

Oil Refineries Ltd.
(the "Company")

July 8, 2008

--- Convenience Translation ---

Messrs
Securities Authority
By Electronic Means

Messrs
Tel Aviv Stock Exchange Ltd.
By Electronic Means

Dear Madam/Sir,

Re: **Report on an offer pursuant to Securities Regulations (Private Offer of Securities in a Listed Company), 2000 – and report on a transaction pursuant to Securities Regulations (Transaction between a Company and a Controlling Shareholder in it) – 2000**

An immediate report is hereby issued under Regulation 4 of the Securities Regulations (Private Offer of Securities in s Listed Company) – 2000, and in accordance with the Securities Regulations (Transaction between a Company and a Controlling Shareholder in it) – 2000, on the decision of the Company's Board of Directors dated June 24, 2008 (which was previously approved by the Company's Audit Committee in a decision on June 24, 2008), regarding the Company's engagement in a transaction with the Israel Petrochemical Enterprises Ltd. ("IPE"), in which the Controlling Shareholder has a personal interest as detailed in this report below.

1. Description of the main points of the engagements

1.1 The agreement includes a number of central components combined and conditional on each other as follows:

1.1.1 Upon closing the transaction, IPE will sell to the Company all the shares that it owns in Carmel Olefins ("COL") comprising 50% of the issued share capital of COL (hereinafter: the "**COL's Acquired Shares**"), in such a manner that following the acquisition, the Company will hold 100% of COL's issued share capital. In consideration for the COL's Acquired Shares, the Company will allot IPE 516,672,961 ordinary shares of the Company comprising (after the allotment and without dilution) 20.53% of the Company's issued share capital (hereinafter: the "**Allotted Shares**").

1.1.2 Upon the closing of the transaction, the Company will sell to IPE 3,741,680 shares of IPE that it owns (hereinafter: the "**IPE's Acquired Shares**"), comprising 12.29% of IPE's capital in consideration for 40 million dollars.

- 1.1.3 As a condition precedent for closing the transaction, after complying with all the other conditions precedent, and prior to the allotment of the Allotted Shares to IPE, as mentioned above, the Company will distribute to its shareholders a dividend of 60 million dollars (the "**First Dividend**"). In addition, on the closing date of the transaction, the Company's Board of Directors will resolve to distribute an additional dividend of 100 million dollars (the "**Second Dividend**"), the Allotted Shares will participate in such distribution.
- 1.1.4 Closing of the transaction is subject to meeting a number of precedent conditions, as set forth in clause 7 below, by December 31, 2008.

1.2 Representations given in the framework of the agreement by the parties:

- 1.2.1 In the framework of the agreement, the Company made representations in which it confirmed, inter alia, that: (1) The financial statements and reports of the Board of Directors that the Company published on December 31, 2007 and March 31, 2008 fully and correctly reflect the Company's business, financial standing, capital, assets, liabilities and financial results on the date of the financial statements; (2) ORL's prospectus dated May 29, 2008 (the "**Company's Prospectus**") includes all the data and facts which must be included in a prospectus of this type, and does not include any significant data or fact which are not properly described in it, or any significant fact or data which should have been, according to law, included in it, and which are not included in it; and (3) the Company knows of no occurrence in the Company or in its subsidiaries or in connection with their business, assets, or legal situation, which occurred after the date of the Company's Prospectus and until the date of the agreement, which can materially adversely affect the Company's business and that of its subsidiaries on the date of the prospectus or on their financial standing compared to their standing, in accordance with the quarterly financial statements as at March 31, 2008.
- 1.2.2 In the framework of the agreement, IPE made representations in which it confirmed, inter alia, that: (1) the financial statements and reports of the Board of Directors of COL, as at December 31, 2007 and March 31, 2008, fully and correctly reflect COL's business, financial standing, capital, assets, liabilities and financial results on the date of the financial statements; (2) IPE does not know of any significant data or fact which is included in the outline of COL attached to this transaction report and which are not properly described, or any significant fact or data which should have been included in the said outline, and which were not included in it. Every matter connected with the relationships between the Company and COL was excluded from IPE's representations
- 1.3 During the interim period, from the date of signing the agreement until closing of the transaction, the parties undertook not to take any action which contradicts the undertakings given by them, and to cause COL not to take any steps which are not in the normal course of business, including the distribution of a dividend. The Company undertook that it will not distribute during the period between signing the agreement and closing the transaction a dividend which exceeds the first dividend.

- 1.4 The Company undertook that on distribution of the First or Second Dividend by the Company, it will not meet the distribution tests determined in the Companies Law – 1999 (the "**Companies Law**"), the Company will apply to the court to receive its approval for this. IPE undertook an identical undertaking regarding the acquisition of IPE's acquired shares.
- 1.5 In the event of a material adverse change, compared to the representations given by one of the parties to the agreement, as a result of which the value of COL's Acquired Shares or of the Allotted Shares, whichever relevant, decline by 50,000,000 dollars or more, the injured party as a result of the change may withdraw from the agreement. It is clarified that a material adverse change does not include a change resulting from the evaluations or forecasts of the parties regarding future events or developments in the Company, in COL or in markets or areas of activities in which they operate.

