

# Oil Refineries Ltd.

## Strategic Plan

*November, 2007*

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# Agenda

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- Background
- Oil Refineries Under New Control
- Vision
- Strategic Plan
- Implementation of Strategic Plan

# Background

*Provides exposure to the attractive East Mediterranean refining market and to an integrated petrochemical business*

**TASE: ORL; Mkt. Cap. NIS 6.4 billion** (\$1.6 billion, Nov. 1 '07)

## Refining

*EBITDA 1H07 – NIS 671 mm;  
79% of Consolidated EBITDA*



### Haifa Refinery (100% ORL)

- One of the largest (180,000 bbl/d) and most complex refineries (7.4 Nelson Complexity) in the East Mediterranean region
- Access to crude supply and to attractive markets

## Petrochemicals

*EBITDA 1H07 – NIS 184 mm;  
21% of Consolidated EBITDA*

- Integration of refinery with petrochemicals allows optimization across refined product and petrochemical slates, increasing aggregate margins and reducing overall earnings volatility

### Gadiv Petrochemical (100%)

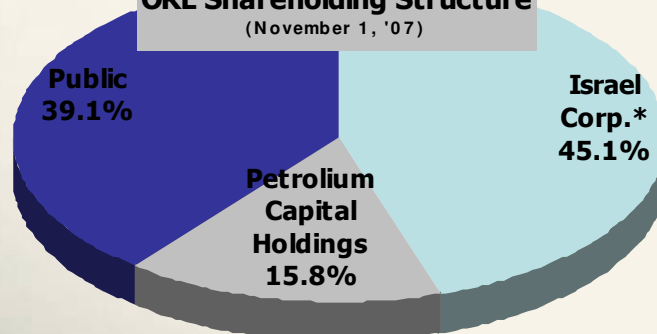
- Produces raw materials in chemical and plastic industries

### Carmel Olefins (50%)

- 2 main products: Polyethylene and Polypropylene, sold to manufacturers of plastic goods

*In addition, Company invested in other associated companies primarily in the area of biochemical products and services to the oil industry*

**ORL Shareholding Structure**  
(November 1, '07)



# ORL under New Control

*Dynamic, Growing Company, in Israel and Abroad*

- Dynamic and initiative Board of Directors
- Corporate Governance based on Goshen Committee and high Capital Market transparency
- Professional Management
- Leverage Company's inherent professional, management and knowledge potential
- Aggressive investment plan in excess of \$1 billion
- Invest in the environment and promoting the environment as a goal
- Active in a competitive, customer-facing market – meeting customers changing needs
- Company-wide efficiency measures, based on current infrastructure
- Implement detailed environmental, safety, anti-trust, corporate law and securities' enforcement plans
- Community responsibility

# Vision

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- To be a leading company in all areas of energy and petrochemicals in Israel, the region and worldwide
- To be a 'greener' and more environmentally friendly Company, through investments, activities and education
- To be efficient, profitable, growing and generating return to shareholders
- To be prepared to implement an aggressive investment and growth strategy

# Strategic Plan

## Enhancing Core Strengths

- Refining Area
  - Enhance current assets. Maximize value, even when margins decline, through investment in existing assets
  - Identify global expansion opportunities
- Petrochemical Area
  - Expand petrochemical activities in Israel and globally.
  - Develop and enhance current assets' capabilities
  - Identify international expansion opportunities
  - Focus on specialty products with high added-value, reducing sector volatility

## Strategic Plan – cont.



### Develop Complementary Areas

- Electricity Production
- International Trade Activities
- Fuel and Chemical Transportation Activities

# Strategic Plan – Environment

## Ongoing Environmental Development

- Targeting the Environment
  - View environmental protection as a primary business interest
  - Enhancing manufacturing of products that improve the environment throughout the country
  - Investing in reducing ORL's impact on the environment

