



OIL REFINERIES ANNOUNCES FINANCIAL RESULTS FOR FULL YEAR 2008

- Consolidated reported loss totalled \$109 million, resulting from the extreme volatility in oil prices
- Refining sector adjusted EBITDAⁱ reached \$180 million, compared to \$162 million in 2007
- Adjusted refining margin 5.7 \$/bbl, compared to 5.5 \$/bbl Reuters' quoted Mediterranean Ural Cracking Margin benchmark
- Refined quantity increased 6% yoy; Utilization reached record levels of 92%, compared to 86% in 2007
- Trade sector contributed \$13 million to gross profit during first year of operation
- Working capital requirements down by \$317 million compared with the beginning of 2008, following decline in oil and product prices
- Board decided to not pay 2008 bonuses to management and employees; this is due to the reported results, despite improvement in operating performance and majority of defined milestones being met.

Haifa, Israel, March 30, 2009 - Oil Refineries Ltd. (TASE: ORL.TA) ("Oil Refineries" or the "Company") announced today its financial results for three and twelve month periods ending December 31, 2008. Results reported in US Dollars and under International Financial Reporting Standards (IFRS).

FULL YEAR HIGHLIGHTS (Compared to 2007)

- Adjusted refining margin of USD/bbl 5.7, compared to the average Reuters' quoted Mediterranean Ural Cracking Margin for 2008 of USD/bbl 5.5. Adjusted margin for 2007 totaled USD/bbl 6.1
- Adjusted EBITDA for the refining sector totaled \$180 million, compared to \$162 million in 2007
- Cash flow generated from operating activities totaled \$223 million for the year
- EBITDA for the trade sector, established in the first quarter 2008, totaled \$11 million in its first year of activity.

During 2008, crude oil and product prices were highly volatile. During the year, the price of crude oil declined from \$96 per barrel at the end of the fourth quarter 2007 to \$36.5 per barrel at the end of 2008. The majority of the decline was in the fourth quarter, which started the quarter at \$94 per barrel. The Company maintains a basic un-hedged inventory of 600,000 tons of crude oil, and this based on Company policy. The change in the value of this inventory does not draw a cash flow impact on the Company.

Since the end of 2008, oil prices have risen 37%, with the oil reaching \$50 per ton. Subsequently, the Company expects to record an \$85 million gain resulting from the reversal of part of the decline in inventory value recorded in 2008.

The Company, similar as the majority of global refiners and marketers of oil and its products, does not hedge its basic inventory. The impact of changes in the value of this inventory, is not of a cash flow nature, and therefore the following results are also adjusted to net out these impacted, 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.

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

The decline in oil and its products prices bore a substantial positive contribution to the Company's working capital requirements, such that by the end of 2008, working capital requirements declined by \$317 million, compared to the beginning of the year. This decrease in working capital requirements grants the company additional flexibility in utilizing its available resources, as well as reducing financing costs.

FULL YEAR 2008 RESULTS

Adjusted refining margin for the year totaled USD/bbl 5.7 (USD/ton 41), compared to the average Mediterranean Ural Cracking Margin quoted by Reuters for 2008 of USD/bbl 6.7. Adjusted refining margin for 2007 totaled USD/bbl 6.1 (USD/ton 44.2).

Refining and Trade sector annual adjusted EBITDAⁱ reached \$191 million in 2008, compared to \$162 million in 2007.

Revenues for the year reached \$8,258 million, compared to \$5,234 million last year. Despite the decline in local demand for refined produce, the Company continued to increase sale volumes and market share.

Refined capacity for the year (in tons) increased by 6% reaching 8,245 thousand tons. **Utilization rate** for the year totaled 92%, compared to 86% last year.

Consolidated reported EBITDA for 2008 totaled \$76 million, compared to \$354 million in 2007.

Tax income for the year totaled \$110 million dollars in 2008, compared to a tax expense of \$45 million dollars last year. The move to a tax income in 2008 primarily follows the receipt of tax benefit for previous years to the amount of \$44 million, resulting from the Company receiving initial 'approved factory' status, as well as lower profits.

Consolidated net loss for the year totaled \$109 million, compared to a net income of \$142 million in 2007, primarily from the write off of un-hedged inventory, resulting from price volatility.

