-1992, and the regulations promulgated thereunder, Israel Railways Ltd. ("ISR") wishes to obtain bids in the framework of a tender (the "**Tender**") for the performance of certain works (the "**Works**"), which include the design, construction, installation, commissioning and maintenance of ETCS L2 on ISR's rolling stock (the "**Project**"). In this context, ISR hereby invites prospective participants to take part in the prequalification stage of the Tender (the "**Pre-Qualification Stage**"), prior to the stage of publication of an RFP and the selection of a winning bidder for the performance of the Works (the "**Selection Stage**"), as detailed in Section 1.2 below.

Capitalized terms used herein shall have the meaning ascribed to them in Section 16 below (*Definitions*).

1.1.2 Without derogating from any other instructions herein, Participants are required to sign and submit **Attachment E1** as part of their Submission.

It is hereby clarified that a Participant that shall not submit Attachment E1, duly signed, shall be disqualified.

1.2 The Tender Process

1.2.1 The Tender process will be comprised of two major stages:

- (a) Pre-Qualification Stage: the purpose of this Pre-Qualification Stage is for ISR, after having reviewed each Participant's submission (each – a "**Submission**"), to approve eligible Participants fulfilling all Pre-Qualification Requirements in Sections 4 (*Financial Pre-Qualification Requirements*) and 7 (*Technical Pre-Qualification Requirements*) (each – an "**Eligible Participant**" and collectively the "**Eligible Participants**"), who will be invited to participate in the Selection Stage. ISR intends to invite all Eligible Participants to participate in the Selection Stage.

- (b) Selection Stage: ISR will publish an RFP and select, among the bids submitted by the Eligible Participants, one winning bid. ISR reserves the right, at its discretion, to conduct negotiations, including with respect to final technical and commercial terms, with those bidders that it finds suitable.
- 1.2.2 The other terms and conditions of the Selection Stage as well as the requirements applying to Eligible Participants participating in the Selection Stage (including, but without limitation, the requirement to furnish a bank guarantee as a pre-requisite for participation in the Selection Stage) shall be detailed in the RFP.
- 1.2.3 ISR is under no obligation to, and Participant shall have no claim against ISR if ISR shall not, publish the RFP, continue to the Selection Stage and/or finalize this Pre-Qualification Stage and/or the Selection Stage and/or enter into the Agreement.

1.3 General Description

- 1.3.1 The Project is currently expected to include the implementation of the ERTMS/ETCS Level 2 on-board subsystem on **228** vehicles (including locomotives) of the existing ISR's rolling stock fleet and optionally **59** more, as detailed in **Schedule 1** and as will be further detailed in the RFP.
- 1.3.2 The Works include, *inter alia*, the main works described in **Schedule 1**. ISR shall be entitled to modify the scope of the Works, at its sole discretion.
- 1.3.3 The Project shall be carried out by one (1) Contractor and/or by Subcontractors on its behalf subject to ISR's approval as further detailed in the RFP and Section 1.6 below.
- 1.3.4 In parallel, ISR is conducting a separate tender process for the installation of ETCS L2 trackside on ISR's network (the "**ETCS L2 Trackside Project**"). Participants who wish to participate in such tender for the ETCS L2 Trackside Project, including any pre-qualification stage of such tender, will be required to submit a separate submission for such purpose.
- 1.3.5 The form of agreement to be entered into by ISR and the winning bidder for the Project (the "**Agreement**"), including the payment schedule, shall be attached to the RFP.
- 1.3.6 A winning bidder who is a "foreign supplier" as defined in the Israeli Mandatory Tenders Regulations (Mandatory Industrial Cooperation), 5767-2007 will be required to comply with all the requirements under such regulations, including, without

limitation, by entering into an agreement with the Industrial Cooperation Authority of the Israel Ministry of Industry and Trade (the "ICA"). During the Selection Stage, each foreign bidder will be required to submit an undertaking to the ICA (in the form attached to the RFP) to carry out a mandatory business cooperation if its proposal is selected as the winning proposal. As an alternative, the bidder may submit evidence that it has entered into an umbrella mandatory business cooperation agreement with the ICA.

- 1.3.7 ISR contemplates that the Contractor shall bear the overall responsibility for the Project. In light of this, cooperation between the Contractor and the manufacturers of the rolling stock shall be required.

1.4 **Warranty and Maintenance**

- 1.4.1 The RFP will include provisions with respect to the warranty period of the Project.
- 1.4.2 ISR anticipates that it shall order preventive and corrective maintenance services for the Project for a period of ten (10) years, and will have the option to order such services for additional periods of up to fifteen (15) years, all as shall be detailed in the Agreement.

1.5 **Security Requirements**

Participants are advised that ISR's security requirements as will be specified in the Agreement shall apply to Contractor, to Subcontractors and to all of their personnel. Personnel that have not complied with all such security requirements may not engage in the performance of the Works.

1.6 **Subcontractors**

- 1.6.1 To the extent applicable, Subcontractors must have all (i) certifications of the Israeli Contractors Registrar (in Hebrew: "יסיווג בפנקס רשם הקבלנים"); (ii) approvals by the inter-ministerial committee for contractors' works (in Hebrew: יתעודת קבלן מוכר בתוקף לביצוע עבודות ממשלתיות מטעם הועדה (הבין משרדית למסירת עבודות לקבלנים)) and (iii) other licenses, consents or registrations as required under Israeli law for the performance of the Works.
- 1.6.2 Major Subcontractors will be subject to approval by ISR prior to entering into the Agreement.
- 1.6.3 ISR shall not have any obligations whatsoever towards any Subcontractor, and no Subcontractor shall have any legal recourse against ISR.

1.7 **Statutory and Budgetary Approvals**

The execution of the Project by ISR is subject, *inter alia*, to the following:

- 1.7.1 ISR receiving special budgetary approval from the

Government of the State of Israel, the receipt of which is *not* guaranteed; and

- 1.7.2 the successful completion of various internal procedures and requirements of ISR.

2. PARTICIPANTS

2.1 Participant

2.1.1 Each participant in the Pre-Qualification Stage shall be a Single Company (a "**Participant**"). A Consortium may not participate in this Tender, including in the Pre-Qualification Stage.

2.1.2 Each Participant shall disclose its ownership and organizational structure in **Attachment A1**.

2.1.3 Each Participant shall only be entitled to submit one (1) Submission.

2.1.4 At the request of the winning bidder, a special purpose Israeli entity ("**SPE**") may enter into the Agreement on behalf of the winning bidder, subject to certain terms and conditions to be detailed in the RFP.

2.2 General Requirements

Without derogating from any other provision herein, each Participant is required to fulfill the following requirements:

2.2.1 The Participant is duly organized and validly existing under the laws of the jurisdiction in which it is organized.

2.2.2 In the event that the Participant is incorporated in the State of Israel it must demonstrate compliance with the requirements of, and provide all approvals and affidavits required pursuant to, the Public Entities Transactions Law, 5736-1976, including:

- (a) an affidavit in the form attached as **Attachment C6**, signed by an authorized officer;
- (b) a Valid Tax Withholding Certificate issued by the Israeli Tax Authorities (in Hebrew: "אישור לצורך" (ניכוי מס));
- (c) a Valid Books Keeping Certificate issued by the Israeli Tax Authorities (in Hebrew: "אישור על ניהול פנקסי חשבונות ורשומות לפי חוק עסקאות גופים" (ציבוריים התשל"ו-1976)).

