

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

**Israel Corporation Ltd.**

Registrar Number: 520028010

**Form 121  
Public**

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

Sort name: Israel Corporation

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Date of Transmission: 01/09/2011

Reference: 2011-01-261939

To:  
The Securities Authority  
via MAGNA

To:  
The Tel-Aviv Stock Exchange Ltd.  
via MAGNA

Dear Sir/Madam,

**RE: Immediate Report**

*Essence of the Event: ORL – Price Differences of Emergency Stocks*

Attached herewith is an Immediate Report of Oil Refiners Ltd. (ORL), in a connection with an examination conducted by ORL. After the examination conducted by ORL, the company will examine the consequences of the event.

***[ORL's report to be attached]***

The date when the event first became known to the corporation: 01/09/2011, time: 08:00.

Reference of former documents in this regard (referring does not constitute incorporation by reference):

Former name of reporting entity:

The Israel Corporation Ltd.

Form structure updated 29/06/2011

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Name of Electronic Reporter: Maya Alchek Kaplan. Adv. Position: General Counsel (In House) and Company's Secretary. Aranha 23, Millennium Tower, Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587, e-mail – [mayaak@israelcorp.com](mailto:mayaak@israelcorp.com)



**Convenience translation from Hebrew -  
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**Immediate Report**

The Company ("ORL") announced yesterday that, during managements' review regarding inventory levels, the Company discovered that in 2002, while it was still a government owned company, an agreement was signed with the State of Israel in respect to maintaining an emergency inventory level of diesel, which today stands at about 44 thousand tons (the "Agreement" and "Emergency Inventory"). This agreement has not been accounted for in ORL financial reports, including those included in the privatization prospectus of the Company in February 2007.

Under the Agreement ORL undertook to hold the Emergency Inventory for the available use of the State of Israel or any entity that the State would choose immediately upon the occurrence of an emergency scenario (as defined in the Agreement), for which the State would pay ORL the dollar value of inventory as it was priced in November 2002 (the "Fixed Price"), subject to price changes resulting from changes in the diesel's standard. In exchange for storing the Emergency Inventory, the State pays ORL its expenses incurred from the maintaining of the Emergency Inventory.

According to the Agreement, at the end of the term of the Agreement, there will be a settlement between the parties, where if the value of the Emergency Inventory on the settlement date is priced higher than the Fixed Price, ORL will pay the difference to State, and if the value of the Emergency Inventory on the settlement date is priced lower than the Fixed Price, the State will pay the difference to ORL. The initial Agreement was extended from time to time, with certain amendments made, and as of today the Agreement is valid until the end of 2011, so the said settlement regarding the Emergency Inventory was not done up until now.

The maximum cumulative impact of the Emergency Inventory's fixed price versus the price as of June 30, 2011 is \$30 million (gross), which is largely attributed to the period before 2011 and whose impact on the Company's total equity does not exceed 2% to the said date.

ORL is examining, with the assistance of professional advisers, the accounting implications of the Agreement, including the need to express the agreement's impact on the financial statements and thus the need to publish revised financial reports. Should the examination conclude that amended financial reports be made, such reports will be published as soon as possible after completion of the examination.

**Oil Refineries Ltd.**