

**Oil Refineries Ltd.  
("The Company")**

August 6, 2020

**Framework agreements with suppliers of crude oil and completion of negotiations for an arbitration agreement to purchase natural gas**

**1. Framework agreements with suppliers of crude oil**

Further to what was stated in Note 20B7 of the Company's financial statements as of December 31, 2019 concerning the Company entering into framework agreements (both framework agreements for a period and occasional transactions) with suppliers of crude oil, the Company reports that on August 5, 2020 it signed additional framework agreements with a number of the Company's suppliers of crude oil ("the Suppliers").

In the framework agreements the Company has undertaken to purchase from the Suppliers of crude oil a fixed minimum quantity, and the Suppliers have undertaken to allow the Company to extend the terms of Suppliers' credit for crude oil purchased from them from 60 to 90 days, without collateral and against payment of the costs of the transaction (estimated at an annual amount that is not material to the Company), up to the maximum amount of crude oil as fixed with each of the Suppliers in its agreement. If the Company exercises its right to extend the Suppliers' credit beyond the 30 days, it will bear the cost of Suppliers' credit for the period over 30 days, at market terms, and similar to the cost of other financing channels for the Company's short-term working capital.

Apart from the credit terms, the purchase of crude oil from the Suppliers is expected to take place at market terms as they shall be at the time of making each purchase.

The period of the framework agreements varies between 15 and 18 months, and includes an option for the Company to extend them by a further 12 months. Minimum and maximum quantities, transaction costs, Suppliers' credit cost for the period over 30 days and the manner of determining it, and the agreements periods vary in each of the framework agreements based on the accords the Company has arrived at with each Supplier. In addition, as a general rule, the framework agreements include conditions for their termination if certain events occur as detailed therein, including the occurrence of a materially adverse event for the Company's business.

It should be noted that the Suppliers are also today major suppliers of the Company, and are among the biggest oil trading companies in the world that offer a very wide range of types of crude oil. Accordingly, in the Company's opinion, the Company's undertaking to purchase minimum quantities from the Suppliers will not impair the Company's flexibility in the mix of purchased crude oil.

The scale of Suppliers' credit as a result of extending the number of credit days as stated depends on the scale of crude oil purchases under the framework agreements, the credit days that will be set by the Company for each transaction (within the range of days set), and changes in the crude oil price. Assuming maximum use of the facility for extending credit days by the Company, and given a crude oil price of USD 42 per barrel (Brent crude oil price close to the time of this report), the scale of Suppliers' credit under all the framework agreements is estimated at USD 380 million. It is clarified that the price of crude oil may change frequently and the Company purchases different types of crude oil, which will impact on the maximum

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scale of credit stated above. It is also clarified that the Company does not necessarily intend to make use of the maximum scale of credit throughout the framework agreements period.

As stated in Note 20B7 the Company's annual financial statements and in chapter 10B of the Company's Directors' Report as of June 30, 2020, the Company from time to time makes use of extending the terms of credit with crude oil Suppliers. This channel affords the Company a range of sources of funding for working capital and optimal liquidity management, together with or instead of other tools available to raise short-term credit, depending on needs and circumstances. Against the background of the Corona crisis on the Company's business, and as part of managing its financial strength and liquidity, at this time the Company believes that it is right to ensure the availability of Suppliers' credit as stated by anchoring it in binding framework agreements.

**2. Completion of negotiations for a new arbitration agreement for the purchase of natural gas**

Further to what was stated in Note 20B1(5) of the Company's annual financial statements as of December 31, 2019 concerning an arbitration agreement for the purchase of natural gas from the Tamar Partnership (dated May 2019) ("the First Arbitration Agreement"), after receiving the approval of the Company's Audit Committee and Board of Directors, negotiations have been completed for a new arbitration agreement with the Tamar Partnership for the purchase of natural gas ("the Agreement"). As of the date of this report the Agreement has not yet been signed and the Company has been informed that the partners are expected to sign the Agreement in the coming days. The Agreement is subject to approval by the Company's General Meeting.

Below are the main points of the Agreement:

- The Agreement period is from the date of approval by the General Meeting to enter into the Agreement until the start date of the supply of natural gas to the Company by Energean or until July 31, 2022, with an option for the Company to extend the Agreement period twice, each time for a period of three months until the end of 2022, whichever is earlier.
- Under the agreement Tamar undertakes to supply the Company the entire amount up to 1 BCM (for a 12 month period), and the Company undertakes to purchase the entire amount of natural gas it requires from the Tamar Partnership, in respect of the surplus amounts that are above the minimum amount the Company undertook to purchase from the Tamar Partnership under the First Arbitration Agreement<sup>1</sup>. The Agreement does not include a commitment to a minimum purchase amount.
- The natural gas price set between the parties is fixed (without any indexing mechanisms).
- The overall financial scope of the Agreement is expected to be between USD 120 - 180 million, based on the quantities of gas expected to be purchased under it and at the date when natural gas supply by Energean will commence, expected according to the Company and based on Energean's estimate during the second half of 2021.
- The Agreement includes additional provisions and arrangements, as is usual in agreements of this sort for the purchase of natural gas.

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<sup>1</sup> It should be noted that the Company's undertaking to purchase minimum quantities (using the Take or Pay mechanism) from the Tamar Partnership under the First Arbitration Agreement applies only to the fourth quarter of 2020.

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The negotiations with the Tamar Partnership are being handled jointly by the Company and ICL Group Ltd (a public company controlled by the Israel Corporation Ltd, the Company's controlling shareholder) in order to leverage their combined purchasing power to obtain optimal terms for the purchase of natural gas. Having said which, each of the companies is signed separately on the Agreement not subject to the agreement of the other. Due to these joint negotiations, after signature of the Agreement it will be brought for approval of the General Meeting.

Oil Refineries Ltd.  
By: Eli Mordoch, Adv.  
Corporate Secretary

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