1.6 Liability and indemnity:

- 1.6.1 Every party undertook to indemnify the other party for damages or losses as a result of the incorrectness of a representation or a declaration given by that party to the agreement, excluding indirect damages and harm to reputation and excluding amounts to be paid by the insurance company under a policy of one of the parties, or by any third party.
- 1.6.2 The obligation for indemnity will apply only after the accumulated amounts of all the damages caused to the injured party, for which it is entitled to indemnity, will exceed an amount of 15,000,000 dollars; and in such a case, the obligation for indemnity will apply from 7,500,000 dollars to a maximum indemnity of 75,000,000 dollars.
- 1.6.3 The restrictions on this indemnity will not apply in the event of a deception, fraud or of malicious intent, and in any case of a defect in the Allotted Shares, in COL's Acquired Shares or in IPE's Acquired Shares.
- 1.6.4 A party will be entitled to indemnity only if it informed in a notice the indemnifying party by the end of 18 months from the date of closing the transaction of its intent to claim indemnity, excluding a demand for indemnity relating to matters of the environment or taxes - which can be given up to the end of 36 months from the date of closing the transaction.
- 1.6.5 In every case in which any of the representations given is incorrect or incomplete the injured party will be entitled to claim the other party to the agreement and the injured party waives any right of claim regarding this matter against the subsidiaries of the other party and/or COL and/or the subsidiaries of COL and/or against officers and employees (past and present) of the injured party and the other party and its subsidiary (past and present) and/or of COL and/or its subsidiaries (past and present), including a waiver on filing a third-party notice against these factors, in the event in which it will be sued by the other party.
- 1.6.6 Without derogating from the relief that IPE has against the Company under the Securities Law – 1968, the said right of indemnity is the sole relief that a party to this agreement will be entitled to, as a result of the incorrectness of any declaration or representation in accordance with the agreement.

- 1.6.7 On the date of closing the transaction, the Company will waive, in its name and in the name of its subsidiaries (excluding Haifa Basic Oils Ltd.), any claims against IPE, its subsidiaries, officers and employees of IPE and of COL (in the past and until the date of closing), including those of their subsidiaries regarding the following matters: (a) every matter connected with COL and/or its subsidiaries, whose grounds originate up to and including the closing date, excluding by virtue of the agreement; and (b) All claims relating to IPE's Acquired Shares, excluding by virtue of the agreement.
 - 1.6.8 Upon closing the transaction, IPE will waive, in its name and in the name of its subsidiaries, any claim against the Company, its subsidiaries, including COL and its subsidiaries, officers and employees of the Company and of COL (in the past and up to the closing date), including of subsidiaries regarding every matter connected with COL and/or its subsidiaries whose grounds started up to and including the closing date, excluding by virtue of the agreement.
 - 1.7 All the agreements between COL and IPE, and every agreement between the Company and IPE relating to COL, including the Founders' Agreement, Management Agreement and Shareholders Agreement will terminate on the closing date.
 - 1.8 The Company undertook to cause COL to purchase officers liability insurance (runoff) in the level of cover and maximum liability set forth in the policy which will be in force immediately on the eve of the closing of the transaction, and which will cover the liability of officers serving in COL on the closing date, or who served prior to that, as officers in COL, for their actions and omissions to the periods prior to the closing date, and this for a 7-year period from the closing date.
 - 1.9 The Company undertook not to carry out, and to cause COL not to carry out, actions set forth in Section 103C of the Income Tax Ordinance (New Version), which will harm the exemption to be given to IPE by the Tax Authority for engaging in the agreement
2. **The Company's share capital, details about IPE and the Controlling Shareholder in the Company, agreements between IPE and the Controlling Shareholder in the Company, and the nature of the personal interest of the Controlling Shareholder**
- 2.1. On the date of the report and prior to implementing the Private Offer, the authorized and issued capital of the Company is NIS 2,000,000,010 par value divided into 2,000,000,010 ordinary shares of NIS 1 par value each.
 - 2.2 To the best of the Company's knowledge, the interested parties in the Company which hold shares in the Company, correct as of the date of the report, are as follows:

Shareholders	Before the allotment		After the allotment			
	Number of shares	Percentage in capital and voting	Number of shares	Percentage in capital and voting	Number of shares (fully diluted) ⁽¹⁾	Percentage in capital and voting (fully diluted) ⁽¹⁾
The Israel Corporation Ltd. ⁽²⁾	901,591,743	45.08	901,591,743	35.82	901,591,743	35.45
Petroleum Capital Holdings Ltd. ⁽³⁾	315,279,564	15.76	315,279,564	12.53	315,279,564	12.40
Israel Petrochemical Enterprises Ltd. ⁽⁴⁾	-	-	516,672,961	20.63	516,672,961	20.31
Yossi Rozen ⁽⁵⁾	-	-	-	-	4,500,000	0.18 ⁽⁷⁾
Yashar Ben Mordechai ⁽⁶⁾	-	-	-	-	4,500,000	0.18 ⁽⁷⁾

