



OIL REFINERIES ANNOUNCES FINANCIAL RESULTS FOR THIRD QUARTER 2008

- Break-even third quarter with 24% increase in EBITDA YoY –
- Net income of \$73.5 in 9 months 2008-
- Improvement in all operating parameters and net refining margin –
- Lower net income in Q3 due to sharp decrease in fuel prices –
- Board of Directors declares NIS 200 million dividend -

Haifa, Israel, November 24, 2008 - Oil Refineries Ltd. (TASE: ORL.TA) ("Oil Refineries" or the "Company") announced today its financial results for three and nine month periods ending September 30, 2008.

THIRD QUARTER HIGHLIGHTS (Compared to third quarter 2007)

- 38% increase in consolidated operating profit to \$54 million, compared to \$39 million in the third quarter last year
- 24% increase in consolidated EBITDA to \$72 million; compared to \$58 million in the third quarter last year
- Net refining margin USD/bbl 8.1, compared to USD/bbl 4.1 in third quarter last year
- Company reported margin 21% higher than average Reuters' quoted Mediterranean Ural Cracking Margin for the third quarter 2008 of USD/bbl 6.7
- On October 12, 2008 the Board of Directors approved the \$670 million investment in establishing a 25k bpd capacity Hydro-cracker to be operational during 2011

THIRD QUARTER 2008

Refining margin for the third quarter 2008, net of the IFRS recording method for derivative transactions, inventory gains and timing differences between purchase and sale, totaled USD/bbl 8.1, compared to USD/bbl 4.1 in the third quarter 2007. The average Mediterranean Ural Cracking Margin quoted by Reuters for third quarter 2008 totaled USD/bbl 6.7.

Consolidated EBITDA for the third quarter 2008 totaled \$72 million, a 24% increase compared to \$58 million in the third quarter 2007.

Processing capacity for the quarter (in tons) increased by 13% year-over-year reaching 2,098 thousand tons. **Utilization rate** for the quarter totaled 93%, compared to 82% in the comparable period last year. The higher utilization rate is primarily due to the substantial improvement in the operating focus resulting from the adopted organizational changes, as well as the Company's flexibility in choosing raw materials in the changing market environment and increased operating availability.

Consolidated Operating Profit for the third quarter 2008 totaled \$54 million, a 38% increase compared to \$39 million in the third quarter 2007. Operating profit from the **Refining and Trade Segment** totaled \$42 million in the third quarter 2008, a 175% increase compared to \$24 million in the third quarter 2007. Operating profit includes the loss on the decline in inventory value net of approximately \$43 million net of hedging income. This reflects the Company's exposure to the changes in its inventory value, under which the Company does not hedge basic operating inventory of 600 thousand tons.

Operating profit from the **Petrochemicals Segment** totaled \$11 million in the third quarter 2008, compared to \$15 million in the third quarter 2007. The Petrochemicals Segment includes the results of the **Polymers Section** and the **Aromatics Section**. The **Polymers Section** generated an operating profit of \$7 million in the third quarter 2008, compared to \$6 million in the third quarter 2007. The higher operating profit follows an increase in quantities sold as well as other income, offset partially offset by a decline in the product margins. Operating profit of the **Aromatics Section** in the third quarter 2008 totaled \$4 million, compared to \$9 million generated in the third quarter 2007. The decline in the section's operating profit primarily follows an increase in production expenses as well as a decline in margins and quantities sold.

Finance expenses for the third quarter totaled \$51 million, compared to \$20 million in the comparable period last year. The increase in finance expense primarily follows the increase in the cost of short term credit mainly resulting from an increase in the company's debt level, following the increase in working capital resulting from the increase in global fuel prices, compared to last year. This was partially offset by the impact of the decline in interest rates during the quarter.

Consolidated net income for the third quarter was break even, compared to a \$18 million net income in the third quarter 2007, primarily due to the increase in the operating income, explained above, offset by an increase in finance expenses.

NINE MONTHS 2008

Refining margin for the nine months 2008, net of the IFRS recording method for derivative transactions, inventory gains and timing differences between the purchase and sale, totaled USD/bbl 5.7, compared to USD/bbl 7.0 in the nine months 2007. The Mediterranean Ural Cracking Margin average, quoted by Reuters, for the period totaled USD/bbl 5.6.

Consolidated EBITDA for the nine months 2008 totaled \$208 million, compared to \$258 million in the comparable period last year.

