



OIL REFINERIES APPROVES AGREEMENT TO ACQUIRE BALANCE OF SHARES IN CARMEL OLEFINS FROM ISRAEL PETROCHEMICAL ENTERPRISES

Agreement will enable full leverage of synergies between refining, petrochemical and trade sectors as well as total production optimization of the three plants (ORL, CAOL and Gadiv)

Haifa, Israel, June 25, 2008 - Oil Refineries Ltd. (TASE: ORL.TA) (hereinafter: the "Company", "ORL"), Israel's largest oil refiner, announced today that, following its announcement of May 21, 2008, the Company's Board of Directors approved yesterday the agreement with Israel Petrochemical Enterprises Ltd. (hereinafter: "IPE") under which ORL will acquire IPE's share in Carmel Olefins (hereinafter: "CAOL"). Under the approved agreement, ORL will hold 100% of CAOL's shares following an exchange of shares. The two companies reported today on the approval of the agreement, under which the merger will take place¹. Inter alia, the companies announced that the transaction consideration was determined based on evaluations of both ORL and CAOL prepared by the office of Prof. Swary for the companies, and was approved under the Fairness Opinions prepared by Prof. Amir Barnea for ORL and by Prof. Yoram Eden for IPE.

On the date of closing, IPE will sell ORL its entire shareholding in CAOL, comprising 50% of CAOL's issued share capital, in such a way that following the acquisition ORL will hold 100% of CAOL's issued share capital. In consideration for CAOL's shares, Bazan will allot IPE, 516,672,961 ordinary shares of ORL, comprising (after the allotment and without any dilution) 20.53% of ORL's issued share capital. Following completion of the transaction, IPE will hold approximately 33% of ORL (approximately 832 million ORL shares)

Furthermore, on the closing date, ORL will sell IPE 3,741,680 of its shares in IPE, representing 12.29% of IPE's outstanding share capital, for a total consideration for \$40 million, representing a company value of \$325 million for IPE, or NIS 36 per IPE share.

As a closing precondition, once all other preconditions set by the parties have been met and prior to the allotment of ORL's shares to IPE, ORL will distribute a first dividend of \$60 million to its shareholders. Furthermore, on the transaction closing date, ORL will make a decision to distribute an additional dividend of \$100 million.

According to the evaluation ratio between CAOL's value to ORL's value, as well as the value of IPE prepared for the purpose of the transaction by CPA Prof. Swary, ORL's value was estimated in the range of \$1,624 – \$1,927 million (after the first dividend distribution) and CAOL's value was estimated in the range of \$860 – \$959 million. Accordingly, the ratio between the value of the acquired CAOL shares and the total ORL shares to be allotted in consideration, is in the range of 19.9% - 20.9% of ORL's outstanding share capital following the allotment. Under the IPE's valuation, the value of the IPE shares being sold to IPE under this agreement, representing 12.29% of IPE's share capital, is in the range of \$34 - 44 million.

Furthermore, ORL obtained the opinion of Prof. Amir Barnea, and IPE the opinion of Prof. Yoram Eden, under which the transaction for the exchange of 50% of CAOL's shares in consideration of 20.53% of ORL's shares, after a payment of \$60 million, and the transaction for the purchase of 12.29% of IPE shares in consideration of \$40 million, represents the economic value ranges determined under the evaluation, and are fair and reasonable.

CAOL which is located adjacent to ORL's refinery in the Haifa Bay area, serves as a downstream plant for the refinery. The vast majority of CAOL's raw materials have, to date, been sold to it by ORL. Concurrently, the by-products created in CAOL's production process are returned to ORL, and are used by both ORL and Gadiv Petrochemical Industries Ltd. (hereinafter: "Gadiv"), a wholly owned subsidiary of ORL, whose facilities are also adjacent to ORL, in their production processes.