- (1) On the assumption of full exercise of the non negotiable option warrants allotted to employees and to officers of the Company. The possibility for fully exercising the above option warrants is only a theoretical possibility - see footnote 7 below.
- (2) The Israel Corporation Ltd. (the "**Israel Corporation**") is a public company whose shares are listed for trading on the Tel Aviv Stock Exchange Ltd. To the best of the Company's knowledge, about 54.15% of the rights in its share capital and 54.76% of the voting rights in it are held directly and indirectly by Mr. Idan Ofer and his family through foreign trusts, of which Mr. Idan Ofer and his family are the beneficiaries. In addition, 17.96% of the capital rights and 18.17% of the voting rights in the Israel Corporation are held by Bank Leumi Le'Israel B.M., and between it and Millennium Investments Elad Ltd., a company controlled (indirectly) by the foreign trust for which Mr. Idan Ofer and his family are the beneficiaries, who hold 46.94% of the share capital of the Israel Corporation, and 47.47% of the voting rights in it, there is a shareholders agreement which determines directives regarding the method of appointing directors and taking certain decisions at General Meetings of the Israel Corporation.
- (3) A private company whose all shares are held by IPE.
- (4) IPE is a public company whose shares are listed for trading on the Tel Aviv Stock Exchange Ltd. The Controlling Shareholders in IPE are David Federman and his family, Yaakov Gotenstein and Alex Passal. 12.29% of IPE shares are held by the Company.
- (5) The Chairman of the Company's Board of Directors.
- (6) The Company's CEO.
- (7) The rate of the said holdings, as well as the consideration of the full exercising of the option warrants allotted to employees are theoretical, as according to the option plan at the time of exercising the option warrants not the full shares resulting from the option warrants will be allotted, but only quantity of shares which reflects the amount of monetary benefit inherent in the option warrants.

2.3 The Controlling Shareholder in the Company is the Israel Corporation.

2.4 During June 2007, the Israel Corporation irrevocably undertook to **Scaillex** and PCH that should **Scaillex** and PCH obtain the approvals required to maintain means of control in the Company, including every approval or permit required by any law, by May 15, 2009, the Israel Corporation will engage with them in a joint-control agreement in the Company, whose conditions are detailed in the Letter of Undertaking. For details about the letter of undertaking as mentioned by the Israel Corporation, and details regarding the main principles of the First Control Agreement, see clause 4.6 to the Company's prospectus.

- 2.5 As a result of signing an Agreement, according to which IPE will acquire all the shares of PCH from **Scailex**, the Israel Corporation Ltd., on June 1, 2008, issued to IPE and to PCH an Irrevocable Letter of Undertaking (the "**Second Letter of Undertaking**") to which is attached the wording of a Joint Control Agreement in the Company (the "**Second Control Agreement**") which will come into force under certain conditions, which, according to IPE's notice dated July 3, 2008 were met, and the second Letter of Undertaking came into force. The terms of the Second Letter of Undertaking and the Second Control Agreement were detailed by the Company based on the Israel Corporation's publications in an Immediate Report of the Company dated June 2, 2008 (Document 156876-01-2008) [Company's Release from June 4, 2008].
- 2.6 In view of the Israel Corporation's undertaking to sign a Joint Control Agreement with IPE and with PCH, subject to receiving a control permit by IPE or PCH, IPE and PCH will be considered as parties with a personal interest in the voting in General Meetings of the Company on approving the Company's transactions with the Israel Corporation or that the Israel Corporation has a personal interest in them. In addition, the Israel Corporation will be considered as an interested party regarding the voting at General Meetings of the Company for the approval of the Company's transactions with IPE or with PCH or that IPE or PCH has a personal interest in them.
- 2.7 IPE's notice that an amendment was signed between it and the Israel Corporation to the Second Letter of Undertaking, as mentioned in clause 2.8 below, relating to the results stemming from the Agreement, is a condition precedent to closing the agreement.
- 2.8 In addition, the Israel Corporation informed the Company that it is negotiating with IPE in order to change and adjust the Second Letter of Undertaking and the wording of the Control Agreement to the new state of holdings to be created as a result of implementing the provisions of the agreement, including canceling the call option and that it conditioned its vote for approving the agreement at the General Meeting of the Company on completing the negotiations while changing and adjusting the Second Letter of Undertaking.

3. **Description of the asset**

In the framework of the Agreement, the acquired shares of COL comprising 50% of COL's issued capital will be purchased by the Company.

According to the Securities Regulations (A Transaction between a Company and a Controlling Shareholder in it) – 2001 and according to the Securities Regulations (Private Offer of the Company's Registered Securities) – 2000, the following Appendixes are attached to this Report:

- An outline which includes a description of COL and its business on the basis of COL's financial statements as at March 31, 2008, as drawn up and approved by COL's Board of Directors and delivered to the Company for the purpose of this Report, is attached at **Appendix A*** to this report (the "**Outline**"). The Outline includes data of the consolidated proforma statements as at March 31, 2008 ("the balance sheet and statement of income"), and as at December 31, 2007 (only the

statement of income) (hereinafter jointly: the "**Proforma Statements**") of COL for the acquisition of 49% of the shares of Domo Polypropylene B.V. through a subsidiary of COL which are neither audited nor reviewed. Up to 10 days prior to the date of convening the General Meeting to approve the engagement, the subject of this Report, the Company will publish an Immediate Report which will include the proforma statements after being audited or reviewed, whichever relevant.*

- COL's financial statements as at December 31, 2007 with explanations to the financial statements, as prepared and approved by COL's Board of Directors, and submitted to the Company for the purpose of this Report are attached as **Appendix B*** to this Report.
- The financial statements of COL as at March 31, 2008 with explanations to the financial statements, as prepared and approved by COL's Board of Directors, and submitted to the Company for the purpose of this Report are attached as **Appendix C*** to this Report.
- The Evaluation detailed in clause 4 below is attached to this Report as **Appendix D***.
- The Opinion detailed in clause 4 below is attached to this Report as **Appendix E***.

