

Oil Refineries Ltd.

Israel Securities Authority
Via electronic communications

Tel Aviv Stock Exchange Ltd.
Via electronic communications

Gentlemen,

Re: Immediate Report – Notice of Extraordinary General Meeting

Notice is hereby given that, on September 23, 2007, at 9:30 a.m., an Extraordinary General Meeting (“EGM”) of the Company’s Shareholders shall convene at the Company’s offices, located at 7 Abba Hillel Street, Ramat Gan, Israel, for the purpose of approving the following resolution:

On the Agenda:

1. Dividend distribution
2. Retirement grant for the outgoing Chairman of the Board, Mr. Ohad Marani
3. Salary and employment terms of the incoming Chairman of the Board, Mr. Yossi Rosen
4. Nomination of auditors for the Company.

Details Relating to the Resolutions on the Agenda:

1 Dividend Distribution

Following the Company’s Board of Directors’ recommendation, of August 19, 2007, it is recommended to approve the payment of a dividend to the Company’s shareholders. The cash dividend will be in the amount of NIS 280 million, representing, as at the date of this notice, approximately NIS 0.14 per share. Assuming the dividend is approved on September 23, 2007 by the EGM, the date of record for the right to receive dividend will be October 8, 2007, and the payment date will be October 22, 2007. In the instance whereby the decision to approve the dividend distribution is made on a later date, the Company’s management will be authorized to determine accordingly the dividend's date of record and payment date.

2 Retirement Grant for the Outgoing Chairman of the Board, Mr. Ohad Marani

2.1 On August 14, 2007, Mr. Ohad Marani, the outgoing Chairman of the Board, retired from his position as director of the Company.

2.2 On August 29, 2007, the Company’s Audit Committee, and on September 5, 2007, the Company’s Board of Directors, approved the payment of a retirement grant to Mr. Ohad Marani as follows (the “**Retirement Grant**”):

2.2.1 A Retirement Grant in the amount of NIS 1.5 million

Reapprove payment of Mr. Marani’s salary and employment conditions until February 28, 2008, at a cost of NIS 66 thousand per month. In 2004, Mr. Marani was nominated to the position of Chairman of the Company’s Board of Directors, and according to the Government Companies’ Ordinance, his tenure was set for a three-year period, until February 28, 2007. On January 15, 2007, the Ministers’, in accordance with the Government Companies’ Ordinance, extended Mr. Marani’s tenure as Chairman of the Company’s Board of Directors for an additional period of one year (until February 28, 2007). As a result of this, an additional employment agreement, was signed with Mr.

Marani. This agreement was similar to the previous one signed, except for including a directive that, should the Company discontinue Mr. Marani's tenure prior to the end of the one year extension, the Company will pay Mr. Marani his salary, and associated employment terms, until the end of the additional one year extension.

2.3 When determining the Retirement Grant for the Company's outgoing Chairman, the Company took into consideration Mr. Marani's contribution to the Company as active chairman, and made comparisons with the conditions prevailing in other, similar sized companies, upon retirement of the chairman.

2.4 Taking into consideration the said parameters, the Directors reviewed and contemplated the outgoing Chairman's Retirement Grant, and approved it, inter alia, based on the following reasoning and explanations:

2.4.1 Comparison to practice in similar-sized companies, in the instance of retirement grants paid to retiring chairmen, indicated that this Retirement Grant does not exceed that paid in other companies.

2.4.2 Mr. Marani's contribution as Chairman of the Board, during his tenure, to leading the Company and guiding its Board's activity, in a manner enabling the implementation of government's resolution to split the Company, sell the Ashdod refinery, and privatize the Company, while maintaining the Company's position and strength, creating the foundations for improved profitability in the future.

2.4.3 Mr. Marani succeeded in preparing and directing the activities of the Company, its management and employees, in a manner that enabled the Company to continue operating properly during the period since the sale of the Government's shares and the smooth and faultless transition from a government-owned Company into a public entity, trading on the Tel Aviv Stock Exchange ("TASE") and operating in a competitive-business environment, which changed dramatically following the split and sale of the Ashdod refinery.

2.4.4 Mr. Marani's personal contribution to the Company's successful privatization process, and Mr. Marani's activity during the changeover in Company shareholders.

2.4.5 In addition to the payment made with relation to the period outlined in section 2.2.2 above, Mr. Marani's employment terms do not include any acclimation period etc.

2.4.6 Mr. Marani served as Chairman of the Board until mid-2007, a period in which the Company presented good financial performance.

2.4.7 The Board of Directors favorably views the granting of retirement grants to senior officers for their activities, effort and contribution to the Company, as part of appropriate compensation and salary conditions.

When noting all the above considerations, the Company's Audit Committee and Board of Directors saw total justification in approving the payment of this Retirement Grant to the outgoing Chairman, as noted above.

None of the directors objected to the said approval.