3. DEFINITIONS, ACCOUNTING PRINCIPLES AND CURRENCY FOR FINANCIAL PRE-QUALIFICATION REQUIREMENTS

3.1.1 Definitions

"**Reference Fiscal Years**" – Shall mean the period comprised of all three (3) following Fiscal Years: 2012, 2013 and 2014.

"Fiscal Year" – Shall mean the year 2012, 2013 or 2014, as such fiscal year is applicable, i.e. the period with respect to which the annual Financial Statements of the Participant for 2012, 2013 or 2014 are being prepared, in accordance with the Accounting Principles.

"Financial Statements" – Shall mean the financial statements of a Participant for the Reference Fiscal Years, in English or Hebrew, audited by the CPA, duly signed by the Participant and the CPA, and prepared and presented in accordance with one of the Accounting Principles described in Section 3.1.2 below.

"CPA" – Shall mean the certified public accountant that has audited the Financial Statements of the Participant for the relevant Fiscal Year.

3.1.2 Accounting Principles

Financial Statements shall be prepared and presented in accordance with one of the following accounting principles (each, as applicable, the **"Accounting Principles"**):

- (a) Israeli GAAP (including, with respect to the cash flow statements, Standard No. 51 of the Institute of Certified Public Accountants in Israel);
- (b) US GAAP (including, with respect to the cash flow statements, FASB ASC No. 230); or
- (c) International Financial Reporting Standards (IFRS), (including, with respect to the cash flow statements, IAS (International Accounting Standards) No. 7);
- (d) German Commercial Code (HGB), (including, with respect to cash flow statements German Accounting Standard No. 21 (GAS 21) - or for prior years to 2014 GAS 2 - in conjunction with section 297(1) of the HGB);
- (e) Generally accepted accounting principles in Belgium, as laid down in the Royal Decree of 30 January 2001;

For the removal of doubt, all Participants must include cash flow statements in their submission. A Participant whose Financial Statements do not include cash flow statements shall attach cash flow statements signed by the Participant's CPA to its submission.

A Participant whose Financial Statements are presented based on different accounting principles than those listed in (a)-(e), is required to submit a specific request to ISR, at least thirty (30) days prior to the Pre-Qualification Submission Date, and

ISR will consider each request on a case by case basis.

3.1.3 Currency

The Pre-Qualification Requirements in Sections 4.1, 4.2 and 4.3 (or 4.3A) refer to the EURO currency. If the Financial Statements of a Participant were originally prepared in another currency, financial data for each Fiscal Year shall be converted by the Participant to EURO in accordance with the following exchange rates:

- (a) Pre-Qualification Requirements in Sections 4.1 below: the nominal noon exchange rate published by the Bank of Canada for the last day of Fiscal Year 2014 (and if no rate is published for the last day of Fiscal Year 2014, then the rate published for the first next business day), at: <http://www.bankofcanada.ca/rates/exchange/10-year-converter/>

[note: please do not check the "cash rate" box]

For convenience, a table with certain applicable conversion rates to EURO is attached as Table 1 in **Schedule 2**.

- (b) Pre-Qualification Requirements in Sections 4.2 (Revenue) and 4.3 (Cash Flow) or 4.3A.2 (EBITDA) below: the official relevant annual (calendar year) average exchange rates published by the Bank of Canada at:

<http://www.bankofcanada.ca/rates/exchange/annual-average-exchange-rates/>

such that any currency will be first converted to Canadian Dollar (Table 2 in **Schedule 2**), and then to EURO (Table 3 in **Schedule 2**), in accordance with the applicable annual (calendar year) average exchange rates.

For convenience, a table with certain applicable conversion rates (directly to EURO) is attached as Table 4 in **Schedule 2**.

An example of calculation of the applicable conversion rate for different Financial Pre-Qualification Requirements is attached in Section 3 of **Schedule 2**.

4. FINANCIAL PRE-QUALIFICATION REQUIREMENTS

Participant must fully comply with all of the Financial Pre-Qualification Requirements in Sections 4.1 to 4.6.

4.1 Equity

The equity of the Participant in its Financial Statements for Fiscal Year

2014 is not less than EURO 22,500,000 (in words: twenty two million five hundred thousand Euros).

4.2 **Weighted Average Annual Revenue**

The Weighted Average Annual Revenue of the Participant during the Reference Fiscal Years (i.e. the WAAR value as defined below) was not less than EURO 85,000,000 (in words: eighty five million Euros), calculated in accordance with the following formula:

$$\text{WAAR} = (\mathbf{R_t} * \mathbf{3} + \mathbf{R_{t-1}} * \mathbf{2} + \mathbf{R_{t-2}}) / \mathbf{6}$$

Where:

WAAR – Weighted Average Annual Revenue

R_t – the annual revenue of the Participant in its Financial Statements for Fiscal Year 2014.

R_{t-1} – the annual revenue of the Participant in its Financial Statements for Fiscal Year 2013.

R_{t-2} – the annual revenue of the Participant in the Financial Statements for Fiscal Year 2012.

4.3 **Weighted Average Annual Cash Flow from Operating Activities**

The Weighted Average Annual Cash Flow of the Participant during the Reference Fiscal Years (i.e. the WACF value as defined below) was positive, calculated in accordance with the following formula:

$$\text{WACF} = (\mathbf{CF_t} * \mathbf{3} + \mathbf{CF_{t-1}} * \mathbf{2} + \mathbf{CF_{t-2}}) / \mathbf{6}$$

Where:

WACF – Weighted Average Annual Cash Flow

CF_t – the annual cash flow of the Participant in its Financial Statements for Fiscal Year 2014.

CF_{t-1} – the annual cash flow of the Participant in its Financial Statements for Fiscal Year 2013.

CF_{t-2} – the annual cash flow of the Participant in its Financial Statements for Fiscal Year 2012.

4.3A **Alternative Financial Pre-Qualification Requirement if WACF is negative**

In the event that a Participant does not comply with Section 4.3 above, such Participant shall not be required to fulfill the Financial Pre-Qualification Requirement in Section 4.3 above, if (and only if) it demonstrates compliance with the requirement in at least one of Sections 4.3A.1 or 4.3A.2 below:

4.3A.1 **Cash Flow to Equity Ratio**

The absolute value of WACF (calculated as per Section 4.3 above) is less than, or equal to, 25% of the equity (as per

Section 4.3 above) of the Participant in the Financial Statements for Fiscal Year 2014, i.e.:

$$|WACF| / EQ_t \leq (25)\%$$

Where:

WACF – calculated as per Section 4.3 above.

EQ_t – equity of the Participant in the Financial Statements for Fiscal Year 2014, as per Section 4.1 above.

4.3A.2 Debt to EBITDA Ratio

The ratio between the Weighted Average Annual Debt (i.e. the value WAAD as defined below) and the weighted average annual EBITDA (i.e. the value WAAE calculated as defined below) during the Reference Fiscal Years is less than eight, i.e.:

$$(WAAD / WAAE) < 8$$

Where:

WAAD – Weighted Average Annual Debt, calculated as follows:

$$WAAD = [(FL_t - FA_t) * 3 + (FL_{t-1} - FA_{t-1}) * 2 + (FL_{t-2} - FA_{t-2})] / 6$$

Where:

FL_t – the financial liabilities of the Participant in its Financial Statements for Fiscal Year 2014.

