

March 9, 2017

#173766-v1

**Tender No. 011/17**

**Invitation to Submit Bids**

Dear Sir / Madam,

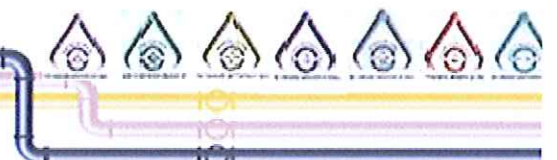
**1. General**

Petroleum & Energy Infrastructures Ltd. / Oil Products Pipeline Ltd. (the "**Company**") wishes to receive Bid proposals ("**Bids**") by bidders that comply with the preliminary conditions as detailed herein, for the purchase of 23,516 m pipes 12" (the "**Goods**") including third party inspection, manufactured in a plant located in an OECD country, all as specified in the Technical Specifications Appendix C attached hereto, and according to the following terms and conditions.

**2. The Tender Documents**

Attached hereto, as an integral part hereof, are the following documents (herein: the "**Tender Documents**"):

- 2.1 The Bidder's Declaration - **Appendix A**;
- 2.2 Compliance with the Preliminary Conditions - **Appendix B**, including: -
  - 2.2.1 Form 6.1.2 - Goods' Manufacturer experience
  - 2.2.2 Form 6.1.3 - Bidder's Experience
  - 2.2.3 Form 6.1.4 - Financial Information
  - 2.2.4 Form 6.1.6 - Manufacturer Information
- 2.3 Technical Specifications - **Appendix C**;
- 2.4 Bidder's Declaration Bill of quantities and Bid Form - **Appendix D**.
- 2.5 Sample API Certificate - **Appendix E**
- 2.6 The Engagement Contract, including the Appendixes thereto (The "**Agreement**") - **Appendix F**
- 2.7 Insurance - **Appendix G**
- 2.8 Certificate of Insurance - **Appendix G1**



3. **Tender Deadlines:**

3.1 Deadline for submission of clarification questions: April 3, 2017.

3.2 Deadline for submission of Bids: April 25, 2017.

4. **The Goods & Inspection, Location and Date of Supply**

4.1 The Goods shall meet the requirements of the Technical Specifications, including third party inspection by a certified authority (the "**Certified Authority**") in accordance with EN 10204- 3.2, as detailed therein.

4.2 The Bidder shall state the identity of its offered Certified Authority in its Bid (Appendix A), and if declared the winning Bidder shall retain the services of such Certified Authority if approved by the Company, and unless a replacement thereof is authorized by the Company.

4.3 The Goods shall be manufactured in a plant located in an OECD country.

4.4 It is clarified that the presence of an inspector, in accordance with the Technical Specifications, shall in no way relieve the winning Bidder of any responsibility for the quality of the Goods according to the Technical Specifications and Agreement

4.5 The Goods shall be supplied no later than 150 days after receipt of an order from the Company to the Company's site (DDP), or 120 days after receipt of an order from the Company, in the manufacture's premises (FCA or EXW or CIF Ashdod port), as detailed in the Agreement.

4.6 The Goods shall be supplied in one of the following methods of delivery: DDP/EXW/FCA/CIF Ashdod port, and Bidder shall state in its Bid the offered method. In case of EXW or FCA or CIF Ashdod port, the company shall adjust the Bid price to include delivery and unloading of the Goods in the Company's site, for purpose of comparing the Bids.

4.7 The terms of the engagement with the winning Bidder shall be in accordance with the provisions of the Agreement, including the Appendixes thereto.





5. **Insurance**

The Bidder declared Candidate for Award shall be required to submit to the Company an Insurance Certificate in the form attached as Appendix G1 herewith. The Insurance shall remain valid throughout the term of the Agreement to be signed between the Company and the winning Bidder, and as long as the Company's right of claim towards the winning Bidder is in force and effect

6. **Preliminary Conditions:**

6.1. The following criteria must be met in order for a Bid to be considered:

6.1.1 The Goods meet the requirements of the Technical Specifications in their entirety, to the Company's satisfaction.

In order to demonstrate the Bidder's compliance with this condition, it will attach to its Application: (1) the Technical Specifications Appendix C, signed by both an authorized signatory of the Goods' manufacturer and the entity performing the Goods' coating, evidencing the Goods' full compliance with the Technical Specifications in their entirety, including without limitation all applicable standards, and (2) valid API certificates signed by the Goods' manufacturer, matching substantially to the API certificate sample form attached as Appendix E hereto, including all details contained therein.

