



The Tao to red ink Page 8

TheMarker

Israel's Leading Business Newspaper

Dollar 3.777 0.05%

Euro 5.698 0.16%

Tel Aviv 25 1,100.93 0.31%

Nasdaq 2,185.03 0.42%

Coca-Cola Israel sales plunge 30% as fetid bubbles gain notice

By Adi Dovrat-Meseritz

Retailers yesterday reported a drop of 25% to 30% in sales of Coca-Cola versus normal times, namely when the bubbles in the popular soda don't smell of sulfur.

representatives of the Central Bottling Company were quietly recalling bottles of Coca-Cola from stores, the damage seemed minimal. Although the company had neglected to inform consumers that there was a problem, at worst grocers reported a 2% dip in sales. But as the recall became public knowledge, then

expanded to Diet Sprite, Kinley Soda and cans and glass bottles of Coke, sales fizzled, falling by about 10%.

Now stores are reporting a drop as steep as 30%.

The Central Bottling Company, usually but inaccurately known as "Coca-Cola Israel," blames the mishap on the carbon dioxide gas it bought

from Makhteshim-Agan Industries. While insisting that consumers were not at risk, it advised them not to drink the affected beverages, and told them to call its hotline at 1-800-587-587 for replacement products. Usually the Central Bottling hotline gets about 250 calls a day. Now it's more like 100 per hour.

While Coca-Cola sales dry up, the competition is rocking. Sales of Pepsi, disseminated by Tempo Beer, and RC, distributed by Jaf-Ora, are up. Grocers report rising sales of non-carbonated drinks as well.

Certainly, the news is out. A survey by Panels Institute for Channel 10 News found that

93% of households had heard of the cola travails and 48% think the company is lying about the problem not posing a health hazard. Worse, from the Central Bottling's view, 12% of respondents say they'll never drink Coke again. Of course, 65% of respondents continue to have faith and will put their money where their mouth is.

Finance officials would block Hanson sale to Nochi Dankner

By Guy Liberman

Nochi Dankner may not be able to buy the building materials giant Hanson Israel after all.

The IDB group, which is controlled by Dankner and the Livnat family, sought to buy Hanson for NIS 450 million. Hanson is Israel's second-biggest source of building materials. In an official opinion, Udi Nissan – the budget director at the Finance Ministry – wrote to Antitrust Commissioner Ronit Kan that the acquisition could be anti-competitive.

Allowing IDB, which owns a number of construction and infrastructure companies as well as the Neshor cement works, to buy Hanson would contravene government policy of intensifying competition in the building input sector, Nissan explains.

Real estate sector sources

project that Kan, who has been studying the proposed acquisition for four months, will release her decision within days.

IDB signed an agreement to buy Hanson through group company Mashav in July. The seller is Heidelberg Cement of Germany. Hanson owns three quarries, 29 cement plants and two asphalt production plants. It has 560 workers and is believed to have turnover of about NIS 950 million a year.

Despite Hanson's cement production, Neshor has been declared a monopoly in the Israeli cement scene because of its dominant position.

IDB also owns a company that has been declared a monopoly in supplying explosives to quarries. The Livnat family, which owns a controlling interest in IDB with Nochi Dankner, owns the company Taavura Tiforet, which

is a monopoly in transporting cement powder by trucks.

Opponents to the merger include the Association of Builders in Israel, which claims it would be anticompetitive in terms of the provision of cement. If IDB buys Hanson, the builders point out, it will have clout throughout the entire chain of the construction industry, from the basic materials (making the cement, transporting it) to the actual building.

IDB counters that it isn't involved in concrete or quarrying, so buying Hanson wouldn't hurt competition.

The Knesset recently addressed the question, when Haim Oron brought the potential merger up for discussion at the Knesset Finance Committee. Oron opposes the deal too.

Hearing the public debate, the Finance Ministry itself addressed the conundrum



Udi Nissan

and, at the behest of Kan, deliberated and formulated its opinion. In a two-page document delivered to Kan two weeks ago, Nissan wrote, "We believe that approving the merger between Mashav – which owns among other things the Neshor cement monopoly – and Hanson could

impair competition in the concrete sector and work contrary to government policy of improving the building inputs market."

In short, the ministry document says, allowing the merger could lead to price increases in the construction sector. It concludes that IDB should not be allowed to go ahead with buying Hanson.

The merger isn't dead yet. But Tsahi Landau, chairman of the resources committee at the Builders Association, who opposes the deal, commented yesterday that justice won the day.

"The government and authorities grasped the concentrated nature that the construction industry could have if IDB buys Hanson," he said.