ORL's acquisition of CAOL's entire share capital will lead to the full realization of potential synergies between the refining, aromatic and polymer industries, and will facilitate total optimization of the production processes in the three plants (of the Company, of CAOL and of Gadiv), enabling total planning in the crude oil and feedstock purchase process, optimization of the production functions in all the plants as a whole, and in each of them in particular, as well as the direction of each material to the site in which it will obtain the highest added value.

¹ A full convenience translation from Hebrew of the detailed announcement, filed today with the Israeli Securities Authority and Tel Aviv Stock Exchange, is available under the investor relations section of the Company's website – www.orl.co.il

Furthermore, the acquisition will enable investment planning in the refinery, the CAOL plant and the Gadiv plant, maximizing the effectiveness of the entire system, while saving redundant costs resulting from the existence of separate entities. Furthermore, the concentration of the management and services functions, which currently exist separately in CAOL and the Company (information systems, trading systems, purchasing, engagements with contractors and suppliers, finance, auditing, legal services and more) are expected to further increase the system's efficiency and cost-savings.

Chairman of Oil Refineries' Board of Directors, Mr. Yossi Rosen: "The merger of Carmel Olefins and Oil Refineries is a focal point in the strategic plan to expand the Company's operations in the petrochemical sector while leveraging the synergies to enhance profitability and drive growth. CAOL's geographic location and the interface between the refining and petrochemical sectors are synergetic to the ORL's operations, with the merger of operations serving as an important leverage for the Company in the sector for the future. This is an additional and important stage under the expansion process announced by the new shareholders, which will take place following the merger of the companies and the acquisition of additional companies and businesses and enhancing the Company's core business."

Yossi Rosen also added that he is sure that the merger process will be managed for the benefit of the companies with cooperation and understanding of the employees. The advantages that will be achieved from the merger will strengthen the Company for the future benefit of its employees. Rosen also stated that: "The good relationships and long standing cooperation between the shareholders of Israel Petrochemical Enterprises (IPE) and the Israel Corporation will ensure an efficient and successful merger process of CAOL into ORL."

Chief Executive Officer of Oil Refineries, Mr. Yashar Ben Mordechai: "CAOL's acquisition process by Oil Refineries bears significant consequences on the Company's future. This step will enable ORL to leverage existing synergies between the refining petrochemicals and trading fields while significantly increasing and expanding ORL's operations in these fields in the most efficient manner, under full ownership. Once the merger is completed, it will be possible to achieve total production optimization in the three plants (ORL, CAOL and Gadiv) by achieving the highest contributing value for each raw material".

Yashar Ben Mordechai also added that: "ORL and IPE will act in full cooperation for the efficient merger of CAOL's operations into the Company's petrochemical sector. ORL will use both its prior accumulated merger experience while obtaining additional assistance from professional bodies".

Chief Executive Officer of Israel Petrochemical Enterprises, Mr. Eran Schwartz: "There is no doubt that ORL's acquisition of IPE's shareholding CAOL is a required step given the substantial synergies that exist between ORL and CAOL. This step will enable ORL and CAOL to continue to expand in Israel and overseas, while leveraging the substantial synergies inherent in the merger. Following completion of the transaction, Israel Petrochemical Enterprises will substantially increase its holding in ORL, serving as a clear show of support in the companies and their management teams."

CONFERENCE CALL

The Company will also be hosting a conference call later today at 09:00am ET to discuss the announcement. To participate in the conference call, please call one of the following teleconferencing numbers. Please begin placing your calls at least 10 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.
US Dial-in Numbers: 1-866-345-5855 UK Dial-in Number: 0-800-4048-418
Israel Dial-in Number: 03-918-0610 International Dial-in Number: +972-3-918-0610
at: 9:00am Eastern Time, 2:00pm UK, 4:00pm Israel

A replay of the call will be available, from a day following the call, on the Company's website at www.orl.co.il. Alternatively, for two days following the end of the call, investors will be able to dial a replay number to listen to the call. The dial-in numbers are: The dial-in numbers is: +972-3-925-5927 (International).

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 Polymers (through Carmel Olefins Ltd.) and Aromatics (through wholly-owned Gadiv Petrochemical Industries 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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