



OIL REFINERIES ANNOUNCES RESULTS FOR SECOND QUARTER AND FIRST SIX MONTHS OF 2009

Consolidated net income totals \$67 million, compared to \$73 million in first half 2008, despite global margin erosions;
Adjusted refining margin 45% higher than Reuters' Mediterranean Ural Cracking Margin benchmark;
Net loss for the quarter total \$8 million, compared to \$71 million net income in second quarter 2008;
Mild Hydrocracker activated in May 2009 - Increasing overall gasoil production capacity by 1.5%;
Completed maintenance and upgrade of largest crude unit in July, to contribute to higher margins starting from Q3 2009

Haifa, Israel, August 17, 2009 - Oil Refineries Ltd. (TASE: ORL.TA) ("Oil Refineries" or the "Company") announced today its financial results for three and six month periods ending June 30, 2009. Results reported in US Dollars and under International Financial Reporting Standards (IFRS).

SIX MONTH 2009 HIGHLIGHTS

- Adjusted refining margin USD/bbl 3.5, 45% higher than average Reuters' quoted Mediterranean Ural Cracking Margin of USD/bbl 2.4
- Adjusted refining and trading segment EBITDA totaled \$39 million, compared to a \$51 million in first half 2008
- Aromatic sector EBITDA totaled \$20 million, compared to \$22 million last year
- Polymer sector EBITDA totaled \$28 million, compared to \$14 in last year; represents results of 100% of Carmel Olefins results, in which the Company holds 50%
- Net profit of \$67 million, compared to \$73 million in first half 2008

As accepted by major leading international refiners and marketers of oil and its products, the results below are presented as reported as well as net of the accounting provision for inventory write offs, in addition to buying and selling timing and derivative accounting method under IFRS. This, in order to enable a common base for comparison of the Company's ongoing operations.

VOLATILITY IN GLOBAL FUEL PRICES AND REFINING MARGINS

During the first six months of 2009, crude oil prices rose from approximately \$37 per barrel at the end of last year to approximately \$68 per barrel at the end of the period, and this follows substantial volatility in crude oil prices throughout 2008. In parallel, there was a decline in fuel end-products as compared to the same period last year; however, the timing and scope of product price changes were not directly aligned with the timing and scope of raw material price changes. This resulted in substantial volatility and refining margin erosions the world over.

The increase in crude oil prices had a substantial impact on the Company's first six month 2009 results. The Company maintains a basic un-hedged inventory of 600,000 tons of crude oil. The change in the value of this inventory does not draw a cash flow impact on the Company, therefore the Company reports its operating results net of these and other factors as outlined below.

SIX MONTH 2009 RESULTS

Adjusted refining margin for the first six months of 2009 totaled USD/bbl 3.5 (USD/ton 25.4), compared to the average Mediterranean Ural Cracking Margin quoted by Reuters for the first six months 2009 of USD/bbl 2.4 (USD/ton 17.5). Adjusted refining margin for the first six months of 2008 totaled USD/bbl 4.6 (USD/ton 33.2).

Utilization rate for the first six months totaled 87.2%, compared to 90.3% in the same period last year. The decline in utilization rate followed the shutdown of the Company's main refining unit for periodic maintenance and upgrade.

In order to better equip the Company to handle the eroding margins, the Company implemented a comprehensive efficiency plan, as part of its 2009 work plan, contributing to a substantial, 15% decline, in ongoing operating expenses.

Refining and Trading sector adjusted EBITDA totaled \$39 million in the first six months of 2009, compared to a \$51 million in the comparable period last year. During the quarter, the **trading sector** primarily contributed to supporting the Company's core business, sourcing raw materials with a view to maximizing margins in the refining and aromatic areas.

Aromatic Segment EBITDA totaled \$20 million in the first six months of 2009, compared to \$22 million in the comparable period last year. As a result of the increased margins in the segment, the Company's trading arm guided sales to areas bearing highest added value, leveraging, and maximizing, synergies with the refining sector.

Polymer Segment EBITDA totaled \$28 million compared to the \$14 million in the first six months last year. These results represent 100% of Carmel Olefins' results (in which the Company holds 50%).