3 Salary and Employment Terms for the Company's Chairman, Mr. Yossi Rosen

On August 19, 2007, the Company's Audit Committee and Board of Directors approved (as detailed in the press release issued August 20, 2007) the employment terms of Mr. Yossi Rosen outlined below:

3.1 To approve the salary and employment terms for the Company's Chairman, Mr. Yossi Rosen, as follows:

- 3.1.1 Starting from July 1, 2007, a monthly salary in the amount of NIS 75 thousand;
- 3.1.2 Accompanying terms as is common with the Company's senior managers', including educational fund, social benefits, vacation days, convalescence and reimbursement of telephone expenses¹;
- 3.1.3 The Company will make available to the Chairman a suitable car and driver²;
- 3.1.4 The contract with the Chairman will be for a set period of three years. Should the Chairman choose to resign, he will be required to provide six months prior notice;
- 3.1.5 The Chairman will have the right to undertake additional activities, beyond his position with the Company (including paid services), so long as the number of hours dedicated to his role in the Company will not fall below 2/3 of a full time position.

On August 29, 2007, the Company's Audit Committee, and on September 5, 2007, the Company's Board of Directors, approved the allocation of Stock Options to Mr. Yossi Rosen, as part of the Company Senior Executives and Officers compensation plan, under the follow terms:

3.2 The Company will allocate to a trustee, on behalf of Mr. Yossi Rosen, 4,500,000 stock options for the purchase of 4,500,000 shares in the Company, representing 0.224% of the Company's issued and outstanding share capital (based on the instructions in section 102 of the income tax ordinance, using the capital gain method). The stock option exercise price will be NIS 3.25, representing the average stock market share price of the Company's share during the 30 days prior to the resolution of the Board of Directors (the exercise price will be subject to accepted adjustments, including in the instance of stock dividend issue, rights issue and dividend distribution). The stock options will vest in three equal parts, starting from the end of one year, and ending at the end of three years, starting September 5, 2007. In addition, the stock options will be restricted for exercise for an additional year from the vesting date. Each stock option part will be exercisable for one year following the lifting of the restriction. The Company also issued to the TASE, and the Israel Securities Authority, a separate Immediate Report relating to a substantial private offer to approve the allocation of options for Mr. Yossi Rosen and for the Company's CEO. An English translation of this Immediate Report, which includes additional details relating to the conditions of the said stock options, is available at the Company's website (www.orl.co.il) under Investor Relations, Company Releases.

3.2.1 The economic value of each stock option on the date the proposal was approved by the Board, was approximately NIS 0.83 under the Black and Scholes model. When calculating the above noted economic value the following were taken into consideration:

¹ No limit was set for the reimbursement of expenses

² The car level was not set

- All the stock options will be exercised at the last exercise date of the options;
- The economic value does not take into consideration the fact that the stock option will not be registered for trading on the TASE, and does not take into consideration the exercise restrictions on the options outlined in the plan;
- The economic value does not take into consideration the possible implication of employment termination;
- The share price on the Spot date - The closing share price on the date prior to the date of record, which was NIS 3.156 per share;
- The stock options exercise price - The average share price of the Company's shares on the 30 trading days prior to the date of record, totaled NIS 3.25. The exercise price will be linked to the Israeli Consumer Price Index.
- The standard deviation of the underlying asset - The expected annual standard deviation of the Company's share price stood at 28%, based on the Company's share price yield since trading was initiated on the TASE (February 21, 2007), as well as the share yield of energy Company's trading on the TASE during the last five years, as published by the TASE.
- Risk free interest rate of 3.5%

The economic value of the stock options due to be allocated to the Chairmen of the Board, based on the above, totaled NIS 3.75 million.

3.2.2 Based on the TASE's instructions, the economic value of the stock options, as at the date of the Board of Directors approval of the resolution, is approximately NIS 0.63. When calculating the economic value using this method, the Company calculated under the assumptions outlined in section 3.2.1 above, modified as follows: (a) the weekly standard deviation, annualized, totaled 20.1%; (b) the annual risk free rate was set at 3%. The accumulated economic value of the stock options allocated to the Chairman (4,500,000 stock options), based on the TASE's instructions, totaled NIS 2.8 million. The Company believes that the parameters it used to calculate the economic value of the stock options, also used for accounting purposes, serve as better indication for the economic value of the stock option. Both alternatives however, do not apply a discount on the options not being traded or liquid, reducing the economic value, as compared to the value recorded in the financial statement and to the value calculated under the TASE's instructions.

3.3 When determining Mr. Yossi Rosen's employment terms, inter alia, the following parameters were taken into consideration: (a) Comparison to practice prevailing in similar-sized companies with regards to the Chairman of the Board's employment terms; (b) Comparison to the accepted practice in the Company, i.e. the employment terms of the outgoing chairman, as well as taking into consideration the change in the Company's status by becoming a public company. In addition, in order to determine the Chairman of the Board's stock option allocation terms, external advisors presented the Audit Committee and Board of Directors with an economic opinion with regard to the stock option plan conditions, with regard to the stock option's economic value and with comparisons to in the practice in similar-sized companies regarding share-based compensation for the chairman.

