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**Israel Corporation Ltd.**

Registrar Number: 520028010

**Form 121**  
**Public**

Date of Transmission: 14/01/2018

Reference: 2018-01-005176

To:  
The Securities Authority  
www.isa.gov.il

To:  
The Tel-Aviv Stock Exchange Ltd.  
www.tase.co.il

**Immediate Report**

**The Event: ORL – a Revised Transaction Report**

Reference numbers of prior reports on the subject: 2017-01-109702 2017-01-068548 2018-01-000238

Attached is an Immediate Report of Oil Refineries Ltd. – a revised transaction report regarding an agreement to purchase Gas

Attached hereto: *RevisedTransactionReportJanuary112018.isa.pdf*

The Company *is not* a shell company as defined in the Stock Exchange Regulations

The date when the event first became known to the corporation: 11/01/2018  
Time: 18:20

Name of report authorized signatory and name of authorized electronic signatory: Maya Alcheh Kaplan  
Position: Vice President, General Counsel and Company's Secretary  
Signature date: 14/1/2018

Form structure updated: 01/01/2018

Securities of the corporation are listed in the Tel Aviv Stock Exchange  
Short name: Israel Corporation  
Address: P.O.B. 20456, Tel Aviv 61204 Tel: 03-6844517, 03-6844500, Fax: 03-6844587  
Email: MAYAANK@ISRAELCORP.COM

Former names of reporting entity: Israel Corporation Ltd.

Name of Electronic Reporter: Maya Alcheh Kaplan. Position: Vice President, General Counsel and Company's Secretary. Address: Aranha 23, Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587, email: mayaak@israelcorp.com

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

~~December-January 3111, 2017~~2018 |

To  
The Securities Authority  
via MAGNA

To  
Tel-Aviv Stock Exchange  
via MAGNA

**Re: Revised Transaction Report and Announcement of the Convening of a Special General Meeting of  
the Company's Shareholders**

In accordance with the Securities Regulations (Immediate and Periodic Reports) 5730-1970, the Securities Regulations (Transaction between a Company and its Controlling Shareholder), 5761-2001 (hereinafter: the "**Controlling Shareholder Transaction Regulations**") and in accordance with the Companies Law, 5759-1999 (hereinafter: the "**Companies Law**"), and the regulations enacted pursuant thereto, the Company is hereby to publish a [revised](#) Transaction Report, as its definition in the Controlling Shareholder Transaction Regulations (the "**Report**"), in connection with the transaction detailed below, and wishes to announce the convening of a special general meeting of the shareholders of the Company, in which the item detailed in this Report below will be discussed (the "**Meeting**"). The Meeting will be held on Sunday, January ~~1421~~, 2018, at 16:30 p.m., at the Company's offices in Haifa Refinery, located on HaHistadrut Boulevard Haifa Bay.

**1. The Item on the Meeting's Agenda and the Summary of the Decision**

The approval of the Company's engagement with Energean Israel Limited ("**Energean**")<sup>1</sup> in an agreement for the purchase of natural gas by the Company (the "**Agreement**"), **under the circumstances in which the Company's engagement was executed concurrently with the engagement of the other group companies, as specified below in this Report, upon the completion of joint negotiations for the group companies as specified below in this Report.**

**2. Background for the Engagement**

**2.1. The Use of Natural Gas by the Company and the Existing Agreement of the Company for the  
Purchase of Natural Gas**

2.1.1. Natural gas is used by the Company as a main source of energy for the Company's and its subsidiaries' plants. The use of natural gas by the Company leads to streamlining in its energy consumption, saving in maintenance costs and reducing other costs, directly and indirectly (the scope of which varies according to the change in the relative prices of alternative energy sources). In addition, the use of natural gas enables the Company to comply with environmental regulations applicable to it.

As of the Report date "Tamar group"<sup>2</sup> is the Company's main natural gas supplier in accordance with an agreement for the purchase of natural gas with Tamar group dated

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<sup>1</sup> As was reported to the Company, Energean is a Cyprus company with limited liability.

<sup>2</sup> As of the date of this report, Nobel Energy Mediterranean Limited, Isramco Negev 2 Limited Partnership, Delek Drilling Limited Partnership, Dor Gas Exploration Limited Partnership, Tamar Petroleum Ltd. and Everest Infrastructures Limited Partnership (hereinafter: "**Tamar Group**").

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November 2012 (the “**Existing Agreement with Tamar Group**”). The term of the Existing Agreement with Tamar Group is until March 2020 or until the Company consumes the gas quantity included under this Agreement, at the earlier, subject to the Company’s right to extend the Existing Agreement with Tamar Group for a period of up to two years, if by the end of the sixth year of the Agreement the Company will not actually receive a proportionate share of the gas quantity in the Agreement. For further details regarding the terms of the Existing Agreement with Tamar Group see Note 20.c.1 of the Company’s financial statements for the year 2016, included by way of reference. In addition, the Company purchases from time to time, small amounts of natural gas, in the secondary market.

2.1.2. As of the Report date, Tamar Group is *de facto* the sole supplier of natural gas in Israel,<sup>3</sup> and to the best of the Company’s knowledge, this situation will continue at least until 2019. In the years 2015-2016 the Israeli government approved an outline for the increase of the quantity of natural gas produced at the Tamar gas field and the rapid development of the Leviathan, Karish and Tanin gas fields, as well as other gas fields, subject to issuance of an exemption from restrictive trade arrangement under Section 52 of the Restrictive Trade Practices Law, 5748-1988 (in this section: the “**Gas Outline**”). Approval of the abovementioned exemption was issued on December 17, 2015. In December 2016 Energean acquired its holdings in the “Karish” and “Tanin” natural gas fields. Development of the Karish and Tanin gas fields has yet to begin.

## **2.2. The Memorandum of Understanding and the Engagement in the Agreements for the Purchase of Natural Gas by the Group Companies**

2.2.1. On 8.8.2017 the Company announced the execution of a non-binding memorandum of understanding (the “**Memorandum of Understanding**”) with Energean, the owner of holdings in the “Karish” and “Tanin” natural gas fields, for the purchase of natural gas for its needs. For further details regarding the Memorandum of Understanding see Company’s report dated 8.8.2017 (reference number: 2017-01-081363).

2.2.2. The negotiations with Energean were conducted by the Company concurrently and jointly with OPC Energy Ltd.<sup>4</sup> (“**OPC**”)<sup>5</sup> and Israel Chemicals Ltd. (“**ICL**”)<sup>6</sup> (hereinafter, and jointly with the Company: the “**Group Companies**”). The conducting of joint negotiations by the Group Companies was designed to benefit each of them, in order to improve the bargaining position of each vis-à-vis Energean, and in order to achieve improved terms for the purchase of natural gas for each of the Group Companies according to its particular needs and

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<sup>3</sup> Israel Electric Company imports liquidated natural gas and under certain conditions may sell small amounts of gas from this source.

<sup>4</sup> With respect to OPC Rotem Ltd. and OPC Hadera Ltd., which to the best of the Company’s knowledge are subsidiaries of OPC.

<sup>5</sup> As was reported to the Company, OPC sees Kenon Holdings Ltd. (hereinafter: “**Kenon**”) as its controlling shareholder for the purpose of the Securities Law. Kenon is a company which shares are listed on dual listing on the New York Stock Exchange (NYSE) and on the Tel Aviv Stock Exchange Ltd. To the best knowledge of OPC, approximately 58% of Kenon’s share capital is held by Ansonia Holdings Singapore B.V (mentioned in the following section 7.1) and approximately 11.7% of Kenon’s share capital is held by XT Investments Ltd. (mentioned in the following section 7.1).

<sup>6</sup> A public company under the control of Israel Corporation Ltd., the Company’s controlling shareholders as detailed in the following section 7 (hereinafter: “**Israel Corporation**”).

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characteristic gas consumption, as well as to equally serve the independent interests of each of the Group Companies according to its commercial needs.

2.2.3. Further to the aforementioned, each of the Group Companies entered into a separate agreement with Energean for the purchase of natural gas by it (subject to the fulfilment of contingent conditions), under which it was determined that a breach or termination of any of the agreements of the other Group Companies will not affect the rest Group Companies' Agreements. It should be noted, that to the Company's best knowledge the other Group Companies are acting simultaneously to bring their said engagements with Energean for approval by their authorized organs.

### **2.3. Special and Independent Committee**

2.3.1. In the circumstances in which the joint negotiation was held as detailed in the abovementioned section, and based on a legal opinion the Company received, the Board of Directors of the Company appointed (concurrently with the approval of a non-binding Memorandum of Understanding between the Company and Energean), a committee comprised of the two external directors serving in the Company, solely<sup>7</sup> as a Special and Independent Committee (the "**Independent Committee**"), whose duties were defined as follows:

2.3.1.1. To conduct the negotiations with Energean, including by way of a directive of the Company's management regarding the conduct of the negotiations, ongoing supervision of the negotiations process being conducted by the management and making principal decisions, regarding the negotiations, after hearing the position of the Company's management;

2.3.1.2. To examine whether to engage in the transaction for the purchase of natural gas with Energean and on which terms;

2.4. Further to the meetings and discussions of the Independent Committee and *inter alia*, for the reasons detailed in sections 4-10 below, on 26.11.2017 the Independent Committee decided to approve the Company's engagement in the Agreement and to recommend to the Company's Board of Directors to approve the engagement. Further to the approval of the Independent Committee as stated, on 6.12.2017 the Company's Board of Directors approved the Company's engagement in the Agreement in view of the circumstances detailed in this report.

## **3. Principals of the Proposed Transaction**

**3.1. The parties to the engagement:** the Company and Energean.

**3.2. Quantity of natural gas purchased:** the total quantity of natural gas that the Company is expected to purchase under the Agreement is about 17 BCM, in relation to the entire period of the supply agreement as stated below (hereinafter: the "**Total Contractual Quantity**"). The Total Contractual

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<sup>7</sup> Since the composition of the Independent Committee is identical to the composition of the Audit committee authorized to discuss this matter (the other member of the Audit committee has a personal interest in the transaction, as detailed in section 9.2.1 of this report), the special committee discussed the transaction and approved resolutions as a special committee and an Audit committee.

