



OIL REFINERIES ANNOUNCES FIRST QUARTER 2009 FINANCIAL RESULTS

*Consolidated net income increases to \$75 million, compared to \$2 million in first quarter 2008
Adjusted refining margin USD/bbl 4.4, net of change in inventory values and IFRS impact,
30% higher than USD/bbl 3.4 Reuters' Mediterranean Ural Cracking Margin benchmark
Refining sector adjusted EBITDAⁱ reached \$32 million, compared to \$2 million loss in first quarter 2008*

Haifa, Israel, May 18, 2009 - Oil Refineries Ltd. (TASE: ORL.TA) ("Oil Refineries" or the "Company") announced today its financial results for three month period ending March 31, 2009. Results reported in US Dollars and under International Financial Reporting Standards (IFRS).

FIRST QUARTER 2009 HIGHLIGHTS

- Adjusted refining margin USD/bbl 4.4, compared to USD/bbl 2.4 adjusted refining margin for first quarter 2008
- Adjusted refining margin 30% higher than quarterly average Reuters' quoted Mediterranean Ural Cracking Margin of USD/bbl 3.4
- Adjusted EBITDA for the refining and trading sector totaled \$32 million, compared to a \$2 million loss in first quarter 2008
- Net profit of \$75 million compared to \$2 million in the first quarter 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, or reversal of provisions, for inventory write offs or mark ups, 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.

FIRST QUARTER 2009 RESULTS

Adjusted refining margin for the first quarter totaled USD/bbl 4.4 (USD/ton 32.5), compared to the average Mediterranean Ural Cracking Margin quoted by Reuters for the first quarter 2009 of USD/bbl 3.4 (USD/ton 24.8). Adjusted refining margin for the first quarter 2008 totaled USD/bbl 2.4 (USD/ton 17.7).

During the first quarter of 2009, the price of crude oil rose from approximately \$37 per barrel at the end of 2008 to approximately \$50.0 per barrel at the end of the first quarter 2009. At the end of the first quarter, refining margins were lower than at the end of 2008, primarily due to the relative increase in oil prices as well as the end of the winter season. The increase in crude oil prices had a substantial impact on the Company's first quarter 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 also excluding the impact of the changing oil prices as well as additional impacts such as the change in value of derivatives – this, in order to enable comparable analysis of the Company's ongoing performance.

Production capacity, for the first quarter of 2009, totaled 1,811 thousand tons, compared to a 1,846 thousand tons produced in the first quarter 2008. During the first quarter the Company witnessed an 11% decline in demand in the local market, primarily resulting from the decline in diesel demand, partially offset by increased demand for gasoline. The flexibility of the Company's units, paired with its ability to export to its main regional markets enabled the Company to adapt product quantities, mix and marketing to maximize profits while preserving market share.

ⁱ Adjusted EBITDA relates to the reported EBITDA, net of inventory gains\losses, buy\sell timing differences and IFRS-derivative transaction recording impact.

Utilization rate for the quarter totaled 88.7%, compared to 91.4% in the first quarter last year.

Consolidated reported EBITDA for the first quarter 2009 totaled \$98 million, compared to \$34 million in the first quarter 2008.

Refining and Trading sector adjusted EBITDA¹ reached \$32 million in the first quarter 2009, compared to a \$2 million adjusted EBITDA loss in the first quarter 2008. 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.

Consolidated operating profit for the first quarter totaled \$80 million, compared to a \$16 million in the comparable quarter last year. **Refining and Trading sector operating profit¹** reached \$22 million in the first quarter 2009, compared to a \$12 million adjusted operating loss in the first quarter 2008.

Operating profit from the **Petrochemicals Segment** totaled \$8 million in the first quarter, compared to \$9 million in the first quarter 2008. The Petrochemicals Segment includes the results of the **Polymers Section** and the **Aromatics Section**. The **Polymers Section** generated an operating profit of \$2 million in the first quarter, compared to break even in the first quarter 2008. The higher operating profit follows an increase in quantities sold following increased production in the polypropylene plant activated in 2007. Operating profit of the **Aromatics Section** in the first quarter totaled \$6 million, compared to \$9 million in the first quarter 2008. In recent weeks there has been an increase in aromatic prices following the sharp increase in demand from South East Asia.

Finance income for the quarter totaled \$14 million, compared to a finance expense of \$17 million in the first quarter 2008. The finance income primarily resulted from the strengthening of the US dollar against the Israeli shekel and its impact on the company's shekel based loans.

Consolidated net income for the first quarter totaled \$75 million, compared to \$2 million in the first quarter 2008.