* Available only in Hebrew

4. The manner in which the consideration was determined

- 4.1 The quantity of the Company's shares allotted to IPE and the rate in the Company's capital and amount of cash consideration that IPE will pay for the shares of IPE held by the Company, were determined in the negotiations considering the economic evaluations of fair value of 50% of COL's shares to the value of the Company's share capital (hereinafter: the "**Value Ratio**") and the value of 12.29% of IPE's shares made for the purpose of the engagement in the agreement which were prepared by Uri Cohen CPA, of the Yitzhak Suari Ltd. firm (the "**Evaluation**" and the "**Assessor**", respectively). The Assessor was appointed by the Company and IPE, jointly, in order to determine the Value Ratio and the value of IPE Acquired Shares, as mentioned above. The Evaluation is attached as **Appendix D** to this Report [available only in Hebrew].
- 4.2 According to the Evaluation, the fair value of the share capital of the Company is estimated as ranging between 1,624-1,927 million dollars (after distributing the First Dividend) and the COL's share capital is estimated as ranging between 860-959 million dollars. Consequently, the Value Ratio is in the range of 19.9% to 20.9%.
- 4.3 According to the Evaluation, the value of IPE's shares sold to IPE in the framework of the Agreement, which comprises 12.29% of IPE's share capital, ranges between 34-44 million dollars.
- 4.4 The Company obtained an additional opinion of Prof. Amir Barnea (the "**Opinion**"), according to which the exchange transaction of 50% of COL's shares in consideration for 20.53% of the Company's shares after the payment of a dividend of 60 million dollars, and the purchase transaction of 12.29% of IPE's shares, held by the Company in consideration for 40 million dollars, correctly reflect the range

of economic values determined in the evaluation, and are fair and reasonable for the Company's shareholders. The opinion is attached as **Appendix E** to this Report [available only in Hebrew].

5. The price of the Company's share for the six months prior to the date of publishing the Report

The average price of an ordinary share of NIS 1 par value of the Company during the six months prior to the date of publishing this report was NIS 3.1430. The share price of the ordinary share of NIS 1 par value of the Company on June 23, 2008, before the decision of the Board of Directors was NIS 2.6390. The share price of the ordinary share of NIS 1 par value of the Company at the end of the trading day on July 8, 2008, immediately prior to the date of publishing this report was NIS 2.4320.

6. The Company's plans regarding COL

As a rule, the Company intends to continue the production, marketing and trading operations of COL as described in the Appendixes to this Transaction Report. The acquisition of the full capital of COL will enable the Company to fully optimize COL's operations together with the Company's existing operations.

7. Approvals and conditions for executing the Transaction

7.1 Closing the transaction the subject of this Report is subject to a number of conditions precedent (the "**Conditions Precedent**") up to December 31, 2008 as follows:

- 7.1.1 Obtaining the approval of the Director General of the Antitrust Authority to purchase COL's Acquired Shares by the Company.
- 7.1.2 Obtaining the approval of the Director General of the Antitrust Authority to allot the Allotted Shares to IPE.
- 7.1.3 Obtaining the approval of the Investments Center for the Company to purchase COL's Acquired Shares.
- 7.1.4 Obtaining the approval of the Company's General Meeting for the transaction the subject of this report, and to the other subjects on the agenda according to this Report (excluding the approval of the General Meeting regarding the deletion of Article 178(c) of the Company's Articles). Regarding the Notice of the Israel Corporation of conditioning its support to approve the agreement at the Company's General Meeting, on an amendment of the Second Letter of Undertaking, see clause 2.8 above.
- 7.1.5 Obtaining the approval of IPE's General Meeting to the transaction, the subject of this Report.
- 7.1.6 Obtaining the permit for IPE as per the Governments Companies Order (Declaration of Essential Interest of the State in the Oil Refineries Ltd.) – 2007 (The "**Interests Order**") to purchase and hold the Allotted Shares (as far as required by law). IPE will be entitled to waive this condition provided that the allotment of shares allotted will not be a violation of the Interests Order also at the discretion of the Company's legal advisers.