# Implementing Strategic Plan

## Changing Corporate Structure

### Oil Refineries Energy & Petrochemical Company

#### Global HQ

- Strategic Corporate HQ
- Develop new businesses
- Total responsibility for company-wide matters
- Responsible for determining strategic and follow-through
- Technological capability for the planning and establishment of large scale units and site enhancement

#### Trade in Fuel and Petrochemicals

- Maximize return by conducting purchase and sale under optimum trade conditions
- Develop international trade
- Develop customers; compiling and signing agreements
- Logistic organization for transport

#### Petrochemicals

- Develop petrochemical field
- Identify opportunities, enter new markets, technologies and products
- Identify and establish sales and factory sites

#### Refining

- Includes plant (refining & petrochemical) and supportive bodies
- Responsible for supplying quality product, at high service level, in adequate quantities and at competitive price.
- Responsible for defining policy and standards in areas of manufacturing, quality, maintenance and safety
- Environment

# Implementing the Strategic Plan

The background of the slide features a photograph of two large, white industrial cooling towers against a clear blue sky. A thick, curved green line separates the top image from the white text area. On the right side, there is a vertical black bar containing a white logo that consists of stylized, overlapping geometric shapes.

- Investing \$850 million in expanding the Company's business in both the core and complementary areas
- Investing over \$270 million in areas related to the environment, safety, security, production reliability, and guaranteeing product quality

# Implementing the Strategic Plan

## Core and Complementary Areas

- Refining Area
  - Increasing the value of current assets
    - Hydrocracking
      - \$600 million investment to increase the Haifa Refinery's complexity, leveraging current raw resources;
      - \$116 million already approved to implement the first stage and preparations for second stage.
      - Completion beginning-2011
    - \$140 million investment to increase operating flexibility and efficiency. \$50 million already approved to upgrade the major refining unit
- Complementary areas
  - Manufacturing electricity for a total estimated investment of \$110 million

# Implementing the Strategic Plan

## Investing in the Environment

- ORL's new shareholders view environmental awareness both as a business and public strategic goal
- Decided to invest approx. \$ 270 million in implementing comprehensive plan to improve the Company's environmental activities
- These funds will go towards environmental related improvements, safety, security, and improving the products' operational reliability and guaranteeing product quality
- ORL's management believes high-quality production goes hand-in-hand with environmental protection and preventing pollution

**A quality product means environmentally friendly production**

# Implementing the Strategic Plan

## Investing in the Environment

- We aim to be environmentally conscious
  - ORL currently operates according to the Ministry of Environment's requirements in the area of sewage, waste, dangerous materials and air quality.
  - Company active on several fronts in tandem to meet environmental standards for: Air pollution prevention; Improved sewage quality; Ongoing improvement in dangerous materials' treatment
  - The goal of the investment plan – to enable the refinery to meet the future, tougher demands, of the Ministry of Environment and German emission standards, among the most rigorous in the world

# Investing in Improving Environmental Activity

- \$270 million investments
- Of which the following projects have already been approved
  - \$ 30.0 m - Preparation for the reception of natural gas and required modifications in the power plant
  - \$ 10.0 m - Filters to reduce particulate emissions from catalytic cracker
  - \$ 11.2 m - Projects to reduce NOX emission
  - \$ 7.5 m - Installation of domed roofs on volatile materials containers
  - \$ 2.0 m - Different projects to reduce odor emissions

# Environmentally Friendly Product Development

- Euro V Fuel
  - With 10 ppm sulfur content (compared to 50 ppm today)
- Euro V Transportation Diesel
  - With 10 ppm sulfur content (compared to 50 ppm today), supplied to all that demand
- Heating Gas Oil with 0.1% sulfur content
  - To be marketed from Jan 1, 2008
- Combining Bio-Diesel into ORL's products

# Investing in the Environment

## Air Quality – LDAR

- ORL has initiated a Leakage Detection and Repair (LDAR) project
  - Relates to a detailed and steady review process of approximately 200 thousand connections and connectors
  - Treatment expected to substantially reduce carbon emissions from the refinery as well as odor offenses.

