

Convenience Translation
The Hebrew version is the binding version

Oil Refineries Ltd
(“The Company”)

September 16, 2020

Immediate Report concerning non-material merger with subsidiary Haifa Basic Oils in accordance with Regulation 37P of the Securities Regulations (Periodic and Immediate Reports), 1970 (“Reporting Regulations”)

The Company announces that further to approval by the Company's Board of Directors for the merger of the Company (as the absorbing company) with Haifa Basic Oils Ltd, a wholly-owned subsidiary of the Company (“the Target Company”, “the Merger”, respectively), a merger agreement has been signed as detailed below in this report:

1. Main points of the Merger Agreement

- 1.1. Under the Merger Agreement signed on September 16, 2020 (“the Merger Agreement”), the Target Company, which is a wholly owned and controlled subsidiary of the Company, will merge with and into the Company, in accordance with the provisions of the first chapter of the eighth part of the Companies Law. The Target Company will be eliminated without liquidation and will be erased from the registers of the Registrar of Companies. The absorbing company and the Target Company will jointly also be called “the Merged Companies”.
- 1.2. The Merger will take place without the payment of any consideration.
- 1.3. In accordance with the Merger Agreement all the liabilities of the Target Company will be transferred to the absorbing company, in accordance with the law or agreement, as they shall be at the Merger date and it will be deemed that Company is as if it stepped into the shoes of the Target Company in all matters related to the transferred liabilities above (including legal proceedings to which the Target Company is a party).
- 1.4. Performance and completion of the Merger are conditional upon performance of the actions required for completion of a merger in accordance with the Companies Law and the Companies Regulations (Merger), 2000.
- 1.5. The Merged Companies are unable to estimate when all the required approvals will be received for the Merger.
- 1.6. The Company's Board of Directors has approved carrying out the Merger and has stated, noting the financial situation of the Merged Companies, that in its opinion there is no reasonable risk that as a result of the Merger the Company will be unable to fulfill its liabilities to its creditors. Similarly, the Board of the Target Company has approved the Merger.
- 1.7. To the best of the Company's knowledge, there are not nor are expected to be constraints on the absorbing company as a result of the Merger.
- 1.8. The Merger does not require the approval of the General Meetings of the Merged Companies, since the Merger complies with the terms stipulated in section 320(A1) of the Companies Law, and it also does not require approval under section 320(C) or (D) of the Companies Law.

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2. Non-materiality of the Merger

The Merger is not material according to the criteria stipulated in Regulation 37C of the Reporting Regulations, taking into account that the Target Company is a company wholly-owned by the Company and its financial statements are consolidated both before and after the Merger, and the Merger is not subject to the approval of the General Meetings of the two Merged Companies.

3. The main reasons of the Company's Board to approve the Merger

- 3.1. Noting the financial situation of the Merged Companies and the fact that the Merger is of the Company with a wholly-owned and controlled subsidiary of the Company, there is no reasonable risk that on account of the Merger the Company will be unable to fulfill its liabilities to its creditors.
- 3.2. The Merger has no impact on the state of the Company's assets or liabilities in its consolidated financial statements.
- 3.3. The merger is a reorganization and internal change of structure, as part of which no consideration is paid by the Company, no allocation of shares is made nor is there dilution of the Company's shareholders.
- 3.4. The Merger of the Target Company with and into the Company is intended for commercial and economic reasons, which will lead to economies in expenses.
- 3.5. Nothing in the Merger alters the Company's liabilities or assets. Carrying out the Merger will not harm the Company's own (Solo) or consolidated financial situation.

4. Personal interest

The Company's CEO also serves as Chairman of the Board of the Target Company.

5. Tax implications of the Merger on the Company

The Merged Companies have elected not to apply Part E2 of the Income Tax Ordinance that grants a tax exemption to companies if certain conditions are met, and therefore the Merger transaction will be treated according to Part E of the Income Tax Ordinance. Accordingly, a capital loss for tax purposes is likely to be created for the Company, in a non-material amount for the Company and which is not expected to impact the consolidated financial statements.

- 6.** As of this date the holdings of the Company's interested parties in the issued and paid up capital and voting rights in the Company are as stated in the Company's report on holdings of interested parties in the Company dated July 7, 2020 (ref. no. 2020-01-072093), and in the report of changes in the holdings of the Company's interested parties dated August 20, 2020 (ref. no. 2020-01-091974), and no changes are expected in the holdings of the interested parties in the Company on account of the Merger.

Oil Refineries Ltd.
Adv. Eli Mordoch,
Corporate Secretary

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