Finance income for the first six months of 2009, on a consolidated basis, totaled \$9 million, compared to \$38 million of finance **expenses** in the first six months of 2008. The finance income in the six months primarily resulted from the fair value adjustment of financial derivatives as well as the impact of the depreciation of the Shekel against the US dollar on the Company's shekel based loans, as are recorded under IFRS.

Consolidated net income for the first six months of 2009 totaled \$67 million, compared to a \$73 million in the first six months last year.

SECOND QUARTER 2009 RESULTS

Adjusted refining margin for the second quarter of 2009 totaled USD/bbl 2.4 (USD/ton 17.4), compared to the average Mediterranean Ural Cracking Margin quoted by Reuters for the second quarter 2009 of USD/bbl 1.4 (USD/ton 10.2). Adjusted refining margin for the second quarter 2008 totaled USD/bbl 6.7 (USD/ton 48.9). As highlighted above, during the quarter the global fuel market suffered from high volatility resulting from the increase in raw materials to USD/bbl 68, paired with the stiffening of fuel end-product prices, due, among others, to the global economic crisis. This drew a substantial narrowing in refining margins, the world over.

Refining and Trading sector adjusted EBITDA totaled \$8 million in the second quarter of 2009, compared to a \$53 million in the comparable period last year.

Aromatic Segment EBITDA increased to \$13 million in the second quarter of 2009, compared to \$11 million in the comparable period last year. As mentioned above, the increase in aromatic margins was optimally leveraged by shifting product sales to lucrative markets.

Polymer Segment EBITDA totaled \$10 million in the second quarter of 2009, compared to flat EBITDA in the comparable period last year. These results represent 100% of Carmel Olefins' results (in which the Company holds 50%).

Finance expense for the second quarter of 2009, on a consolidated basis, totaled \$6 million, compared to a \$22 million finance expense in the second quarter of last year.

Consolidated net loss for the second quarter of 2009 totaled \$8 million, compared to a \$71 million net income in the comparable period last year.

SIGNIFICANT RECENT DEVELOPMENTS

Mild Hydrocracker – During the first six months of the year the Company completed, and activated, the first phase of the HVGO conversion into a mild hydrocracker. Subsequently the unit started contributing to flexibility by increasing gasoil production capacity by 1.5% per annum. The Company is currently moving to bring forward the second stage of the project, which is expected to further increase capacities by the same level.

Periodic Maintenance and Upgrade of Crude Unit 4 – Following the balance sheet date the Company completed the maintenance and upgrade of the Company's largest crude unit, Crude Unit 4. The upgrade, for a total investment of \$50 million, is expected to contribute to higher unit utilization while increasing refining flexibility, subsequently contributing to an increase in refining margins starting from the third quarter 2009.

Full Hydrocracker – As part of the strategic plan, under which a 25 kbpd hydrocracker was approved, the Company is now in advance negotiations with equipment suppliers, as well as finalizing the financing package.

Efficiencies – In order to best meet the challenges posed by the low margin environment, the Company adopted, as part of its 2009 work plan, a comprehensive efficiency plan. Under the plan, the Company has substantially reduced ongoing operating expenses (approximately 15%).

Mr. Yashar Ben Mordechai, CEO of Oil Refineries: "Oil Refineries presented, during the quarter and six months, refining margins in excess of the regional Mediterranean benchmark. The global economic crisis has drawn a stiffening of fuel product prices which, paired with the increase in crude oil prices, has eroded global refining margins. Oil Refineries has succeeded, on an ongoing basis, to compensate for the shortfall, through its units' flexibility and utilization as well as its geographic advantage. The Company continues to maximize the benefits of its strategic location, given both its proximity and access to a broad variety of crude oils as well as its ability to market products to several local markets in the Mediterranean basin, such as Turkey and Cyprus.

The Company recently completed the activation of the first stage of the mild hydrocracker, which will substantially contribute to an increase in the Company's flexibility, as well as expanding its product slate. Following the end of the quarter, the Company also completed the maintenance and upgrade of its largest crude unit, a process which is expected to further contribute to margin expansion, starting already in the third quarter. In addition to these activities targeted as expanding refining margins, the Company has adopted a widespread efficiency program aimed at reducing ongoing operating overheads with a view to better equipping the Company to navigate the current low margin environment."

