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Israel Corporation Ltd.

Registrar Number: 520028010

**Form 121
Public**

Date of Transmission: 09/08/2017

Reference: 2017-01-068548

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

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

Immediate Report

The Event: ICL/ ORL – The signing of a Memorandum of Understanding

Attached is an immediate report of Israel Chemicals Ltd. and Oil Refineries Ltd. – The signing of a non-binding Memorandum of Understanding as part of negotiations for the purchase of natural gas

See Immediate Report attached hereto: ICLORLThesigningofaMemorandumofUnderstanding August917 .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: 08/08/2017 at: 18:00

Name of report authorized signatory and name of authorized electronic signatory: Maya Alchek Kaplan

Position: Vice President, General Counsel and Company's Secretary

Signature date: 09/08/2017

Form structure updated: 07/08/2017

Securities of the corporation are listed in the Tel Aviv Stock Exchange

Short name: Israel Corporation

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Former names of reporting entity: The Israel Corporation Ltd.

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

Immediate Report

Signing of a Non-Binding MOU within Negotiations for the Purchase of Natural Gas

The Company hereby respectfully reports as follows:

1. The Company and Energean Israel Limited (hereinafter: “**Energean**”), the owner of holdings in the Karish and Tanin gas fields (hereinafter: the “**Gas Field**”), have signed a non-binding memorandum of understating (hereinafter: the “**MOU**”), following which the parties will conduct negotiations toward the signing of a binding and detailed agreement for the supply of natural gas (to the extent signed), under which the Company shall purchase natural gas in quantities and for periods as agreed upon within the framework of such supply agreement, for the purpose of operating the power plant in Sodom and the Company’s other facilities in Israel.
2. The aforesaid MOU includes, among other things, the following provisions:
 - a. The total quantity of gas which the Company is expected to purchase from Energean is approx. 13 BCM with respect to the entire expected supply period (hereinafter: the “**Total Contractual Quantity**”);
 - b. The supply period will commence upon the date when Energean begins operating the Gas Field, and is expected to conclude upon the date when the entire Contractual Quantity is consumed or after the lapse of 15 years from the date of commencement of gas supply to the Company, according to the earliest; in case the Contractual Quantity is not fully consumed, the parties may extend the period of the supply agreement (to the extent signed) for an additional period, subject to compliance with terms and targets as will be defined within the framework of the supply agreement.
 - c. A “take or pay” payment mechanism for a minimal annual quantity of natural gas at a scope and according to the mechanism to be determined;
 - d. The price of natural gas will be linked to the electricity generation component and include a minimum price.
 - e. The total financial scope of the purchase of gas from Energean by the Company, if and to the extent that negotiations are successfully concluded and a detailed supply agreement is signed in accordance with the MOU, may reach approx. \$2 billion and depends, among other things, on changes in the electricity price to which the gas price is linked, and the total quantities purchased by the Company in actuality during the period of the binding agreement.
 - f. The parties to the MOU have agreed that, for a period of 180 days after signing the MOU, Energean will not engage in negotiations for the sale of gas which would hinder its ability to supply the gas being the subject of the MOU, while the Company has undertaken not to engage in negotiations which would prevent it from being able to purchase the aforesaid quantity of gas from Energean.
3. It should be noted that negotiations with Energean were conducted by the Company, Oil Refineries Ltd. (Bazan),¹ and OPC Energy Ltd.² (hereinafter: the “**Purchasers**”), jointly; however, each of the Purchasers has signed a separate memorandum of understanding with Energean. The MOU is non-

¹ A public company under the control of the Israel Corporation Ltd., the controlling shareholder of the Company, which is under the (direct and indirect) control of Mr. Idan Ofer.

² A private company under the indirect control of one of the Company’s controlling shareholders.

binding, and engagement in a gas supply agreement and the supply of gas by virtue thereof are subject, among other things, to the completion of negotiations, to signing the binding agreement, to receiving all requisite approvals and to meeting various milestones and contingency clauses, including also arrangement of natural gas supply for the Company in case the Gas Field is not developed in actuality.

4. A binding agreement, if and to the extent signed, will require proper approval by the authorized organs of the Company.
5. At this time, there is no certainty as to the Company's engagement in a binding agreement or the terms of such binding agreement, to the extent signed.