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Quantity is intended to meet the Company's total gas consumption (existing and expected at the date of this report<sup>8</sup>) during the term of the Agreement.

### 3.3. **Term of Agreement:**

3.3.1. The Agreement shall remain in effect for 15 years<sup>9</sup> from the date of commencement of gas supply, after conclusion of the test-run period (the "**Commercial Operation Date**") or until the completion of supply of the Total Contractual Quantity by Energean to the Company, at the earlier.

3.3.2. In case, upon the lapse of 14 years after the Commercial Operation Date, the Company has not yet consumed a quantity equal to 90% of the Total Contractual Quantity, each party may extend the Agreement by an additional period concluding at the completion of consumption of the Total Contractual Quantity or the lapse of 18 years after the Commercial Operation Date, at the earlier.

### 3.4. **Consideration:**

3.4.1. The price of natural gas will be determined according to an agreed formula, which is based generally, on linkage to the electricity production component and includes a minimum price.

3.4.2. The following is a formula to the price for the Company (for further details see section D.1 to the Economic Opinion as defined below and which is attached to this report as **Appendix A**):

If PT is greater than 43.47, then:

$$CP = 3 + \left( \left( P_0 * \frac{PT}{PT_0} \right) * 0.5 \right)$$

If PT is less than or equal to 43.47, then:

$$CP = P_0 * \left( \frac{PT}{PT_0} \right)$$

$P_0$  : US\$ 3.975 per MMBTU of Gas;

$PT_0$  : equal to 28.8;

$PT$  : means the weighted average production component as published from time to time by the Electricity Authority (as of the Effective Date, the weighted average production component is published as "Weighted Production Tariff" in Table 1-6.3 titled "Weighted Production Component" in the Electricity Authority publications).]

Whereas the floor price to MMBTU is US\$3.975.

3.4.3. The total financial scope of the Agreement, may reach USD 2.5 billion (assuming consumption of the maximal quantity under the Agreement and in accordance with the implementation of the gas price formula as in effect at the date hereof), and mainly depends on the electricity production component and the scope and rate of gas consumption.

### 3.5. **Take or Pay Mechanism:**

<sup>8</sup> The above mentioned regarding the anticipated gas consumption of the Company constitutes forward-looking information, the existence of which is uncertain. In practice the scope of gas consumption may be different due to various factors, including factors beyond the control of the Company.

<sup>9</sup> For the sake of caution, the Audit Committee approved in accordance with section 275 (a1) (b) that the term of the Agreement (an engagement exceeding three years) is reasonable under the circumstances.

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3.5.1. The Agreement includes a “Take or Pay” mechanism, wherein the Company has undertaken to pay for a minimal quantity of natural gas, even if not used (hereinafter: the “**TOP Quantity**”).

3.5.2. Under certain circumstances, wherein the Company has paid for a natural gas quantity not actually consumed or has purchased a gas quantity exceeding the TOP Quantity, the Company may subject to certain restrictions and conditions determined in the Agreement, accumulate such quantity for a limited period, and exercise it within the framework of the Agreement. The Agreement includes a mechanism enabling the assignment of such rights between the Group Companies in the event that they are not used until a date close to their expiry date. It should be noted that the Company has not entered into any agreement with the other Group Companies regarding the exercise of such right to assign, if and to the extent it will exist, and the terms of any such engagement will be agreed, if at all, upon the assignment of rights and shall be brought for approval in accordance with the provisions of the law at that time.

### **3.6. Undersupply:**

3.6.1. The Agreement includes provisions regulating the parties’ conduct and settling of accounts between them in case of undersupply of gas as compared to the quantity of gas nominated by the Company. This mechanism includes certain compensation to the Company, which will be granted as an agreed discount in relation to the gas quantity purchased in the following months.

3.6.2. Furthermore, the Agreement provides that in case of a declaration of a State of Emergency in the Natural Gas Industry (as defined in the Natural Gas Industry Law, 5762-2002), Energean shall act in accordance with the Natural Gas Industry Regulations (Management of the Natural Gas Industry in Times of Emergency), 5777-2017 (hereinafter: the “**Back-up Regulations**”) with respect to the supply of natural gas from an alternative supplier.

### **3.7. Conditions Precedents:**

The Agreement is subject to the fulfilment of contingent terms as follows:

3.7.1. Receipt of approval of the Agreement by the Israel Antitrust Authority. In case such approval is not obtained within six months of signing the Agreement, each party may terminate the Agreement subject to giving prior notice.

3.7.2. With respect to the Company, it was determined that the receipt of approval of the General Meeting convened pursuant to this report is a condition precedent; To the extent that this condition is not fulfilled within 180 days from the date of signing the Agreement, either party may terminate the Agreement by prior notice agreed upon provided that the condition precedent was not fulfilled during the prior notice period.

3.7.3. With respect to Energean, it was determined that a condition precedent to the Agreement is financial closing of its Financing Agreement, as defined in the Agreement. Insofar as that this condition precedent is not fulfilled by December 31, 2018, each of the parties may terminate the Agreement by prior notice agreed upon and provided that the condition precedent was not fulfilled during the prior notice period.

### **3.8. Milestones:**

3.8.1. The Agreement states that Energean expects the date of completion of development of the gas field, will occur between August 1, 2020 and November 30, 2020.<sup>10</sup>

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<sup>10</sup> It should be noted, that the information regarding the expected dates stated in this section 3.8 above, including the expected date for the completion of Energean's facilities, constitutes forward-looking information, as defined in the Securities Law, which is conditional and depends on a number of factors, including factors beyond the Company's

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3.8.2. The Agreement sets milestones, for execution of necessary actions for developing the gas field and until the final date for Commercial Operation as stated below, which if not met, will allow termination of the Agreement and under certain circumstances, certain compensation will be provided in the event of delay in the Commercial Operation Date.

**3.9. Early termination of the Agreement:**

The Agreement includes circumstances in which each of the Company and/or Energean may terminate the Agreement before the end of the contractual period, including in cases of prolonged non-supply, damage to collaterals, etc.

**3.10. Additional Arrangements:**

The Agreement includes additional provisions and arrangements customary in natural gas purchase agreements, including with regards to maintenance, gas quality, limitation of liability, buyer and seller collaterals, liens and assignments, dispute resolution and operational mechanisms for the Agreement.

**3.11.** Below is a comparison table detailing the material terms of the Company's engagement in the Transaction which is the subject of this report, with relation to the material terms in which the other Group Companies engaged with Energean, as analysed under the Economic Opinion which is attached to this report as Appendix A -

|             | The Company                                                                                                                           | ICL                               | OPC                              | Relevant section in the Opinion |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| Price       | See section 3.4.2 abovementioned regarding the Company's price formula and section D.1 to the Opinion which is attached as Appendix A |                                   |                                  |                                 |
| Quantity    | 1.15 BCM<br>112,688 DCQ<br>(MMBTU)                                                                                                    | 0.85 BCM<br>83,836 DCQ<br>(MMBTU) | 0.6 BCM<br>58,045 DCQ<br>(MMBTU) | D.2.                            |
| Take or Pay | 80%                                                                                                                                   | 80%                               | 78%                              | C.3                             |

Additional differences which were reviewed in the Opinion, as detailed in **Appendix A** to the convening of the Meeting:

|                                                           | The Company                  | ICL           | OPC           | Relevant section in the Opinion |
|-----------------------------------------------------------|------------------------------|---------------|---------------|---------------------------------|
| Additional quantity as opposed to the current consumption | 0.15 BCM                     | 0.1 BCM       | 0.1 BCM       | D.2.                            |
| Payment terms                                             | 1 <sup>st</sup> of the month | By the end of | By the end of | D.4                             |

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control. In practice, delays may occur, and such information may not materialize or materialize in a manner materially different from the aforesaid, due to various factors.

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|                                                                      |                                                      |                                                                                                                        |                                                                                                                                                                                                                                                                               |     |
|----------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
|                                                                      | following<br>invoice receipt                         | the following<br>month or 30<br>days after<br>receipt of<br>invoice,<br>whichever is<br>later                          | the following<br>month                                                                                                                                                                                                                                                        |     |
| Maintenance scope                                                    | Shall not<br>exceed 13 times<br>the DCQ              | Shall not<br>exceed 15 times<br>the DCQ                                                                                | Shall not<br>exceed 13 times<br>the DCQ                                                                                                                                                                                                                                       | D.5 |
| Arbitration location -<br>London                                     | Regarding<br>disputes<br>exceeding USD<br>10 million | Regarding<br>disputes<br>exceeding UDS<br>10 million                                                                   | Regarding<br>disputes<br>exceeding USD<br>5 million                                                                                                                                                                                                                           | D.6 |
| Termination of the<br>Agreement under<br>two designated<br>scenarios |                                                      | If the<br>concession of<br>Dead Sea<br>Works expires<br>in accordance<br>with the Dead<br>Sea concession,<br>5721-1961 | Termination of<br>the Agreement<br>regarding the<br>Hadera Power<br>Plant - If<br>Energean will<br>not reach a<br>commercial<br>operation until<br>the last date on<br>which the<br>Hadera Power<br>Plant is entitled<br>to notify Tamar<br>of the reduction<br>in quantities | D.7 |

#### **4. The Manner in which the Consideration was Determined**

##### **4.1. The Independent Committee:**

4.1.1. The consideration to be paid by the Company in respect of the purchase of natural gas as part of the transaction and as detailed in Section 3.4 above, was determined within the joint negotiations with Energean. During the negotiations with Energean and for the purpose of fulfilling its duties as detailed in Section 2.3 above the members of the special and

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Independent Committee convened, from time to time, to discuss, *inter alia*, the ongoing reports provided to them by the actual negotiators on behalf of the Company's management, the review by professional experts who were hired by the Group Companies to examine the feasibility of the Karish-Tanin project and Energean's capabilities, as well as a review of the legal counsel who accompanies the Group Companies in the negotiations with Energean. During this period, the committee made decisions and instructed the negotiators on the issues that arose during the course of the negotiations.