The government aims to lower housing prices. It isn't enough to reform tax and land: building inputs have to be handled as well, Landau said.

Beware of Greeks bearing empty hands

By Haim Bior

The dire state of Greece's economy has begun to leave its mark on trade with Israel as hundreds of Israeli exporters report problems with their Greek customers.

Figures from the Israeli Credit Insurance Company indicate a dramatic downturn in payment ethic among Greek importers toward their Israeli suppliers, with November representing the worst month to date. Substantial late debt payment to Israeli exporters to Greece increased in the past year by 50% to about \$10 million, compared to \$6.5 million in the same period last year.

The ICIC defines "substantial debt" as a delay of more than 30 days beyond the agreed credit terms. It says that the increase in substantial debt affects all main export industries to Greece, including chemicals and pharmaceuticals, plastic products and irrigation, medical, electrical and farming equipment.

The Greek economy has been affected by the global economic crisis, but not drastically. Greece reported negative growth of -0.9% in the third quarter of 2009, compared to growth of 0.3% in European Union members overall.

However, the Greek government has not managed to keep the growing national debt under control. Greece's internal debt is expected to exceed 125% of gross domestic product in 2010, putting the country at risk of a financial crisis.

Business in Brief

'Haredi Madoff' bilked Bnei Brak families

Another Ponzi has been uncovered in the ultra-religious sector. Kikar Shabbat, a news Web site caters to the sector, reports that Moshe Zussman bilked about \$50 million from Bnei Brak residents and wealthy families overseas. He claimed to be an expert on currency speculation and even ran a Web site purporting to show detailed reports of client accounts. After investors became suspicious and asked to meet with him, Zussman reportedly broke down and admitted: "I'm a Haredi Madoff." He told the investors that their "profits" had derived from other investors, that their account reports had been faked and that the Web site itself was a fake domain. Meanwhile, Zussman has reportedly fled the country with his family, apparently to London. (Nati Tokar)

Gad Zeevi buys Japanuto

Gad Zeevi is buying the 50% of Japanuto Holdings that he doesn't already own, from the publicly traded company Metis Capital. Zeevi is paying NIS 80 million for the shares, using the remaining cash (after he repays banks) from the sale of his shares in the Bezeq phone company. The deal signals the end for the battle for control of Japanuto, which crushed its market share to just 3.4% in the third quarter of 2009. Japanuto, which imports Subaru vehicles, has been unable to offer credit to leasing companies, among other things. Japanuto ended the third quarter of this year with a loss of NIS 11.8 million and revenues of NIS 206 million, compared to a profit of NIS 8 million on revenues of NIS 253 million in the same period last year. (Yoram Gabison and Daniel Schmil)



Gad Zeevi

Danya Cebus to build Sharona project

Danya Cebus, an engineering company belonging to Lev Leviev's debt-ridden Africa Israel group, will be building the Sharona project on Ha'arba'a St. in Tel Aviv at the cost of NIS 326 million. It will be building the three towers with 324 apartments, 65,000 square meters of commercial space, and 40,000 square meters of parking space. Once construction permits are issued, work on the project is expected to take about two and a half years. Gindi Holdings won the race for the site two months ago in a tender issued by the Israel Lands Authority, offering NIS 457 million for the three plots, including development costs. (Raz Smolsky)

Naval inspectors suddenly go seasick

A "mysterious illness" struck port inspectors in concert early this week. The inspectors decided to go to the doctor on Monday instead of appearing for work. Ashdod and Haifa port management reported the absences to the Transportation Ministry's director general, Yaakov Ganot, who advised that they return to work immediately, which they did. Naval inspectors are responsible for overseeing work at the ports on behalf of the Transport Ministry, including the handling hazardous materials. They have been quarreling for a long time with the Finance Ministry over a raise, and are also upset in general over the government's plans to reform Israel's sea ports. (Haim Bior)

Labor leader blesses 'Finance Ministry kids'

Haifa port's labor leader Meir Turjeman was jubilant over press reports that the Finance Ministry is thinking of delaying the privatization of Haifa Port. It might float only Ashdod port shares at this stage. "I'm proud of the Finance Ministry kids, that they had the courage to admit that privatization is a mistake," Turjeman said. The second stage of the ports reform is scheduled for 2010, with the public float of 15% of the Haifa Port and Ashdod Port companies. Haifa Port's labor unions, however, have been obstructive. Turjeman predicts that Ashdod's workers won't agree to privatization unless Haifa Port is privatized too. "From now on our demands will escalate," he vowed. (Avi Bar-Eli)

The serial value-destroyer

Jacob Perry is chairman, director or adviser at a dozen companies, some of which haven't done too well

By Sharon Shpurer

Many companies ran into trouble in the first months of 2009, as the economic crisis raged. Among them was Magal Security Systems, which is dual-listed on Nasdaq and the Tel Aviv Stock Exchange. Magal, which makes perimeter security systems, had to cut pay and costs and lay off dozens of workers to stay afloat. But its chairman, Jacob Perry, seems to have been above all that.