It is hereby clarified that the manufacturer's and/or coater's aforementioned signature shall not in any way relieve the winning Bidder from any of its obligations and/or liabilities under the Tender Documents including without limitation with respect to compliance of the Goods' with the Technical Specifications.

6.1.2 The **Goods' manufacturer** has, during the last 3 years prior to the Deadline for Submission of Applications, successfully supplied a total of at least 25 kilometers of pipes 12" complying at least with the requirements of the Technical Specifications

In order to demonstrate with this condition, **the Goods' manufacturer** will fill out Form 6.1.2 of Appendix B of the Tender Documents.

6.1.3 The **Bidder** has, during the last 3 years prior to the Deadline for Submission of Bids, successfully supplied pipes complying at least with the requirements of the Technical Specifications, at an accumulating minimum sum of 10 million NIS OR 2.5 million EURO OR 2.7 million US DOLLARS.



In order to demonstrate the Applicant's compliance with this condition it will fill out Form 6.1.3 of Appendix B of the Tender Documents or, alternatively, form 6.1.3 b of Appendix B of the Tender Documents.

- 6.1.4 Shareholders equity of the Bidder in its 2015 audited financial reports was positive.

In order to demonstrate the Bidder's compliance with this condition it will fill out Form 6.1.4 of Appendix B of the Tender Documents.

- 6.1.5 (1) Average net profit of the Bidder for the three years ending December 31, 2013, 2014 and 2015, as presented in its audited profit and loss statements, was at least 2 million US DOLLARS or 1.8 million Euro, OR (2) Average operating profit (net profit before taxes, financing income (expenses) and other income (expenses) of the Bidder for the three years ending December 31, 2013, 2014 and 2015, as presented in its audited profit and loss statements, was at least 2.5 million US DOLLARS or 2.2 million Euro.

In order to demonstrate the Bidder's compliance with this condition it will fill out Form 6.1.4 of Appendix B of the Tender Documents.

- 6.1.6 The Goods shall be manufactured in a plant located in an OECD country.

In order to demonstrate the Bidder's compliance with this condition it will fill out Form 6.1.6 of Appendix B of the Tender Documents.

- 6.1.7 If the Bidder is incorporated in Israel, it possesses valid approvals pursuant to the provisions of the Public Bodies Transactions Law, 5736-1976.

In order to demonstrate the Bidder's compliance with this condition, it shall attach to its Application the relevant approvals.

## **6.2 Documents Required to be Attached to the Bid**

The following documents shall be attached to the Bid. All documents shall be submitted wither in Hebrew or in English:





**6.2.1** Documents to prove the Bidder's compliance with the Preliminary conditions specified in Sections 6.1.1-6.1.7 above, including:

**6.2.1.1** The Technical Specifications Appendix C, signed by both an authorized signatory of the Goods' manufacturer and the entity performing the Goods' coating, evidencing the Goods' compliance with the Technical Specifications in their entirety, including without limitation all applicable standards.

**6.2.1.2** Valid API certificates signed by the Goods' manufacturer, matching substantially to the API certificate sample form attached as Appendix E hereto, including all details contained therein.

**6.2.1.3** Forms 6.1.2, 6.1.3, 6.1.4 and 6.1.6, duly filled out and signed.

**6.2.1.4** It is hereby clarified that with regards to the following manufacturers, that the extent of their sales was evidenced in previous Tenders and approved by the Company, the Bidders do not have to submit Appendix B and the Company shall rely, for the sake of proving compliance with Section 6.1.1, on manufacturers' declarations submitted in the scope of previous Tenders.

For SMLS pipes:

- TRINICKE – MORAVIA
- VALLOUREC
- TENNARIS

**6.2.1.5** Valid approvals pursuant to the provisions of the Public Bodies Transactions Law, 5736-1976.

**6.2.2** Further Documents:

**6.2.2.1** The Bidder's declaration and the details of the Bid, filled in and signed as required in Appendix A.



**6.2.2.2** A copy of **all** the Tender Documents, including all Appendixes, including amendments and clarifications issued by the Company, signed on the first and last page of each Part and each Form/ Section/ Appendix, by the Authorized Signatory of the Bidder.