4.1.2. In addition, the Committee received an economic opinion which was provided at the request of the Group Companies, which is attached to the convening of the Meeting as Appendix A<sup>11</sup> (hereinafter: the “**Economic Opinion**”) and a fairness opinion, which was provided to the Company solely (hereinafter: the “**Fairness Opinion**”), at the request of the special Committee (hereinafter, jointly: the “**Professional Experts Opinions**”).

4.1.3. The conclusions of the Economic Opinion were as follows - (a) the economic terms of the potential transactions are on market terms in such transactions; (b) the economic terms of the potential transactions are not materially different between the Group Companies with regard to price differentials, the additional quantities, TOP rates, terms of payment, maintenance scope and place of arbitration; (c) the differences that exist between the Group Companies are reasonable under the circumstances. In addition, as indicated in the Opinion, the linkage to the electricity production component, which was not offered to the Company by other suppliers, reflects the Company's relatively large volume of consumption.

4.1.4. The conclusions of the Fairness Opinion were that based on all that is stated in the opinion and in accordance with the procedures therein, the conclusions of the Economic Opinion are fair and reasonable from ORL's perspective.

4.1.5. In addition, proposals that the Company received from other potential gas suppliers (both partners in the “Tamar” field and the partners in the “Leviathan” field) are materially inferior to the terms of the proposed transaction with Energean. These suppliers also refused to offer the Company a linkage formula based on the electricity production component. And even under this term lies a significant business advantage for the Company, which originates, *inter alia*, in conducting joint negotiations with the rest of the Group Companies and reflects the Company's relatively large volume of consumption.

4.1.6. Based on all of these, the Committee reached the conclusion that the transaction is in the best interest of the Company; The transaction is in market conditions; The economic terms of the transaction are not inferior to the economic terms of the transactions of the other Group Companies and the existing differences between the Group Companies in the terms of the Agreement with Energean are reasonable under the circumstances, including taking into account the relative share of the Group Companies in the transactions.

#### 4.2. The Company's Board of Directors:

After reviewing the recommendations of the Committee as aforesaid, and relying, *inter alia*, on the documents and information presented to it, including details of the emerging Agreement with Energean, a comprehensive review in connection with the Karish-Tanin project, its chances and

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<sup>11</sup> The Opinion is based on the draft agreement and the draft agreements of the other Group Companies. In the matters reviewed in the Opinion there are no differences between the abovementioned drafts and the agreements that were signed. In the Opinion sections which their disclosure is limited in accordance with liabilities towards a third party were blackened.

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risks, including according to the opinion of an external consulting company with expertise and extensive reputation in the field, the process of joint negotiation and its outcomes, and the conclusions of the Professional Opinions (as defined above), while examining terms of alternative offers for the purchase of natural gas from other potential gas suppliers that were on the agenda (as detailed in section 4.1.5 above), the Company's Board of Directors reached the conclusion that the terms of the transaction are fair and reasonable under the circumstances including taking into account the various characteristics of the Group Companies. In this context, it should be noted that in view of the stability of the Company's consumption as an industrial company, unlike electricity producers, the Take or Pay rate is of secondary importance in the Company's view, and therefore, taking into consideration all the terms of the engagement and the advantages inherent therein, the Take or Pay rate determined for the Company is reasonable, compared to the rates determined for the other Group Companies. And that the inherent benefit in the Transaction terms in relation to the alternatives offered to the Company, constitutes a proper balance for the Company in respect of any excess risk which may be involved in the engagement with Energean, and therefore, the recommendation of the Independent Committee must be accepted and to approve the Company's engagement in the transaction which is the subject of this report.

## **5. Approvals to Execute the Engagement**

- 5.1. For details of the conditions precedents of the Agreement see section 3.7 above.
- 5.2. As stated in Section 4.2 above, further to the approval of the Independent Committee, on 6.12.2017 the Company's Board of Directors approved the Company's engagement in the Agreement that is the subject of this report.
- 5.3. In light of the joint negotiations conducted by the Group Companies as set forth in Section 2 above, which creates a personal interest for the Company's controlling shareholders as detailed in Section 9 below, the Company's Board of Directors believed that the Company's engagement in this transaction, in its specific circumstances as aforesaid, requires the approval of the General Meeting of the Company's shareholders (by a special majority as set forth in Section 11.2 below), which is hereby summoned.

## **6. Transactions of the Type of the Proposed Transactions or Similar Transactions Between the Company and the Controlling Shareholder or in which the Controlling Shareholder had a Personal Interest, which were Signed within the Two Years Preceding the Approval Date of the Transaction by the Board of Directors or are Still in effect**

During the two years preceding the date of approval of the engagement that is the subject of this report by the Board of Directors or are still in effect on the date of approval by the Board of Directors, the Company has not entered into a transaction or any other transactions for which the Company held joint negotiations (as detailed in Sections 2 above and 10 below) with other companies controlled by Israel Corporation and/or IPE and/or companies related, directly or indirectly, to each of them and/or under their control and in which the controlling shareholders of the Company had a personal interest.

## **7. Details of the Controlling Shareholders of the Company which has a Personal Interest in the Engagement and the Nature of the Personal Interest**

### **7.1. Israel Corporation**

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Israel Corporation holds approximately 33.06% of the Company's issued share capital and voting rights (approximately 32.31% fully diluted).

As was reported to the Company, Millennium Investments Elad Ltd. (hereinafter: **"Millennium"**) and Mr. Idan Ofer are considered jointly controlling shareholders of Israel Corporation for purposes of the Securities Law.<sup>12</sup> Millennium holds approximately 46.94% of the share capital of Israel Corporation. Millennium is held by Mashat Investments Ltd. (hereinafter: **"Mashat"**), and by X.T. Investments Ltd. (hereinafter: **"XT Investments"**), by holding percentages in the issued share capital of 80% and 20%, respectively.<sup>13</sup> Mashat is a private company, wholly owned by a Dutch company, Ansonia Holdings Singapore B.V (hereinafter: **"Ansonia"**). Ansonia is indirectly wholly owned by a foreign Discretionary Trust, in which Mr. Idan Ofer is the beneficiary.

XT Investments, which holds directly approximately 2.25% of the share capital of Israel Corporation, is a shareholder in Millennium as stated. XT Investments is a private company wholly owned by X.T. Holdings Ltd. (hereinafter: **"XT Holdings"**), a private company whose ordinary shares are held in equal shares by Orona Investments Ltd. (indirectly controlled by Mr. Ehud Angel) and by Lynav Holdings Ltd., a company controlled by a foreign Discretionary Trust, in which Mr. Idan Ofer is a prime beneficiary.<sup>14</sup>

In addition, Kirby Enterprises Inc., which is held indirectly by the trust holding Mashat, in which as stated, Mr. Idan Ofer is the beneficiary, holds approximately 0.74% of the share capital of Israel Corporation. In addition, Mr. Idan Ofer holds directly approximately 3.85% of the share capital of Israel Corporation

## **7.2. Israel Petrochemical Enterprises Ltd.**

Israel Petrochemical Enterprises Ltd. (hereinafter: **"IPE"**) holds (directly and through Petroleum Capital Holdings Ltd. which is a private company wholly owned by IPE) (hereinafter: **"Petroleum"**) approximately 15.52% of the issued share capital of the Company and the voting rights therein (approximately 15.16% fully diluted).

7.3. Israel Corporation, IPE and Petroleum have an agreement for joint control of the Company.

7.4. Given the above, the controlling shareholders of the company are Israel Corporation and IPE.

## **8. Names of the Members of the Audit Committee and the Board of Directors who Participated in the Discussions**

8.1.1 In the discussions and the decision of the Company's Audit Committee, on November 26, 2017, the directors - Mr. Modi Peled and Dr. Moti Lipshitz - participated.

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<sup>12</sup> Each of Millennium and Mr. Idan Ofer directly hold the shares of Israel Corporation, and Mr. Idan Ofer serves as a director in Millennium and has an indirect interest in it as the beneficiary of the trust that indirectly controls Millennium.

<sup>13</sup> It shall be noted that Mashat granted XT Investments a POA for a fixed period (which is extendable) to vote according to XT's discretion in the general meetings of Millennium for shares constituting 5% of the voting rights in Millennium.

<sup>14</sup> It should be noted that Mr. Ehud Angel holds, among other things, a special share that grants him, *inter alia*, under certain limitations and for certain issues, an additional vote on the board of directors of XT Holdings.

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8.1.2 In the discussions and the decision of the Board of Directors which was held, on December 6, 2017, the following participated - Mr. Ovadia Eli (Chairman of the Board), Mr. Modi Peled (external director), Dr. Mordechai Lipshitz (external director), Mr. Avisar Paz, Prof. Arie Ovadia, Mrs. Maya Alchech Kaplan, Mr. Alex Passal, Mr. Yaakov Gottenstein and Mr. Sagi Kabla.

8.1.3 As detailed in Section 9 below, most of the members of the Company's Board of Directors have a personal interest in the transaction. Therefore, in view of Section 278(b) of the Law, all the members of the Company's Board of Directors as detailed in section 8.1.2 above (including those with a personal interest as stated) were present at the discussion and the decision by the Board of Directors regarding the approval of the abovementioned transaction.

## **9. Personal Interest**

### **9.1. The Company's Controlling Shareholders -**

9.1.1. As stated in Section 2 above, the joint negotiations conducted by the Group Companies (as defined above) and the advantage created for each of them as a result of the joint purchasing power creates separately for each of the Group Companies on the one hand, and for all of the Group Companies together on the other hand, a clear economic interest in entering into the transaction and therefore constitute a "personal interest" for each of them to enter into the transaction. This personal interest of the Group Companies creates a personal interest for Israel Corporation and for the controlling shareholders of Israel Corporation.

9.1.2. As a result of the personal interest of Israel Corporation, as aforesaid, a personal interest also arose for IPE as the controlling shareholder of the Company together with Israel Corporation, as detailed above.

9.1.3. As stated above, at the end of the joint negotiations, each of the Group Companies is expected to enter into a separate purchase agreement with Energean, without any commercial or legal dependence between the purchase agreements of each of the Group Companies.

### **9.2. Directors serving in the Company-**

9.2.1. In light of the circumstances of the joint negotiations and according to section 9.1 above -

9.2.1.1. Mr. David Federman, Mr. Alex Passal, Mr. Yaakov Guttentein and Mr. Arie Ovadia may have a personal interest in the transaction being interested parties in IPE, which has an agreement for joint control with Israel Corporation and is a controlling shareholder in the Company as detailed in Section 7 above.

