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**FOR IMMEDIATE RELEASE**

## HYDROCRACKER PROJECT & CAOL MERGER KICKED OFF

OIL REFINERIES SECURES \$900 MILLION MULTI-YEAR FINANCING PLAN

- *Financing Plan Intended for Strategic Plan Implementation, including Establishment of \$500 million Hydrocracker*
- *\$600 million of the Financing Plan Derived from Syndicate of Local Banks, Led by Bank Hapoalim*

**Haifa, Israel, February 7, 2010** – Oil Refineries (TASE: ORL.TA) (“ORL” or the “Company”), announced today that it secured a \$900 million financing framework in order to continue to implement the Company’s strategic plan, as well as to service its other capital needs for four years. As part of the financing framework the Company signed an agreement of principles to receive \$600 million dollars in financing from a syndicate of local banks, led by Bank Hapoalim. Additionally, the US Congress has approved a \$300 million backing from Ex-Im Bank, designated for the financing of equipment to be purchased outside of Israel. Furthermore, the Company announced that it has completed all the necessary preparations to merge the activities of Carmel Olefins Ltd. (“CAOL”), defining a new management structure.

The financing plan was approved by the Company’s Board of Directors in order to service all of the Company’s capital needs for four years, which is primarily comprised of the execution of the Hydrocracker project at an estimated investment of approximately \$500 million as well as refinancing the Company’s debt during this period.

**Yossi Rosen, Chairman of Oil Refineries:** “This is the largest investment plan being undertaken in Israel this year, strengthening not only the company, but the whole Israeli economy. Oil Refineries is one of the few companies in Israel that has the ability and financial strength to undertake projects of such magnitude. The financing of these investments was approved by experienced bodies which examined the Company as well as its long term, growth-driven, strategic plans. This approved financing plan enjoy full backing of ORL’s major shareholders, the Israel Corporation

and Israel Petrochemical Enterprises, and is intended to ensure all the Company's needs for four years, alleviating any additional capital raising. Once we complete the merger activities we will be able to fully leverage the inherent synergies between the companies in all areas of energy, feedstock and organization. This step will significantly contribute to the Company's business results already this year and gain speed in the coming years, once we complete construction of the Hydrocracker and the natural gas pipeline reaches ORL".

Rosen also added: "The Company's expected transition to natural gas is an important step in the Company's strategic plan and the Board of Directors decision to approve the financing plan, in order to enable the construction of the Hydrocracker. Oil Refineries is currently well positioned to receive the natural gas after investing 45 million dollars in preparations. We thank the Prime Minister and the Director General of his office for their involvement in order to overcome the delays in connecting the gas pipeline to Haifa Bay".

**Yashar Ben Mordechai, CEO of Oil Refineries:** "The recovery of the global economy will be a key factor in driving increasing demand. ORL is preparing itself to maximize on this opportunity. The consolidation of the plants within the premises will further strengthen our standing and give us a leading and competitive position in the Mediterranean Basin. The unique combination of the fuel industry together with the aromatic and polymer industries will enable ORL to leverage the inherent synergies by optimizing operations and long term investment planning for all the plants.

**Ben Mordechai** added: "The plan to establish a 25kbpd Hydrocracker is a focal point in the Company's growth oriented strategic plan, with a view to increasing the Company's flexibility, refining capacity and efficiency. Throughout a changing market, it has been proven that the more complex and flexible refineries are those that succeeded in capitalizing on these fluctuations. This project is expected to improve ORL's competitive standing in the Mediterranean fuel markets and will undoubtedly contribute considerably to strengthening Israel's economy as a whole, and the Haifa Bay area in particular.

The Hydrocracker, due to be built at the Haifa refinery for an estimated \$500 million investment, will produce mainly diesel and jet fuel. It is expected to be operational in the first half of 2012. The Hydrocracker will enable, upon operation, the production of more distillates with a higher added-value from every barrel of oil as well as increasing the refineries' flexibility in choosing the raw materials and product mix, meeting changing market conditions.

Once established, the Hydrocracker is expected to increase the Company's Nelson Complexity Index (NCI), currently 7.4, to over 9. The meaning of this increase is the ability to produce higher added-value from every barrel of oil.

CAOL, Gadiv and Haifa Basic Oils Ltd. ("HBO") are adjacent to the Company's refineries in the Haifa Bay and serve as downstream plants for the refineries. The vast majority of the raw materials to these plants are supplied to them by ORL. Concurrently, the byproducts created during production in the plants are returned to ORL or passed to each other. Furthermore, the investment planning for the Oil Refineries, CAOL and Gadiv plants will be done in such a way that will maximize

utilization of all their systems. In addition, it will be possible to achieve operational efficiency and effectiveness by leveraging economies of scale. The appointments of Mr. Charles Scheffer who will fill the role of Executive Vice President of Special Projects and Mr. Charles Liran who will fill the role of Vice President of Business Development and Supply Chain, as well as the completion of the arrangements with the employees' representatives, with a joint view to realize the merger and the continued growth of the Company and its employees, will ensure the successful launching of the merger activities.

The annual sales turnover of the combined companies is expected to increase, (based on data for the third quarter of 2009) to a level of \$6.3 billion a year (Refining and Trade approx. \$4.9 billion, CAOL approx. \$0.9 billion, Gadiv approx. \$0.4 billion and HBO approx. \$50 million).

### **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 9.8 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. Oil Refineries' major shareholders are the Israel Corporation and Israel Petrochemical Enterprises, both public companies listed on the Tel Aviv Stock Exchange. The Company's shares are listed on the Tel Aviv Stock Exchange under the ticker ORL. For additional information please visit [www.orl.co.il](http://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. The above credit issuance is subject to the finalization and signing of the loan issuance documents and the completion of the process with Ex-Im bank.*