

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

**Israel Corporation Ltd.**

Millennium Tower, 23 Aranha Street, P.O.B. 20456, Tel-Aviv 61204  
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**Adv. Noga Yatziv**

Company Secretary and Assistant to the President

June 7, 2009

To:  
The Securities Authority  
22 Canfei Nesharim st.  
Jerusalem 95464  
Via MAGNA

To:  
The Tel-Aviv Stock Exchange Ltd.  
54 Ahad Haam st.  
Tel Aviv 65202  
Via MAGNA

Dear Sir/Madam,

Re: **Agreement between Oil Refineries Ltd. and Israel Petrochemical Enterprises Ltd.**

Further to the previous immediate reports concerning Oil Refineries Ltd. ("ORL"), including the immediate report dated May 10, 2007 (reference no. 2007-01-386384) (the "**Report Dated May 10, 2007**") and also the immediate report dated June 1, 2008 (reference no. 2008-01-156534) (the "**Report Dated June 1, 2008**"), the Company hereby reports as follows:

1. On June 6, 2009, the signing of the Agreement for the joint control of ORL was completed between the Company and Israel Petrochemical Enterprises Ltd. and Petroleum Capital Holdings Ltd. ("**Petroleum**") (collectively: the "**Petrochemical Group**"), as attached as an appendix to the Letter of Undertaking between the parties dated June 1, 2008, and as described in the Report Dated May 10, 2007 and in the Report Dated June 1, 2008 (the "**Control Agreement**"). For the sake of good order, it shall be noted that the Call Option which was granted to the Petrochemical Group by virtue of the Control Agreement, to require the Company to sell to it part of its shares in ORL, was not exercised, and it has expired.
2. In addition, on June 6, 2009, an Addendum to the Control Agreement (the "**Addendum**") was signed between the Company and the Petrochemical Group, which determines, *inter alia*, the following:

- 2.1 The Addendum shall take effect upon receipt of the Ministers' approval for the amendment of the Control Agreement (as stated in the Addendum) and provided that the taking of effect of the Addendum shall not affect the validity and/or the terms of the control permits granted to the Petrochemical Group and to the Company by virtue of the Order for the Protection of the Vital Interests in ORL.
- 2.2 Notwithstanding that stated in the Control Agreement, it was agreed between the parties that the control core shares in ORL would constitute 40% of the issued and paid-up share capital of ORL (instead of 50.25% as set forth in the Control Agreement) (the "**Control Core in ORL**"). In other words, the control core shares in ORL would be 800 million shares of ORL, of which 577.75 million shares of ORL are owned by the Company and 222.25 million shares of ORL are owned by Petroleum. The said modification will not change the number of shares of ORL which are owned by the Company, however, it will reduce the Company's share in the Control Core in ORL from approximately 77.9% to approximately 72.22%.
- 2.3 Should the Ministers not agree that the Control Core in ORL shall be 40% of the issued and paid-up share capital of ORL, then the internal distribution between the parties of the control core shares in ORL, as shall be determined by the Ministers, shall be as follows: 72% of the shares of the control core shares in ORL shall be shares owned by the Company and 28% of the control core shares in ORL shall be shares owned by Petroleum.
- 2.4 Should the Company wish to sell to a third party all of its control core shares in ORL, and should the Petrochemical Group not make use of the tag-along right to the sale which is granted thereto by virtue of the Control Agreement (the "**Tag-Along Right**"), the Petrochemical Group has undertaken to inform the Ministers that it has no objection to the fact that its control permit shall be amended in such a manner that wherever the words: "Israel Corporation" appear, they shall be replaced with the name of the third party, and the references in the control permit shall be to the said third party.

2.5 Should the Ministers object to approving the transfer to the third party and to giving the said third party a control permit in ORL, or should they delay the grant of the said permit, for any reasons inherent in the Petrochemical Group or in the control permit of the Petrochemical Group (the "**Objection**"), then in the event that the Petrochemical Group shall not cause the removal of the Objection within thirty days, the Company shall be entitled to give notice of the cancellation of the Control Agreement within thirty days after the expiration of the said date (the "**Cancellation Notice**") without it conferring on the Petrochemical Group any claim and/or cause of action, provided that: (a) the Petrochemical Group shall be entitled to backtrack and to exercise the Tag-Along Right within 15 days from the date of the Cancellation Notice, and also (b) that the cancellation shall take effect on the date of the performance of the transfer to the third party, and that commencing from the said date, the Control Agreement shall be deemed to be cancelled. Should the Petrochemical Group not exercise the Tag-Along Right, as stated, the Company shall be entitled to complete the performance of the transfer to the third party. Should the transfer not be made to the third party, the Control Agreement shall continue to remain in full force and effect.

Sincerely,

Noga Yatziv