9.2.1.2. In addition, Mr. Avisar Paz, Mrs. Maya Alchech Kaplan and Mr. Sagi Kabla may have a personal interest in the transaction, being officers and/or interested parties in Israel Corporation, which is a controlling shareholder of the Company as specified in Section 7 above, and Mr. Guy Eldar may have a personal interest being an officer in XT Holdings which is mentioned in Section 7.1 above.

9.2.1.3. Mr. Ovadia Eli may have a personal interest in the transaction due to his service as a director in ICL.

9.2.2. From the above, it appears that most of the members of the Company's Board of Directors have a personal interest in the engagement.

## **10. The Reasons of the Independent Committee, and the Board of Directors for Approving the Engagement**

### **10.1. The Independent Committee -**

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10.1.1. Based on the information and documents presented to it as detailed in Section 4 above and the reasons detailed, *inter alia*, in that section, the Independent Committee decided –

10.1.1.1. To approve and to recommend to the Board of Directors to approve the Company's engagement with Energean;

10.1.1.2. To recommend to the Board of Directors to authorize the Company's management to complete the final negotiations details with Energean, which have not yet been completed;

10.2. The Board of Directors –

10.2.1. After considering the recommendations of the Committee as stated, and relying, *inter alia*, on the documents and information presented to it as detailed in Section 4 above, the Company's Board of Directors reached the conclusion that –

10.2.1.1. The conduct of the joint negotiations as detailed in Section 2 above served the Company's best interest, *inter alia*, since the terms of the engagement that were agreed upon due to it and as a result of the joint purchasing power of the Group Companies as a group are preferable to the term which the Company might have received if it had been conducting a separate and independent negotiation with Energean (including, considering that conducting the joint negotiation with the three buyers together, enabled Energean itself to offer them the preferred sale terms in the first place).

10.2.1.2. To accept the recommendation of the Independent Committee in its above wording and to approve the Company's engagement in the transaction, that is the subject of this report.

## **11. Convening of a General Meeting**

### **11.1. Date and Place of Convening of the Meeting**

Notice is hereby given, that the general meeting shall be held on Sunday, January 14<sup>21</sup>, 2018, at 16:30 p.m., at the Company's offices (as defined above) which agenda comprises the item set forth above.

### **11.2. The Majority Required to Approve the Resolution**

The majority that is required to approve the resolution at the Meeting is a majority of the shareholders who are present at the Meeting entitled to vote and who voted, in person or by proxy, provided that one of the following two conditions is satisfied: (a) the count of the votes of the majority shall include a majority of all the votes of the shareholders who are not controlling shareholders of the Company, or with a personal interest in the approval of the resolution, who are participating in the vote and voting in favour or against (the count of all the votes of the said shareholders shall not take into account the votes of the abstaining shareholders). A shareholder with a personal interest shall be subject to the provisions of Section 276 of the Companies Law, *mutatis mutandis*; (b) the total of the votes against, from among the shareholders as stated in paragraph (1) above, shall not exceed a rate of 2% of the total voting rights at the Company.

### **11.3. Quorum and the Date of Holding an Adjourned Meeting**

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No discussion shall be held at a general meeting unless a quorum is present at the time of the opening of the meeting. A legal quorum will be formed when there are two shareholders present in person or by proxy or have sent a voting paper to the Company, indicating their vote, who hold or represent 25% (twenty five percent) or more of the voting power in the Company. If there is no quorum at the Meeting at the expiration of half an hour from the time appointed for the commencement of the Meeting, the Meeting shall stand adjourned to Sunday, January 21~~28~~, 2018, to the same time and the same place. If no quorum is constituted at the adjourned meeting at the expiration of half an hour from the time appointed for the adjourned meeting, the meeting shall be held in any number of participants.

#### **11.4. The Record Date**

The record date for determining the entitlement of a shareholder of the Company to vote at the Meeting as stated in Section 182(C) of the Companies Law and Regulation 3 of the Companies Regulations (Voting in Writing and Position Statements), 5766-2005 (hereinafter: the “**Voting Regulations**”), is at the end of the Stock Exchange trading day of December 13, 2017 (hereinafter: the “**Record Date**”), and if no trading is conducted on the Record Date, then on the first trading day prior thereto.

#### **11.5. The Manner of Voting at the General Meeting**

- 11.5.1. A shareholder shall be entitled to participate in the Meeting and to vote therein, in person or by proxy, through a voting form (as defined in section 87 of the Companies Law) in the wording attached to this immediate report (hereinafter: the “**Voting Form**”) or through the electronic voting system.
- 11.5.2. Each Power of Attorney shall be in writing and signed by the appointing or by a proxy and if the appointing is a corporation, the Power of Attorney shall be signed in the same manner in which the corporate signs binding documents, attached with an attorney’s approval regarding the authority of the signatories to bind the corporation. The letter of appointment of a proxy and Power of Attorney or any other document (if any) or a certified copy by an attorney, shall be deposited at the Company’s registered office at least forty eight (48) hours prior to the time appointed for the Meeting or for the adjourned meeting in which the proxy intends to vote on the basis of such Power of Attorney.
- 11.5.3. In accordance with the Companies Regulations (Proof of ownership of a Share for the Purpose of Voting at the General Meeting)' 5750-2000, a shareholder in whose favour a share is registered with a member of the Tel-Aviv Stock Exchange Ltd. and which share is included amongst the shares which are registered in the Register of Shareholders, in the name of a nominee company, and who wishes to vote at the general meeting, shall submit to the Company a confirmation from the member of the Stock Exchange with whom his right to share is registered, with regard to his ownership of the share on the Record Date, in accordance with Form-1 in the Schedule to the said Regulations. In addition, an unregistered shareholder may instruct the member of the Stock Exchange that his proof of ownership shall be transferred to the Company through the electronic voting system.
- 11.5.4. The address of the distribution site of the Securities Authority (hereinafter: the “**Distribution Site**”) and the Internet site of the Tel Aviv Stock Exchange Ltd., where the wording of the Voting Form and the position statements as defined in Section 88 of the

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Companies Law, are available, are as follows: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) and [www.maya.tase.co.il](http://www.maya.tase.co.il), respectively.

- 11.5.5. The vote using a voting form shall be done using the Second Part of the Voting Form, as published in the Distribution Site. A shareholder may contact the Company directly and receive from it, without charge, the wording of the Voting Form and the position statements (if any). A member of the Stock Exchange shall send, without charge, via e-mail, a link to the wording of the Voting Form and the position statements, on the Distribution Site, to any unregistered shareholder and which shares are listed with that Stock Exchange member, if the shareholder informed that he is interested in doing so, provided that the notice was given in respect of a specific securities account and on a date prior to the Date of Record. A shareholder whose shares are registered with a Stock Exchange member is entitled to receive the proof of ownership from the Stock Exchange member through whom he holds his shares, at the branch of the Stock Exchange member or by mail to his address in consideration of mailing costs only, if he so requested. A request for this matter shall be given in advance to a specific securities account.
- 11.5.6. In addition, a shareholder in whose favour a share is registered with a Stock Exchange member and that share is included within the shares registered in the register of shareholders in the name of a nominee company, may vote by a Voting Form submitted to the Company via the electronic voting system (upon receipt of identifying number and an access code from the Stock Exchange member and after an identification procedure) which is operated according to item B of chapter G2 to the Securities Law (hereinafter: the "**Electronic Voting System**"). And all in accordance and subject to the terms stipulated in the Voting Regulations. The address of the Electronic Voting System, as defined in Section 44K of the Securities Law, is <https://votes.isa.gov.il>.
- 11.5.7. The Voting Form must be submitted to the Company's offices, according to the above address, in a manner according to which the Voting Form shall reach the Company's offices no later than four (4) hours prior to the date of convening the meeting. Voting through the Electronic Voting System shall be possible up to six (6) hours prior to the date The convening of the meeting or at an earlier date to be determined by the Securities Authority, provided that it shall exceed 12 hours before the date of convening the meeting, when the Electronic Voting System shall close (hereinafter: "**System's Lock Time**"). The electronic Voting Form will open for voting at the end of the Record Date.
- 11.5.8. Voting through the Electronic Voting System will be subject to change or cancellation until the System's Lock Time, and it will not be possible to change it through the Electronic Voting System after such date, including where the meeting shall not be completed on time and a continuing meeting or an adjourned meeting shall be determined for such purpose. It should be noted, that in accordance with section 83(d) of the Companies Law, if a holder of securities voted in more than one way, his later vote shall be counted. For this purpose, a vote by a shareholder himself or by means of a proxy shall be deemed to be later than the voting by means of a Voting Form.
- 11.5.9. One or more shareholder holding in the Record Date shares at a rate which constitutes five percent or more of the total voting rights at the Company (i.e. – 159,944,410 ordinary shares), as well as who holds such rate of the total voting rights which are not held by a Controlling Shareholder of the Company (i.e. 82,247,392 ordinary shares), is entitled, either personally or through a proxy on his behalf, after the convening of the general meeting, to

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review at the Company's registered office, during standard working hours, the Voting Forms  
and the voting records through the Electronic Voting System which are with the Company.

#### **11.6. Position Statements and Adding Items to the Agenda**

A request by a shareholder, pursuant to Section 66(B) of the Companies Law to include an item on the agenda of the Meeting shall be submitted to the Company up to seven (7) days after the Meeting is conveyed. Should the Board of Directors of the Company find that the item that was requested to be included on the agenda is appropriate to be discussed at the Meeting, the Company shall prepare an updated agenda and it shall publish it not later than seven days after the last date for the submission of a request to add an item to the Meeting's agenda. It is clarified that the publication of an updated agenda shall not change the Record Date.

The last date for delivery of position statements by shareholders to the Company is up to ten (10) days prior to the date of convening of the general meeting. The last date for submitting the Board of Directors' response to position statements as stated in Section 88(C) of the Companies Law is up to five (5) days prior to the date of convening the general meeting.

It shall be possible to view the updated agenda and position statements in the Company's reports on the Distribution Site.