Name of the authorized signatory on the report and name of authorized electronic reporter: Lisa Haimovitz
Position: SVP, Global General Counsel and Company Secretary
Signature Date: August 8, 2017

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

August 8, 2017

To
The Securities Authority
via MAGNA

To
Tel-Aviv Stock Exchange
via MAGNA

Dear Sir/Madame,

Re: **Immediate Report - Signing of a Non-Binding Memorandum of Understanding as part of Negotiations for the Purchase of Natural Gas**

Following the Company's announcement dated July 7, 2017 (Reference: 2017-01-060757) with respect to negotiations for the purchase of natural gas, the Company hereby reports as follows:

1. The Company and Energean Israel Limited (hereinafter: "**Energean**"), the owner of holdings in the Karish and Tanin gas fields (hereinafter: the "**Gas Field**"), signed a non-binding memorandum of understanding (hereinafter: the "**MOU**") on the basis of which, the parties shall conduct negotiations for the execution of a detailed and binding natural gas supply agreement (if executed), under which the Company will purchase natural gas in quantities and for periods to be agreed upon in the framework of the supply agreement (hereinafter: the "**Supply Agreement**"). This is for the purpose of operating the facilities of the Company and the subsidiaries operating in the Haifa Bay.
2. It should be noted, that the negotiations with Energean are being conducted by the Company, Israel Chemicals Ltd.¹, and - OPC Energy Ltd.² (the "**Buyers**"), jointly, in order to leverage the Buyers' combined purchase power for the purpose of achieving improved purchase terms from Energean. Each of the Buyers signed a separate memorandum of understanding.
3. According to the MOU:
 - 3.1. The total gas quantity which the Company is expected to purchase from Energean is approximately 17 BCM with respect to the entire expected supply period (hereinafter: the "**Total Contractual Quantity**").
 - 3.2. The supply period shall commence upon the commencement of the gas flow from

¹ A public company under the control of Israel Corporation Ltd., the Company's controlling shareholder.

² As the Company has been informed, a company under the control of Kenon Holdings Ltd. (hereinafter: Kenon). Kenon is a company which is related to the controlling shareholder of Israel Corporation, which shares are dual listed on the New York Stock Exchange (NYSE) and on the Tel Aviv Stock Exchange Ltd.

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the Gas Field, and is expected to terminate at the time in which the Total Contractual Quantity is fully consumed or after 15 years as of the date of supply of natural gas to the Company, according to the earlier, while if the Total Contractual Quantity will not be fully consumed, the parties may extend the term of the agreement (if signed) for an additional period subject to meeting certain terms and objectives which will be defined within the Supply Agreement.

- 3.3. The Supply Agreement will include a Take or Pay payment mechanism for a minimum annual quantity of natural gas in the scope and in accordance with the mechanism to be determined.
 - 3.4. The price of the natural gas shall be linked to the electric power generation component and shall include a minimum price.
 - 3.5. The total financial scope of the gas purchase by the Company from Energean, if and to the extent the negotiations is completed and a Supply Agreement is signed in accordance with the MOU, may reach approximately USD 2.5 billion and is depended *inter alia* on the electric power generation component and the scope and pace of gas consumption. It should be noted that this scope may reflect significant savings in the Company's energy costs, compared with its current energy costs.
 - 3.6. The parties to the MOU agreed that for a period of 180 days as of the signing date of the MOU Energean will not conduct negotiation for the sale of gas which would impair its ability to supply the gas pursuant to the MOU and the Company undertook not to conduct negotiation which would prevent it from purchasing the abovementioned gas quantity from Energean.
4. It is clarified that the engagement in the Supply Agreement and gas supply by virtue thereof are subject, *inter alia*, to the completion of the negotiations, the execution of the binding agreement, the obtaining of all necessary approvals and the fulfilment of milestones and various conditions precedent.
 5. A Supply Agreement, if and to the extent executed, shall be submitted to the approval as required by the Company's authorised organs.

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6. **Forward-Looking Information:** the information provided above with respect to the negotiation, the engagement in a supply agreement and gas supply by virtue thereof, as well as the possible saving in the Company's energy costs, constitutes Forward-Looking Information, as defined under the Israeli Securities Law, which is conditional and subject to several factors, including factors which are not under the Company's control. This abovementioned information may not occur or may occur in a manner materially different than aforesaid as a result of various factors, including, the failure to reach agreements between the parties or failure to obtain the required approvals with regards to the Supply Agreement.

Oil Refineries Ltd.

BY: Eli Morduch, Adv.

The Company's Secretary