- 7.1.7 Obtaining the approval of the Stock Exchange to register the Allotted Shares for trading.
- 7.1.8 Obtaining the approval by IPE from the Tax Authority according to which the sale of COL's shares against receiving an allotment of shares is tax exempted, and the approval of every third party required in order for the said exemption to remain in force.
- 7.1.9 Obtaining the approval of third parties required according to agreements, undertakings, licenses and approvals detailed in the agreement.
- 7.1.10 obtaining the confirmation of the Bondholders of IPE or of their Trustee that the sale of IPE's holdings in COL is not an event which gives the bondholders the right to demand the immediate payment of the bonds.
- 7.1.11 No event or events occurred during the period from the date of signing the agreement up to the closing date, as a result of which on the closing date representations that the Company or representations that IPE gave, whichever relevant, are incorrect and cause accumulated reduction in the value of COL's Acquired Shares or the value of the Allotted Shares, whichever relevant, of an amount exceeding 50 million dollars.
- 7.1.12 Payment of the first dividend
- 7.1.13 Receipt of a notice from IPE that an amendment to the Irrevocable Letter of Undertaking dated June 1, 2008 (to which is attached a suspended agreement for joint control in ORL) has been signed, relating to the results stemming from the agreement.
- 7.1.14 IPE's Board of Directors approved the distribution (within the meaning of Section 1 of the Companies Law) as required for the purpose of purchasing IPE's Acquired Shares. Should IPE's Board of Directors be prevented from approving the distribution due to not meeting the profit test pursuant to Section 302 of the Companies Law, IPE will have to request the Court to approve the distribution.
- 7.2 Should all the conditions precedent not be met by December 31, 2008, and the period was not extended by the parties, the agreement will terminate. In the event in which all the conditions precedent exist and on the same date an application is pending before the Court to carry out the distribution stipulated in the Agreement by one of the parties, the last date for complying with the conditions precedent will be postponed to March 31, 2009. Each of the dates stated above can be extended by mutual agreement of the parties, in a decision to be passed by their Boards of Directors.

8. Similar transactions during the previous two years

In the two years prior to approving the transaction by the Company's Board of Directors, no transactions were carried out which are similar to the subject of this Report between the Company and the Controlling Shareholder in it, or that the Controlling Shareholder had a personal interest in them and there is not in force on the date of approval of the transaction by the Board of Directors, any transaction of the type of transaction the subject of this Report or transactions similar to the transactions the subject of this Report, between the Company and the Controlling Shareholder in it or that Controlling Shareholder in it had a personal interest in it.

9. Prevention or restriction on transactions with the Allotted Shares

- 9.1 To the best of the Company's knowledge, sale during trading on the Stock Exchange of the Company's shares, to be allotted to IPE will be subject to the blockage provisions of the Securities Law – 1968, and the Securities Regulations (Details Regarding Sections 15a up to 15c of the Law) – 2000, according to which:
- 9.1.1 IPE is forbidden to offer the Company's shares which will be allotted to it under the Agreement for a period of six months from the date of allotting the shares.
 - 9.1.2 During the consecutive six quarters, IPE will be able to offer on each trading day a quantity of shares which will not exceed the average daily turnover trading of the Company's shares on the Stock Exchange for the period eight weeks prior to the offer date, provided that it will not offer in one quarter a quantity of shares exceeding 1% of the issued and paid-up share capital of the Company at that time.
- 9.2 It should be mentioned that restrictions on transferring the allotment shares, or parts thereof, will apply to IPE for a period of two years from the end of the tax year in which the merger will take place, and this in connection with the tax exemptions whose receipt is a suspending condition to the closing of the transaction, as detailed in clause 7.1.8 above.

10. Explanations of the Audit Committee and the Board of Directors

In the framework of the discussions of the Company's Audit Committee and Board of Directors to approve the transactions, the following explanations were presented for its approval:

- 10.1 COL's plant is adjacent to the Company's refinery in the Haifa Bay area, and is a downstream plant of the Refineries. The vast majority of feedstock that COL uses is sold to it by the Company. Concurrently, the byproducts created in the production process in COL are returned to the Refinery and are used by it or by Gadiv Petrochemical Industries Ltd. ("Gadiv"), a wholly-owned subsidiary of the Company, in their operations.
- The acquisition of all COL's shares by the Company will enable the Company to optimize production in the three plants (that of the Company, of COL and of Gadiv), with a comprehensive planning of the purchase of crude oil and auxiliary materials, optimizing the production function of all the plants and in each of them and directing every material to the units in which it will obtain the highest added value.
- 10.2 It will enable the planning of investments in the Refinery, in COL's plant and Gadiv's plant, in such a way which will maximize the benefits from the whole system, while saving double-costs resulting from the existence of separate entities.
- 10.3 Consolidating the existing management and service functions which operate separately today in COL and the Refinery (in the information systems, trading systems, purchasing, engagements with contractors and suppliers, finance, auditing, legal services and more) is expected to increase the efficiency of the operations of these systems and save costs.

- 10.4 On the acquisition by the Company of COL's shares from IPE, the Company will have no interest in holding IPE shares and therefore the sale of these shares to IPE is included in the transaction.
- 10.5 The consideration that the Company will receive from allotting its shares (50% of COL shares) after distributing the dividend determined as a condition precedent for executing the agreement (60 million dollars) and the cash consideration that the Company will receive for selling IPE shares, was determined in a negotiations between the representatives of the Company and the representatives of IPE, on the basis of an evaluation ordered jointly by the parties. In addition, the independent opinion the Company received from Prof. Amir Barnea, states that the transaction with all its components is fair and reasonable for ORL's shareholders.

Considering the aforesaid, in the opinion of the Company's Audit Committee and Board of Directors, the acquisition of the full capital of COL is a step which will benefit the Company, and the consideration determined for the whole transaction, including for the private offer, is fair and reasonable.

11. The names of members of the Audit Committee and Board of Directors that participated in the deliberations

- 11.1 The following directors participated in the deliberations of the Audit Committee,: Ory Slonim (Chairman), Dr. Dafna Schwartz (External Director), Prof. Yachin Cohen (External Director), Avisar Paz, Nehama Ronen.
- 11.2 The following participated in the discussions of the Board of Directors,: Mr. Yossi Rosen (Chairman), Avisar Paz, Ory Slonim, RanCroll, Dr. Dafna Schwartz (External Director), Prof. Yachin Cohen (External Director), Uzi Netanel, Nehama Ronen.