#### **12. Authority of the Israel Securities Authority**

Pursuant to Regulation 10 of the Controlling Shareholder Transaction Regulations, within twenty one (21) days from the date of submitting this Report, the Israel Securities Authority or an employee authorized thereby is entitled to instruct the Company to furnish, within a period of time it deems, any explanation, details, information and documents related to the engagements which are the subject of this report, and to instruct the Company to modify the Report in the manner and at the time it deems fit. In such event, the Israel Securities Authority is entitled to instruct the adjournment of the General Meeting to a date that will be no earlier than three (3) business days and no later than thirty five (35) days from the date of publication of the amended report.

#### **13. The Company's Representative for the Purpose of Handling this Report**

The Company's Representatives for the Purpose of Handling this Report are –  
Yoav Nahir, Adv.; Gal Pnini, Adv.;  
Meitar Liguornik Geva Leshem Tal – Law firm;  
16 Abba Hillel Rd. Ramat Gan;  
Tel: 03-6103100, Fax: 03-6103111.

#### **14. Inspection of Documents**

Any shareholder of the Company may inspect a copy of this report, in the full version of the proposed resolution as well as the other documents relating to the subject on the agenda of the meeting that is the subject of this report. It can be reviewed at the Company's offices, at HaHistadrut Boulevard Haifa

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Bay, by prior arrangement on Tel: (04) 878-8135, from Sundays to Thursdays, during standard working hours.

**Oil Refineries Ltd.**  
**By: Eli Mordoch, Adv.,**  
**Company Secretary**

# **Annex A**

**EXPERT OPINION  
RESPECTING  
AGREEMENTS FOR THE PURCHASE OF NATURAL  
GAS  
BETWEEN ENERGEAN ISRAEL LIMITED  
AND BAZAN, ICL AND OPC**

**MENACHEM PERLMAN**

**NOVEMBER 2017**

**Perlman & Co.**

## A. General

1. We were requested by Oil Refineries Ltd.<sup>1</sup> (hereinafter: “**Bazan**”), Israel Chemicals Ltd.<sup>2</sup> (hereinafter: “**ICL**”) and O.P.C. Energy Ltd.<sup>3</sup> (hereinafter: “**OPC**”) (Bazan, ICL and OPC, jointly: the “**Group Companies**”) to express our opinion on the following questions in connection with the potential transactions for the purchase of natural gas between Energean Israel Limited (hereinafter: “**Energean**”) and the Group Companies:
  - 1.1 Whether the economic terms of the potential transactions the market terms in transactions of this type.
  - 1.2 Whether the economic terms of the potential transactions do not materially differ with respect to each of the Group Companies.
  - 1.3 Insofar as material differences do exist, whether such differences reasonable under the circumstances of the case.
2. Our opinion is based on the following documents, assuming that the final agreements will be identical to such documents in all matters pertaining to the relevant terms:
  - 2.1 Non-final draft agreement (master version) between Energean and Bazan, ICL and OPC, dated 31 October 2017, which includes differentiation between the Group Companies in the relevant sections (hereinafter: the “**Draft Agreement**”), as well as clarifications and amendments we received from the Group Companies with respect thereto.<sup>4</sup>

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<sup>1</sup> Through VP of Trade and Integrative Planning, dated 9 November 2017.

<sup>2</sup> Through VP of Business Development – Essential Minerals Segment, dated 9 November 2017.

<sup>3</sup> Through VP of Trade, dated 9 November 2017.

<sup>4</sup> We were informed that, as this is a non-final Draft Agreement, there exists a difference, in some of the sections of the Draft Agreement, between the figure specified in the Draft Agreement and the figure agreed upon. With respect to these sections, we received clarifications from Group Companies, and our Opinion refers to the figure agreed upon, as conveyed to us by the Group Companies:

1. Quantities – the Draft Agreement did not note ICL’s gas quantity; **we were informed that in the final agreement, the DCQ which ICL seeks to purchase is 83,836 MMBTU.**

Furthermore, the gas quantity noted specified respecting OPC in the Draft Agreement did not conform to the quantity specified in the notes to the Draft Agreement; **we were informed that in the final agreement, the DCQ which OPC seeks to purchase is 58,045 MMBTU.**

2. Agreement period – the Draft Agreement provides that, in case until the 14<sup>th</sup> anniversary of the agreement Bazan fails to purchase a gas quantity equal to 90% the TCQ, it may extend the agreement period beyond the 15<sup>th</sup> year of the agreement, until such time when it purchases an aggregate gas quantity equal to the TCQ or until the 17<sup>th</sup> anniversary of the agreement, according to the earliest. **We were informed that under the final agreement Bazan may extend the agreement period beyond the 15<sup>th</sup> year of the agreement, until such time when it purchases an aggregate gas quantity equal to the TCQ or until the 18<sup>th</sup> anniversary of the agreement, according to the earliest.**
3. Terms of payment – the Draft Agreement provides that Bazan’s payment date will be the first business day of the successive month following receipt of the invoice or 20 days after the end of the successive month, according to the latest. **We were informed that under the final agreement Bazan’s payment date will be the 1<sup>st</sup> of the successive month following receipt of the invoice.**

Furthermore, the Draft Agreement provides that ICL’s payment date will be 20 days after the end of the successive month or after receipt of the invoice, according to the latest. **We were informed that under the final agreement**

- 2.2 The Gas Outline and Government Resolution documents, including exemption from application of the Restrictive Trade Practices Law.
  - 2.3 Publication of natural gas price alternatives pursuant to Chapter D of Government Resolution no. 476, dated 1 October 2017.
  - 2.4 Electricity production tariff charts issued by the Electricity Authority, dated 1 January 2017 and 9 September 2015.
3. In addition, we were given explanations and representations from executives and employees of Bazan, ICL and OPC. Our work does not constitute assurance of the veracity of these data.
  4. We give our consent to this our Opinion being included and/or referenced to in reports issued by the Companies. We would note that we have no personal interest in the shares or activities of the Companies, and that no dependence or link, as defined in Section 240(b) of the Companies Law, 5759-1999, exists between ourselves and the Companies or interested parties thereof. We would also note that, within our engagement to prepare this Opinion, our total financial liability toward you, stemming from whatever source, was limited to an amount exceeding three times the fee paid us, excluding in case of malice on our part, in all matters pertaining to our liability relating to performing this assessment. In addition, we were granted indemnification, whereby, if we are sued to pay any amount to a third party within a legal proceeding, for a cause which may derive, directly or indirectly, from this Opinion, you shall indemnify us for reasonable expenses which we would incur for representation, legal advice, professional advice, defending against legal proceedings, negotiations, etc., and you would also indemnify us for such amount which we are ordered, in such legal proceeding to pay to a third party. No obligation to indemnify shall apply in case it is determined that we acted in malice in relation to this Opinion.
  5. In our view, the economic terms of the potential transactions are market terms in transactions of this type. Thus, the prices are lower than current market prices, the linkage to the electricity production tariff is reasonable and even required, [REDACTED] furthermore, the economic terms of the potential transactions do not materially differ between the Group Companies as pertains to price differences, additional quantities, take-or-pay rates, terms of payment, scopes of maintenance and location of arbitration; the differences existing between the Group Companies are reasonable under the circumstances, including to possibility given to ICL and OPC in Hadera to terminate the agreement in case of expiration of the Dead Sea Works' concession and in case Energean will not achieve commercial operation by 31 December 2020, respectively.
  6. Following is our Opinion in full.

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ICL's payment date will be the end of the successive month or 30 days after receipt of the invoice, according to the latest.

4. Limitation of seller's liability in case of early shortfall obligation - the Draft Agreement did not specify Energean's scope of liability limitation toward Bazan and ICL in case of early shortfall obligation; **we were informed that under the final agreement, the early shortfall obligation liability limitation scope is determined according to a uniform methodology with respect to each of the Group Companies.**

*[Signed]*

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Menachem Perlman<sup>5</sup>  
Perlman & Co. Economic Consulting Ltd.

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<sup>5</sup> Details of my education and professional experience are as follows:

BA in economics, Tel Aviv University (1989); MA in economics, Tel Aviv University (1992).

28 years of experience in economic consulting, including economic consulting in the fields of natural gas, electricity and industry.

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## **B. Background**

7. The Group companies are public companies. Israel Corporation Ltd. (hereinafter: "**Israel Corp.**") is the controlling shareholder of ICL and Bazan. Kenon Holdings Ltd., the controlling shareholder of OPC, is a company related to the controlling shareholders of Israel Corp.
8. Over the course of July and August 2017 each of the Group Companies announced its engagement in a non-binding term sheet with Energean, the owner of holdings of the natural gas fields of Karish and Tanin (hereinafter: the "**Term Sheets**"). Subject to completion of negotiations between the parties and receipt of the approvals required by law, each of the Group Companies is expected to engage in a binding agreement with Energean for the purchase of natural gas required for their operations (hereinafter: the "**Potential transactions**").
9. In this Opinion we were asked to examine the following questions: (a) whether the economic terms of the potential transactions the market terms in transactions of this type; (b) whether the economic terms of the potential transactions do not materially differ with respect to each of the Group Companies; (c) insofar as material differences do exist, whether such differences reasonable under the circumstances of the case.
10. The key economic terms in examination of long-term agreements for the purchase of natural gas in transactions such as these are the price, the linkage formula and linkage component, the quantity and the take-or-pay rate.

## **C. Are the economic terms of the Potential Transactions market terms in transactions of this type**

### **C.1 Prices of the Potential Transactions are lower than market prices**

11. The natural gas prices in the Group Companies' Potential Transactions are determined by a formula dependent on the electricity production tariff. The electricity production tariff is determined by the Public Utilities Authority – Electricity (hereinafter: the "**Electricity Authority**"). It would be noted that the formula includes a "minimal prices" mechanism.
12. As of the date of preparation of this Opinion (November 2017), the electricity production tariff is 26.40 Agorot (ILS 0.264) per kWh. This tariff was determined by the Electricity Authority in January 2017.
13. According to the current electricity production tariff, the price of natural gas in the Potential Transactions of all Group Companies is \$3.975 per MMBTU. This price is significantly lower than the current market price for natural gas.