FOURTH QUARTER 2008

Adjusted refining margin for the quarter totaled USD/bbl 5.5 (USD/ton 40.3), compared to the average Mediterranean Ural Cracking Margin quoted by Reuters for the quarter of USD/bbl 5.3 (38.7 USD/ton). Adjusted refining margin for the fourth quarter 2007 totaled USD/bbl 3.6 (USD/ton 26.1)

Refining sector fourth quarter adjusted EBITDAⁱ reached \$53 million, compared to \$6 million in the fourth quarter 2007. The trade sector contributed a further \$3 million to the EBITDA.

Consolidated reported EBITDA for the fourth quarter 2008 totaled a loss of \$299 million, compared to an income of \$97 million in 2007.

Consolidated net loss for the fourth quarter 2008 totaled \$182 million, compared to a quarterly net income of \$18 million in the fourth quarter 2007, primarily from the write off of un-hedged inventory and decline in prices.

Mr. Yashar Ben Mordechai, CEO of Oil Refineries commented: "The decline in crude oil prices over the past year impacted the Company's basic inventory which, from a responsible and long term perspective, is not hedged, similar as the majority of the world's refining and fuel marketing companies, drawing substantial non-cash inventory losses in the financial statements. With a business and operative view, the Company continues to increase its market share while increasing product quantities sold, despite the decline in overall consumption. The implementation of the new organizational structure, enabled the Company to increase focus on its main segments of activity, drawing an increase in utilization levels to 92%, a new Company record. The Company continues to develop its new international trade sector, incorporating logistic mediums such as naval transport and storage. The expanding trade activities contribute to higher profitability, substantially enhancing the

manufacturing facilities' optimization, while increasing the Company's sales in both Israel and overseas. As part of the Company's plan for 2009, ORL announced a series of efficiency measures in a wide variety of areas including manufacturing, logistics, purchasing and outsourced projects. As part of these measures, the Company's management team took a 10% salary cut in 2009 salaries, and a substantial number of outsourced projects were transferred back under the responsibility of Company employees."

Mr. Ben Mordechai added that, "The Company reviewed its steps in detail when it compiled its strategic plan, taking into account both its strengths, namely: the high technological level of its workforce, among the highest in the world, the integration of the petrochemical industries with the refining, its excellent strategic location with good access to a wide variety of crudes as well as to fast growing markets, in addition to its advanced infrastructure at its central Haifa facility. We continue to strengthen the Company's core businesses through continued focus and investment prioritization, as well as improving the facilities' efficiency and effectiveness, measures which are already bearing fruits as visible in the increased utilization rates and refining capacities."

Mr. Yossi Rosen, Chairman of the Board of Oil Refineries added: "ORL is responding, and swiftly adapting itself, to the changing economic environment both globally and in Israel, and continues to implement efficiency measures, freeing up resources, and laying the foundations for long term growth. The Board's decision to continue to invest in strengthening the Company's core assets serves as a vote of confidence, on the part of the shareholders, in both the Company and its management's capabilities. We continue to move to implement the hydrocracker project and believe that especially in times of global economic crisis, there is the opportunity to undertake the project at substantially lower costs. This is, without a doubt, a project of national importance which will supply work for thousands of employees in the coming years. We hope that the government will act, as part of the expected new economic scheme, to encourage such projects"

Mr. Rosen added that: "Even though we have not yet undertaken the merger with Carmel Olefins, the two companies are actively working together to leverage the inherent synergies, and this, until the conditions for a full merger occur."

CONFERENCE CALL

The Company will also be hosting a conference call later today at 8:30am EDT. On the call, management will present a **presentation** reviewing the fourth quarter and full year 2008 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: 8:30am Eastern Daylight Time, 5:30am Pacific Time; 1:30pm UK, 3:30pm 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.

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

	Refining		Trade		Petrochemicals				Adjustments to consolidated		Consolidated	
					Polymers		Aromatics					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Year ended December 31												
Revenue	6,913	4,416	383	-	475	342	487	476	-	-	8,258	5,234
Inter-company operations	707	594	-	-	-	-	57	45	(764)	(639)	-	-
Total sales	7,620	5,010	383	-	475	342	544	521	(764)	(639)	8,258	5,234
Cost of sales	7,629	4,665	370	-	256	100	61	65	-	-	8,316	4,830
Inter-company operations	57	45	-	-	255	194	449	394	(761)	(633)	-	-
Total cost of sales	7,686	4,710	370	-	511	294	510	459	(761)	(633)	8,316	4,830
Gross profit (loss)	(66)	300	13	-	(36)	48	34	62	(3)	(6)	(58)	404
Selling, general and administrative expenses	54	54	2	-	30	19	26	25	(4)	(4)	108	94
Other (income) expenses	-	23	-	-	(14)	3	-	2	-	-	(14)	28
Operating profit (loss)	(120)	223	11	-	(52)	26	8	35	1	(2)	(152)	282
Financing income (expenses)											(61)	(102)
Share in the profit (loss) of investees											(3)	7
Profit (loss) before taxes on income											(216)	187
Tax benefits (income tax)											107	(45)
Net profit (loss)											(109)	142

