Convenience Translation

The Hebrew version is the binding version

Oil Refineries Ltd.

("the Company")

September 3, 2020

This is an abbreviated version of an Immediate Report published by the Company. The full version appears in Hebrew on the Maya website.

Transaction Report and Notice of a Special General Meeting of Company Shareholders

Pursuant to the Securities Regulations (Periodic and Immediate Reports) 1970, the Securities Regulations (Transaction between a Company and a Controlling Shareholder Thereof) 2001 ("Controlling Shareholder Transaction Regulations") and the Companies Law, 1999 and its regulations ("the Companies Law"), the Company is hereby pleased to publish a transaction report, as defined in the Controlling Shareholder Transaction Regulations ("the Report") regarding the engagements set out below, and the Company hereby announces convening of a special general meeting of its shareholders in which the subjects set out in this Report below will be discussed ("the Meeting"). The Meeting will take place on Thursday, October 1, 2020, at 11:00 am, at the Company's offices at Haifa Oil Refinery located on Hahistadrut Boulevard, Haifa Bay.

1. **Items on the agenda and summary of the resolution**

Approval of the Company's engagement with the Tamar Partnership[1] in an agreement to purchase natural gas in the interim period (as defined below) until the start of supply of natural gas from the Karish reservoir by Energean Israel Limited ("Energean") with the aim of improving the terms of purchase of natural gas in the interim period compared to the existing agreement in respect of that period.

1.1. **Background**

1.1.1. Natural gas is used by the Company as a key energy source for its plants and those of its subsidiaries.

1.1.2. Until the end of June 2020, the Tamar Partnership supplied natural gas to the Company[2] under a natural gas purchase agreement dated November 2012 according to which the Tamar Partnership supplied natural gas to the Company from the Tamar gas reservoir ("Original Tamar Agreement").

1.1.3. In December 2017, the Company signed an agreement with Energean for the purchase of natural as from the start of commercial operation of the Karish reservoir, which according to Energean's notice to the Company is expected to commence in the second half of 2021. The start of supply of natural gas by Energean from the Karish reservoir depends on completion of the development of the reservoir and the pipeline as well as

[1] The partners of which, as communicated to the Company and according to announcements, are the gas partnerships Isramco Negev 2, Delek Drilling, Noble Energy Mediterranean Limited, Tamar Petroleum, Dor Gas Exploration and Everest Infrastructures ("Tamar Partnership").

[2] Furthermore, the Company purchases small quantities of natural gas from time to time on the secondary market.

other factors, and therefore, there is uncertainty regarding the date of the start of gas supply to the Company from that reservoir[3].

1.1.4. In order to ensure continuous supply of natural gas to the Company after the end of the Original Tamar Agreement until the start of supply of gas to the Company by Energean ("the Interim Period"), in May 2019 the General Meeting approved the Company's engagement in an agreement under which the Company will continue to purchase natural gas from the Tamar Partnership from the end of the Original Tamar Agreement for six months until the end of 2020, with the right for the Company to extend the engagement for further periods of 6 months each, until the start of supply from the Karish reservoir, but no later than a cumulative period of 8 years (meaning, until July 2028) ("the First Interim Agreement")[4].

1.1.5. Pursuant to the terms of the First Interim Agreement, the Tamar Partnership notified the Company that from October 1, 2020 the agreement will become firm and as from that date, the Company is obligated to purchase the quantities of natural gas set out in the First Interim Agreement. For the period from commencement of the First Interim Agreement (from the end of June 2020) until the foregoing date, the agreement is implemented on an interruptible basis, meaning without any minimum quantity commitment.

1.1.6. Due to the start of supply of natural gas by Leviathan and intensification of the terms of competition in the market, the Company resolved to act to optimize the current terms of engagement in the First Interim Agreement and reduce the natural gas purchase costs in the Interim Period.