Consolidated Operating Profit for the nine months 2008 totaled \$165 million, compared to \$200 million in the comparable period last year.

Operating profit from the **Refining and Trade Segment** totaled \$127 million in the nine months 2008, compared to \$159 million last year. The operating profit from the Refining and Trade segment was impacted by a \$91 million decline in the refining margins, partially offset by a decline in losses on derivative transactions as well as an increase in volumes sold.

Operating profit from the **Petrochemicals Segment** totaled \$39 million in the nine months 2008, compared to \$45 million in the comparable period last year. The Petrochemicals Segment includes the results of the **Polymers Section** and the **Aromatics Section**. The **Polymers Section** generated an operating profit of \$15 million in the nine months 2008, compared to \$20 million in the comparable period last year. The decline in the operating profit of the Polymers' section primarily follows a decline in the margins of the product slate, partially offset by an increase in volumes sold. Operating profit of the **Aromatics Section** in the nine months 2008 totaled \$24 million, compared to \$25 million in the comparable period last year. The decline in the operating profit of the Aromatics' Section is primarily the result of higher manufacturing costs, mainly energy.

Consolidated net income for the nine months totaled \$73 million, compared to \$124 million in the comparable period last year.

On October 12, 2008, the Company's Board of Directors approved the establishment of a hydro-cracking unit ("Unit") at the Haifa refinery, for a total investment of \$670 million. Upon activation, the Hydro-Cracker will mitigate the margin fluctuations by substantially increasing the refineries complexity and flexibility, hence enabling us to produce higher added-value products with each barrel of oil.

Mr. Yashar Ben-Mordechai, Oil Refineries' CEO said "Oil Refineries is investing substantial efforts in order to both adapt to the changing market environment and to increase its utilization rates. We seek to manufacture high value-added products, such as jet fuel and diesel oil, while adapting the raw materials slate to evolving market demands. During the third quarter we refined 13% more than the third quarter last year, primarily due to our units' high utilization rates. It is important to note that as of December both the European and Israeli markets are transitioning to the Euro 5 standard transportation fuel. As Oil Refineries' is already compliant and ready for manufacturing under this new standard, we expect to start seeing a positive impact on our margins already in the fourth quarter this year".

Mr. Ben-Mordechai, commenting on the decline in net income this quarter, added, "This quarter our operating income increased 'only' by \$42 million, despite the increase in the refining margin to the level of \$8.1 per barrel. This is primarily the result of the substantial decline in fuel prices. As published in the past, we do not hedge our basic operating inventory of 600,000 ton, and the change in the inventory values is of a non-cash nature. We currently estimate the ongoing decline in fuel prices, since the beginning of the fourth quarter, to have an exercised impact on the value of the inventory that was being held by the company on September 30, 2008, by approximately \$74 million."

Mr. Ben-Mordechai, continued "Maalot recently downgraded our debenture credit rating. We believe that this downgrade did not take into account the substantiated claims presented by the Company with respect to the developments and actions taken, substantially reducing the Company's risk. It is important to note that the majority of the debenture

repayments start from 2012 onwards, during which time the Company expects to generate large cash inflows on these investments. We operate in a long-term industry and have taken long term actions which will, over time, contribute to increased profitability, while mitigating risks."

During the preparation of the strategic plan, Oil Refineries reviewed its measures in detail. This plan highlights the Company's core strengths, namely: its human resources, among the highest in terms of technological aptitude worldwide, integration of the petrochemical and refining industries, excellent strategic location with very good accessibility to a wide selection of crude oils, close proximity to growing markets, and strong modern infrastructure in its main Haifa facility.

Mr. Yossi Rosen, Oil Refineries' Chairman of the Board noted, "The Company's Board of Directors recently approved the decision to invest in establishing a Hydro-Cracker. We believe that this decision serves as a clear vote of confidence by our controlling shareholders, in the Company's ability to undertake and finance the project, and this, given the long term vision and strong belief in the success of the project. The project's completion will contribute to the employment in the region, and to the country as a whole. This decision to establish a Hydro-Cracker is one of the focal points of Oil Refineries' strategic plan. The Unit is expected to substantially contribute to the Company's profitability and serve as a driving force, as part of the planned expansion and core-business enhancement process. The Hydro-Cracker will be built to meet the most stringent environmental protection standards serves as an additional stage in the strategic plan aimed at protecting the environment by enabling the Company to manufacture cleaner and more environmentally-friendly products".