**6.2.2.3** It is hereby clarified that all documents specified in Sections 6.2.2.1-6.2.2.2 above shall be attached to the Bid on the deadline of submission of the Bids, as set above. The Company reserves the right to disqualify any Bid that does not include all the said documents.

**6.2.2.4 Bid Guarantee:**

**6.2.2.4.1** To secure its Bid, the Bidder shall submit to the Company, **7 days prior to the deadline for submission of Bids (i.e. on \_\_\_\_\_)**, an autonomous bank guarantee (the "**Guarantee**") issued by an Israeli bank or a reputed international bank to the Company's reasonable satisfaction in the sum of NIS 100,000 or USD 27,000 or EURO 25,000 to the order of Petroleum & Energy Infrastructures Ltd. The terms and conditions of the Guarantee will be as follows: (1) the Guarantee will be in the sum of NIS 100,000 or USD 27,000 or EURO 25,000; (2) the Guarantee will be valid until **September 30, 2017**; (3) the Guarantee Bidder shall be completely identical to the Bidder; (4) the guarantee shall be in connection with tender no. 011/17; 5) forfeiture of the Guarantee or any part thereof will be possible upon 15 days after receipt of a written demand therefor from the Company. Potential Bidders are advised of the importance of submitting a compliant and accurate guarantee in accordance with the said conditions.

**6.2.2.4.2** The company will accept Guarantees for inspection later than the date specified in Section 6.2.2.3.1 above, as long as such





Guarantees were submitted at least 3 days prior to the deadline for submission of Bids.

**6.2.2.4.3** The Company shall review the Guarantee, and shall notify the Bidder in writing, not later than 2 days prior to the deadline for submission of Bids, whether the Guarantee is approved, or whether an amendment is required, and the nature of such amendment.

**6.2.2.4.4** In case the Guarantee needs to be amended as aforesaid, then such amended Guarantee will be submitted by the Bidder as soon as possible and not later than the upon submission of the Bid.

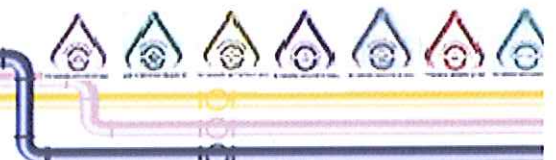
**6.2.2.4.5** Bidders that have not submitted the Guarantee by the date specified in Section 6.2.2.4.1 or at any time prior to the date for submission of Bids, shall not be prevented from submitting a Bid, and shall attach their Guarantee to their Bid. In such case the Company makes no statement regarding their Guarantee's compliance with all the terms and conditions stipulated herein.

**6.2.2.4.6** The Bidders shall have no claim or demand whatsoever against the Company in case of approving a Guarantee that was later declared defected by a competent court.

**6.3** Without derogating from Section 6.2.2.4 above, if any Bidder fails to provide one or more of the documents specified above, the Company may, at its sole discretion, request that such Bidder supplement the same. If the Bidder fails to supplement the required documents, per the request and to the satisfaction of the Company, within such period of time as is given thereto for such purpose, the Company may disqualify its Bid

#### **6.4 Inspection of the Bids**

**6.4.1** The Company is entitled, although not obligated, to allow an Bidder whose Bid is incomplete or flawed, to amend, supplement or clarify its Bid, also for the purpose of proving the Bidder's



compliance with the preliminary conditions, all at the Company's full discretion, in such manner and under such conditions as shall be determined thereby pursuant to the provisions of any law.

- 6.4.2 Where a Bidder refrains from providing the required information or provides correct but inaccurate information, the Company may cease to consider its Bid or disqualify it.

## 7 **General Provisions:**

### 7.1. **Clarifications**

- 7.1.1. Bidders are required to thoroughly check the various Tender Documents. Any Bidder who finds ambiguities, discrepancies or inconsistencies between the various Tender Documents or various provisions thereof or any other inconsistency shall apply to the Company and specify the same in writing. Such specification shall be delivered to the Company's offices no later than **April 3, 2017**.
- 7.1.2. Any Bidder who fails to so apply will be barred from raising any claim in the future regarding ambiguities, discrepancies or inconsistencies as aforesaid.
- 7.1.3. It is emphasized that only clarifications or responses that shall be sent in writing by the Company or by anyone authorized thereby for such purpose shall bind the Company.
- 7.1.4. The Bidder is aware and agrees that clarification questions asked thereby shall be sent to all of the Bidders, at the Company's discretion.