12. Personal interest in the vote

As detailed in clause 1.6.5 and 1.6.8 above, in the framework of the transaction, IPE waives against the officers of the Company and of its subsidiaries, including COL, any contention regarding COL or its subsidiaries, whose grounds originate prior to the closing date, and against the officers in ORL, any contention regarding the incorrectness of the representations that ORL gave in the agreement.

Accordingly, all members of the Company's Board of Directors have a personal interest in the proposed transaction, by virtue of the above waiver.

Yossi Rosen, Ory Slonim, and Uzi Netanel have an additional personal interest being members of the Board of Directors of COL by virtue of the above waiver and in view of the Company's undertaking detailed in clause 1.8 above, to cause COL to purchase officers' insurance for COL officers.

In addition, Ory Slonim and Avisar Paz informed the Company that they will not participate and not vote in any discussion or decision which will take place in the Audit Committee or the Company's Board of Directors, or relating to transactions with the Israel Corporation, or in which the Israel Corporation has a personal interest.

As all members of the Audit Committee and the Company's Board of Directors have a personal interest in the engagement, they all participated in the deliberations and resolutions for its approval.

13. Convening a Special General Meeting – place of its convening, date, agenda, majority required in it, the ex date and the quorum

Notice is hereby given regarding the convening of a Special General Meeting of the Company's shareholders which will convene at the Company's office on the 26th floor of the Square Tower in Azrieli Towers at 132 Menachem Begin Road Tel Aviv on August 13, 2008 at 10 am.

13.1 On the agenda are the following Proposed Resolutions:

- 13.1.1 Engagement with IPE in a transaction the subject of this report.
- 13.1.2 To increase the Company's authorized capital by NIS 1,000,000,000 divided into 1,000,000,000 ordinary shares of NIS 1 par value each, in such a way that after the increase in the capital, the Company's authorized capital will be NIS 3,000,000,010 divided into 3,000,000,010 ordinary shares of NIS 1 par value each.
- 13.1.3 The amendment to Article 178(A) and Article 178(B) of the Company Articles in such a way that on passing a resolution regarding the distribution of dividends, the Board of Directors will have the power to pass a resolution regarding the distribution of a dividend (and not the General Meeting of the Company as exists today) as detailed in **Appendix F** to this report [available only in Hebrew].
- 13.1.4 Deletion of Article 178(C) of the Company's Articles so as to cancel the prohibition to have the Company's share purchased by a subsidiary or a company controlled by the Company.

13.2 The majority required

- 13.2.1 In order to approve the subject mentioned in clause 13.1.1 on the agenda, and according to the provisions of Section 275 of the Companies Law, it is required that one of the following conditions exist:
 - 13.2.1.1 When counting the votes , the majority in the General Meeting includes, at least one third of all the votes of shareholders who do not have personal interest in the approval of the resolution, who are present at the meeting (when counting all the votes of the said shareholders, the votes of those abstaining will not be taken into account);
 - 13.2.1.2 The total opposing votes among those shareholders mentioned in sub-clause 13.2.1.1 above will not be greater than 1% of all the voting rights in the Company.
- 13.2.2 In order to approve the subjects mentioned in clauses 13.1.2, 13.1.3 and 13.1.4 on the agenda, an ordinary majority is required of all the votes of shareholders present at the General Meeting and entitled to vote, and voted.

13.3 Quorum

A discussion at the General Meeting must not start unless a legal quorum is present at the time of opening the meeting. A legal quorum will be exist at the time when two shareholders are present themselves or by proxy or who sent the Company a voting letter stating the method of their vote and who hold or represent 25% (twenty five percent) and above of the voting rights in the Company. If within half-an-hour from the date set for the meeting a quorum is not present, the meeting will be postponed to August 20, 2008 at 10 a.m. at the same place. If within half-an-hour from the time stipulated for the postponed meeting no such quorum will be present, the meeting will take place with any number of participants.

13.4 The ex date and proving ownership

The ex date for determining entitlement of a shareholder in the Company to vote at the General Meeting, as mentioned in Section 182 of the Companies Law, is July 15, 2008.

According to Companies Regulations (Proof of Ownership of a Share in order to vote at a General Meeting) – 2000 (the "**Regulations**"), a shareholder to whom a share is registered with a member of the Tel Aviv Stock Exchange Ltd., and that share is included among the shares of the Company registered in the Register of Shareholders in the name of a nominee company, and who is interested to vote at the General Meeting, will submit to the Company a certificate from the member of the Stock Exchange at which the right to the shares are registered, regarding ownership in the share, the determining date, in accordance with Form 1 of the Addendum to the Regulations.

Ownership of the certificate will be sent to the Company's offices at Hahistadrut Avenue in the Haifa Bay no later than 72 hours prior to the time of convening the meeting.

A shareholder may appoint a proxy who can participate in the vote on his behalf at the General Meeting, according to the provisions of the Companies Articles. The proxy letters will be deposited at the registered office of the Company at Hahistadrut Avenue in the Haifa Bay at least 48 hours prior to the time of convening the meeting.

