



OIL REFINERIES' BOARD APPROVES AN OUTLINE FOR POTENTIAL ACQUISITION OF BALANCE OF CARMEL OLEFINS

Haifa, Israel, May 21, 2008 - Oil Refineries Ltd. (TASE: ORL.TA) (the "Company"), Israel's largest oil refiner, has announced today that, following its announcement of April 6, 2008 with respect to the joint examination with Israel Petrochemical Enterprises Ltd. (hereinafter: "IPE"), for the acquisition of the 50% balance of Carmel Olefins Ltd. (hereinafter: "CAOL"), the Company's Board of Directors has granted its management approval to progress in the negotiations to reach an agreement for the acquisition of IPE's 50% shareholding in CAOL (in addition to the 50% CAOL shares already held today by the Company) (hereinafter: the "Transaction") under the following principles:

1. The transaction will be conducted by means of share swap. In exchange for 50% of CAOL's share capital, held by IPE, the Company will issue shares in the Company.
2. The transaction completion will be subject to , among other things, an evaluation of both CAOL and the Company to be conducted by the office of Prof. I. Swary for both the Company and IPE.
3. IPE has notified the Company that it seeks, in exchange for the sale of its holding in CAOL to the Company, a consideration equivalent to at least 20% of the Company's outstanding capital after the share issue. The Company will review this position and will conduct relevant negotiations under these outlined principles.
4. Prior to the share swap, the Company will distribute a cash dividend to an amount agreed upon between the Company and IPE, and which will not exceed NIS 200 million. The decision on the dividend distribution, should it be made, will be subject to the laws pertaining to dividend distribution.
5. In addition, as part of the agreement, IPE will acquire the Company's shares in IPE (approximately 12.3%) for a consideration to be determined between the parties, among other things, based on the evaluation being prepared by the office of Prof. Swary. The consideration received will be distributed as cash dividend after completion of the share swap. The decision on the dividend distribution, should it be made, will be subject to the laws pertaining to dividend distribution.
6. The transaction completion will be subject to certain prerequisite conditions, including the transactions approval by the Audit Committee, Board of Directors and General Assembly based on clause 275 of the Israeli Company's law (1999), as well as the receipt of the Ministers Approval for Company Control by IPE based on the Government Companies Decree (notification of the vital interests of the company in Oil Refineries Ltd. - 2007), as well as additional approvals should they be required.
7. In order to have the transaction approved by the Company's institutions, the Audit Committee today nominated Prof. Amir Barnea, who is neither related to the Company, nor a controlling party, for the purpose of preparing and submitting a Fairness Opinion to the Company with respect to the transaction terms.

The terms of the transaction, as outlined above, are not binding with respect to the Company. The Company and/or IPE have made no binding commitment to an agreement in general, and specifically, to the terms outlined above, and there is no certainty that the above noted transaction will materialize. The parties need to reach an agreement on the transaction terms and to receive all the necessary approvals for the transactions, and its terms, as required by law, for there to be a possibility that an agreement will be signed.

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 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

Contacts

Company Contact:

Rami Sasson
EVP Business Development & Capital Markets
Oil Refineries Ltd.; Tel. 972 4 878 8114;
ContactIREn@orl.co.il

Investor Relations Contact:

Ehud Helft \ Fiona Darmon
GK Investor Relations
Tel. 1 646 797 2868 \ 972 54 566 3221
info@gkir.com