### 7.2. **Modification of or Reservations to the Tender Documents**

- 7.2.1. It is clarified that the Bidder may not modify, add to, omit from or make any reservations or conditions to the Tender Documents in any way. The Company emphasizes that in any case in which the Bidder believes that any clarification is required with respect to the terms and conditions of the Tender, it must timely contact the Company in accordance with the provisions of Section 7.1.1 above.
- 7.2.2. If, the provisions of Section 7.2.21 above notwithstanding, the Bidder modifies, adds to, omits from, makes any reservations or conditions to the Tender Documents in any way, the Company



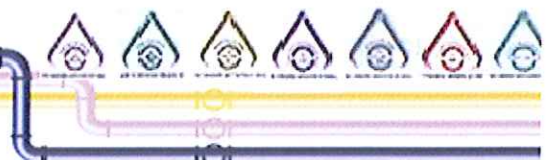


may, at its sole discretion, act in accordance with any one of the following possibilities:

- 7.2.2.1. Ignore the reservation and require the Bidder to meet its Bid as if it was submitted without the reservation, and if it refuses, it may forfeit the guarantee attached to the Bid.
  - 7.2.2.2. Disqualify the Bid, in whole or in part.
  - 7.2.2.3. Make any other decision that shall be required under the circumstances.
- 7.2.3. The Bidder represents that it is aware that the Company may make any one of the foregoing decisions, both with respect to its Bid and with respect to other Bids, and it hereby waives any claim or demand against the Company in this regard.

### 7.3. **Disqualification of Bids**

- 7.3.1. The Company may disqualify Bids in accordance with the provisions of the Tender Documents and the provisions of any law. Without derogating from the aforesaid, the Company may disqualify Bids if they are incomplete, wrong or based on incorrect assumptions or a misunderstanding of the subject matter of the Tender, unless it decides otherwise, and in any case in which the Bid may create a conflict of interest with other engagements of the Bidder, including engagements of the Bidder with the Company on other matters contemplated in the Tender. The aforesaid does not derogate from the Company's right to waive or correct technical flaws in a good faith Bid, pursuant to the provisions of any law.
- 7.3.2. Without derogating from the aforesaid, the Company may disqualify, at its sole discretion, also the Bid of a Bidder with whom the Company had had experience in previous engagements, including dissatisfaction or non-compliance with the required standards in terms of the manner of supply of the goods or provision of the services thereby, a breach of undertakings vis-à-vis the Company, suspected fraud, etc.
- 7.3.3. This Tender includes an estimate of the value of the engagement. The Company is entitled, although not obligated, to disqualify a Bid which significantly deviates from the estimate.





8. **Criteria for Selecting the Winning Bid**

- 8.1. The sole criteria for awarding the Agreement shall be the Bid Price. (adjusted to include delivery and unloading of the Goods in the Company's site, as stated in section above). Out of the Bidders that submitted Bids that satisfy the preliminary conditions, the Bidder whose adjusted Bid Price is the lowest, shall be selected as candidate for award of the Agreement ("**Candidate for Award**").
- 8.2. Without derogating from the aforesaid, under special circumstances and for special reasons to be recorded, the Company shall be entitled not to choose the lowest Bid, after having given the lowest Bidder an opportunity to present its claims thereto.
- 8.3. If a single Bid is submitted or a single Bid remains for discussion before the tender committee at a price which is detrimental to the Company compared with the estimated value of the engagement, the Company may inform the Bidder thereof, and allow it to submit a price quote under favorable conditions on such date as shall be determined, decide to choose the Bid in accordance with the terms and conditions of the Tender, or decide to cancel the Tender, all at its sole discretion.
- 8.4. It is further clarified that the Company may choose not to accept any Bid and/or to cancel the Tender at any stage, at its discretion.