# Implementing Strategic Plan

## Additional Changes

- New performance based compensation plan
- Issued draft prospectus for debenture issue raising hundreds of million NIS
- Bringing in the local and international banking system and capital markets to finance the Company's expansion plans

# Oil Refineries Ltd.

Thank you

*November, 2007*



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## Appendices

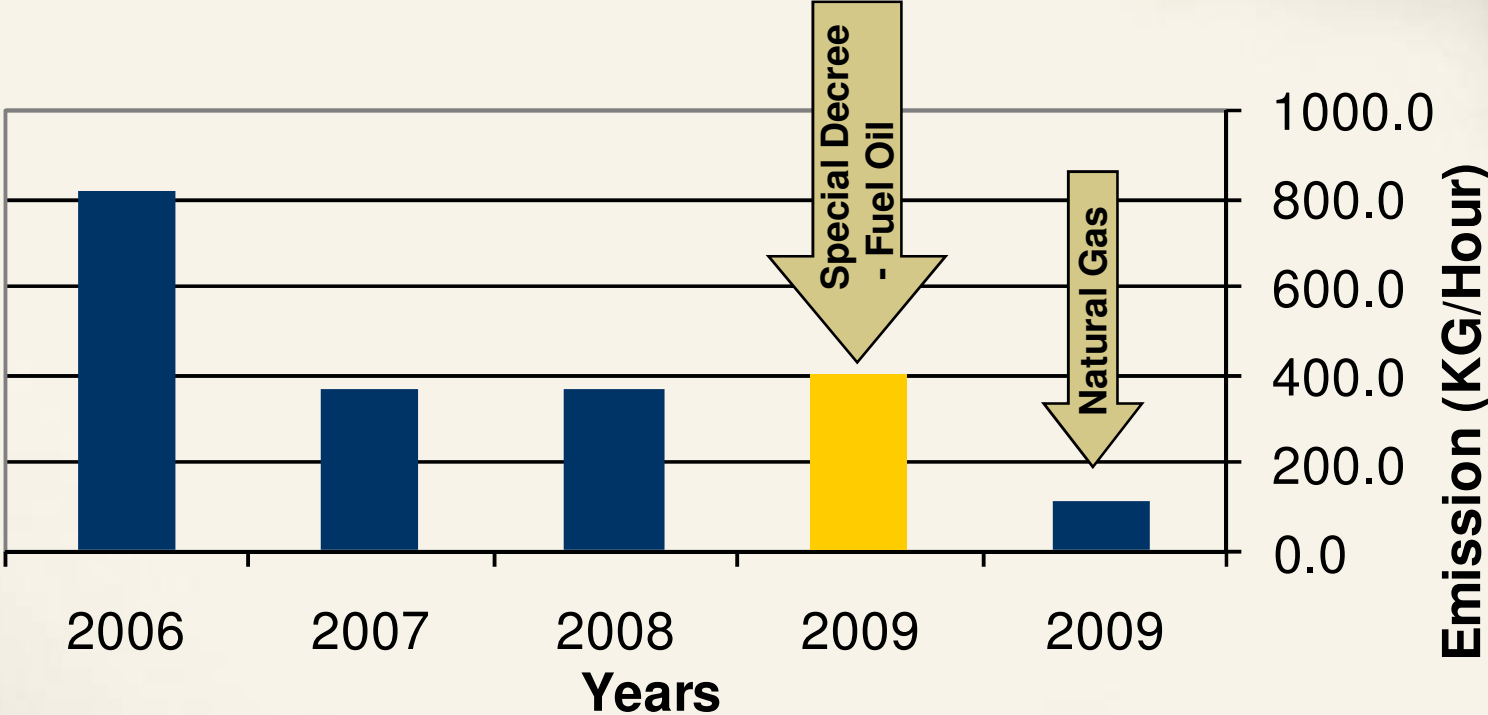
*November, 2007*

## Results of the Environmental Plan

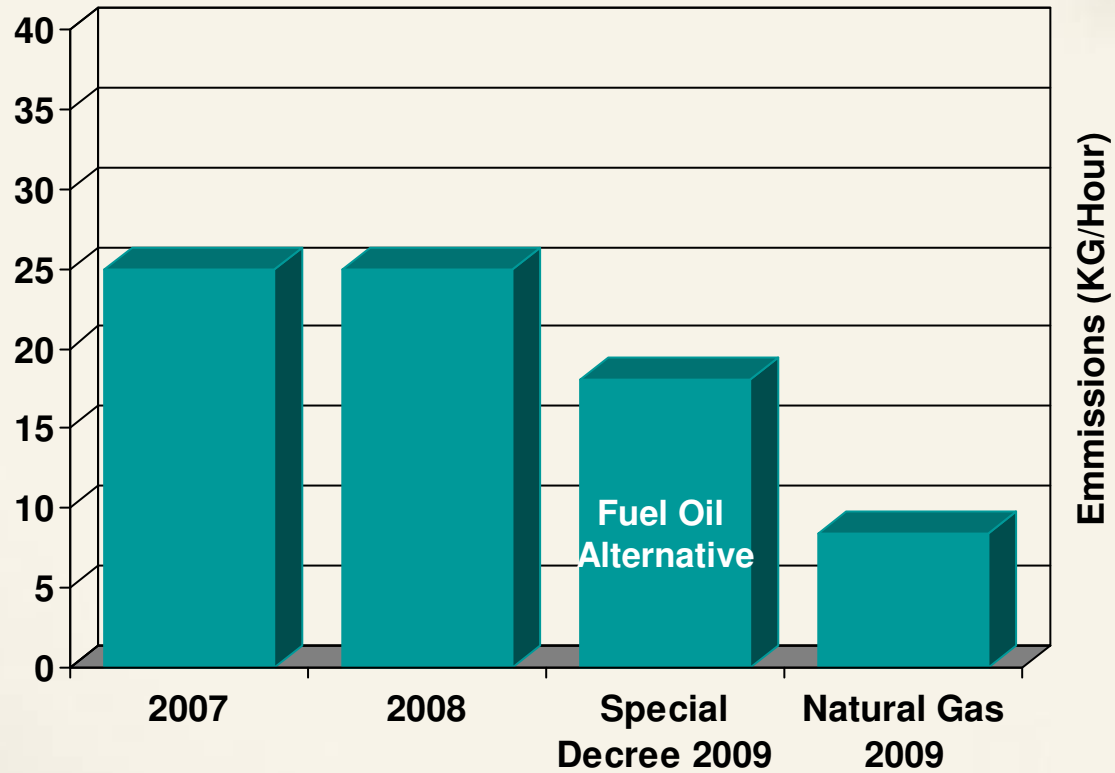
- Implementing the environmental plan investment , paired with the transition to natural gas, will substantially reduce ORL's emissions



