STANDARD &POOR'S
Maalot

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NOTICE TO THE PUBLIC
OIL REFINERIES LTD.

Standard & Poor's Maalot announces the inclusion of the rating of the bonds (non negotiable series and negotiable series A' B' and C') of the Oil Refineries Ltd., which is today rated with a rating of 'ilA' in the CreditWatch Negative list, in view of the continuing expected erosion in the refining industry due to updated forecasts, financing the investments program and the uncertainty regarding Carmel Olefins Ltd.

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Main considerations for the rating

On April 23, 2009, S&P Maalot announced the inclusion of the bonds (non negotiable series and negotiable series A' B' and C') of Oil Refineries Ltd. ("ORL" and/or "the Company"), which is today with a rating of 'ilA' in the CreditWatch Negative list.

The inclusion of the rating in the CreditWatch list expresses the consequences derived from the continuing increase in uncertainty for the refining industry in the medium term and the pressure expected, as a result of the Company's cash flows, uncertainty connected with financing the Company's ambitious investments program, and a significant increase in the debt as a result. Additional reasons, despite them being secondary, include the uncertainty regarding the timing of the acquisition of Carmel Olefins Ltd. ("CAOL") and the structure of the transaction, and the consequences for ORL of CAOL's not meeting its financial covenants for some of its liabilities.

Despite the fairly good margins which characterized the first quarter of 2009, S&P estimates that the margins during the coming 12 months might decline, and this in view of the possible erosion in the diesel margins (which contributed to fairly high margins in 2008). ORL, which is only partially vertically integrated with the petrochemical sector, and the absence of operations with stable cash flows, is likely to be harmed, should these negative forecasts be realized.

ORL is today in the process of executing an aggressive investments program of $1.1 billion, which is based on the establishment of a hydrogen cracking plant. Despite the fact that this investments program will in the end result in a strengthening the quality of the Company's assets and its profitability, the method of financing the program with debt will result in a significant increase in leveraging. This data together with the increasing fear of a decline in margins is likely to significantly weaken the ratio of the Company's debt cover (correct as at 2008 the ratio of the debt cover to EBITDA stood at about 5.0x), and even exceed the cover ratio expected by us in November 2008. Recently, the Company started taking steps, and this at the request of the Board of Directors, to utilize the global economic crisis in order to significantly reduce the cost of the program and, concurrently, the Company is examining whether to reschedule its additional investments.

Additional uncertainty, it being of secondary importance, relates to the expected changes in the structure of ownership and core control in ORL, and the possible acquisition of CAOL, which is likely to have negative consequences on the financial positioning of ORL. The present ownership of the Refineries includes the Israel Corporation Ltd. (ilAA- /Negative) (45.08%) and the Israel Petrochemical Enterprises Ltd. ("IPE" by PCH) (15.76%) are likely to change in view of the steps being taken by IPE to obtain a permit for control from the government. We believe that obtaining permission for control will result in the acquisition of 50% of the balance of CAOL's shares held today by IPE (despite the fact that formerly the acquisition agreement expired on December 31, 2008).

In our opinion, the merger of CAOL's operations and its becoming a wholly-owned subsidiary, should it take place, is likely to promote the optimization of the chain of value of the Group and will be an additional milestone in spreading the risks which are today mainly centralized in the refining field. Nevertheless, implementing the steps based on the previous transaction's structure, including the distribution of a dividend prior to the transaction (of which up to now $50 million has been distributed) creates an additional financial burden.

We should state that recently CAOL reported not meeting its financial covenants; despite the fact that we assume that this itself will not result in an acceleration of repayment of the debt or a significant harm to ORL, this event increases to some extent the already existing uncertainly regarding the other steps relating to CAOL.

CreditWatch

During the next twomonths, we intend to remove the Company from the CreditWatch list, and this after examining the Company's business plans and the expectations for a significant increase in the level of the debt in view of the challenging business environment. Should the cover ratio of the debt not support the present rating, a reduction in rating is possible. In addition, during the period we intend to check the effect of not meeting the financial covenants by CAOL and the effect of the expected changes in the structure of ownership on ORL's results, even if the results of these steps will not be finished steps at the time of removing the Company from the CreditWatch list.