9. **Priority for Goods made in Israel**

- 9.1. The Company will give preference to Bids for goods made in Israel according to the provisions of the Mandatory Tenders Regulations (Preference for Israeli Products), 5755-1995 (herein: the "**Preference Regulations**"), for Israeli Bids whose price does not exceed the price of Bids for the purchase of imported goods plus 15%.
- 9.2. In order to benefit from the preference as stated in Section 9.1 above, the Bidder is required to attach to its Bid the following documents:
  - 9.2.1. A declaration signed by the Bidder's authorized signatories containing confirmation that the Goods are "Goods Made in Israel" (as this term is defined in the Preference Regulations). If the Goods are only partially made in Israel, the Bidder shall submit a statement signed by its authorized representatives, specifying the components made in Israel and their manufacturer, as well as the price of the Israeli component in the Bid, constituting at least 35% of the price of the Bid. For this matter, the "**Israeli price component**", as defined in the Preference Regulations: the Bid price, *ex-Bidder's works*, net of the







costs of the raw materials, the parts, the consulting services, the planning, the manpower and the financing, that were used in the manufacture of the goods and which originate from outside of Israel.

9.2.2. A certificate that the Bidder is an Israeli citizen or a permanent resident of Israel or a corporation registered in Israel.

9.2.3. Confirmation from an accountant regarding the percentage of the price of the Israeli component out of the price of the Bid, as specified in the Bidder's declaration. The confirmation shall be prepared in accordance with the accepted audit standards in Israel, and the Bidder's declaration in Section 9.2.1 above shall be attached thereto, imprinted with the accountant's stamp for identification purposes only.

9.3. The Company reserves the right to inspect the offered Goods and to determine, in its sole professional consideration, whether the offered Goods are Made In Israel (complying with the Preference Regulations), including with regards to determining whether the production procedures executed in Israel constitute a "substantial transformation" as defined in the Preference Regulations. The Company also reserves the right to address the Bidder for supplying further details and/or clarifications regarding its statement specified in Section 9.2.1 above.

9.4. **It is hereby clarified that coating of the Goods in Israel shall not be considered a substantial transformation thereof, and therefor shall not, in itself, grant such Bid that includes coating in Israel a 15% preference.**

## **10. Requirements of Candidate for Award and Notification of Award**

10.1. The Company will notify the Bidder who has been selected as the Candidate for Award.

10.2. As a precondition to the declaration of the Candidate for Award as the winning Bidder, the Candidate for Award must submit to the Company the extended Performance Guarantee and Insurance Certificate as required in the Agreement, within seven (7) days of the notification of Candidate for Award.

If the Candidate for Award doesn't comply with Section 10.2, the Company may declare the next-lowest qualified Bid as the new Candidate for Award, or may call for new Bids.



- 10.3. The Company shall have the right, at its sole discretion, to negotiate with the Candidate for Award, all matters pertaining to its Bid's terms and prices, and to declare it the winning Bidder only if all terms between said Bidder and the Company have been concluded to the Company's satisfaction.
- 10.4. Once the conditions above have been met, the Company shall notify the Candidate for Award that it is the winning Bidder. The notification shall be in writing by registered letter, or by electronic means with subsequent confirmation in writing by registered letter. Only a written notification shall bind the Company.
- 10.5. As soon as practicable following receipt of the notification of award, the Company shall add its signature to the signature of the Bidder on the Agreement. The Company's notification of award shall not form a binding agreement between the Bidder and the Company. The affixing of the Company's signature to the Agreement jointly with the Company's issuance of an Order, as defined in the Agreement, and these alone, shall constitute a notice of acceptance and a binding engagement on the part of the Company.
- 10.6. Following the execution of the Agreement with the winning Bidder, the Company will notify each unsuccessful Bidder that its Bid has been rejected. If so requested by the Company, non-successful Bidders must return the Tender Documents, together with all information issued in connection therewith, to the Company.
- 10.7. Notwithstanding anything else to the contrary stated herein, the Company does not undertake to accept any Bid and reserves the right to reject any Bid, including the least costly Bid, or all the Bids, *inter alia*, if the acceptance thereof could result in a deviation from the Company's budget or its assessment of the cost of the Goods, or if the Bidder's economic and/or security examination results are not to the Company's satisfaction. The Company may engage in negotiations with the lowest Bidder(s) at its sole discretion, in the event the all valid Bids are higher than the estimate of the Company.