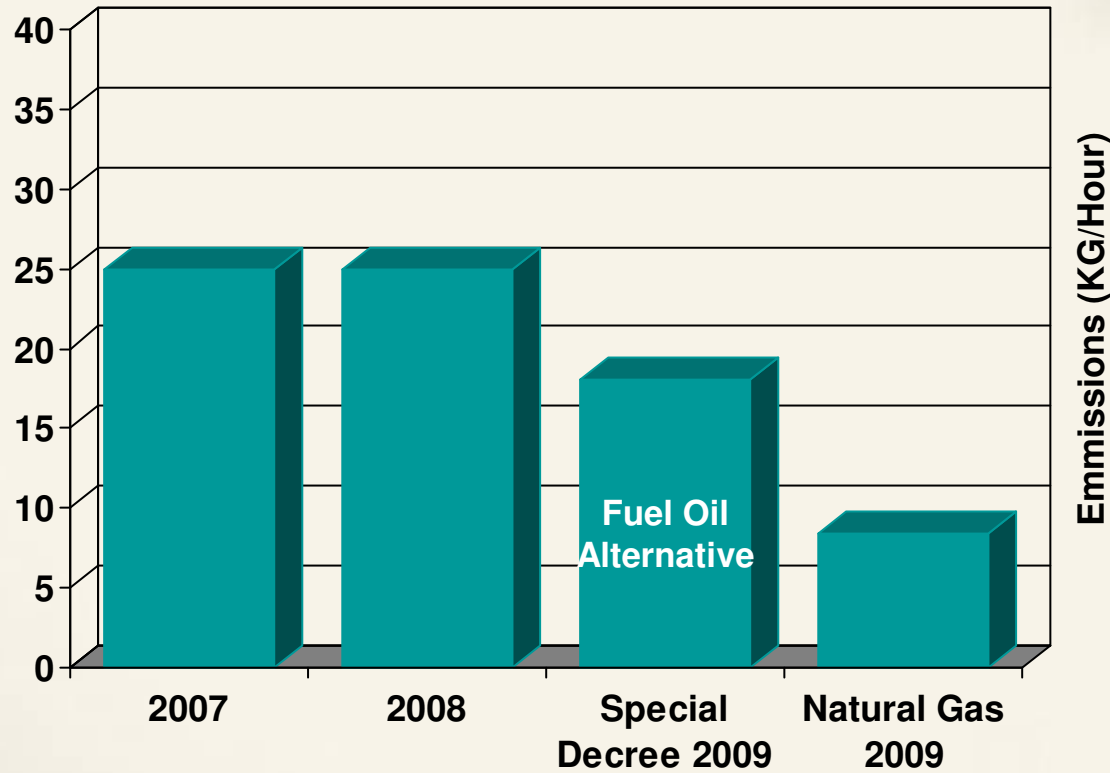
# Reducing SO<sub>2</sub> Emissions



# Reducing NOX Emissions

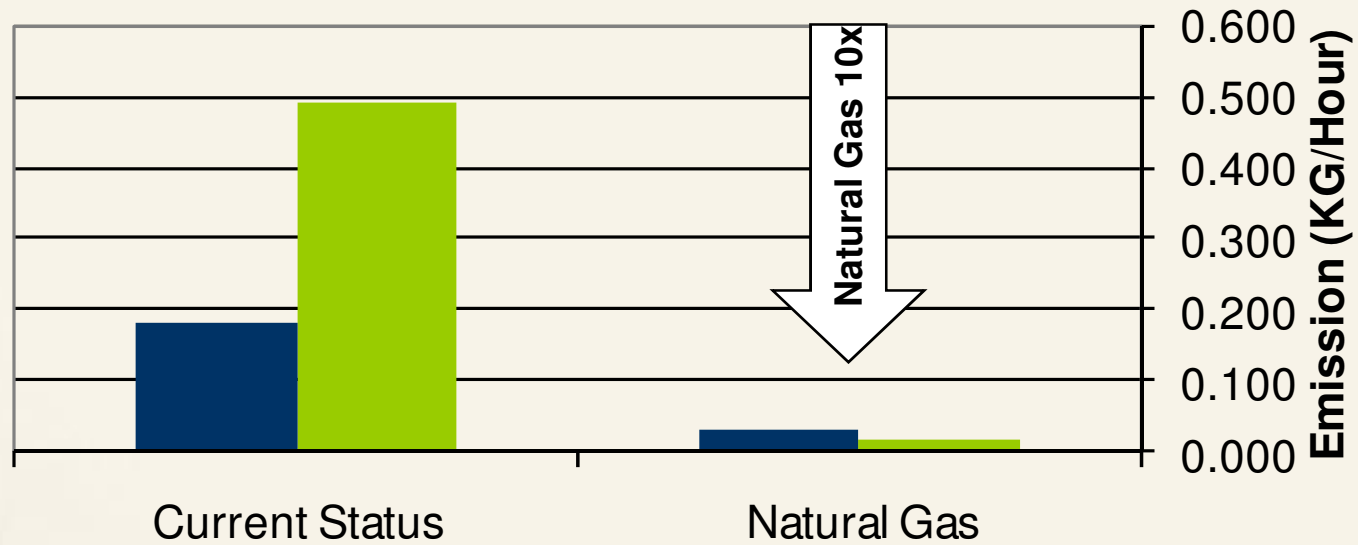


# Reducing Particles Emissions



# Reducing Metals' Emission

Comparing general expected metals' emissions at ORL in 2009

