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ORL SIGNED AN AGREEMENT WITH EMG FOR THE SUPPLY OF NAUTRAL GAS TO THE GRPOUP'S PLANS

Annual saving for the Group is estimated to be in access of US\$130m, based on full year consumption following connection to the natural gas delivery line in Haifa Bay and on current fuel prices

Pursuant to the Company's Immediate Report dated April 7, 2010, the Company is pleased to announce that on December 12, 2010, it entered into an agreement with East Mediterranean Gas S.A.E. (hereinafter "EMG") for the supply of natural gas to the plants of the Company and its subsidiaries Carmel Olefins Ltd and Gadiv Petrochemical Industries Ltd, for a period of twenty (20) years commencing from the start of supply (hereinafter "the Agreement").

According to the main points of the Agreement:

- Supply of natural gas will commence when the delivery line to Haifa Bay and its connection with the Company's plants are complete, which, based upon information received from the delivery company, Israel Natural Gas Lines Ltd, is expected apparently during Q1 2011. The Company has completed installation of the required infrastructure on its own premises to receive the natural gas and has also contracted with Israel Natural Gas Lines Ltd in a delivery agreement.
- The amount of gas the Company expects to purchase from EMG during 2011 as part of this agreement is about 22.5 million MMBTU on an annually rate. The company is entitled to gradually increase the annual quantity purchased up to 38 million MMBTU starting 2014 and forth. The company should notify EMG until December 31, 2011 the quantity to be purchased starting 2013 and forth but not less than 22.5 million MMBTU per annum.

- The price of gas has been set according to a formula based upon the price of oil, including “floor” and “ceiling” prices. The Company has undertaken to Take or Pay a minimum amount of gas in accordance with the scope and arrangements fixed in the Agreement.

- The overall financial scope of the Agreement (including the option, if exercised) is estimated at about USD 1,800 million to USD 2,900 million. The actual scope will be affected by variety of factors, mainly the oil price and the scale and rate of gas consumption.

Subject to completion of the connection of Haifa Bay to the natural gas delivery line, it will be possible to replace the fuel oil the Company presently uses at its facilities with natural gas, and when the transition will have been carried out, the Company reduce emissions into the air from its plants and comply with the future requirements of the personal order set to it by the Minister for the Environmental protections on December 26, 2009 (for additional information concerning the personal order, see clause 1.6.25.3.4 of the section describing of the Company’s business in the Company’s financial statements for 2009).

The Company believes that the transition to natural gas will also bring efficiencies to its own energy consumption, to savings in maintenance expenses and a reduction in energy and other costs, whether directly or indirectly, estimated at an overall amount for the Group in excess of USD 130 million per annum. The above estimate of savings is based on a full year’s consumption following completion of the connection of the Company’s plants to the natural gas delivery line in Haifa Bay and according to the known prices of fuels. This data is correct as of today’s date but is not necessarily an indication for the future.

The above stated expected date for commencement of the supply of natural gas to the plants of the Company and its subsidiaries, as well as the forecast savings to the Company from the use of natural gas, are forward looking information, based inter alia on the estimate of Israel Natural Gas Lines Ltd concerning the date of completion of the delivery line for natural gas to Haifa

Bay (in respect of commencement of supply), on the Company's estimation of oil and fuel oil prices, the scope of natural gas consumption and other factors (in respect of forecasted savings from the transition to the use of natural gas). Accordingly, there can be no certainty as to the date of the start of gas supply under the Agreement, and to the scale of savings as a result of the transition to the use of natural gas.

ABOUT OIL REFINERIES LTD.

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 9.8 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 Polymers and Aromatics through its holdings in Carmel Olefins Ltd and Gadiv Petrochemical Industries Ltd. The Company also provides power and heat services to industrial customers in the Haifa Bay, as well as infrastructure services. Oil Refineries' major shareholders are the Israel Corporation and Israel Petrochemical Enterprises, both public companies listed on the Tel Aviv Stock Exchange. Since 2007, the Company's shares have been listed on the Tel Aviv Stock Exchange under the ticker ORL. For additional information please visit www.orl.co.il.