FA_t – the financial assets of the Participant in its Financial Statements for Fiscal Year 2014.

FL_{t-1} – the financial liabilities of the Participant in its Financial Statements for Fiscal Year 2013.

FA_{t-1} – the financial assets of the Participant in its Financial Statements for Fiscal Year 2013.

FL_{t-2} – the financial liabilities of the Participant in its Financial Statements for Fiscal Year 2012.

FA_{t-2} – the financial assets of the Participant in its Financial Statements for Fiscal Year 2012.

WAAE – Weighted Average Annual EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization), calculated as follows:

$$WAAE = (E_t * 3 + E_{t-1} * 2 + E_{t-2}) / 6$$

Where:

WAAE – weighted average annual EBITDA

E_t – the annual EBITDA of the Participant based on its Financial Statements for Fiscal Year 2014.

E_{t-1} – the annual EBITDA of the Participant based on its Financial Statements for Fiscal Year 2013.

E_{t-2} – the annual EBITDA of the Participant based on its Financial Statements for Fiscal Year 2012.

4.4 **No Going Concern Notice**

The Financial Statements of the Participant for Fiscal Year 2014 do not include a going concern notice.

4.5 **No Insolvency**

As of the Pre-Qualification Submission Date, the Participant is not under any voluntary or involuntary bankruptcy (liquidation or reorganization), receivership or any insolvency proceeding.

4.6 **Financial Statements**

The Financial Statements of the Participant for the Reference Fiscal Years, in English or Hebrew, audited by the CPA, duly signed by the Participant and the CPA, and prepared and presented in accordance with one of the Accounting Principles described in Section 3.1.2 above, shall be duly submitted by Participant as part of its Submission.

5. **COMPLIANCE WITH FINANCIAL PRE-QUALIFICATION REQUIREMENTS**

5.1 The Participant shall fully comply with all of the Financial Pre-Qualification Requirements in Sections 4.1, 4.2, 4.3 (or 4.3A), 4.4, 4.5 and 4.6 above.

5.2 Participant shall be required to demonstrate compliance with each of the Technical Pre-Qualification Requirements set forth in Section 74 by submission of the documents specified in **Schedule 4**.

5.3 Except as expressly specified in Section 6 below (*Compliance With Financial Pre-Qualification Requirements Through A Parent Company*), the Participant may not prove compliance with the Financial Pre-Qualification Requirements through any other entity, and compliance with all of the Financial Pre-Qualification Requirements shall be demonstrated as a whole by the Participant.

6. **COMPLIANCE WITH FINANCIAL PRE-QUALIFICATION REQUIREMENTS THROUGH A PARENT COMPANY**

6.1 A Participant may demonstrate compliance with all (but not part) of the Financial Pre-Qualification Requirements in Sections 4.1, 4.2 and 4.3 (or 4.3A) above as a whole through its Parent Company, *provided that*:

6.1.1 Participant shall disclose the ownership and organizational structure of the Parent Company in **Attachment B1**;

- 6.1.2 The Parent Company fulfills all of the Financial Pre-Qualification Requirements applicable to the Participant;
- 6.1.3 The Parent Company complies with all of the requirements in Sections 2.2, 4.4, 4.5 and 4.6;
- 6.1.4 The Participant itself complies with Sections 2.2, 4.4, 4.5 and 4.6 above; and
- 6.1.5 The Parent Company will guarantee all of the Participant's financial obligations in connection with the Tender, the Agreement and the Works (if ISR selects the Participant as the Winning Bidder) and executes the Parent Company's Declaration, Warranty and Undertaking in the form attached hereto as **Attachment B2**.

For the purposes hereof, the term “**Parent Company**” shall mean a company that Controls the Participant.

- 6.2 For clarification, a Parent Company's financial strength shall be attributed in its entirety (100%) to the Participant, regardless of the exact ownership percentage of the Parent Company in the Participant.

7. TECHNICAL PRE-QUALIFICATION REQUIREMENTS

7.1 Participants must fully comply with each of the following Technical Pre-Qualification Requirements:

- 7.1.1 The Participant has designed, supplied, installed and commissioned ERTMS/ETCS L2 Class 1 Subset 026 BL 2.3.0d and/or BL 3 train borne systems on at least 50 (fifty) Vehicles, all of which:
 - 7.1.2 have been in commercial operation for at least 1 (one) year as of the Submission date; and
 - 7.1.3 are equipped with an EVC, which was developed by the Participant itself; and
 - 7.1.4 comply with ERTMS TSI requirements.

For the purposes of this section:

"Vehicle" – means a Locomotive and/or a Coach with a Driver cab and/or a DMU/EMU trainset.

"EVC" – means European Vital Computer.

8. COMPLIANCE WITH TECHNICAL PRE-QUALIFICATION REQUIREMENTS

- 8.1 Participant shall be required to demonstrate compliance with each of the Technical Pre-Qualification Requirements set forth in Section 7 by submission of the documents specified in **Schedule 5**.
- 8.2 Participant may comply with the Technical Pre-Qualification Requirements through other entities, only as expressly specified in Section 8.2 (*Compliance With Technical Pre-Qualification Requirements Through*

an Affiliate(s)), or Section 10 (*Compliance With Technical Pre-Qualification Requirements After a Business Restructuring Event*), and subject to the conditions detailed therein. Other than as set forth in the aforementioned provisions, the Participant may not prove compliance with the Technical Pre-Qualification Requirements through any other entity, and compliance with all of the Technical Pre-Qualification Requirements shall be demonstrated as a whole by the Participant.

9. COMPLIANCE WITH TECHNICAL PRE-QUALIFICATION REQUIREMENTS THROUGH AN AFFILIATE(S)

- 9.1 A Participant may demonstrate compliance with some or all of the Technical Pre-Qualification Requirements set forth in Section 7 through an Affiliate of such Participant, provided however, that such Participant is itself a manufacturer of railway rolling stock. A Participant wishing to demonstrate compliance as stated shall submit a duly executed declaration, in the form of **Attachment F1**, confirming that the Participant is a manufacturer of railway rolling stock, and documentation substantiating such declaration.
- 9.2 Participant shall disclose the ownership and organizational structure of each Affiliate through which it seeks to demonstrate compliance of a Technical Pre-requisite Requirement as set forth in Section 9.1 and shall submit **Attachment F2** with respect to each such Affiliate. Such disclosure and submission shall demonstrate, *inter alia*, the affiliation of the Participant and Affiliate.
- 9.3 Each Affiliate shall execute the relevant Works, which are the subject matter of the Technical Pre-Qualification Requirements (or items) regarding which compliance was demonstrated through such Affiliate. For each Affiliate, Participant must submit **Attachment F3** signed by the Participant and the Affiliate, evidencing the appointment of the Affiliate for the execution of the applicable Works if the Participant is selected as the winning bidder in the Tender. For the removal of doubt, execution of Works by an Affiliate shall not derogate from Participant's responsibility for the full performance of the Works.
- 9.4 The Affiliate must comply with all requirements in Sections 2.2, 4.4, and 4.5 above (without derogating from the Participant's need to comply with such provisions). The Affiliate shall submit any necessary documents with respect to such requirements, including, without limitation, Attachments C2 and C3 and, if applicable, C6.
- 9.5 It is further clarified that different items of the Technical Pre-Qualification Requirements set forth in Section 7.1 may be fulfilled by different Affiliates of the Participant, subject to all the provisions of this Section 8.2 with respect to each such Affiliate.