IMPLEMENTATION OF STRATEGIC PLAN

Periodic Maintenance and Upgrade of Crude Unit 4 – starting June 2009, and for a period of 6 weeks, the company expects to undertake maintenance and upgrading activities on Crude Unit 4. The upgrade, for a total investment of \$50 million, is expected to contribute to the units increased utilization while increasing refining flexibility, subsequently contributing to an increase in refining margins already from the third quarter 2009. The company is preparing for the periodic maintenance by increasing inventory and import to meet demand during the period.

Mild Hydrocracker – In May 2009 the Company will complete the first phase in converting the HVGO into a mild hydrocracker. The conversion is expected to contribute to increased flexibility by increasing gasoil production capacity by 1.5% per year.

Full Hydrocracker – Following the strategic plan approved establishment of a 25 kbpd hydrocracker, the Company is in advanced negotiations with equipment suppliers, as well as dealing with finalizing the financing package.

Mr. Yashar Ben Mordechai, CEO of Oil Refineries: “Oil Refineries continues to take advantage of both its strategic location in the Mediterranean Basin as well as its refining units’ flexibility in order to maximize refining margins. Under the auspice of its trading sector, the Company continued to identify and take advantage of global trends in both crude oil and aromatics in order to maximize margins and improve profitability. During the quarter the company pre-identified the increasing prices of benzene in North America and a significant increase in aromatic prices following a considerable increase in demand from South East Asia resulting from the regional governments' stimulus programs. This trend enabled the Company to exploit its units’ flexibility as well as trading contacts to channel aromatic products to these high value-added markets”.

Yashar Ben Mordechai continued and stated that: "ORL continues to upgrade its installations in order to further improve utilization and expand margins, already starting the third quarter of 2009. The operation of the first stage of the mild hydrocracker is expected to come online this month and increase the output of gasoil by 1.5%. Furthermore, refining unit 4 is expected to be upgraded during June-July as part of its periodic maintenance shutdown. Furthermore, we continue to implement the efficiency steps with a view to cutting costs and better positioning the Company's to navigate the fluctuating markets".

Mr. Yossi Rosen, Chairman of the Board of Oil Refineries: "Oil Refineries' management continues to assimilate the business strategy plan, remaining committed to continuing to implement the environmental investment aspects of the strategic plan. During the quarter the Company continued to negotiate with equipment suppliers and formulate a financing package to establish a full hydrocracker facility. This hydrocracker is expected to substantially contribute to driving profitability, adding value and serving as a major growth driver. Once the negotiations are completed and the financing plan put in place, these will be brought before the Board of Directors. Furthermore, during the second quarter of 2009 the Company is expected to activate the first stage of the mild hydrocracker, and initiated the upgrade of refining unit 4, a process which will be completed at the beginning of the third quarter. These two investments are expected to increase refining flexibility, unit utilization rates and refining margins already during the second quarter of 2009".

CONFERENCE CALL

The Company will also be hosting a conference call later today at 10:00am EDT. On the call, management will present a **presentation** reviewing the first quarter 2009 highlights and industry trends. The presentation can be downloaded from the Company's website www.orl.co.il : Investor Relations > Financial Reports prior to the call. 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 dial-in number.

US Dial-in Numbers: 1-888-723-3164

UK Dial-in Number: 0-808-101-2717

Israel Dial-in Number: 03-918-0610

International Dial-in Number: +972-3-918-0610

at: 10:00am Eastern Daylight Time, 7:00am Pacific Time; 3:00pm UK, 5:00pm 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 the Company's website: 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		
	<u>March 31, 2009</u>	<u>March 31, 2008</u>	<u>December 31, 2008</u>
	(Unaudited)		(Audited)
<u>Current assets</u>			
Cash and cash equivalents	12,607	41,858	14,840
Short-term deposit	63,746	-	25,000
Derivatives at fair value through profit or loss	12,820	10,389	15,374
Investments in other financial assets at fair value through profit or loss	95,427	275,386	101,509
Trade receivables	236,399	469,185	253,215
Other receivables	75,049	121,628	82,642
Inventory	717,370	1,161,466	569,407
Current tax assets	39,734	26,004	42,047
Total current assets	1,253,152	2,105,916	1,104,034
<u>Non-current assets</u>			
Investments in equity-accounted investees	35,725	44,552	36,005
Loan to Haifa Early Pensions Ltd.	71,117	88,833	84,740
Long term loans and debit balances	2,522	2,039	2,606
Derivatives at fair value through profit or loss	26,921	65,055	64,369
Employee benefit plan assets	4,619	7,397	5,007
Property, plant and equipment	1,117,021	1,005,136	1,083,446
Intangible assets and deferred expenses, net	24,555	22,140	25,170
Total non-current assets	1,282,480	1,235,152	1,301,343
Total assets	2,535,632	3,341,068	2,405,377

Oil Refineries Ltd.