## 11. Provisions pertaining to the Guarantee

- 11.1. The Company will be entitled to require the Bidders to extend the validity of their Guarantee, so long as no decision shall have been made regarding the winning Bidder.
- 11.2. Without derogating from any provision of the Tender Documents, the Company shall be entitled to present the Guarantee for payment and to





forfeit the amount stated therein, or any part thereof, at its sole discretion, in any case in which the Bidder retracts its Bid and/or fails to fully and accurately fulfill the terms and conditions of the Tender and/or refuses to fulfill the requirements thereof following its winning the Tender, including the instructions regarding the execution of the Agreement and/or fails to fully and accurately meet its undertakings.

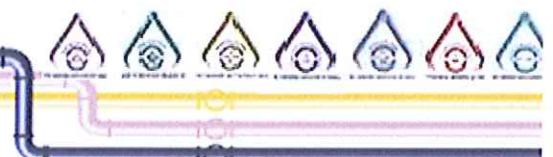
- 11.3. It is clarified that the Company's rights as specified in this Section do not derogate from any other remedy available thereto in accordance with the Tender Documents and pursuant to any law.

## 12. Inspection of the Tender Documents

- 12.1. The results of the Tender may be inspected, pursuant to the Mandatory Tenders Regulations, 5753-1993, for a fee of NIS 1,000, to be paid to the Company upon submission of the inspection request, which shall not be reimbursed, within 30 days from the date of receipt of the notice announcing the non-winning or disqualification, as the case may be.
- 12.2. Upon submission of its Bid, the Bidder is required to clearly specify which parts (if any) of its Bid constitute, in its opinion, a trade or professional secret which is not to be made available for the inspection of other Bidders, stating the reasons therefor. If the Bidder marks no part of its Bid as a trade secret, the Company shall be entitled to make its entire Bid available for the inspection of other Bidders.
- 12.3. Insofar as the Company shall be required to determine which details in a Bid to make available for the inspection of other Bidders, the Company, as part of its considerations, shall take into account the position of the Bidder whose Bid was requested to be inspected as aforesaid. It is however clarified that such a decision is subject to the Company's sole discretion, and by submitting its Bid, the Bidder agrees that it shall entertain no claim whatsoever in connection with the making of its Bid or part thereof available for the inspection of other Bidders.

## 13. General Provisions

- 13.1. Any and all expenses of preparing the Bid are at the Bidder's expense only.
- 13.2. The Bid will be valid for **30** days from the last date determined for submission of the Bids. In this period, the Bid shall be irrevocable. If necessary, the Company may ask the Bidders to extend the validity of their Bid and the Guarantee. The Bid of Bidders who refuse to extend as aforesaid shall be disqualified, even if it is the preferred Bid, and the Company may continue the Tender process in accordance with its needs, and to choose from the Bidders who agreed to such extension.





- 13.3. The Bidders may not withdraw their Bid in the tender so long as it is valid. It is hereby agreed that a Bidder withdrawing its Bid in the tender shall be liable for liquidated damages to the Company, without the need to prove damage, in the sum of the tender guarantee, which the Company may collect through forfeiture of the guarantee. The parties agree that the sum of the said damages reasonably expresses their expectation of the damage that may be caused to the Company as a result of the Bidder's withdrawal of its Bid in the tender.
- 13.4. Non-fulfillment of one or more of the instructions in this Tender may lead to the disqualification of the Application/Bid, at the Company's sole discretion and without derogating from any other right of the Company.
- 13.5. It is clarified that this Tender is subject to the provisions of tender law, including the Mandatory Tenders Regulations, 5753-1993, and the provisions of the Tender Documents do not derogate therefrom.
- 13.6. The Applications/Bids must be submitted upon the dates specified in Section 3 above, in a closed envelope by to the tender box located on the first floor of the Company's management offices at 3 Hasadnaot St., I.Z., Herzliya Pituach. The Tender number must be stated on the envelope.
- 13.7. The Company may, at any time, at its discretion, amend or modify the Tender Documents, provided that it gives written notice thereof to all of the Bidders/Bidders in the Tender.
- 13.8. The Tender Documents shall be governed by the laws of the State of Israel and the competent courts of the District of Tel-Aviv-Jaffo shall have sole jurisdiction over all matters and disputes arising hereunder.
- 13.9. Any question/clarification may be referred to Mr. Rheinisch Eran at fax no. 09-9528158 or via e-mail to [rainish@pei.co.il](mailto:rainish@pei.co.il).

Sincerely,

Eran Rheinisch

Procurement & Engagements Department