10. COMPLIANCE WITH TECHNICAL PRE-QUALIFICATION REQUIREMENTS AFTER A BUSINESS RESTRUCTURING EVENT

- 10.1 This Section 10 shall apply to a Participant (for the purposes of this Section – the "**Requesting Entity**"), with respect to

compliance with the Technical Pre-Qualification Requirements only. This Section 8.210 does not apply to compliance with the Financial Pre-Qualification Requirements.

10.2 In the event of a spin off, business combination, merger, reorganization, acquisition of a business unit or any similar event (the "**Business Restructuring Event**") with respect to any legal entity other than the Requesting Entity (the "**Business Partner**"), a Participant may request that the experience of such Business Partner with respect to any or all of the Technical Pre-Qualification Requirements of such Business Partner will be attributed to the Requesting Entity, subject to all of the following conditions:

10.2.1 The experience of the Business Partner as relevant with respect to such Technical Pre-Qualification Requirement(s) (or item, as applicable) was, upon and as of the date of the Business Restructuring Event, duly in the possession of a certain division/business unit owned by, or forming part of, the Business Partner as of such time (the "**Other Division**").

10.2.2 All of the relevant business activities and know-how of such Other Division are owned, by reason of the Business Restructuring Event or any subsequent transaction, by the Requesting Entity as of the Pre-Qualification Submission Date.

10.2.3 The majority of the key employees of the Other Division employed by the Business Partner immediately prior to the Business Restructuring Event are employed by the Requesting Entity as of the Pre-Qualification Submission Date.

10.2.4 The majority of the employees who have fulfilled engineering functions in the Other Division immediately prior to the Business Restructuring Event are employed by the Requesting Entity as of the Pre-Qualification Submission Date.

10.3 Compliance with such Technical Pre-Qualification Requirement(s) (or any item thereof) through an Other Division may be deemed as compliance by the Requesting Entity itself, if ISR is satisfied that all of the conditions in Section 10.2 are fulfilled.

10.4 Participant must submit all documents, data and information as required hereunder to prove compliance by the Requesting Entity with such Technical Pre-Qualification Requirement(s) (or any item thereof), including but without limitation with respect to the Business Partner's experience and the Business Restructuring Event.

11. DOCUMENTS COMPRISING THE SUBMISSION

Participants are required to submit all of the documents and certificates

necessary to prove their full compliance with all of the Pre-Qualification Requirements, including, but without limitation, the documents and certificates specified in Section 11.2, in accordance with the provisions below.

- 11.1 Participant shall print the Pre-Qualification Documents to be submitted with its Submission, and the file named "**Sticker**" (available at ISR's website as per Section 12.1.1 below). Participant shall glue the sticker on one empty envelope. Such envelope shall not bear any other wording and/or identification signs or markings.
- 11.2 The Submission submitted in the envelope above shall include one (1) original and three (3) copies of each of the documents described below:
 - 11.2.1 All Attachments listed in **Schedule 3**, as applicable.
 - 11.2.2 All Attachments as required hereunder to prove compliance with the Financial Pre-Qualification Requirements, as further detailed in **Schedule 4**.
 - 11.2.3 All Attachments as required hereunder to prove compliance with the Technical Pre-Qualification Requirements, as further detailed in **Schedule 5**.
 - 11.2.4 **Attachment E1** shall be submitted by all Participants.
 - 11.2.5 All other documents required to evidence compliance by Participant with the Pre-Qualification Requirements in accordance with the provisions of this Invitation to Pre-Qualify.
 - 11.2.6 A CD containing soft copies of all paper documents. All the documents on the CDs shall be in Word or Excel format (except for documents not produced by Participant or on its behalf, which may be in PDF format).
- 11.3 Participants are required to submit copies of Financial Statements with their Submissions. For clarification, and without imposing any obligation on ISR to check the Financial Statements and/or verify if the data submitted by a Participant is correct, in the event of any contradiction between the Financial Statements and such Attachments or any other document submitted within the Submission, the Financial Statements shall prevail.
- 11.4 All Attachments shall be completed and submitted in exact conformity with the instructions specified therein and shall include all of the details, documents and confirmations required. All Attachments and documents, which are required to be signed by Participant and/or by any other parties, should be duly signed by authorized representatives. Participant shall attach all of the Attachments and documents required in this Invitation to Pre-Qualify. ISR shall be entitled to disregard any details and/or documents submitted

by Participant and not explicitly required in this Invitation to Pre-Qualify.

ISR strongly urges Participants not to amend the language and/or the form of the Attachments in any way whatsoever (except as expressly required in order to complete such Attachments in accordance with the instructions therein).

If a Submission or any Attachment and/or document attached thereto is qualified, conditioned, lacking or includes any amendment, change, addition or omission, ISR shall be entitled (though not obligated), at its sole discretion, to proceed in any of the following ways, and Participant shall not have any claim in connection therewith:

- 11.4.1 To disqualify such Submission;
- 11.4.2 To deem such Submission, for all intents and purposes, as having been submitted without the said qualifications, conditions, amendments, changes, additions or omissions and/or to request Participant to confirm that they are withdrawn;
- 11.4.3 To request a Participant, as a condition to its continued participation in this Pre-Qualification Stage, to complete or amend its Submission by a date determined by ISR.

12. PRE-QUALIFICATION SUBMISSION PROCEDURE

12.1 Submission Documents

- 12.1.1 Pre-Qualification Documents are available for review and download at ISR's website at the following address:

<http://www.rail.co.il/HE/ISRTenders/Pages/TenderList.aspx>

(the interface of ISR's website with respect to the Pre-Qualification Documents is currently in Hebrew only).

- 12.1.2 Prior to the Selection Stage, the RFP will be available for review, download and purchase at the website specified in Section 12.1.112.1 above. Submission of a bid by an Eligible Participant at the Selection Stage will be subject to purchase of such documents against payment (non-refundable) of an amount to be specified by ISR.

12.2 Inquiries, Clarifications and Amendments of Pre-Qualification Documents

- 12.2.1 Any Participant may submit to ISR, in writing, inquiries and/or requests for clarification regarding the Pre-Qualification Documents, in English, as specified herein below (a “**Request for Clarification**”). A Request for Clarification shall be titled “Request for Clarification” and shall clearly specify to which document, Attachment, and section it refers.

- 12.2.2 Requests for Clarifications shall be addressed in writing only,

by no later than **April 1, 2016**, to Anat Regev, International Procurement Coordinator, by e-mail: anatr@rail.co.il. Participants shall be responsible for verifying receipt by ISR of any Requests for Clarification.