14. As of the time of writing this Opinion, the price of natural gas offered to power producers within the framework of the Gas Outline is \$4.7 per MMBTU.<sup>6</sup> I.e., the gas price in the Potential Transactions of the Group Companies is 15% lower than the price offered to power producers within the framework of the Gas Outline.
15. As of the time of writing this Opinion, as conveyed to us by the Group Companies, the natural gas price offered to consumers who are not power producers, which is linked to the Brent oil barrel price, is \$5.2 per MMBTU. I.e., the gas price in the Potential Transactions of the Group Companies is 24% lower than the price offered to consumers who are not power producers within the framework of the Gas Outline.
16. The following table specifies the natural gas prices paid by the Group Companies within their agreements with Tamar, As of the time of writing this Opinion:

| Company | Natural gas price in current agreements with Tamar |
|---------|----------------------------------------------------|
| Bazan   | ██████████                                         |
| ICL     | ██████████                                         |
| OPC     | ██████████                                         |

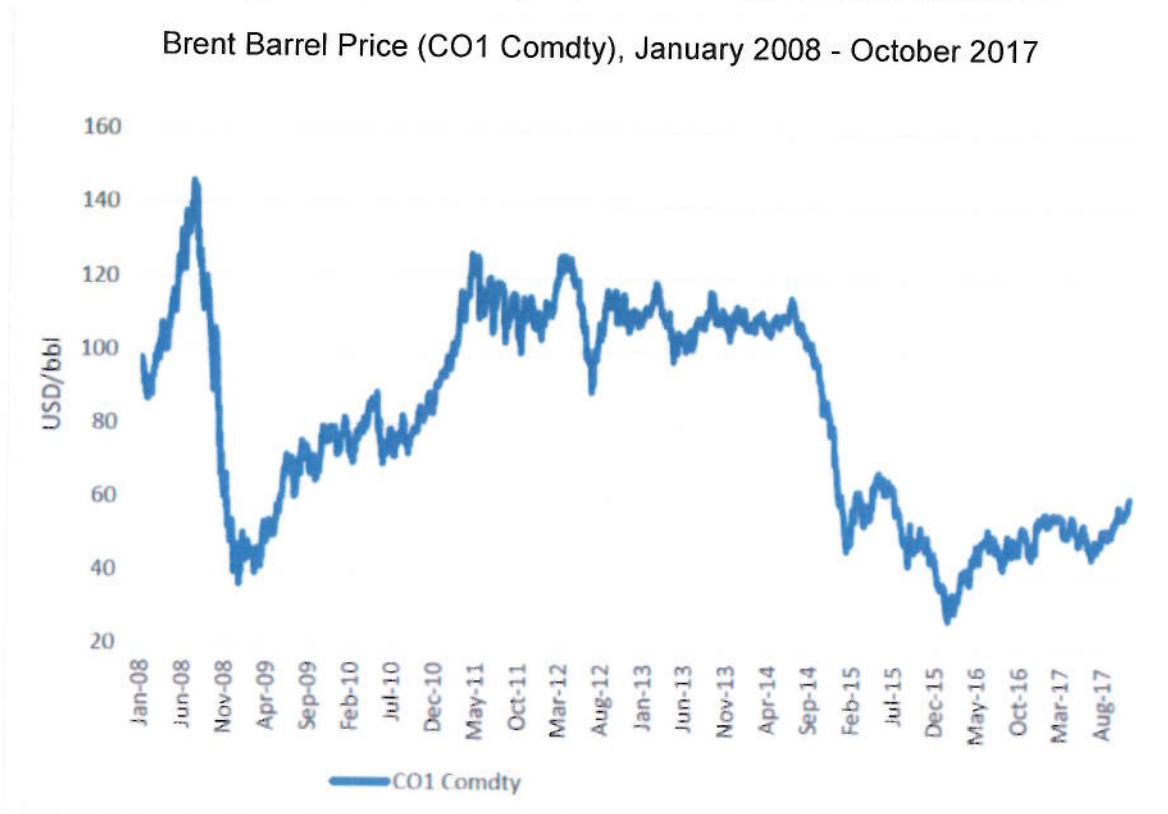
Source: Group Companies

17. The above chart indicates that the price of gas in the Potential Agreements of the Group Companies is significantly lower than the prices paid by Group Companies in their current agreements with Tamar.
18. We would note that according to information conveyed to us by Bazan, ICL and OPC, each of the Group Companies conducted separate negotiations for the purchase of natural gas from Leviathan, while the prices offered them were very similar to those provided in the Gas Outline. That is, the price of gas in the Potential Transactions of the Group Companies is also lower than the prices offered to each of the Group Companies in negotiations for the purchase of gas from Leviathan.
19. The foregoing indicates that the prices offered to the Group Companies within the Potential Transactions, in the Draft Agreement, are significantly lower than the prices offered within the framework of the Gas Outline, from the prices paid by the Group Companies within their current agreements with Tamar, and from the prices offered to the Group Companies, separately, within their negotiations with Leviathan. We cannot predict the prices which would be determined in the future in the gas industry, but in relation to current market prices, there can be no doubt that the prices in the Potential Transactions are reasonable.

<sup>6</sup> See: Natural Gas Authority, Publication of Natural Gas Price Alternatives pursuant to Chapter D of Government Resolution no. 476, dated 1 October 2017.

## C.2 Linkage to the electricity production tariff

20. The natural gas prices paid by Bazan and ICL within their current agreements with Tamar are only partially linked to the electricity production tariff. Thus, the price of gas paid by Bazan within its agreement with Tamar is [REDACTED] linked to the electricity production tariff and [REDACTED] linked to the price of Brent oil barrel; the price of gas paid by ICL within its agreement with Tamar is [REDACTED] linked to the electricity production tariff and [REDACTED] linked to the price of Brent oil barrel.
21. It would be noted that, based on past data, linkage to the Brent barrel price is expected to be more volatile than linkage to the electricity production tariff. The following illustration shows the Brent barrel (CO1 Comdty) over a period of ten years, between January 2008 and October 2017:



Source: Bloomberg

22. The following table shows, with respect to each of Group Companies, their estimations pertaining to the consumption rate of natural gas utilized for the production of electricity during the period of the Potential Transactions:

|                                                                                                  | <u><b>Bazan</b></u> | <u><b>ICL</b></u> | <u><b>OPC</b></u> |
|--------------------------------------------------------------------------------------------------|---------------------|-------------------|-------------------|
| Rate of consumption of gas utilized for electricity production during the Potential Transactions | 40%                 | 80%               | 100%              |

Source: Group Companies

23. As indicated in the above table, The entire gas consumption of OPC within the Potential Transactions is intended for electricity production. However, in Bazan and ICL about 40% and 80%, respectively, of the natural gas consumption within the Potential Transactions is intended, as per their estimations, for electricity production.
24. With respect to ICL it should be noted that, although part of the electricity produced based on natural gas is intended for own use, such own use of electricity replaces the purchase of electricity from third parties. Moreover, the natural gas consumed by ICL for own use is for purposes such as drying, heating and combustion, and replaces the alternative consumption of electricity for such uses. Hence, the mechanism of linkage to the electricity production tariff is the appropriate mechanism also with respect to the price in ICL's Potential Transaction.
25. With respect to Bazan, it should be noted that in a similar fashion, although all of the electricity produced based on natural gas is intended for own use, such own use of electricity replaces the purchase of electricity from third parties. Moreover, the natural gas consumed by Bazan for own use is for various process purposes and for energy purposes, some of which replaces the alternative consumption of electricity for such uses. Hence, the mechanism of linkage to the electricity production tariff is the appropriate mechanism also with respect to the price in Bazan's Potential Transaction.
26. We would also note, above and beyond requirement, that there is not necessarily a correlation between the refining margin and oil prices, and even the contrary. Thus, for example, during periods of increasing oil prices the margins might also decrease as a result of the fact that oil product prices do not increase as rapidly as oil prices. In this context, it should also be noted that Bazan does not possess a permit to consume liquid fuels as a substitute to natural gas. This is another reason why, from Bazan's perspective, there is no economic sense in linking the prices of natural gas to oil prices.
27. The foregoing indicates that linkage of the price of natural gas, within the Group Companies Potentials Transactions, to the electricity production tariff is reasonable and even required.

### C.3 Take-or-pay rate clause

28. Within the Potential Transactions, the Group Companies undertook to pay for a minimum annual quantity of gas. Even in the absence of actual consumption (hereinafter: "**Take-or-Pay**" or "**TOP**").

29. We examined the TOP rates to which the Group Companies committed within the Potential Transactions, as compared to the TOP rates in the Group Companies' current agreements with Tamar, as detailed in the following table:

|                                           | <u>Bazan</u> | <u>ICL</u> | <u>OPC</u> |
|-------------------------------------------|--------------|------------|------------|
| Rate of TOP within Potential Transactions | 80%          | 80%        | 78%        |
|                                           |              |            |            |

Source: Draft Agreement and Group Companies

30. The above table indicates these rates are at market terms.

**D. Do the economic terms of the Potential Transactions differ materially between Group Companies**

**D.1 Price comparison**

31. As aforesaid, the prices of natural gas in the Group Companies' Potential Transactions are determined based on linkage to the electricity production tariff, which is determined by the Electricity Authority, and include a "minimal prices" mechanism.

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<sup>7</sup> Weighted average of the TOP rates of the three current agreements of OPC with Tamar, considering the DCQ quantity.

It would be noted that OPC informed us that in two of its agreements with Tamar it was given the opportunity to reduce the quantity of gas provided in the TOP clause to a quantity equal to half the average actual consumption quantity of such consumer over the three years preceding such notice (in giving a 12 months advance notice, with a predetermined timeframe and for a period of three years).

32. The price formula in the Potential Transactions of Bazan and ICL is as follows:

If PT is greater than 43.47, then:

$$CP = 3 + \left( \left( P_0 + \frac{PT}{PT_0} \right) * 0.5 \right)$$

If PT is less than or equal to 43.47, then:

$$CP = P_0 * \frac{(PT)}{(PT_0)}$$

$P_0$  : US\$ 3.975 per MMBTU of Gas;

$PT_0$  : equal to 28.8;

$PT$  : means the weighted average production component as published from time to time by the Electricity Authority (as of the Effective Date, the weighted average production component is published as "Weighted Production Tariff" in Table 1-6.3 titled "Weighted Production Component" in the Electricity Authority publications).]