Condensed Consolidated Interim Statements of Financial Position (cont.)

In thousand US Dollars

	as at		
	<u>March 31, 2009</u>	<u>March 31, 2008</u>	<u>December 31, 2008</u>
	(Unaudited)		(Audited)
<u>Current liabilities</u>			
loans and credit	476,544	282,423	380,339
Trade payables	326,382	698,994	270,594
Other payables	67,319	101,884 (*)	70,971 (*)
Derivatives at fair value through profit or loss	1,384	22,808	1,853
Provisions	12,185	27,309	12,949
Total current liabilities	883,814	1,133,418	736,706
<u>Non-current liabilities</u>			
Debentures	649,655	772,287	726,554
Bank loans	210,799	437,537	233,749
Liabilities for finance lease	7,656	8,403	8,448
Other long-term liabilities	7,306	-	7,394
Derivatives at fair value through profit or loss	8,339	-	6,900
Employee benefits	54,616	70,417 (*)	67,930 (*)
Liabilities for deferred taxes	91,209	116,363	65,827
Total non-current liabilities	1,029,580	1,405,007	1,116,802
Total liabilities	1,913,394	2,538,425	1,853,508
<u>Equity</u>			
Share capital	472,478	472,478	472,478
Capital reserves	20,953	29,783	16,564
Retained earnings	58,438	300,382	133,196
Total equity	551,869	802,643	622,238
Total liabilities and capital	2,405,377	3,341,068	2,535,632

(*) Reclassified

Oil Refineries Ltd.**Condensed Consolidated Interim Statements of Comprehensive Income**

In thousand US Dollars

	Three months ended		Year ended
	March 31, 2009	March 31, 2008	December 31, 2008
	(Unaudited)		(Audited)
Revenue	984,358	1,885,696	8,257,458
Cost of sales, refinery and services	880,977	1,824,174 (*)	8,324,149
Revaluation of open transactions in derivatives on prices of goods and margins, net	1,245	20,487 (*)	(7,465)
Total cost of sales	882,222	1,844,661	8,316,684
Gross profit (loss)	102,136	41,035	(59,226)
Selling expenses	8,773	10,468	40,582
General and administrative expenses	13,121	14,732	67,061
Negative goodwill created upon acquisition	-	-	(14,535)
Operating profit (loss)	80,242	15,835	(152,334)
Financing revenue	58,772	31,412 (*)	64,979
Financing expenses	(44,407)	(48,084) (*)	(126,034)
Financing income (expenses), net	14,365	(16,672)	(61,055)
Company's share in profits (losses) of associates (net of tax)	4,591	(5,070)	(3,111)
Profit (loss) before taxes on income	99,198	(5,907)	(216,500)
Tax benefits (taxes on income)	(24,607)	8,000	107,292
Net profit (loss) for the period	74,591	2,093	(109,208)
Other components of comprehensive income			
Actuarial gains (losses) from a defined benefit plan, net	167	-	(9,318)
Capital reserve for translation differentials	(254)	-	(1,078)
Group's share of other comprehensive income of an equity accounted investee	(4,799)	-	(10,433)
Other comprehensive income for the period, net of tax	(4,886)	-	(20,829)
Comprehensive income for the period	69,705	2,093	(130,037)
Earnings (loss) per share			
Net basic and diluted earnings (losses) per ordinary share (in USD)	0.037	0.001	(0.055)

(*) Reclassified

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					
	31.3.09	31.3.08	31.3.09	31.3.08	31.3.09	31.3.08	31.3.09	31.3.08	31.3.09	31.3.08	31.3.09	31.3.08
	Three months ended											
Revenue	784	1,562	58	79	84	108	58	137	-	-	984	1,886
Inter-company operations	86	186	-	-	-	-	9	12	(95)	(198)	-	-
Total sales	870	1,748	58	79	84	108	67	149	(95)	(198)	984	1,886
Cost of sales	778	1,717	57	77	50	34	(3)	16	-	-	882	1,844
Inter-company operations	9	12	-	-	27	68	58	117	(94)	(197)	-	-
Total cost of sales	787	1,729	57	77	77	102	55	133	(94)	(197)	882	1,844
Gross profit (loss)	83	19	1	2	7	6	12	16	(1)	(1)	102	42
Selling, general and administrative expenses	11	14	1	-	4	5	6	7	-	-	22	26
Inter-company operations	-	-	-	-	1	1	-	-	(1)	(1)	-	-
Operating profit	72	5	-	2	2	-	6	9	-	-	80	16
Financing income (expenses)											14	(17)
Share in the profit (loss) of investees											5	(5)
Profit (loss) before taxes on income											99	(6)
Tax benefits (income tax)											(24)	8
Net profit											75	2