- 12.2.3 Participants shall submit Requests for Clarification with respect to any errors, ambiguities, inconsistencies, omissions, erroneous, unclear or imperfect provisions ("**Errors**") in the Pre-Qualification Documents. It is clarified that by submitting its Submission, Participant irrevocably and unconditionally waives any claim, demand or legal or administrative proceeding alleging or claiming that the process in the Pre-Qualification Stage has been influenced or biased by an Error and/or that Participant has suffered or will suffer any damages as a result of such Error.
- 12.2.4 Should ISR decide to respond to any Request for Clarification, update or amend the Pre-Qualification Documents, or otherwise issue a notice to prospective Participants, such response or notice shall be published on ISR's website (in the tenders section under the name of the Tender) and, as of the date of publication thereof, shall constitute an integral part of the Pre-Qualification Documents (each a "**Notice to Participants**").
- 12.2.5 Participants alone shall bear the responsibility of checking ISR's website on a regular basis in order to follow publications by ISR. Any Notice to Participants published on ISR's website shall be binding upon each Participant, whether or not Participant is aware of such Notice to Participants, and Participants shall not have any claim in connection therewith.
- 12.2.6 Only information provided by ISR to Participants by way of a Notice to Participants shall be binding upon ISR (unless expressly specified otherwise therein). ISR shall not be bound by any oral and/or written response and/or information communicated to Participants in any other way, including any response or information conveyed during any meeting held with Participants (if held).
- 12.2.7 ISR may amend the Pre-Qualification Documents by issuing Notices to Participants, at any time prior to the Pre-Qualification Submission Date.

12.3 **Pre-Qualification Submission Date**

All Submissions must be submitted by May 10, 2016 (the "**Pre-Qualification Submission Date**"), by 13:00 (Israel time), but not before forty eight (48) hours prior to the Pre-Qualification Submission Date, in sealed envelopes as specified in Section 11 above, at the address set forth below:

Israel Railways Ltd.

Procurement & Contracting Division – Tender Box # 8

Tel Aviv Central Train Station – Savidor (Arlozorov)
Tel Aviv, Israel

12.4 **Submission Validity Period**

- 12.4.1 Submissions shall remain valid until the later of (the "**Submission Validity Period**"):
- (a) the end of a period of six (6) months starting from the Pre-Qualification Submission Date; or
 - (b) the end of the Selection Stage, *provided* that (i) Participant has been declared qualified as Eligible Participant; and (ii) ISR has published the RFP during the six (6) month period referred to in subsection (a) above.
- 12.4.2 A Submission may not be revoked and/or changed by Participant prior to the expiration of the Submission Validity Period for any reason whatsoever (whether or not Participant has been selected as an Eligible Participant during the Submission Validity Period), except with the prior written consent of ISR.
- 12.4.3 Should ISR not reach a final decision as to the Participants to be declared qualified as Eligible Participants before the expiry of the Submission Validity Period, then:
- (a) ISR shall be entitled to cancel this Invitation to Pre-Qualify, or, alternatively, to request all Participants to extend the date of validity of their Submissions by an additional period, the duration of such extended Submission Validity Period to be determined by ISR at its sole discretion.
 - (b) Any Participant requested to extend the date of validity of its Submission shall notify ISR in writing, within seven (7) days from the date ISR notifies such Participant of its request, if it agrees to such extension.
 - (c) If agreed as per subsection (b) above, extension of the validity date of its Submission beyond the Submission Validity Period shall not entitle Participant to change, amend, add or delete any of the contents of its Submission. Any such change, amendment, addition or deletion shall entitle ISR, at its sole and absolute discretion, to disqualify Participant from any further participation in the Tender.
- 12.4.4 For clarification, Participant (by itself or through the entity complying with any Pre-Qualification Requirements, as applicable) shall maintain compliance with all of the Pre-Qualification Requirements during the entire Submission

Validity Period (as may be extended by ISR pursuant to the provisions above).

- 12.4.5 Each Participant shall promptly notify ISR in writing of any change occurring or of which Participant otherwise becomes aware after the Pre-Qualification Submission Date with respect to Participant and/or any entity through which Participant has requested to comply with any Pre-Qualification Requirement (if applicable) and/or the information and/or the representations made by Participant in connection with this Invitation to Pre-Qualify, which affects or can reasonably be expected to affect compliance by Participant (by itself or through any other entity, as applicable) with any of the Pre-Qualification Requirements, including compliance with respect to the Submission Validity Period (as may be extended by ISR pursuant to the provisions of Section 12.4.3 above). ISR shall be entitled to take any action it deems fit in response to such change, and Participant shall not have any claim in connection therewith.

12.5 **Notification to Eligible Participants**

ISR intends to approve the Eligible Participants before the expiry of the Submission Validity Period, as may be extended from time to time in accordance with the provisions of Section 12.4 above. ISR shall send notification of its decision to the Eligible Participants (the "**Notification to Eligible Participants**"). ISR shall also send Notification to the other Participants. The Notification to Eligible Participants will not constitute the formation of a contract between ISR and the Eligible Participant and shall only entitle the Eligible Participant to submit a bid at the Selection Stage, subject to all of the terms and conditions of submission of such bid as will be published by ISR prior to the Selection Stage (and subject, *inter alia*, to ISR's rights as set forth in Sections 1.2.3 and 14.11).

13. **CONFIDENTIALITY AND PROPRIETARY RIGHTS**

13.1 **Participant Confidentiality**

By participating in the Pre-Qualification process, each Participant is deemed to have agreed to keep in strict confidence, not to disclose and not to make any use of any information or data, in any form or media, partial or complete, provided by ISR or on its behalf or made known to Participant otherwise as a result of or in connection with the Pre-Qualification Stage, except if Participant can demonstrate that such information or data is publicly known when first disclosed to Participant or thereafter becomes publicly known through no act of fault of Participant or anyone on its behalf (but only from the time it so became publicly known). Notwithstanding the above, Participant may use such information or data solely for the purpose of preparing its Submission.

13.2 **Proprietary Rights**

By submitting its Submission (including for the removal of doubt any document attached thereto and/or subsequently submitted in connection

therewith), each Participant shall be deemed to represent and warrant to ISR that:

- 13.2.1 there is no contractual or statutory obligation which would preclude Participant from providing the data and information contained in the Submission or any portion thereof, and Participant has the right to make all disclosures that are made in the Submission;
- 13.2.2 the data and information contained in the Submission do not include confidential information, trade secrets or other proprietary information belonging to Participant and/or to any third party that ISR is prevented from using, and ISR shall be fully entitled to use for no charge the data and information contained in the Submission for the purpose of the Project and shall not have any obligation to Participant or to any third party in connection therewith (all except as and to the extent that Participant may otherwise clearly indicate in writing in its Submission).

13.3 Rights in Pre-Qualification Documents

All rights and title in and to all drawings, charts and other technical documents and information provided by ISR or on its behalf to Participants as well as to all the Pre-Qualification Documents and the contents thereof, shall be deemed the sole and exclusive property of ISR.

14. GENERAL TERMS AND CONDITIONS

14.1 Verification

To assist in the evaluation of Submissions, ISR shall have the right, at its sole discretion, to verify any documents submitted by Participants, and to request from any of the Participants additional details, approvals, recommendations, clarifications and/or certificates. Any such requests and all associated responses shall be in writing. If a Participant does not provide clarifications of the information requested by the date and time set in ISR's request for clarification, its Submission may be rejected. ISR reserves the right to interview any Participant. Any travel expenses or other costs associated with such an interview shall be at the Participant's own account.

14.2 Language of Documents

- 14.2.1 All documents submitted by Participant in this Tender (including but not limited to all Attachments, schedules, annexes, drawings, maps, diagrams, tables and charts) and any additional information, questions, requests for clarification and interpretation, or any other communication, must be in Hebrew or English only (except as expressly specified in Section 3.1.1 above), unless otherwise expressly specified in the Tender documents or approved by ISR in advance and in

writing.