- 13.5 The distribution site of the Securities Authority (the "**Distribution Site**") and the internet site of the Tel Aviv Stock Exchange Ltd. where one can find the wording of the voting letter and position notices within the meaning of Section 88 of the Companies Law are: www.magna.isa.gov.il and www.maya.tase.co.il, respectively [translation of the voting letter is also available at the end of the translation of this report]. Voting according to a voting letter will be done on the second part of the voting letter, as published in the distribution site. A shareholder may contact the Company directly and receive from it the wording of a voting letter and position notices (should there be any).

A member of the Stock Exchange will send, gratis, by email, a link to the wording of the voting letter and the position letters, in the distribution site, for every shareholder not registered in the Register of Shareholders and whose shares are registered with that member of the Stock Exchange, if the shareholder gives notice

that it is interested in this, provided that the notice given regarding a certain securities account and on a date prior to the ex date.

A shareholder whose shares are registered with a member of the Stock Exchange may receive an ownership certificate from the member of the Stock Exchange through which he holds his shares, at the branch of the member of the Stock Exchange or by mail to his address in consideration for delivery expenses only, if requested to do so. An application regarding this matter will be given in advance to a specific securities account.

The voting letter must be submitted to the Company's offices at Hahistadrut Avenue in the Haifa Bay, in such a way that the voting letter will reach the Company's offices no later than 72 hours prior to the date of convening the meeting.

The last date to submit position notices to the Company is up to 10 days after the ex date.

- 13.6 One shareholder or more who holds shares at a rate comprising 5% or more of total voting rights in the Company (i.e. 100 million shares), and anyone holding such a rate out of a Company's total voting rights which are not held by a Controlling Shareholder in the Company (i.e. 54,920,413 shares) is entitled to study the voting letters as detailed in Regulation 10 of the Companies Regulations (Voting in Writing and Position Notices) – 2005.

14. Perusal of documents

The documents relating to the resolutions the subject of this report may be studied at the offices of the Company at Hahistadrut Avenue - Haifa Bay during regular working hours, after prior coordination by telephone 04-878-8135.

15. Authority of the Securities Authority

The Securities Authority (or an employee authorized by it to do so) may instruct the Company to explain, provide details, information, and additional documents in connection with matters detailed in this Report, or instruct to make an amendment to this Report. Should an instruction to amend this Report be given, the Securities Authorities may instruct to postpone the date of the General Meeting to a date which will fall not before three business days and not more than twenty one days from the date of publishing an amendment to this Report.

16. The Company's representatives regarding the handling of the immediate report

Dr. Israel Leshem, Adv.

Yoav Nahir, Adv.

Meitar, Likvornik, Geva & Leshem, Brandwein & Co. – Advocates

16, Abba Hillel Silver, Ramat Gan

Telephone: 03-6103100 Facsimile: 03-6103111

Oil Refineries Ltd.

By: Eli Murdoch, Adv.

Oil Refineries Ltd.
(the "Company")

**Voting form pursuant to the Company's Regulations (Written Voting and
Position Notices) – 2005 ("The Regulations")**

First Part

1. **Company name:** Oil Refineries Ltd.
2. **Type of general meeting, date and location for its convening:** A special general meeting will be held on August 13, 2008 at 10 a.m. at the Company's offices on the 26th floor of the Square Tower in the Azrieli Towers Complex at 132 Menachem Begin Street, Tel Aviv. Should no quorum be present, the meeting will be postponed for 1 week, to August 20, 2008 and will be held at the same time and same place.
3. **Details of subjects on the agenda for which it is possible to vote using a Voting Form:**
 - 3.1 Approval of the Company's engagement in an agreement with the Israel Petrochemical Enterprises Ltd. ("**IPE**") dated June 24, 2008 ("**the Agreement**"), according to which: (a) IPE will sell the Company all the shares it owns in Carmel Olefins ("**COL**") comprising 50% of the issued capital of COL in consideration for an allotment of 516,672,961 ordinary shares of the Company to IPE, comprising (after the allotment and without dilution) 20.53% of the issued capital and of the voting rights of the Company; (b) On the date of closing of the transaction, the Company will sell IPE 3,741,608 shares of IPE, comprising 12.29% of the IPE's capital, in consideration for an amount of 40 million Dollars.
Additional details of the Agreement and its terms are given in the framework of the Transaction Report to which this Voting Form is attached ("**the Transaction Report**") and to which are attached – an outline of COL and its business as at March 31, 2008, financial statements of COL as at March 31, 2008, financial statements as at December 31, 2007, the Evaluation and Opinion.
 - 3.2 An increase in the Company's authorized capital by NIS 1,000,000,000 divided into NIS 1,000,000,000 ordinary shares of NIS 1 par value each, in such manner that following such increase the Company's authorized capital will be NIS 3,000,000,010 divided into 3,000,000,010 ordinary shares of NIS 1 par value each.
 - 3.3 Amendment of Article 178 (a) and Article 178 (b) of the Company's Articles of Association in such manner that the authority to adopt a resolution regarding the distribution of dividends shall be vested with the Company's Board of Directors (and not with the General Meeting of the Company, pursuant to the currently applicable Articles of Association) as detailed in **Appendix F** to the Transaction Report).