Mr. Ben Mordechai added that "As part of our ongoing effort to identify and upgrade new products, such as the Euro 5 fuels, the Company is pleased to announce its readiness to supply bio-diesel fuels to the local market, and as such, to be instrumental in advancing the local market into the modern world which already utilizes these new, higher quality, fuels which reduce greenhouse emissions."

Mr. Yossi Rosen, Chairman of the Board of Oil Refineries: "Oil Refineries' continues to assimilate the long term strategy determined by the controlling shareholders, enabling the Company to preserve its refining margins,

despite the substantial decline in global margins and lower local market demand. The Company's trade segment's contributed to a positive shift in the aromatic sector's exports, resulting from the trade segments ability to aptly identify and leverage global trends. Furthermore, the continued implementation of the efficiency plan, reducing operating expenses, enabled the Company to present a relatively high EBITDA, despite the margin erosion."

Mr. Rosen added, commenting on the new accounting method, "The current accounting method does not enable the reader to aptly understand Oil Refineries ongoing activities. In the current report we have chosen to supply additional information in order to enable investors to better understand and evaluate the Company's business."

CONFERENCE CALL

The Company will also be hosting a conference call later today at 8:00am ET, 1:00pm UK time. On the call, management will present a **presentation** reviewing the second quarter and first six months 2009 highlights and industry trends. The presentation is available for download from the Company's website www.orl.co.il: Investor Relations > Financial Reports. 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 number.

US Dial-in Numbers: 1-888-281-1167

UK Dial-in Number: 0-800-051-8913

Israel Dial-in Number: 03-918-0650

International Dial-in Number: +972-3-918-0650

at: **8:00am Eastern Daylight Time, 5:00am Pacific Time; 1:00pm UK, 3:00pm Israel**

A replay of the call will be available, after the call, on the Company's website at www.orl.co.il.

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 and Aromatics through its holdings in Carmel Olefins Ltd and Gadiv Petrochemical Industries Ltd. The Company also provides power and heat services to industrial customers in the Haifa Bay, as well as infrastructure services. ORL is traded on the Tel Aviv Stock Exchange under the ticker ORL. For additional information please visit www.orl.co.il.

The above noted in this release includes forward-looking statements based on Company data, as well as Company plans and estimations based on this data. The activity, results and other data may be substantially different in reality given uncertainty and various risks, including those discussed under risk factors in the Company's financial statements and Director's reports.

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Oil Refineries Ltd.

Condensed Consolidated Interim Statements of Financial Position

In thousand US Dollars

	As at		
	June 30, 2009	June 30, 2008	December 31, 2008
	(Unaudited)		(Audited)
<u>Current assets</u>			
Cash and cash equivalents	16,827	9,092	14,840
Deposits	99,274	-	25,000
Derivatives at fair value through profit or loss	337	391	15,374
Investments in other financial assets at fair value through profit or loss	102,130	223,688	101,509
Trade receivables	306,644	675,608	253,215
Other receivables	65,959	84,082	82,642
Inventory	785,256	1,346,296	569,407
Current tax assets	43,845	5,894	42,047
Total current assets	1,420,272	2,345,051	1,104,034
<u>Non-current assets</u>			
Investments in equity-accounted investees	34,971	42,043	36,005
Investments in available-for-sale financial assets	9,238	-	-
Loan to Haifa Early Pensions Ltd.	69,769	99,248	84,740
Long term loans and debit balances	2,625	4,990	2,606
Derivatives at fair value through profit or loss	74,038	120,891	64,369
Employee benefit plan assets	5,378	7,446	5,007
Property, plant and equipment	1,135,845	1,052,605	1,083,446
Intangible assets and deferred expenses, net	22,971	25,700	25,170
Total non-current assets	1,354,835	1,352,923	1,301,343
Total assets	2,775,107	3,697,974	2,405,377

Oil Refineries Ltd.

Condensed Consolidated Interim Statements of Financial Position (cont.)