Mr. Rosen added, "The current global economic uncertainty requires the Company to make a detailed review of all investments, however, to date, the Company's business has not been affected, save for a decline in the price of oil and products."

Mr. Rosen commented on Oil Refineries' agreement to acquire the 50% balance in shares of Carmel Olefins noting that the transaction is currently waiting for final regulatory approvals and, primarily, a solution to the Petroleum Chemical Holdings' Control Permit.

Mr. Rosen concluded that the Company's Board of Directors has decided to distribute a NIS200 million dividend (the "Dividend"), from the Company's distributable retained earnings as of September 30, 2008. The determining date for the Dividend payment will be December 1, 2008, and the payment date for the Dividend will be December 16, 2008. Following the implementation of the agreement dated June 24, 2008, between the Company and Israel Petrochemical Enterprises, for the acquisition of the balance of shares in Carmel Olefins, the said dividend will be counted as part of the 'First Dividend' as defined in the said agreement.

CONFERENCE CALL

The Company will also be hosting a conference call later today at 10:00am ET. On the call, management will present a **presentation** reviewing the third quarter 2008 highlights and industry trends. The presentation can be downloaded from the Company's website www.ori.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: 1-888-668-9141

UK Dial-in Number: 0-800-032-3367

Israel Dial-in Number: 03-918-06587

International Dial-in Number: +972-3-918-0687

at: 10:00am Eastern 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.ori.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.ori.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.

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

	For the nine months ended		For the three months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2008
	in USD millions			
Revenues				
Refining	6,397	3,504	2,496	1,232
Trade	369	-	58	-
Polymers	383	233	142	83
Aromatics	474	392	164	146
Cancellation of inter-company transactions	(642)	(461)	(235)	(172)
Total	<u>6,981</u>	<u>3,668</u>	<u>2,625</u>	<u>1,289</u>
Cost of sales, refinery and services				
Refining	6,227	3,281	2,442	1,197
Trade	360	-	53	-
Polymers	362	199	129	71
Aromatics	429	346	154	130
Cancellation of inter-company transactions	(638)	(458)	(235)	(171)
Total	<u>6,740</u>	<u>3,368</u>	<u>2,543</u>	<u>1,227</u>
Gross profit				
Refining	170	223	54	35
Trade	9	-	5	-
Polymers	21	34	13	12
Aromatics	45	46	10	16
Cancellation of inter-company transactions	(4)	(3)	-	(1)
Total	<u>241</u>	<u>300</u>	<u>82</u>	<u>62</u>
Selling, general and administrative expenses				
Refining	51	41	61	11
Trade	1	-	1	-
Polymers	21	14	7	6
Aromatics	21	19	6	7
Cancellation of inter-company transactions	(3)	(2)	(1)	(1)
Total	<u>91</u>	<u>72</u>	<u>29</u>	<u>23</u>
Other (income) expenses				
Refining	-	23	-	-
Polymers	(15)	-	(1)	-
Aromatics	-	2	-	-
Cancellation of inter-company transactions	-	3	-	-
Total	<u>(15)</u>	<u>28</u>	<u>(1)</u>	<u>-</u>

	For the nine months ended		For the three months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2008
	in USD millions			
Operating income				
Refining	119	159	38	24
Trade	8	-	4	-
Polymers	15	20	7	6
Aromatics	24	25	4	9
Cancellation of inter-company transactions	(1)	(4)	1	-
Total	<u>165</u>	<u>200</u>	<u>54</u>	<u>39</u>
Financing expenses, net	(89)	(43)	(51)	(21)
Profit before taxes on income	<u>76</u>	<u>157</u>	<u>3</u>	<u>18</u>
Income tax	(3)	(34)	1	6
	<u>73</u>	<u>123</u>	<u>4</u>	<u>24</u>
Company's share in earnings of investees	-	1	(4)	(6)
	<u>-</u>	<u>1</u>	<u>(4)</u>	<u>(6)</u>
Net income for the period	<u>73</u>	<u>124</u>	<u>-</u>	<u>18</u>

Oil Refineries Ltd.