With the minimum price being \$3.975 per MMBTU.

33. And the price formula in the Potential Transaction of OPC is as follows:

$$CP = P_0 * \frac{(PT)}{(PT_0)}$$

where:

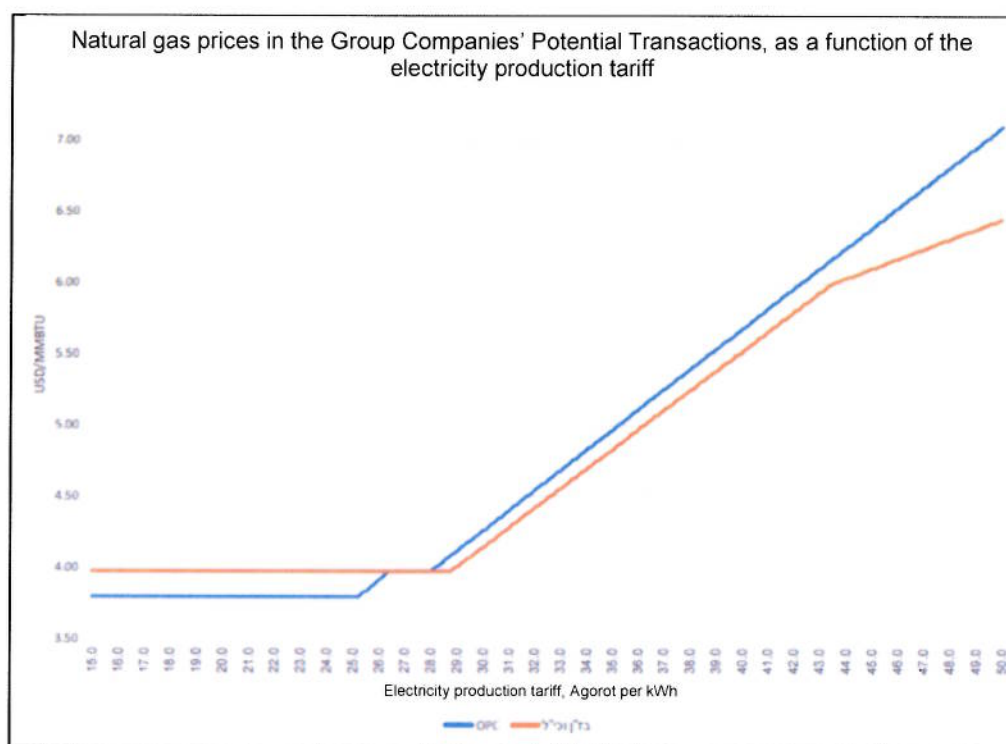
$P_0$  : US\$ 3.975 per MMBTU of Gas;

$PT_0$  : equal to 28.0, when PT is greater than 26.4, and equal to 26.4 when PT is less than or equal to 26.4;

$PT$  : means the weighted average production component as published from time to time by the Electricity Authority (as of the Effective Date, the weighted average production component is published as "Weighted Production Tariff" in Table 1-6.3 titled "Weighted Production Component" in the Electricity Authority publications).]

When PT exceeds or equal to 26.4 the minimum price will be \$3.975 per MMBTU; when PT is less than 26.4 the minimum price will be \$3.80 per MMBTU

34. We examined the prices in the Potential Transactions of Bazan and ICL versus the price in OPC's Potential Transactions.
35. The following illustration describes the prices in the Group Companies' Potential Transactions, while the electricity production tariff is in the range between ILS 0.15 per kWh and ILS 0.50 per kWh. The orange line indicates the prices in the Potential Transactions of Bazan and ICL; the blue line indicates the price in the Potential Transaction of OPC.



36. The above illustration indicates that, excluding a range wherein the electricity production tariff is between 26.4 and 28 Agorot (ILS 0.264-0.28) per kWh, the prices in the Potential Transactions of Bazan and ICL are not identical to the price in OPC's Potential Transaction, in the following manner:
- 36.1 In the range wherein the electricity production tariff is lower than 26.4 Agorot (ILS 0.264) per kWh, the prices in the Potential Transactions of Bazan and ICL are higher than the price in OPC's Potential Transaction by a gap of up to \$0.18 per MMBTU, constituting approx. 4.6% in relation to the price in OPC's Potential Transaction.
- 36.2 In the range wherein the electricity production tariff is higher than 26.4 Agorot (ILS 0.264) per kWh but lower than 28 Agorot (ILS 0.28) per kWh, the prices in the Potential Transactions of Bazan and ICL are identical to the price in OPC's Potential Transaction.
- 36.3 In the range wherein the electricity production tariff is higher than 28 Agorot (ILS 0.28) per kWh but lower than 43.47 Agorot (ILS 0.4347) per kWh, the prices in the Potential Transactions of Bazan and ICL are lower than the price in OPC's Potential Transaction by a gap of up to \$0.17 per MMBTU, constituting approx. 2.8% in relation to the price in OPC's Potential Transaction.

36.4 In the range wherein the electricity production tariff is higher than 43.47 Agorot (ILS 0.4347) per kWh, the prices in the Potential Transactions of Bazan and ICL are lower than the price in OPC's Potential Transaction, with the gap increasingly growing. Thus, for example, in a scenario wherein the electricity production tariff is 50 Agorot (ILS 0.50) per kWh, the prices in the Potential Transactions of Bazan and ICL will be lower by approx. \$0.65 per MMBTU, constituting approx. 9.1% in relation to the price in OPC's Potential Transaction.

37. The following table presents the electricity production tariff, as of September 2015

| Month                                        | Electricity production tariff (Agorot per kWh) |
|----------------------------------------------|------------------------------------------------|
| As of September 2015 and until January 2017  | 26.52                                          |
| As of January 2017 and until date of Opinion | 26.40                                          |

Source: Electricity production tariff charts issued by the Electricity Authority

38. Hence, according to the current electricity production tariff, the prices in the Potential Transactions of Bazan and ICL are identical to the price in OPC's Potential Transaction. The following table presents the prices in the Potential Transactions under sensitivity scenarios of a 10% decrease or increase in the electricity production tariff:

|                                 | Electricity production tariff | Gas price in Bazan and ICL's Potential Transactions | Gas price in OPC's Potential Transaction | Percent gap, in relation to price in OPC's Potential Transaction |
|---------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------------|------------------------------------------------------------------|
|                                 | (Agorot per kWh) <sup>8</sup> | (\$ per MMBTU)                                      | (\$ per MMBTU)                           | (%)                                                              |
| Current tariff                  | 26.4                          | 3.975                                               | 3.975                                    | -                                                                |
| 10% increase in current tariff  | 29.0                          | 4.003                                               | 4.117                                    | 2.8%                                                             |
| 10% decrease in current tariff  | 23.8                          | 3.975                                               | 3.800                                    | -4.6%                                                            |
| Average price of both scenarios |                               | 3.989                                               | 3.958                                    | -0.8%                                                            |

<sup>8</sup> Figures rounded to one digit after decimal point.

40. The above table indicates that, in the average of sensitivity scenarios of a 10% increase or decrease in the electricity production tariff, the average gas price in the Potential Transactions of Bazan and ICL is approx. \$3.989 per MMBTU while the average gas price in the Potential Transaction of OPC is approx. \$3.958 per MMBTU. This is an immaterial gap of \$0.03 per MMBTU, which constitutes approx. 0.8% as relates to the average price of gas in OPC's Potential Transaction.
41. In addition, we examined the prices in the Potential Transactions of the Group Companies under other sensitivity scenarios, of a 20% increase or decrease in the electricity production tariff as compared to the current tariff. The following table presents the prices in the Potential Transactions under sensitivity scenarios of a 20% decrease or increase in the electricity production tariff:

|                                    | Electricity<br>production tariff | Gas price in Bazan<br>and ICL's Potential<br>Transactions | Gas price in OPC's<br>Potential<br>Transaction | Percent gap, in<br>relation to price in<br>OPC's Potential<br>Transaction |
|------------------------------------|----------------------------------|-----------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------|
|                                    | (Agorot per kWh) <sup>9</sup>    | (\$ per MMBTU)                                            | (\$ per MMBTU)                                 | (%)                                                                       |
| Current tariff                     | 26.4                             | 3.975                                                     | 3.975                                          | -                                                                         |
| 20% increase in<br>current tariff  | 31.7                             | 4.375                                                     | 4.500                                          | 2.8%                                                                      |
| 20% decrease in<br>current tariff  | 21.1                             | 3.975                                                     | 3.800                                          | -4.6%                                                                     |
| Average price of<br>both scenarios |                                  | 4.175                                                     | 4.150                                          | -0.6%                                                                     |

42. The above table indicates that, in the average of sensitivity scenarios of a 20% increase or decrease in the electricity production tariff, the average gas price in the Potential Transactions of Bazan and ICL is approx. \$4.175 per MMBTU while the average gas price in the Potential Transaction of OPC is approx. \$4.150 per MMBTU. This is an immaterial gap of \$0.025 per MMBTU, which constitutes approx. 0.6% as relates to the average price of gas in OPC's Potential Transaction.

<sup>9</sup> Figures rounded to one digit after decimal point.

