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FOR IMMEDIATE RELEASE

OIL REFINERIES SIGNS AGREEMENT TO ACQUIRE 50% BALANCE OF SHARES IN CARMEL OLEFINS FROM IPE

*IPE's receipt of the government control permit paved the way for the merger process;
Merger will create a unique refinery in the Mediterranean fully integrating petrochemical industries with refining;
World currently at inflection point for global growth and recovery; merger will enable full optimization of margins;
Agreement is the culmination of joint efforts and fruitful cooperation between the two companies;
Convening both an annual and extraordinary general meeting on December 2, 2009*

Haifa, Israel, October 28, 2009 - Oil Refineries Ltd. (TASE: ORL.TA) (hereinafter: the "Company", "ORL"), Israel's largest oil refiner, announced today that, following its announcement of September 2009, the Company's and Israel Petrochemical Enterprises Ltd. (hereinafter: "IPE") Board of Directors' approved yesterday an agreement 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 a share exchange. 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 updated 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.

According to the evaluation ratio between CAOL's value and ORL's value, prepared for the purpose of the transaction by CPA Prof. Swary, ORL's value was estimated in the range of \$1,938 – \$2,097 million and CAOL's share value was estimated in the range of \$834 – \$901 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 16.8% - 18.6% of ORL's outstanding share capital following the allotment.

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, ORL will allocate shares to IPE shares representing, after the allocation, 17.75% of ORL's issued share capital. Following completion of the transaction, IPE will hold approximately 30.7% of ORL.

Furthermore, ORL obtained the opinion of Prof. Amir Barnea, and IPE the opinion of Prof. Yoram Eden, under which the share exchange transaction represents the economic value ranges determined under the evaluation, and are fair and reasonable.

¹ A convenience translation from Hebrew of highlights from the detailed announcement, filed today with the Israeli Securities Authority and Tel Aviv Stock Exchange, will be available under the investor relations section of the Company's website – www.orl.co.il, from November 4, 2009

Chairman of Oil Refineries' Board of Directors, Mr. Yossi Rosen: "IPE's receipt of the government control permit paved the way for Carmel Olefins and Oil Refineries' merger. This merger serves as 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. Once the merger is completed, ORL will evolve into a unique refinery in the Mediterranean basin, fully integrating the independent capabilities of the petrochemical industry with its refining abilities. This is an additional and important stage in the expansion process announced by the new shareholders, which includes the merger of companies, acquisition of additional companies and businesses as well as enhancing the Company's core businesses."

Mr. Rosen further commented on the delays in bringing natural gas to the Haifa bay stating: "I repeat my plea to the Israeli government to move to swiftly solve the matter and do all that is required to meet its obligations. The industries in the Haifa bay, including Oil Refineries which is planned to be the main consumer of the natural gas in the region, will be affected if the natural gas pipeline does not reach the Bay area in time."

Chief Executive Officer of Oil Refineries, Mr. Yashar Ben Mordechai: "CAOL's acquisition by Oil Refineries will enable the maximization of existing synergies between the refining, petrochemical and trading fields, while significantly increasing and expanding the Company's operations, in these fields, in the most efficient manner, under total ownership. The world is currently poised for recovery and growth, and this merger will enable the Company to comprehensively optimize in a manner that raw materials will receive higher added values. Moreover, Oil Refineries continues to promote its plan to establish a full hydrocracker and is currently in advance stages of arranging financing."

Yashar Ben Mordechai also added that: "ORL and IPE will act in full cooperation to complete the efficient merger of CAOL's operations into the Company's petrochemical sector. ORL will use both its accumulated merger experience as well as obtain additional assistance from professional bodies. The process will be managed in a manner benefiting the companies in full cooperation and understanding of the employees. The merger benefits will strengthen the company and benefit the employees' future".

Chief Executive Officer of Israel Petrochemical Enterprises, Mr. Eran Schwartz: "IPE's agreement with ORL is the culmination of joint efforts and fruitful cooperation between the two companies, bringing about the completion of this important strategic move. This merger is a necessary step, bringing together two leading companies in the energy field, combining the refining and petrochemical areas, and serves as a key step enabling the optimization of production processes and the maximization of company values. This merger is made possible thanks to the privatization of Oil Refineries two years ago, as well as the receipt of the control permit. ORL's purchase of IPEs shares in CAOL will enable the two companies to take advantage of the substantial inherent merger synergies, driving growth both locally and overseas. 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."

CEO of Carmel Olefins, Mr. Charles Sheffer concluded: "The merger of Carmel Olefins into Oil Refineries activities is a necessary move, expected to bring substantial added value to the entire group. The strengthened platform is expected to substantially contribute to the continued growth and is key to the future of Carmel Olefins' employees. CAOL's Board of Directors both supports and places substantial emphasis on the move."

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.

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. Moreover, the combining of the various 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 systems efficiency and cost-savings.

Annual revenues of the combined company totals approximately \$5.2 billion, based on second quarter 2009 revenues.

Annual General Meeting and Extraordinary General Meeting

On December 2, 2009, at 10:00 a.m., the Annual as well as Extraordinary General Meeting of the Company's Shareholders will convene, at the Company's offices, located on the 26th floor of the Azrieli Centre, Square Building, 132 Menachem Begin Street, Tel Aviv, Israel, for the purpose of approving the following resolutions:

Subjects on the Agenda:

1. Discussing the Company's financial statements and Directors' Report for the year ended December 31, 2008, including the auditors fees outlined in the Directors' Report.
2. Re-nomination of Accounting Firm KPMG Somekh Chaikin as external auditors until the Company's next annual general meeting, and authorize the Board of Directors to determine their fees.
3. Re-nomination of the Company's current directors: Mr. Yossi Rosen, Chairman of the Board; Mr. David Federman, Deputy Chairman; Mr. Arieh Zilberberg; Mr. Ory Slonim; Mr. Avisar Paz; Mr. Ran Croll and Ms. Nehama Ronen. The nomination excludes the Company's current external directors (Prof. Yachin Cohen and Dr. Dafna Schwartz) who will continue in their role as external directors according to their nomination conditions and the terms outlined in the Israeli Companies Law – 1999). The voting for each of the directors will be conducted separately.
4. Amending the decision dated February 6, 2008 with regards to director compensation as follows: eliminating the right to additional compensation to the chairman of board committees which is an unrelated director; clarification, that if a person serves as a director in the company and/or in a subsidiary of the company he will not be deemed as a "director related to the controlling shareholder", as defined in the said decision, due to his holding office in the company and/or its subsidiaries.
5. Engagement in the transaction, the main subject matter of this release, with the Israel Petrochemical Enterprises Ltd. ("IPE") dated October 27, 2009, in which the controlling shareholder of the Company has a personal interest in a transaction
6. Granting a responsibility waiver to Mr. David Federman for caution violation towards the company
7. Granting an letter to indemnify Mr. David Federman

For additional information with regards to the decisions on the agenda, including the full wording of the decisions, please view the Hebrew immediate report and the proxy statement filed on October 28, 2009, accessible on the websites of the Israeli Securities Authority (www.magna.isa.gov.il) or Tel Aviv Stock Exchange (www.maya.tase.co.il). Furthermore, a convenience translation of the announcement will be available on the Company's website, www.orl.co.il, under investor relations, from November 4, 2009.

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 (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

Forward Looking Statements

The above includes forward looking statements based on Company data as well as on the Company's plans and estimates based on this said data. The activity, results and other data may in reality be materially different given lack of clarity and various risks, including those outlined under risk factors in the Company's published financial statements and management reports.