



## **OIL REFINERIES 50%-HELD CARMEL OLEFINS PUBLISHES UPDATE ON FINANCIAL COVENANTS**

**Haifa, Israel – October 5, 2009 - Oil Refineries Ltd. (TASE: ORL.TA) ("ORL")**, Israel's largest oil refiner, announced that Carmel Olefins Ltd. ("CAOL"), in which ORL holds 50% of the capital, published an immediate report with regards to its entering into a Series of Agreements with regards to eased financial terms. Please find following a convenience translation from Hebrew of CAOL's formal announcement to the Tel Aviv Stock Exchange and Israel Securities Authority from Thursday, October 1, 2009.

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**Carmel Olefins Ltd. ("The Company")**

**Re: Immediate Report: Agreements with the Banks on the Subject of More Lenient Financial Covenants**

1. Consequent to what is stated in Note 1 (B) to the Company's financial statements as of June 30, 2009, in connection with the Company's non-compliance with the financial covenants that had been set with banks, the Company hereby announces that on September 30, 2009, the Company entered into an series of agreements ("**the Series of Agreements**") with the Banks who have granted credit ("**the Banks**"), under which, inter alia:
  - 1.1. The Banks have agreed to change the financial covenants that were in force immediately prior to signing the agreements ("**the Original Covenants**"), such that in the period of the easements (as defined in section 2 below) more lenient financial covenants will apply to the Company ("**the New Covenants**"),
  - 1.2. The Banks will waive their right to demand immediate repayment of the Company's loans as a result of a breach of the Original Covenants of December 31, 2008 until the time of the signing the Series of Agreements.
  - 1.3. The Company has provided the Banks, inter alia, with the following collaterals: a tier one fixed charge on all of the assets, equipment and plant that the Company owns and a tier one, fixed charge on the Company's rights to the land on which the Company's plant operates in the Haifa Bay area. In addition to the said collaterals, it has been agreed that monetary deposits will be deposited with some of the Banks and that they will be pledged in favour of those banks.
  - 1.4. The Company will pay additional interest and/or commissions to the Banks.
2. In accordance with what is stated in the Series of Agreements, "the Period of the Easements" is for an indefinite period, commencing at the time of entering into the Series of Agreements and ending at the time the Company will be compliant with the Original Covenants for a period of four consecutive quarters, and it has presented the Banks with a financial plan that is based on forecasted prices, under which the Company has the possibility of servicing its debts in accordance with the credit agreements with the Banks until the end of the periods of those agreements.

3. At the end of the Period of the Easements, the new financial covenants will be cancelled, and the original financial covenants will once more be in force and the charges on the Company's assets that are detailed in section 1.3 above will be removed.
4. As of September 30, 2009 and as of the time of the report, the Company is in compliance with the New Covenants. Following the entering into the arrangements, under the Series of Agreements, as well as the Company's compliance with the New Covenants, the Company's long-term loans, classified as short-term loans in the Company's financial statements as of December 31, 2008, as of March 31, 2009 and as of June 30, 2009 (as the result of the Company's non-compliance with the covenants that had been set with the banks), will once again be classified as long-term loans.

Yours sincerely

Carmel Olefins Ltd.

### **About Oil Refineries**

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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](http://www.orl.co.il)

### **CONTACTS**

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