Oil Refineries Ltd.
Consolidated Balance Sheet

In thousand US Dollars

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	14,840	259,325
Short-term deposit	25,000	-
Derivatives at fair value through profit or loss	15,374	6,513
Investments in other financial assets at fair value through profit or loss	101,509	113,035
Trade receivables	253,215	394,470
Other receivables	82,642	76,381
Inventory	569,407	1,042,545
Current tax assets	42,047	10,153
Total current assets	<u>1,104,034</u>	<u>1,902,422</u>
Investments in investee companies accounted by the equity method	36,005	53,958
Loan to Haifa Early Pensions Ltd.	84,740	80,038
Long term loans and debit balances	2,606	2,026
Derivatives at fair value through profit or loss	64,369	4,176
Employee benefit plan assets	5,007	7,519
Property, plant and equipment	1,083,446	978,722
Intangible assets and deferred expenses, net	<u>25,170</u>	<u>22,614</u>
Total non-current assets	<u>1,301,343</u>	<u>1,149,053</u>
Total assets	<u><u>2,405,377</u></u>	<u><u>3,051,475</u></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

	<u>2008</u>	<u>2007</u>
Current liabilities		
Bank overdrafts	28,973	948
Loans and credit	351,366	215,073
Trade payables	270,594	559,695
Other payables	70,056	88,820
Derivatives at fair value through profit or loss	1,853	1,595
Provisions	12,949	15,677
Total current liabilities	<u>735,791</u>	<u>881,808</u>
Non-current liabilities		
Debentures	726,554	717,302
Bank loans	233,749	452,154
Liabilities for finance lease	8,448	7,763
Other long-term liabilities	7,394	-
Derivatives at fair value through profit or loss	6,900	-
Employee benefits	68,845	67,358
Liabilities for deferred taxes	65,827	125,287
Total non-current liabilities	<u>1,117,717</u>	<u>1,369,864</u>
Total liabilities	<u>1,853,508</u>	<u>2,251,672</u>
Shareholders' equity		
Share capital	472,478	472,478
Capital reserves	20,953	29,036
Retained earnings	58,438	298,289
Total equity attributed to equity holders of the Company	<u>551,869</u>	<u>799,803</u>
Total liabilities and capital	<u><u>2,405,377</u></u>	<u><u>3,051,475</u></u>

Oil Refineries Ltd.**Consolidated Profit and Loss Statements**

In thousand US Dollars

	<u>2008</u>	<u>2007</u>
Revenue	8,257,458	5,234,483
Cost of sales, refinery and services	8,324,149	4,816,511
Revaluation of open positions in derivatives on prices of goods and margins, net	<u>(7,465)</u>	<u>13,626</u>
Total cost of sales	8,316,684	4,830,137
Gross profit (loss)	(59,226)	404,346
Selling expenses	40,582	35,010
General and administrative expenses	67,061	59,360
Reduction of negative goodwill created upon acquisition	(14,535)	-
Privatization grant	<u>-</u>	<u>28,360</u>
Operating profit (loss)	(152,334)	281,616
Financing revenue	64,979	(12,361)
Financing expenses	<u>(126,034)</u>	<u>(114,284)</u>
Financing expenses, net	(61,055)	(101,923)
Company's share in profits (losses) of investees (net of tax)	<u>(3,111)</u>	<u>6,913</u>
Profit (loss) before taxes on income	<u>(216,500)</u>	<u>186,606</u>
Tax benefits (taxes on income)	<u>107,292</u>	<u>(44,937)</u>
Net profit (loss) for the year	<u>(109,208)</u>	<u>141,669</u>
Earnings (loss) per share		
Net basic and diluted earnings (losses) per ordinary share (in USD)	<u>(0.055)</u>	<u>0.071</u>

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