- 3.4 Deletion of Article 178 (c) of the Company's Articles in order to cancel the prohibition of a subsidiary of the Company or a company controlled by the Company to purchase the Company's shares.
4. **The location and time where it is possible to study the full version of the proposed resolutions:** It is possible to study the Immediate Report that the Company published regarding the convening of the meeting on the internet sites of the Israeli Securities Authority and the Tel Aviv Stock Exchange Ltd. as set forth in clause 11 below, and the documents relating to the resolution, the subject of the Immediate Report, at the Company's offices, Hahistadrut Avenue, Haifa Bay, during regular working hours of work, after prior coordination, at telephone (04) 8788135.
5. **The majority required to adopt a resolution at a General Meeting for each of the subject matters on the agenda:**
- 5.1 In order to approve a subject matter mentioned in clause 3.1 on the agenda and pursuant to the provisions of Section 275 of the Companies Law, one of the following conditions must be fulfilled:
- 5.1.1 In a count of votes, the majority in the General Meeting includes, at least one third of all the votes of shareholders who do not have personal interest in the approval of the resolution, who are present at the meeting (when counting all the votes of the said shareholders, the votes of those abstaining will not be taken into account);
- 5.1.2 The total opposing votes among those shareholders mentioned in sub-clause 5.1.1 above will not be greater than 1% of all the voting rights in the Company.
- 5.2 In order to approve the subject matters mentioned in clauses 3.2, 3.3. and 3.4 on the agenda a simple majority is required of all the votes of the shareholders present at the General Meeting who are entitled to vote and voted.
6. Part B of this Voting Form allots place for marking the existence or absence of personal interest as required by the provisions of the Companies Law and for describing the nature of such personal interest. It should be clarified that anyone who does not mark this or does not describe the nature of the personal interest - his vote will not be counted in the counting of the votes.
7. The Voting Form will valid only if it is attached to a certificate of ownership, for a shareholder whose ownership in a share is registered with a member of the Stock Exchange and that share is included among the shares listed in the Register of Shareholders in the name of a nominee company (hereinafter: "**an unregistered shareholder**") or a photocopy of an identity card, passport or certificate of incorporation, for a shareholder who is registered in the

Company's books, and it must be submitted to the Company up to 72 hours prior to the time of the vote.

8. The Company does not permit voting through the internet.
9. **Address for delivering Voting Forms and Position Notices:** The Company's offices at Hahistadrut Avenue, Haifa Bay.
10. **The last date for Position Notices:** The last date for submitting Position Notices to the Company is up to 10 days after the ex date, as detailed in the Immediate Report ("**the last date for sending Position Notices**"), i.e. July 25, 2008, and the last date for submitting the Board of Directors response to the position notices is not later than 5 days after the last date for sending Position Notices, i.e. July 30, 2008.
11. **Addresses of distribution site and the internet site of the Stock Exchange in which the Voting Forms and the Position Notices can be found:** www.magna.isa.gov.il and www.maya.tase.co.il
12. A shareholder is entitled to receive a certificate of ownership at a branch of a member of the Stock Exchange at which his shares are registered or by delivery by post, should he so request. A request for this purpose will be given in advance to a certain securities account.
13. An unregistered shareholder is entitled to receive by e-mail, gratis, a link to the wording of the Voting Form and Position Notices at the distribution site, from a member of the Stock Exchange through which he holds his shares, unless he informed the member of the Stock Exchange that he is not interested to obtain this link or that he is interested to receive Voting Forms by mail against payment. The notice regarding Voting Forms will apply also to receiving Position Notices.
14. A shareholder will state his vote regarding every subject on the agenda in the second part of this Voting Form.
15. One shareholder or more holding shares at a rate comprising five or more percent of all voting rights, and anyone holding such a rate out of the total voting rights which are not held by a controlling shareholder in the Company, as defined in Section 286 of the Companies Law, is entitled to study the Voting Forms as described in Article 10 of the Regulations.

The quantity of shares comprising five percent of total voting rights in the Company: 100 million shares; the quantity of shares comprising five percent of total voting rights which are not held by a controlling shareholder in the Company: 54,920,413 shares.

VOTING FORM – SECOND PART

Name of Company: Oil Refineries Ltd.

Company’s address (for delivery and posting of Voting Forms): The Company’s offices at Histadrut Avenue, Haifa Bay.

Company Number: 52-0036658

Date of meeting: August 13, 2008

Type of meeting: Special

Ex date: July 15, 2008

Details of the shareholder

Name of shareholder: _____

Identification Number: _____

If the shareholder does not hold an Israeli identity card –

Passport Number: _____

Country in which it was issued: _____

Valid until: _____

If the shareholder is a corporation –

Corporation Number: _____

Country of incorporation: _____

Voting

Subject No. on the Agenda as detailed in this Voting Form	voting ¹			DO you have a personal interest in the resolution ²		If so – the nature of the personal interest
	For	Against	Abstain	Yes	No	
3.1						
3.2						
3.3						
3.4						

¹Not marking will be considered an abstention from voting on that subject.

²The vote of a shareholder not completing this column or marking yes and not giving details, will not be counted

Signature

Date

A shareholder holding shares through a member of the Stock Exchange (pursuant to Section 177(1)) – this Voting Form is valid only if a certificate of ownership is attached excluding when the vote is through the internet

Shareholders registered in the Company’s Register of Shareholders – the Voting Form is valid if a photocopy of an Identification card/passport/ certificate of incorporation is attached.