3.4 The Board of Directors reviewed and contemplated the employment terms of the incoming Chairman of the Board, taking in to consideration the said parameters, and approved the terms, as outlined, inter alia, based on the following reasons and considerations:

- 3.4.1 The Comparison to the accepted practice in similar sized companies, with regards to the Chairman's employment terms, including shares-based compensation, showed that the Chairman of the Board's employment terms are similar to what is common in similar companies, and, at times, lower than is common in such similar companies
- 3.4.2 Appropriate and reasonable employment terms for senior managers of the Company in general, and, for the Chairman of the Company in particular, serves the Company's best interest, including increasing profitability. The granting of options to the Chairman of the Board, as part of the Company's senior employees stock option plan, is intended to compensate the Company's senior managers, Chairman of the Board and Chief Executive Officer, based on their performance and contribution to driving the Company's market capitalization and in order to incentivize them to continue working in the Company, for the long term, thereby giving them a proprietary interest in the Company's long term success.
- 3.4.3 Share-based compensation, which confers a benefit by driving actual share price performance, is a key, important, factor in the compensation of senior employees, incentivizing them to drive Company success and increased profitability.
- 3.4.4 Stock option compensation is appropriate and fair and serves the Company's best interests.
- 3.4.5 The combination of predetermined employment terms and share-based compensation creates the appropriate compensation mix, serving primarily, inter alia, to aptly incentivize, encouraging higher Company profits and driving financial performance.

When taking into consideration the different reasoning, the Audit Committee, as well as the Board of Directors of the Company, saw full justification in approving the employment terms of the incoming Chairman, as outlined, stating that they are appropriate and reasonable under these conditions.

None of the directors objected to the said approval.

4 Nominating the Company's Auditors

To nominate the accounting firm KPMG Somekh Chaikin as Auditors starting from the publication date of the Company's financial statements as of September 30, 2007 and until the end of the first general meeting after the appointment takes effect, and to authorize the Company's Board of Directors to determine the Auditors' fees. The Company's Audit Committee, after granting accounting firm Fahn Kanne and Co., fair opportunity to present its position before it, found it appropriate to replace the accounting firm, in accordance with the request of the Company's controlling shareholder, in order to concentrate the audit activities of the Group Companies in one accounting firm, inter alia, for the purpose of consolidating and streamlining the accounting services for the companies.

The Accounting firm Fahn Kanne and Co., will continue to serve as the Company's Auditors until publication of the Company's financial statements as of September 30, 2007.

Majority required for the approval of the resolution

The majority required for the approval of the resolutions on the agenda is a regular majority of the shareholders eligible to participate in the vote, present at the meeting in person or through representatives on their part.

Quorum required for the holding of the General Meeting

The General Meeting should not commence unless a Quorum is present. A Quorum will be comprised of two shareholders, holding or representing at least 25% (twenty five percent) of the Company's shares, are present either in person or by a representative on their behalf, or have sent the Company their Proxy Statement indicating their vote. If a Quorum is not present within 30 minutes from the scheduled time of the meeting, the meeting will be postponed to September 30, 2007 at 9:30 a.m. at the same place. If, at the postponed meeting, no quorum will be present after half an hour from the time set for the postponed meeting, the meeting will take place regardless the number of participants.

Date of Record

1. The Date of Record, for the purpose of determining the Company shareholder's right to vote at the General Meeting, as mentioned in Section 182 of the Companies Law, is at the end of trading on September 11, 2007.
2. A shareholder whose shares are registered with a member of the TASE may receive a certificate of ownership from the Member of the Stock Exchange, through whom he holds his shares at the Member of the Stock Exchange's branch, or by post to his address, in consideration for postage costs only, if so requested. Such request is to be given in advance to a specific securities account. The confirmation of ownership should be sent to the Company's offices within 4 days prior to the date of convening the meeting. Power of attorneys to participate in vote in the meeting should be deposited at least 48 hours prior to the time of the meeting at the Company's offices in the Haifa Bay.

Reviewing the report

Details relating to this report are available at the Company's offices, in the Haifa bay, during normal working hours, and after prior phone arrangement at +972 (04) 878-8134.

Oil Refineries Ltd.

About Oil Refineries Ltd.

Oil Refineries Ltd. (ORL), located in the bay area of the city of Haifa, is Israel's largest oil refinery. ORL operates sophisticated and state-of-the-art industrial facilities with refining capacity of 9 million tons of crude oil per year, with a Nelson complexity index of 7.4, providing a variety of quality products used in industrial operation, transportation, private consumption, agriculture and infrastructure. The Company is also active in the area of Aromatics and Polymers through wholly-owned Gadiv Petrochemical Industries Ltd. and 50% owned Carmel Olefins Ltd. ORL is traded on the Tel Aviv Stock Exchange under the ticker ORL. For additional information please visit the Company's website: www.orl.co.il

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