To this end, the Company and ICL Group Ltd. ("ICL Group") joined forces to conduct joint negotiations with the natural gas suppliers the Tamar Partnership and the Leviathan Partnership with the aim of leveraging their aggregate purchasing power to obtain the best terms for the purchase of natural gas for the Interim Period ("the Joint Negotiations"). ICL Group is owned by the Israel Corporation Ltd., the controlling shareholder of the Company ("Israel Corporation"). At the end of the Joint Negotiations, the Company and ICL Group each signed a separate and independent agreement with the natural gas supplier whose offer, according to the Company's discretion, is the best for it.

1.1.7. Based on legal advice received by the Company, the negotiations were led by the Company's Audit Committee, which approved launching of the Joint Negotiations and led them with several updates during the Joint Negotiations.

1.1.8. At the end of the Joint Negotiations, and after examination of the terms of the offers received from each natural gas supplier, the Company's Audit Committee and Board of Directors resolved to approve the Company's engagement with the Tamar

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[3] For further information regarding Energean's notice and the Company's estimate regarding the start of supply of natural gas from the Karish reservoir, see Note 5B(4) in Part B of the Company's financial statements as at June 30, 2020 (as published on August 6, 2020, reference no. 2020-01-075766) ("the Company's Financial Statements as at June 30, 2020").

[4] Furthermore, in the event of cancellation of the natural gas purchase agreement with Energean, the Interim Agreement will be extended for one 12-month period if the agreement with Energean is canceled before the end of 2020 or one 18-month period if the Energean agreement is canceled thereafter. For information about the other terms of the First Interim Agreement, see Note 20B(1) in Part C of the Company's periodic report as at December 31, 2019 (as published on March 18, 2020, reference no. 2020-01-022663) ("the Company's Periodic Report for 2019").

Partnership in a new natural gas purchase agreement in the Interim Period, based, inter alia, on the economic opinion of an independent external expert, under the conditions and reasons set out in this Report below ("the New Interim Agreement" or "the Agreement").

The New Interim Agreement was signed on August 27, 2020 by the entire Tamar Partnership, as defined above, other than Delek Drilling, which has not yet signed it. However, the Company was informed that the Tamar Partnership (other than Delek) is committed to the terms of the New Interim Agreement, including the supply of the quantities in the agreement, whether Delek joins or not. The approval of the General Meeting under this notice was set as a precondition in the New Interim Agreement. The agreement was signed separately and without any commercial or legal dependence on ICL Group and any agreement, if signed, between it and the Tamar Partnership.

1.2. Principles of the proposed transaction

1.2.1. **Parties to the engagement:** The Company and the Tamar Partnership.

1.2.2. **Period of the New Interim Agreement:**

The period of the New Interim Agreement will commence after approval by the General Meeting of engagement in the New Interim Agreement and will continue until the start of supply of natural gas to the Company by Energean or until July 2022 with an option for the Company to extend the agreement period twice for a three-month period each time until the end of 2020, whichever is earlier.

1.2.3. **Volume of natural gas purchased:**

Under the agreement, the Tamar Partnership undertook to supply the Company with the entire quantity up to 1 BCM for each 12-month period, and the Company undertook to purchase all quantities of natural gas which it requires from the Tamar Partnership, when by the end of 2020, the period in which the First Interim Agreement is applicable, the New Interim Agreement will only apply for surplus quantities beyond the quantity which the Company undertook to purchase from the Tamar Partnership under the First Interim Agreement (a commitment that only exists between October 2020 and December 2020 during which the First Interim Agreement will become firm, as set out in section 1.1.5 above).

The agreement does not include any commitment to purchase a minimum quantity and the quantities of natural gas that are expected to be purchased thereunder are intended to fulfill the Company's entire gas consumption (existing and expected, as at the date of this Report).

1.2.4. The proceeds:

The expected financial amount for the purchase of natural gas is USD 120-180 million, depending on the quantity of gas required by the Company and date of the start of supply of natural gas by Energean in the second half of 2021. This amount reflects savings in the Company's natural gas purchase expenses of between USD 30 million and USD 45 million (respectively) for each period, mostly in 2021.

The natural gas price set in the New Interim Agreement is USD 4 per MMBTU, fixed for every agreement period and is not linked to any linkage mechanisms.