

**Convenience Translation - The only binding version is the Hebrew version**

March 1, 2011

Messrs  
Securities Authorities  
Through the Magna

Messrs  
The Tel Aviv Stock Exchange Ltd.  
Through the Magna

Dear Madam/Sir,

**Re: Oil Refineries Ltd. ("the Company") – Immediate Report regarding a Transaction with a Controlling Shareholder which does not require the Approval of a General Meeting**

An Immediate Report is hereby issued pursuant to Regulation 37A(5) of the Securities Regulations (Periodic and Immediate Reports) – 1970, regarding the approval of applying an officer's insurance cover to the Deputy Chairman of the Board of Directors, who is among the controlling shareholder in the Company - Mr. David Federman, as follows:

1. It is proposed to approve the purchase of liability insurance for directors and officers in the Company with a liability limit of up to 180 million dollars per event, and in total, for the insurance period with an annual insurance premium of up to 450 thousand US dollars. This report relates to applying the said insurance extension cover to Mr. David Federman, Deputy Chairman of the Board of Directors, and one of the controlling shareholders of the Company, in such a way that it will be identical to the insurance cover for the other directors and officers in the Company.

Liability insurance for officers may be renewed, from time to time, provided that the following conditions exist: liability limits in the insurance will not exceed the amount stated above, and the annual insurance premium will not exceed more than 25% over the insurance premium stated above, and the Company's Audit Committee and Board of Directors approved the renewal of the insurance policy and stipulated based, *inter alia*, on the opinion of the insurance consultant, that the annual premium is in accordance with market conditions. This decision will remain in force for a period of five years from the date of the purchase of the said insurance cover.

2. The transaction, the subject of this report, was approved on February 13, 2011 by the Company's Audit Committee and on February 27, 2011 by the Company's Board of Directors - *inter alia*, pursuant to Regulation 1B(5) of the Companies Regulations (Relief in Transactions with Interested Parties) – 2000 ("**the Relief Regulations**"). The decision of the Audit Committee and Board of Directors to approve the transaction, was based on the following reasons:
  - 2.1 The liability policy of directors and officers in the Company is for an amount which is suitable for the Company's operations, and its extension is required to enable the directors and officers to act freely for the benefit of the Company;

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- 2.2 The purchase of the directors and officers' liability insurance policy and the extensions, as detailed above, are customary in companies of a size similar to that of the Company;
  - 2.3 In view of the present level of the Company's operations, and considering the information provided to the Audit Committee and to the Company's Board of Directors, the cost of the policy and its extensions are not significant for the Company, and are at market prices and the usual conditions.
  - 2.4 Regarding the approval of the insurance cover to Mr. David Federman, Chairman of the Board of Directors and one of the controlling shareholders (indirectly) in the Company, the members of the Audit Committee and the Company's Board of Directors confirmed that the terms of engagement with him are similar to that of the other officers in the Company, and the engagement is according to market conditions and is not likely to significantly affect the Company's profitability, assets or liabilities.
3. Together with issuing this Immediate Report, the Company is publishing a report in accordance with the Securities Regulations (Transactions between a Company and a Controlling Shareholder in it) – 2001, and the Company's Regulations (Notice and Publication of a General Meeting and a Meeting of a Type of Shares in a Public Company) – 2000, regarding the convening of a general meeting, whose agenda includes, *inter alia*, the approval of an extending the cover limit of the liability insurance for all directors and officers in the Company, including Mr. Federman (with a regular majority).
  4. According to Regulation 1C of the Relief Regulations, if one or more shareholders who hold at least 1% of the issued share capital or of the voting rights in the Company, will announce in writing his objection to grant the relief, in accordance with the above regulations, not later than 14 days from the date of publishing this Report, the approval of the General Meeting to the transaction will be required in such a way that one of the following two conditions will met: (a) in a poll the majority at the general meeting will include at least one third of all votes of shareholders who are not interested parties in approving the resolution, and participating in the vote (when counting all the votes of these shareholders, the votes of those abstaining will not be taken into account); or – (b) total opposing votes among the shareholders mentioned in sub-clause a) above, will not exceed a rate of 1% of all the voting rights in the Company.