



OIL REFINERIES' BOARD REITERATES APPROVAL TO ESTABLISH HYDROCRACKER AT REDUCED COST OF \$500 MILLION

*ORL succeeds in reducing cost from original \$670 million by leveraging macro-economic environment
Unit, due to be operational by early 2012, is expected to process 25,000 barrels per day
Unit expected to increase ORL's Nelson Complexity Index from current 7.4 to 9.0*

Haifa, Israel, June 8, 2009 - Oil Refineries Ltd. (TASE: ORL.TA) (the "Company"), Israel's largest oil refiner, announced today to both the Tel Aviv Stock Exchange and Israel Securities Authority that its Board of Directors has reiterated its approval to establish a hydro-cracking unit at the Haifa refinery for \$500 million. The hydrocracker, whose primary products will be Diesel Oil and Kerosene (Jet Fuel Oil), will be built to produce 25,000 barrels per day and is expected to be operational by early 2012.

The lower cost of \$500 million, compared to the previously approved \$670 million, primarily follows the decline in equipment costs and the taking advantage of opportunities.

Once established, the hydrocracker is expected to contribute to increasing the Refinery's Nelson Complexity Index, which currently stands at 7.4, to 9.0, implying as to the higher added-value achievable from each barrel of oil.

The Board of Directors instructed the Company's management to secure long term financing, part of which backed by the Export Credit Agency, under which the Company will receive required financing to acquire main equipment components from overseas' suppliers. The Company already raised part of the required financing for the strategic plan in December 2007.

Mr. Yossi Rosen, Oil Refineries' Chairman of the Board: "The Board of Directors' decision to invest in the hydrocracker is one of the focal points of Oil Refineries' strategic plan. The current macro-economic crisis and changing environment created opportunities for the Company's management to leverage its negotiation capabilities with equipment manufacturers in order to secure funding for the hydrocracker's construction and to substantially reduce the Hydrocracker's investment. This project is, without a doubt, a project of national importance which will supply employment to thousands of employees in the coming years and its construction will contribute to the employment in the region, and to the country as a whole."

Mr. Yashar Ben-Mordechai, Oil Refineries' Chief Executive Officer added: "Upon activation, the hydrocracker will enable us to produce higher added-value products from each barrel of oil, therefore substantially increasing the complexity of the Haifa refinery. The unit will increase our flexibility in terms of ability to choose the raw materials and product slate, better adapting them to the changing markets. Throughout the years of volatile and changing markets it has been proven that refineries with high complexity and flexibility are those able to successfully take advantage of change. This project is expected to improve the Company's competitive standing in the Mediterranean fuel market and, without a doubt, will contribute substantially to strengthening the Country's economy as a whole and the Haifa bay region in particular"

Mr. Ben-Mordechai added that "the Project is expected to contribute between \$150 – \$200 million dollars EBITDA per annum, with an expected Net Present Value (NPV) of approximately \$1 billion."

Throughout the last 12 months, Oil Refineries Management and Board of Directors have been reviewing the investment in the project in light of the global macroeconomic crisis, and received various economic and business opinions

supporting the projects' investment viability. However, Oil Refineries' Board of Directors conditioned the investment on the fact that the expected cash flow required to fund the project as well as the project's financial liability through 2011, will not compromise the Company's ongoing activities.

Oil Refineries' management highlights that the said estimations with regards to the expected date for the completion of the Unit, the scope of investments in it, and its production, as well as the Company's ability to raise the required funding to finance the investment, are forward looking statements. These estimations are based on plans prepared by the Company's management and on data received from external professionals. There is no certainty that these estimations will occur as this is a very complex project whose implementation is dependant, among others, upon factors external to the Company, as well as the receipt of various regulatory approvals. Should part or all of these estimations not follow through, this may materially affect the establishment of the Unit, date of establishment, date of completion, cost and expected production.

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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