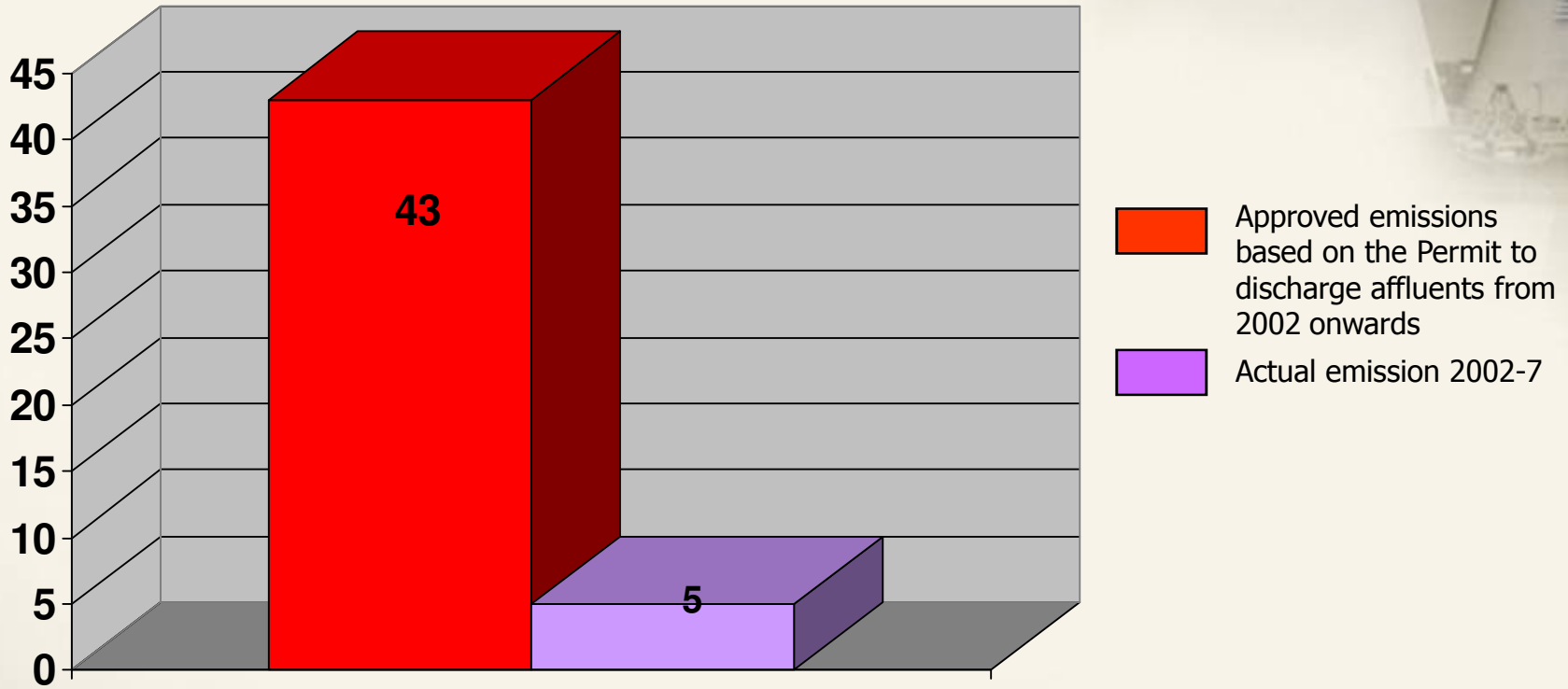


Vanadium Nickel

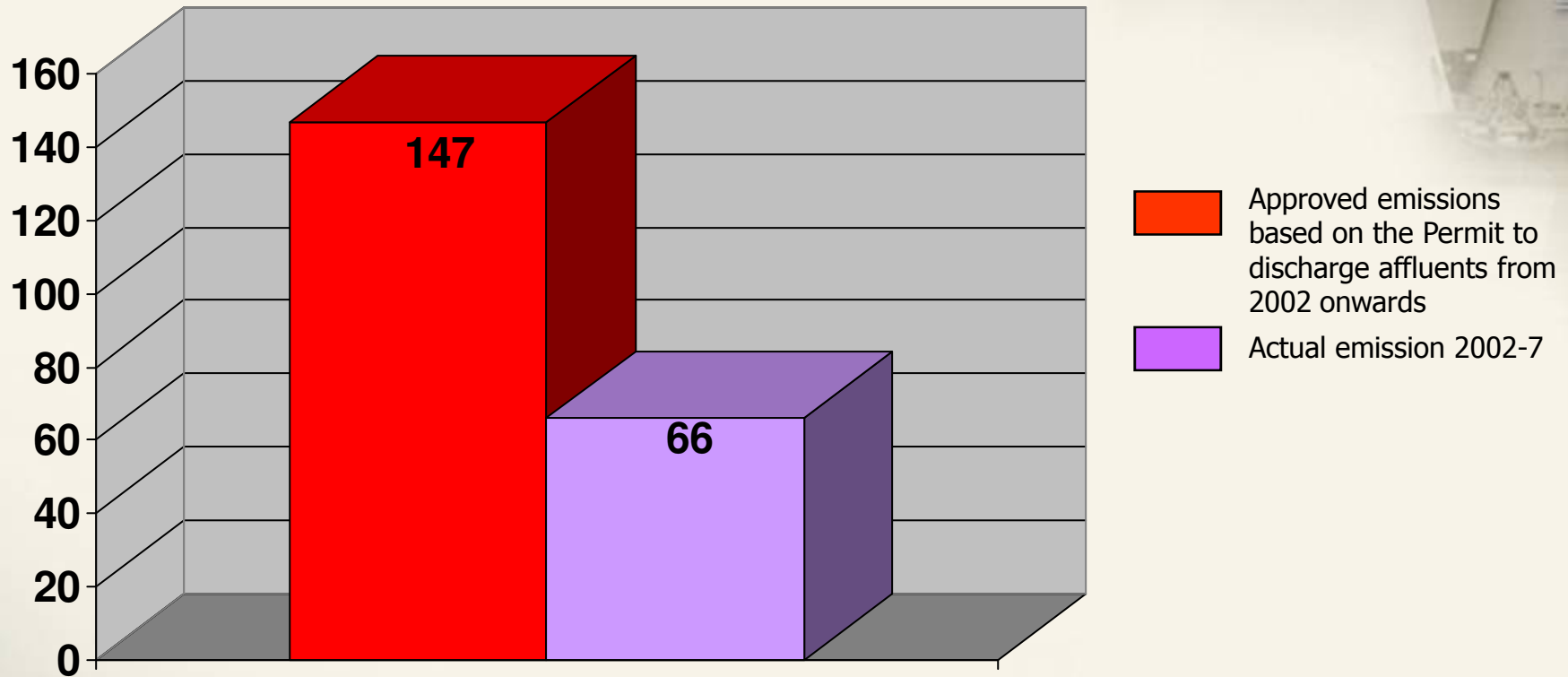
## Quality of Treated Waste Water

- ORL waste water treating system is among the most advanced of its kind in the world
- The system was built as a multi-obstruction system, enabling it to successfully handle potential problems
- ORL meets all the requirements set by the Ministry of Environment in the area of waste water treatment quality

