



OIL REFINERIES ANNOUNCES THAT 50%-HELD CARMEL OLEFINS PUBLISHES PROSPECTUS FOR REGISTERING EXISTING DEBENTURES FOR TRADING

Haifa, Israel, December 28, 2008 - Oil Refineries Ltd. (TASE: ORL) (the "ORL"), Israel's largest oil refiner, announced that on December 24, 2008 Carmel Olefins Ltd. (a 50% held private subsidiary) published, a prospectus to register its debentures for trading on the Tel Aviv Stock Exchange. The final prospectus is available in Hebrew on ORL's website under the Hebrew Investor Relations section, as of Sunday, December 28, 2008. Following please find a convenience translation from Hebrew of the first cover page of the prospectus. For full and binding information please refer to the Hebrew prospectus.

Carmel Olefins Ltd. (the "Company" or the "Issuer")

Prospectus for the registration for trading on the Tel Aviv Stock Exchange Ltd. of NIS 850,000,000 par value debentures (Series A), recorded by name, at NIS 1 par value each. These debentures are repayable in eight (8) equal annual payments on the 31st of March for each of the years 2013 through 2020 (inclusive), linked to the Israeli Consumer Price Index ("CPI") of February 2007. The debentures bear an annual interest of 4.69%, which will be paid out twice a year on the 31st of March and the 30th of September each year, starting from the March 31, 2009 and ending on March 31, 2020 (inclusive), each, for the six-month period prior to the payment ("Debentures (Series A)" or "Debentures").

The Debentures were initially issued in March 2007 to institutional investors, issued under section 15A(a)(7) of the Israel Securities Act – 1968, as detailed in section 2.1 of the prospectus.

The Debentures previously bore an additional annual interest of 0.25% (the "Additional Interest") for the period starting on the date of issue and ending on the date that Institutional Trading ended, calculated based on 365 days a year. In addition to the Additional Interest, the Debentures bore an annual temporary interest of 1% (the "Temporary Interest") for the period starting July 1, 2008 and ending on the date Institutional Trading ended, calculated based on 365 days a year.

The Company will have the right (but will not be obligated to), at its own and sole discretion, to conduct partial or entire pre-payment of the Debentures, every six months, at the date of principle and/or interest payment, as outlined in section 2.3.11 of the Prospectus.

The Company is bound by certain restrictions which stand to impact the Company's ability to distribute dividend. For additional information on the said restrictions, applying as a result of the trustee note with regards to the Debenture issue, see section 2.4.4 of the Prospectus; with regards to the said restrictions, applying as a result of the agreements between the Company and financial institutions, see section 6.19.3 of the Prospectus; with regards to the restrictions resulting from the agreement, dated March 15, 2004, between the Company, Israel Petrochemical Enterprises Ltd. (IPE") and Oil Refineries Ltd. ("ORL"), controlling shareholders in the Company, see section 6.4.3 of the Prospectus.

None of the debentures will bear resale restrictions under regulations 15C of the Israel Securities Law and the Israel Securities Regulations (details on the matters in sections 15A through 15C of the law), 2000.

Without reserving their opinion, the auditing accountants refer attention to the following.

1. Note 19B(4)a of the Company's financial statements of September 30, 2008, with regards to claims filed against the Company under the argument that bodily and property injury have been incurred to the petitioners, as a result from the Kishon River contamination, which, according to the petitioners, the Company is party to. The Company, based on its legal counsels' opinion, cannot estimate the exposure, if such exists, and, as a result, did not include any related provisions in the financial statements.
2. In Note 34G of the Company's financial statements of September 30, 2008, with regards to the adjustment, by means of restatement of the Company's interim financial statements of June 30, 2008, and for the period ending the same date, in order to retroactively reflect, the contingent liabilities' amount.
3. Note 36 to the Company's financial statements of September 30, 2008, with regards to the adjustment, by means of restatement, of the consolidated financial statements on the cash flow for the year ended December 31, 2007, and for the nine and six month periods ending September 30, 2007, in order to retroactively reflect the presentation of future service payments.
4. Note 32(d) of the Company's financial statements of September 30, 2008, with regards to the Company's estimates that, starting December 31, 2008, the Company will not meet the financial covenants set out as part of the settlement reached with financial institutions, that the balance of the Company's debts to them, as of September 30, 2008, totals approximately \$283 million; to the fact that this default is expected to grant these financial institutions the right to demand immediate pre-payment of the loans, and to the negotiations the Company is holding with these financial institutions to remove the requirement that the Company meet these financial requirements on December 31, 2008.

Please view the accountants' opinion to the Company's financial statement as of September 30, 2008 attached in Chapter 9 of the Prospectus.

On a separate matter, the Special General Meeting ("SGM") for Oil Refineries Ltd.'s Series C debenture holders, which convened on December 23, 2008, approved the nomination of Hermatic Trusts (1975) Ltd. as trustee instead of Aurora Fidelity Trust Company Ltd. ("Aurora Fidelity"), and this, effective immediately following the SGM. The announcement is available on the Company's website, under the Investor Relations section.

About Oil Refineries Ltd.

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