In thousand US Dollars

	As at		
	June 30, 2009	June 30, 2008	December 31, 2008
	(Unaudited)		(Audited)
<u>Current liabilities</u>			
Loans and credit	678,484	572,222	380,339
Trade payables	302,229	697,525	270,594
Other payables	67,169	131,461	70,971
Derivatives at fair value through profit or loss	35,174	28,309	1,853
Provisions	13,192	31,856	12,949
Total current liabilities	1,096,248	1,461,373	736,706
<u>Non-current liabilities</u>			
Debentures	698,583	827,898	726,554
Bank loans	187,847	407,999	233,749
Liabilities for finance lease	8,285	9,447	8,448
Other long-term liabilities	7,678	10,372	7,394
Derivatives at fair value through profit or loss	656	-	6,900
Employee benefits	50,388	70,451	67,930
Liabilities for deferred taxes	87,872	117,614	65,827
Total non-current liabilities	1,041,309	1,443,781	1,116,802
Total liabilities	2,137,557	2,905,154	1,853,508
<u>Equity</u>			
Share capital	472,478	472,478	472,478
Capital reserves	33,345	20,340	20,953
Retained earnings	131,727	300,002	58,438
Total equity	637,550	792,820	551,869
Total liabilities and capital	2,775,107	3,697,974	2,405,377

Oil Refineries Ltd.

Condensed Consolidated Interim Statements of Comprehensive Income

In thousand US Dollars

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2009	2008	2009	2008	2008
	(Unaudited)		(Unaudited)		(Audited)
Revenue	2,192,401	4,356,759	1,208,043	2,471,063	8,257,458
Cost of sales, refinery and services	2,019,861	4,163,743	1,138,884	2,339,570	8,324,149
Revaluation of open transactions in derivatives on prices of goods and margins, net	47,863	33,543	46,618	13,056	(7,465)
Total cost of sales	2,067,724	4,197,286	1,185,502	2,352,626	8,316,684
Gross profit (loss)	124,677	159,473	22,541	118,437	(59,226)
Selling expenses	17,850	21,186	9,077	10,718	40,582
General and administrative expenses	26,674	40,651	13,553	25,918	67,061
Negative goodwill arising on acquisition	-	(13,843)	-	(13,843)	(14,535)
Loss from the loss of material impact in a former equity-accounted investee	7,091	-	7,091	-	-
Operating profit (loss)	73,062	111,479	(7,180)	95,644	(152,334)
Financing revenue	44,271	82,161	(14,501)	50,749	64,979
Financing expenses	(35,798)	(119,739)	8,609	(71,655)	(126,034)
Financing income (expenses), net	8,473	(37,578)	(5,892)	(20,906)	(61,055)
Group's share in profits (losses) of equity accounted investees, net of tax	3,838	3,726	(753)	8,796	(3,111)
Profit (loss) before taxes on income	85,373	77,627	(13,825)	83,534	(216,500)
Tax benefits (taxes on income)	(18,763)	(4,150)	5,844	(12,150)	107,292
Net profit (loss) for the period	66,610	73,477	(7,981)	71,384	(109,208)

Oil Refineries Ltd.

Selected Pro-forma Consolidated Data from the Report of the Board of Directors on the State of the Corporation's Affairs for the Period

In millions US Dollars

	Refining		Trade		Petrochemicals				Adjustments to consolidated		Consolidated	
					Polymers		Aromatics					
	2009	2008	2009	2008	Six months ended June 30,				2009	2008	2009	2008
Revenue	1,622	3,522	248	311	177	241	146	282	-	-	2,193	4,356
Inter-company operations	207	380	-	-	-	-	19	28	(226)	(408)	-	-
Total revenue	1,829	3,902	248	311	177	241	165	310	(226)	(408)	2,193	4,356
Cost of sales	1,724	3,757	244	307	99	93	1	40	-	-	2,068	4,197
Inter-company operations	19	28	-	-	66	140	136	235	(221)	(403)	-	-
Total cost of sales	1,743	3,785	244	307	165	233	137	275	(221)	(403)	2,068	4,197
Gross profit (loss)	86	117	4	4	12	8	28	35	(5)	(5)	125	159
Selling, general and administrative expenses	22	36	1	-	11	11	11	15	-	-	45	62
Inter-company operations	-	-	-	-	1	2	1	1	(2)	(3)	-	-
Operating profit (loss) for segments	64	81	3	4	-	(5)	16	19	(3)	(2)	80	97
Negative goodwill arising on acquisition												14
Loss from the loss of material impact in a former equity-accounted investee											(7)	-
Operating profit											73	111
Financing revenue (expenses)											9	(38)
Share in the profits of equity accounted investees											4	4
Profit before income tax											86	77
Income tax											(19)	(4)
Net profit											67	73