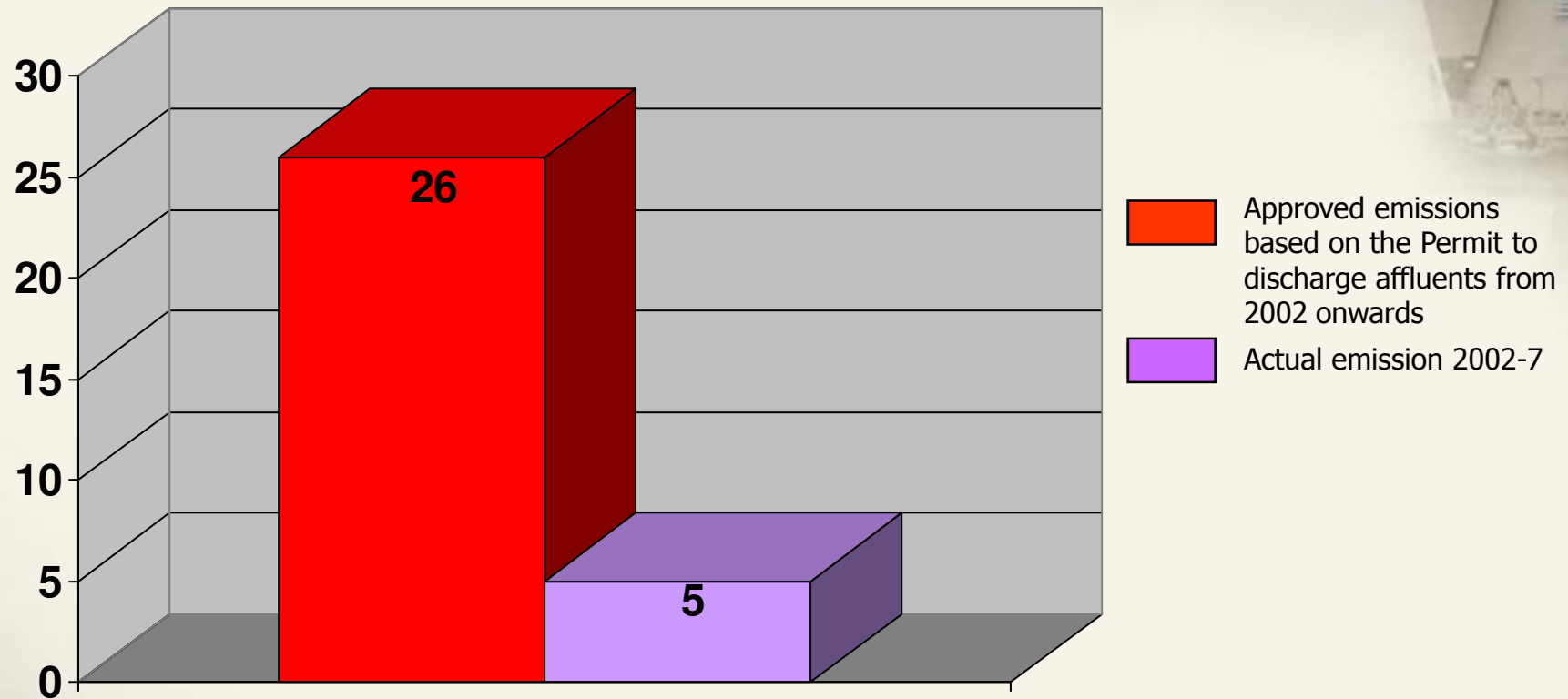
# Reducing Mineral Oil Emissions



# Reducing BOD (Biochemical Oxygen Demand) Emissions



# Reducing Ammonia Emissions



# Reducing Detergent Emissions