Perry, former head of the Shin Ben security service, was asked by Magal's brand-new chief financial officer Zeev Morgenstern to accept a 10% pay cut – amounting to NIS 5,000 a month – which shouldn't have been a strain for a man earning millions of shekels a year.

But Perry refused. He explained why to Morgenstern, who then wrote to one of Magal's managers: "Perry... received a letter (together with the rest of the employees) about a 10% cut and claimed he had a problem because it would reopen his divorce agreement."

The fledgling veep had no idea what to do. He consulted with another Magal manager, and as a result Perry was spared the pay cut.

But for some reason, Perry's March salary was reduced together with that of all company employees with the exception of three new hires. He asked to be reimbursed. The CFO apologized and promised to return the money

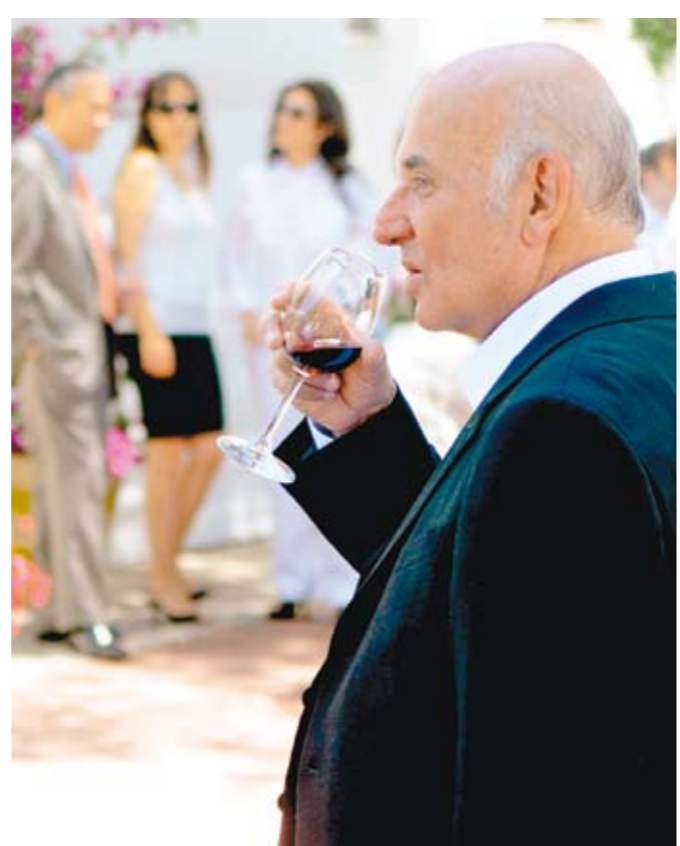
in Perry's April paycheck.

While chairing Magal, which meanwhile suspended payments to suppliers and cut its costs on cars, travel and the reimbursement of expenses, Perry commenced a NIS 6 million renovation of company headquarters in Yehud, including his office. Managers had tried in vain to stop the project.

That's just one example of the style of Perry, who serves as chairman, director or adviser at no less than 12 companies and organizations. He is also a sought-after radio and television commentator on security affairs, he is an adviser to the government on the case of abducted soldier Gilad Shalit and grants interviews far and wide. Some of the companies he's in charge of, however, are looking rather ratty.

Magal's condition is terrible, and then there's Leadcom, where Perry has been on the board since late 2008. Leadcom, which makes mobile communications systems, was already in bad shape when he came on board. Now it's bankrupt. Last week it told investors that it can't go on, after its CEO quit.

Another story is that of wee company Bee Contact, which Perry chaired. He led the company to its initial public offering in June 2006 and stood at its helm for two years, during which its share price crashed and its money ran out. Bee Contact floated at a company valuation of NIS 30 million and ended its days as a stock market shell.



Jacob Perry, a man of many hats.

Then there's the private equity fund Markstone, where Perry serves on the advisory board. He is believed to receive \$3,000 to \$5,000 a month. Membership on the advisory board does not involve actually coming to meetings regularly, but rather providing advice when demanded.

Perry is also on the boards of directors of Shlomo Holdings and Elul Tamarind, each of which pays him thousands

of shekels per board meeting, plus tens of thousands of shekels in base pay a year.

