



OIL REFINERIES UPDATES ON STATUS OF AGREEMENT TO ACQUIRE 50%-BALANCE OF SHARES IN CAOL

Haifa, Israel, January 2, 2009 - Oil Refineries Ltd. (TASE: ORL.TA) (the "Company"), Israel's largest oil refiner, announced today that, following the Transaction Report issued by the Company on July 8, 2008, the Complementary Report from July 29, 2008, as well as the Immediate Report published by the Company on September 28, 2008 with regards to the signing of an agreement with Israel Petrochemical Enterprises ("IPE"), with respect to the acquisition of the 50% balance of shares in Carmel Olefins Ltd. ("CAOL") in exchange for the allocation of 20.53% of the Company's shares and the sale of the Company-held IPE shares (the "Agreement"), approved by the Company's General Meeting on August 13, 2008, the Company hereby announces that by December 31, 2008, the date determined in the Agreement as the final date for meeting all the prerequisite conditions, not all the prerequisite conditions to the Agreement were met, and, therefore, the transaction outlined in the Agreement has not been completed.

Since the key rationales serving as the basis for the Company Board of Directors' decision to approve the merger of CAOL's business with the Company are still valid, IPE and the Company have decided to continue to cooperate with a view to trying to complete a merger transaction, and as conditions become suitable, the issue will be brought before the Company's Board of Directors.

In parallel, the Company is working towards developing ways to strengthen the cooperation with CAOL in various areas, and this, in order to enhance, already today, the leveraging of synergies between them, which can already be implemented prior to the completion of the merger, as well as in order to prepare for taking full advantage of the synergies between the two parties if, and as far as, a merger will be completed.

About Oil Refineries

Oil Refineries Ltd. (ORL), located in the bay area of the city of Haifa, operates 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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