43. The foregoing indicates that the price gaps in the Potential Transactions of the Group Companies are immaterial.

## D.2 Quantities

44. The natural gas quantities in the Potential Transactions which the Group Companies have undertaken to purchase change between the Companies. We examined the quantities in the Potential Transactions of Bazan, ICL and OPC.
45. The following table shows, respecting each of the Group Companies, the quantity of gas it seeks to purchase within the Potential Transactions:

|                                 | <u>Bazan</u> | <u>ICL</u> | <u>OPC</u> | <u>Total Group Companies</u> |
|---------------------------------|--------------|------------|------------|------------------------------|
| BCM                             | 1.15         | 0.85       | 0.6        | 2.60                         |
| DCQ (MMBTU)                     | 112,688      | 83,836     | 58,045     | 254,569                      |
| <b>Distribution of quantity</b> | <b>44%</b>   | <b>33%</b> | <b>23%</b> | <b>100%</b>                  |

Source: Draft Agreement and Group Companies

46. The above table indicates that, in total, the Group Companies seek to purchase, within the Potential Transactions, natural gas at the scope of BCM 2.6, while Bazan seeks to purchase 44% of the total quantity, ICL 33% of the total quantity, and OPC 23% of the total quantity.
47. It would be noted that within the Potential Transactions, each of Group Companies seeks to purchase quantities of natural gas larger than those purchased by them within their current agreements, which are about to expire of from which the Group Companies mean to be released (hereinafter: the “**Additional Quantity**”). The following table presents, for each of the Group Companies, such Additional Quantity, as well as its portion out of the quantity sought within the Potential Transactions:

|                                                                      | <u>Bazan</u> | <u>ICL</u> | <u>OPC</u> |
|----------------------------------------------------------------------|--------------|------------|------------|
| BCM                                                                  | 0.15         | 0.1        | 0.1        |
| Portion out of the quantity sought within the Potential Transactions | 13%          | 12%        | 17%        |

Source: Group Companies

48. The above table indicates that, although each of the Companies agreed to an Additional Quantity at the rate of 0.1-0.15 BCM, such Additional Quantity constitutes a more significant portion as compared to the undertaking within OPC’s Potential Transaction, which seeks to purchase a smaller gas quantity. As detailed below, the Additional Quantity for OPC is required in order to ensure full supply for OPC’s plant in Hadera throughout the entire financing period.

### **D.3 TOP rate**

49. As indicated by the data in Chapter C.3 above, there are no significant differences in the TOP rates between the Group Companies within the Potential Transactions, [REDACTED].

### **D.4 Terms of Payment**

50. There are slight differences in the terms of payment between Group Companies. As conveyed to us by the Group Companies, OPC's payment date will be at the end of the successive month; Bazan's payment date will be on the 1<sup>st</sup> of the month following receipt of the invoice and ICL's payment date will be by the end of the successive month or 30 days after receipt of the invoice, according to the latest. Noting the fact that these are gaps of no more than a few days, such differences are negligible.

### **D.5 Scope of maintenance**

51. According to the Draft Agreement, there are slight differences in the scope of maintenance between ICL and between Bazan and OPC. Thus, according to the Draft Agreement, the scope of maintenance planned in ICL in each of the agreement years will not exceed 15 times the DCQ; while the scope of maintenance planned in Bazan and OPC in each of the agreement years will not exceed 13 times the DCQ. Noting the fact that these gaps are minor, at a scope of double the DCQ, such differences are immaterial.

### **D.6 Location of arbitration**

52. According to the Draft Agreement, there are differences in arbitration procedures between Bazan and ICL and between OPC. Thus, according to the Draft Agreement, arbitration between Energean and Bazan or ICL pertaining to disputes exceeding the amount of \$10 million will be held in London; while arbitration between Energean and OPC pertaining to disputes exceeding the amount of \$5 million will be held in London. Considering the scopes of the agreements, such differences are immaterial.

#### **D.7 Termination of the agreement under two unique scenarios**

53. According to the Draft Agreement, ICL is given the option to terminate the agreement in case of expiration of the concession granted to Dead Sea Works under the Dead Sea Concession Law, 5721-1961.
54. In addition, according to the Draft Agreement, OPC is given the option to terminate the portion of the agreement that relates to its Hadera power plant in case Energean fails reaching commercial operation by the last date on which the Hadera plant is permitted to give notice of reducing quantities in its agreement with Tamar.

#### **E. Are the Differences Reasonable under the circumstances of the case**

##### **E.1 Differences in the price formula**

55. The data presented above indicates that the price differences in the Potential Transactions of the Group Companies are immaterial.
56. As conveyed to us by OPC, the difference in the price formula between the Potential Transactions of Bazan and ICL and between OPC's Potential Transaction derives from OPC's need to hedge the risk in case of a decrease in electricity tariffs. Unlike Bazan and ICL, OPC's revenues are directly linked to electricity tariffs in Israel, and therefore an increase in electricity tariffs will positively affect it. However, a decrease in electricity tariffs constitutes an operating risk, and thus a mechanism was chosen for OPC which hedges the risk in case of a decrease in electricity tariffs, at the expense of higher revenues in case of an increase in electricity tariffs.
57. This is a reasonable economic consideration, which may certainly be accepted when noting that the price differences are immaterial.

##### **E.2 Differences in the Additional Quantity**

58. The data presented above indicates that, although each of the Companies committed to an Additional Quantity at the rate of 0.1-0.15 BCM, there are differences in the portion of such Additional Quantity out of the total quantity between the Companies.
59. The differences in Additional Quantity between Bazan and ICL are miniscule. OPC's portion is higher, and stems from the fact that the Additional Quantity is necessary in order to ensure full supply to OPC's plant in Hadera throughout the entire financing period, in lieu of Hadera's second gas agreement with Tamar. At OPC's estimation, This quantity is required for gas supply throughout the entire financing period (as previously required by the financiers of Hadera).

60. Considering the fact that this is an Additional Quantity rate of approx. 4-5 percentage points beyond the rate of ICL and Bazan's Additional Quantity, and the fact that the agreement does not include any restrictions on secondary sale of natural gas, this difference is reasonable and is immaterial under the circumstances of the case.

### **E.3 Differences in the TOP rate**

61. As indicated by the above data, there are no significant differences in TOP rates between the Group Companies in the Potential Transactions, [REDACTED]
62. It should be noted that the rate set forth in the agreement with OPC is 2 percentage points lower than the rate in the agreements with Bazan and ICL. This fact in itself makes the slight difference in the TOP rate reasonable and immaterial under the circumstances of the case.

### **E.4 Terms of payment**

63. The foregoing indicates that there are slight differences in payment terms between the Group Companies.
64. The difference between OPC's payment date and Bazan's payment date is one day. The difference between the payment dates of OPC and Bazan and between ICL's payment date depends on the date on which receives the invoice from Energean. We were informed by ICL that currently the date of receiving the invoice from Tamar is the 2<sup>nd</sup> of the month. Hence, ICL's payment date will be the 1<sup>st</sup> or 2<sup>nd</sup> of the month following receipt of the invoice, which means a gap of no more than a few days.

### **E.5 Scope of maintenance**

65. The aforesaid indicates that there are slight and immaterial differences in the scope of maintenance between ICL and between Bazan and OPC.
66. As conveyed to us by the Group Companies, the scope of maintenance provided in the Draft Agreement with respect to each of the Group Companies reflects its individual needs, in accordance with its expectations pertaining to the required scope of maintenance. Noting the fact that this is a minor difference between ICL and between Bazan and OPC, at the rate of double the DCQ, these are minor differences which are immaterial.

## **E.6 Location of arbitration**

67. The aforesaid indicates that there are differences in arbitration procedures between Bazan and ICL and between OPC. Thus, according to the Draft Agreement, arbitration between Energean and Bazan or ICL pertaining to disputes exceeding the amount of \$10 million will be held in London; while arbitration between Energean and OPC pertaining to disputes exceeding the amount of \$5 million will be held in London.
68. It would be noted that, on the one hand, the additional cost of holding the arbitration proceeding in London is estimated at several million dollars; on the other hands, there is an advantage in terms of professionalism in holding arbitration proceedings in London. As aforesaid, considering the scope of the agreement, such differences are immaterial.

## **E.7 Termination of the agreement under two unique scenarios**

69. As aforesaid, according to the Draft Agreement, ICL is given the option to terminate the agreement in case of expiration of the concession granted to Dead Sea Works under the Dead Sea Concession Law, 5721-1961. It would be noted that this scenario is a sort of *force majeure*, beyond the Company's control, and its implications on the scope of ICL's gas consumption is cardinal. Considering this fact, this clause is reasonable and even inevitable under the circumstances of the case.
70. In addition, according to the Draft Agreement, OPC is given the option to terminate the portion of the agreement that relates to its Hadera power plant in case Energean fails reaching commercial operation by the last date on which the Hadera plant is permitted to give notice of reducing quantities in its agreement with Tamar. As conveyed to us by OPC, the last date on which the Hadera plant is permitted to give notice of reducing quantities in its agreement with Tamar is 31 December 2020.<sup>10</sup>
71. It would be noted that, according to the Draft Agreement, the Group Companies right is to give notice of termination of the agreement in the commercial operation of the gas field is delayed beyond 30 September 2021 (or after 30 June 2022, in case of *force majeure*).<sup>11</sup>

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<sup>10</sup> We were informed by OPC, that it is a commercial decision by Hadera, whether to give notice of reducing quantities in case Energean fails reaching commercial operation by the end of 2020.

<sup>11</sup> It would be noted that termination of the agreement will come into force after the lapse of 60 days of giving notice to such effect, unless during such period Energean reaches commercial operation of the gas field, in which case the termination notice is revoked.

72.



73. That is, as of the time of signing the agreement, OPC's ability, with respect to the portion of the agreement relating to the Hadera power plant, to cope with a delay in the commercial operation of the gas field is limited as compared to the same ability of Bazan, ICL and OPC with respect to the portion of the agreement relating the Rotem power plant. Considering this fact, this clause is reasonable under the circumstances of the case.

#### **E.8 Uniform price for the Group Companies**

74. As aforesaid, under the current electricity production tariff, the price of gas is identical for all Companies, with the linkage formula causing OPC's prices to become slightly higher in case the electricity production tariff increases, and slightly lower in case the electricity production tariff decreases. That is, the prices set are virtually uniform, despite the quantity differences between the Group Companies. Under circumstances wherein the reduced price is for a quantity achieved through joint negotiations and in relation to all quantities, it is reasonable that the price is uniform, as reaching the quantity on which such benefit was achieved depends on the participation of all three Companies; each of the Companies on its own is not large enough to achieve such terms or more favorable terms.
75. It would be noted, as aforesaid, that Bazan's price is similar to the prices of ICL and OPC, and is similarly linked in its entirety to the electricity production tariff. Linkage to the electricity production tariff was not offered to Bazan in any of the competing offers, and for Bazan this represents an improvement which is in part due to the relatively large portion of Bazan's purchase as compared to the other Companies.