At Magal, Perry is paid NIS 50,000 a month for a part-time job (50% to 60% of a full-time position). His contract includes an annual pay raise as well as options for 300,000 shares. The company never reported it officially, but there's also a secret agreement between Perry and a major shareholder promising him options on an additional 100,000 shares at the same terms.

Perry's job chairing Bank Mizrahi-Tefahot as chairman is also part-time – 60% – for which he receives NIS 1.5 million to NIS 2.5 million a year. The other companies at which he serves also pay him.

Conflicted interests

The strain must be terrific. He's a member of the board of directors at the privately held company Yafel Holdings, chairman of Pinpoint, chair-

man of MID, director at Tamarind Elul, director at Shlomo Holdings, advisory board member at Markstone, chairman of Beth Hatefutsoth, the Museum of the Jewish People; Friends of Sheba Medical Center at Tel Hashomer and of the real estate investment fund Mor.

Maybe Perry wanted more. Recently Ilan Ben-Dov named Perry to the board of directors of Partner Communications, which Ben-Dov had just acquired. But Perry was forced to step down within days because Bank Mizrahi-Tefahot, which he chairs, had lent Ben-Dov money to buy Partner in the first place.

A few days after Perry quit Partner's board, Industry and Trade Minister Benjamin Ben-Eliezer appointed Perry to lead an advisory council at the Industrial Cooperation Authority. This too raises questions about conflicts of interest because of Perry's positions with defense-related companies Magal, which makes security systems, and Tamarind Elul, which represents foreign suppliers to Israel's defense establishment.

Magal in the family

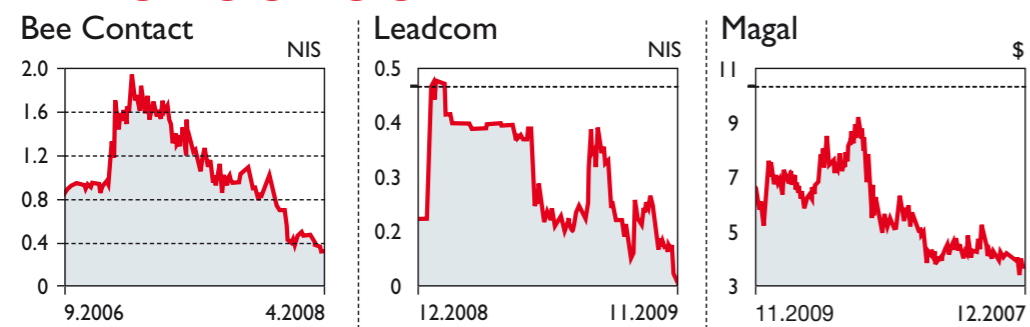
Magal was founded in 1970 by Israel Aircraft Aerospace Industries (now known as Israel Aerospace Industries). It was sold in 1984 to private businessmen Nathan Kirsh and Jacob (Kobi) Even-Ezra and was floated in the 1990s on Nasdaq, at \$8 per share, later dual-listing in Tel Aviv. Twenty years later its share price is \$4.

Perry has been involved with Magal for 14 years, joining it straight from the Shin Bet. Sources at Magal say he had met the management beforehand, when Magal sought permits from the Shin Bet for its systems. Perry denies it.

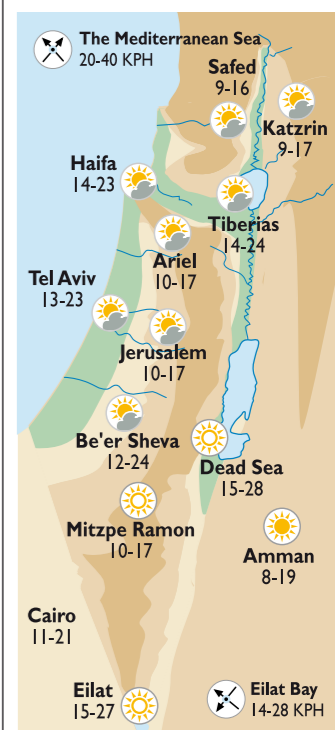
He resigned from Magal's board to take over as CEO of Cellcom in 2002 and rejoined Magal when he left Cellcom. In 2006 he was vice-chairman under Even-Ezra as chairman.

See PERRY, Page 11

Value going, going, gone



Weather



Friday Saturday Sunday

Sunrise: 06:22 Sunset: 16:34

Air pollution index: 1.12.09 medium

Rain tonight

This morning will be warm, dry and very windy. In the evening, however, rain will arrive, starting in the north and spreading southward. Tomorrow will bring scattered showers throughout the north and center, and will be significantly colder.