Consolidated Balance Sheet

In thousand US Dollars

	September 30, 2008	September 30, 2007	December 31, 2007
	<u>(Unaudited)</u>		<u>(Audited)</u>
Assets			
Cash and cash equivalents	26,333	19,523	259,325
Derivatives at fair value through profit and loss	3,106	4,485	6,513
Investment in other financial assets at fair value through profit and loss.	131,320	106,917	113,035
Trade receivables	517,815	396,693	394,470
Receivables and debit balances	121,868	75,508	84,029
Income tax	30,129	1,526	10,153
Inventory	1,150,429	770,893	1,042,545
Total current assets	<u>1,981,000</u>	<u>1,375,545</u>	<u>1,910,070</u>
Investments and long-term loans			
Investments in investees accounted by the equity method	40,197	54,026	53,958
Loan to Haifa Early Pensions Ltd.	93,864	75,670	80,038
Long term loans and debit balances	4,885	2,021	3,631
Derivatives at fair value through profit and loss	103,706	-	2,571
Employee benefit plan assets	6,689	6,681	7,519
	<u>249,341</u>	<u>138,398</u>	<u>147,717</u>
Fixed assets, net	1,066,178	972,218	978,412
Intangible assets and deferred expenses, net	<u>24,816</u>	<u>22,418</u>	<u>22,924</u>
Total non-current assets	<u>1,340,335</u>	<u>1,133,034</u>	<u>1,149,053</u>
Total assets	<u>3,321,335</u>	<u>2,508,579</u>	<u>3,059,123</u>

The notes to the financial statements are an integral part of the financial statements.

Oil Refineries Ltd.

Consolidated Balance Sheet (cont.)

In thousand US Dollars

	September 30, 2008	September 30, 2007	December 31, 2007
	<u>(Unaudited)</u>		<u>(Audited)</u>
Current liabilities			
Credit from banking institutions and other credit providers	387,307	278,650	216,021
Trade payables	536,240	372,706	561,232
Other payables	159,035	65,282	92,253
Derivatives at fair value through profit and loss	3,398	4,013	-
Provisions	30,994	16,523	19,950
Total current liabilities	<u>1,116,974</u>	<u>737,174</u>	<u>889,456</u>
Non-current liabilities			
Debentures	817,816	242,726	717,302
Bank loans	381,265	482,293	452,154
Derivatives in fair value through profit and loss	732	-	-
Deferred taxes	125,600	119,249	125,287
Liabilities for financing lease	9,452	7,273	7,763
Other long-term liabilities	8,964	-	-
Employee benefits	71,880	73,509	67,358
Total non-current liabilities	<u>1,415,709</u>	<u>925,050</u>	<u>1,369,864</u>
Total liabilities	<u>2,532,683</u>	<u>1,662,224</u>	<u>2,259,320</u>
Shareholders' equity			
Share capital	472,478	472,478	472,478
Capital reserves	21,015	28,501	29,036
Retained earnings	295,159	345,376	298,289
Total equity attributed to equity holders of the Company	<u>788,652</u>	<u>846,355</u>	<u>799,803</u>
Total liabilities and capital	<u>3,321,335</u>	<u>2,508,579</u>	<u>3,059,123</u>

Oil Refineries Ltd.

Consolidated Profit and Loss Statements

In thousand US Dollars

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2008	2007	2008	2007	2007
	(Unaudited)		(Unaudited)		(Audited)
Revenues	6,981,424	3,667,916	2,624,665	1,288,632	5,236,945
Cost of sales, refinery and services	6,738,068	3,346,340	2,574,325	1,192,300	4,805,066
Revaluation of open positions in derivatives on prices of goods and margins, net	2,087	21,135	(31,456)	33,557	20,156
Total cost of revenues	6,740,155	3,367,475	2,542,869	1,225,857	4,825,222
Gross profit	241,269	300,441	81,796	62,775	411,723
Selling expenses	32,215	24,138	11,029	9,086	33,518
General and administrative expenses	58,610	47,748	17,959	14,238	68,027
Reduction of negative goodwill created upon acquisition (*)	(14,535)	-	(692)	-	-
Privatization grant	-	28,360	-	-	28,360
Operating profit	164,979	200,195	53,500	39,451	281,818
Financing income	67,953	34,123	15,579	16,004	34,625
Financing expenses	(157,096)	(76,484)	(67,144)	(36,762)	(136,750)
Company's share in gains (losses) of investees (net of tax)	437	857	(3,289)	(6,268)	6,913
Income (loss) before taxes on income	76,273	158,691	(1,354)	12,425	186,606
Tax benefits (taxes on income)	(2,754)	(34,237)	1,396	5,629	(44,937)
Net Income for the period	73,519	124,454	42	18,054	141,669
Earnings per ordinary share					
Net basic and diluted earnings per ordinary share (in USD)	0.037	0.053	0.036	0.048	0.071

The notes to the financial statements are an integral part of the financial statements.