- 14.2.2 Documents prepared in languages other than in Hebrew or English (except as expressly specified in Section 3.1.1 above) and required to be submitted hereunder will be submitted in the original language in which they were made, together with an official English translation and/or a translation certified by a notary. In the event of any conflict, discrepancy or inconsistency between the original form and the English translation thereof, the latter shall prevail.

14.3 **Binding Versions**

ISR shall only be bound by the Pre-Qualification Documents published on ISR's website, which shall prevail over any other publication and/or documents (including, but without limitation, publication in newspapers and/or any documents allegedly printed from ISR's website).

14.4 **Attachments**

All Attachments to this Invitation to Pre-Qualify constitute an integral and inseparable part thereof.

14.5 **Submission's Costs**

Participant shall solely bear all costs associated with the preparation and submission of its Submission. In no case will ISR be responsible or liable for any such costs, nor shall ISR be required, under any circumstances, to reimburse any such costs to any Participant, regardless of the conduct or outcome of the prequalification process.

14.6 **Participants to Perform Independent Research**

- 14.6.1 Participants shall be deemed to have reviewed all relevant information relating to the Pre-Qualification Stage. Further, Participants shall make their own independent research, investigations and inquiries about the Works and any aspect thereof.
- 14.6.2 ISR has prepared the Pre-Qualification Documents with considerable expertise and in good faith. Notwithstanding the above, ISR does not represent or warrant that any data and/or information contained in the Pre-Qualification Documents, including **Schedule 1**, is either complete or accurate. ISR has provided such data and information for indicative purposes only and such documents will not form part of any future tender or contract. ISR makes no representation, warranty or undertaking in respect of the accuracy of the information with respect to this section and shall not be liable for any loss or damage arising as a result of reliance on the information herein or on any subsequent communication. It shall be the sole responsibility of each Participant to verify all figures, calculations, quantities and any other data and information contained in the Pre-Qualification Documents and all other matters relating to the Project. Furthermore, the making of

deductions, interpretations or conclusions from data or information made available by or on behalf of ISR is at Participants' sole responsibility and risk.

14.6.3 Neither ISR nor anyone acting on its behalf shall bear any responsibility whatsoever for any loss, damage or injury suffered by any Participant, any employee, officer, agent, subcontractor, parent, subsidiary or any other persons or entities for whom Participant may be contractually or legally responsible by reason of any use of data and information contained in the Pre-Qualification Documents, or for any action or forbearance in reliance thereon.

14.6.4 Any neglect or failure on the part of Participant to obtain reliable data and information shall not release Participant from any risks or liabilities.

14.7 **Authorized Representative**

Participant shall nominate a contact person to serve as Participant's authorized representative with ISR. Participant's representative shall be authorized to represent Participant for all purposes with respect to the Tender. Participant shall specify the name of its authorized representative in Section 2 of **Attachment A1**.

14.8 **Business Practices**

Participant and any other person or entity acting on its behalf, shall not communicate with any other Participant regarding any aspect of the Project, the Tender process or their respective Submissions. In addition, Participant and any other person or entity acting on its behalf, shall not lobby or solicit, directly or indirectly, ISR or any other person or entity affiliated with ISR, including but not limited to any employee, consultant or representative of ISR, with respect to the Project or the Tender process, and shall avoid any actual or potential conflict of interest between Participant and ISR.

14.9 **Captions**

The captions appearing in this Invitation to Pre-Qualify are included only as a matter of convenience and in no way define, limit, construe or describe the scope or interpretation of this Invitation to Pre-Qualify.

14.10 **Severability**

Should any provision of this Invitation to Pre-Qualify be held or considered invalid or unenforceable, the validity of the remainder of the Invitation to Pre-Qualify shall not be affected thereby and shall remain in full force and effect, and ISR shall be entitled to replace the invalid provision with a valid one that conforms as closely as possible to the economic and commercial intent of ISR of the invalid provision.

14.11 **General Prerogatives of ISR**

14.11.1 ISR does not undertake herein or otherwise make any commitment whatsoever to initiate the Selection Stage and/or

to execute the Works in whole or in part and/or to enter into the Agreement or any other agreement with any of the Participants.

- 14.11.2 In addition to any other right of ISR under law, ISR shall have the right to disqualify a Submission and/or an Eligible Participant at any time if (i) Participant does not have adequate financial strength as required for the performance of the winning bidder's obligations under the Tender; and/or (ii) if there is any change in the holdings in, or the composition of, Participant (if applicable); and/or (iii) Participant (or its owners or officers) is suspected of being involved in criminal activity or activity hostile to the State of Israel, or is found to be resident of a country that has no diplomatic relations with the State of Israel; and/or (iv) Participant otherwise breaches the terms of this Invitation to Pre-Qualify.
- 14.11.3 ISR, at its sole and absolute discretion, may decide to cancel the entire Project or Tender at any time.
- 14.11.4 ISR reserves the right at its sole and absolute discretion, to reinstate any Participant at any stage of the process, subject to the agreement of such Participant and to its compliance with all the terms and conditions related to such stage.
- 14.11.5 ISR's descriptions herein (including in any attachments) of the Project and its expected elements, the anticipated requirements of the Participant during the Selection Stage, and the anticipated requirements pursuant to the Agreement are not binding and are subject to change.

15. GOVERNING LAW AND JURISDICTION

- 15.1 The Tender process (including, the Pre-Qualification Stage and the Selection Stage) shall be governed by and construed solely in accordance with the substantive laws of the State of Israel, irrespective of its choice of law principles, and the competent courts in Tel-Aviv-Jaffa, Israel, shall have sole and exclusive jurisdiction over every dispute arising from, or in connection with, the Tender process. The Sale (International Sale of Goods) Law, 5760-1999, the Uniform Laws on International Sales (1964) and the United Nations Convention on Contracts for the International Sale of Goods, shall not govern the Tender process, the rights and obligations of Participants, nor any agreement (including the Agreement) that may be executed as a result of the Tender process.
- 15.2 By submitting its Submission, each Participant (in its name and in the name of any affiliated entity, if applicable) shall be deemed to acknowledge acquaintance with all applicable laws of the State of Israel, which may be applicable to the Tender process.

16. DEFINITIONS

Capitalized terms defined below shall have the meaning ascribed to them, as specified opposite each of them:

- 16.1 "**Accounting Principles**" – Shall have the meaning indicated in Section 3.1.2 above.
- 16.2 "**Affiliate**" – shall mean with respect to any Participant, any other entity that, directly or indirectly Controls, is Controlled by or is under common Control with such Participant.
- 16.3 "**Attachment**" – Shall mean any attachment referred to in the List of Attachments to the Invitation to Pre-Qualify attached hereto.
- 16.4 "**Agreement**" – Shall have the meaning indicated in Section 1.3.5 above.
- 16.5 "**Business Partner**" – Shall have the meaning indicated in Section 10.2 above.
- 16.6 "**Business Restructuring Event**" – Shall have the meaning indicated in Section 10.2 above.
- 16.7 "**Consortium**" – Shall mean a joint venture or any other form of ad hoc entity comprised of more than one entity.
- 16.8 "**Contractor**" – Shall mean the entity entering into the Agreement with ISR (i.e., if selected as the winning bidder, either Participant (or an SPE on its behalf).
- 16.9 "**Control**" – (including, with correlative meanings, the terms "Controlling" "Controlled" and "under common Control with") shall mean all the following rights cumulatively: (i) the right to appoint the CEO (or similar officer); (ii) the right to appoint more than half of the directors (or similar officers); and (iii) the right to direct and control the operations of the Controlled entity.
- 16.10 "**CPA**" – Shall have the meaning indicated in Section 3 above.
- 16.11 "**Eligible Participants**" – Shall have the meaning indicated in Section 1.2.1 above.
- 16.12 "**Errors**" – Shall have the meaning indicated in Section 12.2.3 above.
- 16.13 "**ETCS L2**" – Shall mean European Train Control System, Level 2, as defined by the European Railway Agency.
- 16.14 "**Financial Pre-Qualification Requirements**" – Shall mean the Pre-Qualification Requirements in Section 4 above.
- 16.15 "**Financial Statements**" – Shall have the meaning indicated in Section 3 above.
- 16.16 "**Fiscal Year**" – Shall have the meaning indicated in Section

3 above.

16.17 “**ISR**” – Shall have the meaning indicated in Section 1.1.1 above.

16.18 “**Notice to Participants**” – Shall have the meaning indicated in Section 12.2.4 above.

16.19 “**Notification to Eligible Participants**” – Shall have the meaning indicated in Section 12.5 above.

16.20 “**Other Division**” – Shall have the meaning indicated in Section 10.2.1 above.

16.21 “**Parent Company**” – Shall have the meaning indicated in Section 6.1 above.

16.22 “**Participant**” – Shall have the meaning indicated in Section 2.1.1 above.

16.23 “**Pre-Qualification Requirements**” – Shall mean the Financial Pre-Qualification Requirements and Technical Pre-Qualification Requirements detailed in Sections 4 and 7 above respectively.

16.24 “**Pre-Qualification Submission Date**” – Shall have the meaning indicated in Section 12.3 above.

16.25 “**Pre-Qualification Documents**” – Shall mean all documents issued by ISR to Participants in the course and as a part of the Pre-Qualification Stage and/or submitted by Participant to ISR as required by ISR in the course and as a part of the Pre-Qualification Stage, whether or not attached or referred to explicitly.

16.26 “**Pre-Qualification Stage**” – Shall have the meaning indicated in Section 1.1.1 above.

16.27 “**Project**” – Shall have the meaning indicated in Section 1.1.1 above.

16.28 “**Reference Fiscal Years**” – Shall have the meaning indicated in Section 3 above.

16.29 “**Request for Clarification**” – Shall have the meaning indicated in Section 12.2.1 above.

16.30 “**Requesting Entity**” – Shall have the meaning indicated in Section 10.1 above.

16.31 “**RFP**” – Shall mean a request for proposals that may be issued by ISR to Eligible Participants as part of the Tender.

16.32 “**Selection Stage**” – Shall have the meaning indicated in Section 1.1.1 above.

16.33 “**Single Company**” – shall mean one (1) single company (i.e. not a Consortium) submitting a Submission.

- 16.34 "**SPE**" – Shall have the meaning indicated in Section 2.1.4 above.
- 16.35 "**Subcontractors**" – Shall mean any and all subcontractors and sub-suppliers of Contractor.
- 16.36 "**Submission**" – Shall have the meaning indicated in Section 1.2.1(a) above.
- 16.37 "**Submission Validity Period**" – Shall have the meaning indicated in Section 12.4.1 above.
- 16.38 "**Technical Pre-Qualification Requirements**" – Shall mean the Pre-Qualification Requirements in Section 7.
- 16.39 "**Tender**" – Shall have the meaning indicated in Section 1.1.1 above, including for the removal of doubt this Invitation to Pre-Qualify.
- 16.40 "**TSI**" – Shall mean Technical Specification for Interoperability, as defined by the European Railway Agency.
- 16.41 "**Works**" – Shall have the meaning indicated in Section 1.1.1 above.

LIST OF SCHEDULES TO THE INVITATION TO PRE-QUALIFY

Tender no. 41601

- | | |
|-------------------|--|
| Schedule 1 | General Technical Description of the Works |
| Schedule 2 | Certain Exchange Rates |
| Schedule 3 | Certain Attachments to be submitted by Participant |
| Schedule 4 | Proof of compliance with the Financial Pre-Qualification Requirements |
| Schedule 5 | Proof of compliance with the Technical Pre-Qualification Requirements |

SCHEDULES

Schedule 1

General Technical Description of the Works

(to be attached separately)

Schedule 2**Certain Exchange Rates****1. Exchange Rates for Financial Pre-Qualification Requirements in Sections 4.1 (Equity) and 4.3A.2 (Debt) of the Instructions to Bidders**

Table 1 below shows nominal noon exchange rates from certain currencies to EURO, as published by the Bank of Canada at:

<http://www.bankofcanada.ca/rates/exchange/10-year-converter/>

Table 1: Certain nominal noon exchange rates to EURO – 31.12.2014

USD	CAD	CNY	GBP	CZK	KRW
0.8264€	0.7124€	0.1331€	1.2873€	0.03607€	0.000757€

[Note: the rates above are the official conversion rates from certain currencies to Euro, as published by the Bank of Canada at 31.12.2014]

2. Exchange Rates for Financial Pre-Qualification Requirements in Sections 4.2 (Revenue), 4.3 (Cash Flow) or 4.3.A.2 (EBITDA) of the Instructions to Bidders

Such rates shall be calculated based on the official relevant annual (calendar year) average Exchange Rates published by the Bank of Canada, such that any currency will be first converted to Canadian Dollar in accordance with the applicable rates in Table 2 below, and then to EURO in accordance with the applicable rates in Table 3 below.

Table 2: Certain Annual Average Exchange Rates to CAD – years 2012, 2013, 2014 (for Fiscal Years ending on December 31st)

	USD	EUR	CNY	GBP	CZK	KRW
2012	0.999	1.285	0.1584	1.583	0.0511	0.000887
2013	1.029	1.368	0.1675	1.611	0.0526	0.000941
2014	1.104	1.467	0.1793	1.819	0.0533	0.001049

The rates are published at:

<http://www.bankofcanada.ca/rates/exchange/annual-average-exchange-rates/>

Table 3: Annual average Exchange Rates from CAD to EUR – years 2012, 2013, 2014 (for Fiscal Years ending on December 31st)

	EUR
2012	0.778
2013	0.731
2014	0.682

[Note: the rates above have been calculated on the basis of the EURO-CAD exchange rate in Table 2 above]

Table 4: Certain Annual Average Exchange Rates to EUR – years 2012, 2013, 2014
(for Fiscal Years ending on December 31st)

	USD	CNY	GBP	CZK	KRW
2012	0.7772	0.1232	1.2316	0.0398	0.0006901
2013	0.7522	0.1224	1.1776	0.0384	0.0006878
2014	0.7529	0.1223	1.2406	0.0364	0.0007154

[Note: the rates above have been calculated on the basis of the exchange rates in Tables 2 and 3 above]

3. Example of calculation of applicable conversion rates to the Financial Pre-Qualification Requirements

[Note: the example below is for convenience purposes only and shall not be used in the interpretation of the Invitation to Pre-Qualify.]

3.1 Equity in Section 4.1 of the Invitation to Pre-Qualify

Participant's equity as of 31.12.2014 (KRW): 100,000,000

Applicable conversion rate: 1 KRW = 0.000757€ (Table 1 above)

Participant's equity as of

31.12.2014(EURO): 100,000,000 * 0.000757 = 75,700€

3.2 Value WAAR in Section 4.2 of the Invitation to Pre-Qualify

Participant's annual revenue in 2012 (KRW): 10,000,000

Participant's annual revenue in 2013 (KRW): 9,000,000

Participant's annual revenue in 2014 (KRW): 11,000,000

Applicable conversion rate in 2012:

1 KRW = 0.000887 CAD (Table 2 above)

1 CAD = 0.778 EURO (Table 3 above)

*1 KRW = 0.000887 * 0.778 = 0.000690086 EURO (Table 4 above)*

Applicable conversion rate in 2013:

1 KRW = 0.000941 CAD (Table 2 above)

1CAD = 0.731 EURO (Table 3 above)

*1 KRW = 0.000941 *0.731 = 0.000687871 EURO (Table 4 above)*

Applicable conversion rate in 2014:

1 KRW = 0.001049 CAD (Table 2 above)

1CAD = 0.682 EURO (Table 3 above)

*1 KRW = 0.001049*0.682 = 0.000715418 EURO (Table 4 above)*

Participant's annual revenue in 2012 (EURO):

*10,000,000*0.000690086 = 6,900.86 €*

Participant's annual revenue in 2013 (EURO):

*9,000,000*0.000687871 = 6,190.839 €*

Participant's annual revenue in 2014(EURO):

*11,000,000*0.000715418 = 7,869.598 €*

$$\begin{aligned} \mathbf{WAAR} &= [(7,869.598)*3 + (6,190.839)*2 + (6,900.86)] / 6 \\ &= (23,608.794 + 12,381.678 + 6,900.86) / 6 \\ &= \mathbf{7,148.555333} \end{aligned}$$

Schedule 3**Certain Attachments to be submitted by Participant**

In addition to the Attachments specified in Schedules 4 and 5 below, Participant shall submit all the following applicable attachments with its Submission:

1. **Attachment A1**
2. If the Participant demonstrates compliance with the Financial Pre-Qualification Requirements through a Parent Company:
Attachments B1 and B2 with respect to its Parent Company.
3. If the Participant demonstrates compliance with any Technical Pre-Qualification Requirements through an Affiliate(s):
 - (i) **Attachment F1**; and
 - (ii) with respect to each Affiliate, **Attachments F2, F3, C2 and C3** and, if applicable, **C6**.
4. **Attachment EI**

Schedule 4**Proof of Compliance with the Financial Pre-Qualification Requirements**

1. Participant shall submit all the following applicable Attachments with its Submission:
 - i. **Attachment C1**, certified by the Chief Financial Officer of the Participant or of the Parent Company (as applicable in accordance with the provisions herein).
 - ii. **Attachment C2**, certified by the CPA of the Participant, Parent Company, and/or Affiliate (as applicable in accordance with the provisions herein).
 - iii. **Attachment C3**, certified by the Chief Financial Officer of the Participant, Parent Company, and/or Affiliate (as applicable in accordance with the provisions herein).
 - iv. **Attachment C4**, certified by the CPA of the Participant or of the Parent Company (as applicable in accordance with the provisions herein).
 - v. **Attachment C5**, certified by the CPA of the Participant or of the Parent Company (as applicable in accordance with the provisions herein).
2. For clarification, in the event that the Participant complies with the Financial Pre-Qualification Requirements through its Parent Company, **Attachments C1, C2, C3, C4, and C5** shall be submitted by the Parent Company. Furthermore, **Attachments C2, C3 and C4** shall also be submitted by the Parent Company and by the Participant itself.
3. With respect to each entity incorporated in Israel (if applicable):
Affidavit in the form attached as **Attachment C6**.

Schedule 5**Proof of Compliance with the Technical Pre-Qualification Requirements**

Participant shall submit all the following applicable Attachments with its Submission:

- i. With respect to Section 7.1 in the Invitation to Pre-Qualify: Experience and References Lists in the forms attached as **Attachment D1**.
- ii. With respect to Section 7.1 in the Invitation to Pre-Qualify: Customer Confirmations in the forms attached as **Attachment D2**.
- iii. With respect to Section 7.1.3 in the Invitation to Pre-Qualify: Participant Declaration in the form attached as **Attachment D3**.
- iv. In the event that the Participant seeks to prove compliance with any of the Technical Pre-Qualification Requirements through an Affiliate(s) in accordance with Section 8.2 of the Invitation to Pre-Qualify, Attachments D1, D2 and/or D3, and any other documents, data or information required to prove compliance with such Technical Pre-Qualification Requirements, shall be submitted by the relevant Affiliate(s).
- v. In the event that a Participant seeks to prove compliance with any of the Technical Pre-Qualification Requirements after a business restructuring event in accordance with Section 10 of the Invitation to Pre-Qualify, Participant shall submit all documents, data and information as required to prove compliance by the Requesting Entity with any or all Technical Pre-Qualification Requirements (or any item thereof) specified in Section 10, including but without limitation with respect to the Business Partner's experience and the Business Restructuring Event.

LIST OF ATTACHMENTS TO THE INVITATION TO PRE-QUALIFY**Tender no. 41601****Attachment A: Participant**

Attachment A1 Structure and Organization of the Participant

Attachments B: Parent Company

Attachment B1 Structure and Organization of the Parent Company
Attachment B2 Parent Company's Declaration, Warranty and Undertaking

Attachments C: Compliance With The Financial Pre-Qualification Requirements

Attachment C1 Certificate with respect to Sections 4.1, 4.2 and 4.3 (or 4.3A) of the Invitation to Pre-Qualify signed by the Chief Financial Officer of the relevant entity
Attachment C2 CPA Certificate with respect to Section 4.4 of the Invitation to Pre-Qualify
Attachment C3 Certificate with respect to Section 4.5 of the Invitation to Pre-Qualify signed by the Chief Financial Officer of the relevant entity
Attachment C4 The Financial Statements of the relevant entity with respect to Section 4.6 of the Invitation to Pre-Qualify
Attachment C5 CPA Certificate with respect to Sections 4.1, 4.2 and 4.3 (or 4.3A) of the Invitation to Pre-Qualify

Entity Incorporated in Israel

Attachment C6 Affidavit pursuant to the Public Entities Transactions Law, 5736-1976

Attachments D: Compliance With The Technical Pre-Qualification Requirements

Attachment D1 Experience and Reference Lists with respect to Section 7.1 of the Invitation to Pre-Qualify
Attachment D2 Customer Confirmations with respect to Section 7.1 of the Invitation to Pre-Qualify
Attachment D3 Participant Declaration with respect to Section 7.1.3 of the Invitation to Pre-Qualify

Attachment E: Signature Form:

Attachment E1

Submission Signature Form

Attachments F: Affiliate

Attachment F1

Declaration pursuant to Section 9.1 of the Invitation to Pre-Qualify

Attachment F2

Structure, Organization and Works of the Affiliate

Attachment F3

Appointment of the Affiliate